

HARMONY GOLD MINING CO LTD

Form 6-K

February 17, 2006

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 UNDER THE SECURITIES

EXCHANGE ACT OF 1934

For the Month of February 2006

**Harmony Gold Mining Company**

**Limited**

Suite No. 1

Private Bag X1

Melrose Arch, 2076

South Africa

(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  Form 40-F

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

Yes  No

1  
REVIEW FOR THE QUARTER ENDED 31 DECEMBER 2005  
QUARTERLY HIGHLIGHTS

Operational improvements and a higher gold price clearly demonstrate the high gearing that Harmony has.

Leveraged shafts show a marked improvement following their restructuring.

Increase in cash operating profit from R119 million in the September Quarter to R389 million.

Cash operating costs decreased to R83 154/kg versus R85 718/kg in September.

QUARTERLY FINANCIAL HIGHLIGHTS

**31 December**

**30 September**

**2005**

**2005**

Gold produced

– kg

20 316

19 219

– oz

653 171

617 902

Cash costs

– R/kg

83 154

85 718

– \$/oz

396

410

Cash operating profit

– Rand

389 million

119 million

– US\$

60 million

18 million

Cash earnings

– SA cents per share

99

30

– US cents per share

15

5

Basic earnings/(loss)

– SA cents per share

6

(82)

– US cents per share

1

(13)

Headline loss

– SA cents per share

(75)

(86)

– US cents per share

(12)

(13)

Fully diluted earnings/(loss)

– SA cents per share

6

(82)

– US cents per share

1

(13)

2	
TABLE OF CONTENTS	
Chief Executive's Review – December 2005	
3	
Safety report	
3	
Past quarter under review	
4	
Focus on our growth projects remains	
6	
– Capital expenditure	
6	
– Cash position – investing in our future	
7	
– Capital project progress	
7	
Quarterly operational review	
10	
Operating and financial results (Rand/metric)	
29	
Total operations – quarterly financial results (Rand/metric)	
31	
Total operations – year to date financial results (Rand/metric)	
33	
Abridged balance sheet (Rand)	
35	
Operating and financial results (US\$/imperial)	
36	
Total operations – quarterly financial results (US\$/imperial)	
38	
Total operations – year to date financial results (US\$/imperial)	
40	
Abridged balance sheet (US\$)	
42	
Condensed statement of changes in equity for the six months ended 31 December 2005	
43	
Summarised cash flow statement for the six months ended 31 December 2005	
44	
Reconciliation between cash operating profit and cash (utilised)/generated by operations – period ended 31 December 2005	
46	
Notes to the results for the period ended 31 December 2005	
47	
Developmental results	
50	
Contact details	
52	

3

CHIEF EXECUTIVE'S REVIEW – DECEMBER 2005

*“Despite the low R/kg gold price environment that we have had to contend with during the last two years and the major restructuring exercise we went through, Harmony has stuck to its strategy to invest in our growth projects. I believe the company is now well positioned to pass the benefits from the improved gold price and the increased profitability through to our shareholders”*

SAFETY REPORT

Safety achievements during this quarter:

**Mine**

**Fatality free shifts achieved**

**Date**

Merriespruit 3

1 950 000

30 November 2005

Masimong Mine

750 000

21 October 2005

Tshepong Mine

500 000

5 October 2005

Harmony 2

250 000

22 November 2005

Target

250 000

9 October 2005

Elandsrand

250 000

21 November 2005

The LTIFR increased by 2% from 16,99 in September 2005 to 17,27 in December 2005 and the SLFR in December 2005 climbed to 404 compared to 379 in September 2005, a regression of 6%. A factor that contributed to this was the reskilling and redeployment of some labour into new positions during the restructuring process and the fact that December is typically influenced by the Christmas break.

Fatality injury rate (per million hours worked)

4

Eleven employees lost their lives in ten separate incidents during the past quarter at our South African operations. Harmony Australia had no fatalities or serious incidents during the period under review. Safety remains a non-negotiable for Harmony and the company's drive towards zero fatalities remains a major area of focus.

**PAST QUARTER UNDER REVIEW**

Harmony's cash operating profit increased by R270,6 million from R118,8 million in September 2005 to R389,4 million in the December period. Production increased by 6% quarter on quarter to 653 171 oz and cash operating costs decreased by 3% to R83 154/kg. In US\$ terms, cash costs dropped by 3% to US\$396/oz. The price received increased by 11% from 91 888/kg to R102 333/kg in December, due to an increase in the US\$/oz price.

The performance of the company is best highlighted in the following table:

**December****September****Percentage****2005****2005****variance**

## Production

– kg

20 316

19 219

6

## Production

– oz

653 171

617 902

6

## Revenue

– R/kg

102 333

91 888

11

## Revenue

– US\$/oz

487

440

11

## Cash cost

– R/kg

83 154

85 718

3

## Cash cost

– US\$/oz

396

410

3

## Exchange rate

– USD/ZAR

6.53

6.50

0

Restoring our operating profit margins

**December 2005**

**September 2005**

Cash operating profit (Rm)

389,4

118,8

Cash operating profit margin

18,7%

6,7%

South African underground working costs increased from the R1 391,4 million in the September 2005 quarter to R1 451,2 million in the December period on the back of improved volumes.

On a group basis, working costs increased by 3% or R42 million from R1 647,4 million to R1 689,4 million.

5

Quarter on quarter cash operating profit variance analysis

Cash operating profit –September 2005

R118,8 million

– volume change

(tonnes)

R86,5 million

– working cost change

(%)

(R42,0) million

– recovery grade change

(g/t)

R14,1 million

– Rand gold price change

(R/kg)

R212,0 million

– net variance

R270,6 million

Cash operating profit – December 2005

R389,4 million

Analysis of earnings per share (SA cents)

**Quarter ended**

**Quarter ended**

**Earnings per share**

**December 2005**

**September 2005**

Cash earnings

99

30

Basic earnings

6

(82)

Headline loss

(75)

(86)

Fully diluted earnings

6

(82)

Adjusted headline loss\*

(46)

(63)

\* Excludes all unrealised gains/(losses) in financial instruments as well as the tax implications.

Reconciliation between basic earnings and headline loss

**Headline earnings in cents per share**

**Quarter ended December 2005**

Basic earnings

6

Profit on sale of mining assets

(3)

Profit on disposal of Gold Fields investment

(78)



Headline loss

(75)

Our cash earnings for the year to date total 129 cents per share.

6

**FOCUS ON OUR GROWTH PROJECTS REMAINS**

Despite the harsh financial and operating conditions encountered in the past year the company has remained focused on rebuilding its growth strategy. Accordingly expenditure on all of the local and international growth projects continued as planned. During the past quarter a total of R449 million was spent on capital. Of this R192 million was spent on project capital. Good progress continues to be made at our Phakisa, Masimong, Tshepong, Elandsrand New Mine and Doornkop South Reef projects locally. With our Hidden Valley project in PNG, the construction road has now reached the halfway mark. Good progress has also been made with the updating of the feasibility study.

Capital expenditure (Rm)

**Actual****Forecast****December****March****OPERATIONAL CAPEX****2005****2006**

South African Operations

219

189

Australasian Operations

38

34

**Total Operational Capex****257****223****PROJECT CAPEX**

Doornkop South Reef

38

41

Elandsrand New Mine

31

33

Tshepong North Decline

14

22

Phakisa Shaft

30

26

Target Shaft

12

12

PNG

67\*

24

**Total Project Capex****192****158****TOTAL CAPEX****449****381**

\*

Increase due to the purchase of the suite of equipment required for the Hidden Valley road construction as well as for the site bulk earthworks.

Our focus to grow the company with respect to ounces and quality continues and has led to a unique pipeline of projects in South Africa. The construction of our Hidden Valley Mine in PNG is well on track and we believe that it will demonstrate to our shareholders our ability to also build mines internationally.

7

Cash position – investing in our future

During the past quarter our cash balance has improved from R971 million to R2,914 million. The break down shows an operating contribution of R389,4 million being offset by R910,3 million spent on capex, corporate overheads and exploration, financing charges and working capital movements.

The proceeds on the disposal of our remaining investments in Gold Fields and Sangold have contributed a further R2,461 million to our cash balance.

Harmony Group cash reconciliation for December 2005

**Cash and equivalents on 30 September 2005 (R'million)**

**970.8**

**Operational**

**(520.9)**

Operating profit

389.4

Capex – net

(287.7)

Development cost capitalised

(161.0)

Corporate/Exploration expenditure

(104.1)

Employment termination and restructuring cost

(14.9)

Care and maintenance of non-operating shafts

(27.5)

Interest paid

(97.4)

Movement in working capital (excluding accrued liabilities)\*

(257.9)

Movement in accrued liabilities

10.5

Other items

29.7

**Other**

**2 464.4**

Net sundry revenue

52.2

Foreign exchange losses

(20.5)

Shares issued – net of expenses

44.5

Avgold hedge payments – final instalment

(72.8)

Proceeds on sale of Gold Fields shares

2 441.7

Proceeds on sale of Sangold shares

19.3

**Cash and equivalents on 31 December 2005**

**2 914.3**

\*

The movement in working capital was negatively affected by a R122 million increase in the gold receivables at the end of

the quarter, as well as the early payment of employees before the Christmas break amounting to R136 million.

8

#### Capital project progress

The detail of the South African brownfields growth projects are discussed under the various shaft sections. As the projects in PNG are greenfields in nature and do not deliver production ounces as yet, they are discussed under this section.

#### Hidden Valley project

The feasibility update has been progressing well and it is expected that we will be able to submit the final documented study update to the board by April 2006. This will include sign-off on all technical aspects of the study, as well as a cash flow model that will reflect the updated economics of the project.

Construction of the access road is progressing well with all road building equipment delivered to site.

Pioneering has reached the 18.5km mark of the 40km road, with some difficult terrain ahead which will slow down the good progress made to date. It is expected that the pioneering crew will reach the proposed mine camp site by the end of May with road completion planned towards June 2006.

The Hidden Valley Environmental Management plan ("EMP") was completed and submitted to the Department of Environment and Conservation on 22 November 2005. This EMP has to be approved by the department before any site works can start. The department has three months to respond and question aspects of the plan after submission, which fits in with the proposed project construction timeline.

Cut-off and pit optimisation have resulted in significant project improvements, albeit at marginally lower recovery grades.

