

PERSEUS MINING LIMITED

ABN 27 106 808 986

Annual Report 2004

Perseus Mining Limited
Corporate Directory

Directors	Reginald Norman Gillard Mark Andrew Calderwood Colin John Carson Alexander Becker Rhett Boudewyn Brans Neil Christian Fearis	Non-Executive Chairman Managing Director Executive Director Non-Executive Director Non-Executive Director Non-Executive Director
Company Secretary	Susmit Mohanlal Shah	
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Auditors	HLB Mann Judd 15 Rheola Street West Perth Western Australia 6005	
Stock Exchange Listings	Australian Stock Exchange Limited	(Code – PRU & PRUO)

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Perseus Mining Limited
Directors' Report
For the Period 24 October 2003 to 30 June 2004

Your directors present their report together with the financial report of Perseus Mining Limited ("the Company") and its controlled entities, (collectively referred to as the "consolidated entity"), from the date of incorporation on 24 October 2003 to 30 June 2004 and the auditor's report thereon.

DIRECTORS

The names and details of the Directors in office during or since the end of the financial year are as follows. Directors were in office for the entire year unless otherwise stated.

Reginald Norman Gillard
BA FCPA FAICD JP
Non-Executive Chairman
(Appointed 24/10/2003)

After practising as an accountant for over 31 years, during which time he formed and developed a number of service related businesses, Reg Gillard now focuses on corporate management, corporate governance and the evaluation and acquisition of businesses. He is non-executive chairman of Afminex Limited, Lafayette Mining Ltd, Moto Goldmines Ltd, and Aspen Group Ltd.

Mark Andrew Calderwood
Managing Director
(Appointed 23/01/2004)

Mark Calderwood is a member of the Australasian Institute of Mining and Metallurgy and has extensive experience in exploring for and mining both gold and tantalum. He has eight years' experience in the West African region and has a network of contacts throughout the region.

Colin John Carson
CPA FCIS FCIM
Executive Director
(Appointed 24/10/2003)

Colin Carson has been involved as a director and company secretary of a number of Australian public companies since the early 1980s and is responsible for the Company's joint venture negotiations and corporate and legal matters. He is a director of Afminex Limited

Dr Alexander Becker
Non-Executive Director
(Appointed 20/05/2004)

Alexander Becker has a PhD in structural geology and tectonophysics. He has over 20 years' experience in mineral and petroleum exploration, tectonics, stratigraphy and regional geology in Central Asia, particularly the Kyrgyz Republic. Dr Becker spends a significant portion of his time in the Kyrgyz Republic. Dr Becker is a non-executive director of Afminex and will act as a consultant to Perseus.

Rhett Boudewyn Brans
Non-Executive Director
(Appointed 26/05/2004)

Mr Brans qualified as a civil engineer at what is now known as Monash University in 1974 and completed an advanced management program at the University of Melbourne in 1991.

Mr Brans has operated a consultancy providing project management services to the mining industry for the past 12 years. In this capacity, he has managed the development of gold and base metal projects. His experience extends across the full range from mining feasibility studies through to commissioning operations. Mr Brans has 30 years' experience in the design and construction of mineral treatment facilities.

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DIRECTORS - continued

Neil Christian Fearis
(Appointed 26/05/2004)

Neil Fearis has 27 years' experience as a commercial lawyer in the UK and Australia. He practises principally in the area of mergers and acquisitions, takeovers, public flotations, and other forms of capital raising.

Mr Fearis is a member of several professional bodies associated with commerce and the law and is currently Chairman of Kresta Holdings Limited and a non-executive director of Carnarvon Petroleum Limited and Capital Growth Corp Limited.

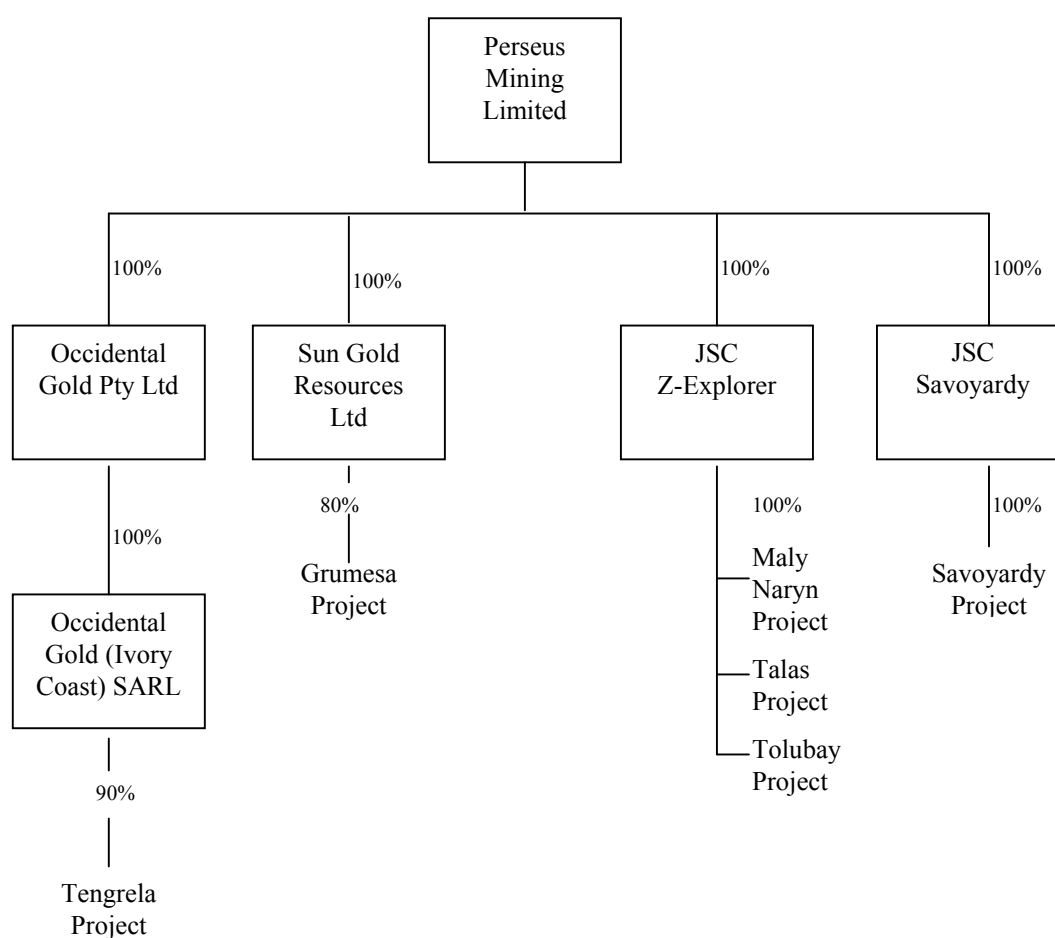
Mr Waldemar Karl Mueller, who was appointed as a director of the Company on 24 October 2003, resigned on 26 May 2004.

CORPORATE INFORMATION

Corporate Structure

Perseus Mining Limited is a limited liability company that is incorporated and domiciled in Australia. It has prepared a consolidated financial report incorporating the entities that it controlled during the financial period, which are outlined in the following illustration of the group's corporate structure.

PERSEUS MINING LIMITED – GROUP STRUCTURE AT 30 JUNE 2004



Perseus Mining Limited
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PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial period were mineral exploration and project development in West Africa and the Kyrgyz Republic in Central Asia.

RESULTS AND DIVIDENDS

The consolidated loss after tax for the period ended 30 June 2004 was \$282,553. No dividends were paid during the period and the Directors do not recommend payment of a dividend.

EARNINGS PER SHARE

Basic loss per share for the period was 1.3 cents.

REVIEW OF OPERATIONS

Perseus Mining Ltd was incorporated on 24 October 2003 to acquire, explore and develop a number of highly prospective gold projects in West Africa and the Kyrgyz Republic. The Grumesa project in Ghana already has substantial low grade resources with a higher grade zone which will be assessed for possible mining by trucking to a nearby mill for processing. Tengrela in Ivory Coast and Savoyardy in the Kyrgyz Republic have drill ready targets with potential to host substantial gold deposits.

