



February 14, 2012

MANAGEMENT'S DISCUSSION & ANALYSIS For the three months ended December 31, 2011

This Management's Discussion and Analysis ("MD&A") of Perseus Mining Limited and its controlled entities ("Perseus" or the "Company") is dated February 14, 2012 and provides an analysis of the Company's performance and financial condition for the three months ended December 31, 2011 (the "December 2011 Quarter" or "Quarter").

This MD&A should be read in conjunction with the Company's audited consolidated financial statements and notes thereto for the year ended June 30, 2011 (the "2011 Financial Report"), and the Company's unaudited interim consolidated financial statements for the December 2011 Quarter. The financial statements (and the financial information contained in this MD&A) comply with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board. These documents are available under the Company's profile on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at sedar.com and on the Company's website, www.perseusmining.com.

This MD&A may contain forward-looking statements that are subject to risk factors set out in a cautionary note contained herein. Examples of some of the specific risks associated with the operations of the Company are set out under "Risk Factors". All monetary amounts are stated in Australian dollars, except as otherwise stated.

COMPANY OVERVIEW

Perseus was incorporated in Australia on October 24, 2003. Perseus's corporate office is in Perth, Western Australia. On September 22, 2004, the Company's shares were listed for trading on the Australian Securities Exchange ("ASX") and on February 3, 2010 the Company's shares commenced trading on the Toronto Stock Exchange ("TSX"). The Company's shares are also listed on the German Stock Exchange.

Perseus is a gold exploration, evaluation, development and mining corporation with activities focussed on under-explored gold belts located in West Africa.

Its principal assets are:

- A 90% interest in the Edikan Gold Mine ("EGM") (previously referred to as the Ayanfuri gold deposit or the Central Ashanti Gold Project), a newly commissioned gold mine located in Ghana. In July 2009, the Company completed a definitive feasibility study ("DFS") on developing a mine and associated treatment facility for the EGM and based on the positive outcome of that DFS, construction of a gold mine and associated processing facility commenced in June 2010. The first gold pour and the first revenue received from the EGM took place on August 21, 2011 and on September 28, 2011 respectively.
- An 85% interest in the Sissingué gold deposit (the "Tengrela Gold Project" or "TGP"), a development stage gold project located in the north of Côte d'Ivoire. In November 2010, the Company completed a DFS on developing an open cut mining operation based on the Sissingué gold deposit together with a conventional carbon in leach ("CIL") gold processing plant and related infrastructure. The Company's 85% interest in the TGP reflects (as if it has been granted) a 10% free carried interest in favour of the Government of Côte d'Ivoire, which will be granted upon the issue of a mining lease.
- A 90% interest in the Kayeya gold deposit which forms part of the Grumesa Gold Project ("GGP"), an exploration stage gold project located 30 kilometres to the east of the EGM in Ghana. Previous studies indicated that the GGP represents a potential satellite production opportunity to the larger EGM. The Company's 90% interest in the GGP reflects a 10% free carried interest in favour of the Government of Ghana, which will be granted upon the issue of a mining lease.

In addition, Perseus owns (i) a 23.0% interest in Burey Gold Limited (“Burey”), an ASX-listed junior exploration company holding a portfolio of gold exploration properties in the Republic of Guinea in West Africa; and (ii) a 23.7% interest in Manas Resources Limited (“Manas”), an ASX-listed company that owns a portfolio of gold properties in Central Asia that were sold to Manas by Perseus in mid-2008.

Perseus has long-term debt obligations of US\$85 million under the terms of a project finance facility that was fully drawn on June 23, 2011 and associated gold hedging involving the forward sale of 230,000 ounces of gold at a weighted average price of \$1,250 per ounce (details of which are provided elsewhere in this MD&A).

The Company’s principal short to medium term objectives are to:

- commence commercial gold production from the EGM and progressively increase the processing plant throughput rate above the nameplate rate of 5.5 MTPA;
- advance the development of the TGP, by expediting regulatory approvals, managing detailed engineering design of the processing facility and associated infrastructure and awarding contracts for supply of critical long lead items;
- complete the preparation of an environmental impact statement (“EIS”) with a view to assessing development of a satellite gold mining and heap leach operation based on the Kayeya deposit which forms part of the GGP, with loaded carbon being trucked back to the EGM for stripping;
- expand the Company’s inventory of Mineral Resources and Mineral Reserves by identifying, investigating and, where appropriate, acquiring tenement holdings in West Africa through direct application to government authorities, joint venture activities or acquisition from existing holders.

PERFORMANCE HIGHLIGHTS

The key highlights of the Company’s performance during the December 2011 Quarter are:

Edikan Gold Mine

Mining Operations & Plant Commissioning

During the December 2011 Quarter, a total of approximately 3,679,700 bank cubic metres (“bcm”) of material was mined from the Abnabna, AF Gap and Fobinso open pits, including a total of 1,795,500 tonnes of ore (September 2011 Quarter 1,232,000 tonnes of ore).

Commissioning of the EGM processing facility continued during the December 2011 Quarter. The process plant performed to expectation with continuous improvements to recoveries and production rates. A total of 35,801 ounces of gold were recovered during the December 2011 Quarter of which 33,744 ounces of gold (September 2011 Quarter: 2,030 ounces) were sold at average price of US\$1,667 per ounce (September 2011 Quarter: US\$1,640 per ounce).

Exploration

During the December 2011 Quarter, Perseus drilled a total of 34,392 metres at and around the EGM and on its other Ghanaian exploration tenements (September 2011: 39,131 metres).

In December 2011, an updated Mineral Resource estimate for the EGM was announced including 143.8 million tonnes (“Mt”) containing 5.3 million ounces (“M ozs”) of gold in the Measured and Indicated Mineral Resources categories, representing an increase of 0.954 M ozs. In addition, the updated Mineral Resource estimate included total Inferred Mineral Resources of 53.6 Mt, containing 1.8 M ozs of gold.

Tengrela Gold Project and other properties in Côte d’Ivoire

Project Development

The Environmental and Social Impact Assessment Report (“ESIA”) for the TGP was reviewed at a technical validation meeting conducted by the Ivorian National Environmental Agency (“ANDE”) on October 28, 2011 and on December 28, 2011 the ESIA was approved by ANDE pending Ministerial execution of the formal instrument.

In anticipation of the successful permitting of the development of the Sissingué gold deposit, significant progress was made on designing the processing facility during the December 2011 Quarter and an order was placed with Outotec Pty Ltd for the manufacture and supply of a 4,500kW, 5.5metre diameter, 9.2metre long semi-autogeneous grinding (“SAG”) mill. Tender enquiries for selected early works contract packages were also issued during the Quarter.

Exploration

During the December 2011 Quarter, six drill rigs operated on the two Tengrela licenses undertaking resource drilling at Sissingué and Podio, sterilization drilling at the proposed Sissingué plant site and drill testing a number of exploration targets. A total of 34,540 metres of drilling was completed during the December 2011 Quarter (September 2011 Quarter: 32,576 metres). A significant portion of this drilling was sterilization work for the proposed Sissingué process plant site.

Drilling at the Kanakono prospect 10 kilometres south of Sissingué, has located additional high-grade mineralisation. Although the resource tonnage potential appears limited, the average grade could be relatively high. Further testing of this target will be scheduled in coming quarters.

Corporate

At December 31, 2011, Perseus had available cash and cash equivalent balances of \$131.455 million.

The Company completed an offering of 25 million ordinary shares at a price of CAD 3.25 per share raising gross proceeds of CAD 81,250,000 on November 2, 2011 and an over-allotment option in respect of a further 3.75 million shares was exercised and subsequently completed on November 14, 2011, raising additional gross proceeds of CAD 12,187,500. The funds raised by the offering are planned to be used to fund the development of the TGP and will enable early commitment to procurement of long lead items and other project expenditure.

Approximately \$3.095 million in new equity was raised through the exercise of options to subscribe for ordinary shares in the Company during the December 2011 Quarter.

REVIEW OF EDIKAN GOLD MINE

The EGM comprises a group of large gold deposits located in the Ashanti gold belt in Ghana in the vicinity of the township of Ayanfuri and the villages of Abnabna, Fobinso, Gyaman, Nkonya, Ataase and Besam.

