HARMONY GOLD MINING CO LTD
Form 6-K
February 08, 2010
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
8 February 2010

**Harmony Gold Mining Company
Limited**

Randfontein Office Park
Corner Main Reef Road and Ward Avenue
Randfontein, 1759
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 X 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 X

Shareholder information
Issued ordinary share capital
at 31 December 2009
426 079 492
Market capitalisation
At 31 December 2009 (ZARm)
32 293
At 31 December 2009 (US$m)
4 333
Harmony ordinary share
and ADR prices
12 month high (1 January 2009 to
31 December 2009) for
ordinary shares
R129.50
12 month low (1 January 2009 to
31 December 2009)
for ordinary shares
R69.05
12 month high (1 January 2009 to
31 December 2009) for ADRs
$13.06
12 month low (1 January 2009 to
31 December 2009) for ADRs
$8.17
Free float
100%
ADR ratio
1:1
JSE Limited
HAR
Range for quarter
(1 October 2009 to 31 December 2009 R74.00 –
– closing prices)
R87.00
Average daily volume for
the quarter (1 October 2009 to
31 December 2009)
1 732 533
Average daily volume for
the period (1 January 2009 to
31 December 2009)
2 238 413
New York Stock
Exchange, Inc.
HMY
Range for quarter
(1 October 2009 to 31 December 2009 $9.73 –
– closing prices)
$11.98

Average daily volume for
the quarter (1 October 2009 to
31 December 2009)
1 053 822
Average daily volume for
the period (1 January 2009 to
31 December 2009)
945 810
Nasdaq
HMY
Range for quarter
(1 October 2009 to 31 December 2009 $9.74 –
– closing prices)
$11.94
Average daily volume for
the quarter (1 October 2009 to
31 December 2009)
816 709
Average daily volume for
the period (1 January 2009 to
31 December 2009)
740 219
Key features for the quarter
Safety remains our top priority
45% increase in cash operating profit to R800 million
•
1% decrease in total operating costs
•
gold price increased by 11% to R264 774/kg
Free cash flow from SA underground operations
'Fixing the mix'
•
more quality, low-cost ounces the objective
Commissioning of growth projects
•
2.5% drop in total capex
Exciting exploration results from Wafi-Golpu in PNG
Financial review for the second quarter and six months ended
31 December 2009
Quarter
Quarter
6 months 6 months Year-to-
December September
Q-on-Q December December
year
2009
2009 variance
2009
2008 variance
Gold produced* – kg
11 569

11 714
(1.2)
23 283
23 554
(1.2)
– oz
371 956
376 599
(1.2)
748 555
757 277
(1.2)
Cash operating – R/kg
192 101
188 362
(2.0)
190 172
162 550
(17.0)
costs
– $/oz
798
753
(6.0)
775
580
(33.6)
Gold sold*
– kg
11 640
11 471
1.5
23 111
24 757
(6.7)
– oz
374 234
368 800
1.5
743 034
795 953
(6.7)
Gold price
– R/kg
264 774
239 438
10.6
251 968
235 421
7.0
received

– US$/oz
1 100
957
14.9
1 028
831
23.7
Cash operating – Rm
800
552
44.9
1 351
1 921
(29.7)
profit
– US$m
107
71
50.7
178
217
(18.0)
Basic
– SAc/s
28
(7)
>100
21
161
(87.0)
earnings/(loss) – USc/s
4
(1)
>100
3
18
(83.3)
Headline
– Rm
207
(51)
>100
156
427
(63.4)
profit/(loss)
– US$m
28
(7)
>100
20