- Total recoverable ounces increased from 1.9M oz to 2.6M oz (which led to an increase in Life of Mine from 6.5 years to 9.5 years)

- Average head grade decreased to 2.2 g/t

- Strip ratio improved from 13:1 to 9:1

- Average annual bulk cubic metres (bcm) mined will be reduced from 19M bcm to 12M bcm

With the new design mill throughput has been planned to increase from 3.5 Mtpa to 4.2 Mtpa:

- Average gold produced per annum is planned at approximately 285 000 oz

- Total average silver produced per annum is planned at 3,9M oz which equates to 67 000 gold equivalent ounces

- The average cost per ounce will run at approximately US\$220/oz, net of silver credits

Re-engineered surface designs have led to:

- The tailings storage facility capacity being improved from 32 Mt to 43 Mt

- The waste dump's design now complying with acid rock drainage and other environmental commitments

- The establishment of a low grade stockpile with a capacity of 7 Mt (0.8g/t – 1.3 g/t)

- Cost and schedule improvements in the Pihema creek diversion

- Site bulk earthworks being done in-house, costed and scheduled more accurately

9

## WAFI - GOLPU

### Highlights for the quarter

- Drilling progressed well at Golpu. Geotechnical data was collected and visible copper mineralisation is present outside of the existing model at depth
- Notice of preparatory work and letter of intent have been submitted to the Department of Environment and Conservation
- Environmental studies have commenced, with stream gauging stations installed and water quality monitoring in progress
- Metallurgical test work indicates that 40% oxidation of sulphides gives 90% cyanidation gold recovery in Wafi Link Zone
- Wafi project has been well defined in a study concept report, which is to be used as the key reference for all parties involved with the study in the future

Work to be completed in the next quarter and beyond

Work to be completed will include:

- Continuation of drilling at Golpu using two drill rigs. Geotechnical data collection and the award of Golpu mining study work will also be required
- Appointment of engineering consultant, and commencement of metallurgical test work and processing plant design
- Continuation of environmental baseline monitoring
- Completion of a new model for Wafi non-refractory gold and for the Wafi Link Zone is to be undertaken in-house
- Commencement of scoping studies for mining and processing of the Link Zone and non-refractory gold ore Wafi-Golpu pre-feasibility study

The December quarter has seen significant progress being made in building up the data base that is necessary for completion of the feasibility study. Continuation of the data gathering process and test work will be the main focus of the study programme for the next two quarters. Most technical mining studies have been planned to be completed during the second half of 2006.

Diamond drilling at Golpu progressed well, with two 800m holes completed, and a planned 450m hole drilled to 220m at the end of the quarter. Drill core collected to date has provided valuable geotechnical data and drill holes have also been used to collect hydrological data. Visual inspection of the core indicates that the copper porphyry extends beyond current model boundaries at depth. However assays from the first hole drilled are not expected until late in the March quarter.

Metallurgical test work of Wafi Link Zone ore continued throughout the month. The current testing programme is concentrating on establishing the suitability of bio-leaching and the programme is delivering encouraging results. Golpu Copper/Gold metallurgical test work is due to commence late in the March quarter, once sufficient drill core is available to blend suitable composite samples which represent the different ore zones present in the deposit. Road works on the Timini to Wafi Road were well advanced at the end of the quarter.

10

QUARTERLY OPERATIONAL REVIEW

Operational highlights were as follows:

- Bambanani went back to the areas affected by the fires of February 2005 and achieved an excellent turn around with the recovery grade improving by 28% and tonnage up by 18%
- With CONOPS being phased in on Tshepong and Masimong, volumes increased by 11% and 12%, respectively
- Evander 2 and 5 Shaft returned to profitability

A quarter on quarter operating profit analysis of the various operations:

**Operations**

**December 2005**

**September 2005**

**Variance**

**(R million)**

**(R million)**

**(R million)**

Quality ounces

263,7

127,7

136,0

Growth projects

(2,5)

1,8

(4,3)

Leveraged ounces

76,0

(45,8)

121,8

Surface operations

10,9

5,5

5,4

Total South Africa

348,1

89,2

258,9

Australasian operations

41,3

29,6

11,7

**Total**

**389,4**

**118,8**

**270,6**

A detailed analysis of the operations is as follows:

Quality ounces – turnaround starting to show

Includes the following shafts: Target, Tshepong, Masimong, Evander and Randfontein's Cooke Shafts

**December**

**September**

**2005**

**2005**



U/g tonnes milled  
( '000)  
1 574  
1 464  
U/g recovery grade  
(g/t)  
6,10  
5,96  
U/g kilograms produced  
(kg)  
9 604  
8 719  
U/g working costs  
(R/kg)  
74 725  
76 896  
U/g working costs  
(R/tonne)  
456  
458

Underground tons increased by 8% to 1 574 million tons during the quarter whilst recovery grades improved by 2% to 6.1 g/t. The combined effect of this was a 10% increase in gold production. Working cost in R/kg terms was reduced by 3% bringing the cost of production to R74 725/kg. Cost control in general was not satisfactory. The stronger gold price contributed to operating profit increasing by 106% to R263.7 million.

11

#### Target Mine

During the quarter the mine improved its flexibility by opening up more attacking points in the orebody. Machine availability however continued to fall and it was decided that the maintenance contract would be taken over by Harmony.

Volume levels therefore remained fairly constant with 166 000 tons compared to 168 000 tons the previous quarter.

With the improved flexibility and maintenance contract now being done in-house, it is expected that the coming quarter should see improved volumes at lower unit costs for Target which would lead to better profit levels.

#### Tshepong Mine

The shaft reached the safety milestone of 500 000 fatality free shifts on 5 October 2005.

After the CONOPS agreements were signed off by the company and the respective unions and associations, Tshepong succeeded in redeploying all its CONOPS labour by mid-November. The efficient re-introduction of CONOPS by the team contributed to an improvement of 11% in volumes. The recovery grade also improved by 7% to 6.85 g/t compared to the 6.42 g/t of the previous quarter, which led to gold production improving by 19% from 2 380 kg to 2 825 kg.

Total operating costs decreased from R69 225/kg to R65 272/kg.

#### TSHEPONG DECLINE PROJECT REVIEW

Access development

##### **Summary**

The project team managed to develop 608m in this quarter. This brings the total development now to 4 726m out of a total of 6 281m, which is 75% of total development required.

##### **Chair lift decline**

72% of the 900m has been completed. Delays occurred during the quarter as a result of the blasting of the 71 travelling way and the slipping of the chair lift landing at 71 level where poor ground conditions were encountered. Progress in this area has been stopped as a result of the ground conditions and work could only continue when the secondary support had been completed. This was done by the second week of January 2006 and normal development has commenced again.

##### **Material decline**

A total of 809m of the 1 050m has been completed. New support solutions and blasting techniques that have been implemented resulted in better ground conditions and improved face advances.

##### **69 level access development**

On 69 level 1 207m of the 1 830m have been completed. The rehabilitation of the area where a fall of ground of 22.5m took place delayed development of the South haulage. A decision was therefore taken to blast a loop around the affected area, as further delays were also expected with the installation of arches and foam

12

support which was required to make this area safe. Ground conditions dictated that the Haulage South be moved 30m to the west, thus increasing access development by 120m or two months. This change in design will, however, reduce risk significantly in the future.

**69 Level reef and inclined waste development**

95 Raise Line – 194m of the estimated 440m has been completed (44%).

96 Raise Line – 63m of the estimated 440m has been completed (14%).

**71 Level access development**

Development has also started on 71 Level during the quarter with 30m having been completed so far.

Project engineering

Overall project engineering was 59% completed during the quarter.

Although the project will be completed by February 2008, production should already commence during December 2007.

TSHEPONG DECLINE

**Total project 54% complete**

**Access development 75% complete**

13

Capital cost update

**R million**

Approved capital

280.2

Final estimated cost

280.3

Sunk capital

164.9

Remaining capital

115.4

Annual capital expenditure profile

**Table (R million)**

**2002/3**

**2003/4**

**2004/5**

**2005/6**

**2006/7**

**2007/8**

**Total**

**Plan 2003**

37.4

78.5

62.6

66.7

35.6

**280.8**

**Plan 2005 Rev**

32.8

66.6

40.6

80.6

41.0

18.7

**280.3**

**Actual**

32.8

66.6

40.6

24.9

**164.9**

**2003**

**2004**

**2005**

**2006**

**2007**

**2008**

**Total**

**Actual sunk**

32.8

66.6

40.6

24.9

164.9

**Forecast**

55.7

41.0

18.7

115.4

**Total**

32.8

66.6

40.6

80.6

41.0

18.7

280.3

Financial evaluation update

Gold price (kg)

R92 000

NPV at 7.5%

R738.3 million

IRR

32.4%

14

Tshepong decline

15

Sub 66 Decline

Project

Masimong Mine

The mine achieved 1 000 000 fatality free shifts during January 2006.

With the phasing in of CONOPS, volumes increased by 12% to 232 000 tons. Grade however dropped by 6% to 4.7 g/t, which impacted negatively on the R/kg cost that went up to R96 573/kg. The Quality Mining Audit Team has been deployed on the mine to assist with getting the recovered grade back to planned levels which is around 5.5 g/t. The re-introduction of CONOPS will continue during the quarter and it is envisaged that it should be completed by March 2006. Masimong made a profit of R5.9 million for the quarter.

16

**Masimong expansion project**

For the quarter, capital expenditure amounted to R5.5 million and a total of 1 284m capital development was achieved. This was an improvement in excess of 200m on the previous quarter's achievement. The seasonal change to summer has put environmental conditions under the spotlight and a consultant has been brought in to look at current designs and optimise the available ventilation. A major water fissure was intersected on 1810 level and sealing operations have already started. It is anticipated that this process should take approximately four weeks to complete.

Capital cost update

**R million**

Final estimated cost

193.4

Sunk capital

123.4

Remaining capital

70.0

Annual capital expenditure profile

<b>Table (R million)</b>	<b>2002</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
<b>Actual sunk</b>														
	26.4													
	38.7													
	24.5													
	21.1													
	12.7													
	123.4													
<b>Forecast</b>														
	21.0													
	49.0													
	70.0													
<b>Total</b>														
	<b>26.4</b>													
	<b>38.7</b>													
	<b>24.5</b>													
	<b>21.1</b>													
	<b>33.7</b>													
	<b>49.0</b>													
	<b>193.4</b>													

**Actual sunk**

26.4

38.7

24.5

21.1

12.7

123.4

**Forecast**

21.0

49.0

70.0

**Total****26.4****38.7****24.5****21.1****33.7****49.0****193.4**



17

Financial evaluation update

Gold price (kg)

R92 000

NPV at 7.5%

R302 million

IRR

154%

### **Evander Region**

It was encouraging to see that Evander 2 and 5 shaft turned from the previous loss-making position (R12 million) to a profit of R12 million during this quarter. This was done on the back of improved volumes (+11%), grade (+25%) and real costs reduced by 2%. Volumes on 7 and 8 shafts improved by 8% and 7%, respectively. Total tons in the region for the quarter therefore went up from 374 000 tons to 402 000 tons, an improvement of 7.4%.

Recovery grades also improved by 1% which resulted in the gold production going up by 9% to 2 524kg.

