

KONGZHONG CORP
Form 6-K
November 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

For the Month of November 2011

Commission File Number: 000-50826

KONGZHONG CORPORATION
(Translation of registrant's name into English)

35/F, Tengda Plaza, No. 168 Xizhimenwai Street
Beijing, China 100044
(Address of principal executive offices)

(Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.)

Form 20-F x

Form 40-F o

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ___)

(Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ___)

(Indicate by check mark whether by furnishing the information contained in this Form, the registrant is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.)

Yes o

No x

(If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82- .)

EXHIBITS

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FORWARD-LOOKING STATEMENTS

The press release and presentation of KongZhong Corporation (the “Company”), constituting Exhibits 1.1 to this Form 6-K, contain statements that may be viewed as “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities and Exchange Act of 1934, as amended. Such forward-looking statements are, by their nature, subject to significant risks and uncertainties that may cause the actual performance, financial condition or results of operations of the Company to be materially different from any future performance, financial condition or results of operations expressed or implied by such forward-looking statements. Such forward-looking statements include, without limitation, statements regarding trends in the wireless value-added services, wireless media and mobile games industries and our future business, financial conditions, results of operations and prospects.

Although such statements are based on the Company’s own information and information from other sources it believes to be reliable, you should not place undue reliance on them. These statements involve risks and uncertainties, and actual market trends and the Company’s results may differ materially from those expressed or implied in these forward-looking statements for a variety of reasons. Potential risks and uncertainties include, but are not limited to, continued competitive pressures in China's wireless value-added services, wireless media and mobile games industries and the effect of such pressure on prices; unpredictable changes in technology, consumer demand and usage preferences in the market; the state of and any change in the Company’s relationship with China's telecommunications operators; the Company’s dependence on the billing systems of telecommunications operators for its performance; the outcome of the Company’s investment of operating income generated from the wireless value-added services segment into the development of its wireless Internet segment and mobile games segment; changes in the regulations or policies of the Ministry of Industry and Information Technology and other relevant government authorities in China or elsewhere; and changes in political, economic, legal and social conditions in China, including the government's policies with respect to economic growth, foreign exchange, foreign investment and entry by foreign companies into China's telecommunications market. For additional discussion of these risks and uncertainties and other factors, please see the Company’s most recent Annual Report on Form 20-F filed with the Securities and Exchange Commission. The Company assumes no obligation to update any forward-looking statements, which apply only as of the date of this report on Form 6-K.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KONGZHONG CORPORATION

Date: November 30, 2011

By: /s/ Leilei Wang
Name: Leilei Wang
Title: Chief Executive
Officer

KongZhong Corporation Reports Unaudited Third Quarter 2011 Financial Results

Beijing, China, November 30th, 2011 – KongZhong Corporation (NASDAQ: KONG), a leading provider of digital entertainment services for consumers in the PRC, today announced its unaudited financial results for the third quarter ended September 30, 2011.

Third Quarter 2011 Financial Highlights:

1 Revenues inline with guidance – Total revenues for the third quarter of 2011 increased 3% from the third quarter of 2010 to US\$ 38.98 million, inline with the Company's 3Q11 revenue guidance range of US\$ 38.5mn to US\$ 39.5mn.

1 Gross profit under guidance – Total gross profit was US\$ 14.01mn for 3Q11, slightly under the Company's 3Q11 guidance range of US\$ 14.5mn to US\$ 15.5mn. Gross profit was under the guidance range due to lower than expected gross profits in our WVAS business.

1 Net income (excluding non-cash items) inline with guidance – Net loss in 3Q11 was US\$17.26mn which includes a \$20.26 million non-cash impairment loss on goodwill and intangible assets. Excluding this impairment loss, net income in 3Q11 was US\$ 3.00mn, inline with the Company's guidance range of US\$ 2.5mn to US\$ 3.5mn, a 157% increase compared to net income of US\$ 1.17mn in 3Q10. Basic net loss per American Depositary Shares ("ADS") was US\$ 0.42.

1 Non-GAAP net income inline with guidance – Non-GAAP net income was US\$ 4.72mn, inline with the Company's guidance range of US\$ 4.0mn to US\$ 5.0mn, while Non-GAAP diluted net income per ADS was US\$ 0.11 (Non-GAAP Financial Measures are described and reconciled to the corresponding GAAP measures in the section titled "Non-GAAP Financial Measures.")

1 Cash and cash equivalents – As of September 30, 2011, the Company had US\$ 143.1mn in cash and cash equivalents or US\$ 3.5 per ADS in cash and cash equivalents, compared to US\$ 134.2mn at the end of 2Q11. Cash and cash equivalents exclude US\$ 21.99mn loans to a third party.

Commenting on the results, the Company's Chairman and Chief Executive Officer, Leilei Wang said, "The Company continued to generate positive cashflow and I believe we are poised for strong growth in our Internet games business in 2012 and beyond.

"We continued to grow the World of Tanks community ("WoT") in China and look forward to launching version v.7.0 and Clan Wars to Chinese users by the end of this year. More importantly, we continue to work in close partnership with Wargaming.net to further localize the game to Chinese user tastes and believe we will see strong growth of WoT in 2012.

"In addition, we've begun closed beta testing of Kung Fu Hero ("Hero") our self-developed martial arts 3D MMORPG in October in mainland China. While we don't expect to conduct our open beta test until after Chinese New Year, initial feedback from Hero has been strong and we continue to believe that Hero has the potential to become KONG's flagship online game for 2012 and 2013.

"On November 17th, we launched Paperman, an anime-based first person shooter ("FPS") in partnership with Gamepot from Japan and are working closely with Gamepot to develop new content to differentiate Paperman from other FPS games in the market.

"More importantly, we continue to build out our Internet game pipeline for 2012 and 2013, for both self-developed games and overseas games. Expect updates from us in the future as we make progress on this.

"Lastly, we are actively seeking to leverage our existing mobile game development resources to develop games for the IOS and Android smartphone mobile game platforms and expect to derive a growing percentage of our mobile game business on these platforms in 2012."

Financial Results:

	For the Three Months Ended September 30, 2010 (US\$ in thousands)*		For the Three Months Ended June 30, 2011 (US\$ in thousands)		For the Three Months Ended September 30, 2011 (US\$ in thousands)		
Revenues	\$	37,669	\$	41,618	\$	38,978	
WVAS		20,779		20,301		20,164	
Mobile Games		13,931		10,966		10,003	
Internet Games		2,959		10,351		8,811	
Sales Tax	\$	694	\$	986	\$	941	
WVAS		407		370		367	
Mobile Games		225		166		154	
Internet Games		62		450		420	
Cost of Revenue	\$	21,366	\$	23,600	\$	24,024	
WVAS		11,947		12,707		13,665	
Mobile Games		8,659		6,694		6,229	
Internet Games		760		4,199		4,130	
Gross profit	\$	15,609	\$	17,032	\$	14,013	
WVAS		8,425		7,224		6,132	
Mobile Games		5,047		4,106		3,620	
Internet Games		2,137		5,702		4,261	
Gross profit ratio		41	%	41	%	36	%
WVAS		41	%	36	%	30	%
Mobile Games		36	%	37	%	36	%
Internet Games		72	%	55	%	48	%

* During the 3rd quarter 2010, we consolidated the majority of our Wireless Internet Services (WIS) business line into our WVAS. The financial information for each business line has been adjusted retrospectively to reflect this change in business lines.

Revenues

WVAS Revenues

WVAS revenues in 3Q11 were US\$ 20.16mn, a 1% decrease from 2Q11 and a 3% decrease from the same period of 2010. WVAS revenues were relatively stable compared to prior periods although the WVAS operating environment remains difficult.

In 3Q11, 2G revenues represented 79% of total WVAS revenues, while 2.5G services made up 21% of total WVAS revenues. 2.5G services include mobile e-book revenues from our cooperation with China Mobile.

WVAS made up 51.7% of total revenues in 3Q11.

Mobile Games Revenues

Total mobile game revenues in 3Q11 were US\$ 10mn, a 9% decrease from 2Q11 and a 28% decrease from the same period of 2010.

Revenues from downloadable mobile games were US\$ 9.70mn representing an 8% decrease from 2Q11 and a 26% decrease from the same period last year. In 3Q11, mobile games continued to underperform our expectations as China Mobile implemented more strict operating policies and continued to adjust its mobile game marketing strategies. We see these difficulties continuing in 4Q11. In 3Q11, average monthly mobile game subscribers were roughly 1.7mn compared to 1.7mn to 2.0mn in 2Q11. However, the Company continues to invest in the development of new mobile game platforms, including iOS and Android platforms, and expect to accelerate our development of these platforms in the coming quarters as the market demand develops.

Revenues from mobile multi-player online games ("MMO" or "online mobile games") were US\$ 0.31mn, a 22% decrease from 2Q11. In July 2011, we launched "Tian Jie 2" a new mobile online game, whose revenues accounted for about 38% of the Company's online mobile game revenues in 3Q11. Revenues from "Tian Jie Online" accounted for another 43% of the Company's online mobile game revenues while revenues from "Feng Shen" accounted for the remaining 18%, compared to 51% in 2Q11.

Revenues from downloadable mobile games made up 97% of total mobile game revenues compared to 96% in 2Q11.

Mobile game revenues made up 25.7% of total revenues in 3Q11.

Internet Games Revenues

Internet Game ("Net Game") revenues were US\$ 8.81mn in 3Q11, a 15% decrease from 2Q11 but a 198% increase compared to 3Q10. Net Game revenues were driven by the continued strong performance of World of Tanks ("WoT") which was launched commercially on March 15th 2011.

Domestic Net game revenues were US\$ 7.78mn, a 6% decrease from 2Q11 but a 219% increase from 3Q10 due to the continued growth of WoT community, offset by a gradual decline in our older, self-developed 3D MMORPGs. Overseas Net game revenues were US\$ 1.04mn, a 50% decrease from 2Q11 but a 98% increase from 3Q10. Total overseas revenues as a percentage of total Net game revenues in 3Q11 were 12% compared to 20% in 2Q11.

For the 3Q11 3-month period, domestic mainland China online game operations achieved average concurrent users ("ACUs") of 157k and aggregate paying accounts ("APAs") of 450k with quarterly average revenue per user ("ARPU") of RMB 111.

	For the Three Months Ended September 30, 2010	For the Three Months Ended June 30, 2011	For the Three Months Ended September 30, 2011
ACU	69k	157k	157k
APA	69k	445k	450k
ARPU(RMB/Q)	240	121	111

Net game revenues made up 22.6% of total revenues in 3Q11.

Gross Profit

Total gross profit was US\$14.01mn in 3Q11, an 18% decrease compared to 2Q11 and a 10% decrease compared to the same period of 2010. Total gross margin was 36% in 3Q11 and a decrease compared to 41% in 2Q11.

WVAS Gross Profit

WVAS gross profit in 3Q11 was US\$ 6.13mn, a 15% decrease from 2Q11 and a 27% decrease compared to the same period of 2010. 3Q11 WVAS gross margin was 30% compared to 36% in 2Q11 as ongoing policy measures led us to

rely more on higher cost distribution channels as a percentage of WVAS revenues compared to previous periods.

Mobile Game Gross Profit

Mobile games gross profit in 3Q11 was US\$ 3.62mn, a 12% decrease from 2Q11 and a 28% decrease compared to the same period last year as policies from China Mobile in our mobile game monthly subscription business continued to lead to higher churn and lower profitability. 3Q11 mobile games gross margin was 36% compared to with 37% in 2Q11.

Internet Game Gross Profit

Internet game gross profit in 3Q11 was US\$ 4.26mn, a 25% decrease from 2Q11 but a 99% increase from the same period last year. 3Q11 Internet game gross margin was 48% compared to 55% in 2Q11 due to the higher revenue contribution from WoT, which includes revenue share to Wargaming, our 3rd party game development partner for WoT.

