Target

Target's contribution to production in FY09

Target	6%
Other Harmony operations	94%

Description

Target mine, located near Allanridge in the Free State, consists of a single surface shaft system with a sub-shaft and a decline. Ore is processed at the Target plant situated adjacent to the shaft. Target was acquired in May 2004, when Avgold Limited became a wholly-owned subsidiary of Harmony.

The Target mine officially opened in May 2002. On the closure of the nearby Lorraine mine in August 1998, the Lorraine 1 and 2 shafts were transferred to Target, and have become the Target 1 and 2 shafts.

Both mechanised (86%) and conventional (14%) mining are undertaken at Target on the geologically-complex Elsburg and Dreyerskraal reefs. Mining operations extend to a depth of some 2 350 metres.

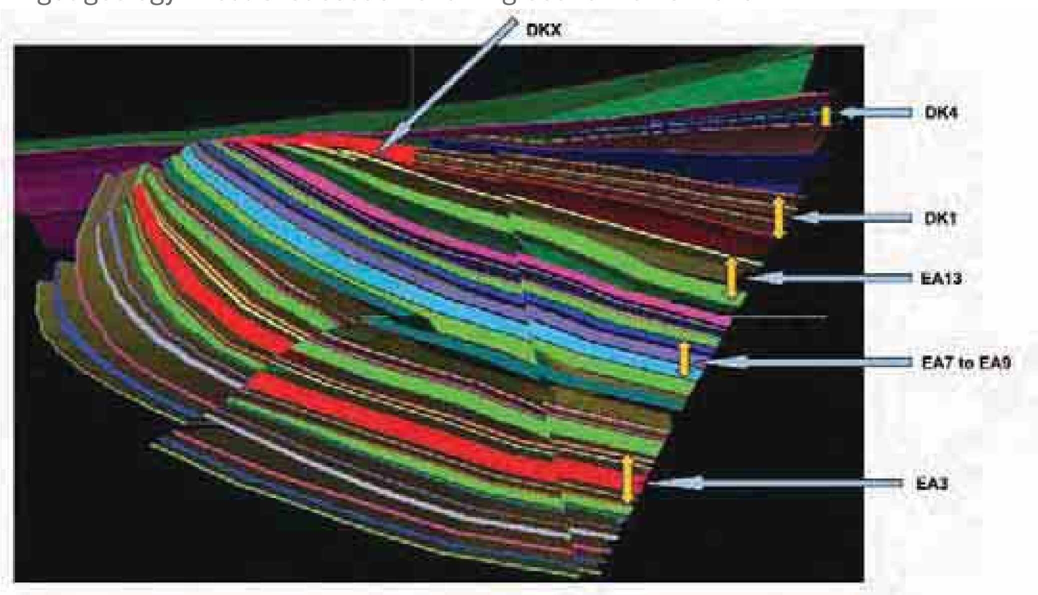
In FY09, Target employed 1 986 people – 1 605 employees and 381 contractors.

Mineral resources and ore reserves

A fundamental review of the Target orebody is currently under way. This orebody is complex (see diagram), with some 67 individual conglomerate (reef) bands, stacked in a fan-shaped sequence of Elsburg and Dreyerskuil sediments some 150 metres thick.

Consolidation of all geological information has been undertaken, including the reassessment of the correlation of stratigraphy across the lease area, to ensure optimum usage of all available information, adding greater confidence to the geological modelling process. Target is also in the process of increasing the skills in its geological function. The whole orebody reassessment process has been reviewed by independent consultants, SRK Consulting (SRK). Good progress has been made in developing a better understanding of this orebody, and a final analysis will be completed

Target geology: west-east section showing economic horizons



Review of operations cont.

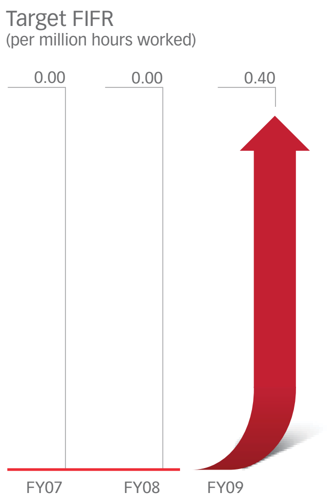
in early 2010. Interim production profiles have been developed based on current best-available information, but these are subject to confirmation and change.