As stated in the previous reports it must be noted that 7 shaft has been mining in a very high grade pay shoot area and that it was not sustainable. Mining in this pay shoot has now been completed and subsequent grades will therefore be lower until such time that development has reached the next payshoot area.

Unit costs in R/kg terms came down by 3% to R72 021 and profit went up by 89% to R73.8 million.

### **Randfontein (Cooke Section)**

Volumes were up by 5% from 345 000 tons to 362 000 tons. Recovery grades went up by 8% from 5.4g/t to 5.8 g/t which increased gold production by 13%, to 2 113kg. Cost in real terms came down from R160.6 million to R154.7 million, a reduction of 4%. Unit costs came down by 15% from R85 767 to R73 207, which increased profit by R48.4 million from R11.3 million in the previous quarter to R59.7 million in the December quarter, demonstrating the high gearing that these operations have.

18

Leveraged operations – significant operational turnaround at most shafts

Shafts included under this section are: Bambanani, Joel, West Shaft, St Helena 8, Harmony 2, Merriespruit 1 and 3 Shafts, Unisel, Brand 3 and Orkney 2 and 4 Shafts.

**December**

**September**

**2005**

**2005**

U/g tonnes milled

('000)

1 252

1 218

U/g recovery grade

(g/t)

4,88

4,42

U/g kilograms produced (kg)

6 113

5 380

U/g working costs

(R/kg)

90 074

100 158

U/g working costs

(R/tonne)

440

442

With the restructuring completed, major focus was placed on improving quality on these shafts. Volumes improved by some 3%, but recovery grades had an improvement of more than 10%. This led to gold production being up by 14% to 6 113 kg. Although real cost went up by 4%, unit cost in R/kg terms came down by 10% to R90 074, giving our leveraged operations a profit margin of 14% taking the average gold price received of R102 333. As a result of the improved volumes, grades and revenue received, a profit of R76.0 million was realised compared to a loss of R45.8 million in the previous quarter.

The star performer in this area has been Bambanani which returned a profit of R28.3 million after making a loss of R31.6 million in the previous quarter. Two other shafts that have performed significantly better for the quarter were Unisel, from break-even in the September quarter to a profit of R23.4 million and Harmony 2, from a loss of R5.0 million in the previous quarter to a profit of R17.2 million.

SA surface operations (includes Kalgold)

**December**

**September**

**2005**

**2005**

Surface tonnes milled

('000)

938

838

Surface recovery grade

(g/t)

0,99

1,47

Kilograms produced

(kg)

926

1 228

Working costs

(R/kg)

89 849

87 029

Working costs

(R/tonne)

89

128

Kalgold

As reported during the previous quarter, an unstable ground condition had been developing on the eastern wall of the D Zone pit, which had to be addressed during the December quarter. Work therefore was stopped in the D Zone and mining only continued in the lower grade A Zone. Although production levels continued to improve during the quarter by another 4% to 468 000 tons, recovery grades were down by 27%. It must be

19

noted that this is a temporary drop in grade and that work will be completed during the March 2006 quarter after which mining operations will return to the D Zone again. Despite the significant drop in grade, unit costs in Rand per kilogram terms were only up by 19% due to good cost control and improved volumes. Rand per ton cost came in at R129/t which was 14% lower than the September quarter. Kalgold profit for the quarter decreased to R8.5 million (September 2005 – R15 million).

Growth projects – Elandsrand, Doornkop and Phakisa

#### **December**

#### **September**

#### **2005**

#### **2005**

U/g tonnes milled

('000)

312

315

U/g recovery grade

(g/t)

5,63

6,33

U/g kilograms produced (kg)

1 756

1 995

U/g working costs

(R/kg)

104 188

91 253

U/g working costs

(R/tonne)

586

578

Good progress continues to be made on the delivery of our growth projects. Volumes from the operating mines however decreased by 12.1% to 1 756 kg (September 2005 – 1 995 kg) and operating costs increased by 14% to R104 188/kg. The main impact here was made by Elandsrand mine.

#### **ELANDSRAND NEW MINE PROJECT**

##### **Infrastructure**

During the quarter the sinking and equipping of the No. 2 Service shaft progressed to within 13m of 102 level. The civil construction of 115 level pump station was completed during the quarter, which allowed the mechanical and electrical installation to begin. The raise boring of the 92 level turbine dam centre hole was completed during the quarter and this now allows the slipping of the dam to start. The additional ore pass (between 100 level and the existing ore pass system) has progressed well during the quarter. It is envisaged that the linking between the rock pass systems of the old mine and the new mine will take place during the next quarter. The rock loading system at 115 level has also been completely commissioned and has been operational for the December quarter. The complete loading system on 115 level and shaft bottom spillage arrangement has been completed and will be handed over to the mine during January 2006.

##### **Access development**

The progress on 109 level access development has been excellent during the quarter. An average advance of 90m per month has been achieved, on both the haulage and the return airway. The progress on 113 level has been hindered by the amount of methane that has been intersected on a number of occasions from diamond drilling holes. After discontinuing development on 113 level on 23 June 2005 due to a methane intersection, the end was started again on 9 December 2005 after it had been declared safe to continue with operations.

20

Capital cost update

**R million**

Final estimated cost

798.1

Sunk capital

509.8

Remaining capital

288.3

Annual capital expenditure profile

**Table (R million)**

**2001**

**2002**

**2003**

**2004**

**2005**

**2006**

**2007**

**2008**

**2009**

**2010**

**Total**

**Actual sunk**

36

107

106

105

96

59

509

**Forecast**

70

131

63

21

4

289

**Total**

**36**

**107**

**106**

**105**

**96**

**129**

**131**

**63**

**21**

**4**

**798**

Financial evaluation update

Gold price (kg)

R92 000

NPV at 10%

R1 513 million

IRR

33,4%

Doornkop South Reef capital project

Station development continued on 202, 207 and 212 levels, with preparations underway to start-up station work on 205 level as well. Access development continued on 192 level and 197 level. Good progress was made on three separate reef raises on 192 level and the travelling way position to the first raise has also been reached on 197 level.

Shaft-sinking operations went well during the quarter and 80m have been sunk, lined and equipped since September, from below 132 level. The rate of sinking has been increasing steadily by a consistent 13,5m per week being achieved in November.

Sliping of the shaft to final diameter from 197 level is presently underway. This operation has progressed 100m from 197 level past 205 level where the station was cut and is now at the 207 level position where station-cutting operations are almost completed. Shaft-sinking resumed from below 207 level to 212 level early in January 2006. It is planned that the portion of shaft between 197m to 40m below 212 level will be sliped to final diameter by the time the sinking operation above reached 192 level. This should take place during May 2006.

The updated schedule provides for the main shaft to be partially commissioned (excluding the additional rock winder) by the end of 2006. Production will ramp-up over the next three years to 135 000 t/m of ore.

21  
 During the past quarter a commissioning team has been put together to start preparing for commissioning the new mine. Implementation plans have been drawn up for successful commissioning.

Capital cost update (end December 2005)

**R million**

Final estimated cost

959

Sunk capital

297

Remaining capital

662

Annual capital expenditure profile

**Table (R m)**

**2003**

**2004**

**2005**

**2006**

**2007**

**2008**

**2009**

**2010**

**2011**

**Total**

Actual sunk

13

98

114

72

297

Forecast

87

183

167

124

54

47

662

**Total**

**13**

**98**

**114**

**159**

**183**

**167**

**124**

**54**

**47**

**959**

22

Financial evaluation update

Gold price (kg)

R92 000

NPV at 7.5% – June 2005

R412 million

IRR

45%

Phakisa capital project

**Shaft equipping**

Milestone dates achieved during the December quarter

Equip shaft buntons and guides surface to 54 level

4 October 2005

Koepe winder headgear installation 54 level to 55 level

17 November 2005

Koepe winder commissioning and licensing

6 December 2005

55 level station equipping

16 December 2005

Shaft equipping from surface to 55 level to 59 level

23 December 2005

**Project engineering**

Development on 55 belt level

Preparation of Rail-veyor haulage on 55 level

20%

Rail-veyor connecting haulage development

82%

Bulk Air Cooler chamber development

55%



23

Capital cost update

Approved capital

R613 million

Nyala change from production shaft to care and maintenance

R31 million

Final estimated cost

R644 million

Annual capital expenditure profile

**Table (R million)**

**2003/4**

**2004/5**

**2005/6**

**2006/7**

**2007/8**

**2008/9**

**Total**

Actual sunk

117

116

75

308

Forecast

115

106

98

17

336

**Total**

**117**

**116**

**190**

**106**

**98**

**17**

**644**

Financial evaluation update

Gold price (kg)

R92 000

NPV at 7.5% – January 2005

R1 327.2 million

IRR

26%

24

Project status December 2005

**Sinking line and equipping of Phakisa Shaft**

AUSTRALIAN OPERATIONS

**December**

**September**

**2005**

**2005**

Tonnes milled

('000)

781

765

Recovery grade

(g/t)

2,45

2,48

Kilograms produced

(kg)

1 917

1 897

Working costs

(R/kg)

80 820

78 643

Working costs

(R/tonne)

198

195

Highlights

Hedge position reduced by another 10 000 ounces during the quarter

Production ounces increased by 11% at Mt Magnet

Further good exploration drill results for open pit resource at South Kal Mines

Achieved two years' Lost Time Injury ("LTI") free at Mt Marion underground at South Kal Mines

Production commenced at St George underground at the Mt Magnet operations

25

26

The Australian operations generated an operating profit of A\$8.5 million in the December quarter compared to A\$6.0 million in the previous quarter. Given that the production profile remained the same, this improvement was a direct result of the 10% improvement in the gold price received per ounce in Australia during the quarter. Delays in ramping up production at the St George underground at our Mt Magnet operations, and lower production at Mt Marion underground at our South Kal Mines contributed to the operation not achieving targeted production for the quarter. Capital expenditure decreased significantly from A\$12.7 million in the previous quarter to A\$7.7 million in the current quarter, mainly as a result of a reduction in expenditure on the St George underground mine, which has now been commissioned, as well as the completion of the tailings dam lift at the Mt Magnet operations.

During the quarter 10 000 ounces of calls were closed out. These out of the money hedge positions were inherited with the acquisition of Hill 50 and have an average strike price of A\$515. The negative mark to market valuation of the outstanding hedge commitments at quarter end amounted to A\$104 million, based on an A\$ spot price of A\$703/oz.

### **Mount Magnet**

Mt Magnet operations produced 38 394 ounces of gold in the December quarter from the milling of 4 4 3 2 9 0 tonnes of ore, compared to the production of 34 463 ounces of gold and the milling of 422 843 tonnes of ore in the September quarter. This resulted in a cash operating profit of A\$5.4 million for the site in the current quarter compared to A\$4.5 million in the previous quarter.

