Corporate governance

2009

Harmony is committed to applying and upholding the highest standards of corporate governance practice. As Harmony's primary listing is on the JSE Limited (JSE) in South Africa, its disclosure practices and policies are guided in the first instance by the South African Companies Act and the regulations of the JSE and, in particular, the King Report on Corporate Governance 2002 (King II). The group also acts in compliance with the other exchanges on which it is listed, as well as the United States Securities and Exchange Commission (SEC) and the Public Company Accounting Reform and Investor Protection Act of 2002 (more commonly known as the Sarbanes-Oxley Act of 2002 (SOx)) as applicable to foreign companies listed in the United States.

Corporate governance

Board of directors

Harmony is governed by a unitary board which, as at 30 June 2009, was made up of 12 members, eight of whom were independent (determined in line with both King II and SOx) and two of whom were executive directors. Given that the group is a South African company, Harmony is highly cognisant of the need for transformation at the highest levels within the company. Two non-executive directors are women, and four are drawn from groups considered to be historically disadvantaged South Africans (HDSAs).

As at 30 June 2009, members of Harmony's board of directors were as follows:

Non-independent, non-executive chairman
Patrice Motsepe

Executive directors
Graham Briggs (Chief Executive Officer)
Frank Abbott (Interim Financial Director)

Independent non-executive directors
Joaquim Chissano
Fikile De Buck
Dr Cheick Diarra
Ken Dicks
Simo Lushaba
Cathie Markus
Modise Motloba
Cedric Savage

Non-independent, non-executive director
André Wilkens

Post year-end in July 2009, Harmony announced that Frank Abbott, currently Harmony's Interim Financial Director, would retire at the end of December 2009. He will hand over his current responsibilities to Financial Director designate, Hannes Meyer on 1 November 2009. Hannes was formerly both the chief financial officer and chief executive officer of TEAL Exploration and Mining Incorporated. For the period 1 November 2009 to end December 2009, Frank will remain on the Harmony board as an executive director responsible for strategic planning. Frank has also agreed to remain on the Harmony board as a non-executive director from 1 January 2010.

In addition to upholding sound principles of corporate governance, the board recognises the interests of the communities in which its operations are located and which the company's activities affect, and ensures that the company acts as a responsible corporate citizen, creating value for all shareholders.

Board purpose and function

The board is guided in its actions by the board charter (www.harmony.co.za) which is reviewed annually. The charter requires that directors exercise leadership, enterprise, integrity and good judgement, accountability, responsibility and transparency. The charter serves as a guide to board members regarding:

- the purpose and role of the board;
- board responsibilities and authority;
- board composition;
- board meetings; and
- board self-assessment.

Corporate governance cont.

The board provides strategic direction to the company through the quarterly board meetings and the delegation of authority to the board committees. It reviews and directs the company's strategic objectives, annual budget and plans. The board also guides and reviews the non-financial performance of the company, that is, those issues relating to the 'triple bottom line'.

A number of duties, responsibilities and personal liabilities are imposed on Harmony's directors under both common and statutory law, not only in South Africa, but also in the United States, Australia and the United Kingdom.

Board appointments

In considering new appointments to the board, Harmony takes cognisance of its gender and racial composition and believes that it has achieved an acceptable balance of such members. The company believes that the non-executive and independent directors are of sufficient calibre, experience and number for their views to carry significant weight in the board's decisions. While the Nominations Committee advises on appointments to the board, consideration of new appointments to the board is undertaken by the board as a whole.

Board meetings

Four board meetings were held in FY09. The board charter requires that at least one meeting is held every quarter. Attendance at these board meetings is reflected in the table below. Resolutions requiring urgent decisions were passed by means of round-robin resolutions.

Name	Board	% attendance
PT Motsepe	4	100%
GP Briggs	4	100%
F Abbott	4	100%
JA Chissano	3	75%
FFT De Buck	4	100%
CM Diarra	2	50%
KV Dicks	4	100%
DS Lushaba	4	100%
CE Markus	4	100%
JM Motloba	4	100%
CML Savage	4	100%
AJ Wilkens	4	100%

Chairman and chief executive officer are distinct

The roles of the chairman and chief executive officer are separate and distinct as required by King II. Although the chairman is not considered to be independent, the board is of the view that the value added to the company by Patrice Motsepe as chairman is significant, and that the board as a whole is predominantly independent in nature.

Board induction and training

On appointment and as part of the company's board induction programme, new directors are briefed by the company secretary and are provided with comprehensive company information packs containing, among other documentation, committee charters, Articles of Association, corporate governance guidelines, the Toolkit for Directors (provided by internal auditors KPMG) and a summary of the JSE Listings Requirements.

No new directors were appointed to the board in FY09 and therefore no board induction was undertaken. There were no resignations from the board during the year.

In August 2009, board members received training on the provisions of the new Companies Act as well as the forthcoming King III report. Articles of interest and updates on corporate governance are frequently sent to the board to keep directors informed.

Access to management and the operations and independent advice

Each director has unrestricted access to the advice and services of senior management. All non-executive directors are able to visit Harmony's operations at any time and attend management meetings at their discretion. Specific training sessions are arranged as and when these are requested by directors. Board members have unrestricted access to group information, records, documents and property. If necessary, a board member may take independent professional advice at the group's expense.

Delegation of authority

The board delegates authority for certain matters to specified board committees. These matters continue to be monitored and evaluated by the board at each meeting.

Board self-assessment

In terms of its charter, the board is required to conduct an annual self-assessment as follows:

- the chairman is required to assess the performance of individual board members; and
- the board is required to evaluate the chairman.

These assessments are based on several factors, including expertise, inquiring attitude, objectivity and independence, judgement, understanding of Harmony's business, understanding and commitment to the board's duties and responsibilities, willingness to devote the time needed to prepare for and participate in committee deliberations, timely responses and attendance at meetings.

In 2009, the company engaged the services of KPMG to conduct a board self-assessment exercise. Interviews with chairmen of committees were held and questionnaires were completed by each board member. A full report was generated and circulated to the board.

Executive directors

Executive directors have standard employee service agreements and all include a notice period of at least one month. The executive directors have waived their rights to directors' fees.

Executive directors participate in Harmony's share scheme and also benefit from pension contributions (or provident fund), life insurance and medical aid. Their employment letters do not make provision for pre-determined compensation on termination. The number of share options held by executive directors during the financial year is detailed in the Directors' Report on pages 176 to 188.

Non-executive directors

None of the non-executive directors has a service contract with Harmony. Non-executive directors are entitled to fees as agreed at Harmony's annual general meeting (AGM) and to reimbursement for out-of-pocket expenses incurred on the company's behalf, as well as remuneration for other services, such as serving on committees. Details may be found in the Directors' report on page 185.

The company is not aware of any director, or of the families of any directors, having any interest, direct or indirect, in any transaction during the last financial year or in any proposed transaction with any company in the Harmony group which has affected or will materially affect Harmony or its investment interest or subsidiaries.

Significant issues faced by the board in FY09

Significant issues dealt with by the board in FY09 were:

- Sale of Randfontein assets to create Rand Uranium.
- Purchase of royalty deed from Rio Tinto.
- Capital raising exercises in December 2008 and February/March 2009.

Annual general meeting

The notice of the annual general meeting (AGM) in 2008 was posted timeously to all shareholders, with clear instructions on the responsibility of shareholders and the resolutions being voted on. The notice for the AGM for FY09 has been posted to shareholders with this annual report and is available on the company's website at www.harmony.co.za.

Full details of the directors to be nominated/re-nominated are provided in this Notice of Meeting.

Directors are encouraged to attend the AGM, particularly the chairmen of the various board committees.

Rotation of directors

The rotation of directors is staggered. In terms of the company's Articles of Association, one-third of the longest standing directors on the board must retire from office at the AGM. Retiring directors usually make themselves available for re-election and are re-elected at the AGM at which they retire. There are provisions in place within the Articles of Association for the exemption from retirement for executive directors in terms of their employment contracts although currently, no directors are exempted from retirement under these provisions.

Corporate governance cont.

At the AGM to be held on 23 November 2009, the following directors will retire and make themselves available for re-election:

- Fikile De Buck
- Dr Simo Lushaba
- Modise Motloba

In addition, Hannes Meyer, the newly appointed Financial Director Designate, will offer himself for election at this AGM. The curriculum vitae of these directors may be found on pages 146 to 148 of this report.

Board committees

To enable the board to properly discharge its responsibilities and duties, certain responsibilities of the board have been delegated to board sub-committees. These committees are:

- Audit Committee
- Empowerment Committee
- Investment Committee
- Nomination Committee
- Remuneration Committee
- Sustainable Development Committee
- Technical Committee

Each board committee is guided by that committee's charter (www.harmony.co.za). Each committee has adopted an agenda plan that is approved by the board on an annual basis, and against which the committee reports to the board. All board committees are chaired by an independent non-executive director, except for the Nomination Committee and the Technical Committee. It is for this reason that the resolutions recommended by the Nomination Committee are referred to the board for final approval.

