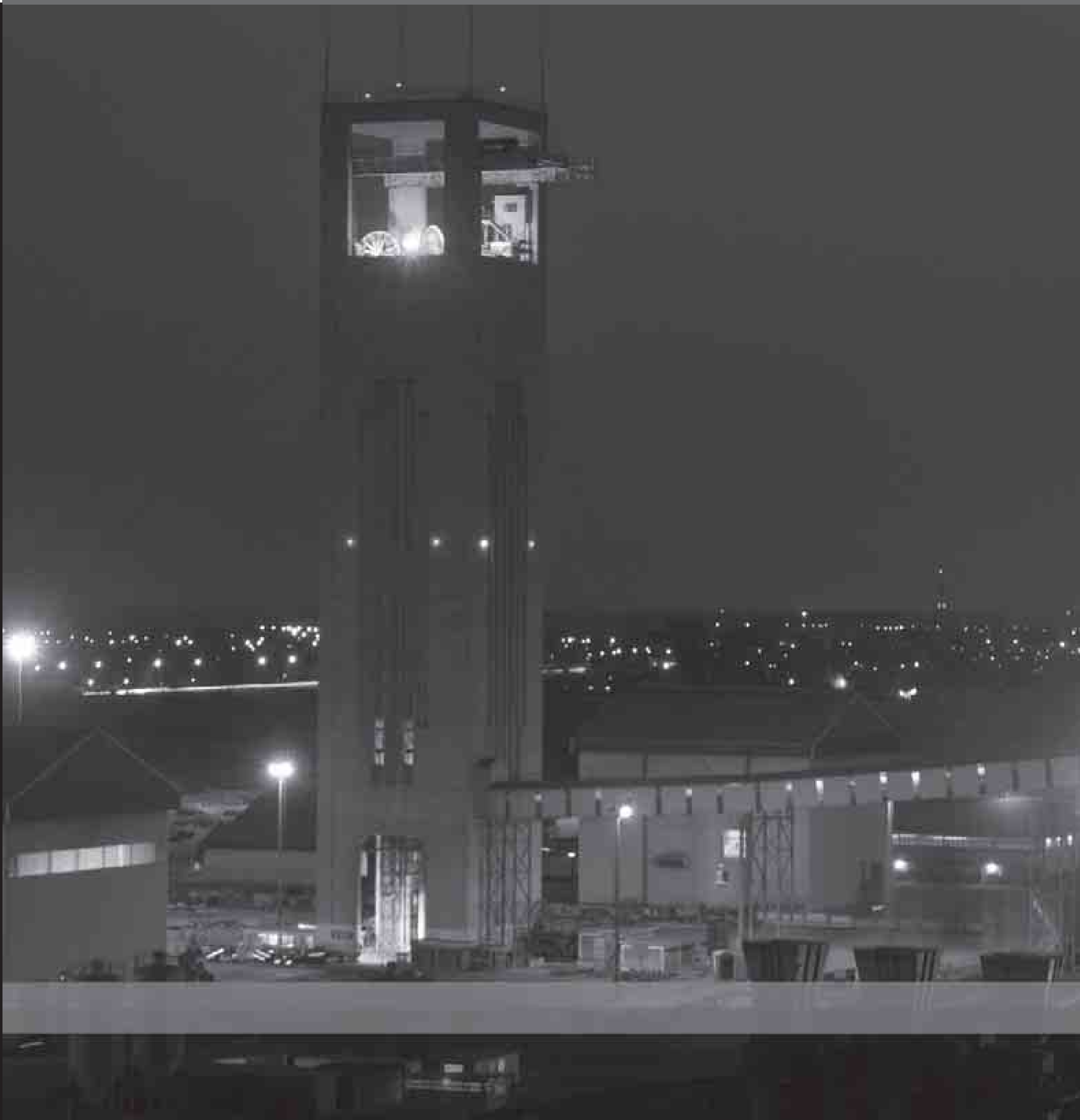
Directors' report



Directors' report

Directors' approval

The Harmony group has underground and surface operations and conducts mainly gold mining and exploration in South Africa and Papua New Guinea.

The company does not have a major controlling shareholder and is managed by its directors for and on behalf of its stakeholders.

The directors of the company are responsible for the preparation, integrity and fair presentation of the financial statements of Harmony and its subsidiaries.

The directors have pleasure in submitting the financial statements of the company, together with those of the group for the year ended 30 June 2009. The financial statements presented on pages 191 to 314 have been prepared in accordance with International Financial Reporting Standards (IFRS).

