

**SUSTAINABLE
DEVELOPMENT
REPORT
2006**



**UNLOCKING
VALUE AT
ALL LEVELS**



ACCESS KEY

Scope of the report

This report covers Harmony's financial year, from 1 July 2005 to 30 June 2006.

During the period, substantial restructuring at Harmony's South African operations continued with a number of shafts having been closed or downscaled to optimise the profitability and life of the company as a whole. This restructuring was necessitated by a combination of factors: a number of shafts reached the end of their economic lives, and the margin squeeze caused by the continuing strength of the South African rand against the US dollar continued.

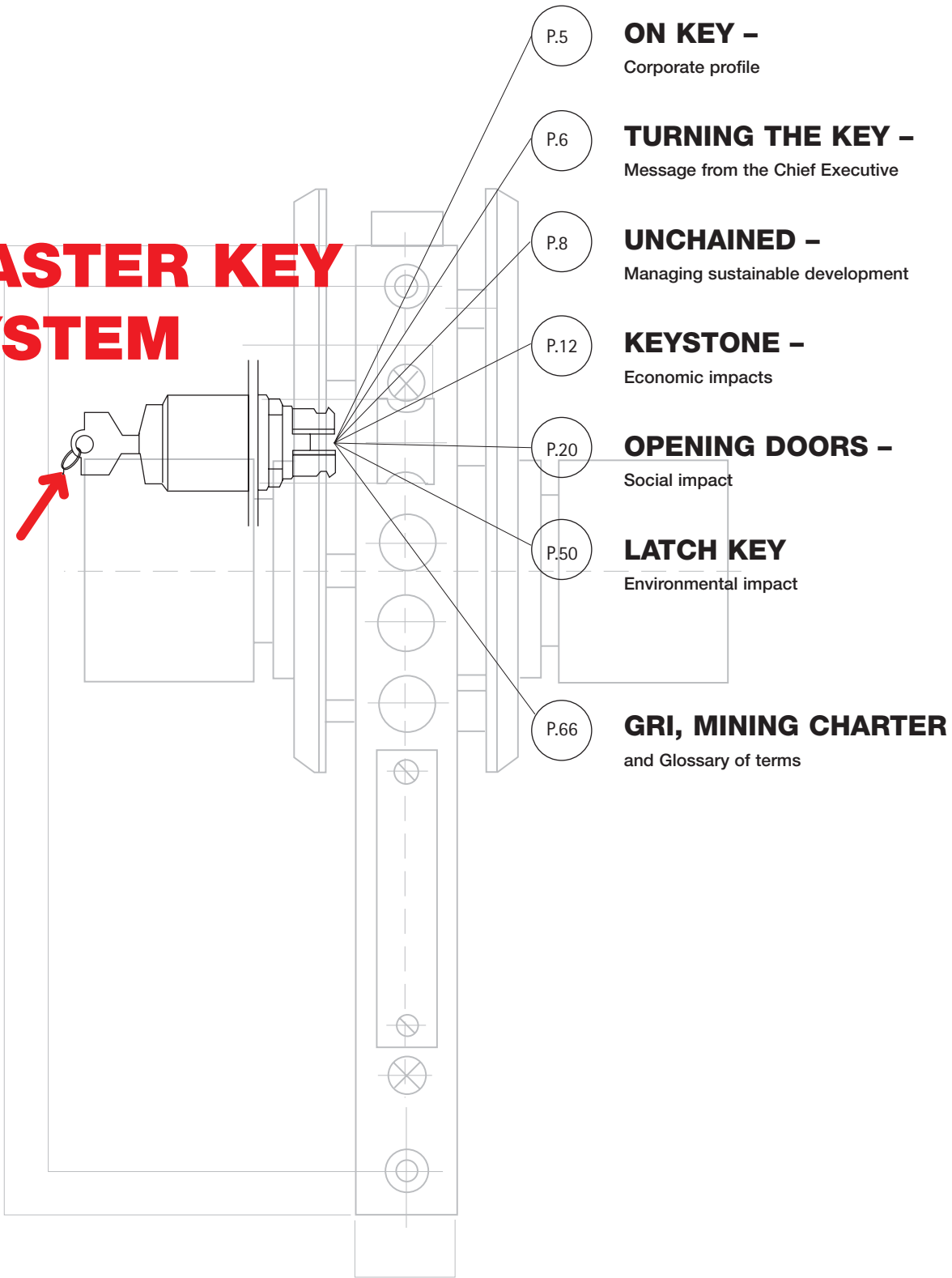
In FY06, Harmony produced 2.4Moz of gold, a decrease of 23% on the previous year. In collaboration with the representative unions, every effort was made to reduce the impact of the restructuring on employees although, inevitably, jobs were lost. Details on the job loss mitigation measures and other programmes undertaken by the group in support of former employees is reported on page 26.

Since most of Harmony's operations are located in South Africa, this report focuses on the South African operations, although some reporting on the operations in Australia and Papua New Guinea (PNG) is provided.

Every effort has been made in preparing this report to ensure that the report is consistent with the principles of the Global Reporting Initiative (GRI), and in line with GRI requirements.

This report has not been externally audited.

MASTER KEY SYSTEM



These 'Harmony arrow' keyrings were handcrafted by learners as part of a selection programme for the 2007 intake into Harmony Jewellery School in the Free State.

The Jewellery School boasts some of the best training laboratories in southern Africa. It is significant that Harmony's own jewellery school should be making keyrings as the Harmony arrow logo embodies the Harmony brand.

The key is made in a traditional African style, with wire and beads, symbolising 'Unlocking value', a constant theme in this year's report.



OUR GLOBAL FOOTPRINT:



Our operations:

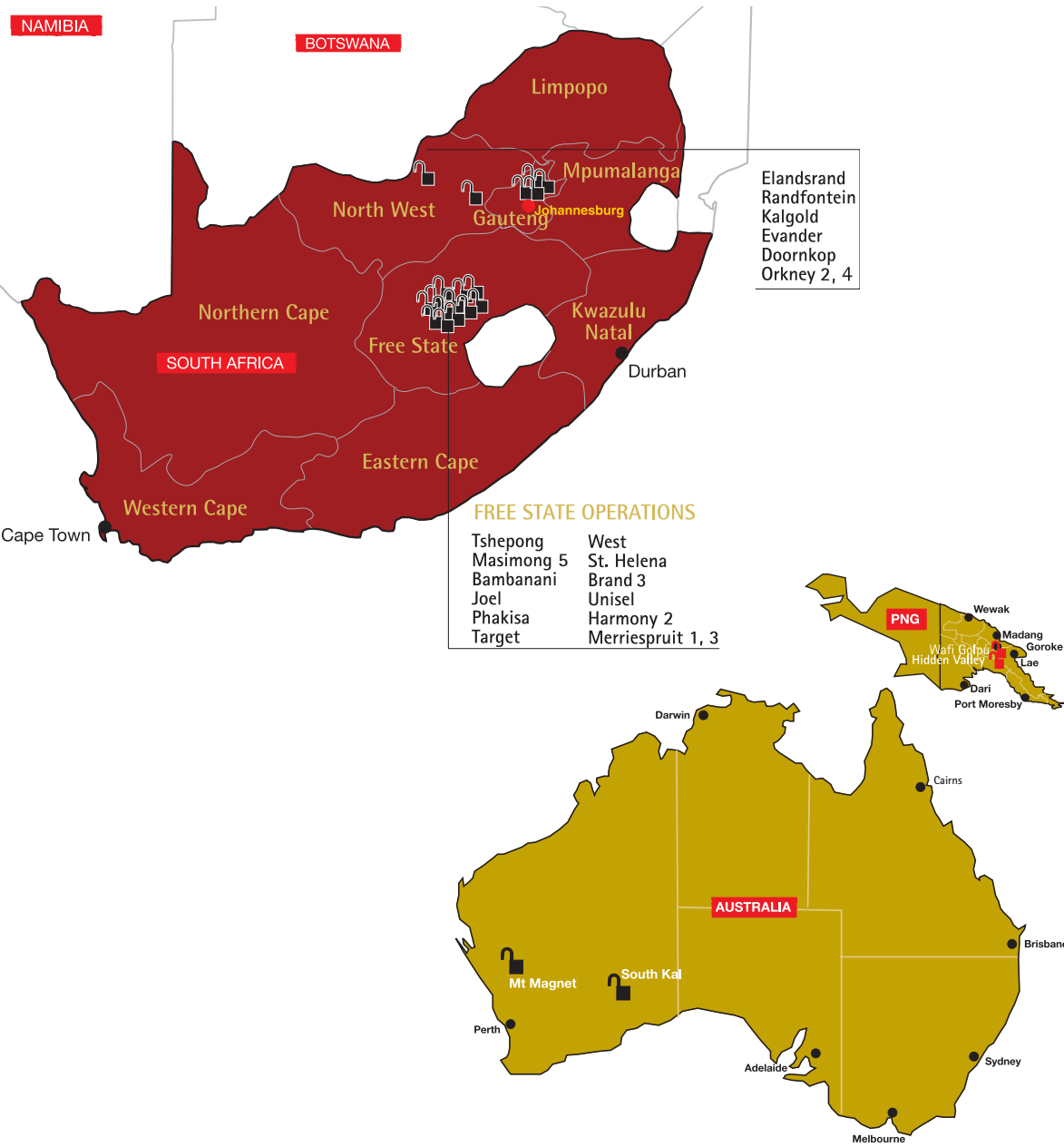
Our South African operations are managed in three categories:

- Quality assets include the Evander shafts, Randfontein Cooke shafts, Target, Tshepong and Masimong 5.
- Leveraged assets include Bambanani, Joel, West, Nyala, St Helena, Harmony 2, Merriespruit 1 and 3, Unisel, Brand 3, Orkney 2 and 4.
- Growth projects include Doornkop shaft and South Reef project, Elandsrand shaft and New Mine project, Phakisa shaft and Tshephong decline project.

In addition, there are a number of surface operations, including Kalgold.

Our Australasian operations are:

- Harmony's operations in Australia are centred at Mount Magnet and South Kal in Western Australia.
- Current projects in Papua New Guinea are Hidden Valley and Wafi Golpu.



ON KEY

Corporate profile

Harmony Gold Mining Company Limited is the fifth largest gold producer in the world, with operations and projects in South Africa, Australia and Papua New Guinea (PNG). In the FY06 financial year, Harmony produced 2.4Moz of gold, 90% from our operations in South Africa with the balance from Australasia.

The business of gold mining has considerable economic, social and environmental impacts, which have to be considered in the current and longer-life operations. Harmony is very aware of the "give-and-take" which needs to occur in order to create a balance between economic development and the benefits that are enjoyed by our employees and our communities.

Harmony is a significant employer, providing jobs to 49 500 people as at the end of June 2006 (88% employees, 12% contractors). Harmony currently has five large-scale projects under way, which together will add 3.1 million life-of-mine ounces to the company's reserve base. In FY06, we spent R561 million (US\$88 million) on these growth projects.

Our product, gold, is special: Gold is not consumed in its use. Rather, because of its rarity and value, the product is cherished and held as a store of value. Almost all the gold that has ever been mined is potentially available for re-use.

Total number of Harmony employees and contractors



Number of employees and contractors – Australia vs South Africa



Total South African production vs total Australian production in ounces



TURNING THE KEY

Message from CE



*"FY06
has been both
rewarding and
challenging
year from
a people
perspective"*

Dear stakeholder

In our annual report for the FY06 financial year I make mention that this was a challenging year from an operational point of view. From a people perspective – as that is what I believe sustainable development is mainly about – it has been both challenging and rewarding.

While the focus in our annual report is quite rightly on production results and on the income statement and balance sheet, the focus in this report is (and should be) on the group value-added statement which says a lot more about the revenues that have been generated, about the salaries and taxes paid, about capital expenditure and retained earnings. This report also looks at those intangibles that are difficult to quantify but that have a far more meaningful impact on society than accounting policies will ever have.

Perhaps one of the most significant features of the year was that 3 256 (1 779 compulsory; 1 477 voluntary) jobs were made redundant as a result of the restructuring. Equally important is that, following an agreement with our major union – the National Union of Mineworkers (NUM) – we were able to

re-employ 725 employees and place them in jobs elsewhere in the company. The recommencement or initiation of continuous operations (or Conops) – at all of those operations where this made sense – played an important part in avoiding job losses.

We have managed to draw out a positive factor from this experience – the relationship between the company and the unions has improved significantly in recent months with both parties equally concerned about coming to mutually beneficial solutions (See page 24).

We experienced a regrettable setback during the year in terms of our safety performance – 31 people died as a result of fatal accidents at work during the year, all of these at the South African operations. On behalf of the board I would like to express our deepest sympathy to those affected.

No immediate trends could be identified behind this increase. An immediate and high-level response has been put in place to address safety and health issues and, in particular the behavioural aspects of safety. No accident, let alone fatality, is acceptable to us and we will continue to aim to reduce and eliminate them.

I have given my personal support to our safety and health programme and will hold our managers accountable for safety performance.

On the environmental front we have made a landmark decision to adopt ISO 14001 both as the basis for our environmental management system and as the benchmark against which we are committed to be audited. The water issues in the Randfontein, Klerksdorp, Orkney, Stilfontein and Hartebeesfontein (KOSH) areas that we reported on last year remain important to us, with Harmony having to incur significant expenditure, partly in support of an independent environmental impact assessment (EIA) and continued pumping costs. We report on this on page 55 of this report.

Harmony's activities ensure that it is an integral part of our communities, and we try to live up to the commitments that we have made – from the development of social and labour plans in partnership with unions and local government to corporate social investment initiatives at our operations. We formalised a new Corporate Social Responsibility (CSR) policy this year. This policy will help us to actively identify areas that we have chosen to become involved in and the level of funding that is both affordable and appropriate, depending on the nature of the needs identified. Our CSR executives focus on mining communities and major labour-sending areas. Our corporate social responsibility initiatives cover various areas including: education; socio-economic development; beneficiation; and arts, sports and recreation.

Another aspect that I am pleased to report on is the progress we have made with our initiative to combat HIV/Aids. As part of our war on Aids we are trying to address the stigma relating to the disease, as the fear of the consequences of discovery perpetuates unsafe behaviour and keeps people away from testing and treatment. We have taken two major steps forward. First, we have – in conjunction with the unions – incorporated our HIV/Aids policy into a broader chronic illnesses policy. While we recognise that there are special circumstances surrounding HIV/Aids and that the impact on our employees and their communities is enormous, Aids is no longer an immediate death sentence. If employees know their HIV status, they can take the appropriate steps to seek treatment. We view this as a fundamental first step in breaking through the stigma associated with the disease.

Second, in July 2006 we launched a massive pilot voluntary counselling and testing (VCT) initiative in Evander, with testing undertaken by a third-party service provider. Within two weeks, 1 596 people were tested. Now six weeks into the roll-out we have had to extend the programme as it has been so successful. Presently, 60% of our 5 500 strong workforce have been tested including myself and members of senior management. This is a significant step forward and this pilot programme will now be extended to our other operations over the coming months.

We are also pleased to report that we have once again been included in the JSE's Socially Responsible Index (SRI) as we believe this benchmark is an important measure of outside persons' experience of Harmony.

Finally, stakeholders should note that while we have adopted an incremental approach to reporting in accordance with the Global Reporting Initiative (GRI) guidelines and have provided an index to our GRI performance on page 66 of this report. In doing this, we have tried to determine what are those things that are most important to us and our communities, and have attempted to address these as fully as possible.

We welcome feedback both on this report and on our performance.

*"We welcome
feedback on
the report
and our
performance"*

Bernard Swanepoel

13 September 2006

UNCHAINED

Managing sustainable development

P.10 Global Reporting Initiative (GRI)

P.10 Stakeholders

P.11 Sustainable Development Committee

P.11 Risk management approach



"Harmony has adopted an incremental approach to the implementation of GRI"

Global Reporting Initiative (GRI)

GRI is a non-profit institution, whose mission is to develop and disseminate globally applicable sustainability reporting guidelines to assist organisations in reporting the economic, environmental and social dimensions of their activities. Reporting organisations adopt the GRI principles and reporting standards voluntarily.

Harmony has adopted an incremental approach to the implementation of GRI and subscribes to the reporting principles put forward by GRI:

- This report is **inclusive** as we have identified our stakeholders and have explained how we have responded to the various issues that they have raised.
- Although we have not responded to all GRI indicators we have responded to those issues that are most **relevant and material** to our stakeholders, and have indicated those areas where we are unable to report owing to the lack of information or relevance to the company.
- We believe that we have been transparent in our reporting.
- We have reported our performance in the wider **context** of sustainability.
- The report is **complete** insofar as it touches on the major issues and covers all of our operations. It is not, however, exhaustive.
- The report is **balanced** in that we have provided a factual account of the issues that we face, both good and bad.
- We have tried to provide information that is **comparable** year on year.
- The report is, to the best of our knowledge, **accurate** and has been signed off by the relevant responsible managers, and our Sustainable Development Committee.
- The report is **timely** – it has been prepared and is being published, in conjunction with our annual report for the financial year ended June 2006.
- We believe that the report is provided in a manner that is accessible to all stakeholders and therefore meets the principle of **clarity**.
- We are satisfied with the accuracy and validity of the information presented in this report. However, we have not at this stage in our reporting efforts, proceeded with **assurance**.