Operating Expenses

	For the Three Months Ended September 30, 2010 (US\$ in thousands)	For the Three Months Ended June 30, 2011 (US\$ in thousands)	For the Three Months Ended September 30, 2011 (US\$ in thousands)
Product development	\$ 6,209	\$ 3,952	\$ 3,960
Sales and marketing	5,302	5,351	5,074
General and administrative	2,859	2,961	2,943
Impairment loss on intangible assets	-	-	4
Impairment loss on goodwill	-	-	20,255
Total Operating Expenses	\$ 14,370	\$ 12,264	\$ 32,236

Total operating expenses included a US\$ 20.26mn impairment loss on goodwill and intangible assets. Excluding this impairment loss, total operating expenses decreased 2% to US\$ 11.98mn in 3Q11 compared to US\$ 12.26mn in 2Q11.

Product development expenses in 3Q11 were US\$ 3.96mn compared to US\$ 3.95mn in 2Q11 or a 0.2% increase.

Sales and marketing expenses in 3Q11 were US\$ 5.07mn compared to US\$ 5.35mn in 2Q11 and US\$ 5.30mn in the same period last year. Sales and marketing remained stable compared to prior periods as we did not have any significant new game launches in 3Q11. However, we expect to increase marketing expenses for the new versions of WoT and Kung Fu Hero in the coming quarters.

General and administrative (“G&A”) expenses in 3Q11 were US\$ 2.94mn compared to US\$ 2.96mn in 2Q11 and US\$ 2.86mn in the same period last year. We expect G&A to be maintained at 3Q11 levels in the coming periods.

The Company’s total headcount remained stable in 3Q11 at 1,011 compared to 1,048 at the end of 2Q11.

Operating Profit/(Loss)

Operating loss for 3Q11 was US\$ 18.22mn compared to operating profit US\$ 4.77mn in 2Q11, mainly due to the US\$ 20.26mn impairment loss on goodwill and intangible assets. If excluding the impairment loss on goodwill and intangible assets in 3Q11, operating profit would have been US\$ 2.04 mn.

Earnings

Net loss and Non-GAAP net income in 3Q11 were US\$ 17.26mn and US\$ 4.72mn, respectively. Diluted loss per ADS and diluted Non-GAAP earnings per ADS were US\$ 0.42 and US\$ 0.11 in 3Q11, respectively.

Total ADS on a diluted basis outstanding during 3Q11 were 41.18mn, compared to 42.54mn outstanding during 2Q11.

For the purpose of earnings per share ca style="position:absolute;top:253;left:73">South Reef operations experienced an increase in production with square metres mined improving 58% on the previous quarter. Further improvements could be expected in the September quarter.

Project overview

Station development continues on 205 and 207 levels with a total of 3 061 cubic metres excavated. Access development also continued on 192, 197 and 202 levels with 288m excavated. Secondary development is also underway on 192 and 197 levels with 407m achieved.

Equipping of the loading station on 212 level is underway and is all that remains of the shaft-sinking programme. Construction of the pump station and loading levels is also underway following the completion of most of the excavations on 205, 207 and 212 levels.

The updated schedule provides for the main shaft to be partially commissioned by July 2008.

Annual Capital expenditure profile

Table (Rm)

2003

2004

2005

2006

2007

2008

2009

2010

2011

2012

Total

Actual Sunk

13

98

114

147

256

328

956

Forecast

271

267

109

31

678

Total

13

98

114

147

256

328

271

267

109

31

1 634

1st production

July 2007

Full production

July 2012

Future milestones

Main shaft partially commissioned

– July 2008

Rock winder commissioned

– November 2008

Pump station on 207 level commissioned

– November 2008

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Elandsrand

Production

In the June quarter, tonnages milled at Elandsrand increased from 214 000 tonnes to 293 000 tonnes. Gold production was

44.6% higher at 1 540kgs compared with 1 065kgs for the previous quarter. Recovery grade increased to 5.26g/t from 4.98g/t;

a 5.6% increase for the June 2008 quarter.

Cash operating costs were down by 14.8% to R134 961/kg from R158 494/kg for the quarter under review.

A stringent cost control effort helped to reduce costs: plant costs decreased and labour costs were lower due to the discontinuation of the Conops allowances. Increases were, however, seen in stores, electricity and contractor wages.

Project overview

The switchgear and cables for the 22 kV system to and from surface and 100 level was commissioned. We are currently waiting

for Eskom to liven the transformer at the Elandsrand Main sub-station. The installation of the 600mm chilled water feed and

return columns, connecting No. 2 and No. 3 Service Shafts on 105 level, is progressing slowly. Additional slipping in the haulage

had to be completed to accommodate the columns where the haulage is too narrow. The 115 L dam wall for No. 1 Settler was

cast during the quarter and the suction pipeline was installed between the dam and the pump station. The infrastructure development of the 100 level cooling dam chamber is still being rehabilitated with additional support following the major fall

of ground of December 2007. The Refrigeration Plant sub-station was blasted to size and supported. The blasting of the

98 level's condenser dam chamber was completed during the quarter and the raise boring sites prepared to drill between 98 and

100 levels. The raise boring of the No. 3 centre hole was completed and preparations done for the sinking of the sub-bank.

Development on 113 level progressed well during the quarter and the East RAW reached the "End of Capital" position and now

forms part of the mine's "On Going" development.

Annual Capital expenditure profile

Table (Rm)

2002

2003

2004

2005

2006

2007

2008

2009

2010

2011

Total

Actual Sunk

107.0

106.2

105.5

96.1
119.6
113.7
127.9
776.0
Forecast
133.3
81.5
13.4
228.2
Total
107.0
106.2
105.5
96.1
119.6
113.7
127.9
133.3
81.5
13.4
1 004.2
Project Production
Tonnes Milled
% Split
Kilograms
% Split
Old Mine
136 989
47
736
46
New Mine
155 722
53
853
54
Total Mine
292 711
1 589
1st production
October 2003
Full production
June 2012
Future milestones

100 level, liven 22 kV sub-station complete
– July 2008

115 level pump station commission
– September 2008

Access development on 113 level complete
– January 2009

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Target Mine

Target recorded an improved performance with a 2.6% increase in volumes from 154 000 tonnes to 158 000 tonnes. A 15.0%

improvement in recovery grade from 3.67g/t to 4.22g/t lead to 101 more kilograms being produced from the 565kg previously.

Notwithstanding a better performance, Target experienced water handling and belt system delays at the beginning of the

quarter. Fragmentation, crusher and belt, as well as insufficient drill reserves, were additional challenges.

Cash operating costs were 13.2% up to R174 910/kg from R154 552/kg mainly due to increases in fuel, trackless accessories

and adjusted salaries mainly to retain trackless specialised people.

Masimong Mine

Volumes at Masimong improved by 26.7% from 161 000 tonnes to 204 000 tonnes. This is attributed to restructuring and

people interventions leading to the improved production level and higher efficiencies. Kilograms produced were up by 15.1%

at 886kg from 770kg.

Grade was 9.2% lower at 4.34g/t from 4.78g/t mainly due to lack of higher B Reef grade availability.

Cash operating costs increased by 3.2% to R173 244/kg from R167 839/kg previously. Increases were seen in electricity, stores

and overtime to make up for lost public holidays.

Evander Operations

At Evander tonnages milled increased by 7.9% quarter on quarter to 300 000 tonnes from 278 000 tonnes. Gold produced was

3.1% higher at 1 546kg compared with 1 500kg for the previous quarter.

Grade was 4.6% lower at 5.15g/t compared with 5.40g/t in March mainly due to Stopping width increasing in the 3 Decline areas.

Cost control initiatives have been implemented and this has begun to produce results. Cash operating costs were 10.1% down

to R128 616/kg versus R143 107/kg.

At Evander 8 shaft the fourth airway for additional ventilation was completed. The support of the bottom 105m of the raise

bore hole between 17 and 24

1

/

2

levels is complete and reaming is in progress. Seven cooling units in various development ends

and stopes have been installed to assist with the environmental conditions.

Bambanani

A 15.3% reduction in volumes from 157 000 tonnes to 133 000 tonnes were produced at Bambanani for the June 2008 quarter.

This was, however, offset by the 11.8% increase in recovery grade from 6.79g/t to 7.59g/t, leading to only a 5.3% decrease in

gold production from 1 066kg to 1 009kg.

The reduction in tonnages was ascribed to waste that was stored in the old scaled ore pass for stability reasons.

The mine experienced a marked reduction in costs on the back of reduced volumes and labour. Cash operating costs were

9.9% down at R142 959/kg from R158 595/kg.

Joel

Joel had an excellent June 2008 quarter. Volumes milled were up by 49.5% from 91 000 tonnes to 136 000 tonnes. Higher volumes and a steady grade of 4.50g/t lead to a 46.4% increase in gold production of 612kg for the June quarter compared with 418kg for the March 2008 quarter. The excellent gold production contributed to the 24.5% reduction in cash operating costs from R164 821/kg to R124 490/kg.

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 17
 Virginia Operations
 St Helena, Harmony, Merriespruit, Unisel, Brand
 Q-on-Q
 June 2008
 March 2008
 % Variance
 June 2007
 U/g tonnes milled
 ('000)
 522
 470
 11.1
 568
 U/g recovery grade
 (g/t)
 3.40
 3.60
 (5.6)
 3.82
 U/g kilograms produced
 (kg)
 1 777
 1 690
 5.2
 2 166
 U/g working costs
 (R/kg)
 197 366
 171 209
 (15.3)
 177 564
 U/g working costs
 (R/tonne)
 672
 616
 (9.1)
 678

Although the Virginia Operations recorded an 11.1% improvement in tonnages milled from 470 000 tonnes to 522 000 tonnes quarter-on-quarter was recorded, it experienced a difficult quarter having to contend with labour go-slows and several stoppages.
 Grade was down by 5.6% mainly due to poorer grades at Unisel, Brand 3 and Harmony 2 shafts. Gold production increased by 5.2% due to higher tonnages milled from 1 690kg to 1 777kg.
 Cash operating costs were 15.3% higher at R197 366/kg from R171 209/kg. This is ascribed to electricity increases and stores.

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SOUTH AFRICAN SURFACE OPERATIONS

Kalgold, Phoenix, Free Gold surface and Target surface

Q-on-Q

June 2008

March 2008

% Variance

June 2007

Surface tonnes milled

('000)

2 251

2 191

2.7

1 202

Surface recovery grade

(g/t)

0.58

0.48

20.8

0.59

Kilograms produced

(kg)

1 298

1 045

24.2

706

Working costs

(R/kg)

83 935

98 504

14.8

100 313

Working costs

(R/tonne)

48

47

(2.1)

59

Kalgold

Tons milled were slightly down by 1.3% at 384 000 tonnes from 389 000 tonnes. This is mainly due to lost production from

unforeseen breakdowns, lower milling rates and four days of delays caused by rain.

Grade decreased by 9.6% from 1.87g/t to 1.69g/t quarter-on-quarter mainly because of lower grade ore from other pits.

However, grade from the D-zone – the main source of ore – was higher at 2.81g/t.

D-zone will continue to be the main source of ore until the first quarter of the 2009 calendar year when it is likely to be

replaced by other pits.

Gold production was 10.9% lower due to lower volumes milled and lower recoveries from the plant. Kalgold produced 649kg

for the June 2008 quarter versus 728kg for the March 2008 quarter.

Cash operating costs were slightly up from R97 636/kg to R98 076/kg. Increases were seen in steel, reagents, lime and machinery spares.

Project Phoenix

Phoenix produced another quarter of consistent results. Tonnage throughput through the plant was marginally down by

0.3% from 1 591 000 tonnes to 1 587 000 tonnes, but a 7.7% higher grade of 0.14g/t (0.13g/t) resulted in gold production

being up by 5.2% at 224kg from 213kg previously.

Costs were up 12.5% from R94 197/kg to R106 000/kg as a result of increases in consumables such as reagents.

INTERNATIONAL OPERATIONS

Hidden Valley

Project overview

Highlights for the June quarter were the concrete pouring for the SAG mill-base and the two middle sections of the SAG mill

which are completed and ready for shipping from Czech Republic. With regards to mining operations, total waste moved was

16% above budget whilst the total ore movement was below budget having been affected by road transport and accessibility

challenges. Some 535m of grade control drilling was completed at Hamata and results indicate continuity of ore lodes identified in the resource model.