In addition, the accounts include amounts based on judgements and estimates made by management. The directors consider that in preparing the financial statements, they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all aspects of IFRS have been complied with.

The directors are satisfied that the information contained in the financial statements fairly represents the results of operations for the year and the financial position for the Harmony group at year-end. The directors have also prepared the additional information included in the annual report and are responsible for both its accuracy and consistency with the financial statements.

The directors are responsible for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the company to enable the directors to ensure that the financial statements comply with the relevant legislation.

Harmony and its subsidiaries operate in a well-established financial environment, which is well-documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable but not absolute, assurance that assets are safeguarded and the risks facing the group are being controlled. The Sarbanes-Oxley compliance process assisted in identifying potential deficiencies in controls.

The going-concern criterion has been adopted in preparing the financial statements. Based on current plans and various initiatives to improve cash flow, the Harmony group will be able to continue as a going concern.

Based on current forecasts and available cash resources, barring any unforeseeable event or sharp decrease in the gold price, the directors have no reason to believe that the Harmony group or any company within the group will not be a going concern in the foreseeable future. These financial statements support the viability of the company and the group.

The code of ethics has been adhered to. Please refer to the Corporate Governance Report on page 152 for more information.

The Harmony group's external auditors, PricewaterhouseCoopers Incorporated, have audited the financial statements and their report is presented on page 189. The financial statements were approved by the Board of Directors on 9 October 2009 and signed on its behalf by:

Mr GP Briggs
Chief Executive Officer
Randfontein,
South Africa
9 October 2009

Mr F Abbott
Interim Financial Director
Randfontein,
South Africa
9 October 2009

Directors' report cont.

Board of directors

Name	Date of appointment
Patrice Motsepe *(Chairman)	23 September 2003
Graham Briggs (Chief Executive Officer)†	6 August 2007
Frank Abbott (Interim Financial Director)††	1 October 1994
Joaquim Chissano*#	20 April 2005
Fikile De Buck*#	30 March 2006
Dr Cheick Diarra*#	5 March 2008
Ken Dicks*#	13 February 2008
Dr Simo Lushaba*#	18 October 2002
Cathie Markus*#	31 May 2007
Modise Motloba*#	30 July 2004
Cedric Savage*#	23 September 2003
André Wilkens*	7 August 2007

* Non-executive directors
\# Independent
† Appointed as acting chief executive officer. Appointed chief executive officer on 1 January 2008.
†† Frank Abbott has held both non-executive and executive director appointments since 1994. He was appointed interim financial director in August 2007.

The directors listed above served on the Harmony board during FY09. Abridged CVs of all directors appear on pages 146 to 148 of this report. In terms of the company's Articles of Association, Dr DS Lushaba, Mr M Motloba and Ms FFT De Buck qualify for retirement by rotation at the forthcoming annual general meeting. The retiring directors are eligible and have made themselves available for re-election to the board.

Directors' interests

The board of directors indicated that, at the date of this report, other than Mr André Wilkens, neither they, nor any of their immediate families and associates, held any direct shareholding in the company's issued share capital. No executive director held or acquired any shares in the company, other than through share incentive schemes for the year under review. Regarding André Wilkens, as at 30 June 2009, he held 101 303 shares in Harmony

The company and its subsidiaries

Harmony and its subsidiaries conduct underground and surface gold mining and related activities, including exploration, processing and smelting. Harmony's principal mining operations are located in South Africa and Papua New Guinea. Exploration and evaluation programmes are undertaken in both countries. The company does not have a major controlling shareholder and is managed by its directors for and on behalf of its stakeholders.

Financial statements and results

The directors have pleasure in submitting the group's financial statements, together with those of the company, for the year ended 30 June 2009. These appear on pages 191 to 281 and 283 to 314 of this report. These financial statements have been prepared using appropriate accounting policies, conforming to IFRS, supported by reasonable and prudent judgements and estimates where required.

Financial overview

Harmony set itself several objectives to achieve financial stability as part of its back-to-basics strategy. One of those objectives was to be net debt-free, which we achieved in FY09 after concluding two major asset disposal transactions and paying our major debt. We still retained a cash balance of R2 billion by year-end. As a result, we have a healthy balance sheet and are geared to make further investments in our organic growth projects as well as any suitable acquisitions.

We also recorded the largest net profit in the group's history. Following these results, the board declared a dividend, the first in five years, of 50 SA cents.

