

Review of operations cont.

2009



Description

The Mt Magnet operation, which is located some 600 kilometres north-east of Perth in Western Australia, was acquired by Harmony in 2002 with the acquisition of Hill 50 Gold NL. The operation has been on care-and-maintenance since December 2007.

While it has been Harmony's intention to sell this operation, recent work has indicated the existence of additional potential resources that may be brought to account.

Operational review and outlook*

A scoping study is currently being undertaken to re-evaluate this operation. The study is based on a conceptual geological model which has been compiled and entails the consolidation of historic resources into a larger 'super pit' concept around the current mill area. Large, open-pit bulk mining would reduce the cash operating cost per ounce compared to the mine's previous production profile which included production from some old, deep underground mines. A resource definition drilling programme is currently under way to test the assumptions used in the scoping study, with the intent to prove up a five-year mine life and up to 150 000 oz per annum production profile. The study will be completed by the third quarter of FY10.

The site is currently on care-and-maintenance and would require only a short start-up time as all the necessary infrastructure remains in place or is readily available should a decision be made to re-open this mine based on study outcomes.

* Please refer to the forward-looking statement on the inside front cover of this report.