



August 27, 2014

MANAGEMENT'S DISCUSSION & ANALYSIS

For the twelve months ended June 30, 2014

This Management's Discussion and Analysis ("MD&A") of Perseus Mining Limited and its controlled entities ("Perseus" or the "Company") is dated August 27, 2014 and provides an analysis of the Company's performance and financial condition for the three months ended June 30, 2014 (the "June 2014 Quarter" or "Quarter") and the twelve months ended June 30, 2014 (the "2014 Financial Year").

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, 2014 (the "2014 Financial Report"), and the Company's audit reviewed consolidated financial statements for the half year ended December 31, 2013. 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 and other information relating to the Company, including the Annual Information Form, 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 an integrated gold company whose activities include exploration and evaluation, development and gold production. The Company conducts its activities 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 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. Commercial Production was declared on January 1, 2012. The remaining 10% interest in the EGM is a free-carried interest in the mine-owning company held by the Government of Ghana.
- An 85% interest in the Sissingué gold deposit, a development stage gold project (the "Sissingué Gold Project" or "SGP"). The Sissingué gold deposit was discovered during an exploration programme (the "Tengréla Gold Project") focussed on the Tengréla exploration tenements located in the north of Côte d'Ivoire. In November 2010, the Company completed a DFS on developing an open cut mining operation together with a conventional carbon in leach ("CIL") gold processing plant and related infrastructure based on the Sissingué gold deposit. The Company's 85% interest in the SGP reflects (as if it had been granted) a 10% free carried interest in the mine-owning company which is required to be allocated to the Government of Côte d'Ivoire in consideration of the issue of an Exploitation Permit pursuant to the Ivorian Mining Code, and 5% owned by local interests.

- A 90% interest in the Kayeya gold deposit which forms part of the Grimesa Gold Project (“GGP”), an exploration stage gold project located 30 kilometers 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 the mine-owning company which is required to be allocated to the Government of Ghana upon the issue of a mining lease.

In addition, Perseus owns (i) a 20.0% interest in Burey Gold Limited (“Burey”), an ASX-listed junior exploration company holding a portfolio of gold exploration properties in West Africa; and (ii) a 13.1% 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.

As at the date of this report, Perseus has no long term debt obligations. The Company has a commitment to deliver 125,000 ounces of gold at a weighted average gold price of US\$1,468/oz under outstanding gold forward sale contracts. (Refer to the section below titled “*Liquidity and Capital Resources*”).

OVERVIEW OF THE JUNE 2014 FINANCIAL YEAR

Summary

During the 2014 Financial Year Perseus continued to focus its activities on its two key projects, the EGM in Ghana and the SGP in Côte d’Ivoire, as well as implementing its corporate strategy of creating value by pursuing organic earnings growth and risk diversification through exploration and mine development, while optimising the efficiency of its core operating asset.

Gold production of 180,519 ounces during the 2014 Financial Year was a 13% decrease on the prior year, due to a lower average head grade, which is in line with the planned strategy of processing a blend of ore mined from the AF Gap and Fobinso pits with ore from the ROM stockpile. In addition, downtime caused by abnormal events during the year, including a fire and unreliable electrical supply impacted production, as discussed below.

Production for the June 2014 Quarter of 42,543 ounces of gold was 3% lower than the production in the March Quarter of 43,787 ounces. Total site costs (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital) of US\$1,294/oz during the 2014 Financial Year is 13% higher than the previous year of US\$1,150/oz. Total site cash costs of US\$1,324/oz during the Quarter were 3% higher than the March Quarter of US\$1,286/oz, mainly as a result of unscheduled processing downtime and repairs to fire damage that occurred in April 2014.

Preparations for the development of Perseus’s second gold project, the SGP in Côte d’Ivoire, were on hold during the 2014 Financial Year as a result of the declining gold price. However, the Company has been reviewing processing options for the SGP with the aim of reducing capital costs and increasing gold recoveries as a prelude to reassessing the Feasibility Study model. A smaller, higher grade operation with significantly reduced capital costs has been targeted and relevant metallurgical test work has been carried out to assess a number of alternative options. Work on the preliminary economic assessment of the processing options was completed following the end of the financial year and selection of a preferred process flow sheet is imminent.

While the SGP has been on hold, a new Mining Code came into effect in Côte d’Ivoire in March 2014 which provides a framework for obtaining fiscal stability for mining projects and the Government granted an extension of time of two years until March 2016 to develop the SGP.

Exploration continued throughout the year, with success at Bokitsi in Ghana, and Mahalé and Mbengué in Côte d’Ivoire. During the period, the group entered into an earn-in agreement with unlisted Australian company West African Gold Limited, with exploration activities taking place over the Koutakou, Tangayé, Touya and Barga tenements in north-western Burkina Faso. EGM’s Ore Reserves were updated in October 2013. The Mineral Resource associated with the EGM was updated in August 2014.

The Company’s Proved and Probable Ore Reserves as at June 30, 2014 decreased to 85.1 million tonnes (“Mt”) containing 3.34 million ounces of gold after allowing for mining depletion. At the end of the 2014 Financial Year, the Company’s Measured and Indicated Mineral Resources (inclusive of Ore Reserves) were 6.734 million ounces of gold and Inferred Mineral Resources were 2.894 million ounces of gold.

As at June 30, 2014 Perseus had an available cash balance of \$36.9 million (excluding \$10.0 million in escrow), plus 8,430 ounces of gold on hand or at the refinery valued on that date at \$11.8 million.

EGM, Ghana

The EGM is located on the Ayanfuri and Nanankaw mining leases in the Republic of Ghana in West Africa. These mining leases, together with the adjoining exploration license areas of Grumesa, Kwatechi, Dunkwa, Nsuaem, Agyakusu and Nkotumso that are also held by the Company or in which the Company has an interest, cover a total area of about 480 square kilometres.

Overview

During the last twelve months, Perseus's operating strategy at the EGM has been to focus on improving the fundamental operating performance of the mine and the process plant, while restricting capital investment to only those initiatives (including pre-stripping waste) that were considered essential to the sustenance of the business in the short to medium term.

Table 1: Key Production Statistics

Parameter	Unit	June Financial Year 2014	June Quarter 2014	March Quarter 2014	December Quarter 2013	September Quarter 2013
Total material mined	bcm	10,146,576	2,284,242	2,419,626	2,879,791	2,562,917
	tonnes	27,109,398	6,183,813	6,543,278	7,424,205	6,960,972
Waste to ore strip ratio	bcm:bcm	3.4	3.0	3.6	4.6	2.8
	tonnes:tonnes	3.4	3.0	3.6	4.4	2.9
Ore mined						
• Oxide	tonnes	47,792	-	-	5,614	42,178
• Primary	tonnes	6,100,615	1,564,548	1,426,165	1,365,183	1,747,592
Ore grade mined						
• Oxide	g/t gold	0.95	-	-	0.63	1.00
• Primary	g/t gold	1.07	1.16	1.11	0.99	1.02
Ore stockpiles						
• Quantity	tonnes	3,682,405	3,682,405	3,624,825	3,921,802	4,472,546
• Grade	g/t gold	0.58	0.58	0.55	0.54	0.61
Mill throughput	tonnes	6,650,421	1,506,968	1,723,143	1,791,410	1,628,900
Milled head grade	g/t gold	1.00	1.02	0.95	1.00	1.05
Gold recovery	%	84	86	84	84	83
Gold produced	ounces	180,519	42,543	43,787	48,360	45,830

Mining

Total ore and waste movements of 10,146,576 bank cubic metres ("bcm") for the 2014 Financial Year, which was 32% lower than the previous year due to a strategy to minimise investment in waste stripping to conserve capital, included 47,792 tonnes of oxide ore at 0.95 grams/tonne ("g/t") gold and 6,100,615 tonnes of transition and primary ore at 1.07g/t gold. A total of 2,284,000 bcm of ore and waste was mined during the Quarter, nearly 6% less than in the March 2014 quarter. Ore mined during the Quarter included 1,564,548 tonnes of transitional and primary ore grading 1.16g/t gold. Ore movements were nearly 10% higher and the grade of ore mined was 5% higher than in the previous quarter which is consistent with mine plans.

During the Quarter, the ROM ore stockpiles that include both high and low grade ore (but not mineralised waste) plus crushed ore increased by 57,580 tonnes to 3,682,405 tonnes grading 0.58g/t gold, and containing approximately 68,500ozs of gold. The addition to stockpiles reflected the significant increase in ore mined during the Quarter. These ore stockpiles were made up of approximately 32% oxide ore and 68% transitional/primary ore. Approximately 10% of the remaining stockpiled ore is classified as medium/high grade, containing greater than 0.6g/t gold, while 90% of the ore is classified as low grade containing 0.4g/t to 0.6g/t gold.