The creation of these committees does not reduce the directors' overall responsibilities and the chairmen of all committees report and make recommendations to the board by means of designated reporting slots at each board meeting. The minutes of all committee meetings are made available to all board members in their board information packs prior to the board meeting.

Audit Committee

The role of the Audit Committee is to: assist the board in discharging its duties relating to the safeguarding of assets; the operation of an adequate system and internal controls and control processes; the preparation of accurate financial reporting and statements in compliance with all applicable legal requirements, corporate governance and accounting standards. It also provides support to the board on the risk profile and risk management of the group.

The Audit Committee reports and makes recommendations to the board, and the board retains responsibility for implementing such recommendations.

At 30 June 2009, the members of this committee were:

- Cedric Savage (Chairman) — Appointed to the committee on 26 January 2004 and chairman on 5 August 2005
- Fikile De Buck — Appointed to the committee on 30 March 2006
- Dr Simo Lushaba — Appointed to the committee on 24 January 2003
- Modise Motloba — Appointed to the committee on 30 July 2004

All members of the Audit Committee are independent, non-executive directors.

The internal auditors, the external auditors, the chief executive officer, the financial director and executive managers are invited to the meeting.

Harmony does not have an individual financial expert as defined by the rules of the SEC on its Audit Committee. The company is of the view that the Audit Committee members, through their collective experience, meet the majority of the definitions of the SEC for an audit committee financial expert in both the public and private sectors. The members have served as directors and officers of numerous public companies and have over the years developed a good knowledge and understanding of International Financial Reporting Standards (IFRS), overseeing the preparation, audit and evaluation of financial statements. Harmony believes that the combined knowledge, skills and experience of the Audit Committee, and their authority to engage outside experts to provide them with advice on matters relating to their responsibilities as they deem appropriate, enables them as a group to act effectively in the fulfilment of tasks and responsibilities required under SOx.

In terms of its charter, the Audit Committee is required to meet at least four times a year, or more frequently as circumstances dictate. During FY09, the committee met on five occasions.

Name	No of meetings attended	% attendance
Fikile De Buck	5	100%
Dr Simo Lushaba	5	100%
Modise Motloba	3	60%
Cedric Savage	5	100%

Empowerment Committee

The Empowerment Committee ensures that the company meets not only regulations stipulated in the Employment Equity Act, the Labour Relations Act and the Mineral and Petroleum Resources Development Act's (MPRDA) Mining Charter Scorecard, but also the fulfilment of Harmony's own empowerment imperatives.

The responsibilities of the Empowerment Committee include ensuring that a sustainable organisational culture, structures and processes are in place to support the development of empowerment in the company; to monitor the development and progress of empowerment within the company; to address inequalities that may exist in staff profiles and organisational practices; and to review and monitor whether appropriate support is given to historically disadvantaged employees in order to equip them for successful careers in the company.

At 30 June 2009, the members of this committee were as follows:

- Joaquim Chissano (chairman) — Appointed as member and chairman on 3 May 2006
- Cathie Markus — Appointed to the committee on 29 October 2007
- Modise Motloba — Appointed to the committee on 3 May 2006

The committee is chaired by an independent non-executive director and comprises independent non-executive directors.

The chief executive officer and several executive managers are invited to attend meetings.

The Empowerment Committee met on four occasions during FY09.

Name	No of meetings attended	% attendance
Joaquim Chissano	2	50%
Cathie Markus	4	100%
Modise Motloba	4	100%

The Empowerment Committee charter requires that at least two members are present to constitute a quorum. Cathie Markus acted as chairman of the meetings when Joaquim Chissano was unable to attend.

Investment Committee

The primary purpose of the Investment Committee is to consider projects, acquisitions and the disposal of assets in line with the group's overall strategy. This includes performing such other investment-related functions as may be designated by the board from time-to-time, considering the viability of capital projects and/or acquisitions and/or disposals and the effect these may have on the group's cash flow, as well as whether these fit into the group's overall strategy. This committee's remit includes ensuring that due diligence procedures are followed when acquiring or disposing of assets.

The Investment Committee consists of six non-executive members, of which five are independent. The chairman is an independent, non-executive director.

At 30 June 2009, the members of the investment committee were:

- Dr Simo Lushaba (chairman) — Appointed to the committee on 26 January 2004 and as chairman on 5 August 2005
- Fikile De Buck — Appointed to the committee on 3 May 2006
- Cedric Savage — Appointed to the committee on 26 January 2004
- André Wilkens — Appointed to the committee on 7 August 2007
- Cathie Markus — Appointed to the committee on 29 October 2007
- Ken Dicks — Appointed to the committee on 13 February 2008

The chief executive officer, the financial director and members of the Executive Management Committee attend all Investment Committee meetings.

The committee should meet at least four times a year, but may at its discretion meet more often depending on the circumstances. The committee met on six occasions in FY09.

Corporate governance cont.

Name	No of meetings attended	% attendance
Fikile De Buck*	5	83%
Ken Dicks	6	100%
Dr Simo Lushaba	5	83%
Cathie Markus	5	83%
Cedric Savage	6	100%
André Wilkens	5	83%

* Fikile de Buck acted as chairman of the committee in the absence of Dr Simo Lushaba.

Nomination Committee

The primary purpose of the Nomination Committee is to ensure that procedures governing appointments to the board are formal and transparent, by making recommendations to the board on all new board appointments and reviewing succession planning for directors. The duties and responsibilities of this committee are set out in the Nomination Committee charter.

At 30 June 2009, the members of this committee were:

- Patrice Motsepe: Appointed to the committee as member on 24 October 2003
- Joaquim Chissano: Appointed to the committee on 3 May 2006
- Frank Abbott: Appointed to the committee on 5 August 2005

The chairman of the Nomination Committee is non-executive, but not independent. Given that only one member of the committee is an independent non-executive director, any decisions made by the Nomination Committee are approved by the board, either through a round-robin resolution or at a board meeting.

Members of this committee are required to meet annually or more often at the committee's discretion, depending on prevailing circumstances. The committee did not meet in FY09 as there were no new appointments to or resignations from the board during FY09.

Remuneration Committee

The primary purpose of the Remuneration Committee is to ensure that the group's directors and senior executives are fairly rewarded for their individual contributions to Harmony's overall performance and to demonstrate to all stakeholders that the remuneration of senior executive members of Harmony is set by a committee of board members who have no personal interest in the outcome of their decisions, and who will give due regard to the interests of the shareholders and to the financial and commercial health of the company.

The committee's primary objectives are to monitor and strengthen the objectivity and credibility of the remuneration system of Harmony's directors and senior executives and to make recommendations to the board on remuneration packages and policies applicable to directors. A formal reward philosophy was adopted by the Remuneration Committee in March 2006 and is reviewed annually by the committee.

At 30 June 2009, the members of this committee were:

- Cedric Savage (chairman) Appointed to the committee on 24 January 2004 and as chairman from 3 May 2006
- Dr Simo Lushaba Appointed to the committee on 5 August 2005
- Patrice Motsepe Appointed to the committee on 26 January 2004 (ex officio member as chairman of the board)
- André Wilkens Appointed to the committee on 7 August 2007

The chief executive officer, the financial director and the human resources executive are invited to attend all meetings.

The committee comprises three non-executive directors, two of whom are independent. The structure of this committee is therefore not compliant with King II, which requires that the committee comprise independent directors only. The chairman of the Remuneration Committee is, however, an independent non-executive director and ensures that decisions are fair and not biased. The chairman, an independent executive, was elected on the basis of his vast business knowledge and experience, and his familiarity with the challenges facing directors and senior executives.

The Remuneration Committee is expected to meet at least quarterly or, alternatively, to pass resolutions by round robin, if and when a formal meeting cannot be held. In FY09, the committee met six times, including two special meetings held in November 2008 and December 2008 (for approval of the share allocation and incentive schemes).

Name	No of meetings attended	% attendance
Dr Simo Lushaba	6	100%
Cedric Savage	6	100%
André Wilkens	6	100%

Sustainable Development Committee

The role of the Sustainable Development Committee is to supplement, support, advise and provide guidance on the effectiveness or otherwise of management's efforts in respect of sustainable development. The committee considers the following sustainable development issues: occupational health, safety, HIV and AIDS, social investment and environmental management.