Underground production increased from 18 940 ounces in the previous quarter to 21 647 ounces in the current quarter, mainly as a result of additional ounces being produced by St George. 104 108 underground tonnes were milled at 6.47 g/t in the quarter compared to 77 619 underground tonnes milled at 7.59 g/t in the previous quarter. Full production at the St George underground was delayed until the middle of December due to additional orebody definition work resulting in increased resource ounces for the first stoping level, requirements for additional ground support in the crown pillar and delays in ventilation establishment. All of these resulted in less ounces produced than forecast for the period. This problem has however been resolved and it is expected that this will result in increased development and production rates from St George in the March quarter. The drill programme of the Water Tank Hill lodes, which are accessible from the St George underground is continuing, with 5 holes from a 12-hole phased programme completed with a number of mineralised zones intersected at target positions. These results will be modelled and subjected to a feasibility study in the March quarter. Depth extensions to the Northern lodes at St George which potentially could add additional levels to the mine will also be subjected to a drill programme in the March quarter.

Open pit mining is continuing in the Cue region, with expected completion of operations in May, after which open pit mining will resume around Mt Magnet. Production increased slightly in the current quarter to 16 747 ounces compared to 15 523 ounces in the previous quarter, however slips in the Rheingold pits continued to impact on ounces produced during the quarter.

71 000 ounces has been added to the Indicated Mineral Resource category since the start of the regional exploration drilling programme around the Mt Magnet and Cue regions in June 2005. 18 600 of these ounces have been converted to open pit reserves and will be mined in the near future. This drill programme is continuing, with a number of new targets which will be followed up in the March quarter. As part of the process of adding production ounces to these operations various discussions were held with parties controlling prospective tenements and projects within the Mt Magnet region. These discussions will be pursued in the current quarter.

27

The conversion of the diesel power station to gas is set to be completed by early February, with a number of gas generators already in operation. This conversion will reduce milling unit costs by 13% going forward.

#### **South Kal Mines (“SKM”)**

Mt Marion underground mine at our South Kal operations achieved two years’ LTI free production shifts during the December quarter, which is an exceptional performance for an underground operation. The operation produced 23 239 ounces of gold in the quarter compared to 26 540 ounces in the September quarter from the milling of 337 566 tonnes of ore.

Ground stability problems due to increased stress levels within the lower stope access drives at Mt Marion severely affected underground ore production in the quarter. Tonnage from underground was 103 430 tonnes at 4.21 g/t compared to the previous quarter’s production of 130 145 tonnes at 3.99 g/t. It is expected that these underground conditions will require increased ground support and drive rehabilitation activities going forward, which will affect production. As planned decline development stopped during the quarter as the economic depth limit has been reached, which will effectively put the mine in harvest mode and reduce capital expenditure going forward.

Negotiations with the underground contract mining company which was initiated last quarter were concluded during the quarter, with a new contract on the verge of being signed. The terms of the new contract will result in an increase in underground mining costs going forward.

Jubilee plant has seen general improvements in reagent consumption as a result of the upgraded gravity extraction unit which was installed in the previous quarter. Throughput rates however were reduced towards the end of the quarter as a result of problems with the crushing circuit which resulted in unscheduled down time. These problems have now been addressed.

Low grade stockpiled ore from various completed open pit mine areas is continuing to be trucked to the Jubilee mill to provide blending options with the underground Mt Marion ore.

A process has been initiated which will investigate the feasibility of doing an additional cutback on the HamptonBoulderJubilee (“HBJ”) pit. The pit which has been mined previously contains significant gold resources which may be economical to mine in the current gold price environment. A recommendation on whether to proceed with mining the pit or not will be made to the board in the June quarter.

Exploration work during the quarter at SKM focused on the Shirl prospect on Location 59. Reverse circulation and diamond drilling was utilised to test the bedrock below shallow RAB/aircore intercepts, as reported in the previous quarter and yielded some outstanding results:

05BSRC058

20m @ 4.8 g/t Au from 39m

16m @ 9.9 g/t Au from 76m

05BSRC060

9m @ 5.5 g/t Au from 78m

3m @ 25.0 g/t Au from 110m

05BSRC064

5m @ 9.7 g/t Au from 73m

3m @ 9.1 g/t Au from 90m

05BSRC068

19m @ 6.4 g/t Au from 105m

05BSRC069

14m @ 4.3 g/t Au from 73m

05BSDD003

13m @ 6.5 g/t Au from 112m

05BSDD004

11m @ 15.7g/t Au from 146m

28

The Main zone of mineralisation defined to date strikes northeast, dips to the northwest and is hosted in differentiated gabbro. Continuity of mineralisation has been established over 250m of strike and to a vertical depth of 140m below surface. Currently the Main zone is open along strike and at depth.

Drill intercepts have also highlighted potential for additional lodes sub-parallel with the Main zone and on the western gabbro/ultramafic contact. However, infill drilling is required to increase confidence in the continuity of these lodes.

A full scale resource/reserve definition drilling to scope out the size and extent of the deposit will proceed in the March quarter, as statutory clearing permits have now been received.

The site showed a cash operating profit for the quarter of A\$3.1 million compared to A\$1.5 million in the September quarter.

#### OTHER PROJECTS

##### **Northern Territory Burnside Joint Venture (50%)**

As reported in the previous quarter Northern gold NL has contracted to purchase Harmony's 50% interest in the Burnside Joint Venture for a series of staggered cash and share payments. The first instalment comprising A\$4 million cash, A\$1 million bond replacement and A\$5 million in the shares of Northern Gold's Toronto-listed parent company, GBS Gold International Inc, is due at the beginning of April 2006. The second instalment is due in early October 2006 (A\$5.0 million cash and A\$4.4 million in GBS shares) and the final instalment (A\$5.35 million cash) is due in October 2007.

The pre-conditions to the Sale and Purchase Agreement have now all been satisfied, other than for Northern Gold/GBS raising the necessary cash. GBS is planning to complete this raising in the North American capital markets in early February 2006, with various technical and regulatory documents having already been filed with the Canadian Regulatory Commissions. The Burnside JV continues to operate within budget, with recent activities focused on care and maintenance activities for the Northern Territory wet season. Planning activities will shortly turn to the handover of administration, accounting and tenement reporting activities to Northern Gold/GBS.

As soon as all the conditions precedent is met we will account for the sale.

29

OPERATING AND FINANCIAL RESULTS

(Rand/metric) (unaudited)

**Underground production – South Africa**

**Leve-**

**Quality**

**Growth**

**rated**

**Ounces**

**Projects**

**Ounces**

**Sub-total**

**Ore milled – t'000**

**Dec-05**

**1 574**

**312**

**1 252**

**3 138**

Sep-05

1 464

315

1 218

2 997

**Gold produced – kg**

**Dec-05**

**9 604**

**1 756**

**6 113**

**17 473**

Sep-05

8 719

1 995

5 380

16 094

**Yield – g/tonne**

**Dec-05**

**6.10**

**5.63**

**4.88**

**5.57**

Sep-05

5.96

6.33

4.42

5.37

**Cash operating costs – R/kg**

**Dec-05**

**74 725**

**104 188**

**90 074**

**83 057**

Sep-05

76 896

91 253

100 158

86 452

**Cash operating costs – R/tonne**

**Dec-05**

**456**

**586**

**440**

**462**

Sep-05

458

578

442

464

**Working revenue (R'000)**

**Dec-05**

**981 335**

**180 504**

**626 599**

**1 788 438**

Sep-05

798 188

183 850

492 960

1 474 998

**Cash operating costs (R'000)**

**Dec-05**

**717 658**

**182 954**

**550 621**

**1 451 233**

Sep-05

670 457

182 050

538 852

1 391 359

**Cash operating profit (R'000)**

**Dec-05**

**263 677**

**(2 450)**

**75 978**

**337 205**

Sep-05

127 731

1 800

(45 892)

83 639

**Capital expenditure (R'000)**

**Dec-05**



**148 711**

**135 214**

**59 391**

**343 316**

Sep-05

108 833

140 184

45 597

294 614

**Quality Ounces – Evander Shafts, Randfontein Cooke Shafts, Target, Tshepong, Masimong**

**Growth Projects – Doornkop shaft and South Reef Project, Elandsrand shaft and New Mine Project, Phakisa shaft,**

**Tshepong Decline Project**

**Leveraged Ounces – Bambanani, Joel, West, St Helena 8, Harmony 2, Merriespruit 1 and 3, Unisel, Brand 3 and**

**Orkney 2**

**and 4**

30

OPERATING AND FINANCIAL RESULTS

(Rand/metric) (unaudited)

**South Africa**

**South Africa**

**Australia**

**Harmony**

**Surface**

**Total**

**Total**

**Total**

**Ore milled – t'000**

**Dec-05**

**938**

**4 076**

**781**

**4 857**

Sep-05

838

3 835

765

4 600

**Gold produced – kg**

**Dec-05**

**926**

**18 399**

**1 917**

**20 316**

Sep-05

1 228

17 322

1 897

19 219

**Yield – g/tonne**

**Dec-05**

**0.99**

**4.51**

**2.45**

**4.18**

Sep-05

1.47

4.52

2.48

4.18

**Cash operating costs – R/kg**

**Dec-05**

**89 849**

**83 398**

**80 820**

**83 154**

Sep-05

87 029

86 493

78 643

85 718

**Cash operating costs – R/tonne**

**Dec-05**

**89**

**376**

**198**

**348**

Sep-05

128

391

195

358

**Working revenue (R'000)**

**Dec-05**

**94 098**

**1 882 536**

**196 270**

**2 078 806**

Sep-05

112 361

1 587 359

178 821

1 766 180

**Cash operating costs (R'000)**

**Dec-05**

**83 200**

**1 534 433**

**154 931**

**1 689 364**

Sep-05

106 872

1 498 231

149 186

1 647 417

**Cash operating profit (R'000)**

**Dec-05**

**10 898**

**348 103**

**41 339**

**389 442**

Sep-05

5 489

89 128

29 635

118 763

**Capital expenditure (R'000)**

**Dec-05**

**304**

**343 620**

**105 103**

**448 723**

Sep-05

0

294 614

71 389

366 003

31

TOTAL OPERATIONS – QUARTERLY FINANCIAL RESULTS

(Rand/metric) (unaudited)

**Quarter ended** Quarter ended Quarter ended

**31 December** 30 September

31 December

**2005**

2005

2004

(restated)

Ore milled

t'000

**4 857**

4 600

5 916

Gold produced

kg

**20 316**

19 219

24 604

Gold price received

R/kg

**102 333**

91 888

84 031

Cash operating costs

R/kg

**83 154**

85 718

77 415

**R million**

R million

R million

Revenue

**2 079**

1 766

2 068

Cash operating costs

(1)