The period under review (24 October 2003 to 30 June 2004) was largely spent negotiating and documenting contracts for the acquisition of properties, farming out of the Kyldoo and Savoyardy projects and raising funds for project development. A \$750,000 capital raising in March 2004 provided initial funding for operations and for completion of the initial public offering ("IPO") and Australian Stock Exchange listing processes. After raising \$3,717,000 from its IPO, Perseus successfully debuted on the mining board of ASX on 22 September 2004.

Equity in the Tengrela and Grumesa projects was acquired from Afminex Ltd and agreement was reached with Anglo Ashanti to acquire its minority equity in Grumesa subject to Perseus listing on ASX. The Kyldoo and Savoyardy projects were acquired from Afminex and other vendors. Three other less explored projects in the Kyrgyz Republic were acquired for nominal consideration as part of the package.

The Tengrela project consists of two exploration licences covering nearly 1,000 sq km in northern Ivory Coast, including a 60 km section of the Syama shear. Nine regionally significant soil anomalies have been identified in an area with a historically high conversion rate of anomalies to gold deposits. A program of infill soil sampling and pitting commenced in late October 2004 with the view to commencing RAB drilling in the December quarter.

Infill and extension RC drilling of the Kayeya gold deposit on the Grumesa project commenced in October 2004. The two-phase program will be followed by a resource upgrade and feasibility study investigating the option of trucking the higher grade gold ore to a nearby processing facility.

The Savoyardy and Kyldoo projects were farmed out to Lalo Ventures Ltd. After a number of delays on the Savoyardy project, drilling of secondary targets identified during road construction commenced in October, but the onset of winter is likely to restrict the planned program. Lalo withdrew from the Kyldoo joint venture after completing a four hole diamond drilling program to test the core of anticlinal structures within the project. The work by Lalo earned Perseus a 50% interest in the project vehicle, and while gold grades recorded were low, highlighted the potential of intrusive related targets similar to the Makmal Mine, located 4 km away.

A review of exploration data on Tolubay and a site visit has highlighted the significant potential of the project to host "Carlin Trend" style mineralisation within a 15km long corridor. A 3 hole diamond drilling program is planned to test for extensions of a mineralised zone identified in a prior drill intersection of 20m @ 1.9g/t Au and adit sampling of 26m @ 4.4g/t Au.

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Reconnaissance exploration on a 30 sq km portion of the Talas project confirmed previous results, with intercepts of 4m @ 4.6g/t, 4m @ 1.5g/t, 2m @ 1.6g/t, 26m @ 0.7g/t and 8m @ 0.4g/t Au. Gold is associated with pyrite, chalcopyrite and alteration minerals over at least 40km strike. Selected area will be followed up in the next field season.

A short reconnaissance sampling program on the Maly Naryn project did not highlight any new gold zones or significance, but previously identified zones will be followed up in the next field season.

Exploration efforts over the next six months will be concentrated on the Grumesa and Tengrela projects in West Africa.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the financial period were as follows:

- the acquisition of companies and mineral interests in Ghana, Ivory Coast and the Kyrgyz Republic for \$51,179 cash and the issue of 20,200,000 fully paid Perseus Mining Limited shares; and
- a seed capital raising of \$750,000 by the issue of 7,500,000 shares and 3,750,000 free attaching options exercisable at 20 cents each on or before 31 March 2009.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial period and to the date of this report no matter or circumstance has arisen which has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years, other than the matters referred below:

On 14 July 2004, the Company issued a prospectus to raise a minimum of \$3.5 million and to list on the Australian Stock Exchange. The Company successfully completed its initial public offer on 15 September 2004 by the issue of 18,585,000 fully paid ordinary shares and 9,292,500 free attaching options (exercisable at 20 cents each on or before 31 March 2009) to raise a total of \$3,717,000.

Perseus Mining Limited
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LIKELY DEVELOPMENTS

The Company's focus over the next financial year will be on exploring the Tengrela project and conducting infill resource drilling at Grumesa, including a feasibility study assessing the trucking of higher grade material to a nearby gold processing facility.

Further commentary on planned activities over the forthcoming period is provided in the "Review of Operations".

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors and the number of meetings attended by each Director during the period ended 30 June 2004 are:

	Directors' meetings held during period of office	Directors' meetings attended
R N Gillard	7	7
M A Calderwood	5	4
C J Carson	7	7
A Becker	1	-
R B Brans	1	1
N C Fearis	1	1

At present, the Company does not have any formally constituted committees of the Board. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of special committees. However, it is the Directors intention to establish an audit committee shortly.

DIRECTORS' INTERESTS

The interests of each Director in the shares and options of Perseus Mining Limited at the date of this Report are as follows:

	Fully Paid Ordinary Shares	Options Over Ordinary Shares
R N Gillard	140,000	70,000*
M A Calderwood	370,000	2,495,000
C J Carson	340,000	50,000
A Becker	1,395,254	-*
R B Brans	50,000	25,000*
N C Fearis	100,000	50,000*

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DIRECTORS' INTERESTS - continued

* The Directors have resolved to issue, subject to shareholder approval, 2,000,000 Options in aggregate to the non-executive directors after listing on the ASX. An agreement has been entered into by the Company and each of the non-executive directors as follows for the issue of these Options as follows:

R N Gillard	400,000 options
A Becker	800,000 options
R B Brans	400,000 options
N C Fearis	400,000 options

These options will be unlisted and will be exercisable at 20 cents each on or before 31 March 2009.

SHARE OPTIONS

As at the date of this report, there are 19,982,500 options to subscribe for unissued ordinary shares in the Company, exercisable at 20 cents each on or before 31 March 2009.

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate. There are no options to subscribe for shares in any controlled entity.

Options issued during the period are as follows:

- 3,750,000 options to subscribe for ordinary shares were issued to seed capital investors.

Options issued after 30 June 2004 and up to the date of this report are as follows:

- 9,292,500 options were issued as part of the Company successfully completing its initial public offer on 15 September 2004 by the issue of 18,585,000 fully paid ordinary shares and 9,292,500 free attaching options (exercisable at 20 cents each on or before 31 March 2009) to raise a total of \$3,717,000.
- 4,000,000 options were issued in satisfaction of the capital raising fee to Montagu Stockbrokers.
- 2,940,000 options were issued to executives and employees. These options will be subject to ASX escrow conditions for a period of two years.

No options were exercised to acquire shares in the Company during the financial period or since the period-end.

Perseus Mining Limited
Directors' Report
For the Period 24 October 2003 to 30 June 2004

DIRECTORS' AND EXECUTIVES' EMOLUMENTS

The Board reviews the remuneration packages applicable to the executive Directors, senior executives and non-executive Directors on an annual basis. Remuneration levels are competitively set to attract qualified and experienced directors and senior executives.

Directors and executives may receive options as an incentive to generate exploration successes for the consolidated entity and in recognition of the difficult working conditions experienced in the field. The exercise price of such options is pitched so that major exploration successes will be rewarded.

The elements of emoluments disclosed in this report have been determined on the basis of the cost to the Company and the consolidated entity. Executives are those directly accountable and responsible for the operation, management and strategic direction of the Company and the consolidated entity.

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the named officers of the consolidated entity receiving the highest emoluments for the financial period are set out below. Note that there are no executive officers of the Company who are not Directors and there are currently less than five executives of the consolidated entity who are not Directors of the Company.

	Salary / Fees \$	Superannuation \$	Total \$
Directors			
R N Gillard	3,333	300	3,633
M A Calderwood	13,406	-	13,406
C J Carson	-	-	-
A Becker	2,500	-	2,500
R B Brans	2,500	225	2,725
N C Fearis	2,500	-	2,500

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No indemnities have been given during or since the end of the period for a person who is or has been a Director, officer or an auditor of any entity within the consolidated entity and no insurance premiums have been paid or agreed to be paid for insurance against a current or former officer's or auditor's liability or legal costs.