At 30 June 2009, the following were members of this committee:

- Modise Motloba (chairman) — Appointed as member and chairman on 5 August 2005
- Joaquim Chissano — Appointed to the committee on 3 May 2006
- Fikile De Buck — Appointed to the committee on 3 May 2006

Members of the committee are all independent, non-executive directors.

The chief executive officer and certain executive managers are invited to attend all meetings.

The Sustainable Development Committee, as per its charter, should meet at least four times a year, or more frequently as circumstances dictate. In FY09, four meetings of this committee were held.

Name	No of meetings attended	% attendance
Joaquim Chissano	1	25%
Fikile De Buck	4	100%
Modise Motloba	4	100%

The Sustainable Development Committee charter requires that at least two members are present to constitute a quorum.

Technical Committee

The Technical Committee was formed in January 2008 to provide a platform for the chief executive officer to discuss the company's strategy, performance against targets, as well as operational results and projects. The Technical Committee apprises the board of key developments, progress against objectives and challenges facing the company's operations. The company's strategic plans are considered by the Technical Committee and recommended for approval to the Investment Committee and the board. The Technical Committee also provides guidance and support to management to ensure that the company remains sustainable and successful.

At 30 June 2009, the following were members of this committee:

- André Wilkens (chairman): — Appointed as a member and chairman on 22 January 2008
- Fikile De Buck: — Appointed to the committee on 14 July 2008
- Ken Dicks: — Appointed to the committee on 13 February 2008
- Modise Motloba: — Appointed to the committee on 22 January 2008
- Cedric Savage: — Appointed to the committee on 22 January 2008

The committee comprises four independent, non-executive directors. The chairman is not independent. However, the board agrees that he was best suited to be appointed as chairman, due to his vast knowledge of the company's assets and his years' of mining experience. The chief executive officer is invited to attend Technical Committee meetings, as are other members of senior management.

The chief executive officer and certain executive managers are invited to attend meetings.

As per its charter, the committee should meet at least six times a year. In FY09, the committee met on six occasions.

Name	Attendance	% attendance
Fikile De Buck	4	67%
Ken Dicks	6	100%
Modise Motloba	5	83%
Cedric Savage	6	100%
André Wilkens*	5	83%

*Cedric Savage acted as chairman of the committee in the absence of André Wilkens.

Corporate governance cont.

Company secretary

Harmony's Company Secretary plays an active role in the achievement of good corporate governance. The company secretary supports the chairman and the board in:

- ensuring the effective functioning of the board.
- providing guidance to the chairman, the board and the directors of Harmony's subsidiaries on their responsibilities and duties within the prevailing regulatory and statutory environment.
- providing the board with guidance on how to discharge these responsibilities and duties in the best interests of Harmony.
- Raising matters that may warrant the attention of the board.

The company secretary assists in ensuring that the board's decisions and instructions are clearly communicated to the relevant people, and is available to provide a central source of guidance and advice within Harmony on matters of ethics and good governance. Khanya Maluleke was appointed company secretary with effect from 1 October 2008, following the appointment of Marian van der Walt (formerly company secretary) as Executive: Corporate and Investor Relations.

Other committees

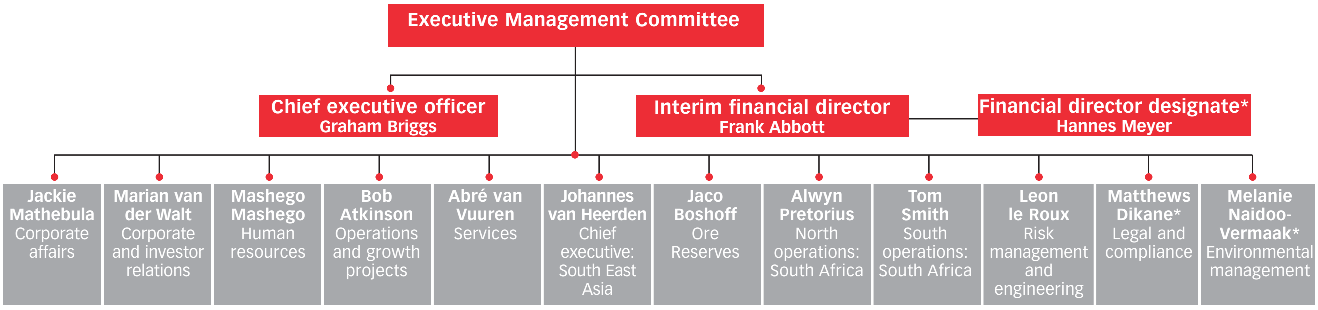
Executive management committee

Members of the Executive Management Committee meet on a weekly basis. Standard items on the agenda include operational results, cash flow, people issues and matters arising.

These committees are considered to be vital to the functioning of the company and ensuring the appropriate control and provision of information to the board. Certain members of the Executive Management Committee belong to the following committees, which meet regularly.

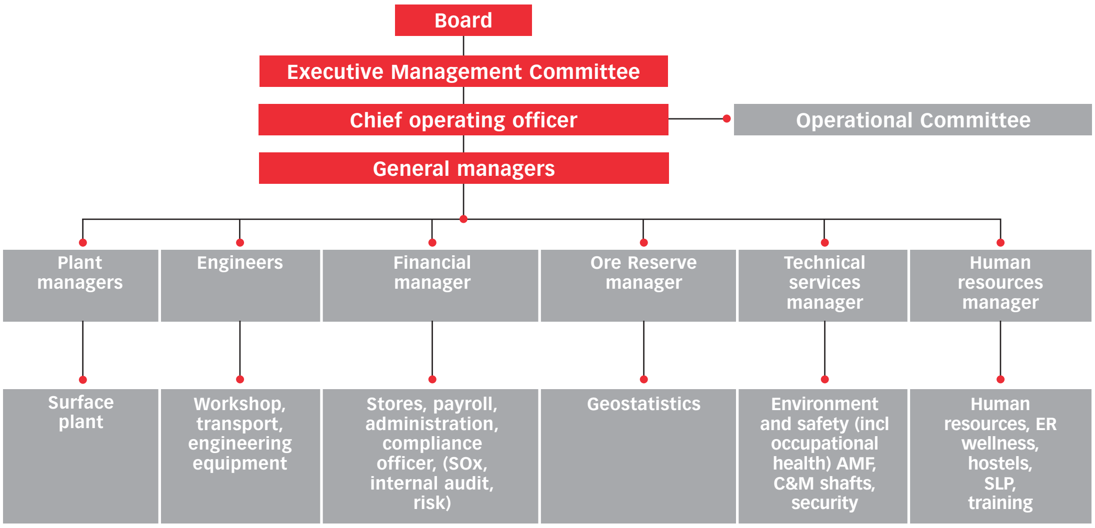
Committee name	Members	Purpose and function	Frequency of meetings
Corporate Social Responsibility Committee	Chief executive officer, executive management and the company secretary	Considers and approved local economic development projects funded by the company	Ad hoc (as and when there are project proposals)
Ethics Committee	Company secretary, human resources executive, corporate affairs executive, services executive, and corporate and investor relations executive	Monitors the ethical culture and levels of integrity.	Quarterly
Group Operational Committee	Chief operating officers and group operations teams	Reviews operations, safety performance, environmental issues and human resources	Weekly
IT Steering Committee	Chief executive officer, interim financial director, chief operating officers and chief information officer	Oversees IT within the company	Quarterly
Operations Committee	Chief operating officers, group operations teams and general managers	Oversees the execution of detailed shaft plans, employee relations, procurement, costs, cash flows	Monthly
Risk Steering Committee	Interim financial director, chief operating officers, engineering and risk management executive, company secretary and head: internal control and governance	Oversight of risk management	Quarterly
Shaft Review Committee	Chief operating officers, shaft teams and members of the executive	Reviews shaft specific operational performance, major capital expenditure and forecasts	Monthly at each shaft
SOx Steering Committee	Head: Internal Control and Governance, financial managers, chief Information officer, payroll and supply chain managers.	Reviews of SOx compliance	Monthly
Tender Committee	General managers procurement, group technical managers	Monitors all procurement procedures and reviews increases on contract items	Monthly
White Collar Crime Committee	Heads of services departments	Considers confidential reports received on code of ethics violations, fraud and inappropriate behaviour	Monthly

The Executive Management Committee is structured as follows:



* Appointed post year-end

Harmony's existing operational reporting structure is as follows:



Code of ethics

Harmony places a great deal of emphasis on instilling and maintaining the highest levels of integrity in the conduct of its business. Harmony has, through a process of constructive employee engagements enshrined the following values as those which the company and its employees subscribe to. These are: transparency, trust, accountability and equality.

Harmony's code of ethics (www.harmony.co.za) was adopted to respond to the challenge of ethical conduct in a business environment. All employees and contractors are expected to comply with its contents.

