11 March 2005

Dear Shareholder

MID-YEAR UPDATE

As it is almost six months from when Perseus listed on ASX, it is an appropriate time to provide an update on the Company's activities.

Highlights from the first six months include:

- Successful drilling at Grumesa and the commencement of feasibility and environmental studies;
- Early success at Tolubay with significant results from both geochemical sampling and drilling. Tolubay has now replaced Kyldoo as a "top 4 project";
- Exploration recommences at Tengrela; and
- Commissioning of Perseus's own reconnaissance drill rig on the newly acquired Kwatechi project near Grumesa

The attached brochure provides some technical detail on Perseus's main projects. Work programs on the major projects are summarised below.

Tengrela (Ivory Coast)

After delays caused by a short break in the UN enforced ceasefire in Ivory Coast, Perseus commenced exploring some of the regionally significant soil anomalies on its "lead prospect" in late January. Pitting has commenced at Sissengue, Kanakono and Kofre and infill soil sampling has been undertaken on Sissingue North, Kanakono South, Katara, Gbeni and Mbasso. Initial results from the ongoing pitting program are expected around the end of March and drilling is planned to commence in late April using the Company's own RC drill rig currently operating in Ghana.

Grumesa (Ghana)

Initial drilling results on the higher grade zone of the 450,000oz Grumesa gold deposit confirmed and extended the zone. A proposed final drilling infill drilling program has been expanded and an environmental study and feasibility study into mining ore from the higher grade zone for toll treating at Obuasi are progressing.

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Kwatechi (Ghana)

Drilling of three soil anomalies on this recently acquired Ashanti Gold Belt project commenced in March. The 4,500m RC program should be completed by the end of March. The areas being tested include modest 1300m x 400m and 1400m x 600m soil / trench anomalies over Tarkwaian rocks and a recently defined, strong 1200m x 500m soil anomaly over the Birimian contact zone.

Tolubay (Kyrgyz Republic)

A drilling program to test the strong 2km long Obdilla geochemical anomaly identified in exploration by Perseus is planned for late April whilst detailed mapping and channel sampling will commence in early April.

Thank you for your support since the Company listed on ASX. The next six months will be a very active one for the Company, with good prospects of being rewarding for shareholders.

Yours faithfully

Mark Calderwood
Managing Director

Tolubay (Perseus 100%)

The 46.4 sq km Tolubay project is situated in the foothills of the Alay Range in Chauway valley, 110 km from Osh city in central western Kyrgyz Republic. A significant quantity of mercury was previously mined in the area up to 1991.

The geological setting and style of mineralisation is similar to some deposits of the Carlin Trend in Nevada, i.e.:

- Lower Carboniferous – Silurian, marine shelf facies (limestone, <loamy>), over thrust distal facies (shale, sandstone), chert – jasperoid and silica breccias within major thrust belt
- Mesothermal alteration and mineralisation, cinnabar – antimony, arsenopyrite / realgar-gold mineralisation over widths of up to 40m

Perseus's first drill hole ZDDH001 intercepted a zone of mineralisation averaging 1.0g/t Au from 99m to 170m, which included a sub intercept of 22m @ 1.8g/t Au.

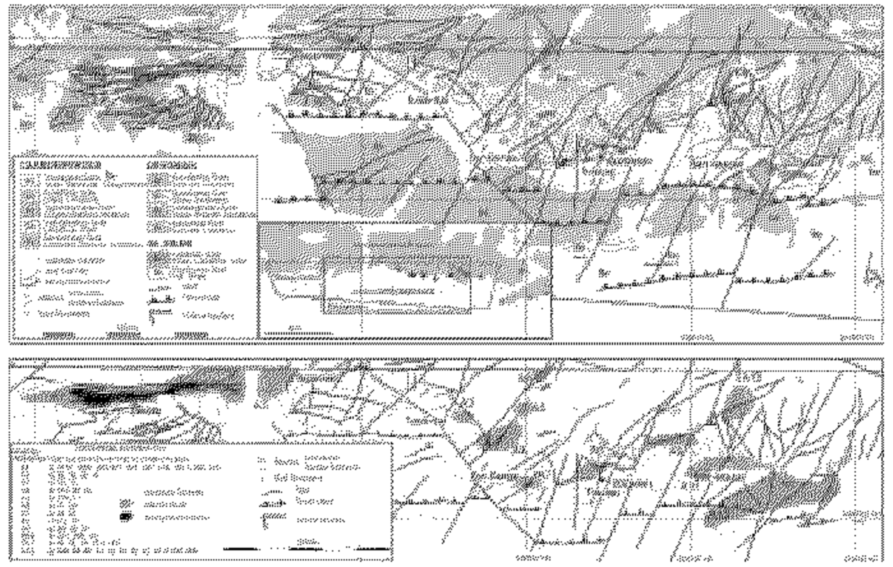
The second hole, ZDDH002 drilled 120m along strike to the east of ZDDH001. The target zone was intersected from about 88m to 190m in ZDDH002. Assays are still outstanding.