ENVIRONMENTAL REGULATIONS

The consolidated entity's operations are not subject to any significant Australian environmental laws but its exploration and development activities in West Africa and the Kyrgyz Republic are subject to environmental laws, regulations and permit conditions. There have been no known breaches of environmental laws or permit conditions while conducting operations in West Africa or the Kyrgyz Republic during the period.

CORPORATE GOVERNANCE

The Board's primary role is the protection and enhancement of long-term shareholder value. Good corporate governance is essential to this process. The Board is responsible for the overall corporate governance of the Company including its strategic direction, establishing and achieving objectives, monitoring and assessing risk and optimising performance.

In accordance with the Australian Stock Exchange Corporate Governance Council's ("CGC") "Principles of Good Corporate Governance and Best Practice Recommendations" the Corporate Governance Statement must contain certain specific information and must disclose the extent to which the Company has followed the guidelines during the period. Where a recommendation has not been followed, that fact must be disclosed together with the reasons for the departure.

The Company has not conformed to the abovementioned principles in its entirety due to the fact that the Company was incorporated in October 2003 and was focussed on acquiring various gold properties and completing an initial public offer to list on the ASX. The Company is cognisant of the requirements of the abovementioned principles and will seek to comply and follow the guidelines following the successful listing of the Company on the ASX on 22 September 2004. The following is a summary of Perseus's corporate governance policy.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise at least 3 Directors and should maintain a majority of non-executive directors;
- the Board should comprise Directors with an appropriate range of qualifications and expertise;
- the Board shall meet at least quarterly; and
- the selection of the Board members shall always be for the purpose of their ability to add value to Perseus.

The Company's Constitution provides that one third of the Directors, excluding the Managing Director, shall retire by rotation annually. Retiring Directors are eligible for re-election at the annual general meeting. The Directors are not required to hold any qualifying shares.

Review of Board Performance

The Board will meet once a year to review its own performance. The Chairman will review the performance of the Managing Director annually. Evaluations are based on specific criteria, including whether strategic and operational objectives are being met.

Committees of the Board

The Company does not have any formally constituted committees of the Board. The Directors consider that the Company is not of a size nor are its affairs of such complexity as to justify the formation of special committees. However, the Directors propose to establish an audit committee shortly now that the Company has successfully listed on ASX.

Internal Control Framework

The Board has instigated an internal control framework that enables:

- appropriate control over expenditure;
- a regular reporting process, which facilitates Board review of all significant issues; and

Perseus Mining Limited
Directors' Report
For the Period 24 October 2003 to 30 June 2004

- the reporting of price sensitive information to the ASX in accordance with continuous disclosure requirements.

Compensation Arrangements

The maximum aggregate amount payable to non-executive directors as Directors' fees has been set at \$200,000. The Constitution provides that this amount can only change pursuant to a resolution at a general meeting of the Company.

The Board reviews the remuneration packages and policies applicable to Directors and senior staff on an annual basis. Remuneration levels are competitively set to attract the most qualified and experienced Directors and personnel. Details of the Directors' remuneration terms are disclosed in Note 22.

Independent Professional Advice

Each Director has the right, in appropriate circumstances, to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required and will not be unreasonably withheld.

Risk Management

The Board monitors and receives advice on areas of operational and financial risk, and considers strategies for appropriate risk management arrangements. The Directors recognise that mineral exploration is inherently risky.

Ethical Standards

The Board acknowledges the need for continued maintenance of the highest standard of corporate governance practice and ethical conduct by all Directors and employees of Perseus. The Directors propose to develop a code of conduct for ethical and responsible decision-making by themselves and management.

Dealings in Securities of Perseus

Due to the potential impact on the price of Perseus's securities of the release of exploration activity reports and financial information reports at the end of each calendar quarter, Directors, senior management and certain employees of Perseus with access to sensitive financial information who trade near the end of a calendar quarter incur the risk of being party to a future lawsuit based on an allegation that they are trading on inside information. In order to provide a measure of protection, Perseus will institute periods ("Black-Out Periods") during which Directors, employees and consultants of Perseus and entities over which those persons have control are not permitted to buy, sell or otherwise trade in securities of Perseus.

Signed in accordance with a resolution of Directors.



R N Gillard
Chairman

Perth, 29 October 2004

Perseus Mining Limited
Statements of Financial Performance
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
Revenue from ordinary activities	2	66,118	7,993
Depreciation expense	3	(2,703)	(114)
Employee, directors and consultants costs		(120,640)	(89,438)
Diminution in value of loans to and investments in controlled entities	3	-	(51,190)
Foreign exchange losses	3	-	(48,574)
Other expenses from ordinary activities	3	<u>(225,328)</u>	<u>(101,230)</u>
Expenses from ordinary activities		<u>(348,671)</u>	<u>(290,546)</u>
Loss from ordinary activities before related income tax expense		(282,553)	(282,553)
Income tax (expense)/benefit relating to ordinary activities	5	<u>-</u>	<u>-</u>
Net loss attributable to members of the parent entity		<u>(282,553)</u>	<u>(282,553)</u>
Basic earnings/(loss) per share	6	<u>(1.3) cents</u>	

Perseus Mining Limited
Statements of Financial Position
As At 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
Current Assets			
Cash assets	8	402,823	308,940
Receivables	9	17,849	6,929
Other	10	421	-
Total Current Assets		421,093	315,869
Non-Current Assets			
Receivables	9	-	2,042,846
Other financial assets	11	-	34,316
Property, plant and equipment	12	13,304	2,146
Mineral interest acquisition, exploration and development expenditure	13	2,100,166	100,000
Total Non-Current Assets		2,113,470	2,179,308
Total Assets		2,534,563	2,495,177
Current Liabilities			
Payables	14	118,605	79,219
Total Current Liabilities		118,605	79,219
Total Liabilities		118,605	79,219
Net Assets		2,415,958	2,415,958
Equity			
Contributed equity	15	2,698,511	2,698,511
Accumulated losses	16	(282,553)	(282,553)
Total Equity		2,415,958	2,415,958

Perseus Mining Limited
Statements of Cash Flows
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
Cash Flows from Operating Activities			
Cash payments in the course of operations		(231,685)	(130,709)
Interest received		<u>6,495</u>	<u>6,495</u>
Net Cash used in Operating Activities		<u>(225,190)</u>	<u>(124,214)</u>
Cash Flows from Investing Activities			
Payments for exploration and development expenditure		(80,166)	-
Payments for property, plant and equipment		(16,007)	(2,260)
Advances from entities		45,675	13,830
Payments for investments in controlled entities		-	(51,179)
Advances to controlled entities		<u>-</u>	<u>(205,748)</u>
Net Cash used in Investing Activities		<u>(50,498)</u>	<u>(245,357)</u>
Cash Flows from Financing Activities			
Proceeds from share issues		763,234	763,234
Share issue expenses		<u>(84,723)</u>	<u>(84,723)</u>
Net Cash provided by Financing Activities		<u>678,511</u>	<u>678,511</u>
Net Increase in Cash Held		402,823	308,940
Cash at the beginning of the period		<u>-</u>	<u>-</u>
Cash at the end of the Financial Year	8	<u>402,823</u>	<u>308,940</u>

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 which includes applicable Australian Accounting Standards and other authoritative pronouncements of the Accounting Standards Board. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with. The financial report covers the consolidated entity of Perseus Mining Ltd (the "Company") and controlled entities, and the Company as an individual parent entity. Perseus Mining is incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Principles of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the parent entity and all entities which the Company controlled from time to time during the year and at balance date.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

The financial reports of controlled entities are prepared for the same reporting year as the Company, using consistent accounting policies.

Foreign Currency

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of the transaction. At balance date amounts payable and receivable in foreign currencies are translated to Australian currency at rates of exchange current at that date. Resulting exchange differences are recognised in determining the result for the year.

As the foreign controlled entities are dependent on the parent entity, their monetary assets and liabilities are translated into Australian currency at rates of exchange at balance date. Non-monetary assets are translated at historical rates at the time of the transaction and revenues and expenses are translated at the average of rates ruling during the year. Resulting exchange differences are brought to account in determining the profit or loss for the year.

Revenue Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST). Exchanges of goods or services of the same nature and value without any cash consideration are not recognised as revenues.

