PERSEUS MINING LIMITED

ABN 27 106 808 986

Annual Report 2006

Perseus Mining Limited
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OVERVIEW

During the last twelve months, the Company has been very active on its project portfolio in West Africa and the Kyrgyz Republic. Exploration successes in Ghana, Ivory Coast and the Kyrgyz Republic have been followed by the commissioning of feasibility studies on two projects in Ghana, with the view to establishing operations producing a total of 150,000 ounces of gold per annum. The Company has calculated Indicated gold resources totalling 268,000 ounces and Inferred gold resources totalling 1,758,000 ounces from three of its projects and drilling, currently in progress on those projects, is expected to lead to further resource upgrades in 2007. Highlights include:

- After completing 39 diamond drill holes on the Obdilla prospect at Tolubay in the Kyrgyz Republic an initial Inferred resource from the area drilled to date has been calculated at 10.4Mt grading 1.9g/t Au containing 618,000 ounces of gold. Only the narrowest and shallowest 400m portion of the 2km long Obdilla anomaly has been drilled, thus highlighting the potential for a substantially larger resource. Obdilla is the first of 5 anomalies on the 46 sq km Tolubay licence area to be drill tested and Tolubay is one of eight licences covering 4,846sq km held by Perseus in a section of the Tien Shan Mobile Belt, an extensive thrust – fold belt that is host to some of the world's largest gold deposits.

- Results from drilling 385 RAB holes on the first three of nine regionally significant soil anomalies to be tested at Tengrela in Ivory Coast included 33m at 11.1g/t, 25m at 3.2g/t, 16m at 3.5g/t, 31m at 1.4g/t, 29m at 1.1g/t and 4m at 42.6g/t Au. The impressive results to date indicate the presence of multiple parallel zones of gold mineralisation that persist along strike. RAB drilling is continuing and a multi-purpose rig has arrived in the Ivory Coast to undertake an initial 50,000m RC drilling program.

- Inferred resources at Grumesa in Ghana were increased to 29Mt at 0.9g/t Au, containing 800,000 ounces of gold, based on a review of existing drill data. A 10,000m infill drilling program has commenced as part of a feasibility study into establishing a heap leach operation at Grumesa.

- Securing an option to purchase the Ayanfuri Project in Ghana, located to the west of Perseus's Grumesa and Kwatechi licences. The Ayanfuri project has Indicated resources of about 4.9Mt at 1.71g/t Au containing 268,000 ounces of gold and Inferred resources of 6.7Mt at 1.6g/t Au containing 340,000 ounces of gold. Recent drilling returned significant intercepts outside the area of the current resources, including 21m at 4.4g/t and 10m at 6.3g/t Au.

As the level of exploration activities continues to increase, it is likely that more drilling will be undertaken in the first half of 2006/07 than was completed in the 2004/05 and 2005/06 financial years combined. On the back of these large drilling programs, there is potential for further significant resource upgrades.

WEST AFRICA

The Company has been active on the Grumesa, Ayanfuri and Kwatechi projects in Ghana and the Tengrela gold project in Ivory Coast. In addition to the current high level of exploration activity, the Company has commenced feasibility work at Grumesa and Ayanfuri to assess the viability of operations with a combined production of about 150,000 ounces of gold per annum.

Tengrela Gold Project – 80%

The 885sq km Tengrela project is located in Ivory Coast on the border with Mali, 30km SSW from the Syama gold mine (6.5Moz), along the Syama shear within the Syama-Boundiali greenstone belt. The project lies 150km SSE of the Morila gold mine (7Moz) and 65km WNW of Tongon deposit (3Moz).

Perseus has a net 80% interest in the Tengrela project, with 10% held by a local partner and 10% reserved for the Government at the mining stage.

The geology of the northern portion of the Syama–Boundiali greenstone belt has many similarities to the better explored Ashanti gold belt in neighbouring Ghana, where Birimian volcaniclastics dominate over competent volcanics, with the development of inner belt basins filled with Tarkwaian epiclastics.

Previous extensive systematic exploration on the Tengrela project, including airborne geophysics and 22,500 geochemical samples, identified a series of significant soil anomalies over a strike of 75km, mostly along the Syama shear. The nine main soil anomalies at Tengrela are comparable to other significant soil anomalies in the region (Syama group, Tabakoroni-Finkolo, Tioro, Morila) and are prime targets for follow-up exploration. The total area of these anomalies is over 40sq km and will require selective or staged follow-up. Importantly, the Morila-Tongon region has to date had an extremely high conversion rate of significant soil anomalies to gold discoveries.

Exploration 2005-2006

Perseus commenced RAB drilling on the Tengrela project in late November 2005. By early September 2006 a total of 385 drill holes had been completed for 16,297m of drilling. 271 of these holes were completed at Sissingue, 75 at Kanakono and 29 at Podio. Due to the large size of these soil anomalies, drill traverses in this initial phase were spaced at an average of 800m. Individual traverses were up to 900m long and drill hole spacings on traverses did not provide complete coverage across strike, but are considered to be sufficient to discover any large zones of mineralisation. The number of anomalous to significant intercepts made during the initial wide spaced drilling is highly encouraging (Table 1).

Infill RAB drilling has commenced on 200m line spacings to delineate zones of mineralisation that will be tested with the larger RC drill rig. Results to date indicate the presence of multiple, parallel, strike persistent, zones of gold mineralisation. The host of the mineralisation appears to be altered and veined volcaniclastics and argillaceous meta-sediments.

Table 1: Significant RAB Drilling Results – Tengrela

Prospect	Hole	East (m)	North (m)	Depth (m)	Azm (˚)	Incl. (˚)	From (m)	To (m)	Width (m)	Au g/t
Sissingue	SRB021	807301	1153205	50	90	-60	24	50*	26	0.9
						incl.	24	28	4	1.8
						and	44	50*	6	2.0
	SRB041	806570	1153996	44	90	-60	12	44*	32	0.8
						incl.	12	16	4	2.9
						and	36	40	4	1.6
	SRB047	806753	1153997	41	90	-60	8	41*	33	11.1
						and	12	16	4	76.9
						and	16	28	12	3.1
						and	36	41*	5	1.7
	SRB070	806352	1154607	41	90	-60	12	41*	29	0.7
						incl.	32	36	4	2.5
	SRB081	806616	1154602	47	90	-60	20	40	29	1.1
						incl.	24	36	12	1.5
	SRB082	806645	1154600	51	90	-60	50	51*	31	1.4
						incl.	24	28	4	3.3
						and	44	51*	7	2.4
	SRB083	806060	1155300	53	90	-60	0	36	36	0.6
						incl.	28	36	12	1.7
	SRB085	806140	1155300	56	90	-60	16	44	28	1.0
						incl.	16	28	12	1.5
	SRB117	806656	1154400	49	90	-60	44	49*	5	2.9
	SRB137	805625	1156410	51	90	-60	24	32	8	3.4
	SRB206	807306	1153000	40	90	-60	12	28	16	1.4

Table 1: Significant RAB Drilling Results – Tengrela (continued)

Prospect	Hole	East (m)	North (m)	Depth (m)	Azm (˚)	Incl. (˚)	From (m)	To (m)	Width (m)	Au g/t
	SRB275	806380	1154222	38	90	-60	16	38*	22	0.9
						Incl.	36	38*	2	2.4
	SRB299	806045	1154605	50	90	-60	16	32	16	3.5
						Incl.	16	20	4	6.3
						and	28	32	4	6.9
Kanakono	KKB032	805789	1144000	53	90	-60	28	53*	25	3.2
						incl.	44	53*	9	5.1
	KKB044	805875	1143997	44	90	-60	0	4	4	42.6
							24	28	4	1.5
	KKB061	806558	1142620	22	90	-60	8	12	4	5.0
Podio	PO22	793570	1107600	40	90	-60	28	40*	12	1.5
						incl.	28	32	4	2.4
						and	36	40*	4	1.9

* ended in mineralisation.

Proposed Exploration 2006-2007

The RAB and RC drill rigs are expected to drill continuously throughout the remainder of the 2006-2007 financial year. Based on results to date, it is expected that the larger RC rig will focus principally on resource drilling and should complete 4,000m of drilling per month over the next 12 months. The smaller RAB rig will continue to undertake wide spaced exploratory drilling of a number of soil anomalies, most of which are currently untested, at the rate of about 3,000 drill metres per month.

The resource potential of the 70km strike length of the highly prospective Syama gold belt on the Tengrela Project is highlighted by the impressive RAB drilling results achieved to date and the large average size of known gold deposits in the region.

Grumesa Gold Project – 90%

Exploration 2005-2006

The 39sq km Grumesa-Awisam licence is located within the highly prospective Ashanti gold belt of south west Ghana, 30km south east of the 66Moz Obuasi gold mine. The project is situated within the Tarkwaian Series sediments.

Over 20,000m of broad-spaced drilling has identified epigenetic gold mineralisation over a strike of 4km and average width of 500m, hosted by upper Tarkwaian conglomerates within a steeply plunging antiform. This gold mineralised system, known as the Kayeya deposit, appears to contain approximately 30,000 ounces of gold per vertical metre. In September 2006, after a review of existing drill data, Inferred resources were calculated at 29Mt at 0.9g/t Au containing 800,000 ounces of gold. However deeper drilling could significantly increase the current resource, which extends to an average depth of less than 50m. Given that the mineralised system is around 500m wide, that vertical and shallow dipping lodes have been identified and that most drill holes in the existing resource model ended in mineralisation, the likelihood of gold mineralisation extending below the current resource limits is high.

A program of infill and extensional resource drilling in the higher-grade southern portion of the deposit, previously drilled on sections spaced at 100m, commenced in September 2006. The goal is to delineate an initial 7Mt of open pit mill feed at an average grade of about 0.9g/t Au with a low strip ratio that could be mined and heap leached at an operating cost of less than US$300 per ounce of gold recovered.

The pre-feasibility study on the Kayeya gold project is nearly complete and costs are expected to be in line with the original scoping work undertaken by Perseus.

Column leach test work in the United States highlighted the amenability of the Kayeya material to heap leaching. Two column tests were completed on oxide material crushed to 25mm, with the columns returning high recoveries of 92% and 97% respectively after 58 days' leaching. A single column completed on transition material crushed to 12.5mm returned 78% recovery. The column test results indicate low cyanide consumption. Column test work on fresh rock also showed favourable recoveries averaging 72% at a crush size of 6.25mm. The highly favourable gold recoveries from oxide, transition and fresh rock types are attributable to the fact that the host geology of the Kayeya deposit is a Tarkwaian epiclastic, which elsewhere in Ghana has proven to be an excellent rock type for heap leaching.

The Kayeya Gold Project has been registered with the Environmental Protection Agency ("EPA") and the Base Line Environmental Study has been completed. An amended environmental scoping report and terms of reference will be submitted to the EPA. The terms of reference set out the basis for completion of the Environmental Impact Statement which is required for environmental permitting and the ultimate grant of a mining lease.

Exploration 2006-2007

Infill drilling at Grumesa scheduled for completion in October 2006 is aimed at converting a significant portion of current Inferred resources at the southern end of the deposit to Indicated and Measured categories. It is then proposed that drilling will continue in the northern half of the deposit with a view to increasing the current shallow Inferred resource base.

Feasibility work is being fast tracked with the aim of completing a full feasibility study.

Ayanfuri – Option to acquire 90%

In May 2006 Perseus secured an option to acquire a company with rights to two mining leases and a prospecting licence at Ayanfuri (the "Ayanfuri Mine Licences") and the Nsuaem reconnaissance licence and the Dunkwa reconnaissance licence application (together the "Reconnaissance Licences"), covering a project area of 510.6sq km located 25-65kms south west of the 66 million ounce Obuasi gold deposit on the Ashanti Gold Belt in Ghana. Perseus's Grumesa project adjoins the optioned project area to the east.

The Ayanfuri Mine Licences incorporate the Ayanfuri mine, which produced 306,400 ounces of gold from multiple open pits and an oxide ore heap leaching circuit between 1994 and 2001. Indicated gold resources for five of the deposits within mining leases on the project total approximately 4.9Mt at 1.7g/t containing 268,000 ounces of gold, with Inferred resources adding approximately 6.7Mt at 1.6g/t containing 340,000 ounces of gold.

The Ayanfuri Mine Licences are underlain by Birimian metasediments and metavolcaniclastics which are intruded by intermediate granitoids. The adjoining Reconnaissance Licences cover a broader section of Ashanti belt lithologies including Birimian metasediments, metavolcaniclastics, volcanics and Tarkwaian epiclastics and intrusives.

Gold mineralisation at Ayanfuri occurs in quartz veins, stringers, stockworks and is disseminated in:

1) altered metagranodiorite intrusive bodies typically 40 to 100m wide; and
2) typical "Ashanti" style shear zones within metavolcaniclastics.

Oxide mineralisation and unweathered granitoid mineralisation are free milling, whilst shear zone hosted mineralization will probably exhibit a combination of free milling and refractory types typical of western Ashanti belt-style gold deposits.

Exploration 2006-2007

A 3,500m confirmation and exploration drill program commenced on 12 August 2006 and was completed in September. Results reported to date are in line with expectations. Significant drill results are summarized in table 2 below. An Inferred resource of 1.2Mt at 1.6g/t Au, containing about 65,000 ounces of gold, was calculated for Chirawewa based on historic drill results, adding to the resources announced when the project option was acquired. It has not been possible to estimate resources under the largest of the existing Ayanfuri pits, Fetish, due to missing drill data.