Stakeholders

Harmony recognises that the company has a wide and diverse range of stakeholders and is committed to engaging with them through formal and informal channels:

Our stakeholders include:

- employees;
- unions;
- communities surrounding our operations and communities from which our workforce is drawn;
- our business partners and fellow mining companies;
- national, regional and local governments;
- our shareholders and other members of the financial community;
- our suppliers;
- our customers;
- non-governmental and community-based organisations; and
- the public at large.

no holds barred –
we engage with
stakeholders at all
levels



We acknowledge that ongoing communication with our stakeholders, both direct and indirect, is a vital mechanism to receive feedback from companies external to our own. Industry-based channels and a wide range of media facilitate this two-way communication.

Sustainable Development Committee

The Sustainable Development Committee of the board is responsible for supporting, advising and providing guidance to management on issues pertaining to sustainable development, particularly health and safety, HIV/Aids, social investment and environmental management. Three non-executive directors make up the Sustainable Development Committee. They are: Modise Motloba (chairman); Joaquim Chissano and Fikile De Buck.

The committee meets on a quarterly basis.

The stated objective of the Sustainable Development Committee is to assist the Board in ensuring that Harmony is and remains a committed socially responsible corporate citizen. The committee's primary role is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The duties of the Sustainable Development Committee may be found in the Annual Report on page 114.

Risk management approach

For further information on Harmony's risk management policy and risk factors, refer to the corporate governance section of the annual report FY06.

"The objective of the Sustainable Development Committee is to assist the board in ensuring that Harmony is and remains a committed socially responsible corporate citizen"



KEYSTONE

Economic impacts

- P.14 What we have achieved
- P.15 Value-added statement
- P.16 Black economic empowerment
- P.16 Equity ownership
- P.17 Political donations
- P.17 Beneficiation
- P.18 Research and development – Project AuTEK
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*"Our most visible
and immediate
impact is an
economic one"*

Our economic impact

Harmony is cognisant of the fact that its most visible and most immediate impact is an economic one, on:

- the people that it employs directly and indirectly at its operations in South Africa, Australia and Papua New Guinea (PNG);
- suppliers, who provide a range of capital and consumable goods and services to our operations;
- customers of our gold, locally and internationally;
- the national fiscus, into which we as a company and as employees pay taxes;
- provincial and local governments, to which we pay taxes and levies;
- the utilities, from which we purchase water and electricity;
- dependants of our employees around our mines, and in the areas from which our employees are drawn; and
- communities around our operations and in labour-sending areas, where our employees spend their earnings.

What we have achieved

A detailed account of our financial performance may be found in our annual report for the year ended June 2006, or on our website at www.harmony.co.za. This report also includes discussion on the structure and governance of the operating and financial affairs of the company, risk factors, board and management.

The value-added statement on page 15 provides a detailed account of the distribution of the wealth created by Harmony in FY06. We also report on black economic empowerment (BEE), research and development, beneficiation and their important role in economic development as well as sustaining our business. Our growth projects and the capital we are currently investing in our operations in South Africa and Australasia are dealt with in the annual report.



Harmony Gold Mining Company Limited and its subsidiaries

VALUE-ADDED STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	FY06		FY05	
	R million	%	R million	%
Sales of gold	8 039		7 822	
Less: cost of materials and services	(2 817)		(3 379)	
Value added from trading operations	5 222	108	4 442	165
Income from investments	(399)	(8)	(1 752)	(65)
Total value added	4 823	100	2 690	100
<i>Distributed as follows:</i>				
Employees (Including directors and management)				
Salaries, retirement and other benefits	3 763	78	3 574	133
Providers of capital				
Dividends to shareholders	5	–	97	4
Interest on borrowings	470	10	505	19
Government				
Taxation	138	3	(730)	(27)
Total distributions	4 376	91	3 446	128
<i>Retained for reinvestment:</i>				
Depreciation and amortisation	1 088		1 042	
Impairment of assets	(216)		1 513	
Loss accumulated in the business	(425)		(3 311)	
Total reinvested	447	9	(756)	(28)
Total distributions (including reinvestment)	4 823	100	2 690	100

NOTES:

1. Total value added

Total value added increased by 79% due to an increase of 3% in the gold sales and a decrease of 17% in the cost of materials and services, which was offset by a decrease of 77% in income from investments.

2. Total distribution to employees

The proportion of total distributions distributed to employees and management increased by 5%.

3. Taxation comprises

	FY06 R Million	FY05 R Million
SA normal tax	11	7
Deferred tax	127	(806)
Foreign taxation	–	69
	(138)	(730)

4. Loss accumulated in the business

	FY06 R million	FY05 R million
Accumulated loss excludes the share of loss accumulated by associates so as not to distort the value added to raw materials, and comprises:		
Accumulated loss for the year	(530)	(3 311)
Share of accumulated loss of associates	105	–
Outside shareholders' interest in subsidiaries	–	–
	(425)	(3 311)

"We have adopted a multi-faceted approach to BEE"

Black economic empowerment

Harmony is proud to be a South African company and is highly supportive of the transformation process that has taken place in the country. We are committed to the development of the communities and our employees here and in the other countries in which we operate. We believe that the experiences gained in South Africa will stand us in good stead as we play an active and positive role in the development of local communities and elsewhere.

BEE is the process of bringing into the mainstream economy those people who were historically disadvantaged prior to the advent of democracy in South Africa. This is achieved through a range of initiatives including job creation, employment equity, management control, enterprise development, skills development, preferential procurement and social development. Some of these have been legislated by the state but many are simply good practices that have been implemented within the mining industry.

We have adopted a multi-faceted approach to the implementation of our BEE strategy which involves:

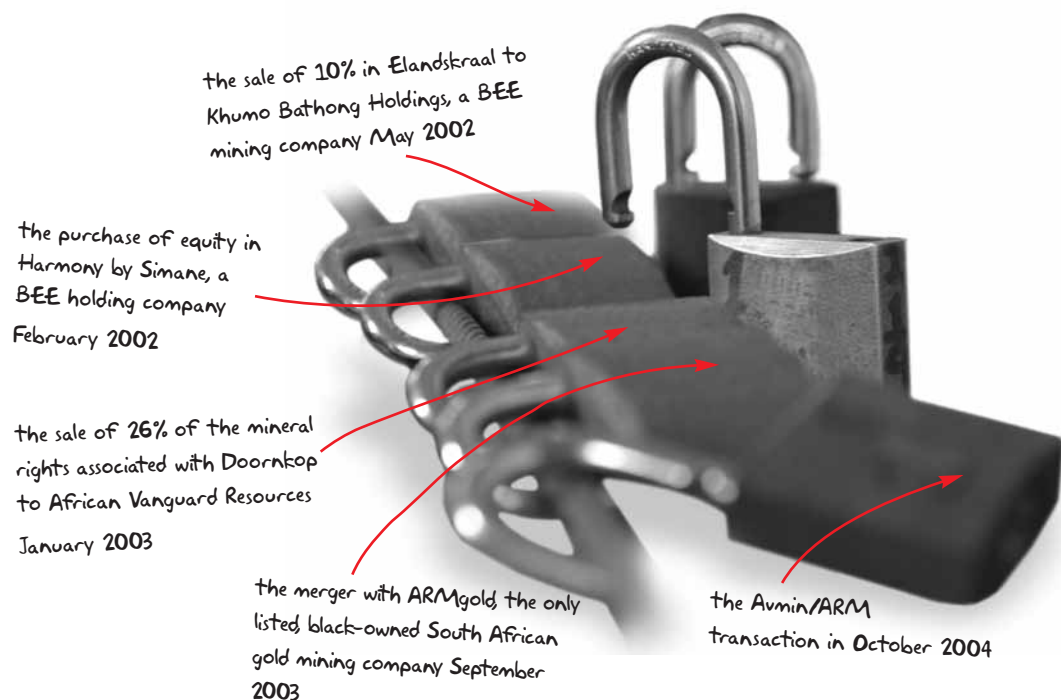
- increased participation in the company through equity ownership of the company as a whole and through joint ventures at an operational level;
- encouragement for the development of black-owned businesses independently and through our procurement policies; and
- developing and empowering our people not only for employment at Harmony, but through providing them with skills that will be transferable should they leave the company.

Equity ownership:

The Charter requires that South African mining companies transfer 15% of their equity ownership to HDSAs by 2009 and a total of 26% by 2014. Harmony has taken a number of steps to meet these requirements (see below).

We estimate that 32% of our total ounces produced during FY06 are BEE attributable ounces. Directly held equity ownership amounts to 16.1%.

HARMONY'S BEE TRANSACTIONS



Preferential procurement

Harmony is committed to the progression of the implementation of Historically Disadvantaged South African (HDSA) procurement. Three years ago Harmony introduced a BEE policy which gives preference to HDSAs and local suppliers. This includes the acceptance by the tender committee of a price-matching policy which allows HDSA companies to match the prices of non-HDSA companies. This price-matching policy works as follows: When a tender or quotation submitted by a BEE company is not the cheapest received, the company is re-approached and asked to revise its price (without disclosing the other suppliers' prices). Should the BEE supplier's revised price be the cheapest, the tender/quotation is adjudicated accordingly.

Harmony's discretionary procurement expenditure from trade vendors for FY06 was R2.3 billion. HDSA procurement amounted to R801 million, which is about 35% of total procurement spend for FY06 (In FY05, total HDSA procurement spend was 28%). It is envisaged that by FY09, procurement spend will amount to 45% of total expenditure.

Our operational buying department gives preference to HDSA companies and has introduced a supplier performance management programme that takes cognisance of HDSA progression commitments. Annual verification audits of our HDSA spend are conducted and we have asked all our suppliers to verify their HDSA compliance through external verification agencies.

To ensure that this programme extends beyond our operations, we have engaged with local and provincial governments to create business development centres to facilitate the broadening of our HDSA spend. These centres are charged with business development support, skills development and supporting business start-ups within mining communities and labour-sending areas, in line with the requirements of the Minerals and Petroleum Development Act

(MPRDA) and the Mining Charter Scorecard.

Political donations

Harmony has a Funding of Political Parties Policy which spells out the basis of financial support provided to political parties, in recognition of the fact that in South Africa's young democracy, the democratic process needs to be stimulated and supported. (This policy is available on our website.) A board sub-committee makes available a sum for distribution as donations to political parties prior to each national election on an equitable and proportional basis. As no national elections were held during FY06, no political donations were given.

Beneficiation

Harmony is part of the Chamber of Mines' working party on beneficiation which is currently engaged in discussions with National Government on the subject of beneficiation. We are currently working on establishing our baseline figure for beneficiation so that we will be able to estimate necessary growth to qualify for an offset.

Harmony is involved in a number of beneficiation projects in an effort to generate jobs and to develop a skills base for gold jewellery fabrication in South Africa.

Harmony Jewellery School

The Harmony Jewellery School will be seven years old in September 2006, and now consists of three components: Future Education and Training (FET); the National Diploma in Jewellery Design in partnership with the Central University of Technology in the Free State (CUT); and the Technology and Human Resources for Industry Programme (THRIP). Endorsed by the National Research Foundation (NRF) and the Department of Trade and Industry (DTI), is a partnership programme

% HDSA procurement



% HDSA procurement



*"Harmony's
beneficiation
projects generate
jobs and develop
the skills base in
South Africa"*

"AuTEK's Biomedical programme is looking for new biomedical applications for gold, such as fighting cancer, malaria and Aids"

which challenges companies to match government funding for innovative research and development in South Africa). The school has developed from a small project into a facility which educates individuals not only in the theory of design but includes an important component of practical skills to prepare the student for the industry. Harmony provided R1.3 million in funding for the Jewellery School in FY06.

The FET learnership programme, as part of the Employment, Skills Development Lead Employer (ESDLE) project, has recently been chosen as the best ESDLE out of 24 participants in South Africa. ESDLE is an industry programme run by the Department of Labour, which has been launched to facilitate the employment of people in rural areas within small and medium enterprises. The Free State MEC for Education held a function to celebrate this achievement during the FET Open Day on 8 June 2006, as Goldfields FET is a proud partner in this NQF level 3 learnership in mass production. Three students, Ramatsa Moeketsi, Mbelembushi Nondumiso, and Roger Sash were chosen to participate in the annual Department of Minerals and Energy (DME) facilitated workshop to be held during Mining Week in September. Most of the 40 students in the programme are expected to complete their course and graduate in September 2006. A new intake is due to commence in October 2006.

The Central University of Technology, in conjunction with the Harmony Jewellery School, is facilitating a three-year National diploma course in Jewellery Manufacturing and Design. Students are required to qualify in both the practical and technical aspects of jewellery manufacture and design. Thirty students are currently studying towards the National Diploma Course in Jewellery Manufacturing and Design.

The THRIP project centres around the use of the Rapid Prototype (RP) machines utilising computer-aided design and casting systems. A number of students are studying toward

Bachelor of Technology (B-Tech) and Master of Technology (M-Tech) qualifications in design through the THRIP programme. Fifteen students were enrolled in FY06.

Harmony refinery

The company's beneficiation projects includes the Harmony Refinery which has over the past year, has refined and produced its own branded gold bullion in small and large bars, which is sold into the international marketplace.

The refinery has also developed a range of value added products which include:-

- Fine gold and silver, jewellery alloys, sterling silver regular and low tarnish, plate, wire, tube, washers, solder blocks and paste, shanks, ferrules in varying carats.
- Semi-manufactured gold, silver and platinum bangles, wedding bands, coin blanks and other custom made orders.
- Industrial gold and silver products including silver anodes for the electroplating industry.
- Dental alloys, including an extensive range of casted and bonding alloys, solders and wire meeting restoration requirements.

All products comply with local and international standards and when requested, custom-engineered products are available.

Research and development – Project AuTEK

At Harmony we realise that an important part of growing our business in the future will be dependent on the continued demand for our product. That is why we have engaged in Project AuTEK, a collaborative, South African-based research initiative to find new industrial uses for gold. The initiative involves gold producers (Harmony, AngloGold Ashanti and Gold Fields) and the Council for Minerals Technology (Mintek).

The R4.8 million (from 2002 to 30 June 2006) AuTEK Biomedical Programme is funded jointly by Harmony and Mintek. Its objective is to find new biomedical applications for gold, particularly to fight diseases such as cancer, Aids and malaria. The recently commissioned Biomed Screening Laboratory will allow for in-house chemotherapeutic testing at Mintek to investigate infectious agents associated with human diseases.

AuTEK Biomed's cancer programme, which has been running since 2002, has made significant headway in the development of novel metal-based anti-tumour chemotherapeutics. Over 140 novel gold-based compounds have been screened against various tumour cell lines and a number of highly potent classes of compounds have been identified. Extensive structural modification of identified compounds has resulted in higher tumour selectivity and efficacy, and a patent application is in progress.

AuTEK Biomed's HIV programme got under way in FY05. The programme has involved the design, synthesis, and testing of gold-containing compounds for inhibitory action towards HIV replication. To date, 33 compounds have been screened for anti-HIV activity in an effort to identify potential usability.

The malaria programme also started in late FY05 with the aim of exploring the efficacy of gold-based drugs. Many compounds have been subjected to antimalarial screening, one of which was shown to exhibit antimalarial activity.

To date, Harmony has contributed R1.35 million to Project AuTEK and a further R2.8 million has been budgeted for the FY07 financial year.

Mining rights conversion

Harmony actively carries out mining and exploration activities in all material areas of its mineral rights. Three of Harmony's operations have been granted their mining licences. We have applied for new licences over all of our existing operations and await approval. We have taken steps to comply with the provisions of the Mining Charter and the MPRDA, such as promoting value-added production, exploring black economic power initiatives and increasing worker participation. It is Harmony's focus to ensure that the spirit of the laws form part of the company culture.

promoting South
African design



OPENING DOORS

Social impacts

P.22 Harmony as an employer

P.34 Safety

P.36 Health and well-being

P.40 HIV/Aids

P.45 Corporate social responsibility



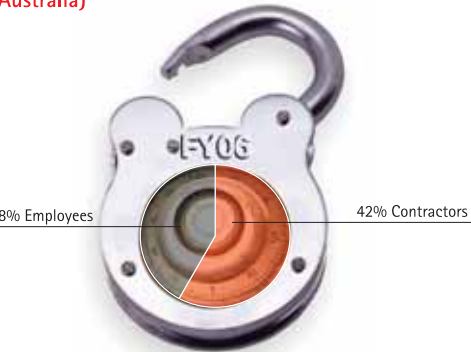
Employees vs contractors
(group)



Employees vs contractors
(South Africa)



Employees vs contractors
(Australia)



Employees vs contractors
(PNG)



Harmony as an employer

Employment statistics

Harmony recognises that the social dimension of sustainability concerns an organisation's impact on the social systems within which it operates. In line with the requirements of GRI, this section discusses key performance aspects related to labour practices, human rights and broader issues affecting employees, consumers, communities and other stakeholders.