Processing

Total mill throughput for the 2014 Financial Year was 6,650,000 tonnes of ore grading 1.0 g/t of gold, 17.8% higher than the previous period. Gold recovery of 84.3%, which was 1.2% higher than the previous period, resulted in the production of 180,519 ounces of gold. The improvements in productivity above were despite the fire and power setbacks felt during the period, and were a large part of Perseus's strategy for the period to make significant operational improvements, compensating for the expected reduction in processing grade in the short term.

Processing activities during the Quarter were temporarily interrupted by a fire in the processing plant in April 2014 and the failure of the Ghanaian electricity transmission company, GridCo's substation in June 2014, as well as unreliable grid power supply on a regular basis throughout the Quarter.

The fire occurred in the cyclone nest of the plant during a routine maintenance shutdown in April and caused damage to equipment and control systems that took about seven days to repair. While processing operations recommenced within seven days, operations were impacted for several more days while circuit stability was re-established. In June 2014, operations were once again interrupted, this time by the failure of a current transformer in the substation that services the Edikan site and is owned and operated by GridCo. The transformer failure resulted in damage to three voltage transformers on the circuit, failure of insulators and damage to several of the cables that feed power to the Edikan processing plant, resulting in a total power outage to the plant for seventy three hours while repairs were carried out.

In addition, the power generating capacity of the Ghanaian power company, Volta River Authority, was affected by a major maintenance shut-down of one of its generators during the Quarter. This meant that at frequent intervals, the power supply to the site through the national electricity grid was either erratic or restricted as part of a campaign by the government owned electricity provider to redistribute power from industrial consumers to domestic users during periods of peak demand. Due to power restrictions placed on the Edikan operation, and to avoid down time caused by power fluctuations, it was necessary for the SAG Mill to be operated at less than full capacity. This was a major factor in limiting the average hourly mill throughput rate during the Quarter to 869dmtph.

Subsequent to the end of the Quarter, the availability and reliability of the power supply has returned to acceptable levels.

For the Quarter, SAG mill throughput was 1,506,968dmt, an decrease of 13% relative to the March 2014 Quarter. Gold production for the Quarter was down by 3% quarter-on-quarter reflecting reduced production time due to fire and power issues.

Notwithstanding the challenges described above, Perseus's tactic of vigorously pursuing productivity improvements at Edikan wherever possible has yielded positive results, particularly in the Quarter, as illustrated by the changes achieved in key productivity indicators as follows:

Table 2: Plant Performance Statistics – EGM

	June 2013 Quarter	June 2014 Quarter	Change
Crusher			
Run time	46%	51%	Up 11%
Hourly throughput rate (wmt)	1,158	1,294	Up 12%
SAG Mill			
Run time	75%	91% ¹	Up 21%
Hourly throughput rate (dmt)	869	869	steady
Gold recovery rate	81%	86% ²	Up 6%

Notes:

1 Excludes run time lost due the fire in the cyclone nest and failure of Gridco's substation from calculation.

2. Recovery achieved while processing a blend of fresh (89%) and oxide (11%) ore.

Site Operating Costs

Total site costs (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital) of US\$1,294/oz during the 2014 Financial Year were higher than the previous period of US\$1,150/oz due to lower production and higher mining costs. Please refer to Table 3-Key Quarterly Financial Statistics below for detailed statistics.

Both the unit production costs and the unit all-in site costs incurred at the EGM during the Quarter were materially impacted by several factors including reduced quarter-on-quarter quantities used to calculate the unit costs.

As a consequence, the all-in site unit costs for the Quarter (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital) totalled US\$1,324/oz. For the June 2014 Half Year, all-in site unit costs were US\$1,304/oz, 0.3% above the upper end of the guidance range. Production costs for the Quarter at US\$1,150/oz were 7% higher than the previous quarter. For the Half Year and full Financial Year to June 30, 2014, production costs averaged US\$1,110/oz and US\$1,126/oz respectively.

During the Quarter, approximately 53% of the EGM's production costs were incurred by the mining department while a further 37% were incurred by processing and maintenance.

With respect the cost base of mining, unexpected cost increases were incurred in the following areas:

- Rise and fall charges applicable under the mining contract, due to labour outcomes unilaterally agreed by the mining contractor, AMS as well as escalation in the cost of explosives and spare parts;

- Consumption of diesel fuel per bcm of material moved by AMS;
- Drill and blast costs arising from a trial involving decreasing the spacing of blast holes and increasing the powder factor to confirm whether improved rock breakage could generate sustained increases in mill throughput rates as ore hardens with depth in the pits.

Considerable focus is being placed on implementing cost savings in the mining area, with the view to realising improvements by late 2014 and prior to the planned commencement of development works on Fetish and Bokitsi South pits.

Processing and maintenance costs increased quarter-on-quarter largely as a result of increased maintenance costs associated with completing repairs to damage caused by the mill fire and also higher than expected maintenance charges, including contract labour hire and maintenance consumables.

Table 3: Key Quarterly Financial Statistics - EGM

Parameter	Units	June Quarter 2014	March Quarter 2014	December Quarter 2013	September Quarter 2013	June Quarter 2013
Gold produced	ounces	42,543	43,787	48,360	45,830	47,565
Total gold sales ¹	ounces	45,767	43,873	44,617	49,069	52,626
Average sales price	US\$/oz of gold sold	1,333	1,294	1,318	1,342	1,308
Mining cost	US\$/t material mined	4.49	4.08	3.71	4.16	3.42
Processing cost	US\$/t ore milled	11.80	9.94	10.77	11.61	14.42
G & A cost	US\$/M / month	1.45	1.67	1.62	1.63	2.02
All-In Site Cash Cost						
Gold Production Cost:						
Cash Cost	US\$/oz	1,150	1,071	1,038	1,252	1,181
Royalties	US\$/oz	82	87	75	92	93
Total production cost	US\$/oz	1,232	1,158	1,113	1,344	1,274
Capital Costs:						
Inventory and Stripping	US\$/oz	23	44	30	(101)	(36)
Other Capital	US\$/oz	69	84	85	99	167
Total capital cost	US\$/oz	92	128	115	(2)	131
Total All-In Site Cost	US\$/oz	1,324	1,286	1,228	1,342	1,405

Notes:

1. A gold sale is recognised in Perseus's accounts when the Company's contracted gold refiner, Rand Refineries Limited, takes delivery of gold in the EGM gold room. For accounting purposes, the sales price is the spot price of gold on the day of transfer and subsequently adjusted to reflect the realised gold price.

Total all-in site unit costs (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital) for the Quarter were US\$1,324/oz, 3.0% higher than in the March Quarter of US\$1,286/oz, as a result of the 3.0% decrease in ounces produced during the year and the increased production cost.

This 3.0% increase in all-in site cash costs between the March Quarter and the June 2014 Quarter was the primarily the result of unscheduled processing downtime and repairs to fire damage.

Table 4 – Quarter-on-Quarter Changes in Site Costs

Cost	Quarter-on-Quarter Change in:		
	Volume	Unit costs	Total Costs
Mining	-5.0%	10.0%	4.0%
Processing	-13.0%	19.0%	4.0%
Cash Production costs	-3.0%	7.0%	4.0%
Sustaining & Other Capital	-3.0%	-28.0%	-30.0%
All-in Site Costs	-3.0%	3.0%	0.0%

The decrease in capital costs by 22.0% during the Quarter is consistent with the Company's plan of conserving capital by reducing investment in waste stripping as mentioned above.

Gold Sales and Price Hedging

Of the 183,325 ounces of gold sound during the 2014 Financial Year, at an average delivered price of US\$1,322/oz, 62,000 ounces were delivered into forward sales contracts at a weighted average price of US\$1,263/oz while the remaining gold sales occurring at prevailing spot prices. Of the 45,767 ounces of gold sold during the Quarter (March

Quarter: 43,873 ounces) at a weighted average delivered price of US\$1,333/oz (March Quarter: US\$1,294/oz), a total of 8,000 ounces were delivered into forward sales contracts at an average price of US\$1,278/oz, with the remaining gold sales occurring at prevailing spot prices.

As at June 30, 2014, Perseus had a total outstanding forward gold sale commitment of 125,000 ounces of gold deliverable up to and including 31 December 2015 at a weighted average price of US\$1,468/oz. This includes a total of 70,000 ounces of gold deliverable in quarterly instalments during the 2015 calendar year at an average price of US\$1,600/oz.

The total hedge position was “in the money” to the extent of US\$19.0M as at June 30, 2014 (31 March 2014: US\$24.4M). In the September 2014 quarter, 19,000ozs of gold is scheduled to be delivered at an average price of US\$1,287/oz under the company’s mandatory hedge programme.