Perseus has elected to extend the Ayanfuri option to April 2007 to enable government approvals to be obtained. A substantial drilling program to increase resources and convert Inferred resources to Indicated is planned and the Company has started feasibility work based on the construction of a CIL plant.

Table 2: Significant 2006 RC Drilling Results - Ayanfuri

Hole	North (m)	East (m)	Depth (m)	Azm (°)	Incl. (°)	From (m)	To (m)	Width (m)	Au g/t
AKRC001	7400	2380	102	270	-60	8	44	36	1.3
						90	102*	12	1.4
AKRC002	7320	2390	91	270	-60	2	72	70	1.1
AKRC005	7240	2360	85	90	-45	16	85*	69	1.1
AKRC006	6160	2042	155	270	-50	98	155*	57	1.0
AKRC007	6241	2061	151	270	-48	80	151*	71	1.5
					incl.	80	98	18	3.4
AKRC008	6320	2059	150	90	-50	84	150*	66	1.9
					incl.	84	96	12	3.4
					and	120	150*	30	2.0
DKRC002	-9600	-400	25	90	-60	4	25#	21	4.4
					incl.	10	16	6	8.1
DKRC006	-9300	-280	79	270	-50	2	14	12	2.4
						60	68	8	3.1
DKRC008	-9594	-392	78	90	-50	6	22	16	1.7
						48	58	10	6.3

* ended in mineralisation.
# complete portion of hole sampled.

Kwatechi Gold Project – Earning 76%

Under the Kwatechi joint venture, Perseus can earn a 76% equity in the 43.3sq km Kwatechi prospecting licence and 69.5sq km Kwatechi prospecting licence application, owned by Tropical Exploration and Mining Company Ltd. The licence adjoins the Grumesa-Awisam licence and lies 8km south of Perseus's Kayeya gold resource and 40km north-east of the Damang mine.

Exploration 2005-2006

Exploration in 2005-2006 was limited to soil sampling and trenching due to the high levels of activity at Grumesa and Ayanfuri and the lack of availability of exploration drill rigs. Further trenching was undertaken to determine the orientation of high grade veining. North-south trenches were completed at right angles to previously reported east-west trench KWAT01, which intercepted 10m at 14.3g/t Au. The 20m long northern trench averaged 6.8g/t Au, including an open ended 8m at 13.2g/t and 9m at 3.3g/t Au. The 15m long southern trench averaged 1.1g/t Au. Gold mineralisation at Kobo North appears to be contained within a 20m wide NE striking corridor and is related to veining, which apparently dips to the NE.

Exploration 2006-2007

A number of drill holes have been planned and marked out to test *insitu* mineralisation encountered at Kobo North and Atua. Drilling will be undertaken when a break in drilling is required at Grumesa or Ayanfuri. The Kwatechi licence has the potential to provide feedstock to either of the proposed Grumesa or Ayanfuri operations.

KYRGYZ REPUBLIC

The Company's five Kyrgyz gold projects have produced encouraging results. Continued success was achieved on the Tolubay project, where the Obdilla prospect has grown steadily in size since drilling commenced in late November 2005. Inferred resources announced in September 2006 for the small portion of the mineralised zone tested to date stand at an impressive 10.4Mt at 1.9g/t containing 618,000 ounces of gold. Obdilla is the first of a number of gold anomalies at Tolubay to be drill tested.

Tolubay Gold Project – 100%

The 46.4sq km Tolubay licence area is situated in the south western region of the Kyrgyz Republic, approximately 74km west south west of the Osh, within the foothills of the Alay Range and Chauway Valley.

The Tolubay licence, together with another 7 licences acquired as a consequence of the gold discovery by Perseus at the Obdilla prospect (within the Tolubay licence), form the South Kyrgyz Gold Project. This project area covers some 4,846sq km. The target of exploration is sediment-hosted gold mineralization within the Tien Shan Mobile Belt, an extensive thrust–fold belt that is host to some of the world's largest gold deposits, e.g. 170Moz Muruntau gold deposit in Uzbekistan.

Exploration by Perseus has discovered significant gold mineralization in a new geological setting for the Kyrgyz Republic. Drilling has intersected substantial thicknesses (up to two hundred metres true width) of gold mineralisation associated with a distal sedimentary package comprising shales, sandstones and calcareous siltstones. The mineralisation is associated with extensive faulting and thrusting, without direct intrusive activity. The geological setting and style of mineralisation is similar to several deposits in the Carlin Trend of Nevada viz:

- thick sequences of calcareous sediments, including marine shelf limestones (Pyrkaf Suite), and basinal calcareous and muddy siltstones and sandstones (Tolubai Suite) within a major thrust belt;
- presence of jasperoids and silica breccias associated with mercury-antimony-gold mineralisation;
- large volumes of disseminated gold mineralisation usually hosted in calcareous and carbonaceous shales and siltstones, but also related to imbricate thrust faulting.

Most gold mineralisation identified to date at Tolubay has been located in highly altered and brecciated Tolubai Suite sediments underneath a thin thrust sheet of older Pykaf Suite limestone, and within a broader zone of imbricate faulting.

Exploration 2005-2006

Trenching commenced at Obdilla in June 2005 and drilling commenced in late November 2005. Drilling has continued at Obdilla during 2006, and to date a total of 39 diamond drill holes have been completed for 5,290m. Drilling is being undertaken on a continuous basis but equipment and access problems have slowed progress. The problems were largely rectified by late September 2006 and drilling rates have improved.

An initial Inferred resource estimate of 10.4Mt at 1.9g/t containing 618,000 ounces of gold has been calculated for the easternmost 400m of the 2km long mineralised zone at Obdilla. This eastern end has the narrowest and shallowest portion of the gold-hosting Tolubay Suite, so there is potential for a substantial increase in delineated resources as drilling continues to the west. By way of example, the westernmost 100m of the 400m strike included in the resource calculation contains 266,000oz, or 43% of the contained gold.

Initial mineralogical work indicates that gold mineralisation at Obdilla is associated with fine-grained arsenical pyrite similar to that found at the Twin Creeks deposit in Nevada. Gold recoveries by cyanidation are high after pre-oxidization of sulphides and rudimentary flotation testwork returned recoveries of about 70%. The next level of test work has commenced with the aim being to increase recoveries and produce high-grade sulphide rich concentrates.

Perseus has increased its exploration acreage along strike from the Obdilla gold discovery to 4,846 sq km. The Perseus Group now has a dominant tenement position along an under-explored, highly prospective 300km section of the Southern Tien Shan thrust belt. The newly acquired licences are prospective for Carlin style gold mineralisation similar to the Company's Obdilla discovery. Since Carlin style gold occurrences are often found in clusters, the Obdilla discovery highlighted the potential of other anomalies at Tolubay and the surrounding areas. Historical Soviet-era exploration on several of the licences identified stream sediment anomalies of gold and indicator elements. These represent prime targets, particularly in areas with similar geological settings to Obdilla. Perseus has collected a total of 746 regional stream sediment samples from six of the eight licences that comprise the South Kyrgyz Gold Project.

Table 3: Most Significant Drill intercepts - Obdilla Prospect

Trench	East (m)	North (m)	Length (m)	Azm (°)	Decl. (°)	From (m)	To (m)	Intercept (m)	Au (g/t)
ZDDH006	251886	4447619	121	360	-30	0	72.5	72.5*	2.4
ZDDH007	251883	4447620	158.4	360	-80	1	91.5	90.5	2.0
ZDDH008	251883	4447620	255.15	360	-50	4	74	70	3.0
					incl.	46	71	25	4.8
ZDDH012	251800	4447530	142.5	360	-30	32	111	79	1.7
					incl.	85	105	20	3.2
ZDDH015	251971	4447672	127	180	-80	15.85	87.5	71.65	3.3
					incl.	43	78	35	4.7
ZDDH016	251969	4447665	75	360	-50	9	55	46	3.6
					Incl.	44.6	55	10.4	7.4
ZDDH017	251968	4447672	119	360	-70	4	80	76	1.5
ZDDH022	252029	4447672	142.8	180	-70	0	135.6	135.6	1.6
					incl.	11	22.5	11.0	4.0
ZDDH024	251965	4447674	109.6	180	-60	1.2	69.45	68.25	2.2
ZDDH026	251788	4447640	122.7	180	-80	4	104.3	100.3	1.9
					incl.	51	102.15	51.15	2.7
ZZDH032	251690	4447557	96.0	360	-30	0	76	76	1.4
ZDDH033	251690	4447557	94.2	360	-50	0	74	74	1.8
					incl.	32	49	17	4.2
ZDDH034	251690	4447557	241.0	360	-70	0	213	213	1.8
ZDDH035	251690	4447557	301.0	-	-90	0	59	59	1.5
						97	117	20	2.2
						230	237	7	2.5
						270	301	31*	2.6

* ended in mineralisation.
Mineralised intersections are reported where hole contains intercepts totalling over 100 gram-metres

Exploration 2006-2007

It is anticipated that between one and three rigs will be carrying out diamond and RC drilling at Obdilla for at least the next six months. Drill sections spaced at about 200m intervals through the central portion of the prospect area will be crucial in determining the overall resource potential of the Obdilla prospect.

It is planned to commence drilling on the targets which have been identified along strike from Obdilla and regional exploration is expected to increase the number of target areas significantly during the year.

Metallurgical and engineering scoping work is currently underway.

Savoyardy Gold Project -100%

The 98sq km Savoyardy licence is located approximately 145km southeast of the city of Osh and approximately 300km south of Bishkek. The project is situated within the Osh Province in the southern Kyrgyz Republic, adjacent to the border with China.

The Savoyardy project is situated within a northeast trending belt of sedimentary rocks, which form part of the Southern Tien Shan thrust-fold belt. Intermittent gold mineralisation was initially defined over a 12km strike length by sampling surface trenches and adits at the Savoyardy prospect, which covers 200m of the strike. The main Savoyardy adit intercepted two converging zones of relatively high-grade mineralisation referred to as Zones 4 and 10, developed over widths up to 27.2m adjacent to the contact between carbonaceous shale and sandstones.

Exploration 2005-2006

Re-sampling of the adits commenced in August 2005. Results from 730, 1m and 2m channel samples included open ended intercepts of 7m at 12.9g/t, 2m at 38.9g/t, 2m at 37.3g/t, 31m at 1.7g/t, 2m at 22.8g/t and 2m at 18g/t Au.

In October 2005 infill soil sampling and trenching commenced on the 3,500m long and 500m wide soil anomaly delineated earlier in 2005. The program was interrupted due to the onset of winter and the program resumed in July 2006.

Exploration 2006-2007

The Company has mobilised a man-portable diamond drill rig to Savoyardy and drilling has commenced. Drilling, soil sampling and trenching will continue until the onset of winter conditions and will again recommence in the Spring.

A contractor has been engaged to construct a road to the main zone to enable access for a larger rig, but work can only continue until winter snows commence, so it will not be completed until next year.

Maly Naryn Gold Project – 100%

The 155sq km Maly Naryn licence is located in the central eastern part of the Kyrgyz Republic and covers a window of Vendian aged rocks located 130km west of the Kumtor Gold Mine. Maly Naryn is notable for alluvial gold deposits and the vast areas of intense alteration associated with Permo-Carboniferous intrusives. Soviet-era exploration focused mainly on alluvials but limited rock chip sampling returned a number of high grade gold assays which were never followed up.

Assay results have been received during the year for 616 soil samples collected over 21.5sq km. A significant number of the samples contain anomalous gold, copper, bismuth and arsenic. Of the 616 samples, 97 contained more than 50ppb Au and 44 contained more than 100ppb (0.1ppm) Au, with a peak of 15.8g/t Au. Gold values exhibit good repeatability and anomalies generally show strong continuity between sample lines.

The strongest zone of soil anomalism is associated with a granodiorite-limestone contact zone, which forms a ridge extending for 3km. Gold and other metals are shedding from both the granodiorite and the altered limestone.

Talas Gold Project-100%

The Talas project is located approximately 252km west of Bishkek on the northern slopes of the Talas Range. The Talas tenement comprises a single exploration licence with an original area of 2,270sq km. which was reduced to 906sq km in 2005. The licence covers a vast number of gold-in-stream anomalies and copper and gold occurrences within Proterozoic meta-sediments which have been subjected to deformation and subsequent imbricate thrusting on a massive scale along 107km strike of the Talas-Fergana fault zone. The licence is located 40km south west of the large Jerooy gold deposit and 30km north east of the Chaarat discovery.

The Talas project is still at a grass roots stage with a number of Au, W, As, Cu soil anomalies justifying follow-up.

RESOURCES

The Company has undertaken several resource calculations in 2006:

1) The 2002 resource estimate for the Kayeya gold deposit (Grumesa Gold Project) has been superseded by the September 2006 resource estimate. The recent estimate took into account 2004 and 2005 drilling results, a higher gold price and increased knowledge of mineralisation and metallurgy. The Inferred Resources have increased from 15Mt @ 0.9g/t Au containing 450,000 ounces of gold to **29Mt at 0.9g/t au containing 800,000 ounces** of gold. All resources are currently Inferred and do not take into account drilling completed since June 2006. It should be noted that the resources are still highly constrained by a shallow average drill depth, and the potential resources could be significantly higher than those reported.

