

**RISK FACTORS**

In addition to the other information included in this annual report and the exhibits, you should carefully consider the following factors related to Harmony's ordinary shares and ADSs. There may be additional risks 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 results of operations, resulting in a decline in the trading price of Harmony's ordinary shares or its ADSs. The risks described below may, in retrospect, turn out not to be complete and therefore may not be the only risks to which we are exposed. Additional risks and uncertainties not presently known to us or that we now believe are immaterial, 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 Our Business and Our Industry**

*The profitability of Harmony's operations, and the cash flows generated by those operations, are affected by changes in the market price of gold, such that a fall in the price of gold below Harmony's cash cost of production for any sustained period may lead Harmony to experience losses and 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 jewelry;
- international or regional political and economic trends;
- the strength of the U.S. dollar 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, United States, Australia and China.

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 U.S. dollars for the past ten calendar years:

Calendar Year	Price per ounce		
	High (\$)	Low (\$)	Average (\$)
1997	367	283	331
1998	313	273	294
1999	326	253	279
2000	313	264	282

Calendar Year	Price per ounce		
	High (\$)	Low (\$)	Average (\$)
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 (through November 28)	833	608	687

On November 28, 2007, the afternoon fixing price of gold on the London Bullion Market was \$805 per ounce.

While the aggregate effect of these factors is impossible for Harmony 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 may 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 it may incur during that period and on its ability to maintain adequate reserves. Harmony's average cash cost per ounce of gold sold was \$486 in fiscal 2007, \$436 in fiscal 2006 and \$378 in fiscal 2005.

***Due to the fact that the majority of Harmony's production costs are incurred in Rand and that gold is sold in U.S. dollars, Harmony's financial condition could be materially harmed by an appreciation in the value of the Rand against the U.S. dollar.***

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

Harmony is significantly influenced by the fluctuations in the Rand/U.S. dollar exchange. While the Rand has both depreciated and appreciated against the U.S. dollar in the past year, these fluctuations have an impact on Harmony's operating environment.

***Harmony's gold reserve figures are estimated based on a number of assumptions, including assumptions as to mining and recovery factors, future cash costs of production and the price of gold and may yield less gold under actual production conditions than currently estimated.***

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. As Harmony's ore reserve estimates are calculated based on estimates of future cash costs, (which in some cases are assumed to decrease significantly), future gold prices and, because of the fact that Harmony's gold sales are primarily in U.S. dollars and Harmony incurs most of its cash costs in Rand, the exchange rate which is not under our control, between the Rand and the U.S. dollar and, in the case of Harmony's Australian operations, between the Rand and the Australian dollar, significantly impacts this ore reserve estimate. 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 deposits or the profitability of its future operations.

Since ore reserves are only estimates that Harmony makes based on the above factors, Harmony may in the future need to revise these estimates. In particular, if Harmony's cash costs of operating and production increase or do not decrease as assumed (whether in U.S. dollar terms, Rand terms, Australian dollar terms, or in relative terms due to appreciation of the Rand or the Australian dollar against the U.S. dollar) or the gold price decreases, the recovery of a portion of Harmony's ore reserves may become uneconomical. This will force Harmony to lower its estimated reserves.

***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 is 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 risks 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 mineralization and any mineralization discovered might not result in an increase in Harmony's proven and probable reserves. To access additional reserves, Harmony will need to successfully complete development projects, including extending existing mines and, possibly, developing new mines. Development projects would also be necessary to access any new mineralization discovered through our 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:

- 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 Harmony's feasibility studies for new development projects.***

It can take a number of years from initial feasibility studies 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 necessary to construct mining and processing facilities, which can be considerable;
- the availability and cost of skilled labor, 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 has addressed growth through the recent expansion of its exploration activities. Harmony currently maintains a range of focused exploration programs, concentrating on areas not too distant from its operational mines, as well as a number of prospective known gold mineralized regions around the world. During fiscal 2007 and for fiscal 2006, the bulk of exploration expenditure was allocated to activities in Australia, Papua New Guinea ("PNG") and South Africa. However, there is no assurance that any future development projects will extend the life of Harmony's existing mining operations or result in any new commercial mining operations.

***As we currently do not enter into forward sales, derivatives or hedging arrangements with respect to our future gold production, we are exposed to the impact of any significant decrease in the gold price.***

As a general rule, we sell our gold at market prices. Currently, we generally do not enter into forward sales, derivatives or hedging arrangements to establish a price in advance for the sale of our future gold production, although we may do so in the future. As a

result, we may realize the positive impact of any short term increase in the gold price, but are not protected against decreases in the gold price, and if the gold price decreases significantly, our revenues may be materially adversely affected.