The execution of the design and fabrication of the overland conveyor remains a critical issue. The detailed design of the

conveyor is progressing well but is dependent on the rapid ramp up of the fabrication activities. The shortage of civils and

contract labour resources is proving to be a challenge.

Annual Capex Expenditure Profile (Construction Capital : Cash Flow)

Table (A\$m)

2006

2007

2008

2009

2010

2011

2012

2013

Total

Actual Sunk

20

90

181

291

Forecast

314

314

Total

20

90

181

314

605

Following the announcement of Newcrest acquiring an interest in Harmony's PNG exploration and mining assets, the joint

venture partners undertook a detailed review of the capital cost estimate and construction schedule for the Hidden Valley

project. The review confirmed the expected commissioning of Hidden Valley in mid-2009.

The capital cost estimate has increased to around A\$605 million. This is materially in line with the estimate used by Newcrest

when it entered the joint venture.

Engineering design is 91% complete, procurement is 87% complete with the overall project 57% complete.

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DISCONTINUED OPERATIONS

Cooke Plant Operations

Cooke plant experienced several challenges during the June quarter, mainly insufficient rail trucks and waste rock depletion.

Volumes decreased quarter-on-quarter from 645 000 tonnes to 525 000 tonnes. Recovery grade was down due to the depletion

of waste rock and the use of low-grade waste as grinding media. Grade was lower at 0.40g/t from 0.43g/t previously, resulting

in fewer kilograms produced from 275kg to 212kg. Cash operating costs were up by 11.2% due to the introduction of road

transport and the increases in fuel prices.

The implementation of Dump 20 project, comprising a pipeline from Dump 20 to Cooke plant, required the stopping of mills 1

and 2 for conversion to ball mills.

Randfontein Operations

Randfontein's Cooke 3 shaft experienced two fatalities during the June 2008 quarter.

Volumes from Randfontein's three shafts increased by 5.8% from 277 000 tonnes to 293 000 tonnes.

Gold production was marginally lower at 1 349kg from 1 354kg previously, due to lower recovery grade which dropped by 5.9%

from 4.89g/t to 4.60g/t.

Cash operating costs for the June 2008 quarter were well-contained at R120 173/kg from R136 157/kg; a decrease of 11.7%.

The shafts, nevertheless, experienced cost increases in electricity and diesel.

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EXPLORATION

Wafi-Golpu

Project Overview

Harmony's exploration activities carried out during the June 2008 quarter amounted to R62 million. Exploration activities

occurred mostly in Papua New Guinea across a range of greenfield and brownfield targets.

The Wafi-Golpu exploration tenements have been a large focus area with exploration occurring on four potential copper gold

porphyry deposits. These prospects include Nambonga North, Ghavembu, Kesiago and Biamena.

On the Morobe Consolidated Goldfields tenements work was mostly targeting high grade gold resources. These included

prospect areas at Daulo, Kerimenge and Salemba, all located within a 6km radius of the Hidden Valley ML.

Exploration results and programme

Wafi-Golpu

Wafi "Near Mine" (Brownfields)

Nambonga North

Exploration continued at Nambonga North with four drill rigs. Drilling activities were focused on testing strike and depth

extensions of the porphyry copper-gold system and the adjacent polymetallic sulphide lode. To date mineralisation remains

open at depth and along strike. New results received during the quarter include:

Porphyry Cu-Au intercepts:

WR275:

180m @ 1.0 g/t Au, 0.25% Cu from 383m

Au-Zn-Pb-Ag Massive Sulphide intercepts:

WR273:

11m

@ 5.0 g/t Au 3.8% Zn, 1.2% Pb and 14 g/t Ag from 201m

Nambonga North has the potential to develop into a new multi-million ounce gold resource (with additional copper and other

base metal credits) for the Wafi-Golpu Project. Drilling to scope-out the deposit will remain a priority.

Wafi Greenfields

Ghavembu prospect (previously Awembu)

Similar to Nambonga North, the target has excellent porphyry Au-Cu potential that could impact significantly on the value of

the project. Drill pads for the two proposed holes were completed and await drill rigs. Initial drilling is scheduled as drill units

become available from Nambonga North.

Biamena prospect

A ground-based electromagnetic survey was designed for the Biamena Prospect to outline drill targets for porphyries hidden

at depth (similar to Golpu). About 37.5 line km (40%) has been completed to date.

A programme of grid based soils, mapping, and selective rock chip sampling commenced in conjunction with the EM survey.

These datasets will be used to interpret IP and EM results and rank drill targets. Results have been highly encouraging with

rock chip values received up to 64 g/t.

Kesiago prospect

A fly camp was established for a planned work programme of surface mapping and sampling and drilling. The programme is scheduled to commence Q1 FY09.

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Morobe Consolidated Tenements

Daulo prospect. 11 trenches were remapped and selectively re-sampled to validate historical results. Intercepts from this

work included

DLO 1A

10.8m

@ 5.35 g/t Au

DLO3A

45m

@ 4.6 g/t Au

DLO4B

23m

@ 2.2 g/t Au

Mineralisation appears fault bounded. Mapping shows the majority of minor structures exposed in the trenches are oriented similar to Edie Creek, dipping 60 to 70 degrees to the south-east.

The work has highlighted good potential for shallow high-grade oxide within a 6km radius of the Hidden Valley Plant. A proposal for follow-up drilling to test the size potential of the prospect is underway.

Kerimenge prospect

Results received from trenching activities during the quarter include:

KTK03A

16m

@ 3.2 g/t Au 4m @ 22.5 g/t Au 4m @ 8.23 g/t Au

KTK03B

8m

@ 5.7 g/t Au 12m @ 3.88 g/t Au

The trenching was completed east of the Kerimenge Deposit in an area where no previous work has been undertaken and

form part of the same zone as KTK02 results reported last quarter. These results appear associated with Northwest trending shear zone which has been intruded by porphyry. To date trenching has outlined the structure over approximately

300m of strike and is open to the south.

Hidden Valley ML 151 Exploration

Work on the Hidden Valley ML included diamond drilling at the Salemba Prospect. The drilling was undertaken to test a

magnetic target with anomalous coincident Au-Mo-Cu geochemistry. Core processing and sampling is in progress.

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FINANCIAL REVIEW FOR THE FOURTH QUARTER AND
YEAR ENDED 30 JUNE 2008

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OPERATING RESULTS – CONTINUING OPERATIONS (Rand/Metric)

Underground production – South Africa

Surface production – South Africa

Total SA

South

International

Doorn-

Elands-

Evander

Virginia

Under-

Kalgold

Project

Other

Total SA

Africa

production

Harmony

Tshepong

Phakisa

kop

rand

Target

Masimong

Operations

Bambanani

Joel

Operations

St Helena

ground

Surface

Phoenix

Surface

Surface

Total

PNG

Total

Ore Milled

– t'000

Jun-08

395

16

126

293

158

204

300

133
136
522
—
2 283
384
1 587
280
2 251
4 534
—
4 534
Mar-08
326
9
74
214
154
161
278
157
91
470
—
1 934
389
1 591
211
2 191
4 125
—
4 125
Gold Produced
— kg
Jun-08
1 957
60
343
1 540
666
886
1 546
1 009
612
1 777
—
10 396
649
224
425
1 298

11 694
—
11 694
Mar-08
1 991
53
184
1 065
565
770
1 500
1 066
418
1 690
—
9 302
728
213
104
1 045
10 347
—
10 347
Yield –
g/tonne
Jun-08
4.95
3.75
2.72
5.26
4.22
4.34
5.15
7.59
4.50
3.40
—
4.55
1.69
0.14
1.52
0.58
2.58
—
2.58
Mar-08
6.11
5.89
2.49
4.98
3.67

4.78
5.40
6.79
4.59
3.60
—
4.81
1.87
0.13
0.49
0.48
2.51
—
2.51
Cash Operating Costs
— R/kg
Jun-08
107 055
127 983
148 157
134 961
174 910
173 244
128 616
142 959
124 490
197 366
—
145 808
98 076
106 000
50 711
83 935
138 940
—
138 940
Mar-08
107 943
108 811
297 293
158 494
154 552
167 839
143 107
158 595
164 821
171 209
—
152 026
97 636
94 197

113 404
98 504
146 620
—
146 620
Cash Operating Costs
— R/tonne
Jun-08
530
480
403
709
737
752
663
1 085
560
672
—
664
166
15
77
48
358
—
358
Mar-08
659
641
739
789
567
803
772
1 077
757
616
—
731
183
13
56
47
368
—
368
Working Revenue
(R'000)
Jun-08
438 170

13 449
76 808
346 827
148 605
198 795
346 022
225 877
137 109
398 504
—
2 330 166
145 571
50 382
93 760
289 713
2 619 879
—
2 619 879
Mar-08
444 818
11 835
42 519
245 789
125 572
173 674
341 845
234 233
95 065
383 269
26
2 098 645
162 831
48 593
23 631
235 055
2 333 700
—
2 333 700
Cash Operating Costs
(R'000)
Jun-08
209 506
7 679
50 818
207 840
116 490
153 494
198 840
144 246
76 188
350 719

—
1 515 820
63 651
23 744
21 552
108 947
1 624 767
—
1 624 767
Mar-08
214 915
5 767
54 702
168 796
87 322
129 236
214 660
169 062
68 895
289 343
11 445
1 414 143
71 079
20 064
11 794
102 937
1 517 080
—
1 517 080
Cash Operating Profit
(R'000)
Jun-08
228 664
5 770
25 990
138 987
32 115
45 301
147 182
81 631
60 921
47 785
—
814 346
81 920
26 638
72 208
180 766
995 112
—
995 112

Mar-08
229 903
6 068
(12 183)
76 993
38 250
44 438
127 185
65 171
26 170
93 926
(11 419)
684 502
91 752
28 529
11 837
132 118
816 620
—
816 620
Capital Expenditure
(R'000)
Jun-08
50 018
97 022
100 247
95 141
91 410
26 049
55 808
22 028
8 954
41 078
6
587 761
4 822
194
55 092
60 108
647 869
668 028
1 315 897
Mar-08
43 137
73 207
83 518
83 221
81 434
25 272
53 291
21 502

8 392
28 594
167
501 735
903
354
18 185
19 442
521 177
324 228
845 405

Evander operations – Evander 5, Evander 7 and Evander 8

Virginia operations – Harmony 2, Merriespruit 1 and 3, Unisel and Brand

P
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P
26
OPERATING RESULTS INCLUDING DISCONTINUED OPERATIONS (Rand/Metric)
Underground production – South Africa
Surface production – South Africa
International production
Rand-
Virginia
Total SA
Cooke
South
Total
Doorn-
Elands-
Evander
fontein
Bamba-
Opera-
Under-
Kalgold
Project
plant
Other
Total SA
Africa
Inter-
Harmony
Tshepong
Phakisa
kop
rand
Target
Masimong Operations Operations
nani
Joel
tions
St Helena
ARMgold
ground
Surface
Phoenix Operations
Surface
Surface
Total Australia
PNG
national
Total
Ore Milled
– t'000

Jun-08
395
16
126
293
158
204
300
293
133
136
522
—
—
2 576
384
1 587
525
280
2 776
5 352
—
—
—
5 352
Mar-08
326
9
74
214
154
161
278
277
157
91
470
—
108
2 319
389
1 591
645
211
2 836
5 155
34
—
34
5 189
Gold Produced

– kg
Jun-08
1 957
60
343
1 540
666
886
1 546
1 349
1 009
612
1 777
–
–
11 745
649
224
212
425
1 510
13 255
–
–
–
13 255
Mar-08
1 991
53
184
1 065
565
770
1 500
1 354
1 066
418
1 690
–
300
10 956
728
213
275
104
1 320
12 276
56
–
56
12 332