During the year, we concluded two major transactions. The first of these was the disposal of 50% of our Papua New Guinean gold and copper assets to Newcrest Mining Limited. We also sold our Cooke assets to Rand Uranium in a transaction that left us a shareholding of 40% in the company, with Pamodzi Resources Fund 1, LLP (PRF) owning the remaining 60%.

We also undertook two issues of shares for cash, which raised R1.9 billion. The cash generated from these various transactions was used to pay our convertible bond of R1.7 billion and the Nedbank loan of R2 billion.

Results for the year

The total net profit for FY09 was R2 927 million (US$311 million), compared with a net loss of R245 million (US$30 million) in FY08. Earnings per share for FY09 was 707 SA cents (75 US cents), compared to a loss per share of 62 SA cents (8 US cents) in FY08.

The contributing factors to these results are discussed below. Unless stated otherwise, the discussions are for our continuing operations.

Commodity price

During FY09, we received an average gold price of R250 826/kg, an increase of 32% from R189 981/kg in FY08. In US dollar terms, we received an average of US$867/oz, an increase of 7% from US$813/oz in FY08. This was mainly due to the higher average gold spot price during the year of US$874/oz, compared with US$821/oz in FY08. Our average sales price differs from the average gold price due to the timing of our sales of gold within each year. During FY09, the gold price traded between a low of US$712.50/oz and a high of US$989/oz.

Exchange rates

The average exchange rate for the year ended 30 June 2009 was R9.00/US$1, compared to R7.26/US$1 in 2008. The closing rate at 30 June 2009 was R7.72/US$1, compared to R7.80/US$1 at 30 June 2008. The average value of the rand versus the Australian dollar for FY09 was R6.66/A$1, compared with R6.51/A$1 in FY08.

Gold is sold throughout the world in US dollars, but most of our operating costs are incurred in rands, Australian dollars and the kina in PNG. As a result, any significant and sustained appreciation of these currencies against the dollar will serve to reduce our revenues and overall net income.

Production

Kilograms produced decreased by 4 324kg to 45 437kg during 2009. This was mainly due to Mt Magnet being placed on care and maintenance during December 2007. The average grade produced at the underground operations decreased from 4.7g/t to 4.6g/t in FY09. Gold production from surface operations in South Africa decreased by 23% to 3 566kg in FY09 from 4 632 kg in FY08. This was mainly due to a decrease in grade of 25% to 0.4g/t.

Revenue

Gold sales increased by 19.5% in the 2009 financial year, from R9 617 million in FY08 to R11 496 million resulting from the increase in the rand gold price received. In US dollar terms, gold revenue decreased from US$1 325 million in FY08 to US$1 277 million in 2009, mainly due to fewer ounces having been sold during FY09.

Cost of sales

Cost of sales increased by R1 364 million from R8 472 million in 2008 to R9 836 million in 2009. In US dollar terms, cost of sales decreased from US$1 162 million in FY08 to US$1 104 million in FY09. The main changes in the cost of sales are analysed as follows:

- Production costs rose by R684 million (US$111 million) in 2009, from R6 973 million (US$959 million) to R7 657 million (US$850 million). This equates to an increase in cash costs of R15 054/kg. In dollar terms, owing to the exchange rate effect, this resulted in a reduction of US$15/oz year-on-year. This was largely due to the escalating price of electricity rates as well as labour costs and the cost of consumable stores.
- Amortisation and depreciation increased by R621 million (US$50 million) from R846 million (US$117 million) to R1 467 million (US$167 million) in FY09. Included in this amount is the charge for Mt Magnet when it ceased to be classified as held-for-sale and depreciation of R219 million (US$28 million) for the period from April 2007 to June 2009 was recorded. The balance of the increase is due to projects reaching production stage and the general increase in capital cost.

Directors' report cont.

- Impairment of assets amounted to R484 million (US$61 million) for FY09, an increase of R204 million (US$26 million) when compared with R280 million (US$35 million) in FY08. The impairments in FY09 resulted primarily from a decrease in the expected life of mine of these operations, as well as an increase in the costs to operate the shafts. This was offset by a reversal of the impairment at Mt Magnet when this operation was no longer classified as held for sale and the carrying amount was re-measured in terms of IFRS.
- Share-based compensation for FY09 was R113 million (US$13 million) compared to R42 million (US$6 million) in FY08. This increase is attributable to the granting of share options to eligible employees in December 2008. Also included in the charge for 2009 is the acceleration of the cost relating to unvested shares attributable to the employees at the Cooke operations who were transferred to Rand Uranium.