***Harmony may experience problems in identifying, financing and managing new acquisitions and integrating them with its existing operations.***

Acquiring new gold mining operations involves a number of risks including:

- Harmony's ability to identify appropriate acquisition candidates or negotiate acquisitions on favorable terms;
- obtaining the financing necessary to complete future acquisitions;
- difficulties in assimilating the operations of the acquired business;
- difficulties in maintaining the financial and strategic focus of Harmony while integrating the acquired business;
- problems in implementing uniform standards, controls, procedures and policies;
- increasing pressures on existing management to oversee a rapidly expanding company; and
- to the extent Harmony acquires mining operations outside South Africa or Australia encountering difficulties relating to operating in countries in which Harmony has not previously operated.

Our ability to make successful acquisitions and any difficulties or time delays in achieving successful integration of any of such acquisitions could have a material adverse effect on Harmony's business, operating results, financial condition and share price.

***Due to the nature of mining and the type of gold mines it operates, Harmony 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:

- rockbursts;
- 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 pit mining 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 due to weather.

Harmony is at risk of experiencing any and 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 can lead to the suspension and potential closure of operations for indeterminate periods. For example, in October 2007, an incident occurred at the Elandsrand operation involving a compressed pipe column which broke off below the shaft surface bank and fell to the bottom of the men - and - material shaft, causing extensive damage to the shaft steel work and electrical cables. The incident resulted in 3,000 workers being stranded underground for more than 30 hours. Mining operations were temporarily suspended for 44 days to allow for repairs to be conducted in the shaft. These and other safety risks, even in situations where no injuries are experienced, can have a material adverse effect on the company'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 Harmony believes that its current insurance coverage for the hazards described above is adequate and consistent with industry practice, Harmony may become 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.***

Harmony's operations have been materially affected by inflation in recent years. Even though the inflation rate has decreased over the last three years, working costs and especially wages have increased considerably over the past three years resulting in significant cost pressures on the mining industry. Harmony's profits and financial condition could also be affected adversely in the absence of a concurrent devaluation of the Rand and an increase in the price of gold.

***The socio-economic framework in the regions in which we operate may have an adverse effect on Harmony's operations and profits.***

Harmony has operations in South Africa, Australia and PNG. As a result, changes or instability to the economic or political environment in any of these countries or in neighboring 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 we operate, and the impact government decisions may have on our business.

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

Harmony's results of operations 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 on the supply of any of these materials would require Harmony to find substitute suppliers acceptable to it and could require it to pay higher prices for such materials. Any significant increase in the prices of these materials will increase Harmony's operating costs and affect production considerations.

***Harmony's financial flexibility could be materially constrained by exchange control regulations as imposed by the South African Reserve Bank ("SARB").***

South Africa's exchange control regulations provide for restrictions on exporting capital from South Africa. As a result, Harmony's ability to raise and deploy capital outside South Africa is restricted. 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;
- is 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;
- is generally required to repatriate to South Africa profits of foreign operations; and
- is limited in its ability to utilize 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. While exchange controls have been relaxed in recent years, it is difficult to predict whether or how the South African Government will further relax the exchange control regulations 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 of relaxation. Further relaxation, or abolition of exchange controls may precipitate a change in the capital flows to and from South Africa. In the event of the immediate abolition of exchange control there may be a sudden withdrawal of Rand from the South African market by investors. Because South Africa has a fully floating exchange rate and a flexible interest rate policy, this would result in a rapid depreciation of the Rand exchange rate which would serve to stem the withdrawal and would also result in an increase in interest rates due to the depreciation of the Rand.

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

Despite a history of positive and constructive engagement with labor unions, there are periods during which the various stakeholders are unable to agree on dispute resolution processes. Disruptive activities on the part of labor, which normally differ in intensity, then become unavoidable. Due to the high level of union membership among Harmony's employees, Harmony is at risk of having, and did experience in both fiscal 2006 and 2005 for example, production stoppages for indefinite periods due to strikes and other disputes. The National Union of Mineworkers ("**NUM**") is a major union representing more than 75% of the employees in South Africa. Harmony is currently negotiating a compromise with the NUM to develop improved safety standards and performance by all stakeholders and to avoid antagonistic attitudes developing around safety issues. Failure to reach agreement on any disputes with NUM could have an adverse affect on our operations. Significant labor disruptions have affected our operations and financial condition before and we are not able to predict whether or not we will experience significant labor 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 upon by agreements concluded between Harmony and the trade unions, the prescribed minimum terms and conditions forms the benchmark for all employment contracts.