48
(58.3)
Headline
– SAc/s
49
(12)
>100
37
105
(64.8)
earnings/(loss) – USc/s
7
(2)
>100
5
12
(58.3)
Exchange rate
– R/US$
7.49
7.78
(3.7)
7.63
8.84
(13.7)
* Production and sales statistics for Hidden Valley have been included. The mine is in a build-up phase and revenue and costs
are currently capitalised.
HARMONY'S ANNUAL REPORTS
Harmony's Annual Report, Notice of Annual General Meeting, its Sustainable Development Report and
its annual report filed on a Form 20F with the United States' Securities and Exchange Commission for
the year ended 30 June 2009 are available on our website at www.harmony.co.za.
Incorporated in the Republic of South Africa
Registration Number 1950/038232/06
("Harmony" or "Company")
JSE Share code: HAR
NYSE Share code: HMY
ISIN: ZAE 000015228
Results for the
second quarter and six months
ended 31 December 2009

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ended 31 December 2009

Forward-looking statements

This quarterly report contains forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995 with respect to Harmony's financial condition, results of operations, business strategies, operating efficiencies, competitive positions, growth opportunities for existing services, plans and objectives of management, markets for stock and other matters. Statements in this quarter that are not historical facts are "forward-looking statements" for the purpose of the safe harbor provided by Section 21E of the U.S. Securities Exchange Act of 1934, as amended, and Section 27A of the U.S. Securities Act of 1933, as amended.

Forward-looking statements are statements that are not historical facts. These statements include financial projections and estimates and their underlying assumptions, statements regarding plans, objectives and expectations with respect to future operations, products and services, and statements regarding future performance. Forward-looking statements are generally identified by the words "expect", "anticipates", "believes", "intends", "estimates" and similar expressions. These statements are only predictions. All forward-looking statements involve a number of risks, uncertainties and other factors and we cannot assure you that such statements will prove to be correct. Risks, uncertainties and other factors could cause actual events or results to differ from those expressed or implied by the forward-looking statements.

These forward-looking statements, including, among others, those relating to the future business prospects, revenues and income of Harmony, wherever they may occur in this quarterly report and the exhibits to this quarterly report, are necessarily estimates reflecting the best judgment of the senior management of Harmony and involve a number of risks and uncertainties that could cause actual results to differ materially from those suggested by the forward-looking statements. As a consequence, these forward-looking statements should be considered in light of various important factors, including those set forth in this quarterly report. Important factors that could cause actual results to differ materially from estimates or projections contained in the forward-looking statements include, without limitation:

overall economic and business conditions in South Africa and elsewhere;

the ability to achieve anticipated efficiencies and other cost savings in connection with past and future acquisitions;

increases/decreases in the market price of gold;

the occurrence of hazards associated with underground and surface gold mining;

the occurrence of labour disruptions;

availability, terms and deployment of capital;
changes in government regulation, particularly mining rights and environmental regulations;
fluctuations in exchange rates;
currency devaluations and other macro-economic monetary policies; and
socio-economic instability in South Africa and regionally.

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Chief Executive Officer's Review

Overview

The turnaround at Harmony continues with an increase in profitability on the back of favourable market conditions and restructuring for more quality ounces. 'Fixing the mix' – was a primary focus in the quarter under review. Costs were well-controlled and a higher Rand gold price received helped us towards significantly improved profit levels. Work continued on the commissioning of our growth projects and on production planning for the Pamodzi Gold Free State assets. In addition, we reported some very exciting exploration results out of Papua New Guinea (PNG).

Safety

With deep regret, I must report that five of our colleagues died in work-related incidents during the quarter. Those who died were: Lekhetho Ranko, a team leader at Bambanani, Ashley Nortje a boilermaker, and Keith Coleman, a maintenance technician, both at Target; Lebusa Elia, a team leader at Virginia Operations; and Martin Thosa, a night shift cleaner at Elandsrand. I would like to extend my deepest condolences to their families, friends and colleagues.

Our Fatal Injury Frequency Rate (FIFR) showed an encouraging improvement quarter on quarter. Whilst the current quarter has not been great, safety is a high priority and is being constantly addressed. The rewards of these will be seen in time.