Operating profit

The group reported an operating profit of R1 873 million (US$214 million) in FY09, an increase of R1 148 million (US$111 million) when compared to an operating profit of R725 million (US$103 million) in 2008. This was due to the following:

- The profit on the sale of 50% of the PNG assets to Newcrest of R931 million (US$112 million);
- The higher and more favourable gold price.
- These increases were countered by the increase in production cost, depreciation and impairments.

Other income and expenses

- Profit/(loss) from associates changed from a loss of R78 million (US$11 million) to a profit of R12 million (US$1 million) due to the inclusion of profits for Rand Uranium since acquisition on 21 November 2008.
- Impairment of investment in associates for FY09 was R112 million (US$14 million), compared with R95 million (US$12 million) in FY08. The impairment relates primarily to the impairment of the investment in Pamodzi Gold Limited.
- Included in the fair value movement of financial instruments is an amount of R115 million (US$12 million) reclassified from other reserves to the income statement when the investment in Dioro was considered to be permanently impaired at 31 December 2008. This was offset by the subsequent gains recognised in the income statement on the disposal of the investment in April 2009.
- Investment income increased from R284 million (US$39 million) to R444 million (US$49 million). This was primarily due to the increase in interest received on cash balances, which were higher throughout the year, as well as on held-to-maturity investments, being our environmental trust funds.
- Finance costs decreased from R524 million (US$71 million) in 2008 to R212 million (US$24 million) in 2009. This was due primarily to the decrease in interest rates as well as the decrease in the balance of the outstanding debt. Also contributing was the increase in interest capitalised to qualifying assets, from R158 million (US$22 million) in FY08 to R282 million (US$31 million) in FY09.
- A profit from discontinued operations of R1 218 million (US$118 million) was recorded, compared to R359 million (US$48 million) in FY08. This was primarily due to the profit on sale of the Cooke operations.

Headline earnings

Headline earnings from continuing operations increased by 201 SA cents (20 US cents) per share in 2009, from earnings of 38 SA cents (6 US cents) per share to 239 SA cents (26 US cents) per share.

Total headline earnings including discontinued operations increased by 136 SA cents (11 US cents) per share in 2009, from earnings of 126 SA cents (18 US cents) per share to 262 SA cents (29 US cents) per share.

Cash flows

The discussion on cash flows is the aggregate of continuing and discontinued operations.

Operating activities

Net cash generated from operating activities was R2 286 million (US$254 million) in FY09, an increase of R548 million (US$18 million) when compared to the corresponding amount of R1 738 million (US$236 million) in FY08. This improvement is attributable primarily to the higher gold price received during the year as well as the increase in interest received of R182 million (US$13 million) to R455 million (US$51 million). Also contributing to the improvement is the decrease of interest paid of R137 million (US$26 million) to R280 million (US$31 million) as a result of a decrease in the outstanding debt balances. Negating the effect of the improvement was the increase in taxation paid of R704 million (US$85 million). An increase in the production costs of R684 million (US$76 million) due to inflationary pressures relating to labour, materials and energy supplies also negatively affected the increase.

Investing activities

Cash generated from investing activities was R817 million (US$94 million) in FY09, compared with cash utilised of R2 373 million (US$329 million) in FY08. Total capital expenditure for FY09 was R3 050 million (US$339 million), a decrease of R905 million (US$213 million) from FY08. Proceeds received on the disposal of property, plant and equipment totalled R4 029 million (US$450 million), primarily from the disposal of the Cooke assets and 50% of the PNG assets.

Financing activities

Financing activities utilised R1 785 million (US$233 million) in FY09, compared with cash generated of R495 million (US$78 million). The Nedbank loan of R2 billion (US$256 million) raised during FY08 was repaid during FY09. The convertible bond of R1.7 billion (US$218 million) was repaid in May 2009. Harmony issued shares into the market for cash and raised R1.9 billion (US$192 million) in two capital raising transactions.

The net result of Harmony's operating, investing and financing activities was an inflow of R1 318 million (US$115 million), which combined with the opening balance of R415 million (US$53 million) and a positive translation of R217 million (US$85 million), resulted in a closing cash and cash equivalents balance of R1 950 million (US$253 million).

Capital

Capital expenditure for FY10 is estimated at R3 162 million (US$410 million), 29% less than in FY09.