Operations

During the December 2011 Quarter, a total of approximately 3,679,700 bcm of material was mined from the Abnabna, AF Gap and Fobinso open pits, including a total of 1,795,500 tonnes of ore (September 2011 Quarter 1,232,000 tonnes of ore) by Perseus's mining contractor, African Mining Services.

Commissioning of the EGM processing facility continued during the December 2011 Quarter during which time the process plant performed to expectation with continuous improvements to recoveries and production rates being achieved. Key commissioning statistics for the December 2011 Quarter are:

	Unit	October 2011	November 2011	December 2011	Total Quarter
Ore mined	tonne	523,177	555,443	716,896	1,795,516
Grade mined	g/t gold	1.12	0.90	1.04	1.02
Total material Mined	bcm	871,225	1,234,916	1,573,565	3,679,706
Ore Milled	dmt ⁽¹⁾	296,691	394,712	395,496	1,086,899
Milling Rate	dmt / hr ⁽²⁾	562	666	674	637
Mill Runtime	%	70.9	82.4	78.9	77.3
Calc. Head Grade	g/t	1.17	1.30	1.29	1.26
Overall Recovery	%	79.5	80.3	82.6	81.0
Gold Recovered	Oz	9,035	13,256	13,510	35,801 ³

Notes

1. dmt is dry metric tonne
2. dmtph is dry tonne per hour

By the end of the December 2011 Quarter, commissioning of the EGM had been in progress for a total of 19 weeks, during which time the process plant had treated 1.51Mt of ore at a grade of 1.19 g/t gold and produced 45,832 ounces of gold. Downtime during commissioning was mostly attributable to normal 'teething' and minor design issues and the performance of the key mechanical components in terms of throughput and recovery has been as expected. The process of identifying potential bottlenecks which limit the ramp-up of process facility throughput from 5.5Mtpa to 8Mtpa will be undertaken during the March and June quarters of 2012.

An oxide feed circuit is being designed to allow separation of fresh and oxide ore for improved crusher and mill throughput during the wet season. This separate circuit is expected to be commissioned mid-year and will also be capable of feeding fresh crushed ore when the primary crusher is down. Currently the coarse ore stockpile feeders are 75% utilised at 700tph.

Cell 2 of the float tailings storage facility ("FTSF") was completed during the December 2011 Quarter and work was advanced on Stage 3 of the FTSF with the aim of completing the downstream portion in March 2012 Quarter.

During the December 2011 Quarter, a total of 33,744 ounces of gold (September 2011 Quarter: 2,030 ounces) and 6,375 ounces of silver (September 2011 Quarter: 426 ounces) were sold at average price of US\$1,667 per ounce and US\$31.81 per ounce respectively (September 2011 Quarter: US\$1,640 per ounce and US\$31.14 per ounce).

Ghana Exploration

On December 22, 2011, Perseus announced an updated Mineral Resource estimate for the EGM that included 143.8 Mt containing 5.3 Moz of gold in the Measured and Indicated Mineral Resources categories, representing an increase of 0.954 Moz contained ounces of gold compared to the previously announced Mineral Resource estimate. In addition, the updated Mineral Resource estimate also included total Inferred Mineral Resources of 53.6 Mt containing 1.8 Moz of gold.

Drilling on the Fetish deposit during the past two years has grown the deposit, but significant potential remains to further expand the Mineral Resource. Measured and Indicated Mineral Resources at Fetish have increased 62% to 29.4Mt at 1.0g/t gold for 0.972 Moz, while Inferred Mineral Resources reduced by 31% to 7.5Mt at 1.0g/t gold for 0.248 Moz. Results for 15 drill holes are still pending and drilling at Fetish will continue into 2012.

Infill drilling at Chirawewa enabled an initial Indicated Mineral Resource estimate and an increase in total Mineral Resources. A more comprehensive drill-out of Chirawewa will be undertaken after the deposit is dewatered to allow better access to the pit floor. This drilling, proposed for 2012, is in addition to results recently received and currently pending. Initial Indicated resources at Chirawewa are 4.5Mt at 1.1g/t gold for 0.167 Moz and Inferred resources increased 22% to 8.7Mt at 0.9g/t gold for 0.249 Moz.

Limited additional exploration drilling and grade control drilling on the Abnabna-Fobinso deposit during 2011 significantly improved the understanding of mineralisation controls of the resource model and resulted in an increase in resources notwithstanding the 2.6Mt of ore mined to 30 November 2011. Measured and Indicated Mineral Resources at Abnabna-Fobinso increased 8% to 72.6Mt at 1.1g/t gold for 2.515 Moz, while Inferred Mineral Resources increased 109% to 11.1Mt at 1.0g/t gold for 0.362 Moz. Subsequent to the Mineral Resource estimate cut-off date, a 42-hole drill program targeting conversion of Inferred resources within or near the base of the current pit design commenced at Abnabna-Fobinso. To date, 15 holes have been completed.

The Bokitsi deposit is a new addition to the resource inventory. Indicated Mineral Resources at Bokitsi total 2.6Mt at 2.5g/t gold containing 0.212 Moz of gold and Inferred resources are 1.6Mt at 1.7g/t gold containing 0.089 Moz of gold. Assay results are pending for an additional six drill holes.

While there has been an improvement on assay turnaround times, there are still assays pending for 5,620 samples from 145 drill holes. A large number of significant drill hole intercepts have been reported since the cut off date for the Mineral Resource estimate announced on 22 December 2011. Holes which were not included in the recent resource estimate will be included in future estimate upgrades starting with Esuajah North in March 2012.

Perseus continued active and systematic infill and exploration drill programs at the EGM, during the December 2011 Quarter drilling 34,392 metres (September 2011 Quarter: 39,131 metres). Infill and deeper drilling at Fetish returned significant results, including:

- EFDD083 - 70.78m at 1.7g/t gold from 93.8m, ended in mineralisation.
- EFDD084 - 29m at 1.1g/t from 234m, 12m at 1.5g/t from 284m and 23m at 2.3g/t gold from 274m
- EFDD107 - 30m at 1.0g/t from 297m and 18m at 4.5g/t gold from 383m.
- EFDD086 - 25m at 2.2g/t from 237m and 23m at 2.3g/t gold from 274m.
- EFDD092 - 12m at 7.1g/t gold from 91m.
- EFDD096 - 18m at 4.2g/t gold from 231m.
- EFDD099 - 12m at 5.7g/t from 148m, 14m at 1.6g/t from 294m and 8m at 12.3g/t gold from 330m.
- EFDD101 - 13m at 1.6g/t from 152m, 23m at 1.3g/t from 199m and 12m at 3.0g/t from 252m, 16m at 1.6g/t from 357m and 14m at 1.9g/t gold from 374m.

- EFRDD027 - 6m at 3.4g/t from 333m, 52m at 1.4g/t from 407m and 8m at 2.8g/t gold from 535m.
- EFRDD015 - 20m at 1.2g/t from 288m, 24m at 1.4g/t from 365m, 15m at 1.0g/t from 410m, 20m at 2.2g/t from 432m and 19m at 2.0g/t gold from 462m.
- EFRDD022 - 14m at 12.1g/t from 354m, 12m at 2.5g/t from 382m and 12m at 2.3g/t gold from 419m.
- EFRDD026 - 24m at 1.8g/t gold from 293m and 21m at 2.1g/t gold from 422m.

Infill drilling at Esuajah North returned significant results, including:

- ENDD037 - 31m at 1.4g/t from 33m, 12m at 2.9g/t from 74m, 53.8m at 1.5g/t Au from 108m, ended in mineralisation.
- ENDD057 - 51m at 1.9g/t from 28m and 15m at 1.4g/t gold from 96m
- ENDD058 - 12m at 1.2g/t from 34m, 23m at 1.1g/t from 66m and 40m at 2.9g/t gold from 136m.
- ENDD034 - 57m at 1.0g/t from 73m, 15m at 1.5g/t from 138m, 29m at 1.6g/t from 169m and 21m at 2.3g/t gold from 219m.
- ENDD072 - 12m at 1.5g/t from 79m, 39m at 4.1g/t from 105m, 43m at 1.0g/t gold from 181m.
- ENDD013 - 3m at 20.6g/t from 12m, 5m at 2.3g/t from 101m, 9m at 1.1g/t from 127m and 17m at 3.3g/t gold from 165m.
- ENDD020 - 17m at 1.3g/t from 231m, 10m at 1.0g/t from 254m, and 31m at 2.4g/t gold from 286m.
- ENDD052 - 5m at 9.7g/t from 51m and 23m at 2.2g/t gold from 68m.