Interest revenue is recognised as it accrues, taking into account the effective yield on the financial asset.

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

Taxes

Income taxes

Tax-effect accounting is applied using the liability method whereby income tax is regarded as an expense and is calculated on the accounting profit after allowing for permanent differences. To the extent timing differences occur between the time items are recognised in the financial statements and when items are taken into account in determining taxable income, the net related taxation benefit or liability, calculated at current rates, is disclosed as a future income tax benefit or a provision for deferred income tax. The net future income tax benefit relating to tax losses and timing differences is not carried forward as an asset unless the benefit is virtually certain of being realised.

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense as applicable.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, cash includes:

- cash on hand and at call deposits with banks or financial institutions, net of bank overdrafts; and
- investments in money market instruments which are readily convertible to cash on hand.

Receivables

Trade receivables and other receivables are recorded at amounts due less provision for doubtful debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

Acquisition of Assets

The cost method of accounting is used for all acquisitions of assets regardless of whether shares or other assets are acquired. Cost is determined as the fair value of the assets given up at the date of acquisition plus costs incidental to the acquisition.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Recoverable Amount of Non-Current Assets Valued on Cost Basis

The recoverable amount of an asset is the net amount expected to be recovered through the net cash inflows arising from its continued use and subsequent disposal.

The carrying amounts of non-current assets valued on the cost basis, other than mineral interest acquisition, exploration and development expenditure carried forward, are reviewed annually to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the period in which it occurs.

In assessing recoverable amount of non-current assets, the relevant cash flows have not been discounted to their present value except where specifically stated.

Investments

Investments in associates are carried at the lower of the equity-accounted amount and recoverable amount in the consolidated financial report and the lower of cost and recoverable amount in the Company's financial report.

All other non-current investments are carried at the lower of cost and recoverable amount.

Property, Plant and Equipment

Property, plant and equipment are included at cost and, except for freehold land, are depreciated over their estimated useful lives commencing from the time the asset is held ready for use. Depreciation is provided using the straight line method for all property, plant and equipment. Estimated useful lives of between three and ten years have been used in the calculation of depreciation for plant and equipment.

Mineral Interest Acquisition, Exploration and Development Expenditure

Mineral interest acquisition, exploration and development expenditure is accumulated separately for each area of interest. Such expenditure comprises acquisition costs, direct exploration and development costs and an appropriate portion of related overhead expenditure, but does not include general overheads or administrative expenditure not having a specific nexus with a particular area of interest.

Revenue received from the sale or disposal of product, materials or services during the exploration and evaluation phase of operations is offset against expenditure in respect of the area of interest or mineral resource concerned.

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest, or, where exploration and evaluation activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Exploration and development expenditure, which does not satisfy the above criteria is written off.

Joint Ventures

Joint venture interests are incorporated in the financial statements by including the consolidated entity's proportion of joint venture assets and liabilities under the appropriate headings.

Where part of a joint venture is farmed out and in consideration the farminee undertakes to carry out further expenditure in the joint venture area of interest, expenditure incurred prior to farmout is carried forward without adjustment unless the terms of the farmout indicate that the expenditure carried forward is excessive based on the diluted interest retained. Provision is then made to reduce expenditure carried forward to a recoverable amount.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Any cash received in consideration for farming out part of a joint venture interest is treated as a reduction in the carrying value of the related mineral property.

Payables

Trade payables and other accounts payable are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. Amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

Provisions are recognised when there is a legal, equitable or constructive obligation to make a future sacrifice of economic benefits as a result of a past event, it is probable that a future sacrifice of economic benefits will be required, and a reliable estimate can be made of the amount of the obligation.

Employee Benefits

Provision is made for the Company's liability for wages and salaries, annual leave and long service leave arising from services rendered by employees to the reporting date. Liabilities so arising and expected to be settled within twelve months of the reporting date are measured at their nominal amounts based on remuneration rates, which are expected to be paid when the liability is settled.

Contributions are made by the consolidated entity to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

The Company has granted options to certain employees. Other than the costs incurred in administering the issue of options, which are expensed as incurred, the value of options granted is not being recognised as an employee benefits expense.

Contributed Equity

Issued capital is recognised at the fair value of the consideration received by the company.

Transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Earnings per Share

Basic earnings per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends), by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is determined by dividing the net result attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and any expenses associated with dividends and interest of dilutive potential ordinary shares, by the weighted average number of ordinary shares (both issued and potentially dilutive) adjusted for any bonus element.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Segment Reporting

Segment revenues and expenses are those directly attributable to the segments and include any joint revenue and expenses where a reasonable basis of allocation exists.

Segment assets include all assets used by a segment and consist principally of cash, receivables and property, plant and equipment net of accumulated depreciation. Whilst most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of accounts payable, employee entitlements, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Where segment revenues and expenses include transfers between segments, these are at the same rates which would apply to parties outside the consolidated entity on an arm's length basis. These transfers are eliminated on consolidation.

International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of next financial year. The Company's directors are assessing the significance of these changes and preparing for their implementation.

Set out below are the key areas where accounting policy will change and may have an impact on financial reporting by Perseus Mining Limited. At this stage, the Company has not been able to reliably quantify the impact on the financial report, as the convergence work has yet to be completed.

Impairment of Assets – Under Accounting Standard AASB 136 'Impairment of Assets', the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Company's current accounting policy, which determines the recoverable amount of an asset on the basis of undiscounted cash flows. Under the new policy, it is likely that impairment of assets will be recognised sooner and that the amount of write-downs charged to the Statement of Financial Performance could be greater.

Share based payments - Under Accounting Standard AASB 2, the Company will be required to determine the fair value of future options or other equity based compensation issued to employees and recognise this as an expense in the statement of financial performance.

Income taxes – Currently, the consolidated entity adopts the liability method of tax effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under the Australian equivalent to IAS 12, the consolidated entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

Exploration expenditure: currently an accounting standard has yet to be issued which deals with the treatment of exploration and evaluation expenditure under IFRS. Recent updates from the International Accounting Standards Board confirm that there remains uncertainty as to whether or not costs incurred in relation to acquisition, exploration and evaluation of mineral assets can continue to be capitalised and carried forward as deferred costs in statements of financial position.

The Board of Directors as a whole will be involved in the monitoring and achievement of the transition to IFRS reporting. The assessment and planning for IFRS is mostly complete at 30 June 2004. The design phase, involving formulating revised accounting policies and procedures, identifying potential financial impacts and designing appropriate accounting and business processes, is expected to be completed during the 2004/2005 year. The implementation phase of IFRS reporting is also expected to be completed by 30 June 2005.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
2. REVENUE FROM ORDINARY ACTIVITIES			
Revenues from outside operating activities			
Interest - other parties		7,993	7,993
Foreign currency exchange gains	3(b)	<u>58,125</u>	<u>-</u>
Total revenue from ordinary activities		<u>66,118</u>	<u>7,993</u>

3. LOSS FROM ORDINARY ACTIVITIES

Loss from ordinary activities before income tax has been determined after:

(a) Expenses

Depreciation of plant and equipment		2,703	114
Foreign exchange losses	3(b)	-	48,574
Diminution in value of loans to and investments in controlled entities		-	51,190

Other expenses include:

West African administrative and overhead costs		107,122	-
Kyrgyz Republic administrative and overhead costs		16,198	-
Auditors' remuneration	4	7,399	5,000
Travel and accommodation		31,492	31,492
Corporate promotion and advertising		9,817	9,817
Legal expenses		10,975	10,975

(b) Losses/(gains)

Net foreign currency exchange (gains)/losses		(58,125)	48,574
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	Notes	Consolidated 2004 \$	Company 2004 \$
4. AUDITORS' REMUNERATION			
Audit services:			
- Auditors of the company – HLB Mann Judd		5,000	5,000
- Other auditors		<u>2,399</u>	<u>-</u>
		<u>7,399</u>	<u>5,000</u>

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

5. INCOME TAX EXPENSE

- (a) The prima facie tax benefit at 30% on loss from ordinary activities is reconciled to the income tax provided in the financial statements as follows:

Loss from ordinary activities	<u>282,553</u>	<u>282,553</u>
Prima facie income tax benefit @ 30%	<u>84,766</u>	<u>84,766</u>
Tax effect of permanent differences:		
Provision for non-recovery of loans and write-down in investments in controlled entities	-	(15,357)
Foreign exchange gains / (losses) not deductible	<u>17,437</u>	<u>(14,572)</u>
Other non-deductible items	<u>(9,224)</u>	<u>(9,224)</u>
Income tax benefit adjusted for permanent differences	<u>92,979</u>	<u>45,613</u>
Income tax benefit not brought to account	<u>(92,979)</u>	<u>(45,613)</u>
Income tax attributable to operating losses	<u>-</u>	<u>-</u>

- (b) The potential future income tax benefits arising from tax losses and timing differences have not been recognised as an asset because recovery of tax losses is not virtually certain and recovery of timing differences is not assured beyond any reasonable doubt:

Australian tax losses	<u>45,613</u>	<u>45,613</u>
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The future income tax benefits will only be obtained if the conditions in Note 1 (Income taxes) are satisfied and if:

- the consolidated entity derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised;
- the consolidated entity continues to comply with the conditions for deductibility imposed by the relevant tax legislation;
- no changes in tax legislation adversely affect the consolidated entity in realising the benefit from the deductions for losses.

For the purposes of income tax, Perseus Mining Ltd and its 100% owned Australian subsidiaries intend to form a tax consolidated group. At the date of signing the financial report, Perseus Mining Ltd has not determined the date of entry into tax consolidation because this decision will be based upon the most favourable outcome in terms of the transitional rules in the tax consolidation legislation. The date of entry will be determined at the time the parent company lodges its next tax return.

As part of the entry into consolidation, it is anticipated that members of the group will enter into a tax sharing arrangement in order to allocate income tax expense to the wholly-owned subsidiaries on a pro-rata basis. In addition, it is anticipated that the agreement will provide for the allocation of income tax liabilities between the entities should the parent entity default on its tax payments obligations.

Tax consolidation is not expected to have a material effect on the group's future income tax benefit.

No adjustments have yet been made to reflect the Company's possible intention to form a consolidated tax group.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Consolidated
	2004
	cents
6. EARNINGS PER SHARE	
Basic earnings/(loss) per share	<u><u>(1.3)</u></u>
	2004
	Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	<u><u>21,741,270</u></u>

The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

7. SEGMENT INFORMATION

The consolidated entity operated principally in two business segments (primary reporting segments) being investing and mineral exploration, and three geographical segments (secondary reporting segments), namely Australia, West Africa and Central Asia. The segment information is prepared in conformity with the accounting policies described in Note 1.

Business Segments (Primary Segment)

The consolidated entity comprises the following main business segments:

Investing	Investing in equities, cash management and corporate management.
Mineral Exploration	Mineral exploration, predominantly for gold in West Africa and Central Asia.

Geographical Segments (Secondary Segment)

In presenting information on the basis of geographical segments, segment revenue, expenses and assets are based on the geographical location of the operations.

The consolidated entity operates in the following geographical segments:

Australia	Investing activities and corporate management.
West Africa	Mineral exploration activities.
Central Asia	Mineral exploration activities.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

7. SEGMENT INFORMATION - continued

	Investing	Mineral Exploration	Consolidated
	2004	2004	2004
	\$	\$	\$
Business segments (Primary Segment)			
Revenue			
Other external revenue	7,993	58,125	66,118
Total segment revenue	7,993	58,125	66,118
Results			
Operating loss before income tax	(231,562)	(50,991)	(282,553)
Income tax expense			-
Net loss			(282,553)
Non-Cash Expenses			
Depreciation	114	2,589	2,703
Non-cash expenses other than depreciation	-	-	-
Assets			
Segment assets	318,015	2,216,548	2,534,563
Non-current assets acquired	2,260	2,100,166	2,102,426
Liabilities			
Segment liabilities	79,222	39,383	118,605
	Australia	West Africa	Central Asia
	2004	2004	2004
	\$	\$	\$
Geographical segments (Secondary Segment)			
Segment Revenue	7,993	56,020	2,105
Segment assets	318,015	1,988,029	228,519
			2,534,563

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
8. CASH ASSETS			
Cash assets		162,905	69,022
Deposits at call		239,918	239,918
		<u>402,823</u>	<u>308,940</u>

	Notes	Consolidated 2004 \$	Company 2004 \$
9. RECEIVABLES			
Current			
Sundry debtors		<u>17,849</u>	<u>6,929</u>
Non-current			
Loans to controlled entities		-	3,327,297
Provision for non-recovery of loans to controlled entities		-	(1,284,451)
		<u>-</u>	<u>2,042,846</u>

Terms and conditions relating to the above financial instruments:

- Trade and sundry debtors are non-interest bearing and generally on 30 day terms.
- Loan advances have been made to wholly owned controlled entities. The loans are interest free, unsecured and repayable only when the borrower's cash flow permits.

10. OTHER CURRENT ASSETS

Prepayments		<u>421</u>	<u>-</u>
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Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
11. OTHER NON-CURRENT FINANCIAL ASSETS			
Investment in controlled entities - unlisted shares at cost (note b)		-	51,179
Provision for diminution		-	(16,863)
		<u>-</u>	<u>34,316</u>

(b) Particulars in relation to controlled entities

Name of controlled entity	Notes	Place of Incorporation	Consolidated Entity Interest 2004 %
Parent Entity			
Perseus Mining Limited		Australia	
Controlled entities			
Occidental Gold Pty Ltd (i)		Australia	100
Sun Gold Resources Ltd	(a)	Ghana	100
JSC Z-Explorer	(a)	Kyrgyzstan	100
JSC Savoyardy	(a)	Kyrgyzstan	100
(i) Controlled entities of Occidental Gold Pty Ltd			
Occidental Gold (Ivory Coast) sarl	(a)	Ivory Coast	100

Notes: (a) Not audited by HLB Mann Judd.

(c) Acquisition of controlled entities

During the year, Perseus Mining Limited ("Perseus") acquired 100% of the issued capital of Occidental Gold Pty Ltd for a purchase consideration of \$1. Perseus acquired 100% of the issued capital of Sun Gold Resources Ltd for \$1 and paid a further \$15,554 to convert the shares to fully paid ordinary shares.

Perseus also acquired 100% of the issued capital of JSC Z-Explorer for \$30,772 and 100% of the issued capital of JSC Savoyardy for \$4,851.

The total amounts invested in the controlled entities during the period total \$51,179.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
12. PROPERTY, PLANT AND EQUIPMENT			
Plant and equipment – at cost		16,007	2,260
Accumulated depreciation		<u>(2,703)</u>	<u>(114)</u>
Total property, plant and equipment net book value		<u>13,304</u>	<u>2,146</u>

Reconciliation:

Balance at the beginning of the period		-	-
Additions		16,007	2,260
Depreciation		<u>(2,703)</u>	<u>(114)</u>
Carrying amount at the end of the year		<u>13,304</u>	<u>2,146</u>

**13. MINERAL INTEREST ACQUISITION,
EXPLORATION AND DEVELOPMENT
EXPENDITURE**

Balance at the beginning of the period		-	-
Purchase price for mineral interests		2,020,000	100,000
Expenditure incurred during the period		<u>80,166</u>	<u>-</u>
Carried forward		<u>2,100,166</u>	<u>100,000</u>

The expenditure above relates principally to the exploration and evaluation phase. The ultimate recoupment of this expenditure is dependent upon the successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The purchase price recorded above was satisfied by the issue of shares in the Company.