Yield –
g/tonne
Jun-08

4.95
3.75
2.72
5.26
4.22
4.34
5.15
4.60
7.59
4.50
3.40

–
–
4.56
1.69
0.14
0.40
1.52
0.54
2.48

–
–
–
2.48

Mar-08

6.11
5.89
2.49
4.98
3.67
4.78
5.40
4.89
6.79
4.59
3.60

–
2.78
4.72
1.87
0.13
0.43
0.49
0.47
2.38
1.65

–
1.65

2.38

Cash Operating Costs – R/kg

Jun-08

107 055

127 983

148 157

134 961

174 910

173 244

128 616

120 173

142 959 124 490

197 366

–

–

142 895

98 076

106 000

158 769

50 711

94 441

137 375

–

–

–

137 375

Mar-08

107 943

108 811

297 293

158 494

154 552

167 839

143 107

136 157

158 595

164 821

171 209

–

321 143

154 695

97 636

94 197

142 822

113 404

107 737

149 646

510 875

–

510 875

151 286

Cash Operating Costs – R/tonne

Jun-08

530

480

403

709

737

752

663

553

1 085

560

672

–

–

652

166

15

64

77

51

340

–

–

–

340

Mar-08

659

641

739

789

567

803

772

666

1 077

757

616

–

892

731

183

13

61

56

50

356

841

–

841

360

Working Revenue

(R'000)

Jun-08

438 170

13 449

76 808

346 827 148 605

198 795

346 022

302 758

225 877 137 109

398 504

—

—

2 632 924 145 571

50 382

47 450

93 760

337 163 2 970 087

—

—

– 2 970 087

Mar-08

444 818

11 835

42 519

245 789

125 572

173 674

341 845

312 068

234 233

95 065

383 269

26

68 682

2 479 395 162 831

48 593

62 497

23 631

297 552

2 776 947

29 815

—

29 815

2 806 762

Cash Operating Costs (R'000)

Jun-08

209 506

7 679

50 818

207 840
116 490
153 494
198 840
162 114
144 246
76 188
350 719
—
367
1 678 301
63 651
23 744
33 659
21 552
142 606 1 820 907
—
—
— 1 820 907
Mar-08
214 915
5 767
54 702
168 796
87 322
129 236
214 660
184 357
169 062
68 895
289 343
11 445
96 343
1 694 843
71 079
20 064
39 276
11 794
142 213
1 837 056
28 609
—
28 609
1 865 665
Cash Operating Profit (R'000)
Jun-08
228 664
5 770
25 990
138 987
32 115

45 301
147 182
140 644
81 631
60 921
47 785
—
(367)
954 623
81 920
26 638
13 791
72 208
194 557 1 149 180
—
—
— 1 149 180
Mar-08
229 903
6 068
(12 183)
76 993
38 250
44 438
127 185
127 711
65 171
26 170
93 926
(11 419)
(27 661)
784 552
91 752
28 529
23 221
11 837
155 339
939 891
1 206
—
1 206
941 097
Capital Expenditure (R'000)
Jun-08
50 018
97 022
100 247
95 141
91 410
26 049
55 808

40 985
22 028
8 954
41 078
6
(72)
628 674
4 822
194
1 090
55 092
61 198
689 872
277
668 028
668 305 1 358 177
Mar-08
43 137
73 207
83 518
83 221
81 434
25 272
53 291
40 119
21 502
8 392
28 594
167
(8)
541 846
903
354
1 886
18 185
21 328
563 174
61
324 228
324 289
887 463

Evander operations – Evander 5, Evander 7 and Evander 8

Randfontein operations – Cooke 1, Cooke 2 and Cooke 3

Virginia operations – Harmony 2, Merriespruit 1 and 3, Unisel and Brand

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CONDENSED CONSOLIDATED INCOME STATEMENT (Rand)

Quarter ended

Year ended

June

March

June

1

June

June

1

2008

2008

2007

2008

2007

Notes

(Unaudited)

(Unaudited)

(Unaudited)

R million

R million

R million

R million

R million

Continuing operations

Revenue

2 620

2 334

1 880

9 210

8 037

Cost of sales

2

(2 284)

(1 820)

(1 928)

(8 184)

(6 729)

Production cost

(1 625)

(1 517)

(1 855)

(6 673)

(6 021)

Amortisation and depreciation

(222)

(189)

(214)

(846)

(763)
 Impairment of assets
 (316)
 –
 123
 (316)
 123
 Employment termination and restructuring costs
 (50)
 (86)
 –
 (212)
 –
 Other items
 (71)
 (28)
 18
 (137)
 (68)
 Gross profit/(loss)
 336
 514
 (48)
 1 026
 1 308
 Corporate, administration and other expenditure
 (49)
 (55)
 (84)
 (228)
 (226)
 Exploration expenditure
 (62)
 (55)
 (83)
 (205)
 (194)
 Other (expenses)/income – net
 (9)
 (16)
 75
 (90)
 186
 Operating profit/(loss)
 216
 388
 (140)
 503
 1 074
 Loss from associates
 (68)

(10)
(1)
(78)
(19)
Profit on sale of investment in associate
—
—
—
—
236
Impairment of investment in associate
(95)
—
—
(95)
—
Loss on sale of investment in joint venture
(2)
—
—
(2)
—
Mark-to-market of listed investments
—
—
31
33
111
Loss on sale of listed investments
—
—
(37)
(459)
(35)
Impairment of investments
(1)
—
—
(1)
(10)
Investment income
86
54
85
282
188
Finance cost
(131)
(123)
(195)
(514)

(454)
Profit/(Loss) before taxation
5
309
(257)
(331)
1 091
Taxation
(246)
(156)
84
(465)
(271)
Net (loss)/profit from continuing operations
(241)
153
(173)
(796)
820
Discontinued operations
3
Profit/(Loss) from discontinued operations
170
192
(463)
551
(438)
Net (loss)/profit
(71)
345
(636)
(245)
382
(Loss)/Earnings per share from continuing
operations attributable to the equity holders
of the Company during the year (cents)
4
– Basic (loss)/earnings
(60)
38
(43)
(199)
206
– Headline earnings/(loss)
38
39
(81)
19
96
– Fully diluted (loss)/earnings
(60)

	38
	(43)
	(199)
	204
Earnings/(Loss) per share from discontinuing operations attributable to the equity holders of the Company during the year (cents)	
	4
– Basic earnings/(loss)	
	42
	48
	(116)
	137
	(110)
– Headline earnings/(loss)	
	27
	24
	(48)
	108
	(43)
– Fully diluted earnings/(loss)	
	42
	48
	(116)
	137
	(110)
Total (loss)/earnings per share from all operations attributable to the equity holders of the Company during the year (cents)	
	4
– Basic (loss)/earnings	
	(18)
	86
	(159)
	(62)
	96
– Headline earnings/(loss)	
	65
	63
	(129)
	127
	53
– Fully diluted (loss)/earnings	
	(18)
	86
	(159)
	(62)
	94
	1

The comparative figures were adjusted to exclude further discontinued operations and interest capitalised.

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CONDENSED CONSOLIDATED BALANCE SHEET (Rand)

At

At

At

June

March

June

2008

2008

2007

Notes

(Unaudited)

R million

R million

R million

ASSETS

Non-current assets

Property, plant and equipment

27 556

26 575

24 538

Intangible assets

2 209

2 309

2 307

Restricted cash

78

80

5

Restricted investments

5

1 465

1 304

1 373

Investments in financial assets

6

67

109

14

Investments in associates

7

145

341

7

Trade and other receivables

137

7

95

31 657

30 725
28 339
Current assets
Inventories
693
654
742
Investments in financial assets
6
—
—
2 484
Trade and other receivables
873
993
918
Income and mining taxes
82
58
66
Restricted cash
—
—
274
Cash and cash equivalents
9
413
346
711
2 061
2 051
5 195
Non-current assets classified as held for sale
3
1 539
1 716
1 284
3 600
3 767
6 479
Total assets
35 257
34 492
34 818
EQUITY AND LIABILITIES
Share capital and reserves
Share capital
25 895
25 866
25 636
Other reserves

676
731
(349)
Accumulated loss
(1 832)
(1 779)
(1 581)
24 739
24 818
23 706
Non-current liabilities
Borrowings
8
264
1 918
1 743
Deferred income tax
2 990
2 599
2 719
Provisions for other liabilities and charges
1 273
1 078
1 216
4 527
5 595
5 678
Current liabilities
Trade and other payables
1 372
923
1 545
Provisions and accrued liabilities
287
261
267
Borrowings
8
3 835
2 009
2 855
Bank overdraft
9
—
—
220
5 494
3 193
4 887
Liabilities directly associated with non-current assets
classified as held for sale

3
497
886
547
5 991
4 079
5 434
Total equity and liabilities
35 257
34 492
34 818
Number of ordinary shares in issue
403 253 756
402 818 020
399 608 384
Net asset value per share (cents)
6 135
6 161
5 932

P	
30	
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Rand)	
Issued share	
Other	Accumulated
capital	
reserves	
loss	
Total	
R million	
R million	
R million	
R million	
Balance – 30 June 2007 (as previously reported)	
25 636	
(349)	
(1 681)	
23 606	
Change in accounting policy for the capitalisation of	
interest on assets under construction	
–	
–	
100	
100	
Balance – 30 June 2007 (restated)	
25 636	
(349)	
(1 581)	
23 706	
Issue of share capital	
259	
–	
–	
259	
Currency translation adjustment and other	
–	
1 025	
–	
1 025	
Net loss	
–	
–	
(245)	
(245)	
Dividends paid	
–	
–	
(6)	
(6)	
Balance as at 30 June 2008	
25 895	

676
(1 832)
24 739
Balance – 30 June 2006 (as previously reported)
25 489
(271)
(2 015)
23 203
Change in accounting policy for the capitalisation of
interest on assets under construction
–
–
59
59
Balance – 30 June 2006 (restated)
25 489
(271)
(1 956)
23 262
Issue of share capital
147
–
–
147
Currency translation adjustment and other
–
(78)
–
(78)
Net profit
–
–
382
382
Dividends paid
–
–
(7)
(7)
Balance as at 30 June 2007
25 636
(349)
(1 581)
23 706

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Rand)

Quarter ended

Year ended

June

March

June

June

2008

2008

2008

2007

Notes

(Unaudited)

(Unaudited)

R million

R million

R million

R million

Cash flow from operating activities

Cash generated by operations

1 506

794

1 978

1 221

Interest and dividends received

97

64

306

204

Interest paid

(117)

(123)

(417)

(226)

Income and mining taxes paid

(67)

(41)

(129)

(13)

Cash generated by operating activities

1 419

694

1 738

1 186

Cash flow from investing activities

(Increase)/decrease in restricted cash

2

1

205

(29)
 Net proceeds on disposal of listed investments
 –
 –
 1 310
 395
 Net additions to property, plant and equipment
 (1 267)
 (884)
 (3 718)
 (2 549)
 Other investing activities
 (190)
 6
 (170)
 (45)
 Cash utilised by investing activities
 (1 455)
 (877)
 (2 373)
 (2 228)
 Cash flow from financing activities
 Long-term loans raised
 8
 136
 –
 2 234
 1 804
 Long-term loans repaid
 8
 (12)
 (6)
 (1 820)
 (1 002)
 Ordinary shares issued – net of expenses
 23
 40
 87
 138
 Dividends paid
 (6)
 –
 (6)
 (7)
 Cash generated by financing activities
 141
 34
 495
 933
 Foreign currency translation adjustments
 (38)

62
61
(48)
Net increase/(decrease) in cash and equivalents
67
(87)
(79)
(157)
Cash and equivalents – beginning of period
348
435
494
651
Cash and equivalents – end of period
9
415
348
415
494

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 30 JUNE 2008

1.

Accounting policies

(a) Basis of accounting

The condensed consolidated interim financial statements for the period ended 30 June 2008 have been prepared using accounting policies that comply with International Financial Reporting Standards (IFRS), which are consistent with the accounting policies used in the audited annual financial statements for the year ended 30 June 2007, except for accounting policy changes made after the date of the annual financial statements. These condensed consolidated interim financial statements are prepared in accordance with IAS 34, Interim Financial Reporting, and should be read in conjunction with the financial statements for the year ended 30 June 2007.