All employees are provided with a copy of the code of ethics and compliance with the code is a condition of service. The code of ethics is applicable to all the company's suppliers, contractors and directors.

An Ethics Committee meeting (made up of the Company Secretary and executive management) is held every quarter. Their duties and responsibilities include the following:

- monitoring the ethical behaviour within Harmony's business environment.
- taking measures to ensure that the Code of Ethics is distributed to and signed by all employees of Harmony, and all contracting parties concluding any agreements with Harmony.
- monitoring disciplinary action taken against employees who do not act in accordance with the code.
- reviewing the gift register.
- reviewing the reports received from the White Collar Crime Committee.
- reviewing the code of ethics on an annual basis.

Corporate governance cont.

Harmony's code of ethics is reviewed annually. To enhance awareness of the code of ethics, an ethics alert is sent to employees who have access to e-mails, from the chief executive officer's desk on a quarterly basis. The ethics alert provides information on fraudulent activity within the company and how employees can assist in preventing fraud. Non-compliance with the code of ethics results in disciplinary action.

A dedicated crime line is manned 24 hours a day and managed by an external security contractor. Alleged irregularities can be reported by anonymous telephone calls and faxes, as well as by e-mail. All cases are logged and examined by the White Collar Crime Committee.

Harmony protects the identities of employees who report non-compliance with the code of ethics and encourages employees to make use of the company's whistle-blowing line. Most of the employees reporting instances of alleged non-compliance were comfortable making their identities known to the internal investigation team.

Restrictions on share dealings

Harmony employees and directors are prohibited from dealing in Harmony shares during price sensitive periods. The company secretary regularly distributes written notices, via e-mail, to advise employees and directors of restricted periods. Employees are obliged, in terms of regulatory and governance requirements, to disclose any dealings in Harmony shares by them or their concert parties to the company secretary. There is a formal clearance procedure in place with respect to directors dealing in Harmony shares.

Risk management

It is Harmony's policy to manage all categories of risk associated with its business operations through the development and maintenance of a formal risk policy framework. A comprehensive report on risk factors and their management may be found on pages 166 to 175.

Group structure and internal control

Ensuring that the appropriate levels of authority and responsibility are in place for all eventualities remains a key area of focus, with a great deal of attention being focused on internal control during the year.

These controls have been integrated with the group's risk management processes to ensure that control measures for the effective mitigation of risks identified are in place, and to ensure compliance with legislation and securities exchange listing requirements.

Compliance testing, enterprise risk management and legal compliance are the responsibility of an integrated compliance team, eliminating duplication of compliance assurance. An Integrated Compliance Assurance Plan has been developed to provide the Executive Management and Audit Committees respectively with confirmation that internal controls and risk mitigations are appropriately designed and implemented. A compliance-based assurance plan follows the outputs of the exposure identification, assessment and control evaluation processes while encouraging the allocation of assurance resources based on compliance priorities.

The implementation of this combined approach requires that Harmony's business units have different assurance providers for each risk or compliance element. Internal audit provides support to this process by addressing the gaps in the control effort rather than replicating management activity or that of the other assurance providers. At the same time, however, the internal audit function provides objective and robust challenges with regard to the effectiveness of management reporting and monitoring processes.

Operational compliance registers are updated by the general managers and their teams on a monthly basis and included in their monthly review packs. A corporate compliance risk register is updated on a quarterly basis. The information from the operational compliance registers and the corporate compliance register is used to indicate compliance levels in the quarterly Audit Committee report.

Internal audit

Internal Audit is an independent appraisal function established by the board to evaluate the adequacy and effectiveness of controls, disciplines, systems and procedures within Harmony, to reduce business risks to an acceptable level and in a cost-effective manner. The internal audit function reports to the Audit Committee.

Harmony's internal audit function is internally managed by the Head: Internal Control and Governance and is sourced through an arrangement with KPMG Services (Pty) Limited.

The procedures and systems, which act as checks and balances in respect of the provision/gathering of information, are reviewed by the board from time to time. This process has been supplemented by the Integrated Compliance Assurance Plan (see above).

Internal audits are conducted in accordance with the Code of Ethics and Standards of the Professional Practice of Internal Auditing, as laid down by the Institute of Internal Auditors, Inc. Although the role of internal audit is to review internal controls, systems, procedures, risks, among others, management and, ultimately, the board retains full responsibility for ensuring that Harmony maintains an appropriate framework of controls to reduce business risks to an acceptable level.

External audit

The appointment of external auditors is undertaken under the auspices of the Audit Committee, which also has oversight of and responsibility for the appointment of external auditors for functions other than the financial audit. The Audit Committee is satisfied that the external auditors are independent of the company. The company's external auditors PricewaterhouseCoopers Inc, were engaged to undertake the following non-financial activities during the year:

- Effectiveness evaluation of Clidet No. 726 (Pty) Ltd, the subsidiary in which the Rand Uranium assets are held;
- Corporate tax compliance services;
- Quality assurance review on SOx 404 documentation;
- Sustainable Development Report 2008 review;
- Preparation of the 2007 Annual Corporate income tax return in the Netherlands; and
- Tax advice regarding the joint operations of Hidden Valley, Wafi-Golpu and Morobe explorations.

SOx

Section 302

In terms of Section 302 of SOx, the chief executive officer and chief financial officer are required to certify that:

- they have reviewed the Annual Report;
- based on their knowledge, the report contains no material misstatements or omissions;
- based on their knowledge, financial statements and other financial information included in the Annual Report fairly present in all material respects the financial condition, results of operations and cash flows of the issuer (being Harmony) for the periods presented in this report;
- they are responsible for establishing and maintaining internal controls and procedures, and have properly designed and evaluated them;
- they have advised the auditors and Audit Committee of all significant deficiencies and material weaknesses; and
- they have identified any significant changes in internal controls in the report.

Section 404

Section 404 of SOx requires management to develop and monitor procedures and controls to ensure its required assertion about the effectiveness of internal control over financial reporting, as well as the required attestation by an external auditor of management's assertion. To comply with Section 404 of SOx, Harmony management implemented an effective and efficient assessment process to manage its reporting obligations.

The assessment process followed entails:

- scoping to identify significant accounts, key risks and locations which have an impact on the financial statements.
- updating of documentation and sign off by process owners.
- testing of key controls for operating effectiveness and remediation of deficiencies identified.
- deficiencies are evaluated and classified into the following categories:
  - internal control deficiency
  - significant deficiency
  - material weakness

Corporate governance cont.

All significant deficiencies and potential material weaknesses are reported to the SOx Steering Committee and Audit Committee. This process is supported through the implementation of the Integrated Compliance Assurance Plan.

Full details of SOx processes and compliance are reported in the Form 20F for the financial year 2008 under Item 15. Refer to Harmony's website to download the Form 20F (www.harmony.co.za). The Form 20F for the financial year 2009 will be filed and made available on our website towards the end of October 2009.

Employee and stakeholder participation

Harmony is committed to maintaining a positive relationship with the unions and associations represented at its operations, with employees directly and with the communities within which it operates. In respect of employee participation and relations with employee representatives, Harmony has both formal and informal employee participation structures in place to deal with a broad range of issues. The company actively encourages open communication, consultation, and the identification and resolution of conflicts through workplace forums.

The group plays an active role in the communities in which it operates. Social and Labour Plans (SLPs), including Local Economic Development (LED) plans have been developed in line with the company's compliance with the MPRDA and the Mining Charter. Further information on these elements is provided in the separate Sustainability Report which may be found at www.harmony.co.za.

Relations with shareholders

Effective and ongoing communication with shareholders is seen as a function of the group's fundamental responsibility to create shareholder value. Harmony communicates regularly with shareholders and other stakeholders regarding its financial and operational performance and strategy. Results presentations are held on a quarterly basis, to coincide with the release of the operational results. Shareholders are able to access these around the world through a webcast on the website. Harmony meets with interested institutional and private investors on a regular basis, and participates in conferences and roadshows around the world to do so. Shareholders are encouraged to attend the AGM where interaction is welcomed.

All presentations, webcasts and announcements are available on the website, along with selected coverage of the company by the media and interviews with the chief executive officer. In addition, copies of all presentations made by executive management to the investment community are posted on the website.