Mineral Resources (Gold) - Grumesa Gold Project

Deposit	Inferred		
	Tonnes (000s)	g/t Au	Ounces Au
Kayeya Oxide	11,700	0.85	320,000
Kayeya Fresh	17,400	0.86	480,000
Totals	**29,000**	**0.9**	**800,000**

Notes
1 Report cutoff 0.4g/t Au;
2 Rounding applied to totals; and
3 90% attributable to Perseus.

2) The initial Obdilla (Tolubay Gold Project) resource estimate has been completed for 400m strike of the 2km long zone of mineralisation. Inferred resources were calculated at **10.4Mt at 1.9g/t Au containing 618,000 ounces** of gold. It should be noted that the resource area is open to the west and at depth, and that the resource area represents a small portion of the current target area at Obdilla.

Mineral Resources (Gold) - Tolubay Gold Project

Deposit	Inferred		
	Tonnes (000s)	g/t Au	Ounces Au
Obdilla	10,400	1.9	618,000

Notes
1 Report cutoff 1.0g/t Au;
2 Inverse distance adopted for estimate; and
3 100% attributable to Perseus.

3) JORC-compliant resources have been calculated for five deposits at Ayanfuri. Indicated resources are **4.87Mt at 1.71g/t Au containing 268,000 ounces** of gold and Inferred resources are **6.7Mt at 1.6g/t Au containing 340,000 ounces** of gold. Seven other former producing deposits at Ayanfuri, including the largest producer Fetish, contain unmined resources that are not currently JORC-compliant. The Company is currently working towards calculating JORC-compliant resources for these areas.

Mineral Resources (Gold) - Ayanfuri Gold Project

Deposit	Indicated			Inferred		
	Tonnes (000s)	**g/t Au**	**Ounces Au**	**Tonnes (000s)**	**g/t Au**	**Ounces Au**
Esuajah	2,120	1.40	95,200	2,300	1.40	102,000
South Esuajah	850	2.15	58,800	1,000	1.60	52,000
Abnabna	1,560	1.70	85,300	2,000	1.60	104,000
Ataasi	340	2.60	28,500	200	2.80	18,000
Chirawewa				1,200	1.64	65,000
Totals	**4,870**	**1.7**	**268,000**	**6,700**	**1.6**	**340,000**

Notes
1 Report cutoff 0.8g/t Au;
2 Based on Cluff and AGC drill data;
3 Ordinary kriging adopted for estimation;
4 Rounding applied to totals;
5 90% attributable to Perseus based on maximum available equity.

4) JORC-compliant resources have not yet been calculated for the Savoyardy gold deposit.

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"), for the year ended 30 June 2006 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.

Names, qualifications, experience and special responsibilities

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 resource projects. Mr Gillard also serves on the audit committee of the Company. During the past three years he has also served as a director of the following listed companies:

Caspian Oil & Gas Limited *	
Aspen Group Limited *	
Lafayette Mining Limited *	
Pioneer Nickel Limited *	appointed 17 March 2005
Eneabba Gas Limited *	appointed 2 August 2005
Tiger Resources Limited *	appointed 9 December 2005
Elemental Minerals Limited *	appointed 6 June 2006
Moto Goldmines Limited	ceased 17 August 2005
Wentworth Mutual Limited	ceased 19 February 2004

Mark Andrew Calderwood AusIMM - 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 gold. He has eleven years' experience in the West African region and has a network of contacts throughout the region. During the past three years he has also served as a director of the following listed company:

Caspian Oil & Gas Limited	ceased 8 July 2004.

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. During the past three years he has also served as a director of the following listed company:

Caspian Oil & Gas Limited *

Rhett Boudewyn Brans MIEAust CPEng - 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 13 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 over 30 years' experience in the design and construction of mineral treatment facilities. Mr Brans also serves on the audit committee of the Company. During the past three years he has not served as a director of any other listed companies.

Names, qualifications, experience and special responsibilities - continued

Neil Christian Fearis LL.B.(Hons) MAICD FINSIA - Non-Executive Director (Appointed 26/05/2004)

Neil Fearis has 29 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 also serves as Chairman of the Company's audit committee. During the past three years he has also served as a director of the following listed companies:

Kresta Holdings Limited *
Carnarvon Petroleum Limited *

* denotes current directorship

Dr Alexander Becker PhD (Geology)

Alexander Becker has a PhD in structural geology and tectonophysics and acted as a non-executive director from 20 May 2004 until his resignation from the Board on 12 October 2005. Dr Becker serves as a director of Caspian Oil & Gas Ltd.

COMPANY SECRETARY
Susmit Mohanlal Shah
(Appointed 24/10/03)

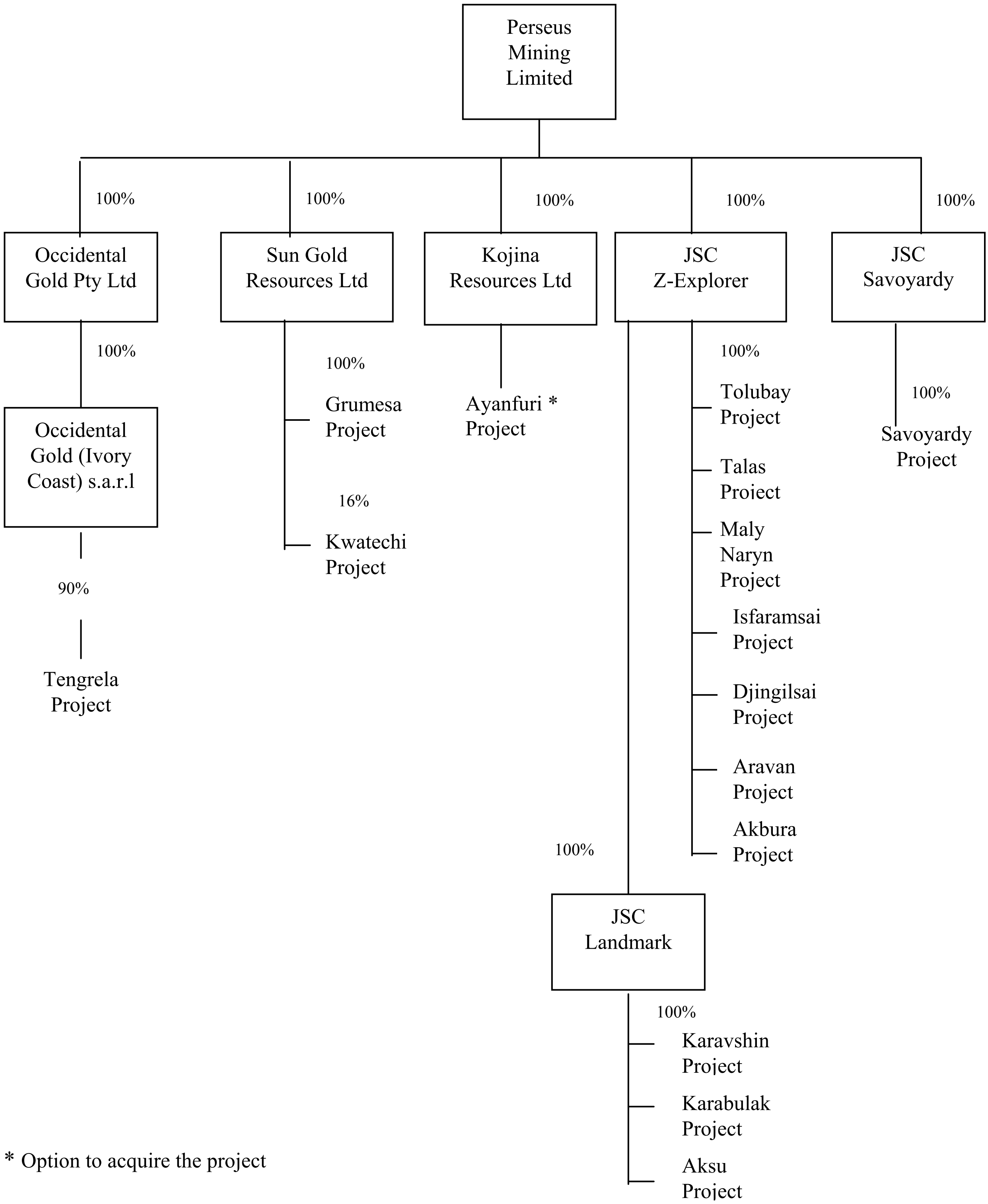
Susmit Shah is a chartered accountant with over 20 years' experience. Over the last 13 years, Mr Shah has been involved with a diverse range of Australian public listed companies in company secretarial and financial roles.

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 year, which are outlined in the following illustration of the group's corporate structure.

PERSEUS MINING LIMITED – GROUP STRUCTURE AT 30 JUNE 2006



* Option to acquire the project

PRINCIPAL ACTIVITIES

The principal activities of the consolidated entity during the course of the financial year 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 year ended 30 June 2006 was $1,015,782 (2005: $964,284). No dividends were paid during the year and the Directors do not recommend payment of a dividend.

EARNINGS PER SHARE

Basic loss per share for the year was 1.4 cents (2005: 1.7 cents).

REVIEW OF OPERATIONS

A review of operations of the consolidated entity during the year ended 30 June 2006 is provided in the "Review of Operations" immediately preceding this Directors' Report.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

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

- In September and October 2005, the Company completed the placement of 12,500,000 fully paid ordinary shares at an issue price of 20 cents each, with 6,250,000 free attaching options to raise a total amount of $2,500,000. The options are exercisable at 20 cents each on or before 31 March 2009.

  The total funds raised of $2,500,000 were used for exploration programs and for general working capital.

- In January 2006, the parent entity sold its 20% interest in the capital of Carbeck Pty Ltd to ASX listed Monaro Mining NL. Carbeck is the parent company of a wholly owned subsidiary in the Kyrgyz Republic, which holds a number of uranium prospective licences. The sale consideration comprised 700,000 Monaro shares, 600,000 options (to acquire Monaro shares) exercisable at 40 cents each and a further 600,000 options (to acquire Monaro shares) exercisable at 60 cents each. Perseus will also receive 400,000 shares in Monaro if a mining licence is issued with respect to any of the licence areas in the Kyrgyz Republic and a 0.2% royalty on gross production revenue. This sale transaction has resulted in a gain on sale of investments of $654,027.

- In March 2006, the Company issued 300,000 shares and 1,000,000 unquoted options to acquire ordinary shares at an exercise price of 35 cents each as a fee for corporate and investor relations services. The securities were issued to a financial analyst based in Europe to make available information about the Company and its gold projects to investors in Europe and to raise the Company's profile amongst European investors.

- In May 2006, the Company issued 15,350,000 fully paid ordinary shares at an issue price of 40 cents each for a total subscription amount of $6,140,000 in new equity capital for active drilling programmes at its Tolubay and Tengrela gold projects, as well as progressing feasibility studies for a mining operation at the Grumesa project.

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year 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.

LIKELY DEVELOPMENTS

The Company's focus over the next financial year will be on its three lead projects, Grumesa, Tengrela and Tolubay. Further commentary on planned activities in these projects over the forthcoming year is provided in the "Review of Operations". The Company will also assess new opportunities where such projects have synergies with existing projects, including a decision on the exercise of the option to acquire the Ayanfuri Project in Ghana.

DIRECTORS' MEETINGS

The number of meetings of the Company's Directors and the number of meetings attended by each Director during the year ended 30 June 2006 are:

	Directors' meetings held during period of office	Directors' meetings attended
R N Gillard	8	8
M A Calderwood	8	8
C J Carson	8	7
A Becker	3	1
R B Brans	8	8
N C Fearis	8	8

The audit committee consists of N C Fearis (Chairman), R N Gillard and R B Brans. There was one audit committee meeting during the year ended 30 June 2006 with all members in attendance.

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	210,000	470,000
M A Calderwood	1,370,000	3,070,000
C J Carson	1,151,423	250,000
R B Brans	150,000	425,000
N C Fearis	100,000	400,000

Options granted to directors' and officers and analysis of share-based payments granted as remuneration

The Company has not granted any options over unissued ordinary shares in Perseus Mining Limited during or since the end of the financial year to any directors or officers as part of their remuneration. Details of the options granted (including the vesting profile) as remuneration to each director and officer of the Company during the previous financial year are listed below:

	Options granted during the previous financial year				
	Number	Exercise Price	Expiry Date	% vested in previous financial year	Forfeited in previous financial year
Directors					
R Gillard	400,000	20 cents	31 March 2009	100%	Nil
M Calderwood	2,400,000	20 cents	31 March 2009	100%	Nil
A Becker	800,000	20 cents	31 March 2009	100%	Nil
R Brans	400,000	20 cents	31 March 2009	100%	Nil
N Fearis	400,000	20 cents	31 March 2009	100%	Nil

The options vested 100% at the time of grant (being 7 July 2004 for the options issued to M Calderwood and the officers and 4 January 2005 for the remaining directors), so there is no value of options yet to vest.

During or since the end of the financial year, no options over unissued ordinary shares in the Company were forfeited or exercised by directors and officers of the Company.

No options have been granted since the end of the financial year.

The market value of the Company's shares at 30 June 2006 was 48 cents.

SHARE OPTIONS

As at the date of this report, there are 30,805,500 options to subscribe for unissued ordinary shares in the Company, summarised as follows:

	Number	**Exercise Price (cents)**	**Expiry Date**
Listed Options:	23,280,000	20	31 March 2009
Unlisted Options:	4,540,000	20	31 March 2009
Unlisted Options:	1,185,000	26	1 December 2008
Unlisted Options:	1,000,000	35	31 March 2007
Unlisted Options:	400,000	45	6 June 2009
Unlisted Options:	400,000	50	6 June 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 year are as follows:

- 6,250,000 options were issued as part of a placement of 12,500,000 ordinary shares at an issue price of 20 cents each in September and October 2005, with the options issued on a free attaching basis of one option for every two shares subscribed.
- 1,985,000 options were issued under the terms of the Perseus Mining Limited Employee Option Plan following its approval by shareholders at the 2005 annual general meeting.