14. PAYABLES

Current

Trade creditors and accruals		<u>118,605</u>	<u>79,219</u>
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Terms and conditions relating to the above financial instruments:

- Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
15. CONTRIBUTED EQUITY			
(a) Issued and paid-up share capital			
40,933,450 ordinary shares, fully paid		<u>2,698,511</u>	<u>2,698,511</u>
Movements in Ordinary Shares:			
		Number	\$
Subscriber Shares issued at 20 cents each on 24/10/2003		5	1
Promoter Shares issued at 0.1 cents each on 23 /01/2004		13,233,445	13,233
Shares at 10 cents each to Afminex Limited for assignment of debt on 05/03/2004		16,000,000	1,600,000
Shares at 10 cents each to Afminex Limited for acquisition of Grumesa Joint Venture on 05/03/2004		3,200,000	320,000
Shares at 10 cents each to Afminex Limited for acquisition of interest in Kyldoo Joint Venture on 31/03/ 2004		1,000,000	100,000
Shares at 10 cents each issued as Seed capital between 5 March 2004 and 12 April 2004		7,500,000	750,000
Transaction costs arising from issue for cash		-	(84,723)
Balance at the end of the period		<u>40,933,450</u>	<u>2,698,511</u>

(b) Share Options

Options to take up ordinary shares in the capital of the Company have been granted as follows:

Exercise Period	Note	Exercise Price	Opening Balance 1 July 2003 Number	Options Issued 2003/04 Number	Options Exercised/ Cancelled/ Expired 2003/04 Number	Closing Balance 30 June 2004 Number
On or before 31 March 2009	(i)	\$0.20	-	3,750,000	-	3,750,000

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

15. CONTRIBUTED EQUITY - continued

- (i) 3,750,000 options were issued in conjunction with the seed capital raising from external investors.

(c) Terms and conditions of contributed equity

Ordinary Shares:

Ordinary shares have the right to receive dividends as declared and, in the event of winding up of the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

	Notes	Consolidated 2004 \$	Company 2004 \$
16. ACCUMULATED LOSSES			
Accumulated losses at the beginning of the period		-	-
Net loss attributable to members of the parent entity		<u>282,553</u>	<u>282,553</u>
Accumulated losses at the end of the year		<u><u>282,553</u></u>	<u><u>282,553</u></u>

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

17. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

The consolidated entity may be exposed to interest rate risk through primary financial assets and liabilities. The following table summarises interest rate risk for the consolidated entity, together with effective interest rates as at balance date.

2004	Weighted average effective interest rate	Floating interest rate	Fixed interest rate maturing in:		Non- interest bearing	Total
			1 year or less	Over 1 year		
		\$	\$	\$	\$	\$
Financial Assets:						
Current:						
Cash at bank	3.45%	402,823	-	-	-	402,823
Receivables		-	-	-	17,849	17,849
Total Financial Assets		402,823	-	-	17,849	420,672
Financial Liabilities:						
Current:						
Trade creditors		-	-	-	118,605	118,605
Total Financial Liabilities		-	-	-	118,605	118,605

(b) Net fair values

The aggregate net fair value of financial assets and financial liabilities approximate the carrying amount of the financial assets and financial liabilities as indicated in the Statement of Financial Position. There are no unrecognised financial assets or financial liabilities at year-end.

(c) Credit risk exposures

The consolidated entity's maximum exposures to credit risk at year end in relation to each class of recognised financial asset is the carrying amount of those assets as indicated in the Statement of Financial Position.

(d) Concentration of credit risk

As the consolidated entity is exclusively involved in exploration rather than trading there is currently very little credit risk. The risk is considered immaterial to the operations of the consolidated entity.

(e) Exchange rate exposures

The Company has not entered into any general or specific contracts to hedge against losses that may arise from exchange rate fluctuations. The Company may suffer such exchange rate fluctuation losses as it has a number of assets and liabilities denominated in foreign currencies, particularly US dollars.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

18. COMMITMENTS

(a) Exploration expenditure commitments

For those mineral concessions where the consolidated entity is not the titleholder, the earning of equity interest is by incurring exploration expenditure of specified amounts by certain dates. Where the consolidated entity or its joint venture partners are the concession holder, renewal will be subject to satisfying the relevant authority as to the adequacy of exploration programs by comparison to work programs submitted at the time of grant of the concession. It is estimated that the consolidated entity is required to make the following outlays to satisfy joint venture and exploration permit conditions. These commitments are subject to variation dependent upon matters such as the results of exploration on the mineral concessions.

Should parties with whom the parent entity has farm in agreements fail to contribute to their share of farm in agreement obligations, Perseus Mining Limited will become liable to meet additional expenditure commitments. At balance date, the directors were not aware of any such commitments.

	Notes	Consolidated 2004 \$	Company 2004 \$
Within one year		225,000	-
One year or later and not later than five years		500,000	-
Later than five years		500,000	-
		<u>1,225,000</u>	<u>-</u>

(b) Capital commitments

Sun Gold Resources Limited (Sun Gold) has entered into an agreement with Ashanti whereby Ashanti has agreed to sell to Sun Gold the 20% interest it owns in the Grumesa Joint Venture for a consideration of USD\$140,000 which equated to AUD\$201,472 at 30 June 2004.

Sun Gold had agreed to purchase from Afminex Limited plant and equipment for use in the West African operations. The consideration of USD\$103,319 which equated to approximately AUD\$148,685 at 30 June 2004, was paid in September 2004.

	Notes	Consolidated 2004 \$	Company 2004 \$
Within one year		350,157	-
One year or later and not later than five years		-	-
Later than five years		-	-
		<u>350,157</u>	<u>-</u>

19. CONTINGENT LIABILITIES

There were no contingent liabilities of the consolidated entity, not provided for in the financial statements at 30 June 2004.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
20. STATEMENTS OF CASH FLOWS			
(a) Reconciliation of the loss from ordinary activities to net cash used in operating activities			
Loss from ordinary activities after income tax		(282,553)	(282,553)
Add back non-cash items:			
Depreciation		2,703	114
Provision for non-recovery of investments in and loans to controlled entities		-	51,190
Employee benefits provision		11,583	11,583
Foreign currency loss		-	48,574
Change in assets and liabilities:			
(Increase) in receivables		(17,849)	(6,929)
(Increase) in other assets		(421)	-
Increase in payables		61,347	53,806
Net cash used in operating activities		(225,190)	(124,215)

(b) Acquisition of Controlled Entities

During the year, Perseus Mining Limited ("Perseus") acquired 100% of the issued capital of Occidental Gold Pty Ltd for a purchase consideration of \$1. Perseus acquired 100% of the issued capital of Sun Gold Resources Ltd for \$1 and paid a further \$15,554 to convert the shares to fully paid ordinary shares.

Perseus also acquired 100% of the issued capital of JSC Z-Explorer for \$30,772 and 100% of the issued capital of JSC Savoyard for \$4,851.

The total amounts invested in the controlled entities during the period total \$51,179.

(c) Non-Cash Financing and Investing Activities

During the year, Perseus acquired mineral interests in Ghana, Ivory Coast and the Krygyz Republic from Afminex Limited by the issue of 20,200,000 fully paid ordinary shares in the Company at 10 cents each. Please refer to note 23 for further details.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

	Notes	Consolidated 2004 \$	Company 2004 \$
21. EMPLOYEE BENEFITS			
The aggregate employee benefit liability is comprised of:			
Accrued wages, salaries and on costs - current		<u>4,977</u>	<u>-</u>
		No.	No.
- Number of employees at year end		6	-

22. DIRECTOR AND EXECUTIVE DISCLOSURES

(a) The following persons held the position of Director of Perseus Mining Limited during the financial year:

Directors

Chairman – Non-executive

Reginald Norman Gillard (appointed 24/10/2003)

Executive directors

Colin John Carson (appointed 24/10/2003)

Mark Andrew Calderwood (appointed 23/01/2004)

Non-executive directors

Alexander Becker (appointed 20/05/2004)

Rhett Boudewyn Brans (appointed 26/05/2004)

Neil Christian Fearis (appointed 26/05/2004)

Waldemar Karl Mueller, (appointed 24/10/2003; resigned 26/05/2004)

Other than the directors of the Company disclosed above, there were no executives who have direct responsibility for the strategic direction and operational management of the consolidated entity.

(b) Remuneration of directors and executives

The Company's policy for determining the nature and amount of emoluments of Board members and senior executives of the Company is as follows:

The Board is responsible for determining remuneration policies and packages applicable to the Board members and senior executives of the Company. Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and level of performance, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. Where necessary independent advice on the appropriateness of remuneration packages is obtained.