(b) Implementation of accounting policy

IAS 23 (Revised) – Borrowing Costs: The company early adopted IAS 23 (Revised) – Borrowing Costs, retrospectively as at 1 July 2000, which requires that management capitalise borrowing costs directly attributable to the acquisition and construction of qualifying assets. Qualifying assets are assets that take a substantial time to get ready for their intended use.

The impact of this adjustment was as follows:

Quarter ended

Year ended

June

March

June

June

June

2008

2008

2007

2008

2007

(Unaudited)

(Unaudited)

(Unaudited)

R million

R million

R million

R million

R million

Effect on net loss/profit:

Decrease in interest expense

91

11

21

128

58

Income tax

(26)

(3)

(6)

(38)

(17)

Decrease in net loss

65

8

15

90

41

Effect on opening accumulated loss:

Decrease in interest expense

177

166

119

140

82

Income tax

(52)

(49)

(34)

(40)

(23)

Decrease in accumulated loss

125

117

85

100

59

The borrowing costs are added to the cost of those assets, until such time as the assets are substantially ready for their intended use.

All other borrowing costs are dealt with in profit or loss in the period in which they are incurred.

P

33

2.

Cost of sales

The income statement is now presented by function as per the requirements of IAS1 – Presentation of Financial Statements. The major difference is that cost of sales is disclosed on the face of the income statement, with the items disclosed by nature in the notes to the financial statements.

Quarter ended

Year ended

June

March

June

June

June

2008

2008

2007

2008

2007

(Unaudited)

(Unaudited)

(Unaudited)

R million

R million

R million

R million

R million

Cost of sales consists of:

Production costs

1 625

1 517

1 855

6 673

6 021

Amortisation and depreciation

222

189

214

846

763

Impairment of assets

316

–

(123)

316

(123)

Provision for rehabilitation costs

12

–

(19)

12

(16)
 Care and maintenance cost of restructured shafts
 29
 24
 11
 74
 56
 Employment termination and restructuring costs
 50
 86
 –
 212
 –

Share-based compensation

19
 4
 3
 42
 41
 Provision for post retirement benefits
 11
 –

(13)

9

(13)

2 284

1 820

1 928

8 184

6 729

3.

Non-current assets held for sale and discontinued operations

The assets and liabilities related to Mt Magnet and South Kal (operations in Australia), ARMgold Welkom and Orkney

(operations in the Free State and Northwest areas), and Kudu/Sable (operations in the Free State area), have been presented as held for sale on 30 June 2007.

On 6 December 2007, the sale relating to the South Kal operation (operation in Australia) was concluded at a loss, net of

tax, of R51 million and the assets were derecognised.

On 27 February 2008, the sale relating to the Orkney operations (operations in the Northwest area) was concluded at a profit, of R66 million and the assets were derecognised.

The assets and liabilities relating to the Cooke 1, Cooke 2, Cooke 3, Cooke plant and relating surface operations (operations

in the Gauteng area) have been presented as held for sale following the approval of the Group's management on 16 October 2007. The comparative prior year quarter and year to date information has been restated for this reclassification.

During June 2008, management decided not to sell the ARMgold Welkom shafts and Kudu/Sable. Due to this, their results

have been included in net profit/(loss) from continuing operations and the comparative periods restated.

At 30 June 2008, the sale of Mt Magnet was postponed. As management and the buyer were intent on the sale, even though the one-year period allowed by IFRS 5 has expired, these assets have still been classified as held for sale. See

note 11 for further details.

4.

Earnings/(Loss) per share

Earnings/(Loss) per share is calculated on the weighted average number of shares in issue for the quarter ended 30 June

2008: 402.8 million (31 March 2008: 400.7 million, 30 June 2007: 398.6 million) and the year ended 30 June 2008: 400.8 million (30 June 2007: 397.9 million).

The fully diluted earnings/(loss) per share is calculated on weighted average number of diluted shares in issue for the quarter ended 30 June 2008: 405.2 million (31 March 2008: 403.5 million, 30 June 2007: 403.1 million) and the year ended

30 June 2008: 402.9 million (30 June 2007: 402.4 million).

P
 34
 Quarter ended
 Year ended
 June
 March
 June
 June
 June
 2008
 2008
 2007
 2008
 2007
 (Unaudited)
 (Unaudited)
 (Unaudited)
 R million
 R million
 R million
 R million
 R million
 Total (loss)/earnings per share (cents):
 Basic (loss)/earnings
 (18)
 86
 (159)
 (62)
 96
 Headline earnings/(loss)
 65
 63
 (129)
 127
 53
 Fully diluted (loss)/earnings
 (18)
 86
 (159)
 (62)
 94
 R million
 R million
 R million
 R million
 R million
 Reconciliation of headline earnings/(loss):
 Continuing operations
 Net (loss)/profit
 (241)
 153

(173)

(796)

820

Adjusted for:

Loss/(Profit) on sale of property,
plant and equipment

32

(1)

(66)

(2)

(129)

Loss on sale of listed investment

—

—

31

459

30

Impairment of investments

1

—

—

1

—

Loss on sale of joint venture

2

—

—

2

—

Profit on sale of associate

—

—

—

—

(220)

Impairment of investment in associates

95

—

—

95

—

Impairment/(Reversal of impairment) of
property, plant and equipment

159

—

(117)

159

(117)

Impairment of intangible assets

105

—

—	
105	
—	
Provision for doubtful debt	
—	
4	
—	
52	
—	
Headline profit/(loss)	
153	
156	
(325)	
75	
384	
Discontinued operations	
Net profit/(loss)	
170	
192	
(463)	
551	
(438)	
<i>Adjusted for:</i>	
(Profit)/Loss on sale of property, plant and equipment	
(90)	
(100)	
—	
(95)	
—	
Profit on sale of investments	
—	
—	
—	
—	
(6)	
Impairment/(Reversal of impairment) of property, plant and equipment	
30	
4	
274	
(25)	
274	
Headline profit/(loss)	
110	
96	
(189)	
431	
(170)	
Total headline profit/(loss)	
263	

252
(514)
506
214
5.
Restricted investments
June
March
June
2008
2008
2007
(Unaudited)
R million
R million
R million
Environmental Trust Funds
1 428
1 271
1 336
Other
37
33
37
1 465
1 304
1 373

P

35

6.

Investment in financial assets

June

March

June

2008

2008

2007

(Unaudited)

R million

R million

R million

Current

Investment in African Rainbow Minerals Limited (see note 8)

–

–

1 051

Investment in Gold Fields Limited *

–

–

1 433

–

–

2 484

Non-current

Other

67

109

14

67

109

2 498

* During the September 2007 quarter Harmony sold all of its remaining Gold Fields Limited (GFI) shares for a loss of R459 million.

7.

Investment in associate

On 27 February 2008, Pamodzi Gold Limited bought the Orkney operations from the Harmony Group for a consideration

of 30 million Pamodzi Gold Limited shares. This resulted in Harmony Gold Mining Company owning 32.4% of Pamodzi

Gold Limited. At 30 June 2008, management tested for impairment of the investment in associate. An amount of R91 million was impaired and accounted for in the income statement. The book value at 30 June 2008, after taking impairment and loss from associate into account, was R145 million.

8.

Borrowings

June

March

June

2008

2008
 2007
 (Unaudited)
 R million
 R million
 R million
 Unsecured borrowings
 Convertible unsecured fixed rate bonds
 1 626
 1 605
 1 541
 Africa Vanguard Resources (Proprietary) Limited
 32
 32
 32
 1 658
 1 637
 1 573
Less: Short-term portion
 (1 626)
 –
 –
 Total unsecured long-term borrowings
 32
 1 637
 1 573
 Secured borrowings
 Westpac Bank Limited*
 258
 119
 2
 Africa Vanguard Resources (Doornkop) (Pty) Limited (Nedbank Limited)
 194
 188
 170
 ARM Empowerment Trust 1 (Nedbank Limited)**
 –
 –
 450
 ARM Empowerment Trust 2 (Nedbank Limited)**
 –
 –
 601
 Rand Merchant Bank
 –
 –
 1 802
 Nedbank Limited
 2 000
 2 000
 –

Less: Unamortised transaction costs

(11)

(17)

—

2 441

2 290

3 025

Less: Short-term portion

(2 209)

(2 009)

(2 855)

Total secured long-term borrowings

232

281

170

Total long-term borrowings

264

1 918

1 743

* The lease was entered into for the purchase of mining fleet to be used on the Hidden Valley project.

** The guarantees relating to the Nedbank loans were cancelled on 28 September 2007 and consequently Harmony has no further obligations to Nedbank in this regard. The ARM investment and associated Nedbank loans were derecognised from this date.

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36

The future minimum lease payments to Westpac Bank Limited are as follows:

June

March

June

2008

2008

2007

(Unaudited)

R million

R million

R million

Due within one year

57

26

–

Due between one and five years

228

97

–

285

123

–

9.

Cash and cash equivalents

June

March

June

2008

2008

2007

(Unaudited)

R million

R million

R million

Comprises:

Continuing operations

413

346

491

Discontinued operations

2

2

3

Total cash and cash equivalents

415

348

494

10. Commitments and contingencies

June

March

June

2008

2008

2007

(Unaudited)

R million

R million

R million

Capital expenditure commitments

Contracts for capital expenditure

1 164

1 191

352

Authorised by the directors but not contracted for

1 720

1 422

1 881

2 884

2 613

2 233

This expenditure will be financed from existing resources and where appropriate, borrowings.

Contingent liabilities

Guarantees and suretyships

18

18

18

Environmental guarantees

152

173

129

170

191

147

Contingent liability

On 18 April 2008, Harmony Gold Mining Company Limited was made aware that it has been named or may be named as

a defendant in a lawsuit filed in the U.S. District Court in the Southern District of New York on behalf of certain purchasers

and sellers of Harmony's American Depositary Receipts ("ADRs"). Harmony has retained legal counsel, who will advise Harmony on further developments in the U.S.

11. Subsequent events

Village Main Reef

On 11 July 2008, Harmony sold its 37.8% share in Village Main Reef Gold Mining Company (1934) Limited for R1.1 million

to To The Point Investments. Z B Swanepoel, Harmony's previous Chief Executive Officer, is a director and founder of

To The Point Investments.

P

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PNG Partnership agreement

On 22 April 2008 Morobe Consolidated Goldfields Limited and Wafi Mining Limited, subsidiaries of Harmony Gold (Australia) Pty Ltd entered into a Master Purchase and Farm-in Agreement with Newcrest Mining Limited (Newcrest). This

agreement provides for Newcrest to purchase a 30.01% Participating Interest (Stage 1) and a further buy-out of an additional 19.99% Participating Interest in Harmony's Papua New Guinea (PNG) gold and copper assets. Due to the fact

that there were a number of conditions precedents to be met, the expected profit on the transaction was not recognised in the 2007/2008 financial year.

On 16 July 2008 the conditions precedent were finalised, which included regulatory and statutory approvals by the PNG

Government. Stage 1 Completion has now taken place with an effective date of 31 July 2008.

Total consideration for Stage 1 completion of US\$229 million was received, of which US\$50 million has been placed in a

jointly controlled Escrow account which will revert to Harmony upon the confirmation of an exploration licence ("EL") approval by the PNG Mining Authorities. Re-registration of the EL is expected by the end of August 2008.

The expected profit on Stage 1 Completion is estimated to be AUD\$84.3 million (post-tax) and will be accounted for in the

September 2008 quarter.

Sale of MMG and BBO entities

Harmony announced on the 8 November 2007 that it signed a letter of intent with Monarch Gold Mining Company for the sale of its Mount Magnet operations for AUD\$65 million. On 8 July 2008 Harmony further announced a revision to

the deal and an extension of the period in which the conditions precedent is to be met. Subsequent to this announcement

Harmony was advised that the terms of the sale contract with Monarch Gold had been reconstituted, Monarch placed itself in voluntary administration.

On 1 August 2008 the Administrator indicated that Monarch will not proceed with the proposed purchase and consequently the purchase agreement has been terminated. Harmony received from Monarch a deposit of AUD\$5 million

of which AUD\$2.5 million has been refunded and AUD\$2.5 million has been recorded as revenue. Harmony has resumed

management of the operation and has re-commenced the sale process.