Detailed coverage of our safety and health performance and the measures taken to ensure a safe working environment is contained in the safety and health section on page 5.

Gold market

The South African Rand was stronger against the US Dollar during the quarter, the exchange rate averaging R7.49/US$ compared with R7.78/US$ in the previous quarter.

The US Dollar gold price averaged $1 100/oz, up 14.9% on the previous quarter, pointing to the metal's continuing robustness as world economies recover from the meltdown of 2008. Consequently, the Rand gold price we received for our production averaged R264 774/kg, a 10.6% improvement quarter on quarter.

What matters primarily to us as a dominant South African gold producer, is of course the Rand gold price we receive, the determinant of which is the Rand/Dollar exchange rate. While the higher Rand gold price received during the December 2009 quarter was most welcome, we still hold the view that general Rand strength is likely to continue for so long as any global economic uncertainties last. We therefore expect the gold price to remain fairly flat for the next 12 months in R/kg terms.

Operating and financial results

Gold production for the quarter was down 1.2% to 11 569kg as expected, mainly due to the restructuring, more detail of which is provided below. Underground volume was 6.2% lower at 2 243 000t, underground grade flat at 4.51g/t, and underground production thus 5.7% lower at 325 268oz. Surface volumes increased by 22.9% to 2 681 000t. Combined with a 20% increase in grade to 0.54g/t,

resulted in surface production increasing by 46.8% to 46 688oz.
The increase in surface production can mainly be attributed to our opencast operations at PNG.

The aforementioned improvement in the average Rand gold price we received resulted in an 8.2% increase in revenue to R2 971 million, and after accounting for total cash operating costs – 1% lower at R2 172 million mainly because of the lower summer electricity tariff – cash operating profit was 44.9% higher at R800 million.

Further financial and operating results information is contained in the financial overview on page 5, and in the operational overview commencing on page 6.

Restructuring for sustained profitability

As part of our stated strategy, cutbacks from marginal loss-making mining operations at Harmony could be expected. Our objective is to eliminate high-cost ounces from our production profile.

We carefully reviewed our asset portfolio over a period of some months.

During the December 2009 quarter there was an intense focus on the uneconomical operations – specifically, Harmony 2 shaft, Merriespruit 1 and 3 shafts, and Brand 3 shaft, all contained within the Virginia operations; and the Evander 2, 5 and 7 shafts.

Brand 3 and Evander 7 ceased production, mainly due to depletion of their ore bodies, mature infrastructure and low grades. A number of their employees were redeployed to our growth projects to fill vacancies or to replace contractors at other operations.

Evander 2 and 5 were placed on care and maintenance during January 2010. We will continue to closely monitor Harmony 2, while the Merriespruit shafts appear to have remaining potential, provided they meet their production targets. It is likely that we will be able to minimise further retrenchments by absorbing some employees at the Pamodzi Gold Free State operations.

Growth project commissioning

The Company continued to focus on commissioning growth projects during the quarter, which showed encouraging results.

At Phakisa, volume increased by 22.5%, while recovery from the previous quarter's geological interferences and resolution of infrastructure problems were adequately addressed. Tshepong's grade challenge is expected to continue until production from the less erratic, higher-grade Sub-66 Decline area builds up. At Bambanani, the Shaft Pillar Extraction Project is gaining momentum, with development well under way.

Doornkop shaft received ISO 14001 accreditation in December 2009, the first Harmony operation to achieve this. Work during the Christmas break helped to reduce the impact of a shaft barrel delay on shaft equipping. While Elandsrand had a disappointing production quarter, the No 1 settler dam was sealed and pre-commissioning of the 115 level pump station was completed in preparation for full commissioning during the March 2010 quarter. The 100 level refrigeration complex construction is 90% complete, with completion planned for November 2010.

In PNG, remaining sections of the Hidden Valley process plant were completed in October 2009 and the overland conveyor in early December 2009. The past quarter yielded 43 028oz of gold production and 53 081oz of silver, 50% of which is attributable to Harmony. Hidden Valley is expected to reach commercial levels of production in March 2010 quarter.