**1 690**

1 647

1 749

**Cash operating profit**

**389**

119

319

Amortisation and depreciation of mining properties,  
mine development costs and mine plant facilities

(1)

**(249)**

(244)

(267)  
Corporate, administration and other expenditure

**(72)**

(56)

(41)

Provision for rehabilitation costs

**(2)**

(3)

(14)

**Operating profit/(loss)**

**66**

(184)

(3)

Amortisation and depreciation other than mining  
properties, mine development costs and mine  
plant facilities

**(10)**

(11)

(6)

Employment termination and restructuring costs

**(15)**

101

(74)

Care and maintenance cost

**(27)**

(88)

(35)

Share-based compensation

**(30)**

(33)

(19)

Exploration expenditure

**(32)**

(18)

(20)

Profit on sale of investment in Gold Fields

**306**

-

-

Mark-to-market of listed investments

**22**

21

-

Interest paid

**(98)**

(96)

(104)

Interest received

**48**

52

27

Other income/(expenses) – net

**6**

(21)

(16)

Loss on financial instruments

**(183)**

(115)

(29)

(Loss)/Gain on foreign exchange

**(21)**

20

14

Loss on sale of listed investments and subsidiaries

**(1)**

–

–

**Profit/(Loss) before tax**

**31**

(372)

(265)

Current tax – (expense)/benefit

**(4)**

–

56

Deferred tax – (expense)/benefit

(1)

**(5)**

48

(7)

**Net profit/(loss)**

**22**

(324)

(216)

(1) The change in accounting policy on capitalisation of mine development costs had the following effect:

– Cash operating costs – decrease

**161**

136

156

– Amortisation and depreciation of mining properties, mine development costs and mine plant facilities

**(75)**

(71)

(57)

– Deferred tax – expense

**(18)**

(13)

(19)

– Net effect of change in accounting policy

**68**

52

80

The effects of the change in policy are in the process of being audited. The company does not expect any material change to arise from the audit.



32

TOTAL OPERATIONS – QUARTERLY FINANCIAL RESULTS

(Rand/metric) (unaudited)

**Quarter ended** Quarter ended Quarter ended

**31 December** 30 September

31 December

**2005**

2005

2004

(restated)

Loss per share – cents\*

– Basic earnings/(loss)

**6**

(82)

(63)

– Headline loss

**(75)**

(86)

(70)

– Fully diluted earnings/(loss)\*\* \*\*\*

**6**

(82)

(63)

Dividends per share – (cents)

– Interim

–

–

–

– Proposed final

–

–

–

\* Calculated on weighted average number of shares in issue at quarter end December 2005: 392.7 million (September 2005: 392.3 million) (December 2004: 345.0 million).

\*\* Calculated on weighted average number of diluted shares in issue at quarter end December 2005: 398.5 million (September 2005: 392.3 million) (December 2004: 344.7 million).

\*\*\* The effect of the share options is anti-dilutive.

**Reconciliation of headline loss:**

Net profit/(loss)

**22**

(324)

(216)

Adjustments:

– Profit on sale of assets

**(12)**

(15)

(25)

– Loss on disposal of Sangold investment

**1**

–

–

– Profit on disposal of investment in Gold Fields

**(306)**

–

–

Headline loss

**(295)**

(339)

(241)

33

TOTAL OPERATIONS – YEAR TO DATE FINANCIAL RESULTS

(Rand/metric) (unaudited)

**Year to date**

Year to date

**31 December**

31 December

**2005**

2004

(restated)

Ore milled

t'000

**9 457**

12 480

Gold produced

kg

**39 535**

50 426

Gold price received

R/kg

**97 256**

83 528

Cash operating costs

R/kg

**84 406**

77 658

**R million**

R million

Revenue

**3 845**

4 212

Cash operating costs

(1)

**3 337**

3 601

**Cash operating profit**

**508**

611

Amortisation and depreciation of mining properties, mine development costs and mine plant facilities

(1)

**(493)**

(553)

Corporate, administration and other expenditure

**(128)**

(79)

Provision for rehabilitation costs

**(5)**

(28)

**Operating loss**

**(118)**

(49)  
Amortisation and depreciation other than mining properties,  
mine development costs and mine plant facilities

**(21)**

(15)  
Employment termination and restructuring costs

**86**

(180)  
Care and maintenance cost

**(115)**

(83)  
Share-based compensation

**(63)**

(30)  
Exploration expenditure

**(50)**

(44)  
Profit on sale of investment in Gold Fields

**306**

–

Mark-to-market of listed investments

**43**

–

Interest paid

**(194)**

(204)

Interest received

**100**

63

Other expenses – net

**(15)**

(15)

Loss on financial instruments

**(298)**

(28)

(Loss)/Gain on foreign exchange

**(1)**

13

Loss on sale of listed investments and subsidiaries

**(1)**

–

Profit on Australian-listed investments

–

4

**Loss before tax**

**(341)**

(568)

Current tax – (expense)/benefit

**(4)**

39

Deferred tax – benefit

(1)	
<b>43</b>	
46	
<b>Net loss</b>	
<b>(302)</b>	
(483)	
(1) The change in accounting policy on capitalisation of mine development costs had the following effect:	
– Cash operating costs – decrease	
<b>297</b>	
315	
– Amortisation and depreciation of mining properties, mine development costs and mine plant facilities	
<b>(146)</b>	
(112)	
– Deferred tax – expense	
<b>(31)</b>	
(38)	
– Net effect of change in accounting policy	
<b>120</b>	
165	
The effects of the change in policy are in the process of being audited. The company does not expect any material change to arise from the audit.	

34

TOTAL OPERATIONS – YEAR TO DATE FINANCIAL RESULTS

(Rand/metric) (unaudited)

**Year to date**

Year to date

**31 December**

31 December

**2005**

2004

(restated)

Loss per share – cents\*

– Basic loss

**(77)**

(145)

– Headline loss

**(162)**

(157)

– Fully diluted loss\*\* \*\*\*

**(77)**

(145)

Dividends per share – (cents)

– Interim

–

–

– Proposed final

–

–

\* Calculated on weighted average number of shares in issue for six months to December 2005: 392.6 million (December 2004: 332.9 million).

\*\* Calculated on weighted average number of diluted shares in issue for six months to December 2005: 396.7 million (December 2004: 332.8 million).

\*\*\* The effect of the share options is anti-dilutive.

**Reconciliation of headline loss:**

Net loss

**(302)**

(483)

*Adjustments:*

– Profit on sale of assets

**(27)**

(34)

– Profit on Australian-listed investments

–

(4)

– Loss on disposal of Sangold investment

**1**

–

– Profit on disposal of investment in Gold Fields

**(306)**

–

**Headline loss**

**(634)**

(521)

35

ABRIDGED BALANCE SHEET AT 31 DECEMBER 2005

(Rand)

At 31 December At 30 September At 31 December

**2005**

2005

2004

**R million**

R million

R million

**(Unaudited)**

(Unaudited)

(Unaudited)

(restated)

**ASSETS**

**Non-current assets**

Property, plant and equipment

**22 735**

22 633

23 520

Intangible assets

**2 268**

2 268

2 268

Investments

**2 191**

4 709

6 364

**27 194**

29 610

32 152

**Current assets**

Inventories

**560**

552

550

Receivables

**744**

597

383

Income and mining taxes

**24**

27

—

Cash and cash equivalents

**2 914**

971

296

**4 242**

2 147

1 229



**Total assets**

**31 436**

31 757

33 381

**EQUITY AND LIABILITIES**

**Share capital and reserves**

Issued capital

**25 689**

25 645

25 500

Fair value and other reserves

**(717)**

(257)

(2 061)

Deferred share-based compensation

**(185)**

(215)

(128)

(Accumulated loss)/Retained earnings

**(1 708)**

(1 729)

1 222

**23 079**

23 444

24 533

**Non-current liabilities**

Long-term borrowings

**2 506**

2 464

2 861

Net deferred taxation liabilities

**2 122**

2 128

2 762

Net deferred financial liabilities

**498**

436

529

Long-term provisions

**943**

938

825

**6 069**

5 966

6 977

**Current liabilities**

Accounts payable

**892**

995

870

Accrued liabilities

<b>309</b>
298
362
Short-term portion of long-term borrowings
<b>1 079</b>
1 046
602
Income and mining taxes
—
—
27
Shareholders for dividends
<b>8</b>
8
10
<b>2 288</b>
2 347
1 871
<b>Total equity and liabilities</b>
<b>31 436</b>
31 757
33 381
<b>Number of ordinary shares in issue</b>
<b>394 161 367</b>
393 341 194
392 993 004
<b>Net asset value per share (cents)</b>
<b>5 853</b>
5 960
6 243

The balance sheet at 30 June 2005 is in accordance with the audited balance sheet, except for the effects of the adoption of IFRS 2, Share-based Payments, and the change in the accounting policy relating to the capitalisation of development costs.

36

**OPERATING AND FINANCIAL RESULTS**

(US\$/imperial) (unaudited)

**Underground production – South Africa**

**Leve-**

**Quality**

**Growth**

**rated**

**Ounces**

**Projects**

**Ounces**

**Sub total**

**Ore milled – t'000**

**Dec-05**

**1 736**

**344**

**1 381**

**3 461**

Sep-05

1 614

347

1 343

3 304

**Gold produced – oz**

**Dec-05**

**308 774**

**56 456**

**196 537**

**561 767**

Sep-05

280 321

64 140

172 970

517 431

**Yield – oz/t**

**Dec-05**

**0.18**

**0.16**

**0.14**

**0.16**

Sep-05

0.17

0.18

0.13

0.16

**Cash operating costs – \$/oz**

**Dec-05**

**356**

**496**

**429**

**396**

Sep-05

368

437

479

414

**Cash operating costs – \$/t**

**Dec-05**

**63**

**81**

**61**

**64**

Sep-05

64

81

62

65

**Working revenue (\$'000)**

**Dec-05**

**150 267**

**27 640**

**95 948**

**273 855**

Sep-05

122 809

28 287

75 847

226 943

**Cash operating costs (\$'000)**

**Dec-05**

**109 892**

**28 015**

**84 314**

**222 221**

Sep-05

103 157

28 010

82 908

214 075

**Cash operating profit (\$'000)**

**Dec-05**

**40 375**

**(375)**

**11 634**

**51 634**

Sep-05

19 652

277

(7 061)

12 868

**Capital expenditure (\$'000)**

**Dec-05**

**22 771**

**20 705**

**9 094**

**52 570**

Sep-05

16 745

21 569

7 016

45 330

**Quality Ounces – Evander Shafts, Randfontein Cooke Shafts, Target, Tshepong, Masimong**

**Growth Projects – Doornkop shaft and South Reef Project, Elandsrand shaft and New Mine Project, Phakisa shaft,**

**Tshepong Decline Project**

**Leveraged Ounces – Bambanani, Joel, West, St Helena 8, Harmony 2, Merriespruit 1 and 3, Unisel, Brand 3 and Orkney 2**

**and 4**

37

**OPERATING AND FINANCIAL RESULTS**

(US\$/imperial) (unaudited)