Going concern

The directors believe that Harmony has sufficient resources and expected cash flows to continue operating as a going concern.

Share capital

Full details of the authorised, issued and unissued share capital of the company as at 30 June 2009 are set out in the statements of changes in shareholders' equity on page 194 of this report.

Shareholders

Information on shareholder spread, the range of shareholdings and public shareholders, as well as major shareholders, is presented on pages 316 to 318 of this report.

Investments

A schedule of investments in subsidiaries and associates appears on pages 311 to 314 of this report.

Contingencies

None of Harmony's properties is the subject of pending material legal proceedings. We have received a number of claims and are involved in legal and arbitration proceedings that are incidental to the normal conduct of our business, such as those described below. The directors do not, however, believe that liabilities related to such claims and proceedings are likely to be, individually or in the aggregate, material to the company's consolidated financial condition.

Borrowings

Movements in borrowings

See note 29 to the group financial statements.

Borrowing powers

The level of the company's borrowing powers, as determined by its Articles of Association, shall not, except with the consent of the company's shareholders, exceed the aggregate from time to time of the issued and paid-up share

Directors' report cont.

capital of the company, together with the aggregate of the amounts standing to the credit of all distributable and non-distributable reserves (including interests in subsidiary companies and provisions for deferred taxation) and any share premium account of the group. At year-end, total borrowings amounted to R362 million (US$47 million) (FY08: R4 099 million (US$525 million)).

Acquisitions

During FY09, the group acquired the royalty deed interest over the Wafi property from Rio Tinto Limited. On meeting conditions precedent on 1 December 2008, the royalty was transferred to and extinguished by the group. The consideration for the acquisition was R242 million (US$24 million) in Harmony shares.

An additional US$10 million will be payable once the decision to mine has been made. Of this amount, Harmony will be responsible for paying US$6 million, with the balance of US$4 million being borne equally by the Morobe Mining Joint Venture partners. The effect of this transaction will be to reduce the cost of any gold produced at Wafi.

On 17 April 2009, Harmony exchanged its interest in Dioro for shares in Avoca Resources Limited (Avoca). In terms of the offer by Avoca, Harmony received one Avoca share for every three Dioro shares held. The market value of the Avoca shares on that date was R37 million (US$4.2 million or A$1.50 per share).

Disposals

Sale of Cooke assets to Rand Uranium

During November 2008, Harmony signed formal agreements with the Pamodzi Resources Fund for the sale to all rights, title and interest of the Cooke and old Randfontein assets, located in Randfontein, to Rand Uranium. The purchase consideration was as follows:

In exchange for 60% of the issued share capital of Rand Uranium, Harmony received a non-refundable amount of US$40 million on the effective date of the transaction, and a further US$169 million plus interest thereon on 22 April 2009. As a result, Harmony holds an interest of 40% in Rand Uranium, which is regarded as an associate of the group for accounting purposes (refer to note 22).

The effective date of the Rand Uranium transaction was 21 November 2008, on which date Rand Uranium took full control of the Cooke assets.

Harmony provided goods and services to Rand Uranium at cost plus an applicable margin as set out in a service agreement entered into between Harmony and Rand Uranium. The balance of the unsecured loan at 30 June 2009 was R37 million (US$4.8 million). Rand Uranium also owes Harmony a further amount of R66 million (US$8.5 million). This loan has been subordinated.

Sale of interest in PNG to Newcrest

During the year, the group sold 50% of its interest in its PNG assets in Morobe Province to Newcrest. This took place in three stages, with the disposal of 30.01% for US$229 million (stage one) being completed on 31 July 2008. Stages two and three were completed by the end of quarters three and four of the financial year respectively with Newcrest having earned in a further 10% and 9.99% respectively in each of these stages.

Class action

There is a pending class action in the United States whereby certain ADR holders are seeking damages against us pertaining to our business practices. We have filed with the court a Motion to Dismiss all claims asserted in the class action case, the plaintiffs have filed an opposing response, and we have subsequently replied to that response. At this point the matter is in the hands of the U.S. court and we are awaiting a ruling. It is not possible to predict with certainty when the court will rule on the Motion to Dismiss as the timing of the ruling is entirely within the discretion of the Court, but we would estimate that such a decision will be made by the end of the calendar year, although it may be later than that.

Related party transactions

None of the directors or major shareholders of Harmony or, to the knowledge of Harmony, their families, had interest, direct or indirectly, in any transaction or in any proposed transaction that has affected or will materially affect Harmony or its subsidiaries, since 1 July 2008, other than as stated below.