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Results for the second quarter and six months

ended 31 December 2009

Progressing other projects

The business plan for the Pamodzi Gold Free State assets was completed during the quarter, the key milestones of which include: production of 18kg of gold a month from rock dump milling at Target. Our planning includes the recovery of some 800kg of gold from the plant clean-up; and production build-up from the underground assets to 150 000oz over the next 24 months. The reserve and resource estimates are currently being revised.

Re-treatment of surface tailings is proving to be an attractive proposition from both safety and cost perspectives. At our Phoenix Project in the Free State, we plan to increase volume by 400 000tpm to 900 000tpm, and at the nearby and re-commissioned Project Saints the mothballed St Helena plant will be upgraded to treat surface tailings over a period of at least 20 years. We are looking at financing options to fund these projects.

Project TPM is evaluating the potential for the economic recovery of uranium from the higher grade uranium ore mined at Tshepong, Phakisa and Masimong. Currrent activities include resource estimation, environmental studies, process and plant design, as well as metallurgical and flotation test work. We are now entering a 12-month feasability stage.

Exploration

Drilling at the Morobe Mining Joint Venture's Golpu West prospect in Papua New Guinea has achieved several highly significant intercepts of porphyry copper gold mineralisation. These form a new zone of mineralisation immediately west of the known Golpu resource. Although the mineralisation is open at depth and along strike, it is evident that this new discovery will have a material effect on the Golpu resource base and mining studies.

A new zone of epithermal gold mineralisation was outlined in initial drilling at the Northern Diatreme Margin prospect at Wafi, and a major new gold anomaly defined through reconnaissance stream sediment sampling at Bavaga. The latter lies about 6km north of the Wafi-Golpu project, on the Wafi transfer structure. The size of the footprint (>1 km in diameter) and the tenor of the anomaly (>1 g/t Au) are particularly encouraging and suggest potential for a significant gold deposit.

Further information on our exploration activities is contained in the exploration section commencing on page 12.

Harmony team

Hannes Meyer was appointed as financial director designate on 1 August 2009 and officially took over Harmony's financial director's responsibilities from Frank Abbott on 1 November 2009, following his appointment to Harmony's Board as executive director. Hannes is a qualified chartered accountant with more than 14 years' experience in the mining industry. He brings with him vast knowledge and experience of the mining industry from a financial perspective and he has already proven to be an asset to Harmony.

Frank Abbott agreed to continue to serve on the Harmony Board as an executive director for the next 12 months, as from January 2010. Frank will focus on the strategic direction and growth of the company. We are delighted that we have these two individuals on our team and look forward to the contributions they will make.

Looking ahead

We will push ahead with the commissioning of our growth projects, in order to bring to account their quality ounces, and we will continue to pursue profitable growth opportunities – organically, by acquisition and through forging strategic partnerships. Our immediate goal remains generating profitable ounces of production and earnings to reward our shareholders, both through dividends and future growth. We have made good progress in this regard, having produced 748 555oz for the six months ended 31 December 2009.

We will continue to engage in robust, constructive debate on issues that may affect the South African mining industry – in particular the outrageous power price increases being considered and the nationalisation of the mines.

Graham Briggs

Chief Executive Officer

Our strategy:

generating sustainable profi table ounces to fund growth and dividends

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Safety and health

Safety

Harmony continues to focus on sustainable safety improvements. Our management team is committed to ensuring that safety remains a priority at Harmony and to ensure that safety procedures and protocols of the highest standards are implemented at all Harmony's operations. Regrettably, fi ve fatalities were recorded during the quarter under review. Falls of ground and tramming accidents remain the main causes of the accidents.