SHARE OPTIONS - continued

- 1,000,000 options were issued as a fee for corporate and investor relations services.

There were no options issued after 30 June 2006 and up to the date of this report.

Shares issued on exercise of options

During or since the end of the financial year, the Company issued 1,212,500 ordinary shares as a result of the exercise of options at $0.20 each (there was no amount unpaid on the shares issued).

REMUNERATION REPORT

This report outlays the remuneration arrangements in place for the directors of Perseus Mining Limited. The consolidated entity does not have any executive officers as defined under Section 300A of the Corporations Act 2001 (other than executives who are also directors).

Remuneration philosophy

The Board reviews the remuneration packages applicable to the executive Directors and non-executive Directors on an annual basis. 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. Independent advice on the appropriateness of remuneration packages is obtained, where necessary.

Remuneration committee

The Company does not have a formally constituted remuneration committee 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 a Remuneration committee.

The Board assesses the appropriateness of the nature and amount of remuneration of directors and senior managers on a periodical basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and management team.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive Directors and executive Directors remuneration is separate and distinct.

Non-executive Directors remuneration

Objective

The Board seeks to set aggregate remuneration at a level which provides the Company with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

Structure

The Constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was at a general meeting on 21 November 2003 when shareholders approved an aggregate remuneration of $200,000 per year.

The Board reviews the remuneration packages applicable to the non-executive Directors on an annual basis. The Board considers fees paid to non-executive directors of comparable companies when undertaking the annual review process.

The remuneration of the non-executive Directors for the year ending 30 June 2006 is detailed in Table 1 of this report.

REMUNERATION REPORT - continued

Executive Directors remuneration

Objective

The Company aims to reward the Executive Directors with a level of remuneration commensurate with their position and responsibilities within the Company and so as to:

- align the interests of the Executive Directors with those of shareholders;
- link reward with the strategic goals and performance of the Company; and
- ensure total remuneration is competitive by market standards.

Structure

Remuneration consists of the following key elements:

- Fixed remuneration
- Variable remuneration

Fixed remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market.

Fixed remuneration is reviewed annually by the Board and the process consists of a review of companywide, business unit and individual performance, relevant comparative remuneration in the market and internal and, where appropriate, external advice on policies and practice. Independent advice on the appropriateness of remuneration packages is obtained, where necessary.

The fixed component of the Executive Directors remuneration for the year ending 30 June 2006 is detailed in Table 1 of this report.

Variable remuneration – Long Term Incentive ('LTI')

Objective

The objective of the LTI plan is to reward executives and senior managers in a manner which aligns this element of remuneration with the creation of shareholder wealth.

As such LTI grants are only made to executives who are able to influence the generation of shareholder wealth and thus have a direct impact on the Company's performance.

Structure

LTI grants to executives are delivered in the form of options. The issue of options as part of the remuneration packages of executive and non-executive directors is an established practice of junior public listed companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding each of the directors.

The remuneration of the Executive Directors for the year ending 30 June 2006 is detailed in Table 1 of this report.

REMUNERATION REPORT - continued

Employment agreements

Mark Calderwood has entered into an agreement with the Company to be employed as the Managing Director of the Company. The contract commenced on 1 January 2004 and there is no specific termination date.

The terms of the arrangement during the year included:

- remuneration of $175,000 per annum;
- the equivalent of three return economy airfares per annum to Australia;
- medical evacuation and insurance cover; and
- either party can terminate the agreement by giving six months written notice.

Colin Carson has entered into an agreement with the Company to be employed as an Executive Director of the Company. The contract commenced on 22 September 2004, which was the listing date of the Company on the ASX, and there is no specific termination date. The terms of the present arrangement include remuneration of $70,000 per annum plus superannuation, and is on the basis that Mr Carson dedicates on average around 80 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.

Table 1 Director remuneration for the year ended 30 June 2006

	Primary Director's Salary / Fees	**Post Employment Superannuation**	**Equity Value of Options (A)**	**Total**
	$	**$**	**$**	**$**
Directors :				
Reginald Gillard				
2006	40,000	3,600	-	43,600
2005	40,000	3,600	15,600	59,200
Mark Calderwood				
2006	175,000	-	-	175,000
2005	156,830	-	73,895	230,725
Colin Carson				
2006	61,001	5,490	-	66,491
2005	49,250	4,433	-	53,683
Alexander Becker (resigned 12/10/2005)				
2006	8,468	-	-	8,468
2005	30,000	-	31,200	61,200
Rhett Brans				
2006	30,000	2,700	-	32,700
2005	30,000	2,700	15,600	48,300
Neil Fearis				
2006	30,000	-	-	30,000
2005	30,000	-	15,600	45,600
Total, all specified directors				
2006	**344,469**	**11,790**	**-**	**356,259**
2005	336,080	10,733	151,895	498,708

(A) The fair value of options is calculated at the date of grant using a Black-Scholes model and allocated to each reporting period over the period from grant date to vesting date. The value disclosed above is the portion of the fair value of the options allocated to this reporting period. No options were granted to directors during the year ended 30 June 2006.

INDEMNIFICATION AND INSURANCE OF OFFICERS AND AUDITORS

No indemnities have been given during or since the end of the year 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 year.

NON AUDIT SERVICES

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

There have been no non audit services provided during this year (2005: $7,000 for the preparation of an Independent Accountant's Report for the purposes of the Company's initial public offer of securities and listing on ASX.)

AUDITORS' INDEPENDENCE DECLARATION

The auditor, HLB Mann Judd, has provided the Board of Directors with an independence declaration in accordance with section 307C of the Corporations Act 2001.

The independence declaration is attached to and forms part of this Directors' Report.

There have been no non audit services provided during this year.

Signed in accordance with a resolution of Directors.

M A Calderwood
Managing Director

Perth, 28 September 2006

HLB Mann Judd
Chartered Accountants

Auditor's Independence Declaration

As lead auditor for the audit of the financial report of Perseus Mining Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Perseus Mining Limited.

Perth, Western Australia
28 September 2006

N G NEILL
Partner, HLB Mann Judd

HLB Mann Judd (WA Partnership)
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Email: hlb@hlbwa.com.au. Website: http://www.hlb.com.au
Partners: Ian H Barsden, Terry M Blenkinsop, Litsa Christodulou, Wayne M Clark, Lucio Di Giallonardo, Colin D Emmott, Trevor G Hoddy, Norman G Neill, Peter J Speechley

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors of Perseus Mining Limited is responsible for the corporate governance of the consolidated entity. The board guides and monitors the business and affairs of Perseus Mining Limited on behalf of the shareholders by whom they are elected and to whom they are accountable.

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.

Perseus Mining Limited's corporate governance practices were in place throughout the financial year ended 30 June 2006 and were compliant, unless otherwise stated, with the Corporate Governance Council's principles and recommendations, which are noted below. The Board as a whole is involved in matters where larger Boards would ordinarily operate through sub-committees. For these reasons, some of the best practices recommended by CGC are not cost effective for adoption in a small company environment.

Principle 1.	Lay solid foundations for management and oversight
Principle 2.	Structure the board to add value
Principle 3.	Promote ethical and responsible decision making
Principle 4.	Safeguard integrity in financial reporting
Principle 5.	Make timely and balanced disclosure
Principle 6.	Respect the rights of shareholders
Principle 7.	Recognise and manage risk
Principle 8.	Encourage enhanced performance
Principle 9.	Remunerate fairly and responsibly
Principle 10.	Recognise the legitimate interests of stakeholders

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

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - continued

The Board has established a framework for the management of the consolidated entity including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full Board holds regular meetings to discuss operational matters, plus strategy meetings and any extraordinary meetings at such other times as may be necessary to address any specific significant matters that may arise.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reason, or where it is considered that the Board would benefit from the services of a new director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisers may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Nomination Committee for prospective Board appointments. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Nomination Committee.

The terms and conditions of the appointment and retirement of directors are not formally set out in a letter of appointment. However matters such as remuneration, expectations, terms, the procedures for dealing with conflicts of interest and the availability of independent professional advice are clearly understood by all directors, who are experienced public company directors.

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report is included in the Director's Report. Directors of Perseus Mining Limited are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered judgement.

The following directors of Perseus Mining Limited are considered to be independent:

Name	Position
N Fearis	Non-Executive Director
R Brans	Non-Executive Director
A Becker	Non-Executive Director – resigned 12 October 2005

Each director has the right to seek independent professional advice at the Company's expense. However, prior approval of the Chairman will be required, which will not be unreasonably withheld.

The term in office of each director in office at the date of this report is as follows:

Name	Term in Office
R Gillard	2 years 11 months
M Calderwood	2 years 8 months
C Carson	2 years 11months
N Fearis	2 years 4 months
R Brans	2 years 4 months

STATEMENT OF CORPORATE GOVERNANCE PRACTICES – continued

Responsibilities of the Board

The Board is responsible for setting the strategic direction and establishing the policies of the Group. It is responsible for overseeing the financial position, and for monitoring the business and affairs on behalf of the shareholders, by whom the Directors are elected and to whom they are accountable. The Board also addresses issues relating to internal controls and approaches to risk management.

Ethical standards

The Board acknowledges the need for continued maintenance of the highest standards of corporate governance practice and ethical conduct by all Directors and employees of the consolidated entity. A fundamental theme of the consolidated entity's code of ethics is that all business affairs are conducted legally, ethically and with the strict observance of the highest standards of integrity and propriety. The Directors and management have the responsibility to carry out their functions with a view to maximising financial performance of the consolidated entity.

All directors and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Trading in Company securities by directors and employees

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 has instituted 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.

Continuous Disclosure and Communication with Shareholders

The Chairman is responsible, in consultation with the Board, for interpreting and monitoring the Company's compliance with the continuous disclosure requirements of the Australian Stock Exchange whilst the Company Secretary is responsible for all communications with the Australian Stock Exchange. It is not considered necessary to commit procedures and processes for compliance with the ASX listing rules in writing given the small size of the Company, its workforce and the relatively simple nature of its activities. All directors and senior employees have a general understanding of the continuous disclosure requirements under the ASX listing rules, particularly as they relate to identification of matters that may have a material effect on the price of the Company's securities.

Communication with shareholders is conducted through the following mechanisms:

- Announcements lodged with the Australian Stock Exchange
- Half Yearly and Preliminary Final Reports
- Annual Reports
- Annual General Meetings

The Company also posts corporate information in the investor section of its Company website at www.perseusmining.com.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES - continued

Remuneration

The Australian Stock Exchange Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" recommends the appointment of a Remuneration Committee for focusing the Company on appropriate remuneration policies, which are designed to meet the needs of the Company and to enhance corporate and individual performance. 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. The Board considers that the Company and the Board are currently not of sufficient size to justify the establishment of a Remuneration Committee and all matters that would be addressed by committees are usually dealt with by the full board of Directors.

Details on the amount of remuneration and all monetary and non-monetary components for each of the directors and executives is provided in the Directors' Report. In relation to the payments of bonuses, options and other incentive payments, discretion is exercised by the board, having regard to the overall performance of Perseus Mining Limited and the performance of the individual during the period.

There were no loans made to directors or executives during the period and there are no amounts owing by directors and executives at the year end.