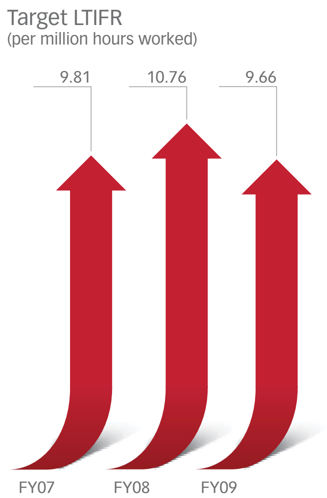
At the end of June 2009, Target reported ore reserves of 2.559 million ounces of gold and mineral resources of 6.446 million ounces. The operation's expected life-of-mine is 17 years. See pages 118 to 127 for further details.

Target	Mineral resources				Ore reserves		
	Measured	Indicated	Inferred	Total	Proven	Probable	Total
Oz (000)	1 991	3 412	1 043	6 446	942	1 617	2 559
Tonnes (Mt)	6.3	13.9	5.2	25.4	4.8	9.0	13.8
Grade (G/t)	9.81	7.65	6.26	7.90	6.10	5.60	5.77

Safety

Safety performance was disappointing, although significant management effort in the second half of the year yielded improvement. Two fatalities during the year undermined the mine's safety track record. No falls of ground were recorded in the second half of the year, which is a considerable achievement as falls of ground had plagued the mine for the prior two years. The LTIFR for the year at 9.66 per million hours worked was an improvement on the 10.76 recorded in FY08.



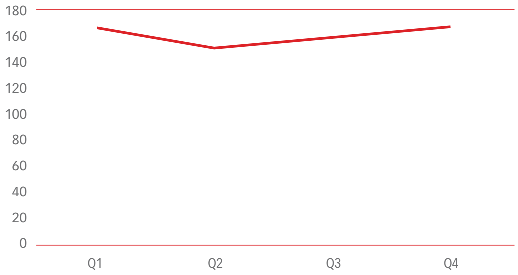


Target key statistics:

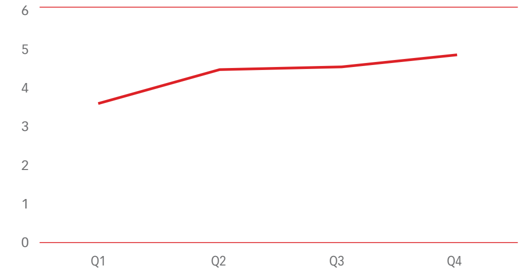
	Unit	FY09	FY08	FY07
Production				
Volumes milled	000 t (metric)	**644**	622	820
	000 t (imperial)	**710**	686	904
Gold produced	kg	**2 713**	2 476	4 437
	oz	**87 225**	79 602	142 653
Average grade	g/t	**4.21**	3.98	5.41
	oz/t	**0.123**	0.116	0.158
Financial				
Revenue	R million	**688**	503	657
	US$ million	**76**	69	91
Cash costs	R/kg	**186 749**	167 990	93 336
	US$/oz	**645**	716	403
Cash operating profit	R million	**152**	129	277
	US$ million	**16**	18	38
Capital expenditure	R million	**342**	256	121
	US$ million	**38**	35	16

Target key quarterly indicators: FY09

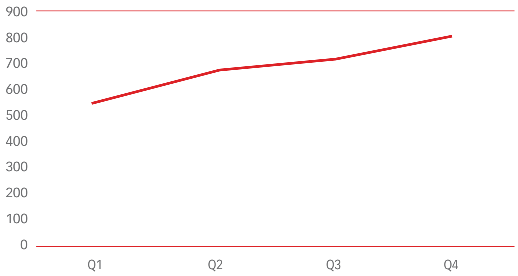
Tonnes (000)



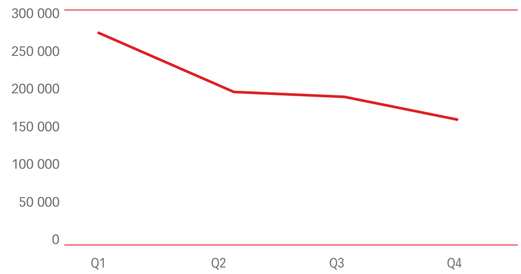
Grade (g/t)



