

PERSEUS MINING LIMITED

ABN 27 106 808 986

**HALF YEARLY REPORT FOR THE SIX MONTHS ENDED
31 DECEMBER 2006**

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

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PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

DIRECTORS' REPORT

Your directors submit the financial report of the consolidated entity for the half year ended 31 December 2006. The directors report as follows:

Directors

The directors of the Company during or since the end of the half-year are listed below. All directors were in office for this entire period unless otherwise stated.

Reginald Norman Gillard	Non-Executive Chairman
Mark Andrew Calderwood	Managing Director
Colin John Carson	Executive Director
Rhett Boudewyn Brans	Non-Executive Director
Neil Christian Fearis	Non-Executive Director

Results

The consolidated profit for the half year after tax was \$507,399 (2005: loss (\$672,014)).

Review of Operations

The half year ended 31 December 2006 has been a period of intense activity across all major project areas of the Perseus Group.

The early part of the half year period was focussed on drilling on all major project areas. The completion of resource drilling resulted in a maiden Inferred resource being announced at the Tolubay Gold Project in the Kyrgyz Republic, and an upgrade in the Inferred resource at the Grumesa Gold Project in Ghana.

Tolubay Gold Project (Kyrgyz Republic)

An initial Inferred resource for the area drilled to date was estimated 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.

The focus during the remainder of the period was on drilling immediately along strike of the western limit of the previously identified resource envelope. Drilling has confirmed the continuation of the mineralised zone a further 240m beyond the western limit of the existing resource envelope.

Due to the relatively low altitude and good infrastructure, drilling at the Obdilla prospect continues throughout the year. Obdilla is one of five identified prospects situated on the Tolubay licence, which is the smallest of the eight Perseus licences covering 4,190sq km that form the South Kyrgyz Gold Project. The 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 highlights the potential of other anomalies at Tolubay and the surrounding areas.

Metallurgical test work is also being conducted on the ore body at the Obdilla prospect.

DIRECTORS' REPORT

Review of Operations (continued)

Grumesa Gold Project (Ghana)

Inferred resources were increased to 29Mt at 0.9g/t Au, containing 800,000 ounces of gold, based on a review of drill data up to September 2006. Since then drilling has continued and results to hand are within the expected range, except that a number of holes ended in mineralisation, demonstrating further potential at depth.

Drill results received during the second half of the period resulted in the delineation of a new zone containing gold mineralisation of significant grade and width at Grumesa. The new discovery was made from limited exploration drilling carried out in conjunction with infill resource drilling on the proposed stage 1 pit area situated approximately 800m to the south.

This new zone of mineralization has the potential to impact significantly on the economics of the planned heap leach project, by providing additional gold ounces and higher grade material which would enhance the cash flow in early years. The Grumesa Gold Project's existing Inferred gold resource of 800,000 oz will be upgraded in April 2007 to incorporate results from 2006 drilling and a 5,000m drilling program that commenced in February 2007.

The Company has recently purchased heap leach plant and equipment for the Grumesa gold project. After refurbishment, the plant is expected to provide significant savings in the development of the Grumesa gold project, as a low cost and faster development alternative to the acquisition of new plant, given current manufacturing and shipping costs and timeframes.

Ayanfuri Gold Project (Ghana)

The Company completed first pass drilling at the Ayanfuri gold project in Ghana. The completed 3,500m drilling campaign was designed to confirm historical drilling results on the project and to test the depth potential of 7 of the 23 historically mined deposits.

Previously announced gold resource estimates for the project totalling 608,000 ounces (Indicated - 268,000 ounces; Inferred - 340,000 ounces), cover only four of the seven deposits tested by Perseus and do not reflect the depth potential highlighted by the latest drilling. Perseus believes that the existing resources can be increased significantly by additional resource drilling, with concurrent regional exploration in under-explored areas and where there has been no grass roots exploration for more than 10 years.

The extensive widths and grade of mineralisation encountered to vertical depths of between 150m to 210m in multiple deposits highlights the large tonnage open pit potential of the Ayanfuri project. A significant increase in the reported Indicated and Inferred gold resources is expected when the resource estimate is updated in April 2007.

The Ayanfuri project tenement package, when consolidated with the Company's Grumesa and Kwatechi projects, represents a highly prospective 650 sq km holding in the central Ashanti Gold Belt.

Tengrela Gold Project (Ivory Coast)

During the period over 8,000m of RAB drilling was conducted on the 6km long Sissingue prospect. The drilling continues to delineate multiple parallel, strike-persistent zones of gold mineralisation. Three RC holes were also completed prior to the December break.