Risk Management

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

Financial reporting

The Managing Director and Company Secretary have declared to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

Perseus Mining Limited
Income Statements
For the Year ended 30 June 2006

	Notes	Consolidated **2006** **$**	Consolidated 2005 $	Company **2006** **$**	Company 2005 $
Revenue					
Finance revenue		**127,378**	107,561	**127,233**	107,484
Other revenue		**669,012**	75,800	**829,283**	-
Total revenue	2	**796,390**	183,361	**956,516**	107,484
Expenses from ordinary activities					
Depreciation expense	3	**(33,975)**	(12,915)	**(3,729)**	(1,151)
Employee, directors and consultants costs		**(1,112,093)**	(777,654)	**(980,772)**	(699,893)
Exploration expenditure written off		**(131,116)**	-	**(129,981)**	-
Impairment of loans to and investments in subsidiaries	3	**-**	-	**(442,454)**	(335)
Foreign exchange losses		**-**	-	**-**	(194,060)
West African administration and overhead costs		**(186,574)**	(157,738)	**-**	-
Kyrgyz Republic administration and overhead costs		**(37,380)**	(6,923)	**-**	-
Stock Exchange Listing, Compliance and Listing Fees		**(66,553)**	(83,978)	**(66,341)**	(83,643)
Travel expenses		**(93,472)**	(29,853)	**(93,472)**	(29,853)
Other expenses from ordinary activities	3	**(151,009)**	(78,584)	**(128,061)**	(78,584)
Expenses from ordinary activities		**(1,812,172)**	(1,147,645)	**(1,844,810)**	(1,087,519)
Loss from ordinary activities before related income tax expense		**(1,015,782)**	(964,284)	**(888,294)**	(980,035)
Income tax (expense)/benefit relating to ordinary activities	5	**-**	-	**-**	-
Net loss attributable to members of the parent entity		**(1,015,782)**	(964,284)	**(888,294)**	(980,035)
Basic earnings/(loss) per share	6	**(1.4) cents**	(1.7) cents		

Perseus Mining Limited
Balance Sheets
As at 30 June 2006

	Notes	Consolidated		Company	
		2006	2005	**2006**	2005
		$	$	**$**	$
Current Assets					
Cash and cash equivalents	8	**5,999,909**	1,917,368	**5,734,140**	1,832,727
Receivables	9	**330,003**	62,008	**64,128**	10,914
Other	10	**15,468**	6,839	**-**	-
Total Current Assets		**6,345,380**	1,986,215	**5,798,268**	1,843,641
Non-Current Assets					
Receivables	9	**-**	-	**6,772,205**	3,219,838
Other financial assets	11	**-**	-	**34,316**	34,316
Available for sale investments	12	**1,276,000**	-	**1,276,000**	-
Property, plant and equipment	13	**510,382**	340,879	**22,151**	6,240
Mineral interest acquisition, exploration and development expenditure	14	**5,993,610**	3,218,728	**-**	119,697
Total Non-Current Assets		**7,779,992**	3,559,607	**8,104,672**	3,380,091
Total Assets		**14,125,372**	5,545,822	**13,902,940**	5,223,732
Current Liabilities					
Payables	15	**382,618**	439,912	**160,186**	120,313
Total Current Liabilities		**382,618**	439,912	**160,186**	120,313
Total Liabilities		**382,618**	439,912	**160,186**	120,313
Net Assets		**13,742,754**	5,105,910	**13,742,754**	5,103,419
Equity					
Issued capital	16	**14,571,167**	5,886,067	**14,571,167**	5,886,067
Option premium reserve	16	**773,069**	479,940	**773,069**	479,940
Foreign currency translation reserve	16	**33,436**	(91,561)	**-**	-
Financial assets reserve	16	**549,400**	-	**549,400**	-
Accumulated losses		**(2,184,318)**	(1,168,536)	**(2,150,882)**	(1,262,588)
Total Equity		**13,742,754**	5,105,910	**13,742,754**	5,103,419

	Consolidated					
	Issued Capital	Retained Earnings	Option Premium Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2004	2,698,511	(204,252)	-	-	-	2,494,259
Shares issued during the year	3,717,000	-	-	-	-	3,717,000
Currency translation differences	-	-	-	(91,561)	-	(91,561)
Loss attributable to members of the parent entity	-	(964,284)	-	-	-	(964,284)
Share issue expenses	(529,444)	-	204,000	-	-	(325,444)
Fair value of options issued	-	-	275,940	-	-	275,940
Balance at 30 June 2005	**5,886,067**	**(1,168,536)**	**479,940**	**(91,561)**	**-**	**5,105,910**
Balance at 1 July 2005	5,886,067	(1,168,536)	479,940	(91,561)	-	5,105,910
Shares issued during the year	8,640,000	-	-	-	-	8,640,000
Exercise of options	242,500	-	-	-	-	242,500
Currency translation differences	-	-	-	124,997	-	124,997
Loss attributable to members of the parent entity	-	(1,015,782)	-	-	-	(1,015,782)
Share issue expenses	(332,400)	-	-	-	-	(332,400)
Fair value of options issued	135,000	-	293,129	-	-	428,129
Revaluation of available for sale financial assets	-	-	-	-	549,400	549,400
Balance at 30 June 2006	**14,571,167**	**(2,184,318)**	**773,069**	**33,436**	**549,400**	**13,742,754**

	Company				
	Issued Capital	**Retained Earnings**	**Option Premium Reserve**	**Financial Assets Reserve**	**Total Equity**
	$	**$**	**$**	**$**	**$**
Balance at 1 July 2004	2,698,511	(282,553)	-	-	2,415,958
Shares issued during the year	3,717,000	-	-	-	3,717,000
Loss attributable to members of the parent entity	-	(980,035)	-	-	(980,035)
Share issue expenses	(529,444)	-	204,000	-	(325,444)
Fair value of options issued	-	-	275,940	-	275,940
Balance at 30 June 2005	**5,886,067**	**(1,262,588)**	**479,940**	**-**	**5,103,419**
Balance at 1 July 2005	5,886,067	(1,262,588)	479,940	-	5,103,419
Shares issued during the year	8,640,000	-	-	-	8,640,000
Exercise of options	242,500	-	-	-	242,500
Loss attributable to members of the parent entity	-	(888,294)	-	-	(888,294)
Share issue expenses	(332,400)	-	-	-	(332,400)
Fair value of options issued	135,000	-	293,129	-	428,129
Revaluation of available for sale financial assets	-	-	-	549,400	549,400
Balance at 30 June 2006	**14,571,167**	**(2,150,882)**	**773,069**	**549,400**	**13,742,754**

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Cash Flows from Operating Activities					
Cash payments in the course of operations		**(1,437,791)**	(735,616)	**(811,756)**	(579,295)
Interest received		**108,745**	104,991	**108,600**	104,914
Net Cash used in Operating Activities	21 (a)	**(1,329,046)**	(630,625)	**(703,156)**	(474,381)
Cash Flows from Investing Activities					
Payments for exploration and development expenditure		**(2,877,505)**	(793,263)	**(5,350)**	(19,968)
Payments for property, plant and equipment		**(243,784)**	(359,757)	**(19,639)**	(5,245)
Repayments to other entities		**(55,547)**	(82,132)	**(18,650)**	(4,140)
Repayments from / (advances to) Joint Ventures		**19,305**	(7,203)	**-**	-
Payments for investments		**(5,725)**	-	**(5,725)**	-
Advances to controlled entities		**-**	-	**(3,920,910)**	(1,359,954)
Cash received on withdrawal of JV partner		**-**	50	**-**	-
Net Cash used in Investing Activities		**(3,163,256)**	(1,242,305)	**(3,970,274)**	(1,389,307)
Cash Flows from Financing Activities					
Proceeds from share issues		**8,640,000**	3,717,000	**8,640,000**	3,717,000
Proceeds from exercise of options		**242,500**	-	**242,500**	-
Share issue expenses		**(332,400)**	(325,443)	**(332,400)**	(325,443)
Net Cash provided by Financing Activities		**8,550,100**	3,391,557	**8,550,100**	3,391,557
Net Increase in Cash Held		**4,057,798**	1,518,627	**3,876,670**	1,527,869
Cash at the beginning of the financial year		**1,917,368**	402,823	**1,832,727**	308,940
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		**24,743**	(4,082)	**24,743**	(4,082)
Cash at the end of the Financial Year	8	**5,999,909**	1,917,368	**5,734,140**	1,832,727

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, Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The financial report has also been prepared on a historical cost basis, except for available-for-sale investments, which have been measured at fair value.

The financial report is presented in Australian dollars.

Statement of compliance

The financial report was authorised for issue on 28 September 2006.

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards (IFRS).

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly.

Basis of Consolidation

The consolidated financial statements comprise the financial statements of Perseus Mining Ltd (the "Company") and subsidiaries, and the Company as an individual parent entity. Perseus Mining Ltd is a listed public company, incorporated and domiciled in Australia.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

In preparing the consolidated financial statements, all intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

The following standards and amendments were available for early adoption, but have not been applied by the consolidated entity in these financial statements:

• AASB 119 Employee Benefits (December 2004) (ii)

• AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements and AASB 124 Related Party Disclosures (ii)

• AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement (ii)

• AASB 2005-3 Amendments to Australian Accounting Standards (June 2005) amending AASB 119 Employee Benefits (either July or December 2004) (ii)

• AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts (ii)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Basis of Consolidation - continued

• AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement (ii)

• AASB 2005-6 Amendments to Australian Accounting Standards (June 2005) amending AASB 3 Business Combinations (ii)

• AASB 2006-1 Amendments to Australian Accounting Standards (January 2006) amending AASB 121 The Effects of Changes in Foreign Exchange Rates (July 2004) (ii)

• UIG 4 Determining whether an Arrangement contains a Lease (ii)

• UIG 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds (ii)

• UIG 7 Applying the Restatement Approach under AASB 129 Financial Reporting in Hyperinflationary Economies (ii)

• UIG 8 Scope of AASB 2 (iii)

• UIG 9 Reassessment of Embedded Derivative scope of AASB 2 (ii)

• AASB 7 Financial instruments: Disclosure (August 2005) replacing the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007.

• AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) requires that liabilities arising from the issue of financial guarantee contracts are recognised in the balance sheet. AASB 2005-9 is applicable for annual reporting periods beginning on or after 1 January 2006 (ii)

• AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosures and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment Reporting, AASB 117 Leases, AASB 133 Earnings per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts, arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007.

(i) Adoption of these standards is not expected to have an impact on the financial results of the Company and the consolidated entity as they are concerned only with disclosures.

(ii) These standards/amendments are not relevant to the Company or the consolidated entity.

(iii) Adoption of these amendments and interpretation is not expected to have any impact.

The consolidated entity plans to adopt the above standards, amendments and interpretations when they become effective.

Significant accounting judgments, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Exploration and evaluation expenditure

The Board of Directors determines when an area of interest should be abandoned. When a decision is made that an area of interest is not commercially viable, all costs that have been capitalised in respect of that area of interest are written off. The Directors' decision is made after considering the likelihood of finding commercially viable reserves.

Share-based payment transactions:

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black and Scholes model, using the assumptions detailed in Note 17.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue is capable of being reliably measured.

Interest income is recognised in the income statement as it accrues, using the effective interest method.

All revenue is stated net of the amount of goods and services tax (GST).

Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments readily convertible to cash.

Receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Foreign currency transactions and balances

The functional and presentation currency of Perseus Mining Limited is Australian dollars.

Transactions in foreign currencies are initially recorded in the functional currency at the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences in the consolidated financial report are taken to the income statement with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of a net investment, at which time they are recognised in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

The functional currencies of the overseas subsidiaries are as follows:

Ghanaian subsidiaries	Ghanaian cedis (GHC);
Ivory Coast subsidiary	CFA francs (BCEAO – XOF)
Kyrgyz subsidiaries	SOMS (KGS)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Foreign currency transactions and balances - continued

As at the reporting date, the assets and liabilities of these overseas subsidiaries are translated into the reporting currency of Perseus Mining Limited at the rate of exchange ruling at the balance sheet date and the income statements are translated at the weighted average exchange rates for the period.

The exchange differences on the retranslation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity is recognised in the income statement.

Taxes

Income tax

Deferred income tax is provided for on all temporary differences at balance date between the tax base of assets and liabilities and their carrying amounts for financial reporting purposes.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

At the reporting date, the Directors have not made a decision to elect to be taxed as a single entity. In accordance with Urgent Issues Group ('UIG') Interpretation 1039, "Substantive Enactment of Major Tax Bills in Australia", the financial effect of the legislation has therefore not been brought to account in the financial statements for the year ended 30 June 2006, except to the extent that the adoption of the tax consolidation would impair the carrying value of any deferred tax assets.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

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 Australian Tax Office. 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.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Taxes - continued

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

Investments and other financial assets

Financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transactions costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

During the year, the Group has held loans and receivables and available-for-sale investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as financial assets held for trading ("financial assets at fair value"), investments intended to be held to maturity or loans and receivables. After initial recognition available-for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Property, Plant and Equipment

Items of plant and equipment are carried at cost less accumulated depreciation and impairment losses (see accounting policy (impairment testing).

Plant and equipment

Plant and equipment acquired is initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Property, Plant and Equipment - continued

Depreciation

All assets have limited useful lives and are depreciated using the straight line method over their estimated useful lives commencing from the time the asset is held ready for use.

Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. The estimated useful lives used in the calculation of depreciation for plant and equipment for the current and corresponding period are between three and ten years.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Mineral interest acquisition, exploration and development expenditure

Mineral interest acquisition, exploration and evaluation expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that the Group's rights of tenure to that area of interest are current and either the costs are expected to be recouped through the successful development and commercial exploitation of the area of interest or where exploration activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves and active and significant operations, in, or in relation to, the area of interest are continuing.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment, accounting policy).

Impairment testing

The carrying amount of the Group assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. Where such an indication exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the income statement.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Joint Ventures

Joint venture interests are incorporated in the financial statements by including the Group'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.

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 payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee Benefits

Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

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

Share-based payment transactions

Equity settled transactions:

The Group provides benefits to employees, consultants and contractors of the Group in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There is currently an Employee Option Plan in place to provide these benefits to employees, consultants and contractors.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes model, further details of which are given in Note 17.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Share-based payment transactions - continued

Equity settled transactions: - continued

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Perseus Mining Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Group's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 6).

Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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, property, plant and equipment net of accumulated depreciation and mineral interest acquisitions, exploration and development expenditure. 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.

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
2. REVENUE					
Finance revenue - interest income		**127,378**	107,561	**127,233**	107,484
Gain on disposal of investments		**654,027**	-	**654,027**	-
Gain on withdrawal of JV partner		**-**	7,047	**-**	-
Foreign currency exchange gains		**14,985**	68,753	**175,256**	-
		796,390	183,361	**956,516**	107,484

3. LOSS FROM ORDINARY ACTIVITIES

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

Expenses				
Depreciation of plant and equipment	**33,975**	12,915	**3,729**	1,151
Impairment of loans to and investments in subsidiaries	**-**	-	**442,454**	335
Share based payments to consultants and employees	**428,129**	275,940	**428,129**	275,940
Other expenses include:				
Corporate promotion and advertising	**30,236**	6,500	**30,236**	6,500
Conferences and seminars	**22,218**	13,781	**22,191**	13,781
Legal expenses	**7,727**	2,167	**7,727**	2,167
Evaluation costs written off	**17,006**	-	**17,006**	-
Printing & Stationery	**12,439**	11,559	**12,439**	11,559
Write off of fixed assets	**18,324**	-	**-**	-

4. AUDITORS' REMUNERATION

Audit services:				
- Auditors of the company-HLB Mann Judd	**29,500**	17,000	**29,500**	17,000
- Other auditors	**20,384**	6,612	**-**	-
	49,884	23,612	**29,500**	17,000
Other services:				
- Auditors of the company-HLB Mann Judd	**-**	7,000	**-**	7,000
	-	7,000	**-**	7,000

Other services comprise the preparation of the Independent Accountant's Report included in the prospectus for the Company's initial public offer of securities.