Exploration drilling at Chirawewa and Bokitsi returned significant results, including:

- CHRDD006 - 7.8m at 21.2g/t from 106m including 4m at 39.7g/t gold from 108m, with assays still pending below 113.8m.
- CHRDD003 - 12m at 3.0g/t from 14m, 28m at 2.7g/t from 42m, 10m at 3.3g/t from 115m, and 24m at 1.9g/t gold from 138m.
- CHDD022 - 21m at 2.4g/t from 102m and 6m at 4.7g/t gold from 149m.
- CHRC138 - 10m at 15.6g/t from 50m, including 2m at 65.7g/t gold from 54m.
- CHRC131 - 40m at 3.1g/t from 46m, including 2m at 35.4g/t gold from 76m.
- CHRC140 - 16m at 4.3g/t from 26m, and 16m at 1.0g/t gold from 74m, ended in mineralisation.
- BKDD002 - 22.7m at 4.9g/t gold from 60.8m.
- BKDD005 - 17.4m at 4.8g/t gold from 98.6m.
- BKRDD039 - 9m at 5.3g/t gold from 112m.

The Company will undertake new pit designs for Abnabna-Fobinso, Fetish and Bokitsi open pits which will be incorporated in the planned March quarter 2012 Mineral Reserve upgrade. A Mineral Resource and Reserve upgrade will also be completed for Esuajah North if drill results are received in time. A total of 153 drill holes for 35,725metres have been completed since the last resource upgrade at Esuajah North. Pit designs and a Mineral Reserve estimate for Chirawewa will be delayed until later in the year to enable the completion of further drilling.

Apart from ongoing drilling of identified targets, the Company has completed half of a 400 line kilometres gradient induced polarization survey plus 300 line kilometres of infill soil sampling, which are expected to identify further drill targets. Early results from the gradient induced polarization program have highlighted several strong resistivity anomalies with coincident Au in soil anomalism.

REVIEW OF THE TENGRELA GOLD PROJECT

The Sissingué gold deposit is one of a number of prospects that comprise the TGP. In November 2010, the Company completed a DFS on developing an open cut mining operation based on the Sissingué gold deposit together with a CIL gold processing plant and related infrastructure.

Project Permitting

Following the completion of the positive DFS for the Sissingué Gold Mine, the application process for the permits required for development of a gold mining and processing operation at Sissingué was initiated. This process was suspended temporarily in late 2010 / early 2011 due to the election impasse but resumed during the September 2011 Quarter.

During the period, the environmental permitting process for the development of the Sissingué Gold Mine moved to an advanced stage. Following a public hearing in September 2011, a technical validation of its ESIA was completed by ANDE during the Quarter, and on 28 December 2011 approval of the ESIA was granted by ANDE pending Ministerial execution of formal documentation.

The exploitation permitting process also advanced during the December 2011 Quarter with technical reviews of the DFS being undertaken by the authorities. The Company anticipates that an exploitation licence (i.e. mining lease) will be approved by government agencies shortly after the granting of the environmental permit and that negotiation of a Mining Convention (i.e. a Fiscal Stability Agreement) will commence shortly thereafter.

Project Implementation – Sissingué Gold Mine

Following resumption of activities by the Company in Côte d'Ivoire in the September 2011 Quarter, invitations to tender for design and engineering associated with the Sissingué Gold Mine were issued to a number of engineering firms and a contract was awarded to GR Engineering Services Limited ("GRES") during the September 2011 Quarter, enabling detailed design of the processing facility and related infrastructure to commence.

In anticipation of the successful permitting of the development of the Sissingué gold deposit, Perseus's project development team in conjunction with GRES made significant progress on the design of the processing facility during the Quarter. By the end of the period, enquiries for equipment selection had commenced and prices for certain items of equipment had been received from potential suppliers. In December 2011, an order was placed with Outotec Pty Ltd for the manufacture and supply of a 4,500kW, 5.5metre diameter, 9.2metre long SAG mill. The SAG mill is scheduled to be completed within 45 weeks ex-works, and the complete mill package is expected to be delivered to site in late 2012.

In addition, tender enquiries for early works contract packages were issued during the December 2011 Quarter and subject to obtaining the relevant statutory approvals, some site earthworks and early construction works may commence early in the June Quarter 2012. Also by the June 2012 Quarter, it is anticipated that sufficient design work will have been completed to enable tenders to be called for plant construction, potentially enabling full scale construction of the Sissingué Gold Mine to commence around the middle of 2012.

Development funding of the Sissingué Gold Mine

The DFS for the development of the Sissingué Gold Mine and the Tengrela Gold Project Technical Report estimated the capital cost of the project at US\$115 million, excluding sustaining capital.

The Company completed an offering of 25 million ordinary shares at a price of CAD 3.25 per share raising gross proceeds of CAD 81,250,000 on November 2, 2011 and an over-allotment option in respect of a further 3.75 million shares was exercised and subsequently completed on November 14, 2011, raising additional gross proceeds of CAD 12,187,500. The funds raised by the offering are planned to be used to fund the development of the TGP and will enable early commitment to procurement of long lead items and other project expenditure.

The balance of the finance required to fully fund the development of the Sissingué Gold Mine will be sourced from Perseus's existing cash reserves (at December 31, 2011 the Company had cash or cash equivalent resources of \$131.455 million plus a further \$2.209 million of funds on deposit securing environmental obligations and an international trade facility) and from cashflow generated by the EGM.

Exploration

During the December 2011 Quarter, six drill rigs operated on the two Tengrela licenses undertaking resource drilling at Sissingué and Podio, sterilization drilling at the proposed Sissingué plant site and drill testing a number of exploration targets. Despite poor rig availability, a total of 34,540 metres of drilling was completed during the December 2011 Quarter (September 2011 Quarter: 32,576 metres). A significant portion of this drilling was sterilization work for the proposed process plant site.

Infill and deeper drilling at Sissingué returned significant results, including:

SGC046	-	37m at 5.5g/t Au from 23m, ended in mineralisation.
SD182	-	36.4m at 4.0g/t from 95.6m, 6m at 1.9g/t from 177m and 7m at 2.5g/t Au from 187m.
SGC039	-	37m at 3.5g/t Au from 33m, ended in mineralisation.
SGC038	-	34m at 3.5g/t Au from 16m, ended in mineralisation.
SGC033	-	16m at 1.5g/t from 26m and 5m at 21.2g/t Au from 45m, ended in mineralisation.
SD176	-	41.3m at 1.9g/t from 63.7m, 8.9m at 5.2g/t and 17.4m at 1.1g/t Au from 149m.

SD177	-	14m at 1.6g/t from 121m and 11m at 7.4g/t Au from 179m.
SGC035	-	6m at 10.4g/t Au from 53m.
SGC034	-	12m at 4.9g/t Au from 36m.
SD170	-	3m at 14.7g/t from 45m and 5m at 3.2g/t Au from 123m.
SD180	-	60.5m at 1.0g/t from 156m and 1m at 13.4g/t Au from 230m.
SD184	-	3m at 4.0g/t from 146m and 6.6m at 6.6g/t Au from 155m.

Exploration drilling at East Sissingué returned anomalous results, including:

SAC130	-	16m at 2.1g/t Au from 44m.
SRB1402	-	4m at 5.5g/t Au from 4m.

Drilling at the Kanakono prospect 10 km south of Sissingué, has located additional high-grade mineralisation. Although the resource tonnage potential appears limited, the average grade could be relatively high. Further testing of this target will be scheduled in coming quarters. The drilling at Kanakono returned anomalous results, including:

KRC069	--	2m at 60.6g/t Au from 4m.
KRC090		8m at 4.0g/t Au from 40m.

REVIEW OF THE GRUMESA GOLD PROJECT

The GGP is currently based on the Kayeya gold deposit located in the Adansi South District of the Ashanti Region of Ghana, approximately 35 kilometres by road to the south of Obuasi, and approximately 30 kilometres to the east of the EGM. From a geological perspective the Kayeya deposit is situated in the Tarkwaian Series sediments. The Kayeya deposit contains estimated Measured and Indicated Mineral Resources of 25.1M tonnes grading 0.6g/t gold for 0.47Moz of gold plus an additional Inferred Mineral Resource of 16.4M tonnes at 0.5g/t gold for 0.25Moz of gold.