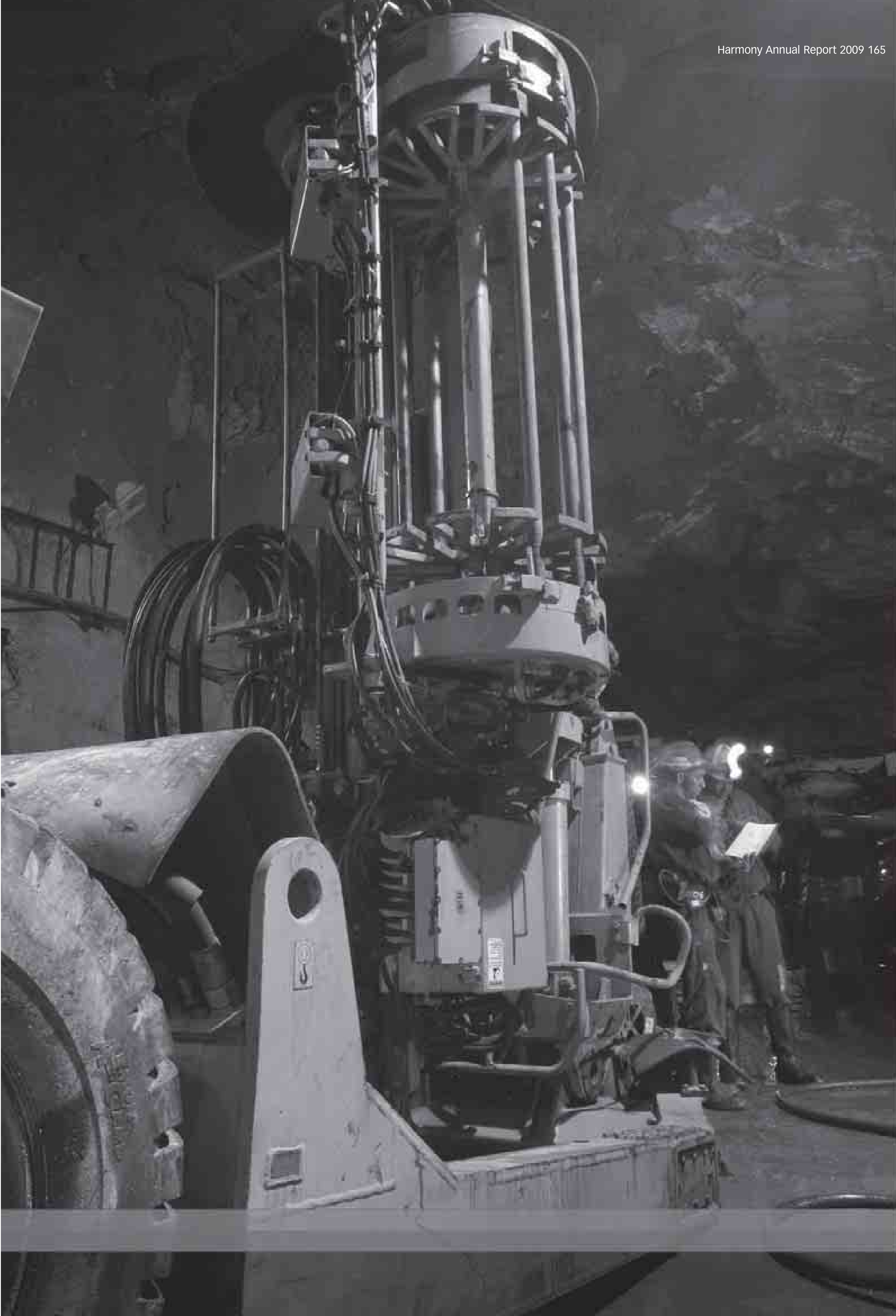
Information management and access to information

Records are maintained to meet Harmony's legal and financial obligations and to manage the affairs of the company. Harmony complies with the Promotion of Access to Information Act of 2002. All Harmony's shareholders and stakeholders have access to the website-based information manual at www.harmony.co.za.

Sustainable development reporting

Harmony recognises that financial reporting is only one facet of its responsibility to its stakeholders and that reporting on the economic, social and environmental impacts of the company, the so-called 'triple bottom line' is an important part of its responsibility to its shareholders and other stakeholders and to society as a whole. Harmony has for the fourth consecutive year, produced a separate Sustainability Report. As is recommended by King Report II and in line with best practice, Harmony has adopted the Global Reporting Initiative's (GRI) G3 guidelines as the basis for its sustainable development reporting.

The company is committed to incremental levels of reporting in line with GRI. In FY09, an independent assurance of key sustainability indicators was again undertaken by external auditors PricewaterhouseCoopers. In FY09, the company self-declared a B+ level of reporting, which was confirmed by the external auditors and will be submitted to GRI for an independent review.



Corporate governance cont.

In FY09, the group submitted a response to the Carbon Disclosure Project's CDP7 questionnaire. The Carbon Disclosure Project (CDP) is an independent not-for-profit organisation which holds the largest database of corporate climate change information in the world. The data is obtained from responses to CDP's annual Information Requests, issued on behalf of institutional investors, purchasing organisations and government bodies. Since its formation in 2000, CDP has become the gold standard for carbon disclosure methodology and process, providing primary climate change data to the global market place. Harmony's response is available at www.cdproject.net.

Reporting in compliance with the Mining Charter

As a South African company, Harmony takes the reporting of its compliance with the MPRDA and the Mining Charter seriously and provides an annual report of its compliance to the Department of Mineral Resources. A summary report dealing with the status of the various issues required by the Charter is provided in the company's Sustainability Report at www.harmony/sustainability.co.za.

Awards and recognition

Harmony again qualified for the JSE's Socially Responsible Index – see www.JSE.co.za. Harmony was recognised by SAMREC for Best Reporting of Mineral Resources and Ore Reserves in FY09.

Sponsor

As required by the listing requirements of the JSE Limited, JP Morgan is Harmony's appointed sponsor.

Significant ways in which Harmony's corporate governance practices differ from the practices followed by companies listed on the NYSE under Section 303A.11 of the New York Stock Exchange Listed Company Manual (the NYSE Listing Standards)

Harmony's NYSE 303A.11 disclosure may be found on the company's website at www.harmony.co.za under the heading Corporate Governance.

Risk management

Harmony has a formal risk policy framework in place, the maintenance and development of which is undertaken on an ongoing basis so as to help management address systematic categories of risk associated with its business operations. Harmony's business, financial, technological, legal and operational risk categories are identified, assessed and managed. The overall aim of Harmony's risk management policy is to reduce the risk it is exposed to as much as reasonably and commercially possible. Equally it ensures compliance with the relevant legislation and fulfils the expectations of employees, communities, shareholders and other stakeholders in terms of corporate governance.

The realisation of the company's business strategy depends on it being able to take calculated risks in a way that does not jeopardise the direct interests of shareholders. Harmony's enterprise risk management system enables the company to anticipate and respond to changes in its business environment and to make informed decisions in conditions of uncertainty.

There may be risks in addition to the ones reported that Harmony does not currently know of or that Harmony currently deems immaterial based on information currently available to it. Any of these risks could have a materially adverse effect on Harmony's business, financial condition or operational results, leading to a decline in the trading prices of Harmony's ordinary shares or its ADSs. The risks described below may, in retrospect, turn out to be incomplete and therefore may not be the only risks to which we are exposed to. Additional risks and uncertainties not presently known to us or that we now believe are immaterial (which have not been included), could also adversely affect our businesses, results of operations or financial condition. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the magnitude or the significance of the individual risks. The risks described below could occur individually or cumulatively and intensify in case of a cumulative occurrence.

Risks relating to Harmony and the gold mining industry

The profitability of our operations, and the cash flows generated by those operations, are affected by changes in the rand price of gold, such that a fall in the gold price below our cash cost of production for any sustained period may lead us to experience losses and to curtail or suspend certain operations.

Substantially all of Harmony's revenues come from the sale of gold. Historically, the market price for gold has fluctuated widely and has been affected by numerous factors over which Harmony has no control, including:
- the demand for gold for industrial uses and for use in jewellery;
- international or regional political and economic trends;
- the strength or weakness of the US dollar (the currency in which gold prices generally are quoted) and of other currencies;
- financial market expectations regarding the rate of inflation;
- interest rates;
- speculative activities;
- actual or expected purchases and sales of gold bullion held by central banks or other large gold bullion holders or dealers;
- forward sales by other gold producers; and
- the production and cost levels for gold in major gold-producing nations, such as South Africa, China, the United States and Australia.

In addition, the current demand for and supply of gold affects the price of gold, but not necessarily in the same manner as current demand and supply affect the prices of other commodities. Historically, gold has retained its value in relative terms against basic goods in times of inflation and monetary crisis. As a result, central banks, financial institutions and individuals hold large amounts of gold as a store of value and production in any given year constitutes a very small portion of the total potential supply of gold. Since the potential supply of gold is large relative to mine production in any given year, normal variations in current production will not necessarily have a significant effect on the supply of gold or its price.