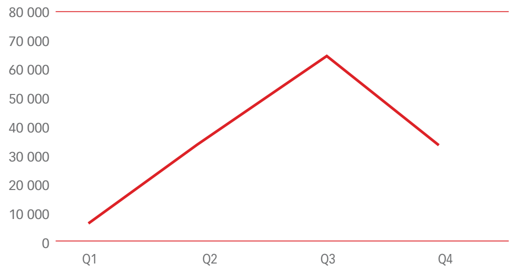
Gold produced (kg)



Cash costs (R/kg)



Cash profit (R000)



The year in review

Volumes and grade were negatively affected in the first quarter following a fall of ground in a massive high-grade stope that claimed the life of a load haul dump (LHD) operator, and put this stope out of production for 18 days.

Volumes were further affected by a lack of massive stope availability. Through better planning, evaluation and dedicated efforts to improve development and blasting, the process of opening up the massive stopes improved during the course of the year. Two new massive stopes were brought into production in December 2008 and another one in March 2009, bringing the total number of massive stopes in production to four. Volumes mined increased as a result, rising by 4% year-on-year, to 644 000 tonnes.

The absence of available worked-out massive stopes in the first quarter also had an impact on waste packing, and waste had to be tipped with reef during that period. But, concerted efforts, including back-analysis of the orebody, resulted in improved planning and the implementation of more effective control systems. Overall grade improved, by 6%, to 4.21 g/t.

Poor ventilation conditions prompted a decision to suspend development on Block 3. The focus was moved to Block 4, which is quicker to access with less development. This change also resulted in reduced capital requirements, and provided additional time to address ventilation needs. Block 3 remains an important future mining area and development will recommence on completion of the orebody re-assessment process in December 2009.

Review of operations cont.

Target also underwent significant management and operational restructuring in FY09. Mine infrastructure, including the trackless fleet, ventilation and ore transport systems and water reticulation, which had been neglected in the past, was upgraded. The trackless fleet upgrade (at a total cost of R138 million (US$15 million)) is a three-year programme which will continue until FY10. The infrastructural upgrade programme enabled the mine to maintain its current levels of production by year-end and the benefits of this upgrade will be more fully felt in FY10.

A 15-point turnaround plan is being implemented at Target. In particular, a great deal of attention is being paid to development and improving flexibility. Some of the improvements effected during the year started to bear results by year end:

- development metres rose to the target level of 400 metres per month;
- tonnages from the massive stopes improved from 23 000 tonnes per month to 38 000 tonnes per month in the last quarter;
- grade showed a steady improvement to 4.78 g/t in the fourth quarter (4.50 g/t in the third quarter); and
- cash costs declined to R153 875/kg (US$568/oz) in the fourth quarter, from R175 418/kg (US$550/oz) in the third quarter.

Overall, cash costs for the year rose by 11%, to R186 749/kg (US$645/oz). Target reported a cash operating profit of R152 million (US$16 million) for the year, again a substantial improvement on the prior year.

Capital expenditure in FY09 was R342 million (US$38 million).

Outlook*

Target's plans will be reviewed and revised where necessary, as a result of the revised geological modelling, and based on a better understanding of the orebody.

An interim plan is in place, however, and will result in an increase in volumes to 716 000 tonnes in FY10, although the grade is expected to decline to 3.9 g/t. From FY11 onwards, Targets grade will rise again to a peak of around 5.8 g/t in FY14. Gold production in FY10 is expected to be in the region of 2 770 kilograms (89 000 ounces), with cash costs** of approximately R197 000/kg (US$794/oz).

Capital expenditure** of R257 million (US$33 million) is planned for FY10 – R135 million (US$17 million) on on-going development, R46 million (US$6 million) on major equipment maintenance and R76 million (US$10 million) on other shaft capital.

* Please refer to the forward-looking statement on the inside front cover of this report
** June 2009 money terms. The exchange rate as at 30 June 2009 of R7.72/US$ has been used for all forward-looking conversions.

Target: Five-year production profile