The RAB and RC rigs both recommenced drilling in late January 2007. Perseus drilled 89 RAB holes for 3,660m on its 80%-owned Tengrela project in northern Ivory Coast. All of the holes were drilled on 200m spaced

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' REPORT

sections at Sissingue in preparation for the imminent arrival of the RC drill rig. The RAB drilling program has confirmed the presence of multiple, parallel, strike-persistent zones of gold mineralisation. The abundance of anomalous to significant drill intercepts encountered on nearly all RAB traverses and the extensive nature and depth of ancient gold workings highlight the potential of this poorly explored portion of the Syama gold belt.

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 the smaller RAB rig will continue to undertake wide-spaced exploratory drilling on a number of soil anomalies, most of which are currently untested, at the rate of about 5,000 drill metres per month.

Auditors' Independence Declaration

Section 307C of the Corporations Act 2001 requires the Company's auditors, HLB Mann Judd, to provide the directors of the Company with an Independence Declaration in relation to the review of the half-year financial report. This Independence Declaration is set out on page 5 and forms part of this directors' report for the half-year ended 31 December 2006.

This report is signed in accordance with a resolution of the Board of Directors made pursuant to s.306(3) of the Corporations Act 2001.



M A Calderwood
Director
Perth

Dated this 15th day of March 2007



Auditor's Independence Declaration

As lead auditor for the review of the financial report of Perseus Mining Ltd for the half year ended 31 December 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 review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Perseus Mining Limited.

A handwritten signature in black ink, appearing to read 'Norman G Neill'.

Perth, Western Australia
15 March 2007

N G NEILL
Partner, HLB Mann Judd

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED INCOME STATEMENT

For the half year ended 31 December 2006

	Note	Consolidated 6 Months Ended 31 December 2006 \$	Consolidated 6 Months Ended 31 December 2005 \$
Revenue		1,517,152	51,318
Directors fees		(56,251)	(61,827)
Employee and consultants costs		(375,525)	(243,439)
Share based compensation expense		(163,453)	(16,622)
Depreciation expense		(11,446)	(24,499)
West African administration costs		(59,098)	(85,844)
Kyrgyz Republic administration costs		(20,616)	(11,195)
Travel and accommodation expenses		(64,268)	(40,578)
Stock Exchange listing , compliance and registry fees		(55,141)	(34,219)
Write-down of exploration expenditure		(22,251)	(120,511)
Other expenses from ordinary activities		(181,704)	(84,598)
Profit / (Loss) before related income tax expense	2	507,399	(672,014)
Income tax expense		-	-
Net profit / (loss) after income tax attributable to members of the parent entity		507,399	(672,014)
Basic earnings / (loss) per share		0.57 cent	(1.0) cent
Diluted earnings / (loss) per share		0.48 cent	N/A

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED BALANCE SHEET

As at 31 December 2006

	Notes	Consolidated 31 December 2006 \$	Consolidated 30 June 2006 \$
Current Assets			
Cash and cash equivalents		4,308,813	5,999,909
Receivables		97,797	330,003
Other		48,651	15,468
Total Current Assets		4,455,261	6,345,380
Non-Current Assets			
Available for sale investments		-	1,276,000
Property, plant and equipment		1,010,783	510,382
Mineral interest acquisition, exploration and development expenditure		8,933,275	5,993,610
Total Non-Current Assets		9,944,058	7,779,992
Total Assets		14,399,319	14,125,372
Current Liabilities			
Payables		482,333	382,618
Amount due under contract		560,000	-
Total Current Liabilities		1,042,333	382,618
Total Liabilities		1,042,333	382,618
Net Assets		13,356,986	13,742,754
Equity			
Issued capital	4	14,738,967	14,571,167
Option premium reserve	5	936,522	773,069
Foreign currency translation reserve		(641,584)	33,436
Financial assets reserve		-	549,400
Accumulated losses		(1,676,919)	(2,184,318)
Total Equity		13,356,986	13,742,754

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED STATEMENT OF CHANGES IN EQUITY