A feasibility study for a heap leach project based on the Kayeya deposit was completed in October 2009. The Company is currently undertaking an Environmental Impact Assessment, using external consultants, as a precursor to filing an EIS, revising the feasibility study to DFS standard, and potentially seeking regulatory approval for the development of a gold mine and processing operation at Kayeya.

TOTAL MINERAL RESOURCES AND MINERAL RESERVES

Total Mineral Resources (Including Reserves)

Deposit (cut-off g/t gold)	< Tonnes (million)	Measured Gold grade (g/t)	> Contained Gold (‘000 oz)	< Tonnes (million)	Indicated Gold grade (g/t)	> Contained Gold (‘000 oz)	< Tonnes (million)	Inferred Gold grade (g/t)	> Contained Gold (‘000 oz)
EGM ⁽¹⁾									
0.8g/t ⁽²⁾	41.0	1.5	2,057	41.7	1.5	1,944	24.8	1.4	1,095
0.4g/t - 0.8g/t ⁽³⁾	25.5	0.7	541	35.7	0.6	731	28.8	0.7	663
Grumesa ⁽¹⁾									
>0.4 ⁽⁴⁾				25.1	0.6	471	16.4	0.5	247
Tengrela ⁽⁵⁾									
1.0g/t	0.9	3.2	90	9.1	2.5	706	3.3	1.7	171
0.5-1.0g/t	0.04	0.8	1	5.5	0.8	134	3.6	0.7	86
Totals >0.8g/t (1.0g/t Tengrela)	41.9	1.6	2,147	50.8	1.6	2,650	28.1	1.4	1,266
Totals >0.4g/t (0.5g/t Tengrela)	67.4	1.2	2,689	117.1	1.1	3,986	76.9	0.9	2,262

Notes

- 1 Last updated in December 2011.
- 2 Last updated in December 2010.
- 3 Primary reported above a 0.4g/t gold cut-off, oxide/transition report above a 0.2g/t gold cut-off.
- 4 Last updated in November 2010.
- 5 The Company holds 90% of EGM, 90% of GGP and 85% of TGP after allowing for Government equity at mining stage.

Total Mineral Reserves

Deposit	Proven			Probable			Total		
	Tonnes (million)	Gold grade (g/t)	Contained Gold ('000 oz)	Tonnes (million)	Gold grade (g/t)	Contained Gold ('000 oz)	Tonnes (million)	Gold grade (g/t)	Contained Gold ('000 oz)
EGM >0.4g/t ^(1,2)	47.7	1.3	1,974	39.2	1.0	1,300	86.9	1.2	3,273
Tengrela >0.55g/t ⁽³⁾	-	-	-	9.7	2.1	657	9.7	2.1	657
Total	47.7	1.3	1,974	48.9	1.3	1,957	96.6	1.3	3,930

Notes

- 1 0.4g/t gold cut-off for Abnabna-Fobinsio, 0.5g/t gold cut-off for all other deposits.
- 2 Effective December 2010.
- 3 Effective November 2010.

For a description of the key assumptions, parameters and methods used to estimate the Mineral Resources and Mineral Reserves and any known legal, political, environmental or other risks that could materially affect the potential development of the mineral resources or minimal reserves, please refer to the EGM Technical Report or the Tengrela Technical Report, as the case may be.

OUTLOOK FOR THE QUARTER ENDING MARCH 31, 2012

Based on current work schedules, during the Quarter ending March 31, 2012 the Company intends to:

At Edikan Gold Mine

- Continue to ramp-up production to nameplate levels of performance.
- Continue active exploration drilling and prepare for upgrades to the current Mineral Reserve estimates.

At Tengrela Gold Project

- Expedite the full permitting of the development of the Sissingué Gold Mine.
- Advance detailed engineering design and contract packaging for the development of the Sissingué Gold Mine
- Continue exploration drilling at Sissingué and other TGP targets.

OVERALL FINANCIAL PERFORMANCE

The financial performance of the Company will be affected by the operation of the EGM and development and future operation of the TGP and GGP as well as ongoing exploration and evaluation activities being conducted on its properties. Until such time as commercial production at the EGM is achieved, the Company will continue to incur administrative costs and exploration expenditures, resulting in continuing operating losses. The financial performance of the Company will be closely linked to the gold price following the commencement of commercial production at the EGM and, potentially, the TGP and GGP. The gold price also affects the economic viability of the Company's other projects and prospects. To protect against changes in gold price the Company has entered a number of hedging contracts, including put options and forward sales contracts which are discussed in further detail below under "Financial Instruments and Related Risks".

The Company reports its financial results in Australian dollars (AUD or \$). However, the Company's costs and funding are currently incurred in several currencies including AUD, United States dollars (USD), Canadian dollars (CAD), Ghanaian New Cedis, and CFA francs. Furthermore, when the EGM or any of the Company's other projects commence commercial production future metals sales revenue will be denominated in USD. Fluctuations in the rates of exchange between the AUD and the currencies in which the Company transacts business may therefore significantly affect the results of operations of the Company and are discussed further below under "Financial Instruments and Related Risks".

The exploration, evaluation and development of the Company's properties may require substantial additional financing. Failure to obtain sufficient financing in the future may result in delay or indefinite postponement of the exploration, evaluation or development of any or all of the Company's properties. There can be no assurance that bank financing, equity capital or other types of financing will be available when needed or that, if available, the terms of such financing

will be acceptable to the Company. See “*Risk Factors*” for a further discussion of these and other risk factors associated with the Company and an investment in the Company’s shares.

DISCUSSION OF OPERATIONS

Cash and cash equivalents

As at December 31, 2011 the Company had cash or cash equivalent resources of \$131.455 million plus a further \$2.209 million of funds on deposit securing environmental obligations and an international trade facility. This cash balance represents an increase relative to the position as at September 30, 2011 when cash or cash equivalent resources included \$53.561 million plus a further \$2.295 million of funds on deposit (December 31, 2010: cash and cash equivalents \$88.796 million, funds on deposit \$5.964 million). This increase in cash reserves during the December 2011 Quarter resulted from gold sales of \$45.526 million (September 30, 2011: \$3.172 million; June 30, 2011: nil) and the gross proceeds of a share issue pursuant to a short form prospectus during the period of \$89.121 million, plus a further cash inflow of \$0.752 million from the exercise of options to acquire ordinary shares in the Company. This cash inflow was partially offset by planned expenditure on the EGM and the TGP, along with a \$1.569 million foreign exchange loss on the USD denominated cash held, due to a devaluation of the USD against AUD (December 31, 2011: 1.0176; September 30, 2011: 0.9793) and capital raising costs associated with the ordinary share offering during the Quarter.

Property, plant and equipment

Assets under construction at the EGM decreased by \$18.511 million as a result of the net effect of the capitalised sale of gold, less construction and mineral reserve definition drilling at the EGM due to commercial production not commencing during the Quarter. The Company capitalised \$0.395 million of expenditure on other plant and equipment during the December 2011 Quarter. Due to the devaluation of the USD against AUD referred to above, a \$10.104 million foreign exchange loss was recorded against property, plant and equipment (“PP&E”) during the December 2011 Quarter (\$19.061 gain in the September 2011 quarter; \$5.906 million loss in the June 2011 quarter) as the majority of these assets are recorded in USD in the subsidiary companies’ accounts and are translated into AUD on consolidation. As a result, after depreciation (\$0.557 million), the Company recognised on its balance sheet a total of \$230.088 million for PP&E as at December 31, 2011 (September 30, 2011: \$261.022; June 30, 2011: \$228.48 million).

Exploration and evaluation expenditure

The Company capitalised \$15.256 million of exploration and evaluation expenditure incurred during the December 2011 Quarter (\$1.825 million September 2011 Quarter; \$0.942 million June 2011 Quarter) before recording a foreign exchange loss of \$2.370 million (\$0.708 gain September 2011 Quarter; \$0.128 million gain June 2011 Quarter) for the same reasons as those discussed above in relation to property, plant and equipment. As a result, the Company recognised on its balance sheet a total of \$47.664 million for exploration and evaluation expenditure as at December 31, 2011 (September 30, 2011: \$34.779 million; June 30, 2011: \$32.245 million).