Harmony is a significant employer in the mining sector. At the end of June 2006, Harmony's permanent employees numbered 43 724 (43 283 from the South African operations and 441 from the Australasian operations). The decrease in permanent employees from 46 996 people in FY05 related to the closure of a number of shafts at the South African operations that had reached the end of their economic lives and the restructuring of operations to return them to profitability in the current climate of rand strength. In addition, the company employed 5 776 contractors during the year, 5 287 in South Africa and 416 in Australasia.

Since the company embarked on its acquisition trail in 1995, it has consistently created and maintained jobs, particularly at the operations that would have been closed under the management of its previous owners. It has also implemented Conops, which is a working arrangement whereby operations run every day of the year except for 12 public holidays. The implementation of Conops has led to the creation of additional jobs.

EMPLOYMENT STATISTICS – AT END JUNE 2006

	Permanent employees	Contractors	Total
South Africa	43 283	5 287	48 570
Australia	204	416	620
PNG	237	73	310
Grand total	43 724	5 776	49 500

In May 2005, Harmony issued Section 189 notification (which allows for a 60-day notice and consultation period in terms of the South African Labour Relations Act) to a number of operations affected by the proposed restructuring of the Free State operations. The collective agreement with the unions on the Free State restructuring resulted in the retrenchment of 1 779 employees. A total of 1 477 employees also applied for voluntary retrenchment. As part of the Harmony social plan programme, these employees were eligible for training in portable skills so as to ensure that they have alternative sources of income or employment after mine closure or restructuring. 725 of these retrenched employees have been re-employed by Harmony.

Through a partnership with the Department of Labour and the unions, Harmony has paid about R400 000, drawn from Harmony's Social Plan Trust Fund, into the National Skills Fund for portable skills training. The amount represents 50% of the amount required for the training of affected employees, with the other 50% being paid by the department. The Social Plan Trust Fund was established by Harmony in FY03, with an initial contribution of R15 million, and a further commitment of R35 million (R3.5 million per year over 10 years) for portable skills training.

Subsequent to year-end and on the finalisation of the restructuring in the Free State region, the following employment reductions were effected:

SUMMARY OF EMPLOYMENT REDUCTION FY06:	
Voluntary separations	1 477
Compulsory separations	1 779
Total employment opportunity reduction	3 256

"Harmony is a significant employer in the mining sector"

Harmony will create 550 new jobs through the Hidden Valley project in PNG (based on the current feasibility study), of which 53 will be filled by expatriate employees. A further 100 have been created as part of the Wafi pre-feasibility project, providing support services to Hidden Valley and the exploration programme in PNG.

Internal marketing

Harmony's internal communication strategies are all aligned with their business strategy in the interests of adding value to the bottom line. Harmony has developed a "brand print" which is communicated on an ongoing basis to all employees as a model for the desired Harmony culture. The brand print has verbal, visual and behavioural components.

To inspire Harmony employees and to thank them for their hard work through the year, Harmony launched the Heartbeat Tour in September 2006. Heartbeat is an internal marketing initiative that was launched in FY05. It comprises a series of family days at each of the South African operations. Each day will feature Fun Runs, X-treme Climbing walls, soccer matches, food stalls and a Potjiekos competition.

Harmony has its own in-house radio station, Harmony fm, which is broadcast throughout its offices and operations. The station plays popular music and is a channel by which pertinent issues are communicated to employees.



women going underground!

"We are trying to
create a
co-operative
atmosphere and
positive work ethic"

PRIMARY LEGISLATION GOVERNING THE WORKPLACE IN SOUTH AFRICA

- Labour Relations Act
- Basic Conditions of Employment Act
- Occupational Diseases in Mines and Works Act
- Occupational Health and Safety Act
- Employment Equity Act
- Mineral and Petroleum Resources Development Act

Relationships with employees and unions in South Africa

Labour relations in South Africa is regulated by legislation that entrenches the rights of employees in respect of the prescribed minimum levels of compensation and benefits; trade union access and membership; the right to strike; mandatory compensation in the event of termination for operational reasons; affirmative action policies and programmes; compensation in the event of occupational illness or injury; and financing of training programmes. In the mining industry in particular, the relationship between unions, the company and the state is strictly governed and provides for consultation and the joint management of many operational issues, including those of health and safety.

The major unions recognised by Harmony in South Africa are: the National Union of Mineworkers (NUM), the United Association of South Africa (UASA), Solidarity and the South African Equity Workers Association (SAEWA).

We encourage employees and their representative unions to understand our business and make a positive contribution towards it through decision-making forums and task teams that address issues such as housing, health care, HIV/Aids, job grading, the social plan, restructuring and women in mining. A disciplinary code is in place, which provides a channel for any aggrieved employee to take up the grievance at the appropriate level.

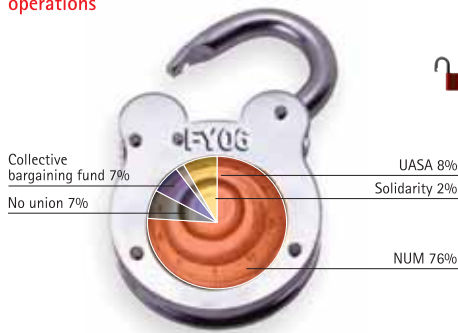
In FY06, we have attempted to do three things in respect of our relationships with organised labour in South Africa.

First, we aim to eliminate a backlog of disputes relating to issues which are sources of grievance and unhappiness for our employees and their representatives. These include such concerns as labour differential and inconsistent rates of payment across the group, the housing policy being unevenly applied and perceptions of poor medical care at the hospital. This lengthy process involves many hours of discussion and negotiation to arrive at mutually acceptable solutions. It also involves the implementation of agreements that were entered into over the past couple of years but not implemented for a variety of reasons, for example, job grading and the appointment of HIV/Aids co-ordinators.

Secondly, we aim to structure our relations with the unions so that issues are dealt with as quickly and efficiently as possible and at the appropriate level in the organisation. This has involved appointing regional employee relations managers and educating both management and the unions in making use of the correct structure in their dealings with each other. The objective is to reduce corporate-level involvement in employee relations at the operational level, but also to ensure that where an issue has group-wide ramifications it is dealt with at group level. To this end we have resurrected the Harmony Leadership Council which involves the chairpersons and secretaries of all the branch committees of our major unions which meets every month. Every six months we hold a 'bosberaad' (meeting) with the general secretary of the NUM present.

Third, through these deliberations we are attempting to create a co-operative atmosphere and positive work ethic, with the aim of having management and unions jointly tackling the problem, rather than having a 'them/us' approach with management defending itself against perceived union attacks. For example, the training and development working party has looked at the way in which we deliver Adult Basic Education and Training (ABET) and come up with an agreement to improve it. The working party on the housing policy has engaged in discussions on accommodation arrangements and policies have been jointly developed and solutions proposed.

Union representation at Harmony's South African operations



STRIKES AT HARMONY IN SOUTH AFRICA IN FY06

Dates	Location	Reason	No of days lost
7 – 11 August 2005	All locations	Wage disputes	5
18 May 2006	All locations	COSATU national stay-away	1

Relationships with employees and unions in Australasia

As is typical of most operations in Australasia, the Australian and PNG operations are not unionised. Wages are set through a combination of industry benchmarking and performance management.

Employee benefits

Harmony provides numerous benefits to employees. Many of these, particularly in South Africa, are either mandated by law or are negotiated as part of our collective bargaining processes. These include housing, medical aid, pension and provident funds, maternity leave, annual leave and annual bonuses.

Social Plan

The purpose of the social plan is to enhance productivity and profitability; to identify ways of lengthening the life of mine to ensure long-term employment; and, should there be a need for retrenchments, to ensure that employees are transferred to other operations, re-trained for other jobs or trained with portable skills to ensure that they are employable elsewhere or are able to start their own small businesses. In addition, corporate social responsibility projects are undertaken in the communities around operations and in labour-sending areas. All social plan activities are undertaken through the future forums.

Future forums at Harmony

Future forums, comprising management and union representatives, are now in place at most of our operations. These forums have been established to deal with issues of productivity improvement, minimising job losses and limiting the impact of retrenchments where these cannot be avoided. Harmony and NUM were initially the only parties involved in these activities, but other unions and associations joined the social plan through the future forums during the course of this year.

An audit of the social plan processes and in particular the establishment and functioning of future forums was conducted between April and May 2006. The results of the audit revealed several well-functioning future forums – at Evander, Kalgold, Masimong, Orkney, the Harmony mine, Joel and Target. The group social plan manager is now focusing on ensuring that future forums at all operations are formally constituted in terms of the agreed framework and that they function well. Government institutions and the National Productivity Institute (NPI) are also actively involved in partnering with Harmony to ensure that the future forums are functioning.

Re-skilling/re-training of retrenched employees

Employees that have been retrenched from Harmony's Free State operations (363 employees) and from Deelkraal (41) as a result of the 2004 and 2005 restructuring process, have been re-skilled in different disciplines, such as computer training, electrical training, plumbing, carpentry, welding, bricklaying, sewing, dairy, vegetable production, electrical appliance repair, basic agriculture, heavy

PRIMARY LEGISLATION GOVERNING THE WORKPLACE IN AUSTRALIA

- Mines Safety and Inspection Act (Western Australia)
- Mines Safety and Inspection Regulations (Western Australia)
- Mines Safety and Inspection Act (PNG)
- Mines Safety and Inspection Regulations (PNG)
- PNG Employment Act

"Future forums deal with productivity, minimising job losses and limiting the impact of retrenchments where these cannot be avoided"

vehicle driving (assistance with acquiring drivers' licences) and forklift driving. While this opportunity was made available to all retrenched employees, 63 employees did not avail themselves of the opportunity at the time and are being sought by Teba Development. Teba Development is a not-for-profit (Section 21 Company) non-governmental organisation (NGO), dedicated to the improvement of the lives of rural people, of which Harmony is a sponsor/stakeholder.

Social Plan activities in labour-sending areas

In line with our social plan framework, we have engaged with the Mineworkers Development Agency (MDA) and Teba Development to identify and undertake sustainable development projects in the major labour-sending areas of South Africa and neighbouring countries. Areas identified by Teba development as being in need of intervention include the Eastern Cape and Northern KwaZulu-Natal provinces in South Africa, Lesotho, Swaziland and the Gaza province in Mozambique.

The MDA facilitates the provision of critical services, via service providers, to ex-workers in the mining, energy and construction fields and their dependants. The funding is based on equal contributions from the company (from the Social Plan Fund) and the Department of Labour's National Skills Fund. Currently, the Social Plan Fund has over R20 million available for development. The main objective of the fund is to ensure that, should any employee be affected by restructuring or closure of operations, the company will arrange that such an employee be provided with portable skills that will ensure that they remain economically active.

Training and development in South Africa

Training and development is undoubtedly the foundation for growing our business through skilled employees who are continually learning and developing. We believe that investment in our employees will earn their loyalty and make Harmony a company each employee chooses to work for. In light of this, Harmony's approach to training and development has shifted from a cost perspective to an investment perspective over the past year.

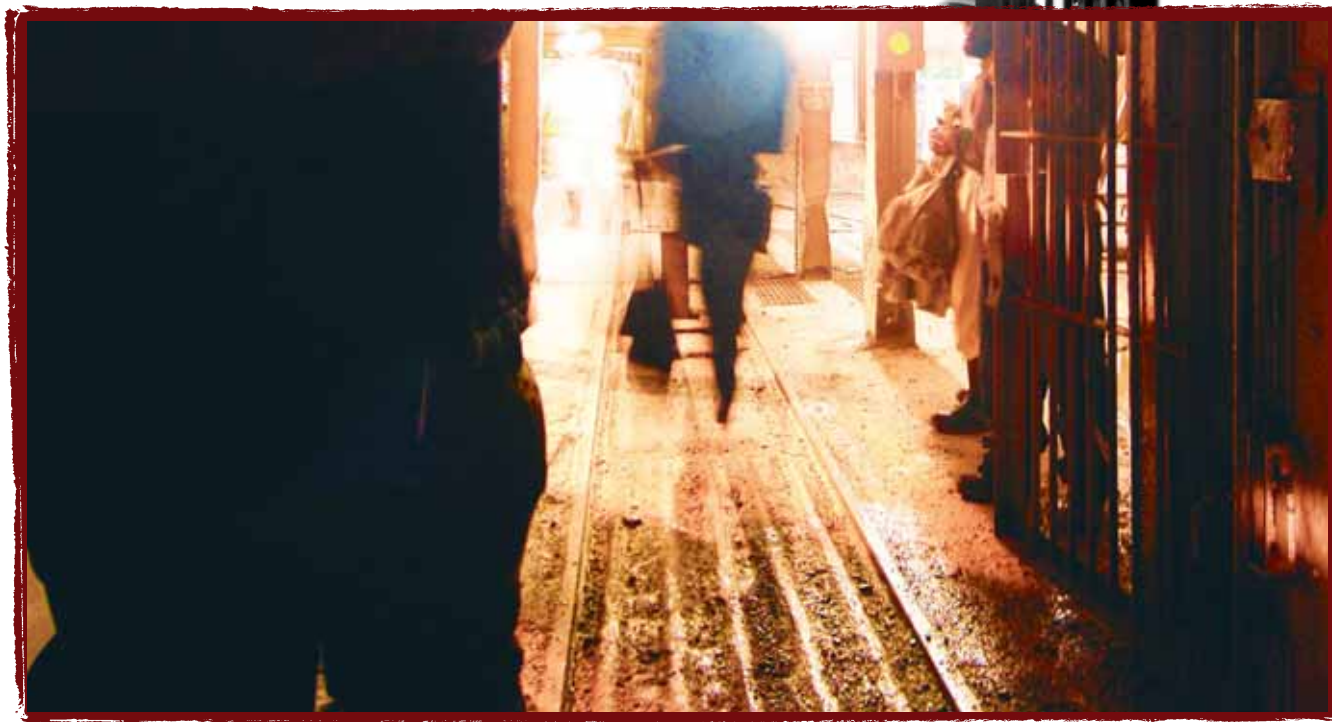
In the FY06 financial year, Harmony invested in excess of R116 million in the development of our employees. Our training now meets the requirements of the Mining Qualifications Authority (MQA) and Harmony is ISO 9001 registered as a training institution. This ensures recognised and portable skills acquisition. Skills plans and annual training reports have been submitted to the MQA for FY06. Harmony's training and development initiatives cover all levels of employees and all disciplines, but with a focus on the development of HDSAs and on mining and engineering-related skills.

Business Leadership Development Programme

The University of the Witwatersrand is our partner in our Leadership Development Programme. Leaders are imperative for Harmony's future and ongoing success, and their development is thus central to our business strategy. This year saw the graduation of the third group of Harmony candidates and the completion of the programme by the fourth group.

The programme covers the competencies required for Harmony business leaders, as well as other generic leadership skills. The study areas include strategic management, leadership, people management, business acumen (financial management), internal marketing and personal mastery, change management

"Teba Development is a vehicle through which a number of mining companies are able to support community initiatives on an ongoing basis"



and diversity management, and the programme ends with projects by each of the participants that are specific to Harmony and may be implemented to improve the company's performance.

In FY06, 36 participants enrolled for the programme and they will graduate in the second half of FY06. The programme costs about R1.5 million per annum.

Mining skills development

Harmony conducts training for our employees, aligned with standards set by the National Qualifications Framework (NQF) and based on accreditation from the MQA. The objectives of our business plan guide the mining skills in which we train our employees. The past year has seen 89 black male miners and 19 black female miners trained. (This includes 12 miners enrolled on the bridging programme).

Learnership programmes

Learnerships in mining (Level 2) started in January this year and thus completed learnerships will only be reported on in the next financial year. The programmes are structured so as to train participants in both the theoretical and practical components of specific mining disciplines. Currently, 71 black male and 14 black female participants are enrolled in the mining learnership programme. We are also in the process of enrolling another 60 candidates for engineering learnerships. In support of the national initiatives for skills development, we are involved in the industry-driven process of artisan training in excess of company needs.

"Leaders are imperative for Harmony's future, and their development is central to our business strategy"

Harmony's Bridging School

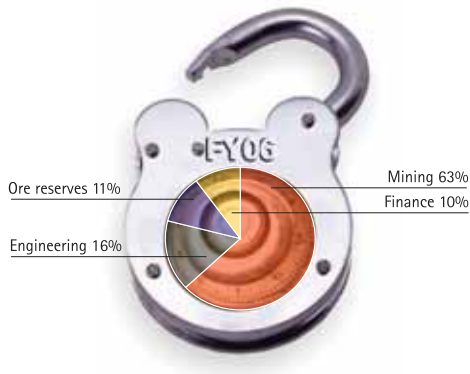
The Harmony Bridging School has been established principally to assist historically disadvantaged matriculants (learners who have completed their Senior Certificate examinations) to bridge the gap between their results and their potential to improve on these. Last year the school provided 18 selected potential employees an opportunity to improve their results during a 10-month training programme, opening the door for these young people to further their studies and to obtain a tertiary qualification.

Candidates are selected from areas surrounding Harmony's operations and traditional labour-sending areas, or are dependants of Harmony employees. The Bridging School's focus areas include:

- education, specifically improving Senior Certificate results in Mathematics Higher Grade (HG), Physical Science HG, English Second Language HG, Business English and Accounting HG;
- basic technical drawing, accredited Microsoft computer courses and life skills;
- basic business management processes using Harmony as a case study; and
- assistance in obtaining Code 08 drivers' licences and First Aid certificates.