5. INCOME TAX EXPENSE

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
(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		**1,015,782**	964,284	**888,294**	980,035
Prima facie income tax benefit @ 30%		**304,735**	289,285	**266,488**	294,011
Tax effect of permanent differences:					
Provision for non-recovery of loans and write-down in investments in controlled entities		**-**	-	**(132,736)**	-
Foreign exchange gains / (losses) not deductible		**4,496**	20,626	**52,577**	(58,219)
Other non-deductible items		**(35,333)**	(93,822)	**(32,084)**	(92,641)
Income tax benefit adjusted for permanent differences		**273,898**	216,089	**154,245**	143,151
Deferred tax asset not brought to account		**(273,898)**	(216,089)	**(154,245)**	(143,151)
Income tax attributable to operating losses		**-**	-	**-**	-
(b) The potential deferred tax asset arising from tax losses and temporary differences have not been recognised as an asset because recovery of tax losses is not yet considered sufficiently probable.					
Australian tax losses		**328,265**	174,020	**328,265**	174,020

The tax benefits will only be obtained if the conditions in Note 1 (Income taxes) are satisfied and if:

a) the Group 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;

b) the Group continues to comply with the conditions for deductibility imposed by the relevant tax legislation;

c) 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 have not formed a tax consolidated group. Tax consolidation is not expected to have a material effect on the group's deferred tax asset.

	Consolidated	
	2006	2005
	cents	cents

6. EARNINGS PER SHARE

Basic earnings/(loss) per share	**(1.4)**	(1.7)
	2006 Number	2005 Number
Weighted average number of ordinary shares used in the calculation of basic earnings per share	**71,042,662**	55,597,779

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 Group's primary reporting format is geographical segments as the Group's risks and rates of return are affected predominantly by differences in the geographical areas in which it operates.

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

Geographical Segments (Primary Segment)

The Group comprises the following main geographical segments:

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

Business Segments (Secondary Segment)

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

The Group operates in the following business segments:

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

7. SEGMENT INFORMATION – continued

	Australia 2006 $	Australia 2005 $	**West Africa 2006 $**	West Africa 2005 $	**Central Asia 2006 $**	Central Asia 2005 $	**Consolidated 2006 $**	Consolidated 2005 $
Geographical segments (Primary Segment)								
Revenue								
Finance revenue	**127,233**	107,484	**145**	63	**-**	14	**127,378**	107,561
Other external revenue	**678,263**	(4,412)	**163**	91,072	**(9,414)**	(10,860)	**669,012**	75,800
Total segment revenue	**805,496**	103,072	**308**	91,135	**(9,414)**	(10,846)	**796,390**	183,361
Results								
Operating loss before income tax	**(483,594)**	(912,234)	**(315,965)**	(41,077)	**(216,223)**	(10,973)	**(1,015,782)**	(964,284)
Income tax expense							**-**	-
Net loss							**(1,015,782)**	(964,284)
Non-Cash Expenses								
Depreciation	**3,729**	1,151	**26,867**	9,442	**3,379**	2,322	**33,975**	12,915
Non-cash expenses other than depreciation	**-**	-	**-**	-	**131,116**	2,982	**131,116**	2,982
Assets								
Segment assets	**7,096,419**	1,849,881	**4,919,967**	3,213,456	**2,108,986**	482,485	**14,125,372**	5,545,822
Non-current assets acquired	**25,364**	5,245	**1,451,819**	1,194,648	**1,446,149**	227,287	**2,923,332**	1,427,180
Liabilities								
Segment liabilities	**160,185**	101,665	**75,677**	289,927	**146,756**	48,320	**382,618**	439,912

	Investing 2006 $	Investing 2005 $	**Mineral Exploration 2006 $**	Mineral Exploration 2005 $	**Consolidated 2006 $**	Consolidated 2005 $
Business segments (Secondary Segment)						
Segment revenue	**805,496**	103,072	**(9,106)**	80,289	**796,390**	183,361
Segment assets	**7,096,419**	1,849,881	**7,028,953**	3,695,941	**14,125,372**	5,545,822

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
8. CASH AND CASH EQUIVALENTS					
Cash assets		**284,429**	110,714	**18,660**	26,073
Deposits at call		**5,715,480**	1,806,654	**5,715,480**	1,806,654
		5,999,909	1,917,368	**5,734,140**	1,832,727

- Cash at bank earns interest at floating rates based on daily bank deposit rates.

9. RECEIVABLES

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current					
Sundry debtors		**316,948**	18,348	**64,128**	10,914
Sundry debtors – amounts due from related entities		**13,055**	43,660	**-**	-
		330,003	62,008	**64,128**	10,914
Non-current					
Loans to subsidiaries		**-**	-	**8,387,039**	4,392,218
Impairment of loans to subsidiaries (i)		**-**	-	**(1,614,834)**	(1,172,380)
		-	-	**6,772,205**	3,219,838

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 subsidiaries. The loans are interest free, unsecured and repayable only when the borrower's cash flow permits.

(i) An impairment loss has been recognised against the loans to subsidiaries on the basis that the subsidiaries have incurred losses during the year and it is considered prudent to provide for the possibility of these loans not being recoverable. The impairment loss has been eliminated on consolidation.

10. OTHER

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Current					
Prepayments		**15,468**	6,839	**-**	-

11. OTHER FINANCIAL ASSETS

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Investment in subsidiaries – unlisted shares at cost (refer 11 (a))		**-**	-	**51,179**	51,179
Impairment loss		**-**	-	**(16,863)**	(16,863)
		-	-	**34,316**	34,316

(a) Particulars in relation to subsidiaries

Name of subsidiary	Notes	Place of Incorporation	Group Interest 2006 %	Group Interest 2005 %
Parent Entity				
Perseus Mining Limited		Australia		
Subsidiaries				
Occidental Gold Pty Ltd (i)		Australia	**100**	100
Sun Gold Resources Ltd	(a)	Ghana	**100**	100
Kojina Resources Ltd	(a)	Ghana	**100**	-
JSC Z-Explorer (ii)	(a)	Kyrgyzstan	**100**	100
JSC Savoyardy	(a)	Kyrgyzstan	**100**	100
(i) Subsidiaries of Occidental Gold Pty Ltd				
Occidental Gold (Ivory Coast) sarl	(a)	Ivory Coast	**100**	100
(ii) Subsidiaries of JSC Z-Explorer				
JSC Landmark	(a)	Kyrgyzstan	**100**	-

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

12. AVAILABLE FOR SALE INVESTMENTS

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
At fair value:					
Listed shares		**637,000**	-	**637,000**	-
Unlisted options		**639,000**	-	**639,000**	-
		1,276,000	-	**1,276,000**	-

Available-for-sale investments consist of investments in ordinary shares and unlisted options over ordinary shares, and therefore have no fixed maturity date or coupon rate. Refer also to Note 21(c).

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
13. PROPERTY, PLANT AND EQUIPMENT					
Plant and equipment-at cost		**615,116**	378,702	**27,144**	7,505
Accumulated depreciation		**(104,734)**	(37,823)	**(4,993)**	(1,265)
Total property, plant and equipment net book value		**510,382**	340,879	**22,151**	6,240
Reconciliation:					
Balance at the beginning of the year		**340,879**	13,304	**6,240**	2,146
Additions		**243,784**	359,757	**19,640**	5,245
Additions through withdrawal of JV partner		**-**	6,997	**-**	-
Depreciation		**(33,975)**	(12,915)	**(3,729)**	(1,151)
Depreciation capitalised to Exploration expenditure		**(31,897)**	(22,946)	**-**	-
Assets written off		**(18,324)**	-	**-**	**-**
Translation difference movement		**9,915**	(3,318)	**-**	**-**
Carrying amount at the end of the year		**510,382**	340,879	**22,151**	6,240

14. MINERAL INTEREST ACQUISITION, EXPLORATION AND DEVELOPMENT EXPENDITURE

	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Balance at the beginning of the year	**3,218,728**	2,141,551	**119,697**	100,000
Purchase price for mineral interests	**195,863**	225,665	**-**	-
Expenditure incurred during the period	**2,628,976**	861,454	**10,284**	19,697
Costs written-off	**(131,116)**	-	**(129,981)**	-
Translation difference movement	**81,159**	(9,942)	-	-
Carried forward	**5,993,610**	3,218,728	**-**	119,697

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.

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $

15. PAYABLES

Current

Trade creditors and accruals	**356,114**	432,075	**144,515**	116,747
Employee benefits	**26,504**	7,837	**15,671**	3,566
	382,618	439,912	**160,186**	120,313

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.

16. ISSUED CAPITAL AND RESERVES

(a) Issued and paid-up share capital

88,880,950 (2005: 59,518,450) ordinary shares, fully paid	**14,571,167**	5,886,067	**14,571,167**	5,886,067

Movements in Ordinary Shares:

	Number	Number	**$**	$
Balance at the beginning of the year	**59,518,450**	40,933,450	**5,886,067**	2,698,511
Shares at 20 cents each pursuant to prospectus	**-**	18,585,000	**-**	3,717,000
Share issue expenses recognised for options issued to Lead Manager in relation to services rendered for the IPO prospectus	**-**	-	**-**	(204,000)
Share placements at issue price of 20 cents each on 8 September and 25 October 2005	**12,500,000**	-	**2.500.000**	**-**
Shares issued pursuant to exercise of options	**1,212,500**	-	**242,500**	-
Shares issued for corporate promotion services	**300,000**	-	**135,000**	-
Share placements at issue price of 40 cents each in May 2006	**15,350,000**	**-**	**6,140,000**	**-**
Transaction costs arising from issue for cash	**-**	-	**(332,400)**	(325,444)
Balance at the end of the year	**88,880,950**	59,518,450	**14,571,167**	5,886,067

16. ISSUED CAPITAL AND RESERVES - continued

(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 2005	Options Issued 2005/06	Options Exercised/ Cancelled/ Expired 2005/06	Closing Balance 30 June 2006
			Number	*Number*	*Number*	*Number*
On or before 31 March 2009	(i-iii)	$0.20	22,782,500	6,250,000	(1,212,500)	27,820,000
On or before 1 December 2008	(iv)	$0.26	-	1,185,000	-	1,185,000
On or before 31 March 2007	(v)	$0.35	-	1,000,000	-	1,000,000
On or before 6 June 2009	(vi)	$0.45	-	400,000	-	400,000
On or before 6 June 2009	(vi)	$0.50	-	400,000	-	400,000
			22,782,500	9,235,000	(1,212,500)	30,805,000

(i) 1,750,000 options were issued as part of the subscription agreement executed with Macquarie Bank Ltd for it to subscribe for 3,500,000 fully paid ordinary shares and 1,750,000 free attaching options for a total subscription amount of $700,000. The placement was completed in September 2005.

(ii) An agreement was executed with Montagu Corporate Pty Ltd ("Montagu") for it to procure subscriptions for 9,000,000 fully paid ordinary shares and 4,500,000 free attaching options for total subscription monies of $1,800,000. The placement was completed in October 2005.

(iii) 1,212,500 options were exercised at 20 cents each to acquire shares in the Company during the financial year raising $242,500.

(iv) 1,185,000 options were issued following approval of the Perseus Mining Limited Employee Option Plan by shareholders at the annual general meeting on 29 November 2005.

(v) 1,000,000 options were issued as a fee for corporate and investor relations services to a financial analyst based in Europe to make available information about the Company and its gold projects to investors in Europe and to generally raise the Company's profile amongst European investors.

(vi) 800,000 options were issued under the terms of the Perseus Mining Limited Employee Option Plan.

(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.

Nature and purpose of reserves

Option Premium Reserve

The option premium reserve is used to record the fair value of options issued but not exercised. The reserve is transferred to accumulated losses upon expiry or recognised as share capital if exercised.

16. ISSUED CAPITAL AND RESERVES - continued

Nature and purpose of reserves - continued

Foreign Currency Translation Reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity.

Financial Assets Reserve

The financial assets reserve is used to record fair value changes on available-for-sale investments.

17. SHARE BASED PAYMENT PLANS

Employee Share Option Plan
In November 2005, the Company adopted the Perseus Mining Limited Employee Option Plan ("Plan"). The Plan is designed to provide incentives, assist in the recruitment, reward, retention of employees and provide opportunities for employees (both present and future) to participate directly in the equity of the Company. The contractual life of each option granted is three years. There are no cash settlement alternatives.

Non Plan based payments
The Company also makes share based payments to consultants and / or service providers from time to time, not under any specific plan. The Perseus Mining Limited Employee Option Plan does not allow for issue of options to directors of the parent entity. Hence, specific shareholder approval is obtained for any share based payments to directors of the parent entity.

The expense recognised in the income statement in relation to share-based payments is disclosed in Note 3.