VAT Receivable

During and subsequent to the end of the Quarter, Perseus has received three cash payments totalling GH¢47.6M (USD15.8M) as partial payment of the outstanding VAT debt owed to the Company by the Government of Ghana. Following receipt of the agreed payments, the outstanding VAT position is as follows:

	<u>GH¢ Million</u>	<u>USD Million*</u>
Approved VAT claims	39.711	13.093
VAT claims pending audit	21.563	7.109
VAT Refunds Due and Payable	61.274	20.202
Less: Statutory Tax payments deferred	<u>(15.132)</u>	<u>(4.989)</u>
Net Refund Due for Payment	46.142	15.213

*Assumes USD1.00=GH¢3.0331 as at 17 July 2014

The Company is continuing to work with the Government to agree repayment terms for the balance of the outstanding debt and also to avoid the current situation where a large VAT receivable has accumulated and remained unpaid for an extended period.

Personnel Changes at EGM

Mr John Seaward has been appointed to the role of Executive General Manager at the EGM. John Seaward is a very experienced manager of gold mining operations in Ghana having spent nearly seven years as General Manager of Kinross’s Chirano Gold Mine as well as periods at Golden Star’s Bogoso and Wassa Gold Mines, and Ashanti Goldfield’s Bibiani Gold Mine. He has also served with mining contractors PW Mining in Africa and Roche Brothers Mining Contractors and MIM Holdings Limited in Australia. This experience will be important in formulating and implementing plans to reduce mining costs at EGM in the short to medium term.

EGM Mineral Resource Estimate

The Company’s Measured and Indicated Mineral Resource base at EGM is 5.3M ounces of gold and the Inferred Mineral Resource base is 2.4M ounces and is tabulated below in Tables 6 and 7. The Company’s Proven and Probable Mineral Reserves at EGM are as shown in Table 8.

Table 6: M&I Mineral Resources – EGM¹

Deposit	Measured Resources			Indicated Resources			Measured + Indicated Resources		
	Quantity Mt	Grade g/t gold	Gold Ounces	Quantity Mt	Grade g/t gold	Gold Ounces	Quantity Mt	Grade g/t gold	Gold Ounces
AF Gap - Fobinso	34.5	1.1	1,228,000	24.5	0.9	698,000	59.0	1.0	1,926,000
Esuajah South	9.5	1.8	546,000	7.3	1.6	370,000	16.8	1.7	916,000
Esuajah North	16.9	0.9	494,000	18.4	0.8	493,000	35.3	0.9	986,000
Fetish	12.6	0.9	380,000	18.1	1.1	663,000	30.8	1.1	1,043,000
Chirawewa	-	-	-	5.8	1.0	195,000	5.8	1.0	195,000
Bokitsi	0.7	3.7	86,000	1.6	2.6	133,000	2.3	3.0	219,000
Mampong	-	-	-	-	-	-	-	-	-
Dadieso	-	-	-	-	-	-	-	-	-
Total	74.2	1.1	2,734,000	75.7	1.0	2,552,000	150.0	1.1	5,285,000

1 Based on May 2014 Resource estimation.

2 0.4g/t gold cut-off applied.

3 Last updated in May 2014 and allows for mining depletion to 30 June 2014.

Table 7: Inferred Mineral Resources – EGM^{1,2,3}

Deposit	Inferred Resources		
	Quantity Mt	Grade g/t gold	Gold Ounces
AF Gap - Fobinso	28.5	0.8	731,000
Esuajah South	5.7	1.1	211,000
Esuajah North	3.6	0.9	105,000
Fetish	9.8	1.1	346,000
Chirawewa	10.4	0.9	284,000
Bokitsi	2.9	1.8	170,000
Mampong	8.6	0.9	257,000
Dadieso	5.3	1.5	253,000
Total	74.8	1.0	2,356,000

1. Based on May 2014 Resource estimation.

2. 0.4g/t gold cut-off applied.

3. Last updated in May 2014 and allows for mining depletion to 30 June 2014.

EGM Mineral Reserve Estimate

Mining consultant RungePincockMinarco completed an independent estimate of the Mineral Reserves for the EGM as at July 1, 2013 in accordance with the requirements of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2004 Edition).

The Mineral Reserves, which comprise material from seven open pits including Abnabna, Fobinso, Fetish, Chirawewa, Bokitsi, Esuajah North and Esuajah South plus stockpiles and taking into account mining depletion, are as follows:

Table 8: Ore Reserves – EGM^{1,2,3,4}

Deposit	Proved Reserves			Probable Reserves			Proved & Probable Reserves			W: O Ratio ³
	Quantity Mt	Grade g/t gold	Gold ‘000 oz	Quantity Mt	Grade g/t gold	Gold ‘000 oz	Quantity Mt	Grade g/t gold	Gold ‘000 oz	
AF Gap - Fobinso	24.2	1.2	908	6.0	0.8	154	30.2	1.1	1,062	2.4
Esuajah South	5.9	1.7	327	1.0	1.8	55	6.9	1.7	382	8.1
Esuajah North	11.8	0.9	354	3.9	0.9	111	15.7	0.9	465	1.4
Fetish	7.8	0.9	224	6.1	1.1	219	13.9	1.0	443	2.1
Chirewawa				2.9	1.1	106	2.9	1.1	106	3.9
Bokitsi				2.1	2.3	158	2.1	2.3	158	6.3
ROM Stockpiles				3.7	0.6	69	3.7	0.6	69	-
Total	49.7	1.1	1,813	25.7	1.1	872	75.4	1.1	2,685	2.7

1. Based on June 2013 Resource estimation.
2. Variable gold grade cut-off based on material type, Oxide = 0.6g/t, Transition = 0.5g/t and Fresh = 0.4g/t
3. Inferred mineral resource is considered as waste.
4. Last updated in August 2013 and allows for material mined to 30 June 2014.

Sissingué Development Project, Côte d’Ivoire

The SGP is located in the north of Côte d’Ivoire and is situated within an 885sq km land package consisting of the Sissingué exploration permit area and the adjoining Tengréla South exploration permit area, together referred to as the Tengréla Gold Project. The permits are located along a structural/stratigraphic corridor within the Syama-Boundiali greenstone belt approximately 150km south-southeast of the Morila gold mine (7.0 Moz) in Mali and 65km west northwest of Randgold’s Tongon deposit (4.3Moz) in Côte d’Ivoire.

Project Development

In November 2010, Perseus announced details of a Feasibility Study for the development of its Sissingué gold deposit, which confirmed robust project economics based on selected assumptions as well as the upside potential from ongoing resource definition drilling.

In the period that followed, Perseus sought to negotiate a fiscal stability agreement with the Ivorian government to ensure that the fiscal terms that had been assumed as part of the Feasibility Study would remain in force for the duration of the project. Before such an agreement could be finalised a significant fall in the price of gold together with start-up challenges at the EGM, eliminated internal cash flows as a source of funding for the project. In addition, the ongoing resource definition drilling failed to generate the incremental increases in the Mineral Resource and Ore Reserves that had been anticipated. At this point the project was placed on hold.

Perseus had successfully re-negotiated its project loan facility into a revolving line of credit with a limit of US\$100 million in the prior period, which was to provide a source of financing for the development. As part of the group’s cost reduction program, and the decision to put the project on hold, Perseus reduced the Available Commitment limit on its revolving line to nil during the period. This eliminated the 1.75% per annum undrawn line fee, as well as political risk insurance relating to the debt.

Since late 2013, Perseus has been reviewing processing options for the SGP with the aim of reducing capital costs and increasing gold recoveries as a prelude to reassessing the Feasibility Study model. A smaller, higher grade operation with significantly reduced capital costs has been targeted and relevant metallurgical test work has been carried out to assess a number of alternative options.

Work on the preliminary economic assessment of the processing options was completed following the end of the financial year and selection of a preferred process flow sheet is imminent.

In the coming months, the technical study of the chosen flow sheet will be advanced and the project Feasibility Study will be revised to reflect not only the new processing flow sheet, but also revised assumptions related to mining and various service functions associated with the project. Perseus will take particular note of the commissioning and operating experience gained through the development and operation of the group’s first gold mine, EGM.

During this period, Perseus will also re-engage with the Ivorian Government to finalise a Mining Convention for the project. While the SGP has been on hold, a new Mining Code came into effect in March 2014 which provides a framework for obtaining fiscal stability for mining projects and the Government granted an extension of time of two years until March 2016 to develop the SGP.

Based on current plans, it is estimated that Management will be in a position to table a project development proposal conditional on financing for consideration by the Board of Perseus in early 2015.