South African employment law regulates the working hours of employees and provides for severance payment equivalent to one week for each completed year of service insofar as an employee's employment is terminated due to operational requirements. Agreements between Harmony and the trade unions may vary the working hours and the payments employees are entitled to where their employment is terminated due to operational requirements.

South African employment law allows an employer and trade unions to apply for exemption from certain sections of employment legislation. The Minister of Labor granted certain exemptions to gold and colliery members of the South African Chamber of Mines. These determinations by the Minister of Labor are designed to take into account the practical circumstances and arrangements which prevail in the gold and coal mining industries and not catered for in legislation. A number of the variations cater for the employees' preferences in relation to working hours.

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 attract substantial penalties.

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

***Harmony may suffer adverse consequences as a result of its reliance on outside contractors to conduct its operations.***

A portion of Harmony's operations are currently conducted by outside contractors. As a result, Harmony's operations are subject to a number of risks, some of which are outside Harmony's control, including:

- negotiating agreements with contractors on acceptable terms;
- the inability to replace a contractor and its operating equipment in the event that either party terminates the agreement;
- reduced control over those aspects of operations which are the responsibility of the contractor;
- failure of a contractor to perform under its agreement with Harmony;
- interruption of operations in the event that a contractor ceases its business due to insolvency or other unforeseen events;
- failure of a contractor to comply with applicable legal and regulatory requirements, to the extent it is responsible for such compliance; and
- problems of a contractor with managing its workforce, labor unrest or other employment issues.

In addition, Harmony may incur liability to third parties as a result of the actions of its contractors. The occurrence of one or more of these risks could have a material adverse effect on Harmony's business, results of operations and financial condition. See *"Directors, Senior Management and Employees—Employees."*

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

The incidence of HIV/AIDS in South Africa and PNG, which is forecast to increase over the next decade, poses risks to Harmony in terms of potentially reduced productivity and increased medical and other costs. Harmony expects that 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. This expectation, however, is based on assumptions about, among other things, infection rates and treatment costs which are subject to material risks and uncertainties beyond Harmony's control. As a result, actual results may differ from the current estimates.

***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, which imposes various duties on Harmony at its 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's employees from 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 Harmony's 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 Harmony's workforce, although there can be no guarantee that such initiatives will not be adversely affected by increased costs.

**Laws governing mineral rights affect our business.**

Harmony is governed by the South African Mineral and Petroleum Resources Development Act 2002 ("**MPRDA**"). See "*Regulation –Health and Safety Matters–South Africa*" for a description of the principal objectives set out in the 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 May 1, 2004 or before the existing right expires, whichever is the earlier date and fulfill 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 historically disadvantaged South Africans, as defined in the Mining Charter ("**HDSA**"). An interim target of 15% HDSA participation over 5 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 R100.0 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 the 26% target participation. 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 5 and 10 years respectively. The Mining Charter and Scorecard require programs for black economic empowerment and the promotion of value-added production, such as jewelry-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 beneficiation. In addition, the Mining Charter addresses socio-economic issues, such as migrant labor; mine community and rural development, and housing and living conditions.

Currently, the South African government has given its assurance that the Mining Charter will take precedence over the more recently promulgated Black Economic Empowerment Act, 2003 and particularly the Codes of Good Practice published thereunder, which are of general application to the South African economy. It is therefore envisaged that the Mining Charter will remain relevant to securing the conversion of mineral rights.

Harmony actively carries out mining and exploration activities in all of its material mineral rights areas. All of Harmony's operations have been granted their mining licenses and execution of the licences will be finalised by January 2008. We will be eligible to apply for new licenses over existing operations, provided that we comply with the Mining Charter. We have 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 our operations and financial condition.

The MPRDA also makes reference to royalties payable to the South African state in terms of the envisaged Mining and Petroleum Royalty Act which has not yet been finalized. However, a Bill, known as the Royalty Bill, has been made available for public comment. The introduction of the Mining and Petroleum Royalty Act will have an adverse impact on the profits generated by Harmony's operations in South Africa. According to the terms of the draft regulations, royalties will only be payable from 2009.