Other financial assets

As at December 31, 2011, the Company held gold put options at a carrying value of \$0.332 million (September 30, 2011: \$0.577 million; June 30, 2011: \$0.042), after mark-to-market the carrying value and recognising a devaluation of the put options of \$0.270 million (September 30, 2011: \$0.619 million revaluation; June 30, 2011: \$7.441 million devaluation). Gold put options with a carrying value of \$0.020 million (September 30, 2011: \$0.037 million; June 30, 2011: \$231) have been classified as current assets as these options mature within twelve months of the date of this MD & A; while the balance of \$0.312 million (September 30, 2011: \$0.540 million; June 30, 2011: \$0.042 million) has been classified as non-current assets.

Derivative financial instruments

As at December 31, 2011 the Company held forward sales contracts for 230,000 ounces of gold and recorded a liability of \$74.996 million (September 30, 2011: \$90.680 million; June 30, 2011: \$59.310 million) on its balance sheet. These contracts were designated as effective hedge contracts beginning October 1, 2010. The movement in mark-to-market value has been recorded as equity while \$28.453 million (September 30, 2011: \$25.456 million; June 30, 2011: \$10.838 million) of the liability has been classified as a current liability as these forward contracts settle within twelve months of the date of this MD & A; the balance of \$46.544 million (September 30, 2011: \$65.224 million; June 30, 2011: \$48.472) has been classified as a non-current liability.

Total Liabilities

As at December 30, 2011 the Company had total liabilities of \$196.120 million (September 30, 2011: \$207.815 million; June 30, 2011: \$70.213 million). The decrease in liabilities is largely the result of a decrease in the AUD equivalent of the USD denominated borrowings (December 30, 2011: \$81.410 million; September 30, 2011: \$86.797 million) due to the devaluation of the USD against the AUD (December 31, 2011: 1.0176; September 30, 2011: 0.9793) during the December 2011 Quarter and a decrease in the derivative financial instrument liability (December 30, 2011: \$74.996 million; September 30, 2011: \$90.680 million; June 30, 2011: \$59.310 million). Offsetting this decrease in liabilities during the December 2011 Quarter, amounts owed to creditors, relating mainly to the construction and operation of the EGM, that were outstanding at June 30, 2011 (\$27.704 million) and at September 30, 2011 (\$24.738) increased to \$32.118 million. Also offsetting this decrease in liabilities during the December 2011 Quarter, future rehabilitation work relating mainly to old and new mining activity at EGM, that were provided for at June 30, 2011 (\$4.462 million) and at September 30, 2011 (\$4.828) increased to \$6.717 million.

Summary of Quarterly Results

The quarter-on-quarter movements in the financial position of the Company over the last eight quarters are shown below.

Financial Position ¹ as at:	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010
Cash and cash equivalents	131.455	53.561	96.462	68.038	88.796	130.213	185.591	82.705
Total Assets	507.721	407.739	382.598	312.433	300.718	309.447	346.792	194.031
Total Liabilities	196.120	207.815	170.213	82.481	64,755	14.340	25.862	18.296
Net Assets	311.601	199.924	212.385	229.951	235.963	295.107	320.930	175.735

¹All amounts shown are in millions of dollars

The increase in cash between December 31, 2011 and September 30, 2011 is due to the capital raising that occurred during the Quarter along with the proceeds from the sale of gold. The decrease in cash between September 30, 2011 and June 30, 2011 is due to the expenditure on the EGM and TGP projects, whilst the increase in cash between March 31, 2011 and June 30, 2011 reflects the inflow of funds resulting from draw down of the project debt facility. The increasing cash balances as at December 31, 2009, March 31, 2010 and June 30, 2010 reflect the increased share placement activity since March 2009 as the Company sourced financing to fund development of the EGM and increase the level of exploration activity at the TGP.

Total assets have increased in the December 2011 Quarter by \$99.982 million (September 2011 Quarter by \$25.141 million; June 2011 Quarter by \$70.165 million). This is due to the increase in cash balances, receivables, inventory, deferred tax asset, exploration and evaluation expenditure and investments in associates, which has been offset to a degree by the decrease in PP&E of \$30.934 million as noted above. The increase in cash balances is as a result of the capital raising and gold sales during the period as discussed above. The increase in current receivables is as a result of the initial recognition of receivables from the sale of gold (December 31, 2011: \$9.261 million; September 30, 2011: nil) and the increase in non-current receivables is due to the reclassification of a VAT refund from the Ghana Internal Revenue Service from current to non-current. The increase in inventory from the September 2011 quarter is a result of the ramping up of mining activities being undertaken at EGM. The increase in deferred tax assets is as a result of the initial recognition of previously unrecognised net deferred tax assets. The decrease in PP&E from the September 2011 quarter is due to the net effect of the capitalised sale of gold, less construction and mineral reserve definition drilling at the EGM due to commercial production not commencing during the Quarter as noted above. Other assets decreased during the December 2011 Quarter due to an decrease in prepayments and the devaluation of gold put options.

The decrease in total liabilities at December 31, 2011 relative to the position at the end of the preceding quarter, is largely due to devaluation in AUD terms (December 31, 2011: 1.0176; September 30, 2011: 0.9793) of the USD denominated debt drawn under the project debt facility to \$81.410 million. Another factor causing the decrease in total liabilities was the move in the mark-to-market value of the Company's hedge accounted forward metal contracts due to the decrease in gold price giving a liability as at December 31, 2011 of \$74.996 million (September 30, 2011: \$90.680 million; June 30, 2011: \$59.310 million). In the December 2010 quarter the Company adopted hedge accounting for its forward metal contracts and recognised a liability as at December 31, 2010 of \$47.333 million.

CASHFLOW

The eight most recent quarter-on-quarter movements in the cash flow of the Company are as shown below.

Cash flows¹ for three months ended	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010
Operating Activities	(1.829)	(1.908)	(1.622)	(1.977)	(1.131)	(1.096)	(1.345)	(0.236)
Investing Activities	(6.857)	(46.579)	(52.249)	(19.108)	(40.328)	(49.282)	(37.090)	(16.773)
Financing Activities	85.010	2.343	81.689	0.789	1.997	4.803	134.280	34.463

¹All amounts shown are in millions of dollars

The cash outflows attributable to operating activities have been increasing over time reflecting the increase in administration activities across the Company, including payroll, and also the increased use of consultants and advisors, as the Company accelerated its transition from a junior explorer to a development and operating company. The decrease in the June 2011 quarter can be attributed to a decrease in the payments made to suppliers and a slight increase in interest received.

This level of activity was also reflected in the cash outflows for investing activities which largely related to payments for assets under construction at the EGM up until the current quarter. In the December 2011 quarter, gold sales offset cash used in investing activities as the EGM had not reached commercial production during the Quarter. In the March 2011 quarter outflows decreased relative to the December 2010 quarter, as amounts owed to creditors increased by \$15.960 million and expenditure on the EGM reduced, with the procurement of large items of plant largely complete and a slowdown in construction over the December holiday period, however, this trend was reversed in the June 2011 quarter as creditors were paid in full.

Other factors contributing to the steady increase in cash outflow from March 31, 2010 include: increase in the level of exploration activity on the Company's tenements, payments for the purchase of gold put options and payments for investments in Burey and Manas. In the June 2011 quarter, the significant increase in cash inflows from financing activities reflected the drawdown of debt under the project debt facility. Whilst in the December 2011 Quarter, the significant increase in cash flows from financing activities reflected the capital raising to fund the development of the TGP and to enable early commitment to procurement of long lead items and other project expenditure. Cash inflows also occurred as a result of the exercise of stock options in the past eight quarters.

The significant cash inflows from financing activities in 2010 (\$190.119 million, 2009: \$ 84.551 million), were the result of an active programme of equity capital raisings undertaken to fund the development of the EGM and the accelerated programme of exploration on the Company's West African tenements.

As a consequence of the above quarter-on-quarter movements, cash held by Perseus increased from 2009 to 2010 but has been decreasing in each Quarter of the 2011 financial year with the exception of the June 2011 Quarter when funds were received from the drawdown of the project debt facility and the December 2011 Quarter when funds were received from an ordinary share offering resulting in a cash balance as at December 31, 2011 of \$131.455 million (June 30, 2011 of \$53.561 million; June 30, 2011 of \$96.462 million).