SGP Mineral Resource Estimate

The Company's Measured and Indicated Mineral Resource base at SGP is 0.9M ounces of gold and the Inferred Mineral Resource base is 0.3M ounces and is tabulated below in Tables 9 and 10. The Company's Proven and Probable Mineral Reserves at SGP are as shown in Table 11.

Table 9: M&I Mineral Resources – SGP¹

Ore type	Measured Resources			Indicated Resources			Measured + Indicated Resources		
	Quantity Mt	Grade g/t gold	Gold Ounces	Quantity Mt	Grade g/t gold	Gold Ounces	Quantity Mt	Grade g/t gold	Gold Ounces
Oxide	0.9	1.6	48,000	4.6	1.2	171,000	5.5	1.2	219,000
Transition	0.6	2.0	39,000	1.3	1.3	56,000	1.9	1.6	95,000
Primary	2.7	2.5	217,000	8.9	1.4	394,000	11.6	1.6	611,000
Total	4.2	2.2	304,000	14.8	1.3	621,000	19.0	1.5	925,000

1. 0.6g/t gold cut-off applied.

Table 10: Inferred Mineral Resources – SGP¹

Ore type	Inferred Resources		
	Quantity Mt	Grade g/t gold	Gold Ounces
Oxide	0.9	1.0	31
Transition	0.7	1.0	21
Primary	5.4	1.4	239
Total	7.0	1.3	291

1. 0.6g/t gold cut-off applied.

SGP Mineral Reserve Estimate

Work on the re-design of the SGP open pit based on the current Mineral Resource estimate is underway in conjunction with the review of process options discussed above. The current Mineral Reserves for the SGP are as follows:

Table 11: Ore Reserves - SGP

Ore type	Proved Reserves			Probable Reserves			Proved & Probable Reserves		
	Quantity Mt	Grade g/t gold	Gold '000 oz	Quantity Mt	Grade g/t gold	Gold '000 oz	Quantity Mt	Grade g/t gold	Gold '000 oz
Oxide/Transition	-	-	-	3.4	2.1	224	3.4	2.1	224
Primary	-	-	-	6.3	2.1	433	6.3	2.1	433
Total	-	-	-	9.7	2.1	657	9.7	2.1	657

- 1) Reserve estimated by Coffey Mining using a pit design based on a US\$950/oz gold price optimisation.
- 2) All Measured and Indicated Mineral Resources in pit designs designated as Probable Ore Reserves, Inferred Mineral Resources considered as waste.
- 3) A mining dilution of 5% was applied at a grade of 0.0g/t. In addition, a mining ore loss of 3% was assumed.
- 4) The Probable Ore Reserve as estimated in the DFS was estimated at a 0.55g/t gold cut-off.

Exploration

Ghana

During the Quarter, a total of US\$0.7M was spent by Perseus on exploration activities in Ghana at the EGM and on adjoining licence areas, including 4,866m of drilling.

Ayanfuri Mining Lease

A program of Mineral Resource infill drilling was conducted on the Bokitsi South deposit on the Ayanfuri Mining Lease which hosts the EGM, with 2,870m of reverse circulation drilling ("RC") and 103m of diamond ("DD") drilling

in 37 holes. Bokitsi South is the first of a number of targets to be drill tested with the aim of identifying high grade mineralisation that can be included in mill feed for the EGM processing plant.

The drilling programme targeted areas containing Inferred Mineral Resources at Bokitsi South, as well as testing the southern extent of the lode. The drill results from the programme will be incorporated into a revised estimation of the Mineral Resources at Bokitsi South which is expected to be published in August 2014. An updated Mineral Reserve estimate for the Bokitsi South deposit based on the updated Mineral Resource data will be included in a re-estimation of the EGM's Mineral Reserves which will also take into account mining depletion and revised cost and gold price assumptions and will be published later this year. Results from the Bokitsi South drilling program were released to the market in parts on 19 June and 7 July 2014 and readers should refer to those releases for the relevant JORC Code Table 1 disclosures.

Nsuaem Prospecting Licence

RC drilling commenced at the Pokukrom Prospect on the Nsuaem Prospecting Licence, located 10 to 13km northeast of the Edikan plant site, to follow up on significant results from past drilling. Previous RC drilling at Pokukrom conducted in early 2013 returned several significant intercepts including 26m at 1.5g/t, 24m at 1.2g/t and 11m at 2.6g/t gold. A total of 1,893m in 23 drill holes out of a planned 2,450m program were completed during the Quarter with all assays pending.

Agyakusu Prospecting Licence

A small soil sampling program consisting of 325 samples was completed on the Agyakusu Prospecting targeting the north-eastern strike extension of the Abnabna-Fobinso granite dike 2.8 to 6.4km northeast of the Fobinso pit. Soil sampling was conducted at 50m intervals on 400m spaced lines from 40-50cm deep hand-dug pits. Whole samples were crushed and analysed for gold by 24 hour "BLEG" bottle roll. All assays were received and a zone of gold anomalous soils with high values including 5,170ppb, 2,890ppb, 980ppb and 870ppb gold and with coincident arsenic anomalism was delineated. This encouraging soil anomaly relatively close to the Edikan plant site will be followed up in the next quarter with a first-pass scout RC drilling program.

Côte d'Ivoire

During the Quarter, a total of US\$0.37M was spent by Perseus on exploration activities in Côte d'Ivoire, including the following:

Mahalé Exploration Permit

A program of auger drilling was completed on the Mahalé licence during the Quarter to test gold in lag anomalism on the eastern side of the permit, 5 to 7 km east of the Bélé prospect. Forty-seven auger holes totalling 279 meters were drilled during the Quarter. All assay results were received and were largely insignificant. At the Bélé prospect, a program of gradient induced polarisation ("IP") geophysics commenced with 84 line kilometres completed. The IP geophysics is intended to help target follow up drilling at the Bélé prospect.

Burkina Faso

The Koutakou tenement plus the Tangayé, Touya and Barga tenements in north-western Burkina Faso are being explored under an earn-in agreement with unlisted Australian company West African Gold Limited. Assays were received for 1,354 soil samples collected in the March quarter to infill and extend the existing Koutakou gold in soil anomaly and confirmed the 13km long anomaly with gold values comparable to the historic values.

During the Quarter, a small program of geological mapping, prospecting and rock sampling was conducted on the West African Gold Limited tenements. A number of active artisanal mining sites were identified on the Koutakou, Touya and Barga tenements. A total of 82 grab samples of rock outcroppings and material from artisanal mine workings were obtained with seven samples returning values between 1 and 5 g/t gold.

A program of scout RAB drilling has been planned to evaluate the Koutakou anomaly plus explore several of the artisanal mining sites and is expected to commence in the December 2014 quarter after the rainy season.

COMPANY OUTLOOK FOR THE QUARTER ENDING SEPTEMBER 30, 2014

Based on current work schedules for the Quarter ending September 30, 2014 the Company provides the following outlook:

Edikan Gold Mine

- Production and cost guidance for the six months ending December 2014 is 95,000 -105,000 ounces of gold at an all-in site production cost of between US\$1,160/oz and US\$1,280/oz;
- Continue to fine-tune plant metallurgical performance and maximise SAG mill throughput;
- Continue training of operating and maintenance staff;
- Continue drilling to delineate potential higher grade mill feed at Mampong South-west, approximately 1 km south of the Abnabna pit, and exploration targets on the Agyakusu licence; and
- Continue to implement business improvement initiatives across all departments of the EGM.

Sissingué Gold Mine Development Project

- Update Feasibility Study for the SGP based on preferred development configuration and flow sheet;
- Re-convene discussions with the Ivorian government about a Mining Convention covering the revised SGP; and
- Continue exploration for Mineral Resources on Mahalé exploration licence and the Sissingué exploitation permit.

OVERALL FINANCIAL PERFORMANCE OF THE COMPANY

The financial performance of the Company will be affected by the operation of the EGM and potential development and future operation of the SGP and GGP as well as ongoing exploration and evaluation activities being conducted on its properties. The financial performance of the Company is closely linked to the gold price following the commencement of commercial production at the EGM and, potentially, the SGP 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 are currently incurred in several currencies including AUD, United States dollars (USD), Canadian dollars (CAD), Ghanaian Cedis, and CFA francs. Furthermore, for the EGM or any of the Company's other projects that commence commercial production, 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, development and operation 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, development or operation 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 OPERATING RESULTS

The operating results for the three most recent financial years are as shown below:

Operating Results ¹ for the Full Year ended	June 30, 2014	June 30, 2013*	June 30, 2012
Total revenue and other income	264.218	293.734	145.735
Net profit / (loss) after tax	(32.060)	41.882	52.461
Basic profit / (loss) per share (cents)	(6.43)	8.47	10.56

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

*Balances have been restated. Refer to "Changes in accounting policies including initial adoption" for further details

The net loss after tax of \$32.060 million in Full Year ("FY") 2014 represents a decline in operating performance relative to the prior year reflecting lower gold prices realised due to the decline in the gold market, lower amount of gold produced and subsequently sold during the year and higher operating expenses from mining and processing activities. The net profit after tax earned of \$41.882 million in FY 2013, represents a decline in operating performance

relative to prior the year reflecting lower gold prices realised due to the decline in the gold market, higher operating expenses due to maintenance, security and salary increases, and a number of write downs on investments and exploration during FY 2013.