The volatility of gold prices is illustrated in the following table, which shows the annual high, low and average of the afternoon London Bullion Market fixing price of gold in US dollars for the past ten calendar years:

Annual gold price: 1998 – 2009

	Price per ounce (US$)		
Calendar year	**High**	**Low**	**Average**
1998	313	273	294
1999	326	253	279
2000	313	264	282
2001	293	256	271
2002	332	278	309
2003	412	322	361
2004	427	343	389
2005	476	411	434
2006	725	525	604
2007	841	608	695
2008	1 011	713	872
2009 (year to 8 October)	1 045	810	933

On 8 October 2009, the afternoon fixing price of gold on the London bullion market was US$1 045/oz.

While the aggregate effect of these factors is impossible to predict, if gold prices should fall below Harmony's cash cost of production and remain at such levels for any sustained period, Harmony may experience losses and be forced to curtail or suspend some or all of its operations. In addition, Harmony would also have to assess the economic impact of low gold prices on its ability to recover any losses that may be incurred during that period and on its ability to maintain adequate reserves. Harmony's average cash cost per ounce of gold produced from continuing operations was US$583 in FY09 and US$591 in FY08.

As the majority of its production costs are incurred in South African rand and gold is sold in US dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the rand against the US dollar.

Gold is priced throughout the world in US dollars, but most of Harmony's operating costs are incurred in rand. As a result, any significant and sustained appreciation of the rand against the dollar will serve to materially reduce Harmony's rand revenues and overall net income.

Corporate governance cont.

As Harmony currently does not enter into forward sales, commodity, derivatives or hedging arrangements with respect to its future gold production, it is exposed to the impact of any significant decreases in the gold price.

As a general rule, Harmony sells its gold at the prevailing market price. Currently, the company does not generally enter into forward sales, commodity, derivative or hedging arrangements to establish a price in advance for the sale of future gold production, although Harmony may do so in the future. As a result, Harmony may realise the benefit of any short-term increase in the gold price, but is not protected against decreases in the gold price, and if the gold price should decrease significantly, Harmony's revenues may be materially adversely affected.

Estimations of Harmony's gold reserves are based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold. As a result, quantities of gold produced may differ from current estimates.

The ore reserve estimates contained in this annual report are estimates of the mill delivered quantity and grade of gold in Harmony's deposits and stockpiles. They represent the amount of gold which Harmony believes can be mined, processed and sold at prices sufficient to recover its estimated future cash costs of production, remaining investment and anticipated additional capital expenditures. Harmony's ore reserves are estimated based upon a number of factors, which have been stated in accordance with SEC Industry Guide 7. Calculations of Harmony's ore reserves are based on estimates of:
- future cash costs (which in some cases are assumed to decrease significantly);
- future gold prices; and
- the rand/US dollar exchange.

These factors, which significantly impact ore reserve estimates, are beyond Harmony's control. As a result, the reserve estimates contained in this annual report should not be interpreted as assurances of the economic life of Harmony's gold and other precious metal deposits or the future profitability of operations.

Since these ore reserves are estimates based on assumptions related to the factors detailed above, should there be changes to these, we may in the future need to revise these estimates. In particular, if Harmony's cash operating and production costs increase or do not decrease as assumed (whether in dollar or rand terms, or in relative terms due to the appreciation of the rand against the US dollar) or the gold price decreases, the recovery of a portion of Harmony's ore reserves may become uneconomical. This will lead, in turn, to a reduction in estimated reserves.

In order to maintain gold production beyond the expected lives of Harmony's existing mines or to increase production materially above projected levels, Harmony will need to access additional reserves through exploration or discovery.

Harmony's operations have limited proven and probable reserves, and exploration and discovery are necessary to maintain current gold production levels at these operations. Exploration for gold and other precious metals is speculative in nature, is frequently unsuccessful and involves many risks, including those related to:
- locating orebodies;
- identifying the metallurgical properties of orebodies;
- estimating the economic feasibility of mining orebodies;
- developing appropriate metallurgical processes;
- obtaining necessary governmental permits; and
- constructing mining and processing facilities at any site chosen for mining.

Harmony's exploration efforts might not result in the discovery of mineralisation, and any mineralisation discovered might not result in an increase in proven and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extensions to existing mines and, possibly, that of new mines. Development projects would also be necessary to access any new mineralisation discovered as a result of exploration activities around the world. Harmony typically uses feasibility studies to determine whether or not to undertake significant development projects. Feasibility studies include estimates of expected or anticipated economic returns, which are based on assumptions about:

- which are based on assumptions about:
- future gold and other metal prices;
- anticipated tonnage, grades and metallurgical characteristics of ore to be mined and processed;
- anticipated recovery rates of gold and other metals from the ore, and
- anticipated total costs of the project, including capital expenditure and cash costs.

Actual cash costs of production, production and economic returns may differ significantly from those anticipated by feasibility studies for new development projects.

It can take a number of years from the initial feasibility study until development is completed and, during that time, the economic feasibility of production may change. In addition, there are a number of uncertainties inherent in the development and construction of an extension to an existing mine or any new mine, including:

- the availability and timing of necessary environmental and governmental permits;
- the timing and cost of constructing mining and processing facilities, which can be considerable;
- the availability and cost of skilled labour, power, water and other materials;
- the accessibility of transportation and other infrastructure, particularly in remote locations;
- the availability and cost of smelting and refining arrangements; and
- the availability of funds to finance construction and development activities.

Harmony currently maintains a range of focused exploration programmes, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralised regions around the world. During FY09, the bulk of exploration expenditure was allocated to activities in PNG and South Africa. However, there is no assurance that any future development projects will extend the life of our existing mining operations or result in any new commercial mining operations.

The costs associated with the pumping of water inflows from closed mines adjacent to our operations could adversely affect Harmony's operational results.

Certain of Harmony's mining operations are located adjacent to the mining operations of other mining companies. A mine closure may have an adverse effect on the continued operations at an adjacent mine if appropriate preventative steps are not taken. In particular, this could include the ingress of underground water when pumping operations at the closed mine are suspended. Such ingress can result in damage to property, operational disruptions and additional pumping costs, which would adversely affect any one of our adjacent mining operations.

The supply of electricity and increases in the cost of power may adversely affect Harmony's operational results and financial condition.

Each of our mining operations is dependent on electrical power generated by the state utility Eskom, which holds a monopoly on the South African market. As a result of an increase in demand exceeding available generating capacity, South Africa has been subject to disruptions in electrical power supply. During FY08, the electricity supply was interrupted by Eskom thereby halting production at certain of our mines. This led to management restructuring operating processes to control and reduce our consumption of electricity at all our operations. There have been no further disruptions and we have been able to continue production at 90% electricity allocation as required by the Energy Conservation Scheme (ECS) and interim rules imposed by Eskom. All operations were allocated an ECS allocation in line with the Eskom allocation and equipment and management structures were put in place to monitor and manage real-time consumption. Applications submitted to Eskom for additional energy allocation to the four future growth projects were approved, enabling us to proceed with the projects and to ramp-up to full capacity utilising Eskom power. We also submitted applications for additional power allocation for four metallurgical projects in the Free State, which were also approved by Eskom. Nevertheless, an insufficient supply of electricity may adversely affect our results of operations and financial condition.

As a result of Eskom's planned capital expansion program to deal with the current power constraints, several increases in rates charged to consumers costs have been approved by the National Energy Regulator South Africa (NERSA) in the past 18 months. More increases are anticipated in the future, which will also be driven by increases in input costs, primarily coal. These increases will have a negative impact on our results of operations going forward.

Certain factors may affect Harmony's ability to support the carrying value of its property, plant and equipment, goodwill and other assets on its balance sheet.

Harmony's reviews and tests the carrying value of its assets on an annual basis when events or changes in circumstances suggest that the carrying amount may not be recoverable.

If there are indications that impairment may have occurred, estimates of expected future cash flows for each group of assets are prepared. These estimates of future cash flows are prepared at the lowest level at which identifiable cash flows are identified as being independent of the cash flows of other mining assets and liabilities. Expected future cash flows are inherently uncertain, and could materially change over time. Such cash flows are significantly affected by reserve and production estimates, together with economic factors such as spot and forward gold prices, discount rates, currency exchange rates, estimates of costs to produce reserves and future capital expenditures.

Corporate governance cont.

As of 30 June 2009, Harmony had substantial amounts of property, plant and equipment, goodwill and other assets on its consolidated balance sheets. Impairment charges relating to these assets were recorded and if any one or a combination of the uncertainties described above should occur, management may be required to recognise further impairment charges, which could adversely affect Harmony's financial results and condition.

Given the nature of mining and the type of gold mines operated by Harmony, it faces a material risk of liability, delays and increased cash costs of production from environmental and industrial accidents and pollution.