12. Segment report

The primary reporting format of the Company is by business segment. As there is only one business segment, being mining,

extraction and production of gold, the relevant disclosures have been given in the condensed consolidated financial statements.

13. Audit review

The condensed consolidated financial statements for the year ended 30 June 2008 on pages 28 to 37 have been reviewed

in accordance with International Standards on Review Engagements 2410 – "Review of interim financial information performed by the Independent Auditors of the entity" by PricewaterhouseCoopers Inc. Their unqualified review opinion is

available for inspection at the Company's registered office.

P
38
US\$ million YEAR ENDED 30 JUNE 2008 (Rand/Metric)
Cash
Cash
Continuing
operating
operating
Capital
Kilograms
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
gold
milled Grade
Cost
South Africa
R million
R million
R million
R million
t'000
R/kg
Tshepong
1 621
906
715
195
8 495
1 495
5.68
106 658
Phakisa
28
17
11
293
131
31
4.23
130 221
Doornkop
258
225
33
349
1 373

448
3.06
164 099
Elandsrand
964
751
213
318
4 934
890
5.54
152 171
Target
503
374
129
256
2 644
622
4.25
141 027
Masimong
698
637
61
114
3 657
809
4.52
174 080
Evander Operations
Evander 5
360
259
101
43
1 884
346
5.45
137 386
Evander 7
316
231
85
83
1 772
280
6.33
130 210
Evander 8
726

426
300
116
3 810
686
5.56
111 715
Total Evander
Operations
1 402
916
486
242
7 466
1 312
5.69
122 598
Bambanani
932
741
191
107
4 945
827
5.98
149 792
Joel
375
284
91
39
1 904
407
4.68
149 305
Virginia Operations
Harmony 2
283
262
21
39
1 497
442
3.38
174 852
Merriespruit 1
287
239
48
31
1 463

387
3.78
163 585
Merriespruit 3
240
229
11
22
1 258
389
3.23
181 769
Unisel
399
318
81
38
2 103
496
4.24
151 376
Brand 3
279
251
28
22
1 465
416
3.52
171 437
Brand 5
-
9
(9)
-
-
-
-
-
Total Virginia
Operations
1 488
1 308
180
152
7 786
2 130
4.00
174 091
St Helena
41

92
(51)
4
260
78
3.33
355 654
Kalgold
557
278
279
10
2 898
1 530
1.89
95 939
Project Phoenix
191
89
102
4
1 002
6 378
0.19
75 184
Other entities
152
55
97
136
732
729
0.73
98 100
Total South Africa
9 210
6 673
2 537
2 219
48 227
17 686
2.73
138 319
International
PNG
—
—
—
1 428
—
—

—
—
Total International
—
—
—
1 428
—
—
—
—
Total Harmony
— Continuing
Operations
9 210
6 673
2 537
3 647
48 227
17 686
2.73
138 319

P
39
Cash
Cash
Discontinued
operating
operating
Capital
Kilograms
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
gold
milled Grade
Cost
South Africa
R million
R million
R million
R million
t'000
R/kg
Orkney 2
148
148
-
6
831
160
5.23
179 596
Orkney 4
110
145
(35)
9
637
195
3.27
228 190
Orkney 7
54
82
(28)
11
309
163

1.89
266 312
Cooke 1
357
231
126
16
1 842
297
6.20
125 587
Cooke 2
353
201
152
35
1 861
341
5.46
107 739
Cooke 3
491
325
166
107
2 578
561
4.60
126 010
Cooke Plant Operations
205
130
75
4
1 067
2 342
0.46
121 549
Total South Africa
1 718
1 262
456
188
9 125
4 059
2.55
138 464
Australia
Mt Magent
408
301

107
29
2 398
876
2.73
125 488
South Kal
137
105
32
91
864
433
2.00
120 812
Total Australia
545
406
139
120
3 262
1 309
2.49
124 285
Total Harmony
– Discontinued
Operations
2 263
1 668
595
308
12 387
5 368
2.31
134 718
Total Harmony
11 473
8 341
3 132
3 955
60 614
23 054
2.63
137 584

P
 40
 DETAILED OPERATING INFORMATION YEAR ENDED 30 JUNE 2007 (Rand/Metric)
 Cash
 Cash
 Continuing operating operating
 operating
 Capital
 Kilograms
 Tonnes
 Operating
 Operations
 Revenue
 cost
 profit/(loss)
 expenditure
 gold
 milled
 Cost
 South Africa
 R million
 R million
 R million
 R million
 T'000 Grade
 R/kg
 Tshepong
 1 460
 807
 653
 188
 9 919
 1 654
 5.99
 81 324
 Phakisa
 -
 -
 -
 227
 -
 -
 -
 -
 Doornkop
 263
 181
 82
 270
 1 784
 541

3.30
101 708
Elandsrand
895
738
157
238
6 056
1 013
5.98
121 884
Target
657
380
277
121
4 430
820
5.41
85 678
Masimong
681
596
85
109
4 602
974
4.73
129 376
Evander Operations
Evander 5
257
208
49
39
1 731
342
5.07
120 229
Evander 7
283
278
5
86
1 899
405
4.69
146 469
Evander 8
548
330

218
79
3 692
764
4.83
89 287
Total Evander
Operations
1 088
816
272
204
7 322
1 511
4.85
111 433
Bambanani
902
831
71
125
6 129
1 164
5.27
135 609
Joel
366
241
125
28
2 486
457
5.44
96 750
Virginia Operations
Harmony 2
215
215
—
35
1 439
468
3.07
149 527
Merriespruit 1
234
191
43
25
1 574
432

3.64
121 206
Merriespruit 3
201
180
21
25
1 354
402
3.36
133 115
Unisel
368
252
116
39
2 488
557
4.47
101 299
Brand 3
210
200
10
11
1 419
403
3.52
140 913
Brand 5
4
11
(7)
—
29
11
2.64
384 477
Total Virginia
Operations
1 232
1 049
183
135
8 303
2 273
3.65
126 364
St Helena
98
129

(31)
10
663
218
3.04
194 413
Kudu/Sable
4
—
4
—
26
14
—
—
Kalgold
257
196
61
3
1 746
1 578
1.11
112 227
Project Phoenix
94
45
49
—
664
2 148
0.31
67 854
Other entities
40
12
28
117
210
416
0.51
58 323
Total South Africa
8 037
6 021
2 016
1 775
54 340
14 781
3.68
110 785

International
PNG

-

-

-

526

-

-

-

-

Total International

-

-

-

526

-

-

-

-

Total Harmony

- Continuing

Operations

8 037

6 021

2 016

2 301

54 340

14 781

3.68

110 785

P
41
Cash
Cash
Discontinued operating operating
operating
Capital
Kilograms
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
gold
milled
Cost
South Africa
R million
R million
R million
R million
T'000 Grade
R/kg
Orkney 2
240
190
50
31
1 626
282
5.77
116 621
Orkney 3
-
-
-
-
-
-
-
-
Orkney 4
209
189
20
37
1 432
360
3.98

132 286

Orkney 7

95

86

9

42

643

217

2.96

133 723

ARM surface

1

—

1

—

4

1

—

—

Cooke 1

348

236

112

14

2 354

386

6.10

100 439

Cooke 2

261

251

10

27

1 780

349

5.10

141 089

Cooke 3

417

317

100

98

2 841

564

5.04

111 681

Cooke Plant Operations

88

42

46

—

590
811
0.73
70 631
Total South Africa
1 659
1 311
348
249
11 270
2 970
3.80
116 377
Australia
Mt Magent
617
508
109
145
4 243
1 700
2.50
119 877
South Kal
404
321
83
48
2 749
1 261
2.18
116 715
Total Australia
1 021
829
192
193
6 992
2 961
2.36
118 634
Total Harmony
– Discontinued
Operations
2 680
2 140
540
442
18 262
5 931
3.08

117 241

Total Harmony

10 717

8 161

2 556

2 743

72 602

20 712

3.51

112 409

P

43

P

42

OPERATING RESULTS – CONTINUING OPERATIONS (US\$/Imperial)

Underground production – South Africa

Surface production – South Africa

Total SA

South

International

Doorn-

Elands-

Evander

Bamba-

Virginia

Under-

Kalgold

Project

Other

Total SA

Africa

production

Harmony

Tshepong

Phakisa

kop

rand

Target

Masimong

Operations

nani

Joel

Operations

St Helena

ground

Surface

Phoenix

Surface

Surface

Total

PNG

Total

Ore Milled

– t'000

Jun-08

436

18

139

323

174

225

331
147
150
576
—
2 519
423
1 750
309
2 482
5 001
—
5 001
Mar-08
359
10
82
236
170
178
307
173
100
518
—
2 133
429
1 754
233
2 416
4 549
—
4 549
Gold Produced
— oz
Jun-08
62 919
1 929
11 028
49 512
21 412
28 485
49 705
32 440
19 676
57 132
—
334 238
20 866
7 202
13 664

41 732
375 970
—
375 970
Mar-08
64 012
1 704
5 916
34 240
18 165
24 756
48 226
34 273
13 439
54 334
—
299 065
23 406
6 848
3 343
33 597
332 662
—
332 662
Yield —
oz/t
Jun-08
0.14
0.11
0.08
0.15
0.12
0.13
0.15
0.22
0.13
0.10
—
0.13
0.05
—
0.04
0.02
0.08
—
0.08
Mar-08
0.18
0.17
0.07
0.15

0.11
0.14
0.16
0.20
0.13
0.10
-
0.14
0.05
-
0.01
0.01
0.07
-
0.07
Cash Operating Costs
- \$/oz
Jun-08
429
513
593
540
700
694
515
572
499
790
-
584
393
424
203
336
556
-
556
Mar-08
452
455
1 245
664
647
703
599
664
690
717
-
631
409

394
475
412
609
—
609
Cash Operating Costs
— \$/t
Jun-08
62
55
47
83
86
88
77
126
65
78
—
77
19
2
9
6
42
—
42
Mar-08
81
78
90
96
69
98
94
132
93
75
—
89
22
2
7
6
45
—
45
Working Revenue
(\$'000)
Jun-08

56 411
1 731
9 888
44 651
19 132
25 593
44 548
29 080
17 652
51 304
—
299 990
18 741
6 486
12 071
37 298
337 288
—
337 288
Mar-08
59 880
1 593
5 724
33 087
16 904
23 379
46 018
31 532
12 797
51 595
4
282 509
21 920
6 541
3 181
31 642
314 151
—
314 151
Cash Operating Costs
(\$'000)
Jun-08
26 972
989
6 542
26 758
14 997
19 761
25 599
18 571
9 809

45 152
—
195 150
8 195
3 057
2 775
14 027
209 177
—
209 177
Mar-08
28 931
776
7 364
22 723
11 755
17 397
28 897
22 759
9 274
38 951
1 541
188 827
9 568
2 701
1 588
13 857
202 684
—
202 684
Cash Operating Profit
(\$'000)
Jun-08
29 439
742
3 346
17 893
4 135
5 832
18 949
10 509
7 843
6 152
—
104 840
10 546
3 429
9 296
23 271
128 111
—

128 111
Mar-08
30 949
817
(1 640)
10 364
5 149
5 982
17 121
8 773
3 523
12 644
(1 537)
93 682
12 352
3 840
1 593
17 785
111 467
—
111 467
Capital Expenditure
(\$'000)
Jun-08
6 439
12 491
12 906
12 249
11 768
3 354
7 185
2 836
1 153
5 288
1
75 669
621
25
7 093
7 739
83 408
86 004
169 412
Mar-08
5 807
9 855
11 243
11 203
10 962
3 402
7 174