The contracts for service between the Company and specified directors and executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, specified directors and executives are paid employee benefit entitlements accrued to the date of retirement. Any options not exercised upon retirement or termination of a specified directors or executives employment will lapse.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

22. DIRECTOR AND EXECUTIVE DISCLOSURES - continued

The following table provides details of all directors of the Company ("specified directors") and the nature and amount of the elements of their remuneration for the period ended 30 June 2004. The consolidated entity does not have any "specified executives" as defined under AASB1046 (other than executives who are also directors).

Parent entity directors' remuneration is:

	Primary Director's Salary / Fees \$	Post Employment Superannuation \$	Total \$
<i>Directors :</i>			
Reginald Gillard (appointed 24/10/2003) 2004	3,333	300	3,633
Mark Calderwood (appointed 23/01/2004) 2004	13,406	-	13,406
Colin Carson (appointed 24/10/2003) 2004	-	-	-
Alexander Becker (appointed 20/05/2004) 2004	2,500	-	2,500
Rhett Boudewyn Brans (appointed 26/05/2004) 2004	2,500	225	2,725
Neil Christian Fearis (appointed 26/05/2004) 2004	2,500	-	2,500
Waldemar Karl Mueller (appointed 24/10/2000) (resigned 26/05/2004) 2004	-	-	-
Total, all specified directors 2004	24,239	525	24,764

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

22. DIRECTOR AND EXECUTIVE DISCLOSURES - continued

Contracts for services

Remuneration and other terms of employment for the directors are formalised in service agreements. The major provisions of the agreements relating to remuneration are set out below.

Reginald Gillard

Director's fee of \$40,000 per annum paid personally. The agreement stipulated that Mr Gillard's directors fees would be payable from June 1 2004, subject to the Company being listed on the ASX which occurred on September 22 2004.

Colin Carson

Remuneration of \$70,000 per annum paid personally commencing from listing of the Company on ASX. The remuneration package is inclusive of superannuation and is on the basis that Mr Carson dedicates 90 hours per month for 11 months per annum to the affairs of the Company and provided that a pro rata adjustment will be made if he dedicates a greater or lesser amount of time to the Company.

Mark Calderwood

Remuneration of \$175,000 per annum paid personally commencing from listing of the Company on ASX. Other components of his remuneration package include reasonable accommodation costs outside Australia, the equivalent of three return economy airfares per annum to Australia, and medical evacuation and insurance cover. Mr Calderwood's duties and responsibilities are those customarily expected of a Managing Director and from time to time delegated by the Board. Either party can terminate the agreement by giving six months written notice.

Alexander Becker

Director's fee of \$30,000 per annum paid personally. The agreement stipulated that Mr Becker's directors fees would be payable from June 1 2004, subject to the Company being listed on the ASX which occurred on September 22 2004.

Rhett Brans

Director's fee of \$30,000 per annum paid personally. The agreement stipulated that Mr Bran's directors fees would be payable from June 1 2004, subject to the Company being listed on the ASX which occurred on September 22 2004.

Neil Fearis

Director's fee of \$30,000 per annum paid to Pendomer Investments Pty Ltd, a company in which Mr Fearis is a director and has a beneficial interest. The agreement stipulated that Mr Fearis's directors fees would be payable from June 1 2004, subject to the Company being listed on the ASX which occurred on September 22 2004.

Shareholdings

The numbers of shares in the Company held during the financial period by directors, including shares held by entities they control, are set out below:

	Balance at 24 October 2003	Received as Remuneration	Options Exercised	Other Movements	Balance at 30 June 2004
<i>Parent entity directors</i>					
Reginald Gillard	-	-	-	-	-
Mark Calderwood	-	-	-	-	-
Colin Carson	-	-	-	-	-
Alexander Becker	-	-	-	1,395,254	1,395,254
Rhett Brans	-	-	-	-	-
Neil Fearis	-	-	-	-	-
Waldemar Mueller	-	-	-	1,316,278	N/A

Waldemar Mueller resigned as a director on 26 May 2004.

Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

22. DIRECTOR AND EXECUTIVE DISCLOSURES - continued

Option holdings

The numbers of options in the Company held during the financial period by directors, including shares held by entities they control, are set out below.

	Balance at 24 October 2003	Received as Remuneration	Options Exercised	Other Movements	Balance at 30 June 2004	Vested and exercisable at period end
<i>Parent entity directors</i>						
Reginald Gillard	-	-	-	-	-	-
Mark Calderwood	-	-	-	-	-	-
Colin Carson	-	-	-	-	-	-
Alexander Becker	-	-	-	-	-	-
Rhett Brans	-	-	-	-	-	-
Neil Fearis	-	-	-	-	-	-
Waldemar Mueller	-	-	-	-	N/A	-

Waldemar Mueller resigned as a director on 26 May 2004.

Other transactions with directors

Apart from the details disclosed in this note, no director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end. There is an agreement between the Company and certain directors that the Company will seek shareholder approval for the issue of options to those directors. Subject to shareholder approval, it is proposed to issue 400,000 options to each of Messrs Gillard, Brans and Fearis and 800,000 options to each of Messrs Becker and Mueller. These options will be exercisable at 20 cents each on or before 31 March 2009.

23. RELATED PARTY TRANSACTIONS

(a) Directors and specified executives

Disclosures relating to directors and specified executives are set out in Note 22.

(b) Transactions with Directors and Director-Related Entities

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

	Consolidated 2004 \$	Company 2004 \$
(a) Accounting, secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Gillard is a director and has a beneficial interest.	45,504	45,504

Balances due to Directors and Director Related Entities at period end

- included in trade creditors and accruals	45,753	45,753
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Perseus Mining Limited
Notes to the Financial Statements
For the Period 24 October 2003 to 30 June 2004

23. RELATED PARTY TRANSACTIONS - continued

(c) Transactions with Related Parties - Controlled Entities

Wholly Owned Group

The parent entity incurs exploration expenditure on behalf of the controlled entities. Investments in and loans to wholly owned controlled entities are disclosed in Notes 11 and 9 respectively.

Transactions between related parties are on normal commercial terms and conditions unless otherwise stated.

(d) Ultimate parent entity

Perseus Mining Limited was incorporated as a 100% subsidiary of Afminex Limited in October 2003. As at 30 June 2004, the ultimate parent entity of Perseus Mining Limited was Afminex Limited, which held 58% of the issued share capital of the Company. Following the successful completion of the Company's initial public offer on 15 September 2004, Afminex Limited's interest in the capital of the Company has reduced to 39%.

During the period, the Company acquired mineral interests and entered into agreements with Afminex Limited as follows:

- The Tengrela project by the issue of 16,000,000 shares at 10 cents each on March 5 2004 and the grant of a royalty interest;
- The Grumesa Joint Venture by the issue of 3,200,000 shares at 10 cents each on March 5 2004 and the grant of a royalty interest;
- The Kyldoo Joint Venture by the issue of 1,000,000 shares at 10 cents each on March 31 2004 and the grant of a royalty interest;
- The Company had agreed to purchase plant and equipment for use in the West African operations for consideration of USD\$103,319, payable upon listing of the Company on ASX and
- The sharing of certain staff and office resources in Ghana with the costs determined on the basis of usage of resources by both companies.

Mr Gillard, Mr Carson and Dr Becker are directors of Afminex Limited.

24. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no matters or circumstances that have arisen since 30 June 2004 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial years, other than the matter referred to below:

- on 14 July 2004, the Company issued a prospectus to raise a minimum of \$3.5 million and to list on the Australian Stock Exchange. The Company successfully completed its initial public offer on 15 September 2004 by the issue of 18,585,000 fully paid ordinary shares and 9,292,500 free attaching options (exercisable at 20 cents each on or before 31 March 2009) to raise a total of \$3,717,000. The financial effect of the capital raising has not been recognised in this financial report.

Perseus Mining Limited
Directors' Declaration
30 June 2004

In the opinion of the Directors of Perseus Mining Limited ("the Company"):

- (a) the financial statements and notes of the Company and of the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2004 and of their performance for the period ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to s 295(5) of the Corporations Act 2001.