During the twelve months ended June 30, 2014 revenue from gold sales decreased to \$263.978 million from \$293.590 million in the prior year due to decreased gold production at the EGM and a reduction in gold price. Operating expenses of \$217.611 million increased from the prior year reflecting increased mining and processing costs (FY 2013: \$196.030 million). A foreign exchange loss of \$21.643 million was made (FY 2013: gain of \$20.280 million; FY 2012: gain of \$10.393 million) reflecting an appreciation of the AUD relative to the USD during the period (June 30, 2014: 0.9439; June 30, 2013: 0.9146; June 30, 2012: 1.0161). A hedge loss of nil was recorded in the FY 2014 (FY 2013: \$0.233 million gain; FY 2012: \$0.255 million loss). The minor gains/losses in the past two years are reflective of ineffectiveness on hedges that, since 2011, have been recorded in equity following the inception of hedge accounting. A tax benefit of \$4.717 million was recognised during the twelve months ended June 30, 2014 in comparison to the tax expense in the previous year (FY 2013: \$21.037 million expense).

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

Operating Results¹ for the three months ended	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013*	Mar 31 2013	Dec 31 2012	Sep 30 2012
Total revenue	64.595	64.262	63.373	71.988	69.301	77.254	71.992	75.187
Net profit / (loss) after tax	(12.034)	(16.002)	(6.878)	2.854	10.277	(0.892)	15.109	17.388
Basic profit / (loss) per share (cents)	(2.25)	(3.34)	(1.25)	0.41	2.53	(0.23)	2.96	3.20

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

*Balances have been restated. Refer to "Changes in accounting policies including initial adoption" for further details

The operating results for the June 2014 Quarter included revenue earned from the sale of precious metals (June 2014 Quarter: \$64.471 million; June 2013 Quarter: \$69.286 million) less the cost of the goods sold (June 2014 Quarter: \$42.580 million; June 2013 Quarter: \$66.220 million). The increase in total revenue, from \$64.262 million in the March 2014 Quarter to \$64.595 million in the June 2014 Quarter, is a result of an increase in average prices received (June 2014 Quarter: US\$1,333/oz; March 2014 Quarter: US\$1,294/oz of gold sold) and higher gold sales (June 2014 Quarter: 45,767 oz; March 2014 Quarter: 43,873 oz), offset by lower gold produced (June 2014 Quarter: 42,543 oz; March 2014 Quarter: 43,787 oz).

Other movements during the June 2014 Quarter includes impairment reversal of investment in associate of \$2.255 million (June 2013 Quarter: \$1.894 million impairment expense) and share of net losses in associates of \$1.383 million (June 2013 Quarter: \$0.895 million).

During the June 2014 Quarter a foreign exchange loss (\$7.551 million) was incurred (June 2013 Quarter: gain of \$29.571 million) arising from an appreciation of the AUD relative to the USD during the period (June 30, 2014 0.9439; March 31, 2014: 0.9251, December 31, 2013: 0.8874, September 30, 2013: 0.9322; June 30, 2013: 0.9146).

In addition, the result includes interest revenue (June 2014 Quarter: \$0.124 million; June 2013 Quarter: \$0.014 million), depreciation and amortisation (June 2014 Quarter: \$10.875 million; June 2013 Quarter: \$7.334 million), administration and corporate overheads (June 2014 Quarter: \$5.118 million; June 2013 Quarter: \$2.585 million).

DISCUSSION OF FINANCIAL CONDITION

The year-on-year movements in the financial position of the Company over the last three financial years are shown below.

Financial Position¹ as at:	June 30, 2014	June 30, 2013*	June 30, 2012
Cash and cash equivalents	36.937	35.480	105.497
Total Assets	562.022	590.380	528.971
Total Liabilities	95.413	108.536	169.103
Net Assets	466.609	481.844	359.868

¹All amounts shown are in millions of dollars

*Balances have been restated. Refer to "Changes in accounting policies including initial adoption" for further details

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

Financial Position¹ as at:	Jun 30 2014	Mar 31 2014	Dec 31 2013	Sep 30 2013	Jun 30 2013*	Mar 31 2013	Dec 31 2012	Sep 30 2012
Cash and cash equivalents	36.937	42.510	16.016	23.091	35.480	38.409	39.674	108.758
Total Assets	562.022	594.445	603.192	572.552	590.380	520.820	519.653	561.896
Total Liabilities	95.413	108.485	117.113	105.558	108.536	117.685	128.696	220.325
Net Assets	466.609	485.960	486.059	466.994	481.844	403.135	390.957	341.571

¹All amounts shown are in millions of dollars

*Balances have been restated. Refer to “Changes in accounting policies including initial adoption” for further details

Total Assets

Total assets have decreased during the June 2014 Quarter by \$32.423 million (March 2014 Quarter decrease of \$8.747 million; December 2013 Quarter increase of \$30.640 million; September 2013 Quarter decrease of \$17.828 million; June 2013 Quarter increased of \$69.560 million). The June 2014 Quarter decrease is due to a decrease in non-current assets of \$49.934 million offset by an increase in current assets of \$17.511 million. Details of movements in specific accounts follow.

Cash and cash equivalents

At June 30, 2014, the Company had available cash or cash equivalent resources of \$36.937 million plus a further \$9.998 million of restricted funds on deposit securing environmental obligations. This cash balance represents a decrease relative to the position as at March 31, 2014 (\$42.510 million plus restricted cash of \$10.201 million). The decrease in cash reserves of \$5.573 million during the June 2014 Quarter is due to higher payments associated with capital work in progress and operation of the EGM, purchase of other fixed assets and payments for exploration and administration activities offset by an increase in inflows from the sale of gold and silver during the period.

The net decrease in cash reserves of \$5.573 million during the June 2014 Quarter is discussed in some detail in the “Discussion on Cash flows”.

Receivables

At June 30, 2014 the Company’s current receivables were \$32.985 million (March 31, 2014: \$8.403 million; December 31, 2013: \$9.270 million; September 30, 2013: \$5.543 million; June 30, 2013: \$8.203 million) while non-current receivables amounted to \$17.243 million (March 31, 2014: \$49.667 million; December 31, 2013: \$55.050 million; September 30, 2013: \$56.268 million; June 30, 2013: \$53.101 million). The increase in current receivables during the June 2014 Quarter relative to prior periods is a result of the timing of gold sales and the reclassification of the VAT receivable due from the Ghana Revenue Authority (“GRA”) from a non-current to a current receivable. The decrease in non-current receivables is due to a decrease in a VAT receivable due from the Ghana Revenue Authority as refunds totalling US\$15.8 million have been received during the quarter, as well as a component of the VAT receivable reclassified as a current receivable.

Inventory

At June 30, 2014 the Company held inventories of \$39.136 million (March 31, 2014: \$41.549 million; December 31, 2013: \$43.208 million; September 30, 2013: \$49.698 million; June 30, 2013: \$31.058 million) of which \$37.111 million is classified as current and \$2.025 million is classified as non-current. The net decrease in inventory during the June 2014 Quarter (\$2.413 million) relative to the position at March 31, 2014, is the result of a decrease in low grade stockpiles, gold in circuit inventory and materials and supplies on hand, along with a write-down of low grade stockpiles.

Property, plant and equipment

At June 30, 2014, the Company recognised on its balance sheet a total of \$184.521 million for property, plant and equipment (“PP&E”) (March 31, 2014: \$202.524 million; December 31, 2013: \$215.499 million; September 30, 2013: \$204.447 million; June 30, 2013: \$211.343 million).

The Company capitalised \$3.182 million of expenditure on PP&E during the June 2014 Quarter before expensing depreciation of \$3.233 million. In addition, \$13.135 million was reclassified from PP&E to mine properties and disposals of PP&E amounted to \$0.550 million. Due to the depreciation of the USD against AUD, a \$4.267 million foreign exchange loss was recorded against PP&E during the June 2014 Quarter as the majority of these assets are recorded in USD in the subsidiary companies’ accounts and are translated into AUD on consolidation.