Hole ZDDH003 located 1,300m west along strike of ZDDH001 is in progress.

Perseus completed the first geochemical sampling for gold in the area when it undertook an orientation sampling program for gold and multi elements over 10km strike of the 15km target zone. The gold assay results indicate that the most coherent and strongest gold anomalies are associated with the Lower Carboniferous limestone-chert lithologies located stratigraphically more than 100m below and outcrop topographically above the Upper Carboniferous contact zone currently being drilled. The 2km long Obdilla North anomaly, clearly the strongest anomaly, is about 6km west of ZDDH001.

Gold mineralisation within the Upper Carboniferous limestone-shale contact zone occurs within altered shale associated with arsenic mineralisation above cinnabar bearing jasperoid and limestone.

TOLUBAY PROJECT



Resource Potential

Bedrock sampling to date indicates that the Upper Carboniferous limestone-shale contact zone is mineralised for at least 4km over widths of up to 40m. Gold grades range from 0.1g/t to 19g/t and the zone is generally gentle dipping (with the slope). Geochemical sampling indicates that the sampled mineralised zone is probably 10-15km long and there appears to be at least one other parallel zone within favourable lithologies. The Tolubay project appears to contain a very large mineralised system and further exploration is expected to define the areas of elevated grade as successfully encountered in Perseus's first drill hole.

CORPORATE OVERVIEW

ISSUED CAPITAL

Type of Securities	Number
Ordinary Shares (PRU)	59.52M
Options (20c, March 09) (PRUO)	19.98M
Tradeable Shares	22.34M
Tradeable Options	11.16M
Top 10 shareholders	74.4%
Caspian Oil & Gas and Directors	43.2%

Securities listed on the Australian Stock Exchange

MANAGEMENT

Reg Gillard	(chairman)
Mark Calderwood	(managing director)
Colin Carson	(executive director)
Dr Alex Becker	(non executive director / consultant)
Rhett Brans	(non executive director)
Neil Fearis	(non executive director)

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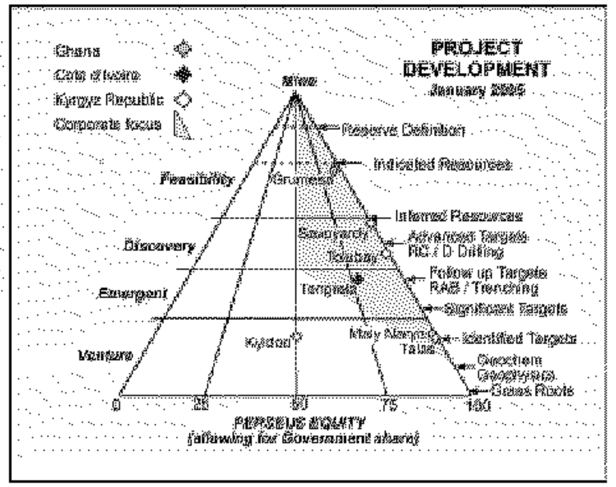
FEBRUARY 2005

KEY PROJECTS

Tengrela - (Perseus - 90% interest)

The 885 sq km Tengrela project is located in Côte d'Ivoire on the border with Mali, 30km SSW from the Syama gold mine (6.5 Moz) along the Syama shear. The project lies 150km SSE of the Morila gold mine (7Moz) and 65km WNW of Tongon deposit (2.8Moz). The tenements lie on the Syama - Boundiali greenstone belt in a region renowned for large gold discoveries.



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

Extensive systematic exploration on the Tengrela project by the Company's subsidiary and others, including airborne geophysics and 21,000 geochemical samples taken over the original licence area of 1,900 sq km, has identified a series of significant soil anomalies over a strike of 75km, mostly along the Syama shear.