African Rainbow Minerals Limited (ARM) currently holds 15% of Harmony's shares. Patrice Motsepe, Andre Wilkens and Frank Abbott are directors of ARM.

Harmony owns a 40% interest in Rand Uranium. Graham Briggs, Frank Abbott and Fikile De Buck are directors of Rand Uranium.

Material transactions with associates and joint ventures

All transactions with related parties are conducted at arms-length.

Two material transactions during the year were the sale of the Randfontein Cooke assets to Rand Uranium who became an associate, and the sale of an interest in the PNG asset to Newcrest with whom a joint venture was formed. See details on page 182.

Property

Harmony holds freehold and leasehold properties in a number of jurisdictions. No single property is considered to be the principal establishment of Harmony or the group. Full details of the property, mineral and participation rights of the company and the group are available on request.

Dividends

A dividend of 50 SA cents per share was declared by the board on 13 August 2009. The dividend was paid on 21 September 2009.

Special resolutions

No special resolutions were passed during FY09.

Shareholdings exceeding 5%

As at 30 June 2009, those shareholders with holdings of more than 5% were as follows:

Name	Number of shares	% holding
African Rainbow Minerals Limited	63 632 922	14.94%
Allan Gray Investment Counsel	54 797 344	12.87%
Blackrock Inc	38 438 988	9.02%
Blackrock Investment Management Limited	23 742 867	5.57%

Remuneration

Annual incentive scheme

Harmony's Remuneration Committee ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance. In September 2006, the Remuneration Committee approved an annual incentive scheme as part of Harmony's Reward Philosophy to benefit executive directors and members of management.

Long-term incentives

In addition to employees' annual salaries, Harmony has implemented various share option schemes including the Harmony 2006 Share Plan. In all, 14% of Harmony's share capital is reserved for long-term incentive schemes, which were approved by shareholders at the annual general meeting held in November 2005.

Directors' report cont.

2009

The Harmony 2001 and 2003 Share Schemes

Harmony has two share option schemes, namely the 2001 share option scheme and the 2003 share option scheme (collectively, the existing schemes), which both have similar rules. Since the implementation of the 2006 Share Plan, no options have been nor will be issued in terms of the existing schemes. Options granted before the implementation of the 2006 Share Plan remain open for acceptance for 10 years after the date of grant, subject to the terms of the relevant option scheme.

A share purchase trust was established in 2002 which is controlled by Harmony. Recourse loans were provided by the trust to employees to enable them to acquire shares or exercise their options under the share option schemes. Since 27 March 2003, share option scheme participants are no longer allowed to place their shares in the share purchase trust.

The share purchase trust is funded by a loan from Harmony, which it repays once it receives repayment of the recourse loans granted to employees. Members of the Remuneration Committee serve as trustees. The trustees are not eligible to receive loans from the trust. Participants are not allowed to use structures to lock-in profits as the options are meant to align employees with the company's shareholders.

Broad-Based Employee Share Scheme

The company intends to implement a broad-based employee share scheme and intends to structure the scheme so as to maximise the recognition of black participation therein, both from the perspective of the MPRDA and the Broad-Based Black Economic Empowerment Act. Discussions relating to option benefits for non-managerial employees are ongoing with unions representing these employees.

The Harmony 2006 Share Plan

The Harmony 2006 Share Plan (the Plan) was adopted by shareholders at the annual general meeting held on 10 November 2006. The plan incorporates the following elements: equity-settled share appreciation rights, performance shares and performance allocated restricted shares. The Plan serves to align shareholder interest and long-term, sustained performance.

In terms of the Plan, executive directors and senior employees of Harmony and its subsidiaries are awarded rights to receive shares in Harmony. This is based on the value of these awards when time and performance conditions have been met, the awards have vested and, in the case of Share Appreciation Rights (SARs), the restricted shares, have been exercised.

The primary intent of the Plan is to reward executives and senior management for long-term, sustained performance achievements which are aligned to shareholder value, and at the same time to ensure optimal positioning in terms of the accounting and regulatory environment. It is envisaged that rewards will be settled in shares.

Annual allocations of SARs awards and performance shares are governed by Harmony's reward philosophy, in which inter alia the 'expected value' of long-term incentive rewards is set for defined categories of executives and senior management. The expected value is defined as the present value of the future reward outcome of an allocation/award/grant, given the targeted future performance of Harmony and its share price. See table on pages 186 and 187 for details of executive directors and management long-term incentives.