For the half year ended 31 December 2006

	Issued Capital	Retained Earnings	Option Premium Reserve	Foreign Currency Translation Reserve	Financial Assets Reserve	Total Equity
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2005	5,886,067	(1,168,536)	479,940	(91,561)	-	5,105,910
Shares issued during the year	2,500,000	-	-	-	-	2,500,000
Currency translation differences	-	-	-	146,852	-	146,852
Loss attributable to members of the parent entity	-	(672,014)	-	-	-	(672,014)
Share issue expenses	(97,000)	-	-	-	-	(97,000)
Fair value of options issued	-	-	16,622	-	-	16,622
Balance at 31 December 2005	8,289,067	(1,840,550)	496,562	55,291	-	7,000,370
Balance at 1 July 2006	14,571,167	(2,184,318)	773,069	33,436	549,400	13,742,754
Exercise of options	168,400	-	-	-	-	168,400
Currency translation differences	-	-	-	(675,020)	-	(675,020)
Profit/(Loss) attributable to members of the parent entity	-	507,399	-	-	-	507,399
Share issue expenses	(600)	-	-	-	-	(600)
Fair value of options issued	-	-	163,453	-	-	163,453
Disposal of available for sale financial assets	-	-	-	-	(549,400)	(549,400)
Balance at 31 December 2006	14,738,967	(1,676,919)	936,522	(641,584)	-	13,356,986

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

CONDENSED CASH FLOW STATEMENT

For the half year ended 31 December 2006

	Consolidated 6 Months Ended 31 December 2006 \$	Consolidated 6 Months Ended 31 December 2005 \$
Cash flows from operating Activities		
Cash payments in the course of operations	(594,861)	(717,646)
Interest received	114,757	47,657
Other income – Insurance Recoveries	25,850	-
Net cash used in operating activities	(454,254)	(669,989)
Cash flows from investing Activities		
Payments for exploration and development expenditure	(3,307,227)	(1,054,601)
Payments for plant and equipment	(27,700)	(74,565)
Proceeds on disposal of property, plant and equipment	360	-
Payments for investments	(600,000)	-
Proceeds on disposal of investments	2,709,682	-
Repayments to other entities	(17,192)	(26,534)
Net cash used in investing activities	(1,242,077)	(1,155,700)
Cash flows from financing Activities		
Proceeds from share issues	-	2,500,000
Proceeds from exercise of options	168,400	-
Share issue expenses	(600)	(97,000)
Net cash provided by financing activities	167,800	2,403,000
Net increase / (decrease) in cash held	(1,528,531)	577,311
Cash at the beginning of the reporting period	5,999,909	1,917,368
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	(162,565)	-
Cash at the end of the reporting period	4,308,813	2,494,679

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, applicable accounting standards including AASB 134: Interim Financial Reporting, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board ('AASB'). Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

The half-year report has been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2006 and any public announcements made by Perseus Mining Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The half-year report does not include full disclosures of the type normally included in an annual financial report. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial report.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2006 annual financial report for the financial year ended 30 June 2006.

In the half-year ended 31 December 2006, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2006.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2006

2. PROFIT / (LOSS) BEFORE INCOME TAX EXPENSE

	Consolidated 31 December 2006 \$	Consolidated 31 December 2005 \$
The following revenue and expense items are relevant in explaining the financial performance for the half-year:		
Revenue		
Gain on disposal of Investment in Monaro Mining NL	1,383,082	-
Interest received	108,160	51,318
Expenses		
Share based payments to consultants and employees	(163,453)	(16,622)
Write-off of capitalised exploration expenditure	(22,251)	(120,511)

3. SEGMENT REPORTING

	Australia \$	West Africa \$	Central Asia \$	Total \$
Geographical segments (Primary Segment) 2006				
Revenue				
Other external revenue	1,516,790	302	60	1,517,152
Total segment revenue	1,516,790	302	60	1,517,152
Results				
Operating profit / (loss) before income tax	624,338	(60,694)	(56,245)	507,399
Income tax expense				-
Net profit				507,399
	Australia \$	West Africa \$	Central Asia \$	Total \$
Geographical segments (Primary Segment) 2005				
Revenue				
Other external revenue	51,274	44	-	51,318
Total segment revenue	51,274	44	-	51,318
Results				
Operating loss before income tax	(306,445)	(175,187)	(190,382)	(672,014)
Income tax expense				-
Net loss				(672,014)

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NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2006

4. CONTRIBUTED EQUITY

	Consolidated 31 December 2006 \$	Consolidated 30 June 2006 \$
(a) Issued and paid-up share capital		
89,680,950 (30 June 2006: 88,880,950) ordinary shares, fully paid	<u>14,738,967</u>	<u>14,571,167</u>
<i>Movements in Ordinary Shares:</i>		
	Number	\$
Balance at 1 July	88,880,950	14,571,167
Shares issued pursuant to exercise of options	800,000	168,400
Transaction costs arising from issue for cash	<u>-</u>	<u>(600)</u>
Balance at 31 December	<u>89,680,950</u>	<u>14,738,967</u>