The following table illustrates the number and weighted average exercise prices of and movements in share options issued during the year under the Plan (as the Plan was only adopted in November 2005, there is no comparative information):

	2006 No.	2006 Weighted average exercise price
Outstanding at the beginning of the year	-	
Granted during the year	1,985,000	35 cents
Forfeited during the year	-	-
Exercised during the year	-	-
Expired during the year	-	-
Outstanding at the end of the year	1,985,000	-
Exercisable at the end of the year	-	-

The outstanding balance as at 30 June 2006 is represented by:

Number	Exercise period	Exercise price - cents
1,185,000	01/12/2006 to 01/12/2008	26
400,000	06/06/2007 to 06/06/2009	45
400,000	06/06/2007 to 06/06/2009	50
1,985,000		

17. SHARE BASED PAYMENT PLANS - continued

Other share based payments, not under any plans, are as follows (with additional information provided in Note 16 above):

	2006	**2006**	2005	2005
	Number	**$**	Number	$
Ordinary shares as a fee for corporate and investor relations services	**300,000**	**135,000**	-	-
Options as a fee for corporate and investor relations services	**1,000,000**	**170,000**	-	-
Options to directors and consultant for services	**-**	**-**	5,740,000	275,940
Options as a fee for capital raising services – charged to issued capital	**-**	**-**	4,000,000	204,000

The fair value of the equity-settled share options granted under the Plan as well as not under any plans is estimated as at the date of grant using a Black and Scholes model taking into account the terms and conditions upon which the options were granted. The fair value of shares issued is calculated by reference to the market value of the shares trading on the Australian Stock Exchange on or around the date of grant.

The following table lists the inputs to the model used for the years ended 30 June 2005 and 30 June 2006:

	2006	2005
Volatility (%) - range	**50% to 65%**	50% to 65%
Risk-free interest rate (%) - range	**5.5%**	5%
Expected life of option (years)	**1 to 3 years**	4 years
Exercise price (cents)	**26-50**	20
Weighted average share price at grant date (cents)	**41**	20

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

18. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk Exposures

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

2006	**Weighted average effective interest rate**	**Floating interest rate**	**Non-interest bearing**	**Total**
		$	**$**	**$**
Financial Assets:				
Current:				
Cash at bank	4.79%	5,734,130	265,779	5,999,909
Receivables		-	330,003	330,003
Non current:				
Available for sale investments		-	1,276,000	1,276,000
Total Financial Assets		5,734,130	1,871,782	7,605,912
Financial Liabilities:				
Current:				
Accounts payable		-	382,618	382,618
Total Financial Liabilities		-	382,618	382,618

18. FINANCIAL INSTRUMENTS - continued

2005	Weighted average effective interest rate	Floating interest rate	Non-interest bearing	Total
		$	$	$
Financial Assets:				
Current:				
Cash at bank	3.62%	1,832,717	84,651	1,917,368
Receivables		-	62,008	62,008
Total Financial Assets		1,832,717	146,659	1,979,376
Financial Liabilities:				
Current:				
Accounts payable		-	439,912	439,912
Total Financial Liabilities		-	439,912	439,912

(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 Balance Sheets. 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 Balance Sheets.

(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.

19. 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.

	Consolidated		**Company**	
	2006	2005	**2006**	2005
	$	$	**$**	$
Within one year	**707,250**	400,000	**-**	-
One year or later and not later than five years	**2,025,000**	1,100,000	**-**	-
Later than five years	**2,025,000**	1,100,000	**-**	-
	4,757,250	2,600,000	**-**	-

(b) Capital commitments

(i) Occidental Gold (Ivory Coast) sarl had entered into an agreement to arrange transport of a drill rig into the Ivory Coast for drilling at the Tengrela project. Transport costs of $66,393 are expected to be recouped within 12 months of the balance date (2005: nil).

(ii) The Company's subsidiary, Kojina Resources Limited ("Kojina"), paid US$75,000 during the year for an option to purchase all of the issued capital of Stratsys Investments Limited ("Stratsys"), a Ghanaian company which holds two reconnaissance licences, and which has entered into an agreement to acquire the Ayanfuri Mine Licences (two mining leases and a prospecting licence) from AngloGold Ashanti (Ghana) Ltd (AGC). The option is exercisable on or before the later of 4 April 2007 or when approval of the transfer of the Ayanfuri Mine Licences to Stratsys is obtained. Should Kojina exercise the option, the consideration payable to the vendor, Strategic Systems Pty Ltd, to acquire the Stratsys shares is 2,500,000 Perseus shares and 2,500,000 unlisted options to acquire Perseus shares, exercisable at 40 cents each on or before 28 February 2009, all subject to voluntary escrow for six months from the date of their issue. If, in the future, a mining reserve on the project of at least 500,000 ounces of gold is established, then further consideration is payable comprising 2 million Perseus shares and 2 million unlisted options to acquire Perseus shares, exercisable at 60 cents each with a 2 year life and a royalty of 0.25% of gold produced from the Ayanfuri Mine Licences and the Reconnaissance Licences.

Under the contract to purchase the Ayanfuri Mine Licences, Stratsys is required to pay AGC:

- US$125,000 when all government consents validating the transaction are received;
- US$50,000 on completion of a bankable feasibility study; and
- a royalty on gold production of 2% if the gold price is below US$350/oz, 2.5% if the gold price is over US$350 but below US$500/oz and 3% if the gold price exceeds US$500/oz on existing resources on the Ayanfuri Mining Licences, or a royalty at half of those rates on new resources identified by Stratsys on those licences.

Stratsys also assumes all rehabilitation responsibilities for the Ayanfuri Mine Licences, which are estimated by AGC to cost approximately US$2 million.

As at the date of this report, no decision has been taken to exercise of the option and due diligence of the Ayanfuri project is continuing.

19. COMMITMENTS - continued

(c) Remuneration commitments

Mark Calderwood had entered into an agreement whereby either party can terminate the agreement by giving six months written notice.

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Within one year		**87,500**	-	**87,500**	-
One year or later and not later than five years		**-**	-	**-**	-
Later than five years		**-**	-	**-**	-
		87,500	-	**87,500**	-

20. CONTINGENT LIABILITIES

There were no contingent liabilities of the consolidated entity not provided for in the financial statements at 30 June 2006.

21. STATEMENTS OF CASH FLOWS

(a) Reconciliation of the loss from ordinary activities to net cash used in operating activities

	Notes	Consolidated 2006 $	Consolidated 2005 $	Company 2006 $	Company 2005 $
Loss from ordinary activities after income tax		**(1,015,782)**	(964,284)	**(888,294)**	(980,035)
Add back non-cash items:					
Depreciation		**33,975**	12,915	**3,729**	1,151
Provision for non-recovery of investments in and loans to controlled entities		**-**	-	**442,454**	335
Employee benefits provision		**18,667**	(3,746)	**12,105**	3,566
Foreign currency loss/(gain)		**(14,985)**	(68,753)	**(175,256)**	194,060
Employee options		**123,129**	275,940	**123,129**	275,940
Consultants fees satisfied by issue of shares and options		**305,000**	-	**305,000**	-
Gain on sale of investments		**(654,027)**	-	**(654,027)**	-
Assets written off		**18,324**	-	**-**	-
Exploration Costs written-off		**131,116**	-	**129,981**	-
Management Fees		**-**	-	**-**	8,960
Gain on withdrawal of JV partner		**-**	(7,047)	**-**	-
Change in assets and liabilities:					
(Increase) in receivables		**(298,600)**	(41,943)	**(53,214)**	(4,044)
(Increase) in other assets		**(8,629)**	(6,418)	**-**	-
Increase in payables		**32,766**	172,711	**51,237**	25,686
Net cash used in operating activities		**(1,329,046)**	(630,625)	**(703,156)**	(474,381)

(b) Acquisition of subsidiaries

During the year, the Company acquired 100% of the issued capital of Kojina Resources Ltd for a purchase consideration of $1. JSC Z-Explorer incorporated wholly owned subsidiary, JSC Landmark, with initial issued capital of $3,080.

21. STATEMENTS OF CASH FLOWS - CONTINUED

(c) Non-Cash Financing and Investing Activities

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During the year, the Company disposed of its interest in 20% of the share capital of Carbeck Pty Ltd in exchange for shares and options in ASX listed Monaro Mining NL which were valued at $726,600 at the completion date of the transaction. At balance date, this investment has been restated at fair value of $1,276,000.

	Notes	Consolidated		Company	
		2006	2005	**2006**	2005
		$	$	**$**	$
22. EMPLOYEE BENEFITS					
The aggregate employee benefit liability is comprised of:					
Accrued wages, salaries and on costs - current		**11,486**	24,892	**-**	-
Annual leave provision - current		**26,504**	7,837	**15,671**	3,566
		37,990	32,729	**15,671**	3,566
		No.	No.	**No.**	No.
- Number of employees at year end		**9**	9	**3**	1

23. DIRECTOR AND EXECUTIVE DISCLOSURES

The following were key management personnel of the Group at any time during the reporting period and unless otherwise indicated were key management personnel for the entire period:

Non Executive Directors	**Executive Directors**
Mr Reginald Gillard	Mr Mark Calderwood
Mr Alexander Becker (resigned 12 October 2005)	Mr Colin Carson
Mr Rhett Brans	
Mr Neil Fearis	

The key management personnel compensation included in 'employee, directors and consultants cost' are as follows:

	Consolidated		Company	
	2006	**2005**	**2006**	**2005**
	$	**$**	**$**	**$**
Short-term employee benefits	344,469	336,080	344,469	336,080
Post-employment benefits	11,790	10,733	11,790	10,733
Share-based payments	-	151,895	-	151,895
	356,259	498,708	356,259	498,708

There have been no changes of the CEO or key management personnel after reporting date and the date the financial report was authorised for issue.

23. DIRECTOR AND EXECUTIVE DISCLOSURES (continued)

Individual directors and executives compensation disclosures

Information regarding individual directors and executives compensation and some equity instruments disclosures as permitted by Schedule 5B to the Corporations Regulations 2001 is provided in the Remuneration Report section of the Directors' report. 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 existing at year-end.

Loans to key management personnel and their related parties

There were no loans outstanding at the reporting date to key management personnel and their related parties.

Other key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities. Transactions between related parties are on normal commercial terms and conditions unless otherwise stated

	Consolidated		Company	
	2006	2005	**2006**	2005
	$	$	**$**	$
(a) Accounting, secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd, a company in which Mr Gillard and the company secretary, Mr Susmit Shah, are directors and have beneficial interests.	**141,618**	102,222	**141,618**	102,222
(b) Rent paid or payable to Ledgar Road Partnership, an entity in which Mr Gillard and Mr Carson both have a beneficial interest.	**6,870**	5,412	**6,870**	5,412
(c) Taxation services paid or payable to Icon Financial Management Pty Ltd, an entity in which Mr Gillard is a director and has a beneficial interest.	**575**	2,663	**575**	2,663
Balances due to Directors and Director Related Entities at year end				
- included in trade creditors and accruals	**97,762**	70,088	**97,762**	54,487

Shareholdings

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

30 June 2006	**Balance at 1 July 2005**	**Received as Remuneration**	**Options Exercised**	**Other Movements**	**Balance at 30 June 2006**
Parent entity directors					
Reginald Gillard	210,000	-	-	-	210,000
Mark Calderwood	710,000	-	-	660,000	1,370,000
Colin Carson	945,000	-	-	206,423	1,151,423
Alexander Becker	1,407,254	-	-	-	N/A
Rhett Brans	50,000	-	-	100,000	150,000
Neil Fearis	100,000	-	-	-	100,000

23. DIRECTOR AND EXECUTIVE DISCLOSURES - continued

30 June 2005	**Balance at 1 July 2004**	**Received as Remuneration**	**Options Exercised**	**Other Movements**	**Balance at 30 June 2005**
Parent entity directors					
Reginald Gillard	-	-	-	210,000	210,000
Mark Calderwood	-	-	-	710,000	710,000
Colin Carson	-	-	-	945,000	945,000
Alexander Becker	1,395,254	-	-	12,000	1,407,254
Rhett Brans	-	-	-	50,000	50,000
Neil Fearis	-	-	-	100,000	100,000

<u>Option holdings</u>
The numbers of options in the Company held during the financial year by directors, including shares held by entities they control, are set out below.

30 June 2006	**Balance at 1 July 2005**	**Received as Remuneration**	**Options Exercised**	**Other Movements**	**Balance at 30 June 2006**	**Vested and exercisable at year end**
Parent entity directors						
Reginald Gillard	470,000	-	-	-	470,000	470,000
Mark Calderwood	2,495,000	-	-	575,000	3,070,000	3,070,000
Colin Carson	245,000	-	-	5,000	250,000	250,000
Alexander Becker	800,000	-	-	-	N/A	N/A
Rhett Brans	425,000	-	-	-	425,000	425,000
Neil Fearis	450,000	-	-	(50,000)	400,000	400,000

30 June 2005	**Balance at 1 July 2004**	**Received as Remuneration**	**Options Exercised**	**Other Movements**	**Balance at 30 June 2005**	**Vested and exercisable at year end**
Parent entity directors						
Reginald Gillard	-	400,000	-	70,000	470,000	470,000
Mark Calderwood	-	2,400,000	-	95,000	2,495,000	2,495,000
Colin Carson	-	-	-	245,000	245,000	245,000
Alexander Becker	-	800,000	-	-	800,000	800,000
Rhett Brans	-	400,000	-	25,000	425,000	425,000
Neil Fearis	-	400,000	-	50,000	450,000	450,000

<u>Other transactions with directors</u>

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.