Directors' emoluments

Harmony's Remuneration Committee (see pages 158 amd 159 for details) ensures that Harmony's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance. See table below.

The board has agreed to an increase in non-executive directors' fees, effective from 1 July 2009. The increase granted is to ensure that non-executive directors' fees remain competitive. Shareholders will be required to approve the increase in fees, as set out in the Notice of Meeting, at the annual general meeting to be held on 23 November 2009.

Directors' remuneration

Name	Directors' fees (R000) FY09	Salaries (R000) FY09	Retirement contri-butions (R000) FY09	Bonuses paid during the year (R000) FY09	Total remune-ration (R000) FY09	Total remune-ration (R000) FY08
Non-executive						
Patrice Motsepe	745	–	–	–	**745**	631
Joaquim Chissano	365	–	–	–	**365**	259
Fikile De Buck	389	–	–	–	**389**	243
Dr Cheick Diarra	140	–	–	–	**140**	20
Ken Dicks	282	–	–	–	**282**	80
Dr Simo Lushaba	345	–	–	–	**345**	264
Cathie Markus	233	–	–	–	**233**	186
Modise Motloba	455	–	–	–	**455**	316
Cedric Savage	498	–	–	–	**498**	333
Andre Wilkens	370	–	–	–	**370**	228
Executive						
Frank Abbott	–	2 433	261	518	**3 212**	1 665
Graham Briggs	–	4 233	–	2 441	**6 674**	4 167
Total	**3 822**	**6 666**	**261**	**2 959**	**13 708**	**8 392**

Directors' report cont.

2009

Share allocation
As at 30 June 2009

	GP Briggs	
	Number of shares	**Average price (Rands)**
Closing balance as at 30 June 2008	367 212	
Share options	91 938	48.55
Share appreciations rights	209 111	78.18
Performance shares	66 163	n/a
Options granted	176 430	
Share options	–	–
Share appreciations rights	28 377	77.81
Performance shares	148 053	n/a
Options exercised	–	–
Share options [1]	–	–
Share appreciations rights	–	–
Performance shares	–	n/a
Options forfeited and lapsed	–	–
Share options	–	–
Share appreciations rights	–	–
Performance shares	–	n/a
Closing balance as at 30 June 2009	543 642	
Share options	91 938	48.55
Share appreciations rights	237 488	68.84
Performance shares	214 216	n/a
Grant date		
Share options	91 938	
24 April 2001	–	36.50
20 November 2001	–	49.50
23 September 2001	–	66.00
27 March 2003	–	91.60
10 August 2004	32 340	66.15
26 April 2005	59 598	39.00
Share appreciation rights	237 488	
15 November 2006	3 473	112.64
15 November 2007	159 484	70.54
7 March 2008	46 154	102.00
5 December 2008	28 377	77.81
Performance shares	214 216	
15 November 2006	11 326	n/a
15 November 2007	42 529	n/a
7 March 2008	12 308	n/a
5 December 2008	148 053	n/a
Closing balance as at 30 June 2009	**543 642**	

[1] The following are the average selling prices received (in rands):

Executive management	102.54
Other management	101.13

Exco members		Other management		Total	
Number of shares	Average price (Rands)	Number of shares	Average price (Rands)	Number of shares	Average price (Rands)
1 366 262		7 031 703		8 765 177	
604 703	53.47	3 831 598	48.46	4 528 239	49.14
542 013	72.33	2 144 370	83.52	2 895 494	81.04
219 546	n/a	1 055 735	n/a	1 341 444	n/a
437 037		3 712 442		4 325 909	
–	–	–	–	–	–
102 569	77.81	1 988 936	77.81	2 119 882	77.81
334 468	n/a	1 723 506	n/a	2 206 027	n/a
(239 687)		(1 081 616)		(1 321 303)	
(239 687)	56.49	(1 081 616)	50.29	(1 321 303)	51.42
–	–	–	–	–	–
–	n/a	–	n/a	–	n/a
–		(1 064 475)		(1 064 475)	
–	–	(356 378)	53.12	(356 378)	53.12
–	–	(462 790)	82.54	(462 790)	82.54
–	n/a	(245 307)	n/a	(245 307)	n/a
1 563 612		8 598 054		10 705 308	
365 016	53.47	2 393 604	48.46	2 850 558	49.14
644 582	73.20	3 670 516	46.49	4 552 586	81.04
554 014	n/a	2 533 934	n/a	3 302 164	n/a
365 016		2 393 604		2 850 558	
–	36.50	17 000	36.50	17 000	36.50
–	49.60	177 701	49.60	177 701	49.60
–	66.00	13 647	66.00	13 647	66.00
20 300	91.60	105 000	91.60	125 300	91.60
128 589	66.15	415 629	66.15	576 558	66.15
216 127	39.00	1 664 627	39.00	1 940 352	39.00
644 582		3 670 516		4 552 586	
23 074	112.64	536 160	112.64	562 707	112.64
518 939	70.54	1 185 238	70.54	1 863 661	70.54
–	102.00	–	102.00	46 154	102.00
102 569	77.81	1 949 118	77.81	2 080 064	77.81
554 014		2 533 934		3 302 164	
64 411	n/a	240 283	n/a	316 020	n/a
155 135	n/a	617 746	n/a	815 410	n/a
–	n/a	–	n/a	12 308	n/a
334 468	n/a	1 675 905	n/a	2 158 426	n/a
1 563 612		**8 598 054**		**10 705 308**	