Last year all students passed all the subjects offered in the programme. The following distinctions were obtained by the group who completed the examination in December 2005: three distinctions in Mathematics HG; three distinctions in Physical Science HG; and two in English (Second Language) HG. The group of 19 candidates who entered for the Senior Certificate examination on the higher grade obtained an average of 68% without anyone failing a subject.

Capacity in which Bridging School candidates have been employed at Harmony



making progress

The cost of the bridging programme is about R1.5 million a year. This amount covers the running of the programme, tuition and examination fees, stationery, accommodation and meals, and transport as well as the costs associated with special programmes such as the drivers' licence and First Aid courses, educational visits and vocational work exposure. To date, the Bridging School has provided Harmony with 200 trained personnel. All those who attended in FY05 were employed by Harmony. The Bridging School celebrated its 10th anniversary this year.

"The 19 Bridging School candidates achieved a number of distinctions between them"

TRAINING AND DEVELOPMENT STATISTICS – SOUTH AFRICA

Programme	Number of learners		
	FY06	FY05	FY04
Bridging school	18	19	20
Bursaries at tertiary institutions	28	27	27
Junior engineering programme	10	10	20
Mine manager programme	25	28	44
Mine overseer programme	14	7	20
Advanced Miner Course	93	14	52
Miner programme	108	80	125
ABET full-time	279	247	240
ABET part-time	554	548	801
AFET part-time	248	278	204

Note: the training statistics above are only with respect to skills development at group level and exclude training programmes and learners at operations and in service departments.

Bursary schemes in South Africa

Bursaries in the fields of mining, engineering, geology, surveying, sampling, metallurgy and accounting are awarded annually to talented HDSAs who cannot afford a tertiary education.

Twelve new applicants were awarded bursaries this past year at a total cost to Harmony of R1.2 million. Currently, 28 bursars are studying in five disciplines. About 80% of all bursars are HDSAs. All students who graduated in FY06 joined Harmony in service departments relevant to their fields of study.

Harmony awards bursaries on an annual basis to employees and landholder children to further their education.

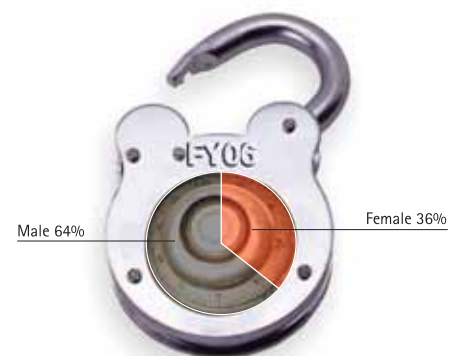
Study assistance programme

Interested employees are entitled to apply to Harmony for assistance to study at tertiary institutions in fields relevant to the gold mining business. A total of 117 employees have been sponsored by Harmony for FY06 to enrol for further studies on a part-time basis.

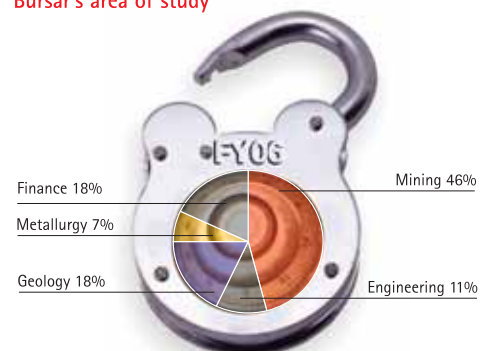
Fall of ground training

We are continuing with the assessment of our lower level employees (categories 3 to 8) in respect of falls of ground competence and implementing training on programmes to

Bursars in South Africa in FY06



Bursar's area of study



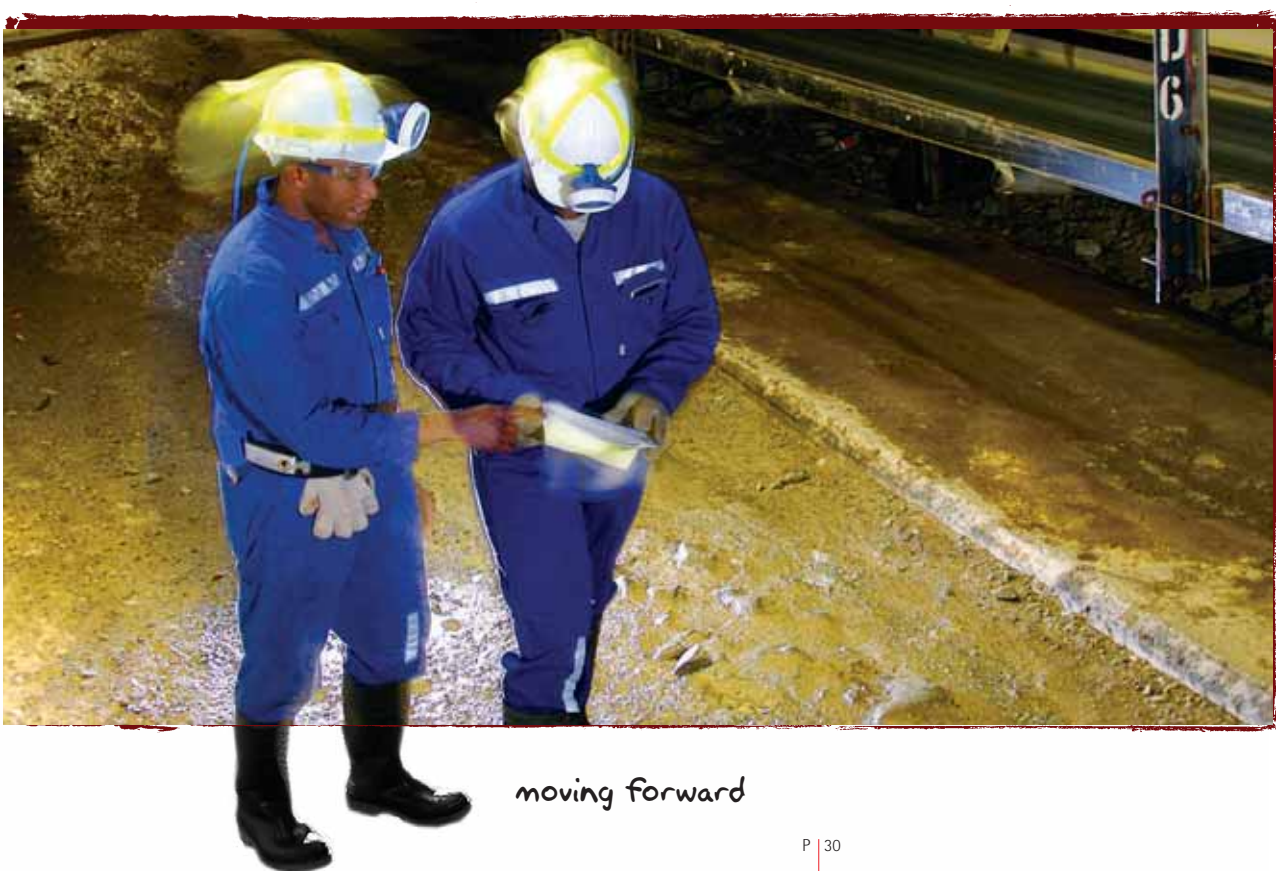
improve their levels of knowledge and skills, as required by the new regulations. To date, 82% of all employees have been assessed and found to be competent.

Adult Basic Education (ABET)

ABET is an outcomes-based programme for adults who want to finish their basic education. It aims to provide basic learning tools, knowledge and skills, and provides participants with nationally recognised qualifications. A total of 924 learners participated in various ABET learning programmes in FY06, at a cost of R24.1 million excluding learners' salary costs. These programmes were run by 106 ABET facilitators at nine ABET centres which are located close to our various mining operations. Six ABET facilitators are currently enrolled on the National ABET Practitioners' Learnership Programme sponsored by the MQA.

Talent pool

The Harmony Talent Pool comprises 35 employees who have been earmarked for management positions in the future. This is in line with Harmony's succession management strategy. Aligned with the requirements of the Employment Equity Act, the talent pool participants are mostly HDSA employees. These participants are likely to be bursary holders, young employees with high potential from internal training programmes such as junior engineers, or talented employees in permanent positions. Succession management pools have been established for each discipline to identify promising employees who have shown consistent strong performance, for positions at the higher level. Areas for which succession management pools have been established include mining, service departments and the executive committee. The Mine Managers Development Panel has been running successfully for the past year with many candidates being promoted within Harmony.



moving forward

Key successes of Harmony's talent management for the past year include:

- 10 registered payroll learnerships with the top national student having entered the Harmony workforce in the area of salary administration;
- the launching of a pilot human resources learnership and computer skills development programme involving 28 human resources practitioners; and
- the starting of a pilot Middle Management Development Learnership at NQF level 4 with 14 participants and 14 mentors.

Training and development in Australasia

Our policy in PNG is that at least 3% of total operational costs are spent on training and development. Currently, each employee spends on average about 50 hours per year in training. This figure is likely to increase substantially just prior to the commencement of construction and mining activities in PNG. We are currently establishing a training matrix and training plan for all our PNG positions. In Australia, the company spent some A\$300 000 on training in FY06. All employees have a scheduled training plan monitored by business unit managers, human resources and training coordinators.

Employment equity

The South African Employment Equity Act is aimed at promoting equal opportunity and fair treatment through the elimination of unfair discrimination; and the implementation of affirmative action measures to redress the imbalances of the past. In terms of this act companies are required to submit plans and progress reports to the Department of Labour on an annual basis, indicating the progress that has been made. The Charter requires that HDSA employees make up 40% of management by 2009.

Harmony's leadership has taken up the challenge of dismantling the negative issues arising from past organisational issues and promoting the development of a new, more inclusive culture, whilst maintaining a competitive advantage.

At Harmony, we believe that employment equity is not merely about meeting the targets set by the Charter or the Employment Equity Act, but about optimally engaging with all employees, and developing and utilising their skills in our changing business environment. Harmony's business model involves flat structures and the empowerment and coaching of our people. The majority of our employees are drawn from HDSA segments of our population, and the representation of these groups in management positions is increasing in line with our business strategy.

We formalised our employment equity strategy in 2000 and have submitted our employment equity plans to the Department of Labour every year since then. Although the implementation of our employment equity programme has been slower than planned, we have made a commitment as a company to exceed the targets set by the Mining Charter. We have begun implementing revised strategic employment equity interventions at a rapidly accelerated pace. This process is overseen by the empowerment committee.

"Training and development is undoubtedly the foundation for growing our business"

"Our Chief Executive is responsible for driving employment equity"

EMPLOYMENT EQUITY – SOUTH AFRICA, AS PER THE SUBMISSION IN TERMS OF THE EMPLOYMENT EQUITY ACT

	FY06	% HDSA	% Women	FY05	% HDSA	% Women
Executives (incl directors)	14	29	21	19	26	10
Senior management	220	35	13	230	35	14
Professionals	1 350	87	27	256	31	13
Technically-skilled	6 979	68	6	6 420	61	7
Operators, clerks and discretionary decision-making	34 720	99	4	39 673	99	4
Total	43 283	93	5	46 598	93	5

EMPLOYMENT EQUITY – DISCIPLINES AS PER THE MINING CHARTER REQUIREMENTS

	FY06	% HDSA	% Women	FY05	% HDSA	% Women
Mine manager/mining manager	44	23	2	40	23	4
Production coach/Mine overseer	387	25	–	252	28	–
Coordinator/Shift boss	129	78	5	380	36	–
Miner	1 339	81	3	1 584	86	2
Total	1 899			2 256		

Ownership of employment equity implementation in Harmony rests with the chief executive. Line management is responsible for people management and thus for ensuring that employees from the designated groups (women, blacks and the disabled) are developed according to their career aspirations and potential.

Localisation

In PNG, employees are largely drawn from local landowner groups within the Morobe Province, as specified by the Memorandum of Agreement. Currently, 9% of the workforce is made up of expatriate employees and this will rise to about 10% when construction begins. Expatriate employees are required for their specialist knowledge and skills.

An approved localisation programme has been put in place which requires that at least 50% of the positions currently held by expatriates will be localised over the next five years. Harmony has submitted a three year localisation plan to the PNG National Government.

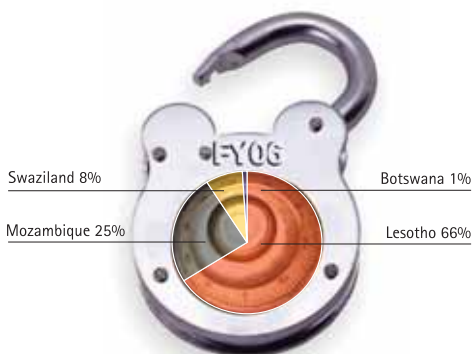
Migrant labour

Harmony does not discriminate against foreign labourers. Migrant labour representation at Harmony's operations currently comprises 33.8% of the total workforce.

Women in mining

Specific attention is placed on the advancement and inclusion of women in the mining industry in the MPRDA and the Charter. Historically women have been excluded from taking up positions in mining, firstly by legislation, and secondly through custom. While attention is focused on the advancement of women at senior levels in this traditionally male-dominated industry, the Charter requires that 10% of all employees in the industry are women by 2009.

Migrant labour split (per region)



we support
women in mining



A sexual harassment policy and a pregnancy policy are in place to protect the rights of women working for Harmony. Sexual harassment officers have been appointed on all of our shafts. Separate change-houses and other facilities are available both on surface and underground. Additional accommodation has also been provided. We currently have 2 249 women employees, which represents approximately 5% of our workforce.

Harmony is determined to meet the targets set in the Charter with regard to women in mining, but admittedly these targets are challenging given the legacy of the industry. Empowerment workshops have been initiated, which will enable women working for Harmony at all levels to take an active role in managing their own careers and enhancing personal development. These workshops also demonstrate to women that they can make a difference.

Human rights

The South African constitution and labour legislation pay particular attention to human rights. South Africa's endorsement of various International Labour Organization (ILO) principles relating to the employment of minors, freedom of association and forced labour is generally applicable to Harmony as a South African-domiciled company. Human rights are enshrined in a number of agreements that are in place with our various recognised unions. We require that our contractors act in accordance with similar principles.

In respect of child labour, in particular, it is Harmony's policy not to employ any person below 18 years of age and strict application of this principle is applied in our recruitment programme. We believe that employees have the right to work in an environment which is free from any form of direct or indirect discrimination and we have systems and mechanisms in place to deal with related grievances should they arise.



Women in mining





Total Fatalities

Lost Time Frequency Rate
per million man hours

Housing and nutrition

Harmony provides accommodation to approximately 26 000 employees and contractors in 20 hostels in South Africa. A living-out allowance is paid to those employees who choose not to reside in mine-provided accommodation.

The average room densities have been reduced from eight persons per room to an average of 4.2 persons per room, largely as a result of employees opting to take the living-out allowance. For those remaining in hostel accommodation, however, hostel upgrading is being addressed as a priority issue with the NUM and the approved budget for this purpose in FY06 is R25 million. It is Harmony's intention that unused or under-utilised hostels will be converted and integrated into the suburbs of local municipalities.

Harmony provides employees living in hostels with meals and provides a mid-shift meal to all its employees who work underground. Menus are reviewed frequently by a dietician. A scientific evaluation of Harmony's menus conducted by a dietician in FY06 indicated that these meet the nutritional requirements of mineworkers.

Safety

South Africa

Safety and health is regulated in the South African workplace by the Mine Health and Safety Act (MHSA) as well as the MPRDA. Legislation prescribes the general and specific duties that are required to be performed by management, employees and others, particularly, for the participation of employees in the active management of health and safety through the appointment of health and safety representatives and health and safety committees on all mines. The MHSA also entrenches the rights of employees to refuse dangerous work.

Safety performance in FY06

Our safety performance did not meet our expectations in FY06, with all key indicators regressing during the year. This performance undermined the steady improvements that we have seen in recent years. Most regrettably, there were 31 fatal accidents during the year, all of these at the South African operations. We express our deepest sympathy to those affected. Any work-related fatality in the group is unacceptable.

That this figure is higher than last year is also of great concern to the company and an immediate and high-level response has been put in place (see below). In FY05, 29 workplace fatalities occurred, compared with 42 fatalities in the FY04 financial year. The Fatal Injury Frequency Rate (FIFR), expressed as a rate per million man hours worked, was 0.28 in FY06, up from 0.22 in FY05. The regression in the Lost Time Injury Frequency Rate (LTIFR), of 5% up to 9.29 per million man hours worked, was not as severe.

What is being done

Given the disappointing safety performance during the year, Harmony's safety function has reviewed the accidents and analysed the various pitfalls encountered. It became clear that we have not fully explored all the avenues of a safety service and have embarked on a clearer, more intense auditing function. Four highly qualified auditors have been appointed, along with four additional safety personnel to support a new avenue of safety management focused on compliance with standards.