**South Africa**

**South Africa**

**Australia**

**Harmony**

**Surface**

**Total**

**Total**

**Total**

**Ore milled – t'000**

**Dec-05**

**1 034**

**4 495**

**861**

**5 356**

Sep-05

924

4 228

844

5 072

**Gold produced – oz**

**Dec-05**

**29 771**

**591 538**

**61 633**

**653 171**

Sep-05

39 481

556 912

60 990

617 902

**Yield – oz/t**

**Dec-05**

**0.03**

**0.13**

**0.07**

**0.12**

Sep-05

0.04

0.13

0.07

0.12

**Cash operating costs – \$/oz**

**Dec-05**

**428**

**397**

**385**

**396**

Sep-05

416  
 414  
 376  
 410  
**Cash operating costs – \$/t**  
**Dec-05**  
**12**  
**52**  
**28**  
**48**  
 Sep-05  
 18  
 55  
 27  
 50  
**Working revenue (\$'000)**  
**Dec-05**  
**14 409**  
**288 264**  
**30 054**  
**318 318**  
 Sep-05  
 17 288  
 244 231  
 27 513  
 271 744  
**Cash operating costs (\$'000)**  
**Dec-05**  
**12 740**  
**234 961**  
**23 724**  
**258 685**  
 Sep-05  
 16 443  
 230 518  
 22 954  
 253 472  
**Cash operating profit (\$'000)**  
**Dec-05**  
**1 669**  
**53 303**  
**6 330**  
**59 633**  
 Sep-05  
 845  
 13 713  
 4 559  
 18 272  
**Capital expenditure (\$'000)**  
**Dec-05**  
**47**

**52 617**

**16 094**

**68 711**

Sep-05

0

45 330

10 984

56 314



38

TOTAL OPERATIONS – QUARTERLY FINANCIAL RESULTS

(US\$/imperial) (unaudited)

**Quarter ended** Quarter ended Quarter ended

**31 December** 30 September

31 December

**2005**

2005

2004

(restated)

Ore milled

t'000

**5 356**

5 072

6 525

Gold produced

oz

**653 171**

617 902

791 033

Gold price received

\$/oz

**487**

440

434

Cash operating costs

\$/oz

**396**

410

367

**\$ million**

\$ million

\$ million

Revenue

**318**

272

343

Cash operating costs

(1)

**259**

254

290

**Cash operating profit**

**59**

18

53

Amortisation and depreciation of mining properties,  
mine development costs and mine plant facilities

(1)

**(38)**

(38)

(44)  
 Corporate, administration and other expenditure

**(11)**

(9)

(7)

Provision for rehabilitation costs

–

–

(2)

**Operating profit/(loss)**

**10**

(29)

–

Amortisation and depreciation other than mining  
 properties, mine development costs and mine  
 plant facilities

**(2)**

(2)

(1)

Employment termination and restructuring costs

**(2)**

16

(12)

Care and maintenance

**(4)**

(14)

(6)

Share-based compensation

**(5)**

(5)

(3)

Exploration expenditure

**(5)**

(3)

(3)

Profit on sale of investment in Gold Fields

**47**

–

–

Mark-to-market of listed investments

**3**

3

–

Interest paid

**(15)**

(15)

(17)

Interest received

**7**

8

4

Other income/(expenses) – net

**1**

(3)

(3)

Loss on financial instruments

**(28)**

(18)

(5)

(Loss)/Gain on foreign exchange

**(3)**

3

2

**Profit/(Loss) before tax**

**4**

(59)

(44)

Current tax – (expense)/benefit

**(1)**

–

9

Deferred tax – (expense)/benefit

(1)

**(1)**

7

(1)

**Net profit/(loss)**

**2**

(52)

(36)

(1) The change in accounting policy on capitalisation of mine development costs had the following effect:

– Cash operating costs – decrease

**25**

21

26

– Amortisation and depreciation of mining properties, mine development costs and mine plant facilities

**(11)**

(11)

(9)

– Deferred tax – expense

**(3)**

(2)

(3)

– Net effect of change in accounting policy

**11**

8

14

The effects of the change in policy are in the process of being audited. The company does not expect any material change to arise from the audit.

39

TOTAL OPERATIONS – QUARTERLY FINANCIAL RESULTS

(US\$/imperial) (unaudited)

**Quarter ended** Quarter ended Quarter ended

**31 December** 30 September

31 December

**2005**

2005

2004

(restated)

Loss per share – cents\*

– Basic earnings/(loss)

**1**

(13)

(10)

– Headline loss

**(12)**

(13)

(12)

– Fully diluted earnings/(loss)\*\* \*\*\*

**1**

(13)

(10)

Dividends per share – (cents)

– Interim

–

–

–

– Proposed final

–

–

–

*Currency conversion rates average for the quarter: December 2005: US\$1 = R6.53 (September 2005: US\$1 = R6.50) (December 2004: US\$1 = R6.03).*

*\* Calculated on weighted average number of shares in issue at quarter end December 2005: 392.7 million (September 2005: 392.3 million) (December 2004: 345.0 million).*

*\*\* Calculated on weighted average number of diluted shares in issue at quarter end December 2005: 398.5 million (September 2005: 392.3 million) (December 2004: 344.7 million).*

*\*\*\* The effect of the share options is anti-dilutive.*

**Reconciliation of headline loss:**

Net profit/(loss)

**2**

(52)

(36)

Adjustments:

– Profit on sale of assets

**(2)**

(2)

(4)

– Profit on disposal of investment in Gold Fields

**(47)**

-

-

Headline loss

(47)

(54)

(40)

40

TOTAL OPERATIONS – YEAR TO DATE FINANCIAL RESULTS

(US\$/imperial) (unaudited)

**Year to date**

Year to date

**31 December**

31 December

**2005**

2004

(restated)

Ore milled

t'000

**10 428**

13 762

Gold produced

oz

**1 271 074**

1 621 226

Gold price received

\$/oz

**464**

419

Cash operating costs

\$/oz

**403**

358

**\$ million**

\$ million

Gold sales

**590**

679

Cash operating costs

(1)

**512**

580

**Cash operating profit**

**78**

99

Amortisation and depreciation of mining properties,  
mine development costs and mine plant facilities

(1)

**(76)**

(89)

Corporate, administration and other expenditure

**(20)**

(13)

Provision for rehabilitation costs

**(1)**

(5)

**Operating loss**

**(19)**

(8)  
Amortisation and depreciation other than mining properties,  
mine development costs and mine plant facilities

**(3)**

(2)

Employment termination and restructuring costs

**13**

(29)

Care and maintenance

**(17)**

(13)

Share-based compensation

**(10)**

(5)

Exploration expenditure

**(8)**

(7)

Profit on sale of investment in Gold Fields

**47**

–

Mark-to-market of listed investments

**7**

–

Interest paid

**(30)**

(33)

Interest received

**15**

10

Other expenses – net

**(2)**

(2)

Loss on financial instruments

**(46)**

(5)

Gain on foreign exchange

–

2

Profit on Australian-listed investments

–

1

**Loss before tax**

**(53)**

(91)

Current tax – (expense)/benefit

**(1)**

6

Deferred tax – benefit

(1)

**7**

8

**Net loss**

**(47)**

(77)

(1) The change in accounting policy on capitalisation of mine development costs had the following effect:

– Cash operating costs – decrease

**46**

51

– Amortisation and depreciation of mining properties, mine development costs and mine plant facilities

**(22)**

(18)

– Deferred tax – expense

**(5)**

(6)

– Net effect of change in accounting policy

**19**

27

The effects of the change in policy are in the process of being audited. The company does not expect any material change to arise from the audit.



41

TOTAL OPERATIONS – YEAR TO DATE FINANCIAL RESULTS

(US\$/imperial) (unaudited)

**Year to date**

Year to date

**31 December**

31 December

**2005**

2004

(restated)

Loss per share – cents\*

– Basic loss

**(12)**

(23)

– Headline loss

**(25)**

(25)

– Fully diluted loss\*\* \*\*\*

**(12)**

(23)

Dividends per share – (cents)

– Interim

–

–

– Proposed final

–

–

*Prepared in accordance with International Financial Reporting Standards.*

*Currency conversion rates average for the six months to: December 2005: US\$1 = R6.51 (December 2004: US\$1 = R6.21).*

*\* Calculated on weighted average number of shares in issue for six months to December 2005: 392.6 million (December 2004: 332.9 million).*

*\*\* Calculated on weighted average number of diluted shares in issue for six months to December 2005: 396.7 million (December 2004: 332.8 million).*

*\*\*\* The effect of the share options is anti-dilutive.*

**Reconciliation of headline loss:**

Net loss

**(47)**

(77)

*Adjustments:*

– Profit on sale of assets

**(4)**

(5)

– Profit on Australian-listed investments

–

(1)

– Profit on disposal of investment in Gold Fields

**(47)**

–

**Headline loss**

**(98)**

(83)

42

ABRIDGED BALANCE SHEET AT 31 DECEMBER 2005

(US\$)

**At 31 December** At 30 September

At 31 December

**2005**

2005

2004

**US\$ million**

US\$ million

US\$ million

**(Unaudited)**

(Unaudited)

(Unaudited)

(restated)

**ASSETS**

**Non-current assets**

Property, plant and equipment

**3 592**

3 564

4 179

Intangible assets

**358**

357

403

Investments

**346**

742

1 131

**4 296**

4 663

5 713

**Current assets**

Inventories

**88**

87

98

Receivables

**118**

94

68

Income and mining taxes

**4**

4

—

Cash and cash equivalents

**460**

153

53

**670**

338

219

**Total assets**

**4 966**

5 001

5 932

**EQUITY AND LIABILITIES**

**Share capital and reserves**

Issued capital

**4 058**

4 039

4 530

Fair value and other reserves

**(113)**

(41)

(366)

Deferred share-based compensation

**(29)**

(34)

(23)

(Accumulated loss)/Retained earnings

**(270)**

(272)

217

**3 646**

3 692

4 358

**Non-current liabilities**

Long-term borrowings

**396**

388

508

Net deferred taxation liabilities

**335**

335

491

Net deferred financial liabilities

**79**

69

94

Long-term provisions

**149**

148

147

**959**

940

1 240

**Current liabilities**

Accrued payables

**141**

156

156

Accrued liabilities

**49**

47

64

Short-term portion of long-term borrowings

**170**

165

107

Income and mining taxes

–

–

5

Shareholders for dividends

**1**

1

2

**360**

369

334

**Total equity and liabilities**

**4 966**

5 001

5 932

**Number of ordinary shares in issue**

**394 161 367**

393 341 194

392 993 004

**Net asset value per share (US cents)**

**925**

939

1 109

Balance sheet converted at conversion rate of US\$1 = R6.33 (September 2005: R6.35) (December 2004: R5.63) .