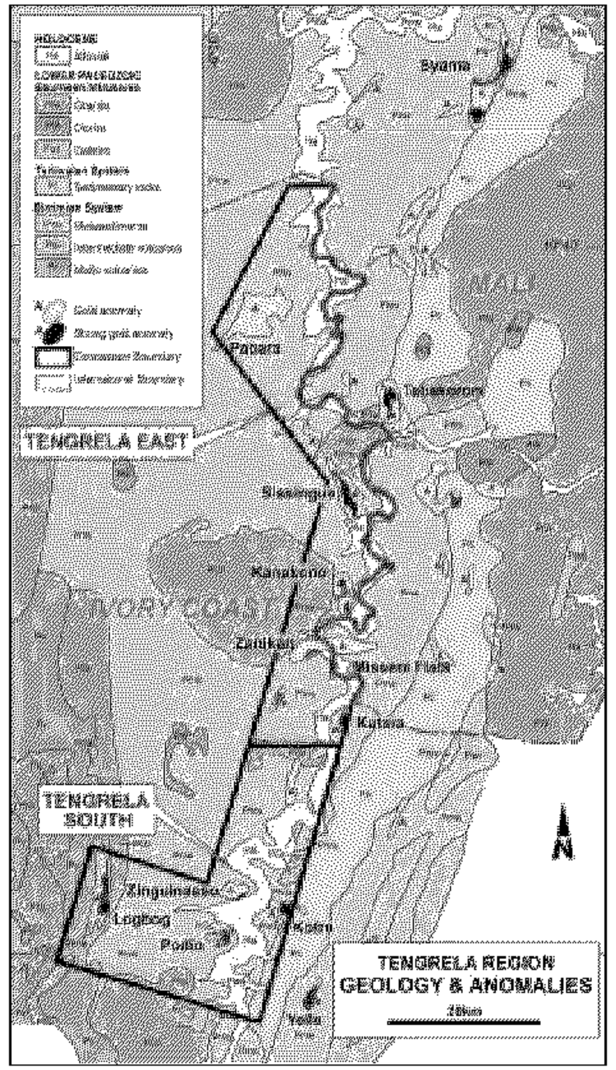
The nine main soil anomalies at Tengrela are comparable to other significant soil anomalies in the region (Syama group, Tabakoroni-Finkolo, Tioro, Morila) and are prime targets for follow-up exploration. The total area of these anomalies is over 40 sq km and will require selective or staged follow-up.

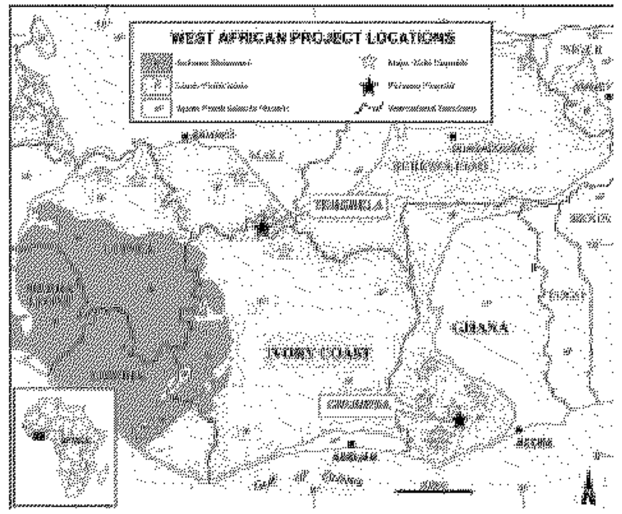
Significantly, the Morila-Tongon region has to date had an high conversion rate of significant soil anomalies to discoveries.

Resource Potential

While Tengrela is not as advanced as Perseus's other three "Key Projects", it is ranked by our geological team as the most likely to host very large, low cost, open pitable gold deposits. The team believe that based on available data, the Tengrela project contains amongst the best undrilled targets in West Africa.

In anticipation of early success at Tengrela, the Company has purchased its own drill rig to undertake part of what will be an aggressive drilling exploration program starting in March 2005.





Grumesa – (Perseus – 100% interest)

The Grumesa-Awisam project (39 sq km) 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.

The Ghana Government has a right to a 10% interest in the project at the mining stage.

Over 20,000m of RC and diamond drilling has identified gold mineralisation over 4km strike and 500m average width, believed to be of epigenetic affinity, hosted by upper Tarkwaian conglomerates comprising a steeply plunging antiform.