We are pleased to announce that during the December 2009 quarter, a single digit Lost Time Injury Frequency Rate (LTIFR) was achieved for the fi fth consecutive quarter and also improved by 18% on year-to-date fi gures from 9.35 to 7.64. However, the LTIFR dropped 20% from 6.91 in the previous quarter to 8.30. The Fatality Injury Frequency Rate (FIFR) indicated a remarked improvement of 38% quarter on quarter from 0.32 to 0.20. However, the year to date fi gure deteriorated 24% from 0.21 to 0.26. The year to date Reportable injury Frequency Rate (RIFR) improved by 18% when compared to the actual fi gure for the previous year (from 4.97 to 4.09), but regressed by 29% quarter on quarter (from 3.55 to 4.59).

A signifi cant amount of attention was directed towards safety management during the quarter under review. Management has played a signifi cant role in setting safety objectives and in developing safety strategies that continue to focus on:

management leading by example;

involvement of all stakeholders;

compliance with standards, and the auditing thereof;

Financial overview

Cash operating profit was 44.9% higher at R800 million due to a higher average Rand gold price received and lower cash operating costs counteracting the impact of lower gold production and gold sold (excluding ounces from Hidden Valley).

Earnings per share

Basic earnings per share increased from a loss of 7 SA cents to earnings of 28 SA cents. Similarly, headline earnings increased from a headline loss of 12 SA cents to headline earnings of 49 SA cents. This improvement can be attributed to an increase in revenue.

Revenue

A 10.6% increase in the average Rand gold price received to R264 774/kg took revenue 8.2% higher to R2 971 million in spite of a 6.2% decrease in gold production to 10 900kg (excluding gold production at Hidden Valley) and a 2.2% decrease in gold sold to 11 224kg (excluding gold sold at Hidden Valley).

Costs

Total cash operating costs were 1% lower at R2 172 million due mainly to the lower summer-month electricity tariff applicable. Cash operating unit costs rose by 2% to R192 101/kg due to lower gold production.

behaviour-based campaigns and initiatives;

recognition of achievements; and

in situ training, particularly in hazard identifi cation and risk assessment.

Harmony's commitment to zero fatalities is communicated to employees on a regular basis, at every level of the company with a persistent, deliberate and consistent safety awareness effort. We have a comprehensive safety auditing programme (fi rst reported in FY07) in place to assess the physical workplace, compliance with fall of ground regulations, shafts and metallurgical processes (specifi cally in relation to compliance with the Cyanide Code).

More than 90% of the group's South African workforce participated in formal joint management-worker health and safety committees that participate in occupational health and safety programmes.

The following operations achieved outstanding safety results:

Harmony Total Operations – 1 000 000 fatality free shifts twice during the quarter

Ernest Oppenheimer Hospital – 4 000 000 fatality free shifts

Harmony 2 and Merriespruit 1 and 3 operations as a unit – 2 500 000 fatality free shifts

Randfontein Medical Bureau – 1 250 000 fatality free shifts

Tshepong – 750 000 fatality free shifts

Evander 8 shaft – 2 250 000 fatality free shifts

Free State Surface Operations – 2 000 000 fatality free shifts

Capital expenditure

Total capital expenditure was 2.5% lower at R892 million. While capital expenditure for the South African operations increased by 6.8% to R711 million, Hidden Valley capital expenditure was 27.3% lower at R181 million due to completion of construction at the site starting to come to an end.

Impairment of assets

An impairment of R67 million for Evander 2 and 5 shafts and R37 million for Brand 3 shaft were recorded following the decision to place these shafts on care and maintenance.

Security costs

Security costs increased by 19% to R90.5 million in calendar year 2009, in comparison to calendar year 2008 (R76 million), mainly due to additional measures being put in place to curb criminal mining.

Disposals

The remaining Avoca shares were disposed of in October 2009 for A$4.1 million.

Nedbank facility

The Company entered into loan facilities with Nedbank Limited in December 2009. One being term facility of R900 million and the other a revolving credit facility of R600 million to pay for the acquisition of the Pamodzi Free State assets and to create financial flexibility.