Directors' report cont.

2009

Recent developments

PNG exploration acquisition

On 27 August 2009, we advised that we had acquired two new exploration projects, the Amanab and the Mt. Hagen projects, in PNG.

These exploration licenses (EL) complement the exploration activities undertaken by Harmony and underscore our commitment and belief in the developing minerals industry in PNG.

Amanab project EL1708 was granted on July 6, 2009 and comprises of about 863 square kilometres of tenure. The tenement is located approximately 160 kilometres north of the OK Tedi copper-gold mine in the Sandaun Province and was pegged to target the bedrock source of the alluvial goldfield centred on the Yup River.

The Mt. Hagen project comprises two contiguous tenements, EL1611 & EL1596, encompassing approximately 1100 square kilometres of tenure. The tenements are located approximately 20 kilometres north-northeast of Mt. Hagen and are readily accessible via the Highlands Highway connecting Lae and Porgera.

Harmony acquired 100% of the mineral rights for EL1596 from Frontier Resources for the cash consideration of A$300,000 (US$251 782).

We also acquired the rights to explore the adjacent tenement EL1611 over a four year period, with the condition that our exploration program meets the minimum annual expenditure commitment. At any time during this period we may exercise an option to purchase 100% of the tenement for a total cash consideration of 6 million Kina (US$2.4 million).

Pamodzi Gold Free State (Proprietary) Limited (in provisional liquidation)

During June 2009, Harmony Group reported that the provisional liquidators for Pamodzi Gold Free State (Proprietary) Limited (In Provisional Liquidation) (Pamodzi Free State) had chosen Harmony Group as the preferred bidder of Pamodzi Free State's assets. These assets consisted of President Steyn 1 and 2 Shafts, Loraine 3 Shaft, Freddie 7 Shaft and Freddie 9 Shaft, a metallurgical gold plant, a waste rock dump and a dormant tailings storage facility.

Harmony's offer was accepted during July 2009, following approval by the Industrial Development Corporation of South Africa and the relevant trade unions.

Further to the above, Harmony announced during September 2009 that it had entered into four separate agreements to purchase Pamodzi Free State's assets. The Pamodzi Free State assets will be purchased free from all liabilities, save for all associated rehabilitation and environmental liabilities. The purchase consideration for these assets is R405 million. The purchase was approved by the South African High Court on 15 September 2009.

The major conditions precedent that have to be fulfilled in order for the agreements to become unconditional are the conversion of the Pamodzi Free State mining rights and the consent for the cession thereof to Harmony by the Minister of Mineral Resources.

Dividend

On 13 August 2009, the board of directors approved a final dividend for FY09 of 50 SA cents per share. The total dividend amounts to R213 million. As this dividend was declared after the reporting date, it has not been reflected in the financial statements for the period ended 30 June 2009.

Company secretary

Khanya Maluleke was appointed as secretary of the company on 1 October 2008. Khanya's business and postal addresses appear on the inside back cover of this report. The secretary has, in terms of section 268G(d) of the Companies Act, 1973, certified that: "All such returns as are required of a public company in terms of the Act have been made and are true, correct and up to date".

Independent auditors

PricewaterhouseCoopers Inc. will continue in office in accordance with section 270(2) of the Companies Act of South Africa.

Their address is:
2 Eglin Road
Sunninghill 2157
South Africa