The business of gold mining by its nature involves significant risks and hazards, including environmental hazards and industrial accidents. In particular, hazards associated with underground mining include:
- rock bursts;
- seismic events;
- underground fires;
- cave-ins or falls of ground;
- discharges of gases and toxic chemicals;
- release of radioactive hazards;
- flooding;
- pillar mining;
- accidents; and
- other conditions resulting from drilling, blasting and the removal and processing of material from a deep-level mine.

Hazards associated with open-cast mining (also known as open-pit mining) include:
- flooding of the open-pit;
- collapse of the open-pit walls;
- accidents associated with the operation of large open-pits and rock transportation equipment; and
- accidents associated with the preparation and ignition of large-scale open-pit blasting operations.

Hazards associated with waste-rock mining include:
- accidents associated with operating a waste dump and rock transportation;
- pillar mining; and
- production disruptions caused by weather.

Harmony is at risk of experiencing any or all of these environmental or other industrial hazards. The occurrence of any of these hazards could delay production, increase cash costs and result in financial liability to Harmony.

The nature of Harmony's mining operations presents safety risks.

The environmental and industrial risks identified above also present safety risks for Harmony's operations and its employees and could lead to the suspension and potential closure of operations for indeterminate periods. Safety risks, even in situations where no injuries occur, can have a material adverse effect on Harmony's operations and production.

Harmony's insurance coverage may prove inadequate to satisfy future claims against it.

Harmony has third-party liability coverage for most potential liabilities, including environmental liabilities. While it believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may be subject to liability for pollution (excluding sudden and accidental pollution) or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities. Further, Harmony maintains and intends to continue to maintain, property and liability insurance consistent with industry practice, but such insurance contains exclusions and limitations on coverage. In addition, there can be no assurance that insurance will continue to be available at economically acceptable premiums. As a result, in the future, Harmony's insurance coverage may not cover the extent of claims against it for environmental or industrial accidents or pollution.

Harmony's operations may be negatively impacted by inflation.

The company's operations have been materially affected by inflation. Inflation in South Africa has fluctuated widely in recent years,reaching 11.6% at the end of FY08 before decreasing significantly to 6.9% at the end of FY09. However, working costs and wages especially, have increased considerably over the past three years resulting in significant cost pressures for the mining industry. Harmony's profits and financial condition could be adversely affected when cost inflation is not offset by devaluation in operating currencies and/or an increase in the price of gold.

The socio-economic framework in the regions in which Harmony operates may have an adverse effect on its operations and profits.

Harmony has operations in South Africa and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighbouring countries could affect an investment in Harmony. It is difficult to predict the future political, social and economic direction in these countries, or any other country in which Harmony operates, and the impact government decisions may have on its business.

Actual and potential shortages of production inputs may have an adverse effect on Harmony's operations and profits.

Harmony's operational results may be affected by the availability and pricing of raw materials and other essential production inputs. The price of raw materials may be substantially affected by changes in global supply and demand, along with weather conditions, governmental controls and other factors. A sustained interruption to the supply of any of these materials would require Harmony to find acceptable substitute suppliers and could require it to pay higher prices for such materials. Any significant increase in the prices of these materials would increase operating costs and affect production considerations.

Harmony's financial flexibility could be materially constrained by exchange control regulations as imposed by the SARB.

In terms of South Africa's exchange control regulations, the export of capital from South Africa is restricted. As a result, Harmony's ability to raise and deploy capital outside South Africa is limited. In particular, Harmony is:

- generally not permitted to export capital from South Africa, to hold foreign currency or incur indebtedness denominated in foreign currencies without the approval of the South African exchange control authorities;
- generally not permitted to acquire an interest in a foreign venture without the approval of the South African exchange control authorities and first having complied with the investment criteria of the South African exchange control authorities;
- generally required to repatriate profits of foreign operations to South Africa; and
- limited in its ability to utilise the profits of one foreign business to finance operations of a different foreign business.

These restrictions could hinder Harmony's normal corporate functioning, including its ability to make foreign investments and procure foreign currency denominated financings in the future.

Since 1995, certain exchange controls in South Africa have been relaxed. The extent to which the South African government may further relax such exchange controls cannot be predicted with certainty, although the government has committed itself to a gradual approach to the relaxation of exchange control.

Harmony competes with mining and other companies for key human resources.

Harmony competes with mining and other companies on a global basis to attract and retain key human resources at all levels with the appropriate technical skills and operating and managerial experience necessary to continue to operate its business. The need to recruit, develop and retain skilled employees is particularly critical with respect to historically disadvantaged South Africans (HDSAs), women in mining in South Africa and the recruitment and training of local landowners in PNG. The global shortage of key mining industry human resource skills, including geologists, mining engineers, metallurgists and skilled artisans has been exacerbated in the current environment of increased mining activity across the globe. There can be no assurance that we will attract and retain skilled and experienced employees and, should Harmony lose any of its key personnel, its business may be harmed and its operational results and financial condition could be adversely affected.

For the past two years, there have been no resignations for the Board of Directors and the Executive Committee. Three new appointments at an executive level have been made recently to further bolster the Executive Committee. In South Africa, we have various programmes in place to attract and develop university and young school leavers through learnerships, bridging programmes and bursaries, as well as extensive in-house and external training programmes. In PNG, we have made good progress in recruiting and training local landowner communities, particularly women, and equipping them with skills and expertise.

Corporate governance cont.

2009

Since the South African labour force has substantial trade union participation, Harmony faces the risk of disruption from labour disputes and new South African labour laws.

Despite a history of positive and constructive engagement with labour unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labour, which normally differ in intensity, then become unavoidable. Given the high level of union membership among our employees, Harmony is at risk of having production stoppages for indefinite periods due to strikes and other disputes. Significant labour disruptions have affected operations and Harmony's financial condition before and Harmony cannot predict whether or not it will experience significant labour disputes in the future.

South African employment law sets out minimum terms and conditions of employment for employees. Though these minimum terms and conditions may be improved by agreements between Harmony and the trade unions, the prescribed minimum terms and conditions set the benchmark for all employment contracts.

Subsequent to 30 June 2009, we secured a two-year wage settlement with unions representing x of our 46 000-strong South African workforce. This provided for increases between 9% and 10.5%, depending on the category, as well as the payment of a minimum wage with effect from July 2010 for employees on the lowest semi-skilled category, supplemented by free board, accommodation and medical assistance, as is the practice in the South African mining industry. For the second year of the agreement, we have agreed a guaranteed wage increase of 7.5% or the Consumer Price Index plus 1%, whichever is the higher of the two.

Harmony is required to submit a report in terms of South African employment law detailing the progress made towards achieving employment equity in the workplace. In the event this report is not submitted, Harmony could incur substantial penalties. We have submitted our report for fiscal 2009.

Developments in South African employment law may increase the cash costs of production or alter Harmony's relationship with its employees and trade unions, which may have an adverse effect on its business, operating results and financial condition.

HIV & AIDS poses risks to Harmony in terms of productivity and costs.

The incidence of HIV & AIDS in South Africa and PNG, poses risks in terms of potentially reduced productivity, and increased medical and other costs. If a significant increase in the incidence of HIV & AIDS infection and HIV & AIDS-related diseases among the workforce over the next several years occurs, then this may have an adverse impact on Harmony's operations, projects and financial status.

We have developed a new strategy to address Tuberculosis (TB) and HIV & AIDS in South Africa. This strategy will be implemented in FY10. This strategy will build on the Group's current structures of Voluntary Counselling and Testing (VCT), anti-retroviral therapy (ART) and community-based interventions.

The cost of occupational healthcare services may increase in the future.

Harmony's operations in South Africa are subject to health and safety regulations which could impose significant costs and burdens. The present Mine Health and Safety Act 29 of 1996, or the Mine Health and Safety Act, imposes various duties on mines and grants the authorities broad powers to, among other things, close unsafe mines and order corrective action relating to health and safety matters.

The Occupational Diseases in Mines and Works Act 78 of 1973, or the Occupational Diseases Act, governs the payment of compensation and medical costs related to certain illnesses contracted by persons employed in mines or at sites where activities ancillary to mining are conducted.

Occupational healthcare services are available to Harmony employees at its existing healthcare facilities in South Africa. There is a risk that the cost of providing such services could increase in future depending on changes in the nature of underlying legislation and the profile of its employees. This increased cost, should it transpire, is currently indeterminate. Harmony has embarked on a number of initiatives focused on improving the quality of life of its workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

Laws governing mineral rights affect Harmony's business.

Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 (MPRDA).

Under the MPRDA, tenure over established mining operations is secured for up to 30 years (and renewable for periods not exceeding 30 years each thereafter), provided that mining companies apply for new order mining rights over existing operations within five years of 1 May 2004 or before the existing right expires, whichever is the earlier date and fulfils requirements specified in the MPRDA and the Broad-Based Socio-Economic Empowerment Charter for the South African Mining Industry (Mining Charter).