The balance sheet at 30 June 2005 is in accordance with the audited balance sheet, except for the effects of the adoption of IFRS 2 , Share-based Payments, and the change in accounting policy relating to the capitalisation of development costs.

43

CONDENSED STATEMENT OF CHANGES IN EQUITY  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

(unaudited)

**Issued**

**Fair value**

**Deferred**

**share**

**and other**

**share-based**

**Retained**

**capital**

**reserves compensation**

**earnings**

**Total**

**R million**

**R million**

**R million**

**R million**

**R million**

Balance at 1 July 2005

25 645

(670)

(248)

(1 406)

23 321

Issue of share capital

44

–

–

–

44

Currency translation

adjustment and other

–

(47)

–

–

(47)

Adoption of IFRS 2,

share-based payments

–

–

63

–

63

Net loss

–

–

–

(302)

(302)

**Balance at  
31 December 2005**

25 689

(717)

(185)

(1 708)

23 079

**(restated)**

Balance at 1 July 2004

20 945

(1 186)

(27)

1 801

21 533

Issue of share capital

4 424

—

—

—

4 424

Currency translation  
adjustment and other

—

(875)

—

—

(875)

Adoption of IFRS 2,  
share-based payments

131

—

(101)

—

30

Net loss

—

—

—

(483)

(483)

Dividends paid

—

—

—

(96)

(96)

**Balance at 31 December 2004**

25 500

(2 061)

(128)

1 222
24 533
<b>Issued</b>
<b>Fair value</b>
<b>Deferred</b>
<b>share</b>
<b>and other</b>
<b>share-based</b>
<b>Retained</b>
<b>capital</b>
<b>reserves compensation</b>
<b>earnings</b>
<b>Total</b>
<b>US\$ million</b>
<b>US\$ million</b>
<b>US\$ million</b>
<b>US\$ million</b>
<b>US\$ million</b>
Balance at 1 July 2005
4 051
(106)
(39)
(222)
3 684
Issue of share capital
7
—
—
—
7
Currency translation
adjustment and other
—
(7)
—
(7)
Adoption of IFRS 2,
share-based payments
—
—
10
—
10
Net loss
—
—
—
(48)
(48)
<b>Balance at</b>



**31 December 2005**

4 058

(113)

(29)

(270)

3 646

**(restated)**

Balance at 1 July 2004

3 721

(211)

(5)

320

3 825

Issue of share capital

786

—

—

—

786

Currency translation  
adjustment and other

—

(155)

—

—

(155)

Adoption of IFRS 2,  
share-based payments

23

—

(18)

—

5

Net loss

—

—

—

(86)

(86)

Dividends paid

—

—

—

(17)

(17)

**Balance at 31 December 2004**

4 530

(366)

(23)

217

4 358

Balances translated at closing rates of: December 2005: US\$1 = R6.33 (December 2004: US\$1 = R5.63).

44

SUMMARISED CASH FLOW STATEMENT  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

(unaudited)

**Six**

**Six**

**Six**

**Six**

**months**

**months**

**months**

**months**

**ended**

**ended**

**ended**

**ended**

**31 December**

**31 December**

**31 December 31 December**

**2004**

**2005**

**2005**

**2004**

**US\$ million**

**US\$ million**

**R million**

**R million**

**Cash flow from operating activities**

(11)

(49) Cash utilised by operations

(320)

(67)

10

15

Interest and dividends received

100

63

(19)

(14) Interest paid

(94)

(120)

—

—

Income and mining taxes paid

(2)

—

(20)

(48) Cash utilised by operating activities

(316)

(124)

**Cash flow from investing activities**

Net proceeds on disposal/(additions)

(9)

365

of listed investments

2 461

(57)

Net additions to property, plant and

(116)

(121) equipment

(786)

(722)

–

1

Other investing activities

4

1

Cash generated/(utilised) by

(125)

245

investing activities

1 679

(778)

**Cash flow from financing activities**

3

(45) Long-term loans (repaid)/raised

(295)

18

(6)

7

Ordinary shares issued – net of expenses

45

(36)

(15)

–

Dividends paid

–

(95)

(18)

(38) Cash utilised by financing activities

(250)

(113)

(1)

26

**Foreign currency translation adjustments**

(29)

(103)

Net increase/(decrease) in cash

(164)

185

and equivalents

1 084

(1 118)

217

275

Cash and equivalents – 1 July

1 830

1 414

53

460

Cash and equivalents – 31 December

2 914

296

Operating activities translated at average rates of: December 2005: US\$1 = R6.51 (December 2004: US\$1 = R6.21).

Closing balance translated at closing rates of: December 2005: US\$1 = R6.33 (December 2004: US\$1 = R5.63).

45

SUMMARISED CASH FLOW STATEMENT  
FOR THE THREE MONTHS ENDED 31 DECEMBER 2005

(unaudited)

**Three**

**Three**

**Three**

**Three**

**months**

**months**

**months**

**months**

**ended**

**ended**

**ended**

**ended**

**30 Septem- 31 December**

**31 December**

**30 Septem-**

**ber 2005**

**2005**

**2005**

**ber 2005**

**US\$ million**

**US\$ million**

**R million**

**R million**

**Cash flow from operating activities**

(28)

(21) Cash utilised by operations

(136)

(184)

8

7

Interest and dividends received

48

52

(7)

(7) Interest paid

(47)

(47)

–

–

Income and mining taxes paid

(2)

–

(27)

(21) Cash utilised by operating activities

(137)

(179)

**Cash flow from investing activities**

-
378
Net proceeds on disposal of listed investments
2 461
-
(54)
(67) Net additions to property, plant and equipment
(436)
(350)
-
-
Other investing activities
3
-
(54)
311
Cash generated/(utilised) by investing activities
2 028
(350)
<b>Cash flow from financing activities</b>
(45)
-
Long-term loans repaid
-
(295)
-
7
Ordinary shares issued – net of expenses
45
-
(45)
7
Cash generated/(utilised) by financing activities
45
(295)
4
10
<b>Foreign currency translation adjustments</b>
7
(35)
(122)
307
Net increase/(decrease) in cash and equivalents
1 943
(859)
275
153
Cash and equivalents – beginning of quarter
971
1 830
153

460

Cash and equivalents – end of quarter

2 914

971

Operating activities translated at average rates of: December 2005 quarter: US\$1 = R6.53 (September 2005 quarter: US\$1 = R6.03).

Closing balance translated at closing rates of: December 2005: US\$1 = R6.33 (September 2005: US\$1 = R6.35).



46

RECONCILIATION BETWEEN CASH OPERATING PROFIT AND CASH (UTILISED)/  
GENERATED BY OPERATIONS – PERIOD ENDED 31 DECEMBER 2005

Six

Six

Quarter

Quarter

months to

months to

ended

ended

31 December 31 December 31 December 30 September

2005

2004

2005

2005

R million

R million

R million

R million

Cash operating profit

508

611

389

119

Other cash items per income statement:

Other income

85

61

33

52

Employment termination, restructuring  
and care and maintenance costs

(29)

(263)

(42)

13

Corporate, administration and other  
expenditure

(128)

(79)

(72)

(56)

Exploration expenditure

(50)

(44)

(32)

(18)

Provision for rehabilitation costs

(5)

(3)

(2)  
(3)  
Cash flow statement adjustments:  
Cost of Avgold currency hedge and  
close out of hedges  
(139)  
(94)  
(77)  
(62)  
Profit on sale of mining assets  
(27)  
(34)  
(12)  
(15)  
Interest and dividends received  
(100)  
(63)  
(48)  
(52)  
Other non-cash items  
(25)  
(43)  
(24)  
(1)  
Effect of changes in operating working  
capital items:  
Receivables  
(113)  
477  
(148)  
35  
Inventories  
18  
(19)  
(8)  
26  
Accrued liabilities  
(68)  
(54)  
10  
(78)  
Accounts payable  
(247)  
(520)  
(103)  
(144)  
**Cash utilised by operations**  
(320)  
(67)  
(136)  
(184)

47

NOTES TO THE RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2005

1.

Basis of accounting

The unaudited results for the quarter have been prepared using accounting policies that comply with International Financial Reporting Standards (IFRS). These consolidated quarterly statements are prepared in accordance with IFRS 34, Interim Financial Reporting. The accounting policies are consistent with those applied in the previous financial year, except for the adoption of the revised international accounting standards forthcoming from the IAS improvements project and the changes which are described in Notes 2 and 3.

2. New accounting policies adopted

**(a) Share-based Payments (IFRS 2)**

On 1 July 2005, the Company adopted the requirements of IFRS 2, Share-based Payments. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity-settled payments after 7 November 2002 that were unvested at 1 January 2005. The Company issues equity-settled instruments to certain qualifying employees under an Employee Share Option Scheme to purchase shares in the Company's authorised but unissued ordinary shares. Equity share-based payments are measured at the fair value of the equity instruments at the date of the grant.

The total fair value of the options granted is recorded as deferred share-based compensation as a separate component of shareholders' equity with a corresponding amount recorded as share premium. The deferred share-based compensation is expensed over the vesting period, based on the Company's estimate of the shares that are expected to eventually vest. The Company used the binominal option pricing model in determining the fair value of the options granted.

The impact of this adjustment on the net profit/(loss) is an expense of R63 million for the December 2005 year to date (December 2004 year to date: R30 million) (December 2005 quarter: R30 million) (September 2005 quarter: R33 million) (December 2004 quarter: R19 million).

**(b) Determining whether an arrangement contains a lease (IFRIC 4)**

On 1 July 2005, the Company applied the requirements of IFRIC 4, Determining whether an arrangement contains a lease. The objective of the interpretation is to determine whether an arrangement contains a lease that falls within the scope of IAS 17, Leases. The lease is then accounted in accordance with IAS 17. The application of the interpretation had no impact on the results of the quarter or any prior reporting period.

3. Change in accounting policy

**(a) Capitalisation of mine development costs**

Previously mine development costs were capitalised when the reef horizon was intersected. Expenditure for all development that will give access to proven and probable ore reserves will now be capitalised. Capitalised costs are amortised over the estimated life of the proven and probable reserves to which the costs give access.

The impact of this adjustment on the net profit/(loss) is as follows:

– A decrease in the cash operating costs of R297 million for the December 2005 year to date (December 2004 year to date: R315 million) (December 2005 quarter: R161 million) (September 2005 quarter: R136 million) (December 2004 quarter: R156 million).