OPERATING RESULTS

The operating results for the eight most recent quarters are as follows:

Operating Results¹ for the three months ended	Dec 31 2011	Sept 30 2011	Jun 30 2011	Mar 31 2011	Dec 31 2010	Sept 30 2010	Jun 30 2010	Mar 31 2010
Total revenue	7.279	0.240	0.315	0.581	0.739	0.897	4.353	0.294
Net profit / (loss)	12.907	0.779	(5.097)	(3.653)	(30.083)	(12.343)	3.186	(6.448)
Basic loss per share (cents)	2.96	0.18	(1.38)	(0.73)	(7.07)	(2.93)	1.16	(2.04)

¹All amounts shown above are in millions of dollars except as otherwise indicated

As a company in the pre-commercial production stage of its development, Perseus's revenues to date have mainly comprised interest income and its expenses have mainly comprised administration and corporate overheads (given the Company's accounting policy to capitalise pre-operations, development, exploration and evaluation expenditure). In 2011, significant foreign exchange losses arising from a strengthening of the AUD relative to the USD, significant increases in the gold price and the effluxion of time reducing the value of gold put options, plus the Company's decision to adopt hedge accounting of its gold forward sales contracts, all contributed to a significant increase in the net loss recorded by the Company. In the December 2011 Quarter, total revenue increased as a result of foreign exchange

gains. In addition to this, the initial recognition of previously unrecognised net deferred tax assets has resulted in an increase in net profit in the December 2011 Quarter compared to the September 2011 Quarter.

The movements in net interest income for the past eight quarters are a result of both cash balances held in interest-bearing deposits during the period increasing due to equity raisings, offset by increased expenditure on the EGM and exploration. Slightly increasing interest rates during the past eight quarters have also positively influenced cash balances.

The decrease in operating expenses in the September 2011 Quarter relative to the preceding quarter is the result of several factors including foreign exchange gains and a revaluation of gold put options, partially offset by the increase in operating expenses highlighted below. The large increase in operating expenses in the December 2010 quarter was largely due to one-off adjustments for the commencement of hedge accounting for forward metal contracts as at 1 October 2010. Other contributing factors included a significant foreign exchange loss and increased share based payments. To an extent this increase was offset by a reversal in impairment of an investment in Manas. Prior to the September 2011 Quarter in which there was a revaluation of gold put options, the increase in operating expenses for the past six quarters compared to prior periods is largely the result of recognition of devaluation of gold put options (June 2011 Full Year: \$7.441 million; June 2010 Full Year: \$5.042 million). Although there was a foreign exchange gain in the September 2011 Quarter as explained above, foreign exchange losses added to the increase in operating expenses over the last four quarters compared to prior periods (June 2011 Quarter: \$1.167 million; March 2011 Quarter: \$0.419 million; December 2010 half-year: \$8.794 million on cash deposits) due to the weakening of the USD against the AUD.

A write-off of capitalised exploration (June 30, 2010: \$0.845 million) and increased share based payments (September 2011 Quarter: \$0.895 million; Twelve months to June 30, 2011: \$5.485 million; 2010: \$3.594 million) due to the issue of options to employees which vested immediately, resulting in the total cost related to these options being expensed when issued, also contributed to the increase in operating expenses over the prior seven quarters. Other expenses, including employee benefits and fees paid to professional advisors and consultants, have also increased compared to the corresponding prior periods and reflect the growth of the Company's activities as a result of the transition from junior explorer to an integrated exploration, evaluation, development and operating company.

The apparent decrease in operating expenses in the June 2010 quarter compared to the preceding two quarters is a result of several factors, including reduced costs associated with the issue of options to directors and employees as share based payments in the June 2010 quarter (\$1.181 million compared to a charge of around \$1.595 million in the March 2010 Quarter and \$0.819 million in the prior two Quarters combined), and a reduced decrement in the market value of gold put options (approximately \$0.691 million in the June 2010 Quarter, compared to \$4.350 million in the previous three quarters combined).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2011 the Company had cash and cash equivalents of \$131.455 million (September 30, 2011: \$53.561 million; June 30, 2011: \$96.462).

On November 2, 2011, the Company completed an offering of 25 million ordinary shares at a price of CAD 3.25 per ordinary share for aggregate gross proceeds of CAD 81,250,000 pursuant to a short form prospectus dated October 26, 2011. Further gross proceeds of CAD 12,187,500 were received by the Company on November 14, 2011 upon the issue of an additional 3.75 million ordinary shares at a price of CAD 3.25 per share pursuant to the closing of an over-allotment option which was exercised on November 9, 2011. The Company intends to use the net proceeds of this offering for development of the TGP. As previously stated, the capital cost of the TGP is estimated to be USD 115 million.

The Company does not currently have a working capital deficiency. The Company has sufficient amounts of cash and cash equivalents in the short term to maintain capacity, meet its planned growth and fund development activities.

As previously stated, the Company's short to medium term plans include completion of commissioning of the EGM, permitting and development of the TGP, expansion of the Company's mineral resources through rapid exploration of existing ground, and the acquisition of prospective new projects, all of which require significant levels of funding. The Company's ability to generate sufficient amounts of cash and cash equivalents in the long term (if required) to maintain capacity, meet planned growth and fund development of activities depends on its ability to generate sufficient cash from the EGM and failing that, to raise additional funds from the debt or capital markets.

The Company's liquidity is expected to fluctuate with production from the EGM and the price of gold. The Company's ability to raise funds from the debt or capital markets will be affected by, among other things, global economic conditions (including the price of gold). As described in detail below, the Company's liquidity will also be negatively affected in the event there is a breach of the Facility Agreement (as defined below) which is not waived and upon which the lenders demand repayment of the project loan facility of US\$85 million. In such event, the Company would seek

replacement financing and to the extent it was unsuccessful, use cash and cash equivalents to satisfy the demand thereby potentially causing development of the TGP to be delayed. To the extent sufficient funds could not be accessed to repay the project loan facility, the lenders would be entitled to realize on their security interest in the EGM.

For a description of the balance sheet conditions or income or cash flow that may affect liquidity, please see the section below under “Commitments”.

During the last three financial years, both the debt and equity capital markets have been used as sources of funding by the Company. As discussed above, the Company completed a 28.75 million share fundraising during the December 2011 Quarter. The Company also received \$0.752 million during the December 2011 Quarter (\$2.343 million in the September 2011 Quarter; \$1.478 million in the June 2011 Quarter; \$9.230 million during the June 2011 Full Year) from the exercise of options to purchase ordinary shares in the Company pursuant to its Share Option Plan. During the June 2011 quarter, the Company drew \$80.211 million under its project debt facility. There can be no assurance however that the Company will be successful in raising additional funds, as and when required, from the debt or capital markets in the future. See “Risk Factors”.

The project debt facility agreement (the “Facility Agreement”) contains covenants and imposes restrictions on the Company’s ability to complete certain transactions. For example, the Facility Agreement requires that the Company maintain certain financial ratios and prohibits the Company from incurring additional indebtedness or entering into hedging arrangements beyond that specifically permitted. The Facility Agreement also contains (i) certain conditions precedent to the drawing down of funds, which were either satisfied or waived, and (ii) certain conditions subsequent, some of which remain outstanding. The Company has previously received waivers of breaches of, and extensions for satisfaction of, non-financial conditions to the Facility Agreement. In particular, the Company has received waivers in respect of breaches of, and extensions to the time required for satisfaction of, the conditions subsequent that: (i) the Company enter into a term sheet in respect of a power supply agreement for the Edikan Gold Mine on or before December 31, 2011 (as extended); (ii) the Company use its best endeavours to complete a reorganization of its subsidiaries by December 31, 2011 (as extended); (iii) the Company grants additional security in favour of the lenders by December 31, 2011 (as extended) in the event the reorganization has not been completed by then; (iv) there is parliamentary ratification of the Edikan mining leases and stability agreement by December 31, 2011 (as extended); (v) satisfactory metallurgical test work shall have been completed at the Fetish and Esuajah North resources by November 30, 2011 (as extended); and (vi) the Company execute a foreign exchange retention account agreement with the Republic of Ghana, the Bank of Ghana, the lenders and a financial institution in Ghana by December 31 2011 (as extended). While the Company is currently in compliance with the terms of the Facility Agreement and believes it will be able to satisfy the foregoing conditions subsequent in the prescribed time, it may require one or more waivers or extensions from the lenders in the future. A breach by the Company of certain provisions of the Facility Agreement, unless waived, will constitute an event of default, entitling the lenders to accelerate the payment of amounts due there under. The project loan is effectively secured by all (or substantially all) of the Company’s interest in the Edikan Gold Mine. An obligation to repay the amount owing under the project loan before its stated maturity could have an adverse effect on the Company and its financial position.