24. NON DIRECTOR RELATED PARTIES

(a) Transactions with Related Parties - Subsidiaries

Wholly Owned Group

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

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

(b) Transactions with Other Related Parties

During the previous financial year, the Company concluded an agreement with an entity with significant influence over the Group, Caspian Oil & Gas Ltd in respect of the Kwatechi mineral property in Ghana. Caspian assigned its farm-in rights to earn a 67% interest in the property such that Perseus can earn 60% out of Caspian's 67% by funding expenditure to a mining operation. Effectively, the Company will free carry Caspian to a 7% interest. In a separate transaction, the Company acquired on an outright basis a 16% interest held in the property by a third party. Consequently, the Company can now earn an interest of 76% in the property.

25. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no matters or circumstances that have arisen since 30 June 2006 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial years.

26. EXPLANATION OF TRANSITION TO AIFRSs

As stated in note 1, these are the Group's first consolidated financial statements prepared in accordance with AIFRSs.

The policies set out in the significant accounting policies section of this report have been applied in preparing the financial statements for the financial year ended 30 June 2006, the comparative information presented in these financial statements for the financial year ended 30 June 2005 and in the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition). In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

AASB 1 Transitional exemptions

The consolidated entity has made its election in relation to the transitional exemptions allowed by AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' as follows:

Foreign exchange translation

The consolidated entity has deemed the cumulative translation differences to be zero at July 1 2004, the AIFRS transition date, and reclassified any amounts recognised in accordance with prevous GAAP as retained earnings.

Share based payment transactions

AASB 2 'Share-Based Payment' is applied only to equity instruments granted after 7 November 2002 that had not vested on or before 1 January 2005.

Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

26. EXPLANATION OF TRANSITION TO AIFRSs - continued

Impact of adoption of AIFRS

The impacts of adopting AIFRS on the total equity and loss after tax as reported under Australian Accounting Standards applicable before 1 January 2005 (previous Australian GAAP) are illustrated below.

(a) Reconciliation of total equity as presented under previous Australian GAAP to that under AIFRS

	Consolidated		Company	
	1 July 2004	**30 June 2005**	**1 July 2004**	**30 June 2005**
	$	**$**	**$**	**$**
Total equity under previous Australian GAAP	2,415,958	5,119,170	2,415,958	5,103,419
Adjustments to equity				
Recognition of foreign exchange translation movements on exploration expenditure and fixed assets	78,301	78,301	-	-
Recognise an option premium reserve for options issued during the year	-	479,940	-	479,940
Options issued in relation to services rendered for the prospectus	-	(204,000)	-	(204,000)
Options issued for services rendered to directors, employees and consultants	-	(275,940)	-	(275,940)
Recognize foreign exchange movements on overseas exploration expenditure and fixed assets against foreign currency translation reserve	-	(91,561)	-	-
Total equity under AIFRS	2,494,259	5,105,910	2,415,958	5,103,419

Foreign Currency Translation Reserve

On initial adoption of AIFRS the directors have determined that the functional currency for its foreign operation is the local currency in the country of operation. Accordingly, non-monetary assets are translated at current rates rather than historic rates. As a consequence, a foreign currency translation reserve of ($78,301) has been recognised at 1 July 2004 and ($91,562) at 30 June 2005.

As a result of the directors electing to apply the first-time adoption exemption relating to the balance of the foreign currency translation reserve as at 30 June 2004, the balance of $78,301 has been reduced to nil. Accumulated losses have decreased by the corresponding amount.

As a result of the above, there was a corresponding decrease in exploration expenditure of $9,942 and a decrease in fixed assets of $3,318 at 30 June 2005.

(b) Reconciliation of losses after tax under previous Australian GAAP to that under AIFRS

	Consolidated	Company
	30 June 2005	**30 June 2005**
	$	**$**
Loss after tax as previously reported	(688,344)	(704,095)
Recognition of share-based payment expense	(275,940)	(275,940)
Loss after tax under AIFRS	(964,284)	(980,035)

(c) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statement presented under AIFRS and those presented under previous Australian GAAP.

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 2006 and of their performance for the year 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.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial period ending 30 June 2006.

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

M A Calderwood
Managing Director

Dated at Perth, 28 September 2006

INDEPENDENT AUDIT REPORT

To the members of
PERSEUS MINING LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet as at 30 June 2006, and the income statement, statement of changes in equity, cash flow statement, accompanying notes to the financial statements and the directors' declaration for the year then ended for both Perseus Mining Limited ('the company') and the consolidated entity. The consolidated entity comprises both the company and the entities it controlled during that year.

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, for the accounting policies and for the accounting estimates within 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 evidence that may be persuasive rather than conclusive. Accordingly, 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.

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HLB Mann Judd (WA Partnership) is a member of HLB International and the HLB Mann Judd National Association of independent accounting firms

Independence

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

The Directors' Report attached to the financial statements includes a copy of the Independence Declaration given to the Directors by the lead auditor for the audit. That Declaration would be on the same terms if it had been given to the Directors at the time this audit report was made.

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 2006 and of their performance for the year 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

HLB MANN JUDD
Chartered Accountants

Perth, Western Australia
28 September 2006

N G NEILL
Partner

Group Mineral Concession Interests at 22 September 2006

Location	*Concession name and type*	*Registered Holder*	*File Number*	*Perseus's current equity interest*	*Maximum equity interest capable of being earned*	*Notes*
Ghana	Grumesa-Awisam Prospecting Licence	Sun Gold Resources Limited	PL2/30	90%	90%	1,3
	Kwatechi Prospecting Licence	Tropical Exploration and Mining Company Limited	PL3/64	16%	76%	1,2
	Ayanfuri Mining Leases and Prospecting Licence	Anglogold Ashanti Limited	1110/1994	0%	90%	1,4,5
	Nsuaem Reconnaissance Licence	Stratsys Investments Limited	RL3/26	0%	90%	1,4
Ivory Coast	Tengrela East Research Permit	Occidental Gold (Ivory Coast) s.a.r.l	145	80%	80%	3,6,7
	Tengrela South Research Permit	Societe Miniere de Côte d'Ivoire	146	80%	80%	3,6
Kyrgyz Republic	Savoyardy Exploration Licence	JSC Savoyardy	Au-87-04	100%	100%	3,8
	Maly Naryn Exploration Licence	JSC Z-Explorer	Au-161-03	100%	100%	8
	Talas Exploration Licence	JSC Z-Explorer	Au-188-03	100%	100%	8
	Tolubay Exploration Licence	JSC Z-Explorer	Au-171-02	100%	100%	8
	Isfaramsai Exploration Licence	JSC Z-Explorer	Ап-235	100%	100%	8
	Djingilsai Exploration Licence	JSC Z-Explorer	Ап-236	100%	100%	8
	Aravan Exploration Licence	JSC Z-Explorer	Ап-449	100%	100%	8
	Akbura Exploration Licence	JSC Z-Explorer	Ап-448	100%	100%	8
	Karavshin Exploration Licence	JSC LandMark	Ап-458	100%	100%	8
	Karabulak Exploration Licence	JSC LandMark	Ап-459	100%	100%	8
	Aksu ExplorationLicence	JSC LandMark	Ап-460	100%	100%	8

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. In addition, production royalties are payable to the Ghana (between 3% and 6%) and Ivory Coast Governments (3%).
2. The Company has the right to earn a 76% interest in the property by funding the development of the project to profitable production. Tropical and Leo Shield each retain a 7% interest which is convertible to a 1.25% net smelter royalty at the option of those parties within 30 days of completion of a feasibility study. The Company can withdraw from the joint venture at any time and is required to pay US$3,600 to Tropical annually whilst it remains in the joint venture.

3. A royalty of 0.5% of the value of minerals recovered from the licence is payable to the vendors of the exploration licence.
4. Perseus's subsidiary Kojina Resources Limited has paid US$75,000 for an option to purchase all of the issued capital of Stratsys Investments Limited, a Ghanaian company which holds the Nsuaem Reconnaissance Licence, and which has entered into an agreement to acquire the Ayanfuri Mine Licences from AngloGold Ashanti Ltd ("AGC"). The consideration to acquire the Stratsys shares is: on the exercise of the option or later completion if approvals are required - 2.5 million Perseus shares and 2.5 million unlisted options to acquire Perseus shares, exercisable at 40 cents each on or before 28 February 2009, all subject to voluntary escrow for six months from the date of their issue; on announcement of mining reserves on the project of at least 500,000 ounces of gold - a further 2 million Perseus shares and 2 million unlisted options to acquire Perseus shares, exercisable at 60 cents each with a 2 year life; and a royalty of 0.25% of gold produced from the Ayanfuri Mine Licences and the Reconnaissance Licences.
5. Under the contract to purchase the Ayanfuri licences, Stratsys is required to pay AGC: US$125,000 when all government consents validating the transaction are received; US$50,000 on completion of a bankable feasibility study; and a royalty on gold production of: 2% if the gold price is below US$350/oz; 2.5% if the gold price is over US$350 and belowUS$500/oz; and 3% if the gold price exceeds US$500/oz, on existing resources on the Ayanfuri Mining Licences, or a royalty at half of those rates on new resources identified by Stratsys on those licences. Stratsys also assumes all rehabilitation responsibilities for the Ayanfuri Mine Licences, which are estimated by AGC to cost approximately US$2 million. However, if Perseus were to exercise its option and commence mining operations at some future date, rehabilitation costs and programs would have to be revised and would become an integral part of future mining operations.
6. The joint venture partner is free carried to production with its share of costs subsequently recoverable by Perseus from production.
7. A royalty of US$0.80 per ounce of gold produced from the licence is payable.
8. A production royalty of 5% is payable to the Kyrgyz Government.

The shareholder information set out below was applicable as at 22 September 2006.

Substantial Shareholders

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

Name of Holder	Number of Ordinary Shares
Caspian Oil & Gas Limited	23,285,135
Macquarie Bank Limited	9,250,000

Distribution of Holders of Equity Securities

Size of Holding	Ordinary Shares	Options (PRUO)
1 to 1,000	10	-
1,001 to 5,000	77	81
5,001 to 10,000	134	10
10,001 to 100,000	289	128
100,001 and over	83	30
	593	249

The number of shareholdings comprising less than a marketable parcel was 10.

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 September 2006	Number of Shares	% Held
Caspian Oil & Gas Ltd	23,285,135	26.198
Macquarie Bank Limited	9,250,000	10.407
ANZ Nominees Limited	7,556,918	8.502
HSBC Custody Nominees (Australia) Limited	3,000,000	3.375
Tatiana Dmitrieva	2,244,253	2.525
Mark Kennard Connell	1,483,360	1.669
James Bremner Skinner & Janice Ivy Skinner	1,400,000	1.575
Alexander Becker	1,395,254	1.570
Waldemar Karl Mueller	1,316,278	1.481
Mark Andrew Calderwood	1,290,000	1.451
Alexander Novak	1,184,650	1.333
Sergei Shestaev	1,184,650	1.333
Yaroslav Bankdurak	1,184,650	1.333
Topspeed Pty Ltd	1,005,000	1.131
Karari Australia Pty Ltd	1,000,000	1.125
Hargrave Holdings Pty Ltd	796,423	0.896
Reginald George Maddock & Julie Dianne Maddock	708,630	0.797
Pauline Mueller	638,580	0.718
Geraldton Agricultural Services Pty Ltd	620,000	0.698
Toltec Holdings Pty Ltd	590,000	0.664
	61,133,781	68.781

Twenty Largest Optionholders as at 22 September 2006 Options Expiring 31 March 2009 (ASX code: PRUO)	**Number of Options**	**% Held**
Montagu Capital Limited	4,035,000	17.332
Geraldton Agricultural Services Pty Ltd	1,905,301	8.184
Macquarie Bank Limited	1,750,000	7.517
Topspeed Pty Ltd	1,500,000	6.443
Mark Kennard Connell	1,376,640	5.913
James Bremner Skinner & Janice Ivy Skinner	1,000,000	4.296
Karari Australia Pty Ltd	1,000,000	4.296
Pine Creek Holdings Pty Ltd	550,000	2.363
Mark Andrew Calderwood	500,000	2.148
ANZ Nominees Limited	404,600	1.738
Terrance John Connell	362,000	1.555
John William Anderberg	310,000	1.332
Blackmort Nominees Pty Ltd	300,000	1.289
Toro De Plata Pty Ltd	300,000	1.289
Henry Wiechecki	290,797	1.249
Mrs Vivien Mary Dwyer	250,000	1.074
John Campbell Robertson	200,000	0.859
Adam Stuart Davey	200,000	0.859
Brendon Atkinson	200,000	0.859
Reginald Morre Lomas	175,000	0.752
	16,609,338	71.347

Unquoted Options

Unquoted options on issue at 22 September 2006 were as follows:

Refer Note	**Number of Options**	**Exercise Price**	**Exercise Periods/ Expiry Dates**	**Number of Holders**
1	4,540,000	20 cents	On or before 31 March 2009	8
2	1,185,000	26 cents	On or before 1 December 2008	13
3	1,000,000	35 cents	On or before 31 March 2007	1
4	400,000	45 cents	On or before 6 June 2009	1
5	400,000	50 cents	On or before 6 June 2009	1

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
2	A Archangelski	250,000
3	P Geraths	1,000,000
4 & 5	S Shelton	800,000