In Australia, most mineral rights belong to the government, and mining companies pay royalties to the government based on production. There are, however, limited areas where the government granted freehold estates without reserving mineral rights. Harmony's subsidiary, New Hampton, has freehold ownership of its Jubilee mining areas, but the other mineral rights in Harmony's Australian operations are subject to royalty payments. In addition, current Australian law generally requires landowner title approval to be obtained before a mining license can be granted and mining operations can commence. New Hampton and Hill 50 have approved mining leases for most of their reserves, including all reserves that are currently being mined. Should New Hampton or Hill 50 desire to expand operations into additional areas under exploration, these operations would need to convert the relevant 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. Please also see "*Regulation*" for further information.

In PNG, Harmony's 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 relevant



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. Please also see “*Regulation*” for further information.

***Harmony is subject to extensive environmental regulations.***

As a gold mining company, Harmony is subject to extensive environmental regulation. Harmony has experienced and expects to continue to experience increased cash costs of production arising from compliance with South African and Australian environmental laws and regulations. The MPRDA, certain other environmental legislation and the administrative policies of the South African government regulate the impact of Harmony’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 authorization in South Africa, Harmony will remain liable for compliance with the provisions of the MPRDA, including any rehabilitation obligations. This liability will continue until such time as the South African Department of Minerals and Energy certifies that Harmony has complied with such provisions.

In the future, Harmony may incur significant costs associated with complying with more stringent requirements imposed under new legislation and regulations. This may include the need to increase and accelerate expenditure on environmental rehabilitation and alter provisions for this expenditure, which could have a material adverse effect on Harmony’s results and financial condition. Harmony may also face increased environmental costs resulting from other mines in the vicinity of Harmony’s mines failing 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 wastes, the pollution of ground and ground water systems and the duty to rehabilitate closed mines, may result in additional costs and liabilities.

Harmony’s Australian and 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.

***Harmony may not pay cash dividends to its shareholders in the near future.***

While it is the intention of Harmony to declare and pay cash dividends, it is its 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, cash dividends may only be paid out of the retained or current profits of Harmony. We did not declare a cash dividend in fiscal 2007, 2006 or 2005 and we cannot guarantee that cash dividends will be paid in the future.

***Non-South African shareholders of Harmony face additional investment risk from currency exchange rate fluctuations since any dividends will be paid in Rand.***

Dividends or distributions with respect to Harmony’s ordinary shares have historically been paid in Rand. The U.S. dollar equivalent of any dividends or distributions with respect to Harmony’s ordinary shares would be adversely affected by potential future decreases in the value of the Rand against the US dollar.

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

Harmony is incorporated in South Africa. All of Harmony’s 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 the assets of Harmony are located outside the United States. As a result, it may not be possible for investors to enforce against these persons or Harmony a judgment obtained in a United States court predicated upon the civil liability provisions of the federal securities or other laws of the

United States or any state thereof. A foreign judgment is not directly enforceable in South Africa, but constitutes a cause of action which will be enforced by South African courts provided that:

- the court that pronounced the judgment had jurisdiction to entertain the case according to the principles recognized by South African law with reference to the jurisdiction of foreign courts;
- the judgment is final and conclusive;
- the judgment has not lapsed;
- the recognition and enforcement of the judgment by South African courts would not be contrary to public policy, including observance of the rules of natural justice which require that the documents initiating the United States proceeding were properly served 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 judgment does not involve the enforcement of a penal or revenue law; and
- the enforcement of the judgment 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 our compliance policies and increases our costs of compliance.***

Laws, regulations and standards relating to accounting, corporate governance and public disclosure, new SEC regulations and other listing regulations applicable to us are subject to change and can create uncertainty for companies like 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.

Beginning this fiscal year ending June 30, 2007, pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, Harmony is required to furnish a report by its management on its internal control over financial reporting. The report in this 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. Harmony is required to have its independent auditors publicly disclose their conclusions regarding the evaluation.

During fiscal 2007, we experienced a breakdown in internal controls over financial reporting related in part to the implementation of a new Enterprise Resource Planning (ERP) system. Certain month-end controls relating to accounts payable, cash and bank deposits as well as inventory could not be performed during the fiscal year due to difficulties encountered with the implementation of the system which led to material adjustments being required in our financial statements. Accordingly, we have identified certain material weaknesses in our internal controls over financial reporting, in particular relating to the information technology control environment and the financial reporting closing process which have also negatively impacted the report issued by our auditors regarding our internal controls over financial reporting. See *Item 15. – "Disclosure Controls and Procedures."*

We are committed to maintaining high standards of corporate governance and public disclosure, and our 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.