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Results for the second quarter and six months
ended 31 December 2009

Operational overview

South African underground operations

Indicator	December 2009	September 2009	% Variance
Tonnes **(‘000)**	2 243	2 392	(6)
Grade **(g/t)**	4.51	4.48	1
Gold produced **(kg)**	10 117	10 724	(6)
Gold produced **(oz)**	325 268	344 785	(6)
Gold sold **(kg)**	10 398	10 617	(2)
Gold sold **(oz)**	334 303	341 344	(2)
Cash operating costs **(R/kg)**	193 544	191 627	(1)
Operating profi t **(R’000)**	722 821	483 717	49
Capital expenditure **(R’000)**	682 792	649 561	

(5)

Bambanani

Indicator		December 2009	September 2009	% Variance
Tonnes	('000)	123	147	(16)
Grade	(g/t)	7.58	6.44	18
Gold produced	(kg)	932	946	(2)
Gold produced	(oz)	29 964	30 415	(2)
Gold sold	(kg)	969	973	–
Gold sold	(oz)	31 154	31 283	–
Cash operating costs	(R/kg)	179 746	199 533	10
Operating profit	(R'000)	79 969	40 633	97
Capital expenditure	(R'000)	27 906	23 019	

(21)
Safety during the quarter was poor. A fall of ground (FOG) fatality was recorded and and far-reaching corrective measures were taken as a consequence, including a change in the mining method used in steeply dipping, high-stoping-width panels from breast to down-dip.
An 18% improvement in recovered grade to 7.58g/t helped to contain the impact of a 16% drop in volume to 123 000t and gold production was 2% lower at 932kg.
Higher grade resulted both from moving of panels during October 2009 and from the achievement of required volumes from higher-grade panels. Grade is expected to be maintained going forward by moving of crews from low-grade areas to higher-grade areas in the upper shaft.
Lower volume was a consequence both of the aforementioned change in mining method and from generally unsatisfactory performance during December 2009.
Cash costs were 10% lower at R179 746/kg, mainly as a result of lower summer-month electricity tariffs applicable.
A 97% improvement in cash operating profit to R80 million resulted both from a higher Rand gold price received and lower costs.
Capital expenditure was 21% higher, reflecting the growing momentum of the Shaft Pillar Extraction Project.

Doornkop

Indicator	December 2009	September 2009	% Variance
Tonnes ('000)	148	130	14
Grade (g/t)	3.31	3.85	(14)
Gold produced (kg)	490	500	(2)
Gold produced (oz)	15 754	16 075	(2)
Gold sold (kg)	517		

500
3
Gold sold
(oz)
16 622
16 075
3
Cash operating costs
(R/kg)
198 561
171 476
(16)
Operating profit
(R'000)
31 426
18 536
70
Capital expenditure
(R'000)
78 720
72 766
(8)
Even more focus on safety-related matters resulted in improved procedures, training, maintenance and behaviour. The Doornkop shaft received ISO 14001 accreditation in December 2009, the first Harmony operation to achieve this milestone.
While volume improved by 14% to 148 000t, reflecting a 26% increase in square metres blasted, recovered grade was 14% lower at 3.31g/t, resulting in a 2% decline in gold production to 490kg.
Lower recovered grade was a consequence both of tonnage locked
During the quarter, a safety statistics audit conducted by the auditors revealed that under-reporting of accidents took place at Harmony's Phakisa mine during the period August to November 2009. Appropriate measures have been taken to rectify this and to ensure that all accidents are correctly recorded going forward.