On behalf of the Directors



R N Gillard
Chairman

Dated at Perth, 29 October 2004

INDEPENDENT AUDIT REPORT

**To the members of
PERSEUS MINING LIMITED**

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position as at 30 June 2004, statement of financial performance, statement of cash flows and accompanying notes to the financial statements for the period from 24 October 2003 to 30 June 2004, and the directors' declaration of Perseus Mining Limited ("the company"). The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the period's end or from time to time during the financial period.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether or not the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Perseus Mining Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the period then ended; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



HLB MANN JUDD
Chartered Accountants



Perth, Western Australia
29 October 2004

N G NEILL
Partner

Perseus Mining Limited
Mineral Concession Interests

Group Mineral Concession Interests at 22 October 2004

<i>Location</i>	<i>Concession name and type</i>	<i>Registered Holder</i>	<i>File Number</i>	<i>Perseus's current equity interest</i>	<i>Maximum equity interest capable of being earned</i>	<i>Notes</i>
						<i>1</i>
Ghana	Grumesa-Awisam Prospecting Licence	Ashanti Goldfields Company Limited	PL2/30	80%	90%	2,3
Ivory Coast	Tengrela East Research Permit	Occidental Gold (Ivory Coast) s.a.r.l	145	80%	80%	3,4,5
	Tengrela South Research Permit	Societe Miniere de Côte d'Ivoire	146	80%	80%	3,4
Kyrgyz Republic	Savoyardy Exploration Licence	JSC Savoyardy	Au-87-04	100%	100%	6
	Kyldoo Exploration Licence	JSC Kyldoo	Au-63-04	50%	80%	7
	Maly Naryn Exploration Licence	JSC Z-Explorer	Au-161-03	100%	100%	
	Talas Exploration Licence	JSC Z-Explorer	Au-188-03	100%	100%	
	Tolubay Exploration Licence	JSC Z-Explorer	Au-171-02	100%	100%	

Notes -

1. The governments of West African countries in which the Company operates are entitled to equity in mining companies owning projects as follows – Ghana and Ivory Coast 10%. Perseus Mining's quoted equity is after allowance for that national interest, which occurs when a new project company is established prior to commencement of mining.
2. The Company has agreed to acquire Ashanti Goldfields Company Ltd's ("Ashanti") 20% interest for US\$140,000 subject to obtaining regulatory approvals. The Ghana government has a right to a 10% interest in the project vehicle at the mining stage.
3. A royalty of 0.5% of the value of minerals recovered from the licence is payable.
4. The joint venture partner is free carried to production with its share of costs subsequently recoverable by Perseus from production.
5. A royalty of US\$0.80 per ounce of gold produced from the licence is payable.
6. Canadian listed company, Lalo Ventures Limited (Lalo), has the right to earn up to 70% interest in JSC Savoyardy by spending US\$6 million on the project. It must spend a minimum of US\$250,000 by 30 June 2005, US\$1 million by 31 December 2005, US\$2 million by 31 December 2006, US\$3 million by 31 December 2007 and US\$6 million by 31 December 2008 to maintain and earn its right. If Lalo withdraws, the Company is required to pay a Net Smelter Royalty of 0.5% on gold produced from the licence.
7. Perseus has a 50% interest in the Kyldoo project and management rights to the joint venture. The parties are required to contribute to ongoing exploration expenditure or dilute, provided that if no party wishes to contribute, Perseus must withdraw from the joint venture. JSC Kentor ("Kentor"), the joint venture partner, may at any time elect to convert its equity in the project vehicle to a net smelter royalty ("NSR") on gold produced. The NSR is 1.5% if the average gold price in a month is below US\$350, 2% if the average gold price in a month is between US\$350 and US\$400 and 2.5% if the average gold price in a month is US\$400 or more.

Perseus Mining Limited
Additional Shareholder Information

The shareholder information set out below was applicable as at 22 October 2004.

Substantial Shareholders

Holdings of substantial shareholders as advised to the Company are set out below.

Name of Interest Holder	Number of Ordinary Shares
Afminex Limited	23,285,135

Distribution of Holders of Equity Securities

Size of Holding	Ordinary Shares	Options (PRUO)
1 to 1,000	0	0
1,001 to 5,000	5	209
5,001 to 10,000	199	16
10,001 to 100,000	134	114
100,001 and over	37	13
	<u>375</u>	<u>352</u>

The number of shareholdings comprising less than a marketable parcel was 2.

Voting Rights

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a Member or representative of a Member shall have one vote and on a poll, every Member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options have any voting rights.

Twenty Largest Shareholders as at 22 October 2004

	Number of Shares	% Held
Afminex Limited	23,285,135	39.12
Westpac Custodian Nominees Limited	9,500,000	15.96
Tatiana Dmitrieva	2,244,253	3.77
RAB Special Situations LP	2,000,000	3.36
Alexander Becker	1,395,254	2.34
Waldemar Mueller	1,316,278	2.21
Alexander Novak	1,194,650	2.01
Yaroslav Bandurak	1,184,650	1.99
Sergei Shestaev	1,184,650	1.99
James Bremner Skinner & Janice Ivy Skinner	1,000,000	1.68
SDC Pty Ltd	770,000	1.29
Pauline Mueller	638,580	1.07
Accbell Nominees Pty Ltd	500,000	0.84
Brian Bertelsen	500,000	0.84
Saro Vinzi Carbone	300,000	0.50
Ulrich Werner	300,000	0.50
Mark Andrew Calderwood	290,000	0.49
John Cambell Robertson	275,000	0.46
Jason Peterson	260,000	0.44
Toltec Holdings Pty Ltd	250,000	0.42
	<u>48,388,450</u>	<u>81.28</u>

Perseus Mining Limited
Additional Shareholder Information

Restricted Securities

A total of 37,183,445 ordinary shares are subject to escrow as follows:

3,550,000 shares in escrow up to 5 March 2005
 150,000 shares in escrow up to 31 March 2005
 50,000 shares in escrow up to 12 April 2005
 33,433,445 shares in escrow up to 22 September 2006.

Twenty Largest Optionholders as at 22 October 2004
Options Expiring 31 March 2009 (ASX code: PRUO)

	Number of Options	% Held
Westpac Custodian Nominees Limited	4,750,000	27.87
Montagu Capital Ltd	4,000,000	23.47
RAB Special Situations LP	1,000,000	5.87
James Bremner Skinner & Janice Ivy Skinner	897,500	5.27
SDC Pty Ltd	375,000	2.20
Accbell Nominees Pty Ltd	250,000	1.47
Ulrich Werner	150,000	0.88
John Campbell Robertson	137,500	0.81
Virtus Pty Ltd	135,000	0.79
Malcolm Hugh McPhail	135,000	0.79
Toltec Holdings Pty Ltd	125,000	0.73
Peter Anthony Diamond	125,000	0.73
Stanley Nominees Pty Ltd	102,500	0.60
Andrew John Coote & Nerissa Kay Coote	100,000	0.59
Gazump Resources Pty Ltd	100,000	0.59
Ursula Ulrich	100,000	0.59
Loeb Aron & Co Ltd	100,000	0.59
Douglas William King	75,000	0.44
Graham Peter Dixon	75,000	0.44
RM Capital Pty Ltd	75,000	0.44
	<hr/>	
	12,807,500	75.16

Restricted Securities

A total of 8,815,000 options are subject to escrow as follows:

1,775,000 options in escrow up to 5 March 2005
 75,000 options in escrow up to 31 March 2005
 25,000 options in escrow up to 12 April 2005
 540,000 options in escrow up to 7 July 2005
 6,400,000 options in escrow up to 22 September 2006

Unquoted Options

Unquoted options on issue at 21 October 2004 were as follows:

Refer Note	Number of Options	Exercise Price	Exercise Periods/ Expiry Dates	Number of Holders
1	2,940,000	20 cents	On or before 31 March 2009	4

The names of the holders of 20% or more options in these unquoted securities are listed below:

Note	Name	Number of Options Held
1	M A Calderwood	2,400,000