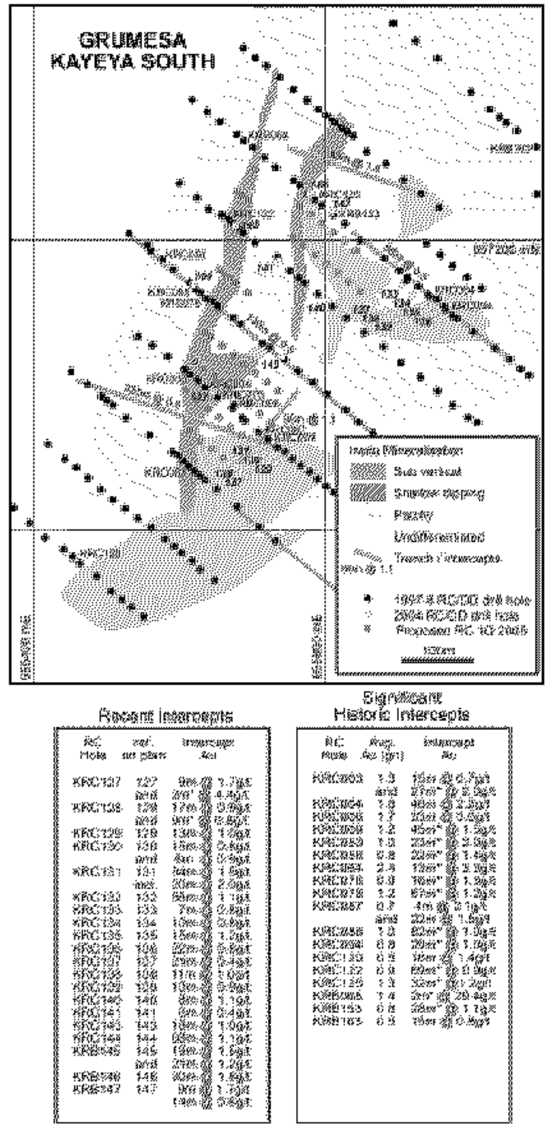
Resource / Reserve Potential

The Grumesa-Awisam project includes shallow inferred resources estimated to total 15.1Mt at 0.9g/t Au (450,000oz). A detailed review of the higher-grade southern portion of the deposit, previously drilled on sections spaced at 100m, has identified an area for infill and extensional resource drilling with the goal of delineating >1Mt of open pit mill feed at an average grade of about 2.0g/t Au, with a low strip ratio, that could be mined and toll treated at an operating cost of less than US$250 per ounce of gold recovered.

The extensional phase of drilling has been completed and has been successful in increasing the resource target area, which will be infill drilled.

Plans to toll treat Grumesa ore through the 3,000tpd CIL plant at Sansu, Obuasi are under discussion. The EIS and feasibility studies for this toll treatment option have commenced. Feasibility studies will also include the heap leach option on a much larger, lower grade, resource base.

The controls to massive Kayeya mineralised system, that contains about 30,000 ounces per vertical metre, have not yet been fully resolved, and the deposit may ultimately prove to represent the 'footprint' of a substantially larger mineralised body.



Savoyardy - (Perseus 100% - farm-in partner earning up to 70%)

Savoyardy exploration license (124 sq km) is situated in southern Kyrgyz Republic on the border with China. The property has been joint ventured to Lalo Ventures Ltd ("Lalo"), which has the right to earn up to a 70% interest in the Savoyardy licence by spending US$6M by 31 December 2006.

The eastern zone of gold mineralisation is concentrated along the axis of a fault bound antiform extending for 12km. Gold, primarily in fracture zones, was discovered during exploration for antimony and significant, potentially stratabound, gold mineralisation was later located in adits which partially tested only about 500m of strike of the Eastern zone. The remaining 11.5 km of the zone has not been tested by drilling or adits.

The main adit intercepted two converging zones of mineralisation referred to as Zones 4 and 10, with high grade gold mineralisation developed along a strike of 180 metres and over widths of up to 27 metres.

A series of diffuse anomalies developed along the north western contact of the Devonian sandstone inlier have received little exploration attention. Perseus considers that this thrust contact is equally prospective for gold mineralisation. This is supported by exploration across the Chinese border, where Majestic Gold Corporation of Canada is drilling a substantial gold deposit.

Resource Potential

Substantial resources were estimated by the Soviets in 1974 under the Russian resource classification system, however these are currently not classified under the JORC Code.

Savoyardy zones 4 and 10 in adit sampling is relatively high grade averaging 6g/t Au and combined widths are generous with intercepts including 18m @ 7.9g/t, 27.2m @ 2.9g/t, 8.3m @ 13.1g/t and 2.5m @ 29.7g/t Au.

Significantly the zones 4 and 10 grades are relatively weak at surface highlighting the potential of the other trenched prospects along strike which also have the potential to host significant gold mineralisation within the more prospective underlying carbonaceous shale.