This high-level auditing service will provide the general managers with an ongoing and more accurate insight into legal compliance within their area of responsibility. This will, in effect, quantify the different aspects of legal compliance and measure these against the application of the standards and procedures in the work place. Every shaft and surface area

will be audited within a 90 to 100-day period (three to four times per year) which will not only indicate legal compliance but also physical conditions underground and the degree of adherence to standards. The rationale of the auditing protocol is that the process is based on preset checklists, as well as a photographic record of the inspections carried out during the audit. All results are communicated to the teams in electronic format.

The initial audit will provide the general managers and their teams with a baseline from which they can set their objectives for improvement. Subsequent audits based on the initial baseline will provide feedback on the improvement/regression achieved by the teams. This will ensure that the operations will be set on a path of continuous improvement.

Reviews to target zero fatalities

In FY06, the corporate safety team investigated each fatal accident and serious or potentially serious incident and the findings of the investigations were shared with all management teams in order to create awareness throughout the company. These investigations were then the subject of several reviews held during the year, where each responsible management team put forward its plan to the board of fatalities for assessment and in order to develop company policy in response to these investigations. These reviews were then shared with all management teams to assist them with the compliance required in terms of the board's resolutions.

Governance

A central corporate safety team reviews safety performance. All fatalities are also reviewed by the Sustainable Development Committee as are safety-targets and programmes. Harmony's CE has personally signed off on Harmony's safety commitment.

Sindile Mosha – Behaviour-based safety

The Sindile Mosha Behaviour-based Safety System was developed during the year and, with the support of the internal marketing function, an implementation schedule was developed for roll-out to the shaft teams. The first roll out took place on 12 June 2006 at Bambanani mine where it was well received by the management team and organised labour.

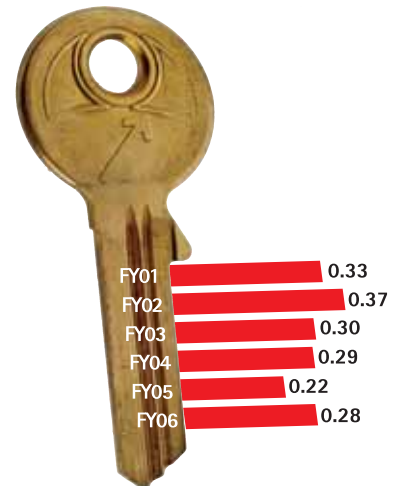
The programme comprises the following elements:

- leadership commitment and support for safety;
- engagement and training of the workforce;
- teams deciding to be involved in and taking ownership of the process; and
- consultation with role players to ensure that communication is effective

It is envisaged that a roll-out (one for every shaft in each region) will be completed at intervals of approximately two weeks. The Woza Nazo industrial theatre will be used for these events. Sindile Mosha and the newly established auditing function will complement the Harmony Risk Management System, providing tools that can be used by everybody in the working place.

Setting targets

We at Harmony recognise that to understand the characteristics of a world-class safety culture is one thing; to become a world-class safety culture participant is something else altogether and it



Fatal Injury Frequency Rate per million man hours



Shifts Lost Frequency Rate per million man hours

Characteristics of a world-class safety culture

- Safety norms are held as values by all employees
- Individuals behave responsibly towards safety issues
- Each individual is willing, able and enabled 'to go beyond the call of duty' to ensure compliance with safety standards
- Actively caring for one another is part of the work culture
- Employee empowerment becomes a norm

Safety champions – fatality free shafts/operations in FY06

- Harmony 2
- Merriespruit 3
- Target
- Joel
- Kalgold
- All surface operations barring Doornkop Plant were fatality free for the year.

takes dedication and passion from all the parties involved. The process of getting commitment from all remains the responsibility of management.

Our target is to improve our LTIFR by at least 10% a year per individual operation. We will further strive to honour our commitment to the industry milestone of achieving zero fatalities and injuries by 2013, and to bring our underground safety performance levels in line with the current international benchmarks for underground metalliferous mines.

Australasia

The Australian operations have seen a reduction in injuries during FY06. The LTIFR has decreased from 5.3 to 2.8, which is now lower than the Australian mining industry average of 4.2 and the Australian gold mining industry average of 3.9.

This year has seen a focus on the review, development and implementation of procedures and systems within the company and, in particular, within the processing department. This has included a more defined training regime for new personnel undertaking work within the process plant and refresher training for current employees.

There has also been a focus on reviewing, developing and implementing procedures and systems and risk assessments within the open pit operations for the commencement of owner operator mining.

The sites have also conducted a series of risk assessments for specific areas within the business. This includes underground fire prevention, emergency response equipment versus equipment available versus personnel trained.

Health and well-being

Harmony aims to provide health care which is the equivalent of private clinic/hospital standards to all our employees. Our facilities

(located in Randfontein, Evander and Welkom) range from 24-hour emergency and intensive care units to world-class surgical theatres and outpatient facilities that are used by a wide spectrum of private specialists. The Sustainable Development Committee oversees the status of health and well-being within Harmony.

Occupational health in South Africa is regulated by the MHS Act.

Harmony has developed a number of interventions to prevent occupational diseases such as silicosis, tuberculosis (TB) and noise-induced hearing loss (NIHL) and these are reported on below. While the HIV/Aids pandemic is not a compensable occupational disease, it has a significant effect on the health of our workforce and their families. Further details on our response are reported on page 40.

Harmony's occupational health centres and other medical facilities have medical surveillance programmes that monitor occupational health. An additional centre has been created at Orkney to enhance this capability. The number of occupational health examinations of new Harmony employees has increased from 398 in the previous year to 2 371 for FY06. A total of 59 516 occupational health examinations took place during the past year.

Harmony has endorsed the principles of striving to achieve the milestones agreed to at the industry-wide Health and Safety Summit in FY05 in respect of NIHL and silicosis targets. The success of the efforts in this respect are indicated by a decline in hearing loss compensable rates over the past year as well as a decline in recorded silicosis certifications.

Governance

Occupational medical practitioners report any incidents of occupational disease to the South African Mines Occupational Disease Database (SAMOD) as is required by legislation. The

compensation commissioner will then evaluate each case and initiate the compensation procedure. All certified cases and referrals for certification are reported in the annual medical report to the medical inspector in terms of Section 16(2) of the Mine Health and Safety Act and are submitted to all the relevant authorities as well as the Sustainable Development Committee (SDC). This reporting protocol is in line with the International Labour Organization (ILO) Code of Practice on the Recording and Notification of Occupational Accidents and Diseases.

Silica dust exposure, Silicosis and TB

Long-term exposure to silica dust is known to cause silicosis and other diseases – silica dust is also classified as a carcinogen and the lung damage caused by silica dust is known to play a major role in the development of TB. The number of cases of silicosis and silica TB certified during FY06 decreased to 288 cases, from 300 in the previous year.

A number of control measures have been evaluated and are being put in place to reduce the levels of silica dust and silica dust exposure. These include sound ventilation principles, designs and practices; comprehensive watering down procedures; wet-drilling; dust suppression, using equipment such as water spray filters, and cyclones; low-velocity ventilation over conveyor belts and increasing the time between blasting and re-entry to the workplace (calculated on the basis that no exposure to a significant airborne pollutant associated with blasting will occur). In addition, dust respirators are issued as personnel protective equipment (PPE) to employees.

Formal training is provided on airborne pollutant exposure and the subsequent associated health effects such as obstructed airways disease, silicosis and pneumoconiosis with the aggravating effects of TB.

MBOD compensation

Should an employee be found to have TB and/or silicosis the company submits, on the employee's behalf, their details to the Medical Bureau for Occupational Diseases (MBOD). The MBOD is a



turning the key to a healthy lifestyle



"We aim to provide healthcare which is equivalent of private clinic standard to all our employees"

statutory body, responsible for both certification and compensation in terms of the Occupational Diseases in Mines and Works Act, 1973, to which Harmony contributes.

As a result of the intensive testing and identification of occupational disease cases, the details of 2 228 employees were submitted to the MBOD in FY06 (2 891 in FY05), which is a decrease of 23%. Certifications related to occupational diseases amounted to 872 (806 in the previous year).

Dealing with TB

Harmony's comprehensive TB control programme is in line with the treatment recommended by the World Health Organization (WHO) and is underpinned by four principles, namely: early case finding, direct observed therapy (DOT), short-course chemotherapy and a radiological TB screening programme. In FY06, 1 675 cases of TB were identified (2 041 in FY05), at a rate of 3 703 per 100 000 employees (4 289 in FY05). Initiatives such as the use of isoniazid (INH) prophylaxis, increased case finding and strict DOT application should improve these rates in the future. A pilot programme is being conducted by Aurum Health, a not-for-profit research organisation under the auspices of the Consortium to Respond Effectively to the Aids/TB epidemic (CREATE), which is partially funded by the Bill and Melinda Gates Foundation and the Safety in Mines and Research Advisory Committee (SIMRAC). SIMRAC is a tripartite industry body made up of government, labour and mining companies. The project started in November 2004 and it is intended that it will be extended should the pilot study indicate success in further reducing the incidence of TB in our workforce.

TB remains endemic and Harmony has dedicated services allocated to deal with it. The association of this illness with the HIV infection is well known and has placed further pressures on managing this disease.

lighting the way



Noise-induced hearing loss

Exposure of employees to noise levels above 85 dB(A) presents a significant occupational health risk within Harmony, especially in the underground working environment. After December 2008, the Hearing Conservation Programme, which will be implemented by industry (in terms of an industry-level commitment made under the auspices of the Mine Health and Safety Council), must ensure that there is no deterioration in hearing greater than 10% among individuals exposed to noise in their occupations. By December 2013, the total noise emitted by all equipment installed in any workplace must not exceed a sound pressure level of 110dB(A) at any location in that workplace (that includes individual pieces of equipment). This industry target is supported by Harmony.

In the past, exposure control measures relied heavily on hearing protection devices (HPDs) to protect employees. In FY06 the focus was on other additional control measures, facilitated by the Harmony Noise Exposure Management and Hearing Conservation Programme (HCP) and driven by on-site Hearing Conservation committees. These controls included:

- muffled rockdrills;
- silenced fans;
- more comprehensive occupational exposure monitoring;
- increased training and awareness; and
- safe work procedures and practices such as the Noise Elimination and Hearing Conservation Policy, Hearing Protection Devices Policy, etc.

The mandatory Code of Practice for Noise Management has been submitted to the DME. The HCP is an integral part of the code itself and has been implemented at all shafts and plants.

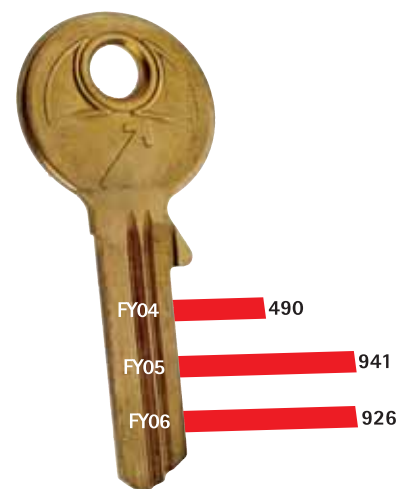
The HCP includes the following:

- engineering controls – the installation of sound attenuators on all auxiliary fans;
- fitting of mufflers on rockdrills as they are sent for repairs;
- PPE – all mines and plants have PPE stores or issue points which are adequately stocked with HPDs. Personalised HPDs have been implemented at two mines, Harmony 2 (300 Variphone units) and Merriespruit 1 (853 Noise Clipper units). Personalised protectors are far more effective than disposable devices: they render an effective noise reduction of 20dB(A), while disposable earplugs render an effective noise reduction of 12 dB(A); and
- noise dosimetry – a programme that has been running for six months which intends to sample all Harmony's South African operations to conduct a baseline noise assessment. Once the baseline study has been completed, the results will be used to determine the mandatory monitoring intervals required by legislation.

The mines participating in the baseline study currently are Evander 5, 7, 8; Cooke 1, Tshepong, Merriespruit, Bambanani, St Helena, Orkney 2 and 4, Elandsrand and all surface operations. The remaining mines will start their assessments when the instruments, which have been ordered, are distributed.

NIHL compensation rates have continued to increase as a combined result of improved surveillance and detection, additional exit medicals following retrenchments, and as a result of five (rather than four) frequencies being measured. During the past year, 926 employees (941 in the FY05) were awarded compensation by the Rand Mutual Assurance Company (RMA), at a total cost of R18.38 million (R23.85 million in the previous year). This is equivalent to approximately R406 per exposed worker per year. The RMA is an industry-funded body, to which Harmony pays an annual fee to

"Exposure to noise levels above 85 dB(A) presents a significant occupational health risk"



Compensation – NIHL

finance such compensation. The value and number of cases awarded compensation, however, is continuing to decline. While increased focus, monitoring and changes in legislation in recent years have increased compensation rates, the baselines have been well established and hearing loss rates are expected to decline in conjunction with hearing protection programmes in the medium term.

The previous lag between diagnosis and compensation for NIHL has been addressed and allows for improved monitoring of NIHL prevention programmes.

EAP (Employee Assistance Programme)

Employees are supported by social workers in an EAP (Employee Assistance Programme). These social workers provide psycho-social support to employees on a voluntary and confidential basis. Issues dealt with include and are related to alcohol dependence, work, family, HIV, and stress. These services can take the form of counselling, mediation with line management or referral to appropriate medical services. An important aspect of these services is the trauma debriefing function that they provide. EAP also provide training for line management to better enable them to deal with employee psycho-social problems.

Occupational health in Australasia

Harmony has employed an expatriate Occupational Hygienist as its Safety Coordinator in PNG and the first requirement of this position is to identify and implement programmes to address identified occupational health challenges.

Harmony has provided assistance to the Wafi clinic in the form of medical supplies and in the creation of village health patrols which disseminate information about personal hygiene, family planning, HIV/Aids and immunisation for infants.

HIV/Aids

Policy and governance

Harmony has an agreement with stakeholders covering the management of HIV/Aids in the workplace. This agreement, originally signed in 2002 with the National Union of Mineworkers (NUM) and the United Associations of South Africa (UASA) was amended for the third time in August 2006. While many aspects of the policy remain in place, the most fundamental change is that we are changing our policies and agreements to cover all chronic manageable illnesses, including HIV/Aids, but also including diabetes and hypertension, among others. We have done this in the hope of doing more to take the stigma away from the disease and encouraging people to see it for what it is – Aids is no longer a death sentence, it can be managed through the proper use of medication. The agreement is also used as a marketing tool to encourage employee participation in the Harmony HIV/Aids Programme.

Harmony's HIV/Aids programme is spearheaded by a well-qualified medical practitioner, supported by the management and appropriate consultants and consultancies. Harmony's CE has taken personal responsibility for managing HIV/Aids within Harmony.

In September 2005 an independent consultant, the Health Monitor Group undertook a business impact assessment for the group. Based on actuarial information, the prevalence rates within Harmony are presumed to have stabilised at around 30%. The introduction of Highly Active Anti-Retroviral Therapy (Haart) has the effect of stabilising or decreasing the HIV/Aids prevalence due to retention of HIV positive employees. The effects of prevention programmes on prevalence rates will only be seen over time.

In FY06 49 employees died as a result of known/documented cases of Aids (FY05:66) and 1 572 employees left as a result of

medical repatriation (FY05: 1 611). Medical repatriations refers to those employees who are not sufficiently well to continue working and are thus provided with a humane exit from the company.

The Harmony HIV/Aids workplace programme cost some R10 million by the end of FY06. In FY07, the company will embark on a more holistic and integrated campaign that is expected to cost the company some R19 million.

Communication

The following HIV/Aids communication channels are in place:

- posters and news clips on notice boards;
- our internal industrial theatre group, Woza Nazo;
- branded trained peer group educators who work in specified designated zones in the workplace;
- Harmony Radio which offers a daily slot during which health issues are discussed; and
- Leadership conference.

In early FY06, 300 senior management executives were invited to a leadership conference to discuss pertinent sustainable development issues. Bernard Swanepoel spoke about his personal commitment to managing HIV/Aids within Harmony. An auction held at the same event raised R42 000 which was donated to an Aids charity, Huis Eldad in Randfontein.

HIV/Aids awareness education and training

Promotion of healthy lifestyle principles inclusive of nutrition is the cornerstone of this component of the programme. This links to our continued efforts to improve the living conditions and nutrition of our hostel-based employees in particular.

Awareness

All awareness activities are synchronised with the South African National and International Health Calendar to ensure that messages in our workplace are aligned with any health-related messages that communities may be receiving from government programmes at similar times. By June this year all operations had achieved a themed monthly campaign as planned. Operations are required to organise a minimum of four activities a year for example, STI and TB week; a Harmony health day/week or a candlelight memorial day/week; a Harmony sports day with a health theme or a programme to coincide with World Aids Day.

Peer group education

At the end of June 2006, Harmony had a ratio of one peer group educator (PGE) per 60 employees. New PGEs were trained in October/November last year and mentored on site until March 2006. Existing PGEs were put through a refresher course aligned to the newly appointed training NGO, Project Support Association of South Africa (PSASA). PSASA was established to manage the increasing number of projects and to assist communities with new prevention initiatives.

Although Harmony's current ratio is an improvement on that of the previous year (1:90), it still falls short of the workplace best practice standard of 1:50, and of Harmony's target of 1:30 by the end of June 2006.