As at December 31, 2011 the price of a total of 230,000 ounces of gold had been hedged under gold forward sale contracts for settlement from March 2012 to December 2014 at an average price of US\$1,250 per ounce. The inception of this level of hedging was a pre-requisite for Perseus to be able to draw the full US\$85 million debt facility in the June 2011 quarter. This hedging represents about 25% of expected production from EGM to the end of 2014 and approximately 7% of current Mineral Reserves estimate at EGM. In addition, options granting Perseus the right but not the obligation to sell 100,000 ounces of gold at US\$850 per ounce in the period from January 2012 to December 2013 and a further 20,000 ounces of gold at US\$1,100 per ounce from July to December 2011 were purchased as part of the Company’s financial risk management strategy. The options for the right to sell gold at US\$1,100 per ounce from July to December 2011 expired unexercised.

As at the date of this MD&A the Company had no material commitments for future capital expenditure over and above those that arise in the normal course of business. In future quarters, subject to achieving satisfactory progress on the permitting of the TGP, commitments for capital expenditure associated with the development of the Sissingué Gold Mine, whose cost is currently estimated as US\$115 million, may be incurred. As noted above, the Company intends to use the net proceeds of its recent equity offering that raised a total of CAD 93,437,500 to partly fund the development of the TGP. The balance of the capital required to meet future commitments associated with the development of the TGP will be drawn from a mix of existing cash resources and cash generated from the EGM operation. There are no known trends or expected fluctuations that are expected to change the mix of funds used for this purpose.

COMMITMENTS

The following table sets forth information regarding the Company’s contractual obligations as at December 31, 2011. The Company has no long term debt, finance lease obligations, operating leases or purchase obligations except as indicated below.

	Less than 1 Year	1 - 3 Years	4 - 5 Years	After 5 years
Exploration expenditure ¹ (US\$M)	1.050	0.700	0.700	0.950
Debt Repayment obligations (US\$M) ⁽²⁾	40.000	45.000	-	-
Total (US\$M)	41.050	45.700	0.700	0.950

Notes:

- (1) The Company's mineral rights in Ghana and Côte d'Ivoire are subject to nominal statutory expenditure commitments on exploration activities and its mineral lease fees are paid annually, in advance.
- (2) Represents repayments of the project loan facility which are scheduled to commence on 31 March 2012. A further 10 payments are scheduled to occur on or about the end of each ensuing quarter, with the final payment due on 30 September 2014. As a pre-requisite for drawing down the loan, PMGL, entered into gold hedge contracts with the lenders for 230,000 ounces of gold during the period from March 2012 to December 2014. The contracts are settled on a quarterly basis. Based on a contracted weighted average delivery price of US\$1,250 per ounce, the total value of gold hedged in the contract period is US\$287.5 million.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The principal financial instruments used by the Company as at December 31, 2011 are cash, receivables, payables and prepayments. As a result of the use of these financial instruments, the Company is exposed to credit risk, liquidity risk and market risk.

Credit Risk

Credit risk represents the loss that would be recognised if counterparties failed to perform as contracted under a financial instrument resulting in a financial loss to the Company and arises from deposits with banks and financial institutions, favourable derivative financial instruments as well as credit exposures to customers including outstanding receivables and committed transactions. There has been no significant change in the Company's exposure to credit risk or its objectives and policies for managing these risks during the December 2011 Quarter.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, that as far as possible, it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation.

The Company manages liquidity risk by maintaining adequate cash reserves by continuously monitoring forecast and actual cash flows, matching maturity profiles of financial assets and financial liabilities, and by ensuring that surplus funds are generally only invested in instruments that are tradable in highly liquid markets or that can be relinquished with minimal risk of loss.

Market Risk

The Company is exposed to commodity price risk for its future gold production. These risks are measured using sensitivity analysis and cash flow forecasting and to manage exposures the group enters into forward commodity price derivatives, details of which are discussed in "Liquidity and Capital Resources" above.

The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Company is also exposed to foreign exchange risk arising from the translation of its foreign operations, the Company's investments in its subsidiaries are not hedged as those currency positions are considered to be long term in nature. There has been no significant change in the Company's exposure to currency risk or its objectives and policies for managing these risks during December 2011 Quarter.

The Company's main interest rate risk arises from long-term borrowing through its project loan facility which is based on three month LIBOR. Borrowings issued at variable rates expose the group to cash flow interest rate risk. During the December 2011 Quarter the Corporation's borrowings at variable rate were denominated in US dollars. The Corporation has not entered into any hedge/interest rate swap instruments to manage interest rate risk exposure. There has not been a change in the Company's exposure to interest rate risk during the December 2011 Quarter compared to the September 2011 Quarter. The Company's objectives and policies for managing these risks have not changed during the December 2011 Quarter.

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements as at December 31, 2011.

TRANSACTIONS WITH RELATED PARTIES

Remuneration (including salaries, directors' fees and the issue of share options) was paid or is payable to the directors of the Company in the normal course of business. The Company pays its non-executive directors consulting fees for extra services, if any, performed outside of normally expected non-executive duties. These transactions are made on commercial terms and conditions and at market rates.

Rent, accounting, secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd ("CCPL"), a company in which a Director, Mr Gillard, and the company secretary, Mr Susmit Shah, have beneficial interests, totalled \$232,375 during the December 2011 Quarter compared to \$220,557 in the corresponding quarter ending December 31, 2010.

The Company also leases office space in a building that is owned by a syndicate of investors which includes Mr Gillard. The term of the lease is two years expiring on March 31, 2013.

Aside from this lease of property the Company has no ongoing contractual or other commitments arising from transactions with and of the related parties referred to above.

CRITICAL ACCOUNTING ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. Each critical accounting estimate is discussed below.

(i) Exploration and evaluation expenditure

In accordance with accounting policy note 1(n) in the June 2011 Financial Report, management 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. In determining this, assumptions, including the maintenance of title, ongoing expenditure and prospectively are made.

(ii) Impairment of assets

In accordance with accounting policy note 1(g) in the June 2011 Financial Report, in determining whether the recoverable amount of each cash generating unit is the higher of fair value less costs to sell or value-in-use against which asset impairment is to be considered, the Company undertakes future cash flow calculations which are based on a number of critical estimates and assumptions including, for its assets under construction, forward estimates of:

- a) Mine life including quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction with given technology;
- b) Estimated production and sales levels;
- c) Estimate future commodity prices;
- d) Future costs of production;
- e) Future capital expenditure;
- f) Future exchange rates; and/or
- g) Discount rates applicable to the cash generating unit.

Variations to expected future cash flows, and timing thereof, could result in significant changes to the impairment test results, which in turn could impact future financial results.

(iii) Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees and directors by reference to the fair value of the equity instruments as at the date at which they are granted. The Company measures the cost of cash-settled share-based payments at fair value at the grant date using the Black-Scholes option pricing model and taking into account the terms and conditions upon which the instruments were granted. Differences in estimated future stock price volatility, interest rates and other factors can have a material effect on the calculation of share-based compensation expense and derivative values. As such, the values derived may change significantly from period to period and are subject to significant uncertainty. The Company recorded a total share-based compensation expense of \$1.292 million for the Quarter ended December 31, 2011 compared to \$2.693 million for the corresponding period to December 31, 2010. The expense for the June 2011 Quarter was \$2.439 million compared with \$1.102 million for the March 2011 Quarter, \$2.693 for the December 2010 Quarter, \$1.152 million for the September Quarter and \$1.181 million for the June 2010 Quarter.

(iv) Restoration and rehabilitation provisions

As set out in accounting policy note 1(t) in the June 2011 Financial Report, the value of the current restoration and rehabilitation provision is based on a number of assumptions including the nature of restoration activities required and the valuation at the present value of a future obligation that necessitates estimates of the cost of performing the work required, the timing of future cash flows and the appropriate discount rate. Additionally current provisions are based on the assumption that no significant changes will occur in either relevant Federal or State legislation covering restoration of mineral properties. A change in any, or a combination, of these assumptions used to determine current provisions could have a material impact to the carrying value of the provision.