(b) Share Options

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

Exercise Period	Note	Exercise Price	Opening Balance 1 July 2006 Number	Options Issued 2006/07 Number	Options Exercised/ Cancelled/ Expired 2006/07 Number	Closing Balance 31 December 2006 Number
On or before 31 March 2009	(i)	\$0.20	27,820,000	-	(660,000)	27,160,000
2 December 2006 to 1 December 2008	(ii)	\$0.26	1,185,000	-	(190,000)	995,000
On or before 31 March 2007		\$0.35	1,000,000	-	-	1,000,000
On or before 6 June 2009		\$0.45	400,000	-	-	400,000
On or before 6 June 2009		\$0.50	400,000	-	-	400,000
			<u>30,805,000</u>	<u>-</u>	<u>(850,000)</u>	<u>29,955,000</u>

- (i) 660,000 options were exercised at 20 cents each to acquire shares in the Company during the period raising \$132,000.
- (ii) 140,000 options were exercised at 26 cents each to acquire shares in the Company during the period raising \$36,400 and 50,000 options were cancelled during the period.

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

NOTES TO THE FINANCIAL STATEMENTS

For the half year ended 31 December 2006

5. OPTION RESERVE

	Consolidated 31 December 2006 \$	Consolidated 30 June 2006 \$
Option Reserve	<u>936,522</u>	<u>773,069</u>
<i>Movements during the period</i>		
Balance at beginning of period	773,069	479,940
Fair value of 1,185,000 options issued as part of the Perseus Mining Limited Employee Option Plan (at 16 cents each)	78,437	111,163
Fair value of 1,000,000 options issued as a fee for corporate and investor relations services (at 17 cents each).	-	170,000
Fair value of 400,000 options issued as part of the Perseus Mining Limited Employee Option Plan (at 23.5 cents each)	43,910	6,181
Fair value of 400,000 options issued as part of the Perseus Mining Limited Employee Option Plan (at 22 cents each)	41,106	5,785
Balance at end of period	<u>936,522</u>	<u>773,069</u>

6. CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

7. EVENTS OCCURRING SUBSEQUENT TO 31 DECEMBER 2006

Other than the matters referred to below, there are no matters or circumstances that have arisen since 31 December 2006 that have or may significantly affect the operations, results, or state of affairs of the consolidated entity in future financial periods.

In February 2007, the Company completed a capital raising of \$10,060,000 by issuing 25,150,000 shares at \$0.40 each, together with 12,575,000 free attaching options exercisable at \$0.50 each on or before 29 February 2008. The Company also issued 1,400,000 shares at \$0.40 each in part consideration for the acquisition of heap leach plant and equipment.

In March 2007, the Company exercised an option to acquire 100% of the issued capital in Stratsys Investments Limited ("Stratsys"), the holder of the Ayanfuri Gold Project in Ghana. The Company will be required to issue 2.5 million shares and 2.5 million options (exercisable at 40 cents on or before 28 February 2009) as initial purchase consideration, followed by a further 2 million shares and 2 million options (exercisable at 60 cents with a 2 year life) if 500,000 ounces of gold are classified as reserves on the Stratsys properties.

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES

DIRECTORS' DECLARATION

31 December 2006

In the opinion of the directors:

- (a) the financial statements and notes of the consolidated entity:
 - (i) comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations; and
 - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year then ended.
- (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 is made in accordance with a resolution of the board of directors.



M A Calderwood
Director

Dated at Perth this 15th day of March 2007

PERSEUS MINING LIMITED AND ITS CONTROLLED ENTITIES



INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Perseus Mining Limited

We have reviewed the accompanying half-year financial report, which comprises the condensed balance sheet as at 31 December 2006, the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration, of Perseus Mining Limited and the entities it controlled during the half-year ended 31 December 2006 ("consolidated entity").

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001*, including giving a true and fair view of the company's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Perseus Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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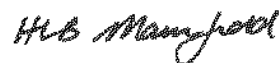
Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* has been provided to the directors of Perseus Mining Limited on 15 March 2007.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Perseus Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



HLB MANN JUDD
Chartered Accountants



Perth, Western Australia
15 March 2007

N G NEILL
Partner