48

- Additional amortisation charges of R146 million for the December 2005 year to date (December 2004 year to date: R112 million) (December 2005 quarter: R75 million) (September 2005 quarter: R71 million) (December 2004 quarter: R57 million).
- Taxation effect of the capitalised development costs and additional amortisation charges of R31 million for December 2005 year to date (December 2004 year to date: R38 million) (December 2005 quarter: R18 million) (September 2005 quarter: R13 million) (December 2004 quarter: R19 million).

## 4. Derivative financial instruments

**Commodity contracts**

The Harmony Group's outstanding commodity contracts against future production, by type at 31 December 2005 are indicated below. The total net delta of the hedge book at 31 December 2005 was 455,379 oz (14,164 kg).

**Year****30 June****30 June****30 June****30 June****2006****2007****2008****2009****Total****AUSTRALIAN DOLLAR GOLD**

Forward contracts Kilograms

3,110

4,572

3,110

3,110

13,903

Ounces

100,000

147,000

100,000

100,000

447,000

AUD per oz

511

515

518

518

515

Call options sold Kilograms

–

311

–

–

311

Ounces

–

10,000

–
–
10,000
AUD per oz
–
562
–
–
562
<b>Total commodity</b>
<b>contracts</b>
Kilograms
3,110
4,883
3,110
3,110
14,214
Ounces
100,000
157,000
100,000
100,000
457,000
<b>Total net gold*</b>
Delta (kg)
3,110
4,874
3,099
3,080
14,164
Delta (oz)
99,991
156,707
99,642
99,039
455,379

\* The Delta of the hedge position indicated above, is the equivalent gold position that would have the same marked-to-market sensitivity for a small change in the gold price. This is calculated using the Black-Scholes option formula with the ruling market prices, interest rates and volatilities at 31 December 2005.

These contracts are classified as speculative and the marked-to-market movement is reflected in the income statement.

The mark-to-market of these contracts was a negative R486 million (negative USD77 million) at 31 December 2005 (at 30 September 2005: negative R345 million or negative USD54 million). The values at 31 December 2005 were based on a gold price of USD514 (AUD704) per ounce, exchange rates of USD1/R6.33 and AUD1/USD0.73 and prevailing market interest rates and volatilities at that date. These valuations were provided by independent risk and treasury management experts.

At 27 January 2006, the marked-to-market value of the hedge book was a negative R557 million (negative USD91 million), based on a gold price of USD559 (AUD741) per ounce, exchange rates of USD1/R6.11 and AUD1/USD0.75 and prevailing market interest rates and volatilities at that time.

49

These marked-to-market valuations are not predictive of the future value of the hedge position, nor of the future impact on the revenue of the company. The valuation represents the cost of buying all hedge contracts at the time of the valuation, at market prices and rates available at the time.

Harmony closed out 10,000 oz call option contracts during the quarter ended 31 December 2005 at a cost of R3.3 million (USD500,000). During the quarter ended 30 September 2005, Harmony closed out 20,000 oz call option contracts and 8,000 oz forward contracts, at a cost of R4.3 million (USD680,000).

Interest rate swaps

The Group has interest rate swap agreements to convert R600 million of its R1,2 billion fixed rate bond to variable rate debt. The interest rate swap runs over the term of the bond, interest is received at a fixed rate of 13% and the Company pays floating rate based on JIBAR plus a spread ranging from 1.8% to 2.2%.

These transactions which mature in June 2006 are designated as fair value hedges. The marked-to-market value of the transactions was a positive R11 million (USD2 million) at 31 December 2005, based on the prevailing interest rates and volatilities at the time.

Currency contracts

Harmony inherited currency contracts with the acquisition of Avgold. These currency contracts matured on 31 December 2005 and was closed out accordingly. The contracts were classified as speculative and the mark-to-market movement was reflected in the income statement.

The mark-to-market of these contracts was R NIL (USD NIL) at 31 December 2005 (30 September 2005: negative R64 million or negative USD10 million). These values were based upon an exchange rate of USD1/R6.35 at 30 September 2005 and prevailing market interest rates at the time. Independent risk and treasury management experts provided these valuations.

**Z B Swanepoel**

**N V Qangule**

*Chief Executive*

*Financial Director*

Virginia

10 February 2006

50

DEVELOPMENT RESULTS

(metric)

**Quarter ended 30 September 2005**

**Quarter ended 31 December 2005**

**Channel Channel**

**Channel Channel**

**Reef Sampled**

**width**

**value**

**Gold**

**Reef Sampled**

**width**

**value**

**Gold**

**metres**

**metres**

**(cm's)**

**(g/ t) (cmg/t)**

**metres**

**metres**

**(cm's)**

**(g/t) (cmg/t)**

**Randfontein**

VCR Reef

1,822

1,368

93

15.41

1,437

1,599

1,407

83

21.39

1,767

UE1A

820

730

144

9.81

1,412

595

674

137

7.43

1,020

E8 Reef

283

264

198

3.44

683  
57  
57  
186  
2.08  
387  
Kimberley Reef  
96  
108  
42  
24.81  
1,042  
640  
230  
133  
5.64  
752  
South Reef  
0  
0  
0  
0.00  
0  
0  
0  
0  
0  
0  
**All Reefs**  
**3,021**  
**2,470**  
**117**  
**11.36**  
**1,332**  
**2,890**  
**2,368**  
**106**  
**13.47**  
**1,423**  
**Free State**  
Basal  
1,117  
1,007  
83  
12.37  
1,029  
1,354  
1,174  
91  
11.98  
1,091



Leader

867

646

168

5.12

863

1,040

894

187

6.13

1,148

A Reef

741

606

88

3.90

344

708

668

87

4.87

425

Middle

141

118

232

11.00

2,555

137

144

250

3.57

892

B Reef

396

484

82

19.11

1,567

515

488

65

23.43

1,523

**All Reefs**

**3,261**

**2,861**

**109**

**9.14**

**1,000**

**3,753**

3,368

119

8.65

1,028

**Evander**

Kimberley Reef

1,660

1,674

62

12.33

766

1,772

1,695

59

13.97

818

**Elandskraal**

VCR Reef

149

116

119

10.18

1,209

158

248

168

9.29

1,561

**Orkney**

Vaal Reef

47

0

0

0.00

0

140

0

0

0.00

0

VCR

0

0

0

0.00

0

0

0

0

0.00

0

**All Reefs**

47

0

0

0.00

0

140

0

0

0.00

0

**Target**

Elsburg

350

338

360

8.35

3,006

448

377

277

5.69

1,576

**Freegold JV**

Basal

1,170

1,124

52

24.99

1,291

1,538

1,388

31

46.32

1,424

Beatrix

302

291

116

11.88

1,381

242

249

155

8.09

1,251

Leader

0

0

0

0.00

0  
45  
45  
208  
4.39  
911  
B Reef  
0  
0  
0  
0.00  
0  
0  
0  
0  
0.00  
0  
**All Reefs**  
**1,472**  
**1,415**  
**65**  
**20.16**  
**1,310**  
**1,825**  
**1,682**  
**54**  
**25.73**  
**1,385**

51

DEVELOPMENT RESULTS

(imperial)

**Quarter ended 30 September 2005**

**Quarter ended 31 December 2005**

**Channel Channel**

**Channel Channel**

**Reef Sampled**

**width**

**value**

**Gold**

**Reef Sampled**

**width**

**value**

**Gold**

**feet**

**feet (inches)**

**(oz/t) (in.oz/t)**

**feet**

**feet (inches)**

**(oz/t) (in.oz/t)**

**Randfontein**

VCR Reef

5,976

4,488

37

0.45

17

5,244

4,615

33

0.62

20

UE1A

2,691

2,395

57

0.28

16

1,951

2,211

54

0.22

12

E8 Reef

929

866

78

0.10

8

187

187  
73  
0.05  
4  
Kimberley Reef  
316  
354  
17  
0.71  
12  
2,101  
755  
52  
0.17  
9  
South Reef  
0  
0  
0  
0.00  
0  
0  
0  
0  
0.00  
0  
**All Reefs**  
**9,912**  
**8,103**  
**46**  
**0.33**  
**15**  
**9,483**  
**7,767**  
**42**  
**0.38**  
**16**  
**Free State**  
Basal  
3,664  
3,304  
33  
0.33  
12  
4,442  
3,852  
36  
0.35  
13  
Leader  
2,844

2,119  
66  
0.15  
10  
3,411  
2,933  
74  
0.18  
13  
A Reef  
2,429  
1,988  
35  
0.11  
4  
2,322  
2,192  
34  
0.14  
5  
Middle  
463  
387  
91  
0.32  
29  
448  
472  
98  
0.10  
10  
B Reef  
1,300  
1,588  
32  
0.56  
18  
1,689  
1,601  
26  
0.67  
17  
**All Reefs**  
**10,700**  
**9,386**  
**43**  
**0.27**  
**11 12,313**  
**11,050**  
**47**  
**0.25**

12

**Evander**

Kimberley Reef

5,446

5,492

24

0.37

9

5,814

5,561

23

0.41

9

**Elandskraal**

VCR Reef

489

381

47

0.30

14

518

814

66

0.27

18

**Orkney**

Vaal Reef

154

0

0

0.00

0

459

0

0

0.00

0

VCR

0

0

0

0.00

0

0

0

0

0.00

0

**All Reefs**

154

0



0  
0.00  
0  
459  
0  
0  
0.00  
0  
**Target**  
Elsburg  
1,148  
1,109  
142  
0.24  
35  
1,469  
1,237  
109  
0.17  
18  
**Freegold JV**  
Basal  
3,837  
3,688  
20  
0.74  
15  
5,046  
4,554  
12  
1.36  
16  
Beatrix  
991  
955  
46  
0.34  
16  
794  
817  
61  
0.24  
14  
Leader  
0  
0  
0  
0.00  
0  
148  
148

82  
0.13  
10  
B Reef  
0  
0  
0  
0.00  
0  
0  
0  
0  
0.00  
0  
**All Reefs**  
**4,828**  
**4,642**  
**24**  
**0.58**  
**15**  
**5,988**  
**5,518**  
**21**  
**0.76**  
**16**

52

CONTACT DETAILS

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†

, V N Fakude\*

Dr D S Lushaba\*, M Motloba\*,

N V Qangule, C M L Savage\*

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United States of America

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Fax:

+1 212 571 3050

**Trading Symbols**

JSE Limited

HAR

New York Stock Exchange, Inc.

HMY

London Stock Exchange plc

HRM

Euronext Paris

HG

Euronext Brussels

HMY

Berlin Stock Exchange

HAM1

NASDAQ

HMY

**Registration number** 1950/038232/06

Incorporated in the Republic of South Africa

**ISIN:** ZAE000015228

**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:

17 February

, 200

6

Harmony Gold Mining Company Limited

By:

/s/ Nomfundo Qangule

Name: Nomfundo Qangule

Title: Chief Financial Officer