(v) Derivative financial instruments

The Company makes judgements on the effectiveness of all derivative financial instrument entered into, including forward metal contracts, metal options and foreign currency option contracts in accordance with accounting policy note 1(l) in the June 2011 Financial Report. Management's assessment is that, unless otherwise disclosed the derivatives have been highly effective in offsetting changes in the fair value of the future cash flows against which they have been designated and as such are compliant with the hedge effectiveness requirements of AASB 139.

(vi) Taxes

Judgement is required in determining whether deferred tax assets are recognised on the statement of financial position. Deferred tax assets, including those arising from un-utilised tax losses, require management to assess the likelihood that the Group will generate taxable earnings in future periods, in order to utilise recognised deferred tax assets. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Group to realise the net deferred tax assets recorded at the reporting date could be impacted.

Additionally, future changes in tax laws in jurisdictions in which the Group operates could limit the ability of the Group to obtain tax deductions in future periods.

(vii) Commercial production

The group assesses the stage of each mine under construction to determine when a mine moves into the production stage being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine construction project, such as the complexity of a plant and its location. The group considers various relevant criteria to assess when the production phase is considered to commence and all related amounts are reclassified from 'Mines under construction' to 'Mine properties' and 'Property, plant and equipment'. Some of the criteria used will include but are not limited to, the following:

- a) Level of capital expenditure incurred compared to the original construction cost estimates;
- b) Completion of a reasonable period of testing of the mine plant and equipment;
- c) Ability to produce metal in saleable form (within specifications); and
- d) Ability to sustain ongoing production of metal.

When a mine development / construction project moves into the production stage, the capitalisation of certain mine development / construction costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation / amortisation commences.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In the December 2011 Quarter, the Company 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 2011. As a result of this review the Directors have determined that there is no change necessary to the Company's accounting policies and in particular no new accounting policies have been adopted during the December 2011 Quarter.

OUTSTANDING SECURITIES DATA

At December 31, 2011 the Company had issued 455,827,088 (September 30, 2011: 426,717,088; June 30 2011: 425,617,088) shares and 6,805,000 (September 30, 2011: 7,265,000; June 30, 2011: 8,435,000) options.

The following is a summary of the Company's capital structure as at the date of this MD&A:

Ordinary shares	457,502,088
Options over unissued shares	5,100,000

Since December 31, 2011 and up to the date of this MD&A, the Company has issued 1,675,000 shares upon conversion of the same number of options. No new options have been issued since December 31, 2011 and up to the date of this MD&A.

CONTROLS AND PROCEDURES

The Company maintains appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Company continues to review and develop internal controls, including disclosure controls and procedures for financial reporting that are appropriate for the nature and size of the Company's business.

Disclosure Controls and Procedures

The Company's disclosure controls and procedures ("DCP") are designed to provide reasonable assurance that all relevant information relating to the Company is communicated to the Company's senior management and information required to be disclosed in its annual filings, interim filings and other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the specified time period. Access to material information regarding the Company is facilitated by the small size of the Company's senior management team and workforce. The Company is continuing to develop appropriate DCP for the nature and size of the Company's business.

As at December 31, 2011, the Chief Executive Officer and Chief Financial Officer, with participation of the Company's management, concluded that there were no material weaknesses in the design of DCP at that date or changes to the Company's DCP during the December 2011 Quarter which have materially affected, or are considered to be reasonably likely to materially affect, the Company's disclosure or its DCP.

Internal Controls over Financial Reporting

Internal controls over financial reporting ("ICFR") are designed to provide reasonable assurance regarding the reliability of the Company's financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Board is responsible for ensuring that management fulfils its responsibilities in this regard. The Audit Committee is in turn responsible for ensuring the integrity of the reported information through its review of the Company's interim and annual financial statements. There has been no change in the Company's ICFR during the December 2011 Quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As at December 31, 2011, the Chief Executive Officer and Chief Financial Officer, have concluded that there is no material weakness relating to the design of the Company's ICFR.

Limitations of Controls and Procedures

The Company's management, including the Chief Executive Officer and Chief Financial Officer, believe that any DCP or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that

judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion between two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and not be detected.

The Company's Chief Executive Officer and Chief Financial Officer have not limited the scope of their design of DCP and ICFR to exclude controls, policies and procedures of any proportionately consolidated entity, variable interest entity or business acquired within the preceding 365 days.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This MD&A contains "forward-looking information" within the meaning of applicable Canadian securities laws. This forward-looking information may include but is not limited to information with respect to the Company's plans respect the EGM and the TGP, the estimation of mineral reserves and mineral resources, realization of mineral reserve and resource estimates, the timing and amount of future production, costs of production, capital expenditures, costs and timing of development of the TGP, mine life projections, the ability to secure required permits, the results of future exploration and drilling, the adequacy of financial resources and business and acquisition strategies. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

Forward-looking information is based on assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management of the Company believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Assumptions have been made by the Company regarding, among other things: the price of gold, that the EGM will achieve commercial production without material delay, the receipt of required governmental approvals, the accuracy of capital and operating cost estimates, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used by the Company. Although management believes that the assumptions made by the Company and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate.

By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include among other things the risks set out below under the heading "*Risk Factors*".

Although Perseus has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. Perseus undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this MD&A, except in accordance with applicable securities laws. All forward-looking information disclosed in this document is qualified by this cautionary statement.

RISK FACTORS

Some of the risks and other factors that could cause actual results to differ materially from those expressed in the forward-looking information contained in this MD&A, as well as risk factors generally facing the Company, include, but are not limited to:

- risks related to the Company's compliance with restrictions and covenants in the Facility Agreement;
- risks associated with the price of gold;
- the risk that commercial production at the EGM is materially delayed;
- risks related to potential development of the TGP;
- risks related to capital cost increases at the TGP;
- risks related to operating and capital cost increases at the EGM;
- risks related to the availability of additional financings as and when required;

- the risk of unrest and political instability in West Africa;
- risks related to the renewal of exploration permits for the TGP or the granting of a mining lease at Tengrela;
- risks related to global economic conditions;
- risks and uncertainties relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations;
- risks related to negative operating costs flow;
- results of initial feasibility, pre-feasibility and feasibility studies, and the possibility that future exploration, development or mining results will not be consistent with the Company's expectations;
- risks relating to possible variations in reserves, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined;
- mining and operating risks, including risks related to accidents, equipment breakdowns, labour disputes (including work stoppages and strikes) or other unanticipated difficulties with or interruptions in exploration and development;
- the potential for delays in exploration or development activities or the completion of feasibility studies;
- risks related to the inherent uncertainty of production and cost estimates and the potential for unexpected costs and expenses;
- risks related to interest rate and foreign exchange rate fluctuations;
- the uncertainty of profitability based upon the cyclical nature of the industry in which the Company operates;
- the risk of changes to fiscal terms or operating approval conditions;
- risks related to environmental regulation and liability; and
- other risks and uncertainties related to the Company's prospects, properties and business strategy.

A detailed discussion of these and other factors that may affect the Company's prospects, actual results, performance, achievements or financial position is contained in the Company's Annual Information Form dated September 30, 2011.

TECHNICAL DISCLOSURES

The information in this report that relates to exploration results, mineral resources or ore reserves is based on information compiled by Mr Kevin Thomson, who is a Member of Association of Professional Geoscientists of Ontario (a Recognised Overseas Professional Organisation ('ROPO') included in a list promulgated by the ASX from time to time). Mr Thomson is a full-time employee of the Company. Mr Thomson has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves') and to qualify as a "Qualified Person" under National Instrument 43-101 – Standards of Disclosure for Mineral Projects ("NI 43-101"). Mr Thomson consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Mr Thomson verified the data disclosed, including sampling, analytical and test data underlying the information contained herein. For a description of Perseus' data verification process, quality assurance program and quality control measure applied, the type of analytical or testing procedures utilized, sample size, name and location of testing laboratories, the effective date of the mineral resource and mineral reserve estimates contained herein, details of the key assumptions, parameters and methods used to estimate the mineral resources and reserves set out in this report any known environmental, political, legal, title, or other risks that could materially affect the potential development of the mineral resources or reserves, readers are directed to the technical report entitled "Technical Report - Central Ashanti Gold Project, Ghana" dated May 30, 2011 and the technical report entitled "Technical Report - Tengrela Gold Project, Côte d'Ivoire" dated December 22, 2010 in relation to the Edikan Gold Mine (formerly Central Ashanti Gold Project) and the Tengrela Gold Project respectively.