Health

Harmony continues to roll out and invest in initiatives and healthcare programmes to protect the well-being of our employees and improve productivity of the company going forward.
In terms of occupational hygiene, noise and dust, we are pleased to announce that the implementation of personalised hearing protection devices (HPD's) is about 87% completed. The installation of sound attenuators on mechanical loaders has been scheduled and some operations have already begun with the installation process.
Furthermore, Harmony hosted the Chamber of Mines MOSH dust mini-summit on 12 November 2009 in the Free State, which bares testimony to our pro-active initiatives that are recognised by external stakeholders. Also during the quarter under review, the north and south airborne pollutant laboratories were audited by an external authority and we are pleased to announce that we achieved an overall compliance of 97%.

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up underground due to a fire on the main feed conveyor belt to the plant and a plant thickener breakdown.

Cash costs rose by 16% to R198 561/kg, mainly as a result of planned labour build-up to meet the operation's future production profile.

Cash operating profit was 70% higher at R31.4 million however, reflecting the higher Rand gold price received.

While shaft barrel delays at the South Reef Project caused equipping to fall behind, 14 days were gained during the Christmas break and the North and South Rock Winder compartments are now equipped to 212 level. The construction of the 212 level conveyor belt is expected to be completed by February 2010.

Elandsrand

Indicator		December 2009	September 2009	% Variance
Tonnes	('000)	235	260	(10)
Grade	(g/t)	5.90	6.25	(6)
Gold produced	(kg)	1 387	1 625	(15)
Gold produced	(oz)	44 593	52 245	(15)
Gold sold	(kg)	1 488	1 433	4
Gold sold	(oz)	47 840	46 072	4
Cash operating costs	(R/kg)	199 147		

182 729
(9)
Operating profit
(R'000)
101 047
68 904
47
Capital expenditure
(R'000)
124 700
111 325
(12)
Increased seismicity during the quarter resulted in one fatality and a rise in the number of lost time injuries. As a consequence pre-conditioning of stope faces has been improved to reduce the risk of face ejection resulting from small, volatile seismic events, and a broader range of safety initiatives continue to be applied.
Gold production was 15% lower at 1 387kg, reflecting a 10% decline in volume to 235 000t and a 6% drop in recovered grade to 5.90g/t. Lower volume resulted from a lack of available face length and from five productions shifts lost, three due to a Section 54 instruction following the fatality, one to a power outage caused by a faulty transformer at the Eskom sub-station and one to a compressor breakdown. Lower recovered grade was a consequence of lower face grade, mine call factor and the treatment of low-grade tonnage from a dam clean-up in the plant.
While cash operating costs were 9% higher at R199 147, reflecting lower production, cash operating profit was 47% higher at R101 million due to the improved Rand gold price received.
Evander
December September
%
Indicator
2009
2009 Variance
Tonnes
('000)
245
259
(5)
Grade
(g/t)
4.31
4.78
(10)
Gold produced
(kg)
1 057
1 239
(15)
Gold produced

(oz)
33 983
39 835
(15)
Gold sold
(kg)
1 158
1 203
(4)
Gold sold
(oz)
37 231
38 677
(4)
Cash operating costs
(R/kg)
249 411
226 699
(10)
Operating profit
(R'000)
23 366
16 880
38
Capital expenditure
(R'000)
54 363
51 651
(5)
Safety performance was satisfactory at Evander.
Volume was 5% lower at 245 000t and recovered grade 10% lower at 4.31g/t, resulting in a 15% decline in gold production to 1 057kg. Lower volume was mainly the result of the closure of Evander 7 shaft in December 2009 and panels stopped at Evander 8 shaft because of high temperatures. Steps to improve ventilation at Evander 8 shaft have been taken. Lower recovered grade resulted primarily from a 5% decline in face grade and in mine call factor.
Cash operating costs were 10% higher at R249 411/kg, due mainly to the drop in gold production. Cash operating profit was 38% higher at R23.4 million due to the higher Rand gold price received.
The impact of the closure of Evander 2 and 5 shafts in January 2010 will reflect in the operation's results for the quarter ended 31 March 2010.
Joel
December September
%
Indicator
2009
2009 Variance
Tonnes
('000)