"HIV/Aids – a key pillar of sustainability reviewed by the Board Committee"

taking the test



"Harmony has 12 employees living openly with HIV/Aids in the workplace"

Employees living openly with HIV/Aids in the workplace

Harmony presently has 12 employees living openly with HIV/Aids in the workplace. The number excludes three employees who left the company in FY05. All these employees are full-time employees and have disclosed their status openly for the first time in the workplace. Disclosure automatically qualifies them for peer educator status, that is, without having to go through the prescribed suitability screening process. These employees include two nurses, a geologist and a miner. Our guidelines for disclosure in the workplace have been amended once since adoption in 2004. When they see their colleagues living openly with Aids and without victimisation, other employees are encouraged to undergo counselling and testing.

Prevention

Condom distribution

Peer group educators (PGEs) are tasked with condom promotion and distribution, including the monitoring of the distribution statistics. Condom distribution is an important preventative measure because condom use decreases the presence of sexually transmitted infections (STIs). Both male and female condoms are distributed free of charge in our workplaces. Our current condom distribution is half that of our target of 10 condoms per employee per month.

Informed consented voluntary counselling and testing

Informed Consented Voluntary Counselling and Testing (ICVCT) is a gateway to treatment and care and a pillar in any prevention strategy. It is also critical in the management of costs resulting from HIV/Aids. Roll-out of our proactive and systematic approach to VCT started with a launch in Evander on 23 July 2006. All the necessary contracts with service providers have been signed. Appropriate venues have been identified and approved. Capacity at the Wellness clinics has accordingly been increased to cope with the anticipated rise in the flow of patients from the sites. For sustainability an additional site at each occupational health centre will be added. Evander took four weeks to complete the drive. We have contracted an external service provider, CareWays, to implement VCT at all the sites where we provide medical services over the coming months. The CareWays Group is Southern Africa's leading provider of

corporate well-being services. Employees who want to be tested and treated with their spouses can use Cooke Shaft 2 for that purpose.

Treatment of sexually transmitted infections (STIs) and post-exposure prophylaxis

Community based organisations providing services to women at high risk around our operations continued. We still have high rates of infections; medical stations see between four and 100 STI cases per month. December/January and March/April are the months in which we see the highest number of cases, corresponding to major holiday periods. Additional awareness campaigns and messages have been packaged to address this specific problem by targeting employees going on and returning from leave. In addition, STI screening is done at occupational health centres when employees return from leave.

Post-exposure prophylaxis (offered to victims of rape and for the prevention of mother to child transmission) is offered with appropriate counselling in the health facilities. Employees are trained each year on procedures and protocols.

Highly active anti-retroviral drug therapy (Haart)

Four new Haart sites at the health care centres at Doornkop, Cooke3, Bambanani and Target started operating in May 2006 in a continued effort to provide this treatment as close as possible to the employees' places of residence. This has increased our Haart sites from five to nine. A total of 1 234 employees have started Haart since the programme began in September 2003. Since January 2006, 175 of these patients have had their treatment sponsored by an international fund. Harmony meets the costs for the rest of the employees.

The challenges of employees on Haart leaving the workplace and their transfer to public health or NGO Haart sites persist. Another problem is the increasing number of employees who

voluntarily stop treatment to explore alternative methods of care once they become well and then returning for treatment once their situation worsens again.

Home-based care

Harmony is currently the biggest contributor to the mining industry's home-based care initiative run by Teba. Teba provides this service to employees who have been repatriated on medical grounds, regardless of the nature of their illness. The Teba home-based care programme focuses on the major labour-sending areas such as the Eastern Cape, Northern KwaZulu-Natal, Lesotho and Mozambique. Teba is in the process of adding Swaziland to the programme. Currently, the Eastern Cape programme has the highest number of patients registered, comprising 429 ex-mineworkers who are being cared for by 48 volunteers. Two fieldworkers work closely with the volunteers and their priority for FY06 has been the establishment of support groups that are open to all infected and affected members of the community. If local clinics exist in the targeted areas, they are drawn into the process. The support groups provide two key services: psychological/social support; and training, especially in the growing of foodstuffs – and here Teba partners with other service organisations such as the Lima Rural Development Foundation, Greenfingers and Raise the Wind.

Apart from setting up new groups, the fieldworkers also work at integrating ex-mineworkers and their families into existing support groups. Currently, Teba has 13 support groups, with about 510 participating members, in the Eastern Cape. Approximately 10 ex-miners have disclosed their status publicly.

Teba faces a number of challenges in the Eastern Cape. As there is no existing volunteer structure which Teba can draw on, it has to rely on people coming forward to offer their services – this makes accountability problematic. Another challenge is the high turnover of volunteers who, understandably, leave if they are

"Harmony is the biggest contributor to the mining industry's home-based care initiative run by Teba"

"Promotion of healthy lifestyle principles is the cornerstone"

offered paid employment elsewhere. These issues aside, the province has poor infrastructure with bad roads and an inadequate telecommunications network. This makes it difficult for volunteers to visit or even to stay in touch with patients in some remote parts of the province.

Nevertheless, in spite of these difficulties, a recent assessment of the Teba home-based care initiative carried out by an outside party (Lima) showed that the programme is providing a much needed service to ex-mineworkers and their families.

In Northern KwaZulu-Natal, the home-based care service is outsourced to two organisations, Sibambisene in Jozini and Isihawu in Eshowe. Teba believes that the current arrangement, where a home-based care manager meets with the two bodies on a monthly basis, is inadequate as it does not allow for thorough monitoring. In view of this Teba is in the process of signing an agreement with Lima to manage the programme in the province on its behalf. Given that there are only 71 patients making use of the service, this may not be a cost-effective solution. Lima is currently conducting an assessment of the programme to determine whether the service can work effectively without Teba conducting constant monitoring in the field.

In Lesotho, Teba has to deal with a number of challenges. One is that the spouses of the ex-mine workers expect to be included in the programme. Although this puts a strain on resources, these requests are met because of the risk of re-infection if couples are not treated together. A second is that almost all of the ex-mineworkers return without letters of referral indicating the medication that they were taking at the mine hospitals where they were being treated. A third is that the number of orphans and vulnerable children is increasing at an alarming rate which puts further pressure on the Teba programme. An application for

funding has been made to the Global Fund to fight Aids, Tuberculosis and Malaria to extend the service to non-mining industry employees and their families.

In Mozambique, there are currently 271 patients using the service which is staffed by a co-ordinator, five nurses and 69 volunteers. Given the vast distances to be covered and the lack of transport in the country, the programme requires a higher number of volunteers than would otherwise be the case. The National Council for the fight against HIV/Aids in Mozambique has provided the programme with funding for FY06 and FY07, to assist with the training of volunteers, the payment of stipends to volunteers and the costs of providing food parcels to families in the greatest need.

Teba is in the process of establishing five small project groups who are recovering from illness or who are receiving Haart and are strong enough to do some work within their communities. These groups are being encouraged to start vegetable gardens and the programme will provide them with water pumps where necessary.

Teba is holding talks with the World Food Programme of the United Nations to establish a way of providing a secure food supply for the affected ex-mineworkers and their families. The rapid increase in the number of widows and orphans in Mozambique is of great concern. For most of the orphans there is not enough money to be able to attend school.

Teba began the process of expanding its service to Swaziland. A call for partnership proposals has gone out to all Christian-based groups and NGOs in the country. The Baphalali Red Cross Society of Swaziland has expressed an interest in working with Teba. Close contact is also being kept with the Ministry of Health which hopes to track all programmes as part of its national strategy to fight HIV/Aids in the country.

Teba Development's records indicate that there are about 50 ex-mineworkers in need of the home-based care programme in Swaziland, but that there may be other mineworkers who have been repatriated and are not on the organisation's database. One of the first exercises will be to trace such people and involve them in the programme.

HIV/Aids in PNG

The HIV/Aids Counselling Training Workshop, co-funded by the National HIV/Aids Support Project took place during FY06, and was attended by 28 participants. Harmony has also assisted in the development of government and NGO Aids awareness campaigns within the Morobe district.

HIV/Aids Workplace Peer Education Training was completed in May 2006, with 14 employees being trained. The training was funded by the European Union's Sexual Health Project.

Ongoing HIV/Aids training remains a priority for Harmony, and follow-up training will continue to take place. Harmony donated K5000 to an Aids conference organised by the Minerals Chamber in FY06.

Corporate social responsibility

Today, Corporate Social Responsibility (CSR) is considered an integral part of any business. In line with this we have formalised a policy which outlines the methodologies used to measure, independently and objectively, the company's standing as a good corporate citizen.

Harmony's CSR policy formalises our CSR activities and highlights their

alignment with our business strategy. We believe in having clear corporate values, recognising the interests of communities, being transparent in our dealings and following best corporate governance practices. In line with this, Harmony has actively identified areas for involvement and funding, selecting projects according to the nature of the needs and in terms of the potential benefit to society. Particular attention is paid to communities in our mining and major labour-sending regions. In South Africa, Harmony's CSR initiatives are concentrated in the following areas:

- education, which is important in the development of any society and is playing a critical role in the transformation of South Africa. Harmony's contribution focuses on the teaching and learning of science and mathematics and on supporting the education system by providing infrastructure, such as schools, libraries and laboratories, as well as educational materials. Harmony is also involved in the Harmony Jewellery School (See page 17);
- socio-economic development, including investment in projects associated with HIV/Aids, job creation, the alleviation of poverty, promotion of community safety and the facilitation of black economic empowerment;
- beneficiation, including investment in education and jewellery manufacturing initiatives; and finding alternative uses for gold
- the arts, sports and recreation, in partnership with various sporting organisations.

"Corporate social responsibility is considered to be an integral part of our business"

South African corporate social investment expenditure



In addition, Harmony considers projects in other areas, depending on the needs identified. In FY06, Harmony spent R8.4 million on CSR initiatives in South Africa.

Harmony's CSR Committee is responsible for considering, approving and monitoring all social responsibility or social investment projects and activities in the company. The CSR Committee meets monthly or on an ad hoc basis depending on the urgency of the proposals to be considered. The committee comprises Chief Executive, Corporate Affairs Executive, Marketing Executive, Human Resources Executive, Investor Relations Executive and the Company Treasurer. CSR activities are reported on regularly as part of the evaluating, monitoring and reporting process to which Harmony has committed itself. Some of the main CSR initiatives, in which the company has participated during the year, are discussed below.

Students in Free Enterprise (SIFE)

Harmony has sponsored the FY06 Students in Free Enterprise (SIFE) South Africa National Competition which requires university students to develop and implement outstanding sustainable community outreach projects. SIFE was founded in the United States in 1975 and is active on 2 000 university campuses in 47 countries. The aim of this initiative is to encourage entrepreneurship amongst university students and to challenge them to address real business and economic issues in their community outreach projects.

There were more than 200 entrants from diverse backgrounds and institutions in the South African leg of this competition. A range of projects – involving entrepreneurial ventures in townships, the empowerment of women and internet technology – earned a team of students from the University of KwaZulu-Natal first place in the competition. The University of Stellenbosch and the University of the Western Cape came second and third respectively.

Harmony is sponsoring the winning team's trip to Paris to represent South Africa at the FY06 SIFE World Cup Competition where they will compete against the winning teams from 44 other countries.

Sponsorships for both the national and international competitions amounted to R450 000.

Learners' Focus Week

Harmony, in partnership with the Department of Minerals and Energy (DME), sponsored a Learners' Focus Week in Limpopo Province. The aim of this initiative was to create a platform for learners, especially young female learners, to learn more about maths and science and to encourage them to enter careers in mining associated with these subjects, for example, engineering and metallurgy. Harmony contributed R300 000 towards this initiative.

The Public Private-Partnership (PPP)

Harmony, the Randfontein local municipality and a Gauteng enterprise agency (Gauteng Enterprise Propeller GEP) launched a partnership with the goal of equipping local new entrepreneurs with the necessary skills and support to conduct their business.

This public private-partnership has been structured so as to benefit small, medium and micro enterprises in search of procurement opportunities from Harmony and the municipality. A satellite office for the purposes of small and medium enterprise promotion and support was established in Randfontein.

Harmony contributed R300 000 to the building of a one-stop business advisory centre in Randfontein which will strive to make procurement opportunities accessible to new entrepreneurs.

Harmony Sports Academy

The Harmony Sports Academy is currently in its fourth year and has continued to go from

on the ball



strength to strength. Sports development has been targeted as a constructive avenue for social investment. There are currently 70 students enrolled in the academy, including soccer and rugby players who play both at provincial and national level. Over the past year, Harmony has spent R2.3 million on this project.

Harmony Athletics Club

Since its launch in January 2001, Harmony Athletics Club (HAC) has set a clear objective of developing and nurturing young and talented South African athletes to become champions. In the past financial year, the club invested in excess of R800 000 in promoting and developing various disciplines of running amongst South African athletes, mining communities and employees. The club has experienced exceptional growth in its individual membership and has established nine clubs in eight provinces in the past three years. As one of our main objectives, the regional clubs has a strong focus on developing and implementing our Youth Development Programmes that develop young and upcoming athletes from disadvantaged areas in their respective communities. Through our Youth Development Programme, Harmony Athletics Club has reached out to over 10 000 children in the past year, promoting sport and healthy living in communities surrounding our operations and clubs. Through various sponsorships, such as the Comrades Marathon and regional Cross Country Championships, Harmony shows its

commitment to the running community and stakeholders at large, and recognises South African talent. The first South African male and female at the Comrades Marathon were presented with a 25 oz Hermes Statuette.

South African Students Sports Union

Harmony supports the South African Students Sports Union which is a national umbrella sports structure for all student sport activities at regional, provincial and national levels at tertiary education institutions in South Africa. The company supported the recent African Student Games held in Tshwane with a sponsorship of R475 000. The programme consisted of thirteen sporting codes; participants represented twenty seven countries.

Other partners included the South African Sports Confederation and Olympic Committee (SASCOC), National Sports Federations, the Department of Sport and Recreation and the city of Tshwane Metropolitan (host city).

Harmony strives to develop future South African sports stars.

Business against Crime – Tiisa Thuto Project

In a partnership between Business against Crime and a number of Free State stakeholders, namely Harmony, the Free State departments of Education, Safety and Security, and Correctional Services, the Tiisa Thuto Project

"Harmony supports the South African Students Sports Union"

"Harmony is supporting the Tiisa Thuto project, a crime prevention project targeted at 69 schools in the Free State"

was born. Business against Crime, established in 1996, is an initiative between Government and the private sector which, with their combined resources, strives to make South Africa a safer place to live, work and do business.

Tiisa Thuto (which means strengthening education) is a crime prevention programme aimed at tackling crime-related problems in 69 targeted Free State schools. Such problems include acts of aggression, possession and use of dangerous weapons, substance abuse, vandalism, gangsterism and the abuse of women and children. Furthermore, this project strives to uphold the values of leadership and good governance, to address the issue of dysfunctional schools and to uphold children's rights. Harmony contributed R500 000 to the Tiisa Thuto Project in FY06.

New Africa Mining Fund

Harmony continues to be committed to the New Africa Mining Fund (NAMF). The fund was established with the intention of facilitating the development of junior mining projects in South Africa and Africa as a whole. To date a number of investments have been made in numerous projects in varying stages of development.

A board of trustees, are responsible for setting policy and direction. The fund operates by acquiring significant minority positions in junior mining projects or ventures, by way of equity, quasi equity and debt instruments.

Paballong Intermediate School

Harmony has approved R400 000 for the renovation of Paballong Intermediate School, which is situated in the immediate surrounds of Harmony's future housing development projects in Matjhabeng in the Free State. Procurement for the project will be prioritised to favour small and medium-size enterprises in the area, in order to provide employment opportunities to the local community.

Schools and creches

Harmony continues to support, through donations of buildings, sponsorships or building renovations, schools and creches within its communities. These initiatives are often undertaken with Local Government and Departments of Education and Welfare, to ensure continuation and sustainability.

South African Maths Foundation

Harmony continues to be the primary sponsor of the South African Mathematics' Foundation (SAMF), the aim of which is to promote mathematics in South Africa through the Annual Mathematics Olympiad and Maths week. The foundation aims to develop educators and learners in the field of mathematics.

The winners of the Mathematics Olympiad may qualify for a Harmony study bursary, should the student select a field of study which meets the bursary requirements.

Irrigation schemes

Teba Development and Harmony have a number of irrigation projects underway in the Eastern Cape. Working in conjunction with the Alfred Nzo district municipality, the objective of these irrigation projects is to assist individuals from the communities to acquire the necessary expertise to establish home gardens. These projects are intended to be self sustainable and to supply local markets. Beneficiaries are trained and provided with starter packs. Some of these are:

- Umzimvubu Irrigation Scheme, who received assistance with all the necessary procurements;
- Ndumndum Irrigation Scheme, where help was given in planting potatoes, green maize and butternuts;
- Mbumbazi Irrigation Scheme, which received wire netting to keep out animals causing crop damage;
- Welakabini where the planting of white maize was completed at the end of December 2005;

- Ward 1 Umzimkulu Homestead Food Gardens where community members have been trained in cultivation techniques;
- Teba Homestead Food Gardens where 25 gardens have been identified for the installation of irrigation equipment. Additionally, 150 households were given training and garden starter packs, and the fencing of the 25 gardens was completed;
- Ward 4 Gogela Homestead Food Gardens where 60 homesteads have been selected and surveyed and will receive irrigation systems; and
- Elubaleko Irrigation Scheme which was identified as being in need of technical advice, institutional support and market linkages. Teba Development included support for the 10ha vegetable and fruit production project in the Harmony funded budget.