2 895

1 130

3 849

22

67 520

121

48

2 448

2 617

70 137

43 646

113 783

Evander operations – Evander 5, Evander 7 and Evander 8

Virginia operations – Harmony 2, Merriespruit 1 and 3, Unisel and Brand

P
45
P
44
OPERATING RESULTS INCLUDING DISCONTINUED OPERATIONS (US\$/Imperial)
Underground production – South Africa
Surface production – South Africa
International production
Rand-
Virginia
Total SA
Cooke
South
Total
Doorn-
Elands-
Evander
fontein
Bamba-
Opera-
Under-
Kalgold
Project
plant
Other
Total SA
Africa
Inter-
Harmony
Tshepong
Phakisa
kop
rand
Target
Masimong Operations Operations
nani
Joel
tions
St Helena
ARMgold
ground
Surface
Phoenix Operations
Surface
Surface
Total Australia
PNG
national
Total
Ore milled
– t'000

Jun-08
436
18
139
323
174
225
331
323
147
150
576
—
—
2 842
423
1 750
579
309
3 061
5 903
—
—
—
5 903
Mar-08
359
10
82
236
170
178
307
305
173
100
518
—
119
2 557
429
1 754
711
233
3 127
5 684
38
—
38
5 722
Gold Produced

– oz
Jun-08
62 919
1 929
11 028
49 512
21 412
28 485
49 705
43 371
32 440
19 676
57 132
–
–
377 609
20 866
7 202
6 816
13 664
48 548
426 157
–
–
–
426 157
Mar-08
64 012
1 704
5 916
34 240
18 165
24 756
48 226
43 532
34 273
13 439
54 334
–
9 645
352 242
23 406
6 848
8 841
3 343
42 438
394 680
1 800
–
1 800
396 480

Yield –
oz/t
Jun-08
0.14
0.11
0.08
0.15
0.12
0.13
0.15
0.13
0.22
0.13
0.10
–
–
0.13
0.05
–
0.01
0.04
0.02
0.07
–
–
–
0.07
Mar-08
0.18
0.17
0.07
0.15
0.11
0.14
0.16
0.14
0.20
0.13
0.10
–
0.08
0.14
0.05
–
0.01
0.01
0.01
0.07
0.05
–
0.05

0.07

Cash Operating Costs – \$/oz

Jun-08

429

513

593

540

700

694

515

481

572

499

790

–

–

572

393

424

636

203

378

550

–

–

–

550

Mar-08

452

455

1 245

664

647

703

599

570

664

690

717

–

1 345

648

409

394

598

475

451

627

2 139

–

2 139

633
Cash Operating Costs – \$/t
Jun-08
62
55
47
83
86
88
77
65
126
65
78
–
–
76
19
2
7
9
6
40
–
–
–
40
Mar-08
81
78
90
96
69
98
94
81
132
93
75
–
109
89
22
2
7
7
6
44
101
–
101

44

Working Revenue

(\$'000)

Jun-08

56 411

1 731

9 888

44 651

19 132

25 593

44 548

38 978

29 080

17 652

51 304

—

—

338 968

18 741

6 486

6 109

12 071

43 407

382 375

—

—

—

382 375

Mar-08

59 880

1 593

5 724

33 087

16 904

23 379

46 018

42 010

31 532

12 797

51 595

4

9 246

333 769

21 920

6 541

8 413

3 181

40 055

373 824

4 014

—

4 014
377 838
Cash Operating Costs (\$'000)
Jun-08
26 973
989
6 542
26 758
14 997
19 761
25 599
20 871
18 571
9 809
45 152
—
47
216 069
8 195
3 057
4 333
2 775
18 360
234 429
—
—
—
234 429
Mar-08
28 931
776
7 364
22 723
11 755
17 397
28 897
24 818
22 759
9 274
38 951
1 541
12 969
228 155
9 568
2 701
5 287
1 588
19 144
247 299
3 851
—

3 851
251 150
Cash Operating Profit (\$'000)
Jun-08
29 438
742
3 346
17 893
4 135
5 832
18 949
18 107
10 509
7 843
6 152
—
(47)
122 899
10 546
3 429
1 776
9 296
25 047
147 946
—
—
—
147 946
Mar-08
30 949
817
(1 640)
10 364
5 149
5 982
17 121
17 192
8 773
3 523
12 644
(1 537)
(3 723)
105 614
12 352
3 840
3 126
1 593
20 911
126 525
163
—

163
126 688
Capital Expenditure
(\$'000)
Jun-08
6 439
12 491
12 906
12 249
11 768
3 354
7 185
5 277
2 836
1 153
5 288
1
(9)
80 938
621
25
140
7 093
7 879
88 817
36
86 004
86 040
174 857
Mar-08
5 807
9 855
11 243
11 203
10 962
3 402
7 174
5 401
2 895
1 130
3 849
22
(1)
72 942
121
48
254
2 448
2 871
75 813
8

43 646

43 654

119 467

Evander operations – Evander 5, Evander 7 and Evander 8

Randfontein operations – Cooke 1, Cooke 2 and Cooke 3

Virginia operations – Harmony 2, Merriespruit 1 and 3, Unisel and Brand

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CONDENSED CONSOLIDATED INCOME STATEMENT Unaudited) (US\$)

Quarter ended

Year ended

June

March

June

1

June

June

1

2008

2008

2007

2008

2007

US\$ million

US\$ million

US\$ million

US\$ million

US\$ million

Continuing operations

Revenue

337

329

265

1 269

1 116

Cost of sales

(294)

(256)

(272)

(1 127)

(935)

Production cost

(209)

(214)

(262)

(919)

(836)

Amortisation and depreciation

(29)

(27)

(30)

(117)

(106)

Impairment of assets

(41)

-

17

(44)
17
Employment termination and restructuring costs
(6)
(12)
—
(29)
—
Other items
(9)
(3)
3
(18)
(10)
Gross profit/(loss)
43
73
(7)
142
181
Corporate, administration and other expenditure
(6)
(8)
(12)
(31)
(31)
Exploration expenditure
(8)
(8)
(12)
(28)
(27)
Other (expenses)/income – net
(1)
(2)
11
(12)
26
Operating profit/(loss)
28
55
(20)
71
149
Loss from associates
(9)
(1)
—
(11)
(3)
Profit on sale of investment in associate

—
—
—
—
33
Impairment of investment in associate
(12)
—
—
(13)
—
Mark-to-market of listed investments
—
—
4
5
15
Loss on sale of listed investments
—
—
(5)
(63)
(5)
Impairment of investments
—
—
—
—
(1)
Investment income
11
8
12
39
26
Finance cost
(17)
(17)
(28)
(71)
(63)
Profit/(Loss) before taxation
1
45
(37)
(43)
151
Taxation
(32)
(22)
12

(64)
(38)
Net (loss)/profit from continuing operations
(31)
23
(25)
(107)
113
Discontinued operations
Profit/(Loss) from discontinued operations
22
27
(65)
76
(61)
Net (loss)/profit
(9)
50
(90)
(31)
52
(Loss)/Earnings per share from continuing operations
attributable to the equity holders of the Company
during the year (cents)
– Basic (loss)/earnings
(8)
5
(6)
(27)
29
– Headline earnings/(loss)
5
5
(11)
3
13
– Fully diluted (loss)/earnings
(8)
5
(6)
(27)
28
Earnings/(Loss) per share from discontinuing operations
attributable to the equity holders of the Company
during the year (cents)
– Basic earnings/(loss)
5
7
(16)
19
(15)

– Headline earnings/(loss)

3

3

(7)

15

(6)

– Fully diluted earnings/(loss)

5

7

(16)

19

(15)

Total (loss)/earnings per share from all operations
attributable to the equity holders of the Company
during the year (cents)

– Basic (loss)/earnings

(3)

12

(22)

(8)

14

– Headline earnings/(loss)

8

8

(18)

18

7

– Fully diluted (loss)/earnings

(3)

12

(22)

(8)

13

The currency conversion rates average for the quarters ended: June 2008: US\$1 = R7.77 (March 2008: US\$1 = R7.43, June 2007:

US\$1=R7.09)

The currency conversion rates average for the year ended: June 2008: US\$1 = R7.26 (June 2007: US\$1=R7.20)

1

The comparative figures were adjusted to exclude further discontinued operations and interest capitalised

.

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CONDENSED CONSOLIDATED BALANCE SHEET (Unaudited) (US\$)

At

At

At

June

March

June

2008

2008

2007

US\$ million

US\$ million

US\$ million

ASSETS

Non-current assets

Property, plant and equipment

3 533

3 265

3 486

Intangible assets

283

284

328

Restricted cash

10

10

1

Restricted investments

188

160

195

Investments in financial assets

9

13

2

Investments in associates

19

42

1

Trade and other receivables

18

1

13

4 060

3 775

4 026

Current assets

Inventories

89

80
105
Investments in financial assets
—
—
353
Trade and other receivables
111
122
130
Income and mining taxes
11
7
9
Restricted cash
—
—
39
Cash and cash equivalents
53
43
101
264
252
737
Non-current assets classified as held for sale
197
211
182
461
463
919
Total assets
4 521
4 238
4 945
EQUITY AND LIABILITIES
Share capital and reserves
Share capital
3 320
3 178
3 641
Other reserves
87
90
(50)
Accumulated loss
(235)
(219)
(225)
3 172

3 049
3 366
Non-current liabilities
Borrowings
34
236
248
Deferred income tax
383
319
386
Provisions for other liabilities and charges
163
132
173
580
687
807
Current liabilities
Trade and other payables
176
114
219
Provisions and accrued liabilities
37
32
38
Borrowings
492
247
406
Bank overdraft
—
—
31
705
393
694
Liabilities directly associated with non-current assets classified as held for sale
64
109
78
769
502
772
Total equity and liabilities
4 521
4 238
4 945
Number of ordinary shares in issue
403 253 756

402 818 020

399 608 384

Net asset value per share (cents)

787

757

842

Balance sheet converted at conversion rate of US\$1 = R7.80 (March 2008: R8.14) (June 2007: R7.04)

P	
48	
CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY (Unaudited) (US\$)	
Issued share	
Other	Accumulated
capital	
reserves	
loss	
Total	
US\$ million	
US\$ million	
US\$ million	
US\$ million	
Balance – 30 June 2007 (as previously reported)	
3 287	
(45)	
(216)	
3 026	
Change in accounting policy for the capitalisation of	
interest on assets under construction	
–	
–	
13	
13	
Balance – 30 June 2007 (restated)	
3 287	
(45)	
(203)	
3 039	
Issue of share capital	
33	
–	
–	
33	
Currency translation adjustment and other	
–	
131	
–	
131	
Net loss	
–	
–	
(31)	
(31)	
Dividends paid	
–	
–	
(1)	
(1)	
Balance as at 30 June 2008	
3 320	

86
 (235)
 3 171
 Balance – 30 June 2006 (as previously reported)
 3 621
 (38)
 (286)
 3 297
 Change in accounting policy for the capitalisation of
 interest on assets under construction
 –
 –
 8
 8
 Balance – 30 June 2006 (restated)
 3 621
 (38)
 (278)
 3 305
 Issue of share capital
 21
 –
 –
 21
 Currency translation adjustment and other
 –
 (11)
 –
 (11)
 Net profit
 –
 –
 54
 54
 Dividends paid
 –
 –
 (1)
 (1)
 Balance as at 30 June 2007
 3 642
 (49)
 (225)
 3 368

P

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Unaudited) (US\$)

Quarter ended

Year ended

June

March

June

June

2008

2008

2008

2007

US\$ million

US\$ million

US\$ million

US\$ million

Cash flow from operating activities

Cash generated by operations

194

107

272

177

Interest and dividends received

12

9

42

28

Interest paid

(15)

(17)

(57)

(31)

Income and mining taxes paid

(9)

(6)

(18)

(2)

Cash generated by operating activities

182

93

239

172

Cash flow from investing activities

(Increase)/decrease in restricted cash

—

—

28

(4)

Net proceeds on disposal of listed investments

—

–
 184
 55
 Net additions to property, plant and equipment
 (163)
 (119)
 (516)
 (362)
 Other investing activities
 (24)
 1
 (23)
 (7)
 Cash utilised by investing activities
 (187)
 (118)
 (327)
 (318)
 Cash flow from financing activities
 Long-term loans raised
 20
 –
 323
 253
 Long-term loans repaid
 (2)
 –
 (256)
 (139)
 Ordinary shares issued – net of expenses
 3
 5
 12
 19
 Dividends paid
 (1)
 –
 (1)
 (1)
 Cash generated by financing activities
 20
 5
 78
 132
 Foreign currency translation adjustments
 (5)
 –
 (7)
 (7)
 Net increase/(decrease) in cash and equivalents
 10