Mine Properties

At June 30, 2014 the Company recognised mine properties of \$189.005 million on its balance sheet (March 31, 2014: \$181.100 million; December 31, 2013: \$183.109 million; September 30, 2013: \$149.485 million; June 30, 2013: \$156.411 million). During the June 2014 Quarter, \$6.093 million of expenditure of Mine Properties (most of which relates to deferred waste accounting entry) has been capitalised and \$7.653 million of amortisation has been expensed. In addition, \$13.135 million was reclassified from PP&E and exploration expenditure to mine properties and the net

depreciation of the USD against AUD during the period referred to above gave rise to \$3.670 million foreign exchange loss being recorded against mine properties.

Exploration and evaluation expenditure

At June 30, 2014 the Company recognised mineral interest acquisition and exploration expenditure of \$33.565 million on its balance sheet (March 31, 2014: \$32.954 million; December 31, 2013: \$33.202 million; September 30, 2013: \$48.362 million; June 30, 2013: \$47.311 million).

The Company capitalised \$1.331 million of exploration and evaluation expenditure incurred on its Ghanaian and Ivorian exploration tenements during the June 2014 Quarter (\$1.084 million in the March 2014 Quarter; \$2.004 million in the December 2013 Quarter; \$1.754 million in the September 2013 Quarter; \$4.528 million in the June 2013 Quarter) before recording a foreign exchange loss of \$0.719 million.

Other assets

At June 30, 2014 the Company recognised other assets of \$7.996 million on its balance sheet (March 31, 2014: \$8.327 million; December 31, 2013: \$11.722 million; September 30, 2013: \$16.210 million; June 30, 2013: \$14.526 million), of which \$5.943 million is classified as current and \$2.053 million is classified as non-current. The decrease in other assets during the June 2014 Quarter is due to the loss on the mark-to-market revaluation of the available for sale financial asset (investment in Manas), offset by an increase in prepayments. The increase in prepayments during the June 2014 Quarter reflects the normal commercial activity associated with the EGM, and the unwinding of capitalised borrowing costs classified as prepayments.

Further contributing to the decrease in prepayments, the previously recorded financial asset at fair value through profit and loss relating to spot deferred USD metal sales contracts was reclassified to financial liabilities at fair value of \$0.115 million, as a result of the mark to market of spot deferred USD metal sales contracts for 17,000 ounces of gold with short-term settlements. A financial asset at fair value through profit and loss of \$0.822 million was recorded at March 31, 2014 for 13,000 ounces of gold under spot deferred USD metal sales contracts.

Derivative financial instruments

As at June 30, 2014 the Company held forward sales contracts for 108,000 ounces of gold and recorded an asset of \$19.086 million (March 31, 2014: 116,000 ounces of gold and recorded an asset of \$23.616 million; December 31, 2013: 124,000 ounces of gold with a recorded asset of \$35.464 million; September 30, 2013: 147,000 ounces of gold with a recorded asset of \$15.409 million; June 30, 2013: 170,000 ounces of gold with a recorded asset of \$32.295 million) on its balance sheet. The movement in mark-to-market value has been recorded as equity. \$9.557 million (March 31, 2014: current asset of \$3.364 million; December 31, 2013: current asset of \$4.971 million; September 30, 2013: current liability of \$3.387 million; June 30, 2013: current asset of \$2.548 million) of the balance has been classified as a current asset as these forward contracts settle within twelve months of balance date. The balance of \$9.529 million (March 31, 2014: non-current asset of \$20.252 million; December 31, 2013: non-current asset of \$30.493 million; September 30, 2013: non-current asset of \$18.796 million; June 30, 2013: non-current asset of \$29.747 million) has been classified as a non-current asset. The asset in each case reflects the difference in value of the hedge contracts on the respective balance dates relative to the value of the contracts on the date of inception of hedge accounting.

Total Liabilities

As at June 30, 2014, the Company had liabilities totalling \$95.413 million compared to \$108.485 million at March 31, 2014, \$117.133 million at December 31, 2013, \$105.558 million at September 30, 2013 and \$108.536 million at June 30, 2013. The changes in total liabilities during the June 2014 Quarter are attributable to decreases in current liabilities of \$6.165 million and a decrease in non-current liabilities of \$6.908 million. Details of movements in specific accounts follow below.

Payables

During the June 2014 Quarter amounts owed to creditors, relating mainly to the operation of the EGM, decreased to \$53.077 million from a total outstanding at March 31, 2014 of \$59.357 million, December 31, 2013 of \$61.624 million, September 30, 2013 of \$50.519 million and at June 30, 2013 of \$53.085 million.

On a quarter-on-quarter basis, creditors at June 30, 2014 were \$6.280 million lower than at the end of the March 2014 Quarter. The decrease relative to the March 2014 Quarter reflects timing changes in payment of outstanding invoices in the June 2014 Quarter.

Provision

A provision of \$7.669 million as at June 30, 2014 for future rehabilitation work relating mainly to both old and new mining activity at EGM as well as for the long-service entitlement, was \$0.209 million higher than the amount provided for at March 31, 2014 of \$7.460 million (December 31, 2013: \$7.983 million; September 30, 2013: 7.768 million; June 30, 2013: \$7.983 million). The change during the June 30, 2014 Quarter reflects a slight increase in the area requiring

rehabilitation as a result of increased mining activity, offset by a depreciation of the USD against the AUD during the period, as highlighted above.

DISCUSSION ON CASHFLOWS

The movements in the cash flow of the Company for the three most recent financial years are as shown below:

Cash flows ¹ for twelve months ended	June 30, 2014	June 30, 2013*	June 30, 2012
Operating Activities	19.086	75.185	43.067
Investing Activities	(48.026)	(87.215)	(103.087)
Financing Activities	31.025	(60.600)	68.450

¹All amounts shown above are in millions of dollars

*Balances have been restated. Refer to "Changes in accounting policies including initial adoption" for further details

The decrease in cash flows from operating activities in the current year is attributable to a decrease in cash receipts from gold sales as well as an increase in operating costs. The reduction in investing cash outflows from prior years was attributable to the decrease in expenditure for assets under construction as a result of decreased activity over the Sissingué development and decreased spending incurred on the EGM. Additionally, less exploration expenditure was incurred during the year as a result of less exploration activities in Ghana and Côte d'Ivoire. The increase in cash flows from financing activities is primarily attributable to a share placement of approximately 68.694 million shares, raising approximately \$32.286 million in February 2014, offset by share issue costs arising from the placement of \$1.261 million.

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

Cash flows ¹ for three months ended	Jun 30 2014 ²	Mar 31 2014 ²	Dec 31 2013 ²	Sep 30 2013 ²	Jun 30 2013 ²	Mar 31 2013	Dec 31 2012	Sept 30 2012
Operating activities	4.033	7.527	6.060	1.466	2.778	15.054	6.130	25.675
Investing activities	(10.220)	(10.674)	(15.049)	(12.083)	(12.083)	(15.576)	(13.658)	(19.745)
Financing activities	(0.002)	31.027	-	-	-	(0.128)	(60.729)	-

¹All amounts shown are in millions of dollars

²Payments relating to capitalised deferred waste have been reclassified from operating activities to investing activities

After considering the effects of foreign exchange movements, the Company's cash balance decreased by \$5.573 million during the June 2014 Quarter while in the corresponding period in 2013 cash decreased by \$2.929 million.

Operating activities during the June 2014 Quarter resulted in total cash receipts of \$60.921 million (March Quarter: \$63.411 million) from the sale of precious metals produced at the EGM and \$0.175 million (March Quarter: \$0.002 million) from bank interest that were offset by administration expenses and production expenses at EGM of \$57.061 million (March Quarter: \$55.870 million) and borrowing costs of \$0.002 million (March Quarter: \$0.016 million), giving a net cash inflow for Operating Activities during the period of \$4.033 million (March Quarter: inflow of \$7.527 million). This net cash inflow was \$1.255 million more than the corresponding amount in the June 2013 Quarter when net inflows associated with Operating Activities totalled \$2.778 million. In the June 2013 Quarter, there were cash receipts of \$74.478 million from the sale of precious metals produced at the EGM. Interest received in the June 2013 Quarter was \$0.008 million, administration expenses and production expenses were \$71.132 million and borrowing costs of \$0.576 million.

Investing activities during the June 2014 Quarter included payments for mine properties of \$5.370 million (March 2014 Quarter: \$6.879 million), development expenses at EGM and SGP of \$3.313 million (March Quarter: \$2.106 million), payments relating to exploration in Ghana and Côte d'Ivoire of \$1.607 million (March Quarter: \$1.638 million), investment in fixed assets of \$0.012 million (March Quarter: \$0.002 million), investment in unlisted entity (West African Gold Limited) of nil (March Quarter: \$0.050 million), offset by proceeds on disposal of property plant and equipment of \$0.082 million (March Quarter: of \$0.001 million) that generated a net cash outflow of \$10.220 million (March Quarter: \$10.674 million). In the corresponding June 2013 Quarter, investing activities included payments for mine properties (\$4.826 million) development of EGM and SGP (\$4.192 million), exploration associated with the EGM and SGP (\$3.613 million) and investment in fixed assets (\$0.056 million), resulting in a net cash outflow associated with investing activities of \$12.687 million.