Joaquim Chissano Foundation

As part of its commitment to CSR in labour-sending areas, Harmony has identified the Joaquim Chissano Foundation as a vehicle to promote social and economic development in Mozambique. Significant numbers (25%) of Harmony employees come from Mozambique. Joaquim Chissano was the second president of Mozambique and is a non-executive director of Harmony. The foundation, which was launched in November 2005, has as its objectives:

- the promotion of peace and stability in Mozambique and on the African continent;
- the promotion of integrated and sustainable social and economic development, particularly in rural areas;
- promotion and enhancement of the Mozambican culture;
- dealing with issues such as HIV/Aids, gender inequality; entrepreneurship and capacity-building and the environment.

Harmony contributed R250 000 towards the foundation in FY06, particularly in the Maputo and Xai-Xai areas (from which many employees are drawn). The company is currently working with the foundation to identify sustainable socio-economic projects in Mozambique.

Donation of Pioneer House to the South African Police Service

Harmony donated a building complex (Pioneer House) in Thabong, in the Free State, to the South African Police Services (SAPS) for the purposes of career information services as well as skills development (in-service training) of current SAPS members. The facility, which is the first of its kind in South Africa, will cater for 140 trainees and some 75 professional tutors. The facility will also be used as a venue for various SAPS seminars and workshops.

The Deputy Minister of the National Department of Safety and Security opened the facility (to be referred to as the SAPS Thabong Training, Career and Information Centre), at a ceremony held on 16 September 2005. It is Harmony's intention to further partner with the SAPS in the combating of crime to ensure peace, safety and security in society, especially focusing on mining communities.

Australasia

Corporate social responsibility initiatives in Australasia for FY06 include:

- the provision of educational assistance to 100 landowner children;
- maintenance of the Wau Regional High School;
- formulation of a plan for the commercial production of coffee, fresh vegetables and livestock in collaboration with the local community;
- the establishment of NKW Holdings, a company representing the major landowner groups of Nauti, Kwembu and Winima. Harmony will provide the NKW group with opportunities to place tender applications for all appropriate contractor bids;
- the provision of logistical support and manpower to local level government and NGOs in the areas of agriculture, health, adult literacy courses, HIV/Aids awareness and the development of local womens' associations.

"Harmony has identified the Joaquim Chissano Foundation as a vehicle to promote social and economic development in Mozambique"



LATCH KEY

Environmental impacts

- P.52 Policy
- P.52 Managing impacts on the environment
- P.54 Complying with the law
- P.55 Environmental incident reporting
- P.55 Financial provision
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"We strive
to be an
environmentally
responsible
company"

The environmental dimension of sustainability is concerned with the impact of the company on living and non-living nature ecosystems, air and water.

Policy

Harmony strives to be an environmentally responsible company, and recognises that, through the process of gold mining, the company has an impact on the environment. Harmony's definition of the environmental dimension is aligned with that of GRI and concerns the company's impacts on living and non-living natural systems, including ecosystems, land, air and water.

We recognise that the long-term sustainability of our business is dependent on good management in both the protection of the environment, and the exploration for and extraction of our mineral resources. We realise that it is our duty to assess environmental impacts and, where significant pollution or degradation may occur, to take all reasonable practicable measures to prevent it from continuing or recurring, and to minimise and rectify pollution or degradation that has already occurred.

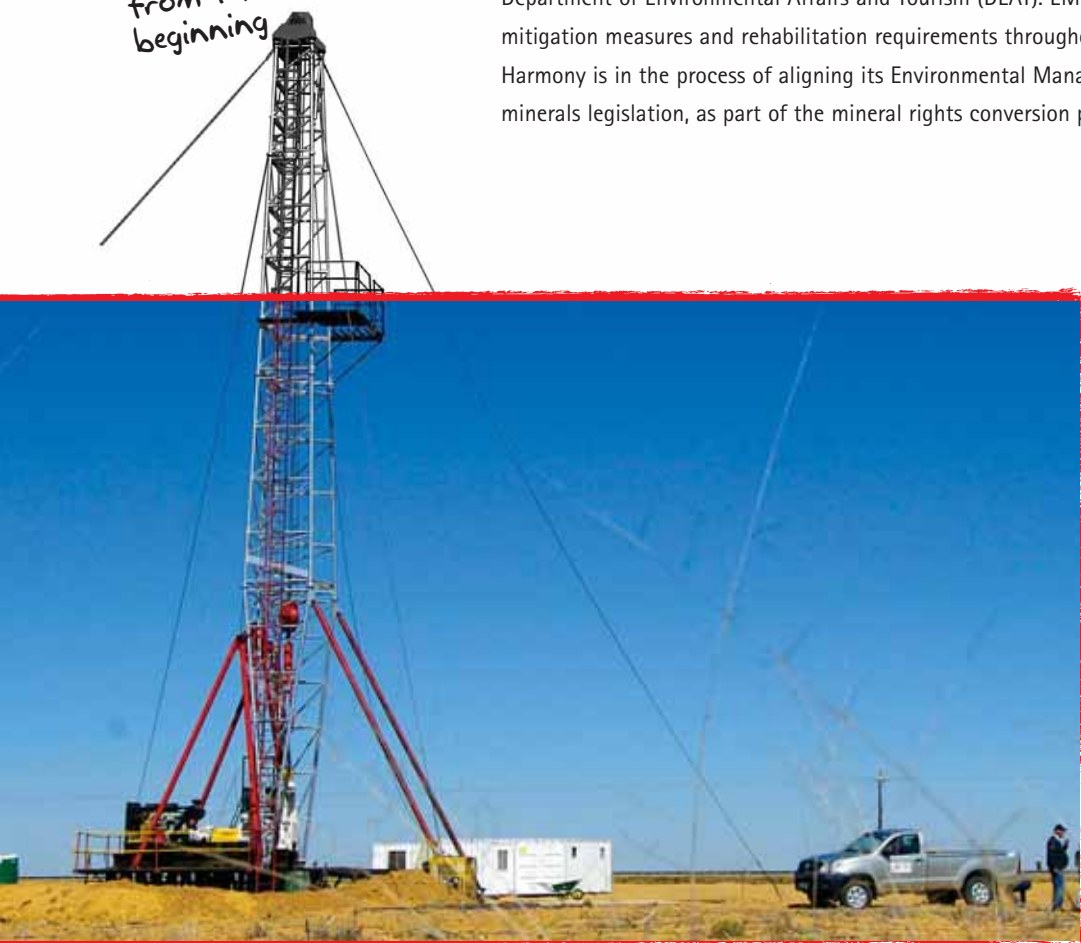
South Africa

Managing impacts on the environment

Environmental Management Systems

All of the South African operations continue to operate within the parameters of the Environmental Management Programme Reports (EMPRs) approved by the Department of Minerals and Energy (DME), in consultation with other departments such as the Department of Water Affairs (DWAF) and Department of Environmental Affairs and Tourism (DEAT). EMPRs identify individual impacts, mitigation measures and rehabilitation requirements throughout the life cycle of every operation. Harmony is in the process of aligning its Environmental Management Plans (EMPs) with the new minerals legislation, as part of the mineral rights conversion process.

from the
beginning



Harmony is in the process of adopting the ISO 14001 specification as the Environmental Management System (EMS) for the South African operations. Previously the discipline was managed through the development and implementation of an in-house EMS, based on the EMPRs. It was found, however, that this did not meet the levels of governance required by the group. The EMS is a structured approach for addressing the triple bottom line (social, economic and environmental) and forms the backbone of environmental management at an operational level. ISO 14001 is the world's most recognised EMS framework and the one most frequently adopted.

The decision to adopt the ISO 14001 standard was supported in view of:

- the value that certification brings, in the form of sound assessment of the company's sustainability rating and external benchmarking;
- its contribution to corporate governance and public reporting requirements;
- its use in the identification, prioritisation and management of company-related environmental issues, including the conformity of internal management systems;
- the internal and external verification processes and the frequency with which audits are carried out; and
- practical issues such as personnel and budget requirements and realistic certification target dates.

During the year, external auditor PriceWaterhouseCoopers was assigned by Harmony to perform an ISO 14001 gap analysis in respect of our current environmental management practices at group and operational level. The gap analysis revealed that the overall environmental management system practices currently in place do not adequately address the requirements of ISO 14001 and indicated areas for improvement. Implementation of the ISO 14001-based EMS started in July 2006, and it is expected to take up to 18 to 24 months before the system is fully implemented.

Structure and governance

The management of operational environmental issues falls under the auspices of the operational director, who is supported by line management in the various regions. It is recognised by all management that it is fundamental to the successful implementation of ISO 14001 that they take ownership of the process. The process is being driven by a personal commitment by our CE and monitored through internal auditing against set targets.

The central Environmental Management Function (EMF) will champion this initiative and steer its implementation through all the phases with the assistance of external implementation experts. Thereafter the EMF will monitor, audit and ensure ongoing compliance. Structures and reporting mechanisms have been put in place to ensure that the board is kept timeously and fully informed of environmental matters within the group through the Sustainable Development Committee.

The EMF has been strengthened and structured to support all line management through the allocation of additional personnel and funding. At a regional level, environmental managers, officers and assistants provide advice and support to the relevant management teams. Given the diversity of the environmental issues being dealt with, one of the challenges for the EMF is accessing the diverse range of skills necessary to tackle these issues. This is largely being addressed through the appointment of appropriate contractors and consultants.

"We recognise that the long-term sustainability of our business is dependent on good management in both the protection of the environment, and exploration for and extraction of our mineral resources"

"We believe that good environmental practice can protect and enhance the company's image and future business prospects"

Rehabilitation and mitigation capacity resides within the various operational sections, for example, shafts, surface engineering and metallurgical plants. Where specific capacity is lacking in-house, use is made of accredited external resources according to a set scope of work and in terms of the Harmony procurement policy.

Regional environmental management meets on a monthly basis to encourage networking, information sharing and joint problem solving. Staff members are encouraged to develop their skills through 'on-the-job' training, exposure and external opportunities such as conferences and short courses. A structured approach to skills development has been adopted and a review of the profiles of all levels of the EMF resource is in progress. The inclusion of an Asset Management Forum further integrates the EMF into all aspects of the business. The primary objective of the forum is to manage and co-ordinate activities related to the disposal of assets and subsequent closure of redundant operational sites to an environmentally acceptable standard.

Although the group's contracts require suppliers to adhere to all environmental legislation, apart from routine auditing by our risk management function, there is currently no programme in place to measure their performance in this regard. Specific matters that arise from time to time are taken up with the supplier concerned. They will however be compelled to comply in terms of ISO 14001 when it is fully implemented at Harmony.

Complying with the law

While our operations are obviously subject to the environmental laws, rules and regulations prevailing at the time, Harmony's values and environmental policy guide the company's management in respect of our impact on the environment.

Harmony believes that good environmental management practice can protect and enhance the company's image and future business prospects, and that, through effective environmental management, Harmony will limit its exposure to business risks and liabilities, providing assurance to shareholders and attracting potential investment. Good environmental practices contribute to profits by reducing waste, ensuring the efficient use of natural resources such as water, fuels, energy and reducing mine closure and clean-up costs. Harmony is not aware of any litigation, current or pending, against the company in respect of environmental issues.

Internal compliance assessments conducted by the EMF on the extent of compliance with the approved EMPRs have indicated that the regions are essentially compliant with their EMPR obligations (see table). From these compliance assessments, and a subsequent risk assessment process, non-compliance issues, as identified, are scheduled for appropriate mitigation action. During FY05, Harmony (together with other mining companies in the area) were issued with directives from the DWAF with respect to the sharing of responsibility for the collection, removal and re-use or disposal of extraneous water emanating in the Randfontein and Klerksdorp, Orkney, Stilfontein, Hartbeesfontein (KOSH) areas. Harmony continues to essentially comply with the requirements of these directives within the constraints of current technology and practices.

COMPLIANCE WITH EMPRs

Entity	Number of commitments listed in EMPR and water permit	% full compliance FY06	% full compliance FY05
Randfontein	194	50	50
Elandsrand/Deelkraal	139	46	46
Evander	211	83	79
Kalgold	46	67	65
Armgold – Welkom	150	78	43
Armgold – Orkney	69	75	74
Original Harmony	175	42	25
St Helena	118	54	48
Brand Shafts, Bambanani, 21 Matjhabeng	99	21	21
Tshepong	241	68	64
Saaiplaas/Masimong	176	36	26
Unisel	51	75	43
Target	84	75	71
Joel	132	60	42
Total	1 885	58	49

While the compliance achievement still indicates scope for improvement, the perceived shortfall comprises work in progress of 13%, end of life of mine and required amendments of 7.5% whilst actual outstanding reduces to 18%.

Environmental incident reporting

Significant environmental incidents are reported to the executive of the company and, where appropriate, to the Sustainable Development Committee of the Board. Significant incidents are currently defined as those that have an impact outside of the company, which may cause irreparable harm, or require significant expenditure to remediate.

Several incidents qualified as significant incidents during the year and were reported to the board in FY06, namely, the Randfontein dust issue, the KOSH water issue and the slimes spill at Evander. The former two incidents are reported on further under the section on stakeholder engagement, and the latter on page 64. Two further slimes spills occurred at the Target operation which were mainly contained within the pipe servitudes and were cleaned up timeously.

Financial provision

The company is required to make financial provision, in a format prescribed by law, to cover the cost of the anticipated closure and rehabilitation costs for the operations. For the purpose of making provision for the discharge of its obligations and contingency liability, mining operations are required to create a Rehabilitation Fund during the life of mining operations. This fund receives, holds and disburses such funds contributed by the operations for the purposes of covering the costs of rehabilitation and pollution control. To this end, six independent environmental rehabilitation Trust Funds exist at Harmony.

"We make financial provision to cover the cost of anticipated closure and rehabilitation"

Each operation annually reviews its expected environmental closure liability. This determined amount is used to calculate the contributions to be made to the Trust Fund. Trust Funds have been set up for the express purpose of providing adequate funds to cover the expected cost of environmental rehabilitation at mine closure. The contributions are spread over the operational life of mine, with contributions made annually by each operation. Even though the various investments in the Trust Funds are pooled, each operational unit has its own liability account. The accumulated funds in the various Trust Funds, and the total rehabilitation liability per operational area, as reflected in the contribution letter to the DME dated 31 March 2006, are reflected in the following table:

Trust Fund Name	Contributions	FY06 Trust Fund balance (R000)	FY06 Rehabilitation liability (R000)	FY05 Trust Fund balance (R000)	FY05 Rehabilitation liability (R000)
Bambanani, Joel, Matjhabeng and Tshepong Rehabilitation Trust Fund	Bambanani, Joel, Matjhabeng and Tshepong mines	669 837	628 151	613 173	600 597
Harmony Gold Environmental Trust Fund	Kalgold, Randfontein Estates, Harmony Gold Mine and Evander Gold Mines	387 048	645 550	328 272	622 603
ARM Rehabilitation Trust	ARM Orkney and Welkom operations	54 454	70 578	45 927	61 939
St Helena Rehabilitation Trust Fun	St Helena	57 098	69 869	50 422	66 861
AVGOLD Nature Conservation Trust Fund	Target Mine	31 701	46 239	28 018	44 248
Elandsrand and Deelkraal Rehabilitation Trust Fund	Elandsrand and Deelkraal operations	87 153	92 314	79 471	85 943
1,390,472					
No fund	Australia				
Total		1 287 291	1 552 701	1 145 283	1 482 191

Note:

* The rehabilitation funding and liabilities are reviewed by the company as at 31 March every year. Concurrently with this year's review (in March 2006), a parallel review of the basis and division of the funds, the impact of new legislation standardisation, among other factors, has been undertaken. This has become necessary as the various environmental funds and liability calculations have largely been inherited by Harmony as the company has grown over the years. This review had not been concluded at the time that the annual report went to print and any revisions will be reported in next year's report.

** The figures presented in the FY05 annual report were incorrectly reported owing to a typographical error. The data reported here for FY05 has not been restated.

In many cases, contingent liabilities in respect of regional water issues, in particular issues relating to the management of water in perpetuity, as well as radiation clearance of land over which permits have been granted, involve other mining houses. These issues are being addressed and researched jointly and sustainable solutions are being sought. Sudden and accidental pollution is covered under our public liability insurance policy.

Stakeholder engagement

Harmony is represented on several government environmental forums established by the DME and DWAF. We have actively participated in the process of establishing Catchment Management Agencies in the areas in which we operate. These are outlined below.