(20)
(17)
(21)
Cash and equivalents – beginning of period
43
63
70
91
Cash and equivalents – end of period
53
43
53
70
Operating activities translated at average rates of: Three months ended June 2008: US\$1 = R7.77 (March 2008: US\$1 = R7.43)
year ended June 2008: US\$1 = R7.26 (June 2007: US\$ = R7.20)
Closing balance translated at closing rates of: June 2008: US\$1 = R7.80 (March 2008: US\$1 = R8.14, June 2007: US\$1 = R7.04)

P
50
DETAILED OPERATING INFORMATION YEAR ENDED 30 JUNE 2008 (US\$/Imperial)
Cash
Cash
Continuing
operating
operating
Capital
Gold
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
Produced
milled
Grade
cost
South Africa
US\$ million US\$ million
US\$ million
US\$ million
Ounces
(Imperial) (Imperial)
\$/ounce
Tshepong
223
125
98
27
273 119
1 649
0.166
457
Phakisa
4
2
2
40
4 212
34
0.123
558
Doornkop
35
31
4
48

44 143
494
0.089
703
Elandsrand
133
103
30
44
158 631
981
0.162
652
Target
69
51
18
35
85 006
686
0.124
605
Masimong
96
88
8
16
117 575
892
0.132
745
Evander Operations
Evander 5
50
36
14
6
60 572
382
0.159
588
Evander 7
43
32
11
11
56 971
309
0.185
557
Evander 8

100
59
41
16
122 494
756
0.162
478
Total Evander
Operations
193
127
66
33
240 037
1 447
0.166
525
Bambanani
128
102
26
15
158 985
912
0.174
641
Joel
52
39
13
5
61 215
449
0.136
639
Virginia Operations
Harmony 2
39
36
3
5
48 129
487
0.099
749
Merriespruit 1
39
33
6
4

47 036
427
0.110
700
Merriespruit 3
33
31
2
3
40 445
429
0.094
778
Unisel
55
44
11
5
67 613
547
0.124
648
Brand 3
38
35
3
3
47 101
459
0.103
734
Brand 5
-
1
(1)
-
-
-
-
-
Total Virginia
Operations
204
180
24
20
250 324
2 349
0.107
719
St Helena

6
13
(7)
1
8 359
86
0.097
1 523
Kalgold
77
38
39
1
93 172
1 687
0.055
411
Project Phoenix
26
12
14
—
32 215
7 033
0.005
381
Other entities
23
7
16
18
23 534
804
0.029
309
Total South Africa
1 269
918
351
303 1 550 527
19 503
0.080
591
International
PNG
—
—
—
197
—
—

—
—
Total International
—
—
—
197
—
—
—
—
Total Harmony
— Continuing
Operations
1 269
918
351
500 1 550 527
19 503
0.080
591

P
 51
 Cash
 Cash
 Discontinued
 operating
 operating
 Capital
 Gold
 Tonnes
 Operating
 Operations
 Revenue
 cost
 profit/(loss)
 expenditure
 Produced
 milled
 Grade
 cost
 South Africa
 US\$ million US\$ million
 US\$ million
 US\$ million
 Ounces
 (Imperial) (Imperial)
 \$/ounce
 Orkney 2
 18
 21
 (3)
 1
 26 717
 176
 0.152
 769
 Orkney 4
 15
 20
 (5)
 1
 20 480
 215
 0.095
 977
 Orkney 7
 7
 11
 (4)
 2
 9 935

180
0.055
1 140
Cooke 1
49
32
17
2
59 221
328
0.181
538
Cooke 2
49
28
21
5
59 832
376
0.159
461
Cooke 3
68
45
23
15
82 884
619
0.134
540
Cooke Plant Operations
28
18
10
—
34 305
2 583
0.013
520
Total South Africa
234
175
59
26
293 374
4 477
0.066
593
Australia
Mt Magent
56

41
15
4
77 097
966
0.080
537
South Kal
19
14
5
12
27 778
477
0.058
517
Total Australia
75
55
20
16
104 875
1 443
0.073
532
Total Harmony
– Discontinued
Operations
309
230
79
42
398 249
5 920
0.067
576
Total Harmony
1 578
1 148
430
542 1 948 776
25 423
0.077
589

P
52
DETAILED OPERATING INFORMATION YEAR ENDED 30 JUNE 2007 US\$/Imperial)
Cash
Cash
Continuing
operating
operating
Capital
Gold
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
Produced
milled
Grade
cost
South Africa
US\$ million US\$ million
US\$ million
US\$ million
Ounces
(Imperial) (Imperial)
\$/ounce
Tshepong
203
112
91
26
318 887
1 824
0.175
351
Phakisa
—
—
—
32
—
—
—
—
Doornkop
37
25
12
38

57 364
597
0.096
439
Elandsrand
124
103
21
33
194 710
1 117
0.174
527
Target
91
53
38
16
142 433
904
0.158
370
Masimong
95
82
13
15
147 958
1 074
0.138
559
Evander Operations
Evander 5
36
29
7
5
55 707
377
0.148
519
Evander 7
39
38
1
12
61 044
447
0.137
633
Evander 8

76
46
30
11
118 692
843
0.141
386
Total Evander
Operations
151
113
38
28
235 443
1 667
0.141
481
Bambanani
126
115
11
17
197 060
1 283
0.154
586
Joel
51
33
18
4
79 923
504
0.158
418
Virginia Operations
Harmony 2
30
30
—
5
46 274
516
0.089
646
Merriespruit 1
33
27
6
4

50 612
476
0.106
524
Merriespruit 3
28
25
3
3
43 541
444
0.098
575
Unisel
51
35
16
5
79 992
614
0.130
438
Brand 3
29
28
1
2
45 611
445
0.103
609
Brand 5
1
2
(1)
—
918
12
0.077
1 651
Total Virginia
Operations
172
147
25
19
266 948
2 507
0.106
546
St Helena

14
18
(4)
1
21 319
241
0.089
840
Kudu/Sable
1
—
1
—
845
16
—
—
Kalgold
36
27
9
—
56 129
1 740
0.032
485
Project Phoenix
13
6
7
—
21 346
2 368
0.009
293
Other entities
2
2
—
18
6 706
458
0.015
252
Total South Africa
1 116
836
280
247 1 747 071
16 300
0.107

479
International
PNG
-
-
-
73
-
-
-
-
Total international
-
-
-
73
-
-
-
-
Total Harmony
- Continuing
Operations
1 116
836
280
320 1 747 071
16 300
0.107
479

P
53
Cash
Cash
Discontinued
operating
operating
Capital
Gold
Tonnes
Operating
Operations
Revenue
cost
profit/(loss)
expenditure
Produced
milled
Grade
cost
South Africa
US\$ million US\$ million
US\$ million
US\$ million
Ounces
(Imperial) (Imperial)
\$/ounce
Orkney 2
34
26
8
4
52 275
311
0.168
504
Orkney 3
—
—
—
—
—
—
—
—
Orkney 4
30
26
4
5
46 041

397
0.116
572
Orkney 7
13
12
1
6
20 668
239
0.086
578
ARM surface
—
—
—
—
125
1
—
—
Cooke 1
48
33
15
2
75 698
425
0.178
434
Cooke 2
36
35
1
3
57 215
385
0.149
610
Cooke 3
58
44
14
14
91 332
622
0.147
483
Cooke Plant Operations
12
6

6
—
18 974
895
0.021
305
Total South Africa
231
182
49
34
362 328
3 275
0.111
503
Australia
Mt Magent
86
71
15
20
136 428
1 874
0.073
518
South Kal
56
45
11
7
88 371
1 391
0.064
504
Total Australia
142
116
26
27
224 799
3 265
0.069
507
Total Harmony
– Discontinued
Operations
373
298
75
61
587 127

6 540

0.090

507

Total Harmony

1 489

1 134

355

381 2 334 198

22 840

0.102

489

P
 54
 DEVELOPMENT RESULTS Metric)

Quarter ended June 2008

Channel Channel

Reef Sampled

Width

Value

Gold

Metres

Metres

(Cm's)

(g/t) (Cmg/t)

Randfontein

VCR Reef

837

894

50

36.03

1,819

UE1A

918

909

186

4.10

762

E8 Reef

54

54

121

9.53

1,153

Kimberley Reef

55

126

59

5.66

334

E9GB Reef

264

203

84

13.67

1,155

All Reefs

2,129

2,186

112

10.83

1,216

Free State

Basal
1,775
1,198
67
15.81
1,065
Leader
1,312
984
167
5.89
985
A Reef
366
284
89
7.15
639
Middle
25
12
148
51.84
7,673
B Reef
69
66
227
0.24
54
All Reefs
3,547
2,544
113
8.78
991
Evander
Kimberley Reef
887
1,050
73
15.48
1,134
Elandskraal
VCR Reef
539
532
135
12.50
1,688
Orkney

Vaal Reef

-
-
-
-
-

VCR

-
-
-
-
-

All Reefs

-
-
-
-
-

Target

Elsburg

116

74

293

3.28

962

Freegold JV

Basal

1,334

1,076

22

52.86

1,180

Beatrix

425

360

123

8.48

1,040

Leader

B Reef

121

154

35

143.84

5,105

All Reefs

1,880

1,590

46

33.01

1,529

DEVELOPMENT RESULTS (Imperial)

Quarter ended June 2008

Channel Channel

Reef Sampled

Width

Value

Gold

Feet

Feet

(inches)

(oz/t) (in.ozt)

Randfontein

VCR Reef

2,747

2,933

20

1.04

21

UE1A

3,012

2,982

73

0.12

9

E8 Reef

177

177

48

0.27

13

Kimberley Reef

181

413

23

0.17

4

E9GB Reef

866

666

33

0.39

13

All Reefs

6,983

7,172

44

0.32

14

Free State

Basal

5,824

3,930
27
0.45
12
Leader
4,304
3,228
66
0.17
11
A Reef
1,201
932
35
0.21
7
Middle
83
39
58
1.52
88
B Reef
226
217
89
0.01
1
All Reefs
11,638
8,346
44
0.26
11
Evander
Kimberley Reef
2,910
3,445
29
0.45
13
Elandskraal
VCR Reef
1,768
1,745
53
0.37
19
Orkney
Vaal Reef
—

-
-
-
-

VCR

-
-
-
-
-

All Reefs

-
-
-
-

Target
Elsburg

379
243
115
0.10
11

Freegold JV

Basal
4,377
3,530
9

1.51
14

Beatrix

1,394
1,181
48
0.25
12

Leader

-
-
-
-

B Reef

397
505
14
4.19
59

All Reefs

6,168
5,217

18
0.98
18

P

55

CONTACT DETAILS

Harmony Gold Mining Company Limited

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South Africa

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Website: <http://www.harmony.co.za>

Directors

P T Motsepe (Chairman)*

G Briggs (Chief Executive Officer)

F Abbott, J A Chissano*

†

,

F T De Buck*, Dr D S Lushaba*

C Markus*, M Motloba*,

C M L Savage*, A J Wilkens*

Dr C Diarra*

‡

, K V Dicks*

(*non-executive)

(

†

Mozambique)

(

‡

US/Mali Citizen)

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(Registration number 2000/007239/07)

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South Africa

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Capita Registrars

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101 Barclay Street

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Telephone:

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Fax:

+1 212 571 3050

Trading Symbols

JSE Limited

HAR

New York Stock Exchange, Inc.

HMY

NASDAQ

HMY

London Stock Exchange plc

HRM

Euronext Paris

HG

Euronext Brussels

HMY

Berlin Stock Exchange

HAM1

Issuer code

HAPS

Registration number 1950/038232/06

Incorporated in the Republic of South Africa

ISIN: ZAE000015228

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NOTES
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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dated: August 15, 2008

Harmony Gold Mining Company Limited

By:

/s/ Frank Abbott

Name: Frank Abbott

Title: Chief Interim Financial Office