Financing activities in the June 2014 Quarter gave rise to a net cash outflow of \$0.002 million (March 2014 Quarter: \$31.027 million) relating to share issue expenses. By contrast during the June 2013 Quarter, a reclassification of performance rights listing costs resulted in a net cash inflow of \$0.082 million. No other financing activities occurred during this period.

LIQUIDITY AND CAPITAL RESOURCES

As at June 30, 2014, the Company's cash and cash equivalents amounted to \$36.937 million (March 31, 2014: \$42.510 million; June 30, 2013: \$35.480 million).

The Company does not currently have a working capital deficiency. At June 30, 2014 the company has sufficient funds or assets available to convert into cash, to enable payment of debts as and when they fall due and to meet its planned growth. As previously stated, the Company's short to medium term plans include maximising the cash margin at the EGM through improving recoveries, coupled with less waste stripping and implementing a cost reduction program, reviewing the decision on the development of the SGP and associated infrastructure after taking into account the results of optimised life of mine plans for both the EGM and the SGP and gold market conditions, and continued exploration on a limited basis for gold on exploration tenements associated with these projects as well as on other exploration tenements held by the Company in West Africa, 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.

On February 17, 2014, Perseus completed a placement to institutional and sophisticated investors of about 68.7 million ordinary shares, representing 15% of the Company's existing capital to raise approximately \$32 million (the "Placement"). Settlement of the Placement occurred on February, 21 2014, and the new shares that rank equally with existing shares, were allotted and commenced trading on the ASX on February 24, 2014. The price under the Placement was set at \$0.47 ("Placement Price") per new share issued. The Placement Price represented a 6.9% discount to the last ASX closing price of Perseus shares of \$0.505 on February 14, 2014 and a 2.3% discount to the ASX five-day volume weighted average price of \$0.48 (up to and including February 14, 2014). The proceeds of the Placement are intended for capital expenditure to accelerate productivity improvements and access to the eastern pits at the EGM and to provide for further balance sheet flexibility.

In June 2014, the Company received two partial payments of the outstanding VAT debt from the GRA, totalling GHS30.0 million (US\$10.0 million). A further GHS17.6 million (US\$5.8 million) was received in July 2014 as scheduled. The Company is continuing to work with the Government to agree repayment terms for the balance of the outstanding debt and also to avoid the current situation where a large VAT receivable has accumulated and remained unpaid for an extended period.

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 mentioned above, as part of the Company's cost reduction program, Perseus reduced the Available Commitment limit on its revolving line of credit to nil, following the decision to postpone development on the SGP. A commitment limit may be renegotiated with the lenders if a decision to go ahead with the development of the SGP is taken.

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 68.7 million share placement during the March 2014 Quarter. The Company received nil during the June 2014 Quarter (nil in the prior seven Quarters) 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. This was subsequently fully repaid in November 2012. 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"), which is still on foot and governs the Company's hedge arrangements, 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) 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 June 30, 2014 no amounts were drawn under the Facility Agreement.

During the December 2012 Quarter, the Company executed a Deed of Amendment and Restatement (the "Amending Deed") which documented amendments to the Facility Agreement that had the effect of converting the project debt facility into a revolving line of credit. In addition, the Amending Deed provided for an increase in the facility limit to US\$100 million, with the availability limit decreasing over time to zero as at December 28, 2015. The facility margin was revised to 4.0 percent per annum and the Commitment fee was reduced to 1.75 percent per annum. Permitted uses of funds drawn under the facility were amended to allow for repayment of intercompany loans owed by Perseus Mining (Ghana) Limited to Perseus.

During the September 2013 Quarter and as part of the Company's cost reduction program, Perseus reduced the Available Commitment limit on its US\$100 million line of credit to nil. This eliminated the 1.75% per annum undrawn line fee, and political risk insurance on the debt, that was payable in future periods. The Available Commitment limit may be renegotiated with the lenders if a decision to go ahead with the development of the SGP is taken.

As at June 30, 2014 a total of 125,000 ounces of gold (March 31, 2014: 129,000 ounces of gold) had been hedged under gold forward sale contracts for settlement from September 2014 to December 2015 at an average sale price of US\$1,468 per ounce. This includes a total of 70,000 ounces of gold at an average price of US\$1,600/oz that was sold forward in the September 2012 Quarter, following the successful restructure, extension and up-sizing of the debt facility. This hedging represents 37% of the Company's total forecast gold production to December 31, 2015 and approximately 5% of the gold contained in the Company's currently defined Mineral Reserves.

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.

COMMITMENTS

The following table sets forth information regarding the Company's contractual obligations as at June 30, 2014. The Company has no long term debt, finance lease obligations, operating leases or purchase obligations except as indicated below.

	Less than 1 Year	1-5 years	After 5 years
Exploration expenditure ¹ (US\$M)	1.050	2.150	1.200
Rent of corporate premises	0.411	0.758	-
Total (US\$M)	1.461	2.908	1.200

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.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The principal financial instruments used by the Company as at June 30, 2014 are cash, receivables, financial assets at fair value, derivative financial instruments, 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 (including currency risk, interest rate risk, commodity price risk and equity price 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 June 2014 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 Company'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 Company 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 and the Ghanaian Cedi. 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. In addition, the parent entity has an intercompany receivable from its subsidiary denominated in US dollars which is eliminated on consolidation. The gains or losses on re-measurement of this intercompany receivable from US dollars to Australian dollars are not eliminated on consolidation. There has been no significant change in the Company's exposure to currency risk or its objectives and policies for managing these risks during the June 2014 Quarter.

In November 2012 the Company fully repaid its project finance facility. Consequently, it presently has no borrowings at variable rates. During the September 2013 Quarter and as part of the Company's cost reduction program, Perseus reduced the Available Commitment limit on its US\$100 million line of credit to nil, eliminating the 1.75% per annum undrawn line fee, as mentioned above. There were no changes in the Company's exposure to interest rate risk during the June 2014 Quarter. The Company's objectives and policies for managing these risks have not changed during the June 2014 Quarter.

OFF BALANCE SHEET ARRANGEMENTS

There are no off-balance sheet arrangements as at June 30, 2014.

TRANSACTIONS WITH RELATED PARTIES

Remuneration (including salaries, Directors' fees and the issue of share options and performance rights) 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.

Secretarial and corporate service fees paid or payable to Corporate Consultants Pty Ltd, a company in which the joint company secretary, Mr Susmit Shah, has a beneficial interest, totalled nil during the June 2014 Quarter, compared to \$43,876 in the corresponding Quarter ending June 30, 2013. Mr Susmit Shah resigned on May 14, 2014.

The Company has no on-going contractual or other commitments arising from transactions with any 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 Company 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 2014 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 2014 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 forward estimates of:

- (i) Mine life including quantities of mineral reserves and mineral resources for which there is a high degree of confidence of economic extraction with given technology;
- (ii) Estimated production and sales levels;
- (iii) Estimated future commodity prices;
- (iv) Future costs of production;
- (v) Future capital expenditure;
- (vi) Future exchange rates; and/or
- (vii) 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 consultants 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 the Monte Carlo Simulation model for performance rights 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 \$0.152 million for the Quarter ended June 30, 2014 (\$0.049 million for the Quarter ended March 31, 2014; \$(0.079) million for the Quarter ended December 31, 2013 as a result of performance rights being cancelled on resignation of employees; \$0.051 million for the Quarter ended September 30, 2013; \$0.227 million for the Quarter ended June 30, 2013; \$0.472 million for the twelve months ended June 30, 2013).

The share based payment expense for the June 2014 Quarter was \$0.152 million compared to \$0.227 million for the June 2013 Quarter.

(iv) Restoration and rehabilitation provisions

As set out in accounting policy note 1(t) in the June 2014 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 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 2014 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 Company 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 Company 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 Company operates could limit the ability of the Company to obtain tax deductions in future periods.

(vii) Unit-of-production method of depreciation / amortisation

The Company uses the unit-of-production basis when depreciating/amortising life of mine specific assets, which results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life of mine production. Each item's economic life, which is assessed annually, has due regard to both its physical life limitations and to present assessments of economically recoverable reserves of the mine property at which it is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The Company amortises mine property assets utilising tonnes of ore mined and mine related plant and equipment over tonnes of ore processed.

(viii) Deferred stripping expenditure

The group defers stripping costs incurred during the production stage of its operations. Significant judgement is required to distinguish between production stripping that relates to the extraction of inventory and what relates to the creation of a deferred waste asset.