- Free State: Sandvet Catchment Management Committee acts in an advisory capacity to the DWAF, and is responsible for the management of the water resources in the Sandvet catchment area.
- Mpumalanga: Evander Gold Mine is represented on the Waterval Forum, which is situated in the upper Vaal catchment and manages water related aspects of the Waterval River.
- Gauteng: Randfontein operations are represented on the Mooi River Catchment Forum and the Western Basin Technical Working Group (WBTWG).
- North West: the KOSH Inter-mine Water Task Team (KOSHIWTT) was recently convened as the forum to take forward the regional water matters associated with mining in the KOSH region.

These agencies are required by the National Water Act of 1998, and are being formed in close collaboration with DWAF, other industries and members of the local communities.



"Harmony is represented on several government environmental forums established by the DME"

We see ourselves as prominent players in the DWAF/DME drive to develop regional water management strategies in the various mining areas. Harmony is represented on the technical working groups that have been established in the Randfontein and KOSH areas, specifically to address these issues.

Harmony is involved in a number of other forums, such as:

- Voelpan Forum: this forum was established to quantify the impact of mining and the local municipal sewage works on the Voelpan. (Voelpan is a natural pan situated in close proximity to our Target operation in the Free State. Historically, the facility was used for excess water disposal under permit.)
- Clean and Green Forum: this is a newly established forum, which will be dealing with cleaning Matjhabeng in the Free State. The forum is co-ordinated by the DEAT. Two workshops have been held at which the following issues were discussed: eradication of invader species; an environmental educational programme and sponsorship for ward competitions.
- State Co-ordinating Technical Committee and Far West Rand Dolomitic Water Association: these bodies deal with ground stability aspects relating to the de-watering of the dolomites in the Gauteng region.

With respect to the environment, there are major issues on which stakeholder engagement has, and continues, to occur.

- Western Basin Mine Void – Water Decant, Randfontein (Gauteng): a technical working group continues to investigate, amongst other issues, the qualitative and quantitative impacts of the mine void decant that has developed as a result of mining by many different mining companies over the past 100 years and, in particular, the impact of the recharging of the Swartkranz dolomitic compartment as mine operations cease. Also under scrutiny is the

working together



possible effect of this recharging on the world heritage site at the Sterkfontein Caves. As part of this process, an independent consultant has completed an EIA, which was funded by Harmony to investigate possible impacts on receiving water bodies both to the north and south of the decant. The findings and recommendations made are being considered by the Western Basin Technical Working Group (WBTWG), and Harmony anticipates that it will not be the only company playing a role in this issue as has been the case in the past, but that responsibility will be extended to include other parties owning land in the area.

■ Slimes Dam Fugitive Dust, Randfontein (Gauteng): Harmony is currently liaising with both the municipality and the Randfontein Environmental Action Group to reduce the fugitive dust from operational and non-operational slimes dams. A range of short, medium, and long-term mitigating measures have been put in place, including the erection of wind barriers (to prevent dust and encourage vegetation growth), water spraying and the spraying of pallatives to bind the dust.

■ Harmony/Sasol Groundwater Interaction, Evander (Mpumalanga): this issue entails possible joint liability for future water decant from coal and gold mines in this area. A technical working group continues to meet on a regular basis to consider all relevant operational risks in the areas of environmental management, rock engineering, safety and mining associated with the concurrent mining of the coal and gold deposits. The coal deposits lie above the gold deposits and are likely to continue for many years after gold mining has ceased. It is important, therefore, that the impacts of coal mining above our existing excavations are understood.

■ Contaminated Groundwater at Dankbaarpan/Brakpan, Freegold (Free State): The use over time of the Mahemspruit/Dankbaarpan/Brakpan area, west of Welkom in the Free State, as a mine water disposal facility as well as the presence of slimes dams in the area, has led to the impairment of the local groundwater regime. Harmony is continuing with the daily supply of potable water to the farming community that was in place at the time it acquired these assets from AngloGold Ashanti, and is finalising the requirements for a permanent solution for those affected. Water use and distribution at the operations is being managed so that no further water disposal to this facility occurs. Stakeholder engagement entails ongoing interaction between the mines (Harmony and AngloGold Ashanti) and the farming community for a sustainable integrated solution. Good progress was made during the year in addressing the misunderstanding that has developed between the farmers and the mining companies. The farmers' representative has agreed to a reassessment of the actuarial impact of the pollution plume on fresh water supplies and this report is expected to be completed in late 2006. In addition, Harmony has commissioned an academic study by the University of Pretoria to propose a way forward for the mitigation of the pollution plume in the area in the long term and, in particular, to develop a management plan for the area to obtain official closure.

"There are major issues about which we are engaging with stakeholders"

Efficient use of resources

There is an ever-increasing awareness of the need to reduce, or at least improve, the efficient use of scarce environmental resources such as energy and water and to minimise waste and emissions. Harmony recognises that, apart from the environmental advantages of reducing the use of these natural resources, there is the potential to bring about significant cost savings for the company.

"We are committed to the efficient use of resources"

Materials used

Harmony does not use significant wastes (processed or unprocessed) from any sources external to its operations. Some of the operations re-treat old tailing deposits for gold and, in so doing, release the land on which the waste dumps are constructed for other purposes. The Elandsrand mine implements the process of backfilling as a support mechanism in mined out areas, using waste rock removed in the process of mining and development. This means that the waste is not all transported to surface, and is used in place of timber. We are currently investigating the use of recycled plastic sleepers for rail systems and treated sewage effluent for slimes dam grassing projects. The company supplier of gumboots (which are standard issue to all employees) uses recycled material as a source in preference to virgin PVC. Old winding ropes are being used as support mesh underground. The company is also investigating the use of scrap metals reprocessed as a grinding medium in the millings circuits.

MATERIALS CONSUMED

	FY06	FY05	Comments on difference
(000 tonnes)			
Rock mined (ore and waste)	19 922	21 805	
Ore milled	12 871	11 656	
Waste rock recycled	750	Nil	Sale of aggregate
Slime recycled	279	Nil	Slimes re-treatment for gold recovery
Coal	0.6	6	Closure of coal consuming activities at hostels
LPG	0.15	0.3	
Grease	0.519	0.7	
(000t)			
Fuels	18 344	17 533	
Lubricating and hydraulic oil	3 270	1 802	More accurate data collection
Waste management (000 tonnes)			
Mineral waste:			
■ Accumulated tailings in tailing dams (active and dormant)	3 082 000	3 075 858	
■ Accumulated waste in rock dumps	202 936	193 229	
Non-mineral waste:			
■ Hazardous to landfill	Nil	Nil	
■ Hazardous to incineration	Nil	Nil	
Low-level radioactive waste generated:			
■ scrap steel	11.40	11.59	
■ scrap timber	0.88	2.71	

All of our metallurgical plants manage cyanide use within the requirements of a mandatory code of practice as required in terms of the DME guideline. A total of 6 734t of cyanide was consumed for the reporting period.

Energy usage

Harmony is aware of the environmental impact of the energy consumed by our operations, especially since the South African electricity grid is predominantly coal-based. Energy is a key component of the company's cash cost structure. Efforts to reduce energy consumption and improve efficiencies form an integral part of the operations' cost saving initiatives. We strive to optimise energy consumption levels across the group – this optimisation entails demand side management strategies (DSM) in response to the South African power utility initiative in this regard. Harmony has placed an order for a control and monitoring system that will check the consumption patterns of major pieces of equipment at a cost of some R2 million. This will allow for strict control of the consumption of electricity by such equipment. Additionally, there are currently seven pumping load shift installations running and one is pending approval from Eskom DSM. Two fridge plant DSM projects have been approved by Eskom DSM. Additionally, a hot water load shift project is being implemented at Harmony hostels.

Investigations are under way with respect to carbon emission trading opportunities and the rescheduling of the use of large items of power equipment such as compressors, pumps and fans. Harmony has undertaken extensive trials to ensure the safety, reliability and levels of illumination provided by low energy lighting systems and has developed the specifications for underground use in conjunction with a leading supplier. Implementation of this programme will begin in the current year. Tenders have been submitted for energy saving lamps for the group.

Given that a small number of major pieces of equipment (pumps, winders, compressors and fans) are responsible for 80% of the company's energy consumption, the efficient monitoring of these systems and the optimisation of their performance is an economic and sustainable development imperative. Scoping documents are currently being compiled for all major pumping shafts as part of a Pumps Monitoring Project and a plan to reduce the main fan power usage during the afternoon peak is currently being considered.

The Harmony Electricity Management System will be commissioned in December 2006 in an effort to evaluate how efficiently the shafts are using electricity. Benchmarking will then be made possible to ensure more efficient use of electricity.

ENERGY CONSUMPTION SAVINGS (R million)

Item	Cost	Yearly savings
HVAC Cold Water Pumping Load Shifting	11 000 000	2 500 000*
HVAC Fridge Plants Load Shifting	2 064 765	1 253 000**
Hot Water Load Shift Project	6 220 097	314 951
Energy Saving Lamps	455 035	980 384
Compressor Load Control at Tshepong Mine	7 656 298	1 140 000
Cooling Cars Project (Pilot) – Bambanani East	445 000	317 037
Pumps Monitoring Project	9 108 400	4 977 200
Harmony Electricity Management System	2 077 776	9 179 862

*actual

**predicted

"We are aware of the environmental impact of the energy consumed by our operations"

"We have initiated a group-wide project to optimise water treatment and re-use process water"

ENERGY CONSUMPTION

	FY06	FY05	Comment
Unit = J			
Energy from electricity purchased (unit)	1.42 x 10 ¹⁶	3.68 x 10 ¹⁵	FY05 data not available
Energy from fossil fuels (diesel and petrol)	655.7 x 10 ⁶	596.1 x 10 ⁶	FY05 data not available Given data calculated for comparison
Renewable energy	Nil	Nil	
Energy used in travel	Not measured	Not measured	
Total energy consumed	1.42 x 10 ¹⁶	3.68 x 10 ¹⁵	Energy usage predominantly electric

Water usage

A group-wide initiative to optimise water treatment and the re-use of process water is in place. The continued integration of both water quality and water quantity management aspects into the management of our operations reinforces Harmony's commitment to preventing contamination, reducing the consumption of the resource and continued improvement in the management of the resource. The management of water as a resource has been separated into the management functions associated with bulk water bodies (such as the KOSH waster issue and Western Basin Mine Void) and the water used in the course of operations. An important water-saving initiative currently under way is the redirection of lower grade underground water for use in non-potable requirements (such as the cooling of equipment). Pilot projects are currently being undertaken in the Free State, at Target and at Elandsrand, with an estimated saving projected at some 21 000kℓ per month at each site (an approximate value of R50 000 per month per site).

WATER USAGE

Units = 1000m ³	FY06	FY05
Water used for primary activities (units)	84 891	28 875
Potable water from external sources	23 886	19 077
Non-potable water from external sources	61 005	26 052
Surface water used	38 646	3 164
Ground water used	22 358	5 057
Water recycled in process	43 699	11 677

Notes: The measurables have been redefined as follows:

1. Water use for primary activity – consumptive use for plants, shafts, etc (global water input);
2. Potable water from external source – metered, invoiced as supplied by bulk water supplier;
3. Non-potable water from external source – borehole water, fissure water, rain and river water;
4. Surface water used – rain water, rivers and dams (external, not dams holding process water);
5. Groundwater used – borehole water and fissure water;
6. Water recycled in process – return water to plant, and water to underground for drilling and cooling.

Biodiversity

The Harmony group of mines holds surface and freehold rights over large tracts of land (see table below) but uses a relatively small area of this land for mining and infrastructure purposes. Subject to operational requirements, some unused land and infrastructure is being made available to support projects envisaged in terms of our SLPs in the various regions. Harmony does not have operations in or on protected areas.

In respect of potential impacts of activities and operations on protected and sensitive areas, Harmony has reported on the West Rand Mine Void – Water Decant in Randfontein (Gauteng), where the company has potentially qualitative and quantitative impacts of the mine void decant water on recharging the Swartkranz dolomitic compartment, and the subsequent effect on the Sterkfontein Caves (the Cradle of Humankind – a world heritage site), as well as, alternatively, a possible discharge into the Wonderfontein spruit. The EIAs mentioned above also consider the impacts on biodiversity.

Another issue that is currently being addressed is the clearance of land in terms of the Certificates of Registration issued by the National Nuclear Regulator. In the past, nuclear licences (now Certificates of Registration) were applied for and granted over vast areas (currently 12 503ha), even though not all of these areas were used for mining-related activities or even remotely contaminated with radioactive materials. Prior to the alternative land uses being identified, and prior to any closure plans being put in place, the affected areas need to be declared free of radioactive contamination. This exercise was started in FY05 and is due for completion in FY08.

LAND MANAGEMENT

Hectares	FY06	FY05	Comment
Land under group management	48 917	53 583	More accurate determination of area
Land altered for mining purposes	18 647	47 928	More accurate determination of area
Mining in protected areas	Nil	Nil	

Note: Land altered for mining purposes includes land held under surface right permit, as well as land owned by Harmony.

Emissions, effluents and waste

Dust

Our various operations emit particulates (dust) and gases that have a potential negative impact on air quality. Emissions from our metallurgical processes and ventilation fans are not considered significant, and are not measured at present. Fugitive dust from dormant slime dams is controlled by way of regular ridge ploughing and the establishment of vegetation. The company interacts with various stakeholders on this issue in all regions. (See the section on stakeholder engagement on page 57).

Residues and scrap

Managing waste responsibly remains a challenge at our operations. The largest waste item recorded for the period was tailings. Recyclable materials include waste rock, metal, timber, oils, grease, plastic and paper. There is a continual drive to reduce the amount of hazardous waste sent to licensed disposal facilities, while general waste that is not recycled is sent to licensed waste disposal sites. All of our operations, except Kalgold (where there is no public or occupational risk due to radioactivity), conduct activities within the requirements of a Certificate of Registration in terms of

"Our EIAs consider
our impacts on
biodiversity"

section 22 of the National Nuclear Regulator Act of 1999. Disposal of low-level radioactive waste material is conducted in accordance with approved procedures.

Water

All our operations are run within the requirements specified by water use/disposal permits and all operations have registered as water users as required by the National Water Act of 1998. In all regions we are actively involved in the licensing process which is being driven by the DWAF. Point source discharge to permitted evaporation/disposal sites is practiced at two sites – at Evander and the Harmony mine in the Free State.

An environmental incident involving a water spillage from the Kinross Return Water Dam occurred in the third quarter at the Evander gold mine. Approximately 500Mℓ of contaminated water spilt into the Grootspuit during the period January 2006 to April 2006, largely as a result of unusually high rainfall in the area (647mm) during this period. The Return Water Dam did not have sufficient capacity to contain all the run-off water from the slimes dam during these abnormal events. The pump pumping the water from the Return Water dam to the disposal facility (Leeuwpan) pumped at full capacity (240Mℓ/month) during this period and still could not prevent the spillage from the dam. Alternate remedial actions were investigated and the option to provide additional pumping capacity to Leeuwpan was decided on and is in the process of being implemented.

Ground and surface water are monitored at all operations, both upstream and downstream of potential impact areas, as well as inside and outside mining areas. The results of monitoring are used to direct ongoing mitigation and remediation efforts. In many areas of operation, the groundwater is of a naturally poor quality as a result of local mineralogy.

Looking forward

A number of key objectives have been set for environmental management in F07. These include a review of mine closure plans and associated costs across all operations; improving environmental awareness across the group – this will be facilitated by the ISO14001 implementation, as well as radio and internal marketing practices; improving data gathering systems in accordance with GRI reporting requirements; continuing with the implementation of ISO 14001 EMS; initiating selected closure areas at all sites and accessing funds from the trust; actively pursuing water licensing process; and vigorously addressing fugitive dust generating sources.

Australasia

The EMPRS for Australasia have been completed and guide the environmental management process in Australasia.

Other environmental initiatives include:

- Steam monitoring stations are located at Hegu, Kareroi, Hikinangowe, Nauti, Pihema Creek (three stations) and Wafi prior to construction. A baseline water quality programme is being carried out at Wafi.
- Dust monitoring stations at Manki Tower, Hikinangowe and Upanda at Hidden Valley.
- Additional weather stations are located at Hamata and Hidden Valley.
- Ongoing surface and drinking water sampling is being conducted at six Hidden Valley project locations along the Watut River to determine current water quality.
- Sediment sampling is also being completed at these locations.
- A vegetation plan for the access road has been approved by government agencies and revegetation commenced in September.



GRI Scorecard

Harmony has adopted an incremental approach to reporting in line with the recommendations of the Global Reporting Initiative (GRI). We have also prioritised our reporting according to those indicators which are most significant. A detailed index provided on our website at www.harmony.co.za gives a guideline to the availability of information on the GRI core indicators within this report.

Mining Charter

As a South African company Harmony reports its compliance with the Mining Charter. This index may be found on our website at www.harmony.co.za.

Glossary of terms and Acronyms

A detailed glossary of terms may be found on our website at www.harmony.co.za.

Directorate and Administration

Registration No. 1950/038232/06
Incorporated in the Republic of South Africa
ISIN: ZAE000015228

Executive Directors

Z B Swanepoel (Chief Executive)
Ms N Qangule (Financial Director)

Non-Executive

P T Motsepe (Chairman)
F Abbott
J A Chissano
F T De Buck
Dr D S Lushaba
M Motloba
C M L Savage

Company Secretary

Ms M P van der Walt

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