The Mining Charter was signed by government and stakeholders in October 2002, and contains principles relating to the transfer, over a 10-year period, of 26% of South Africa's mining assets (as equity or attributable units of production) to HDSAs, as defined in the Mining Charter. An interim target of 15% HDSA participation over five years has also been set and to this end, the South African mining industry has committed to securing financing to fund participation by HDSAs in an amount of R100 billion within the first five years of the Mining Charter's tenure. The Mining Charter provides for the review of the participation process after five years to determine what further steps, if any, are needed to achieve target participation of 26%. In order to measure progress in meeting the requirements of the Mining Charter, companies are required to complete a Scorecard, in which the levels of compliance with the objectives of the Mining Charter can be 'ticked off' after five and ten years, respectively. The Mining Charter and Scorecard require programmes for black economic empowerment and the promotion of value-added production, such as jewellery-making and other gold fabrication, in South Africa. In particular, targets are set out for broad-based black economic empowerment in the areas of human resources and skills development; employment equity; procurement and benefication. In addition, the Mining Charter addresses socio-economic issues, such as migrant labour, mine community and rural development and housing and living conditions.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. All of its 13 South African operations have been granted their mining licences. In PNG, the mining license for Hidden Valley has been approved. Harmony will be eligible to apply for new licences over existing operations, provided that it complies with the Mining Charter. Harmony has taken steps to comply with the expected provisions of the Mining Charter, such as promoting value-added production, exploring black empowerment initiatives and increasing worker participation. Failure to comply with the conditions of the mining licences could have a material adverse effect on operations and Harmony's financial condition.

The MPRDA also makes reference to royalties payable to the South African state in terms of the Mineral and Petroleum Resources Royalty Act (Act 28 of 2008). The Act provides for the payment of a royalty according to a formula based on earnings before interest, tax and depreciation, after the deduction of capital expenditure. This rate is then applied to revenue to calculate the royalty amount due, with a minimum of 0.5% and a maximum of 5% for gold mining companies. It is estimated that the formula could translate to a royalty rate of more than 2% of gross sales in terms of current pricing assumptions. The royalty is to become effective on 1 March 2010. The introduction of the Mining and Petroleum Royalty Act will have an adverse impact on the profits generated by our operations in South Africa.

Once production in PNG begins, our PNG mining operations will be subject to royalty payments to the government of PNG. Should we desire to expand any of our initiatives in PNG operations into additional areas under exploration, these operations would need to convert the existing exploration licenses prior to the start of mining and that process could require landowner title approval. There can be no assurance that any approval would be received.

Harmony is subject to extensive environmental regulations.

As a gold mining company, Harmony is subject to extensive environmental regulation, and has experienced and expects to continue to experience increased cash costs of production arising from compliance with South African and PNG environmental laws and regulations. The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of the company's prospecting and mining operations on the environment.

Pursuant to these regulations, upon the suspension, cancellation, termination or lapsing of a prospecting permit or mining authorisation, Harmony will remain liable for compliance with the provisions of various relevant regulations, including any rehabilitation obligations. This liability will continue until such time as the appropriate authorities have certified that the company has complied with such provisions.

Corporate governance cont.

In the future, Harmony may incur significant costs regarding compliance with the increasingly stringent requirements being imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and to alter provisions for this expenditure, which could have a material adverse effect on its results and financial condition. Harmony may also face increased environmental costs should other mines in the vicinity of its mines fail to meet their obligations with regard to the pumping or treatment of water.

The South African government has reviewed requirements imposed upon mining companies to ensure environmental restitution. For example, following the introduction of an environmental rights clause in South Africa's constitution, a number of environmental legislative reform processes have been initiated. Legislation passed as a result of these initiatives has tended to be materially more onerous than laws previously applied in South Africa. Examples of such legislation include the MPRDA, the South African National Nuclear Regulator Act 1999, the South African National Water Act of 1998 and the South African National Environmental Management Act 1998, which include stringent 'polluter pays' provisions. The adoption of these or additional or more comprehensive and stringent requirements, in particular with regard to the management of hazardous waste, the pollution of ground and ground-water systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Harmony's PNG operations are also subject to various laws and regulations relating to the protection of the environment, which are similar in scope to those of South Africa.

Investors in the United States may have difficulty bringing actions, and enforcing judgements, against Harmony, its directors and executive officers based on the civil liabilities provisions of the federal securities laws or other laws of the United States or any state thereof.

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Harmony is incorporated in South Africa. Each of its directors and executive officers (and certain experts named herein) reside outside of the United States. Substantially all of the assets of these persons and substantially all of Harmony's assets are located outside the United States. As a result, it may not be possible for investors to enforce a judgement against these persons or the company obtained in a court of the United States predicated upon the civil liability provisions of the federal securities or other laws of the United States or any state thereof. A foreign judgement is not directly enforceable in South Africa, but constitutes a course of action which will be enforced by South African courts provided that:

- the court that pronounced the judgement had jurisdiction to entertain the case according to the principles recognised by South African law with reference to the jurisdiction of foreign courts;
- the judgement is final and conclusive;
- the judgement has not lapsed;
- the recognition and enforcement of the judgement by South African courts would not be contrary to public policy, including observance of the rules on the defendant and that the defendant was given the right to be heard and represented by counsel in a free and fair trial before an impartial tribunal;
- the judgement does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgement is not otherwise precluded by the provisions of the Protection of Business Act 99 of 1978, as amended, of the Republic of South Africa.

Compliance with new and changing corporate governance and public disclosure requirements adds uncertainty to Harmony's compliance policies and increases its costs of compliance.

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to Harmony are subject to change and can create uncertainty for companies such as Harmony. New or changed laws, regulations and standards could lack specificity or be subject to varying interpretations. Their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs of compliance as a result of ongoing revisions to such governance standards.

Pursuant to Section 404 of SOx, Harmony is required to furnish an annual management report on internal controls over financial reporting. The annual report contains, among other matters, an assessment of the effectiveness of Harmony's internal control over financial reporting as of the end of the fiscal year, including a statement as to whether or not its internal controls over financial reporting are effective. If we fail to maintain the adequacy of our internal controls, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with SOx. The requirement to evaluate and report on our internal controls also applies to companies that we may acquire and therefore, this assessment may be complicated by any future acquisitions we may complete. While we continue to dedicate resources and management time to ensuring that we have effective controls over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and our stock price. Harmony is required to have its independent auditors publicly disclose their conclusions regarding the evaluation.

Harmony is committed to maintaining high standards of corporate governance and public disclosure, and its efforts to comply with evolving laws, regulations and standards in this regard have resulted in, and are likely to continue to result in, increased general and administrative expenses.

Sales of large quantities of our ordinary shares and ADSs, or the perception that these sales may occur, could adversely affect the prevailing market price of such securities.

The market price of our ordinary shares or ADSs could fall if large quantities of ordinary shares or ADSs are sold in the public market, or there is the perception in the marketplace that such sales could occur. Subject to applicable securities laws, holders of our ordinary shares or ADSs may decide to sell them at any time. The market price of our ordinary shares or ADSs could also fall as a result of any future offerings it makes of ordinary shares, ADSs, or securities exchangeable or exercisable for its ordinary shares or ADSs, or the perception in the marketplace that these sales might occur. We may make such offerings of additional ADS rights, letters of allocation or similar securities at any time or from time to time in the future.

Because Harmony has a significant number of outstanding share options, its ordinary shares are subject to dilution.

Harmony has employee share option schemes as well as other share schemes. The employee share option schemes came into effect in 1994, 2001 and 2003 respectively, and a new share scheme was introduced in 2006. The Harmony Board has authorised up to 14% of the issued share capital to be used for these plans. As a result, shareholders' equity interests in Harmony are subject to dilution to the extent of the future exercises of the options, through share schemes.

We may not pay dividends or make similar payments to our shareholders in the future.

While it is Harmony's intention to declare and pay cash dividends, it is policy to only do so if profits and funds are available for that purpose. Whether or not funds are available depends on a variety of factors, including the amount of cash available and on capital expenditures and other cash requirements existing at that time. Under South African law, dividends may only be paid out if the company meets solvency and liquidity tests as set out in the Companies Act and Harmony's Articles of Association. Cash dividends or other similar payments may not be paid in the future.

In February 2007, the South African Government announced a proposal to replace Secondary Tax on Companies with a 10% withholding tax on dividends and other distributions payable to shareholders. This proposal is expected to be implemented in phases to be completed by the end of the 2009 calendar year. Although this may reduce the tax payable by our South African operations, thereby increasing distributable earnings, the withholding tax will generally reduce the amount of dividends or other distributions received by shareholders.