112
136
(18)
Grade
(g/t)
5.28
3.79
39
Gold produced
(kg)
591
515
15
Gold produced
(oz)
19 001
16 558
15
Gold sold
(kg)
615
529
16
Gold sold
(oz)
19 773
17 008
16
Cash operating costs
(R/kg)
167 232
198 792
16
Operating profit
(R'000)
59 429
22 944
>100
Capital expenditure
(R'000)
32 422
17 809
(82)
Joel recorded a very satisfactory quarter from a safety perspective, being fatality-free for more than two years.
While volume declined by 18% to 112 000t, recovered grade was 39% higher at 5.28g/t, resulting in a 15% increase in gold production to 591kg.
Lower volume was due to lower tonnes mined in December 2009 arising from a drop in stoping width, raise boring of the extension

8
Results for the second quarter and six months
ended 31 December 2009

to the lift shaft and a mud rush on the belt level. Higher recovered grade was due to increased face grade in the west, more vamping in the upper mine and reduced stoping widths.

Cash operating costs were 16% lower at R167 232/kg, reflecting higher gold production, lower electricity costs and good stores controls. Cash operating profit was 159% higher at R59.4 million due to higher gold production and an increase in the Rand gold price received.

Capital expenditure increased by 82% from R17.8 million to R32.4 million mainly due to the continued capital being spent on the re-commissioning of Joel plant. Joel plant started treating ore from Joel shaft during the December 2009 quarter.

Raise boring of the lift shaft extension to 129 level has been completed. Cleaning operations are in progress which will be followed by shaft support work and equipping. Completion is expected in September 2010.

Masimong

Indicator		December 2009	September 2009	% Variance
Tonnes	(‘000)	235	234	–
Grade	(g/t)	5.29	5.81	(9)
Gold produced	(kg)	1 242	1 359	(9)
Gold produced	(oz)	39 931	43 693	(9)
Gold sold	(kg)	1 227	1 349	(9)
Gold sold				

(oz)
39 449
43 371
(9)
Cash operating costs
(R/kg)
142 754
137 986
(4)
Operating profit
(R'000)
149 710
138 159
8
Capital expenditure
(R'000)
45 014
38 866
(16)

Masimong reported very good safety results with an improvement in both LTIFR and RIFR.

Gold production was 9% lower at 1 242kg. While volume was flat at 235 000t, recovered grade was 9% lower at 5.29g/t due to a drop in B Reef grades. The Basal Reef panels stayed fairly constant and will continue to do so.

Cash operating costs were 4% higher at 142 754/kg, a consequence of the lower gold production. Masimong remains the lowest R/kg cost producer in the company, including surface operations. A higher Rand gold price received resulted in an 8% increase in cash operating profit to R149.7 million.

Capital was 16% higher at R45.0 million but lower than planned due to the delayed delivery of emergency generators and fridge plant, now scheduled to arrive in the third and fourth quarters of FY10.

Phakisa

December September
%
Indicator
2009
2009 Variance
Tonnes
('000)
87
71
23
Grade
(g/t)
4.02
3.66
10
Gold produced
(kg)

350
260
35
Gold produced
(oz)
11 253
8 359
35
Gold sold
(kg)
364
268
36
Gold sold
(oz)
11 703
8 616
36
Cash operating costs
(R/kg)
216 006
222 000
3
Operating profit
(R'000)
16 889
5 244
>100
Capital expenditure
(R'000)
137 917
127 689
(8)

Safety indicators deteriorated quarter on quarter, pointing to a need for re-focus.

Gold production rose by 35% to 350kg, reflecting a 23% increase in volume to 87 000t and a 10% improvement in recovered grade to 4.02g/t. Volume, nonetheless, was below expectation as the mine continues to address geological issues and down-time on new infrastructure.

Cash operating costs were 3% lower at R216 006/kg. Higher gold production and a higher Rand gold price received led to a 222% increase in cash operating profit to R16.9 million.

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