The group also identifies the separate components of the ore body. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify these components, and to determine the expected volumes of waste to be stripped and ore to be mined in each component. Changes in a mine's life and design will usually result in changes to the expected stripping ratio (waste to mineral reserves ratio).

Changes in other technical or economical parameters that impact reserves will also have an impact on the life of mine ratio even if they do not affect the mine's design. Changes to the life of mine are accounted for prospectively.

(ix) Inventory

Net realisable value tests are performed at least quarterly and represent the estimated future sales price of the product based in prevailing spot metals prices at the reporting date, less estimated costs to complete production and bring the product to sale. Stockpiles are measured by estimating the number of tonnes added and removed from the stockpile, the number of contained gold ounces based on assay data, and the estimated recovery percentage based on the expected processing method. Stockpile tonnages are verified by periodic surveys.

(x) Reserves and resources

Mineral reserves are estimates of the amount of ore that can be economically and legally extracted from the Company's mining properties. The Company estimates its mineral reserves and mineral resources based on information compiled by appropriately qualified persons relating to the geological data on the size, depth and shape of the ore body and this requires complex geological judgements to interpret data. The estimation of recoverable reserves is based upon factors such as estimates of foreign exchange rates, commodity prices, future capital requirements, and production costs along with geological assumptions and judgements made in estimating the size and grade of the ore body. Changes in the reserve or resource estimates may impact upon the carrying value of exploration and evaluation assets, mine properties, property, plant and equipment, goodwill, provision for rehabilitation, recognition of deferred assets, and depreciation and amortisation charges.

(xi) Measurement of fair values

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

CHANGES IN ACCOUNTING POLICIES INCLUDING INITIAL ADOPTION

In the year ended June 30, 2014, the group reviewed and has adopted 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 July 1, 2013.

From July 1, 2013 the group applied AASB Interpretation 20 *Stripping costs in the production phase of a surface mine*. The change in accounting policy has been applied to the earliest period presented and therefore there has been a restatement of certain June 30, 2013 closing balances as follows:

As of and for the year ended June 30, 2013:

Decrease in changes in inventories of finished goods and work in progress of \$339,000

Increase in direct costs of mining and processing of \$3,079,000

Decrease in depreciation and amortisation expense of \$3,427,000

Increase in income tax expense of \$241,000

Increase in profit after tax of \$447,000

Increase in inventories of \$381,000

Increase in mine properties of \$391,000

Increase in deferred tax liability of \$270,000

Increase in reserves of \$50,000

Increase in retained earnings of \$402,000

Increase in non-controlling interest of \$50,000

The effect on earnings per share related to the restatement in 2013 was an increase of \$0.001.

The impact for the current year has not been disclosed as it is impractical to do so.

Prior to the implementation of Interpretation 20 the group capitalised excess stripping costs incurred during production based on the strip ratio method. Stripping ratios are a function of the quantity of ore mined compared with the quantity of overburden, or waste required to be removed to mine the ore. For each individual pit and interim pit ("component") the actual strip ratio was compared to the life of component strip ratio and costs were deferred to the extent that the current period ratio exceeded the life of component strip ratio. The deferred costs were then expensed to the income statement in the period where the current ratio fell below the life of component ratio.

Following the application of Interpretation 20, the group is now required to amortise the deferred waste asset over the expected useful life of the identified component of the ore body that has been made more accessible by the activity. The group amortises the deferred waste asset on a unit of production basis over the economically recoverable reserves of the component concerned. The unit of measure is bank cubic meters of ore mined. The group already identified each component of the ore body via the use of interim pits and as such the requirement of Interpretation 20 to separately identify components of each ore body had no effect on the group at the date of application of the interpretation.

From July 1, 2013 the group applied AASB 13 *Fair Value Measurement*. The group has reassessed its policies for measuring fair values, in particular, its valuation inputs such as non-performance risk for fair value measurements of assets and liabilities. AASB 13 also requires additional disclosures.

Application of AASB 13 has not materially impacted the fair value measurements of the group. Additional disclosures where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined.

AASB 10 *Consolidated Financial Statements*, AASB 11 *Joint Arrangements*, AASB 12 *Disclosure of Interests in Other Entities*, revised AASB 127 *Separate Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* and AASB 2011-7 *Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards* (effective January 1, 2013). In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures.

AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The group has applied the new standard and its application has had no impact on the composition of the group.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement.

Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that

participate in joint arrangements but do not share joint control. The group has applied the new standard and its application has had no impact on the composition of the financial statements.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. The group has applied the standard and the additional disclosures are presented in the financial statements.

AASB 119 *Employee Benefits* (September 2011) and AASB 2011-10: Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) (applicable for annual reporting periods beginning on or after 1 January 2013). The amended standard changed the definition of short-term and long-term employee benefits. The impact of which is not material to the group.

AASB 2011-4 *Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements* (applicable for annual reporting periods beginning on or after 1 July 2013, and thus applicable to the group for the first time this year). This standard makes amendments to AASB 124 *Related Party Disclosures* to remove the individual key management personnel (KMP) disclosure requirements which now need to be included in the group's remuneration report due to an amendment to the *Corporations Regulations 2001* in June 2013. The group has ensured all individual KMP disclosures required have been disclosed in the remuneration report.

AASB 2012-2 *Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities* (application for annual reporting periods commencing on or after 1 January 2013). This standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's statement of financial position.

Early adoption of standards

At the date of the authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the group. Management anticipates that all of the relevant pronouncements will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement.

OUTSTANDING SECURITIES DATA

At June 30, 2014 the Company had issued 526,656,401 shares (March 31, 2014: 526,656,401; December 31, 2013: 457,962,088; September 30, 2013: 457,962,088; June 30, 2013: 457,962,088), nil options (March 31, 2014: 1,440,000; December 31, 2013: 1,540,000; September 30, 2013: 1,990,000; June 30, 2013: 1,990,000) and 7,983,911 performance rights (March 31, 2014: 7,263,813; December 31, 2013: 2,091,575; September 30, 2013: 2,687,408; June 30, 2013: 3,035,629;).

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

Ordinary shares	526,656,401
Performance rights over unissued shares	7,263,775

Since June 30, 2014 and up to the date of this MD&A, the Company has not issued any shares, options or performance rights.

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 June 30, 2014, 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 June 2014 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 June 2014 Quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting. As at June 30, 2014, 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 12 months.

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 SGP, the estimation of ore reserves and mineral resources, realization of ore reserve and resource estimates, the timing and amount of future production, costs of production, capital expenditures, costs and timing of development of the SGP, 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, continuing commercial production at the Edikan Gold Mine without any material disruption, 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;
- risks related to potential development of the SGP;
- risks related to capital cost increases at the SGP;
- 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, political instability and the spread of infectious diseases in West Africa;
- risks related to the periodic renewal of the Company’s various exploration and exploitation permits;
- 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 26, 2013.

TECHNICAL DISCLOSURES

Competent Person and ASX Listing Rules Statement:

All production targets for the EGM referred to in this report are underpinned by estimated Ore Reserves which have been prepared by competent persons in accordance with the requirements of the JORC Code.

The information in this report that relates to EGM Ore Reserves, SGP Ore Reserves and SGP Mineral Resources is based on, and fairly represents, information and supporting documentation compiled by Mr Kevin Thomson, a Competent Person who is a Professional Geoscientist with the Association of Professional Geoscientists of Ontario. This information was prepared and first disclosed under the JORC Code 2004. It has not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The information in this report that relates to EGM Mineral Resources was first reported by the Company in compliance with the JORC Code 2012 in a market release on 27 August 2014. The Company confirms that it is not aware of any new information or data that materially affects the information in that market announcement.

The information in this report that relates to exploration results at its Bokitsi South deposit in Ghana was first reported by the Company in compliance with the JORC Code 2012 in market releases on 19 June 2014 and 7 July 2014. The Company confirms that it is not aware of any new information or data that materially affects the information in those market announcements.

The information in this report that relates to other exploration results is based on, and fairly represents, information and supporting documentation prepared by Mr Kevin Thomson, a Competent Person who is a Professional Geoscientist with the Association of Professional Geoscientists of Ontario. Mr Thomson is an employee of a subsidiary 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 being undertaken, to qualify as a Competent Person as defined in the 2012 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. For a description of Perseus' data verification process, quality assurance and quality control measures, 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 and the extent to which the estimate of mineral resources or mineral reserves set out herein may be materially affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or other relevant issues, 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 - Tengréla Gold Project, Côte d'Ivoire" dated December 22, 2010 in relation to the Edikan Gold Mine (formerly the Central Ashanti Gold Project) and the Tengréla Gold Project respectively.