***Investors may face liquidity risk in trading Harmony's ordinary shares on the JSE Limited.***

The primary listing of our ordinary shares is on the JSE Limited. Historically, trading volumes and liquidity of shares listed on the JSE have been low in comparison with other major markets. The ability of a holder to sell a substantial number of Harmony's ordinary shares on the JSE in a timely manner, especially in a large block trade, may be restricted by this limited liquidity. See *"The Offer and Listing—The Securities Exchange in South Africa."*

***Because Harmony has a significant number of outstanding share options and convertible debt instruments, Harmony's 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. Harmony's board has authorized up to 14% of the issued share capital to be used for these plans. Additionally, the company has convertible uncollateralized fixed rate bonds in the amount of \$237 million which are due on May 21, 2009. These bonds may be converted into equity at the option of the bondholder at any time from July 1, 2004 and May 15, 2009 at a specific conversion price based on the outstanding principal amount divided by the conversion price in effect on that date. 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 and convertible debt instruments.

#### **Item 4. INFORMATION ON THE COMPANY**

##### **BUSINESS**

##### **History and Development**

Harmony conducts underground and surface gold mining and related activities, including exploration, processing and smelting. We are currently the third largest producer of gold in South Africa, producing approximately 19.7% of the country's annual gold output, and the fifth largest gold producer in the world with operations and projects in South Africa, Australia and PNG. Harmony's gold sales have increased from 650,312 ounces of gold in fiscal 1995 to approximately 2.3 million ounces of gold in fiscal 2007. As at June 30, 2007, our mining operations reported total proven and probable reserves of 53.67 million ounces, primarily from South African sources. In fiscal 2007, we processed approximately 22.8 million tons of ore.

In fiscal 2007, approximately 90% of Harmony's gold production took place in South Africa and approximately 10% in Australia. In fiscal 2007, approximately 95% of Harmony's South African gold came from underground mines, approximately 3% came from its Kalgold opencast operation, and approximately 2% was produced from the treatment of surface sand and slime operations. For more detailed geographical information about Harmony's activities, see *Item 4. "Information on the Company – Business – Harmony's Mining Operations – Overview"* and the notes to the consolidated financial statements included in this annual report. Mining is a highly regulated industry, and we operate under a variety of statutes and regulations. For more detailed information about these statutes and regulations, see *Item 4. "Information on the Company – Regulation"* and *Item 10. "Additional Information – Memorandum and Articles of Association"*.

We also have exploration and evaluation programs focused on parts of Australia, PNG and West Africa. Exploration and evaluation of Africa is handled through the South African office, while Australian and PNG exploration and evaluation opportunities are handled through the Australian office.

Harmony was incorporated and registered as a public company in South Africa on August 25, 1950 (under registration number 1950/038232/06). Harmony poured its first gold on 11 September 1954. In the early seventies it was merged with the Anglovaal mines, Merriespruit and Virginia, forming Harmony Gold Mining Company Limited. In 1995, Harmony was rejuvenated. It expanded from a single lease-bound mining operation into an independent, world-class gold producer. We acquired additional mineral rights in the Free State, Mpumalanga, Gauteng and North West provinces in South Africa when we acquired Lydex in 1997, Evander in 1998, Kalgold in 1999, Randfontein in 2000, ARMgold in 2003 and Avgold in 2004. In building our Australian portfolio, we acquired Hill 50 and New Hampton in Western Australia in 2001 and 2002, respectively, and started our exploration portfolio in PNG with projects in the Morobe province originally through our acquisition of Abelle in 2003. In 2007 we became a member of the World Gold Council, the association representing the wider marketing and public policy issues of many of the world's biggest gold mining companies.

Our principal executive offices are located at Randfontein Office Park, Corner of Main Reef Road and Ward Avenue, Randfontein, 1760, South Africa and the telephone number at this location is +27-11-411-2000.

##### **South African Operations**

In South Africa, Harmony operates a total of 22 shafts, 1 project shaft, 1 open cast mine, and 9 processing plants which are located in all of the currently known goldfields in the Witwatersrand basin of South Africa as well as the Green Stone belt. These operations produced 2.1 million ounces in fiscal 2007, and South Africa represented approximately 91% (or 48.95 million ounces) of Harmony's total proven and probable reserves. The deep level gold mines located in this basin include those in the Free State province, the Evander gold mine in Mpumalanga province, the Randfontein and Elandsdraal mines in the West Rand goldfields in Gauteng province