Perseus
MINING LIMITED

Annual **Report** 2016

Corporate **Directory**

Directors

Reginald Norman Gillard
Non-Executive Chairman

Jeffrey Allan Quartermaine
Managing Director

Colin John Carson
Executive Director

Terence Sean Harvey
Non-Executive Director

Michael Andrew Bohm
Non-Executive Director

John Francis Gerald McGloin
Non-Executive Director

Alexander John Davidson
Non-Executive Director

Company Secretary

Martijn Paul Bosboom

Registered & Corporate Office

Level 2, 437 Roberts Road
Subiaco, Western Australia 6008

PO Box 1578
Subiaco, Western Australia 6904
Telephone: (61 8) 6144 1700
Facsimile: (61 8) 6144 1799
Email: info@perseusmining.com
Website: www.perseusmining.com

Ghana Office

4 Chancery Court
147A Giffard Road, East Cantonments
Accra - Ghana

PO Box CT2576
Cantonments
Accra - Ghana

Telephone: (233) 302 760 530
Facsimile: (233) 302 760 528

Côte d'Ivoire Office

Cocody II Plateaux Vallons, Quartier Lemania
Lot 1846 ilot 169 derrière Pako Gourmand
28 BP 571 Abidjan 28, Côte d'Ivoire

Telephone: (225) 22 41 9126
Facsimile: (225) 22 41 0925

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth, Western Australia 6000
Australia

Telephone: (61 3) 9415 4000
Facsimile: (61 3) 9473 2500
www.computershare.com

Computershare Investor Services Inc.
Level 3
510 Burrard Street
Vancouver, British Columbia V6C3B9
Canada

Telephone: (1 604) 661 9400
Facsimile: (1 604) 661 9401
www.computershare.com

Auditors

Ernst & Young
11 Mounts Bay Road
Perth, Western Australia 6000

Stock Exchange Listings

Australian Securities Exchange	**(ASX – PRU)**
Toronto Stock Exchange	**(TSX – PRU)**
Frankfurt Stock Exchange	**(WKN: AOB7MN)**

Contents

Company **Results**

KEY POINTS OF THE YEAR

Cash balance: A$151.2M
Or 15.1cps - A$47.5m (46%) more than FY2015

Combined value of cash and bullion of A$166.0M
Or 16.5cps at the end of FY2016 - up A$38.7m or 30% on FY2015

No third party debt

Working capital of A$159.7M

Execution Plans activated for the full-scale development of Sissingue Gold Project

Aquisition of Amara Mining plc

A$102.0M of equity capital raised

OUR EDIKAN PROJECT: KEY RESULTS OF THE YEAR

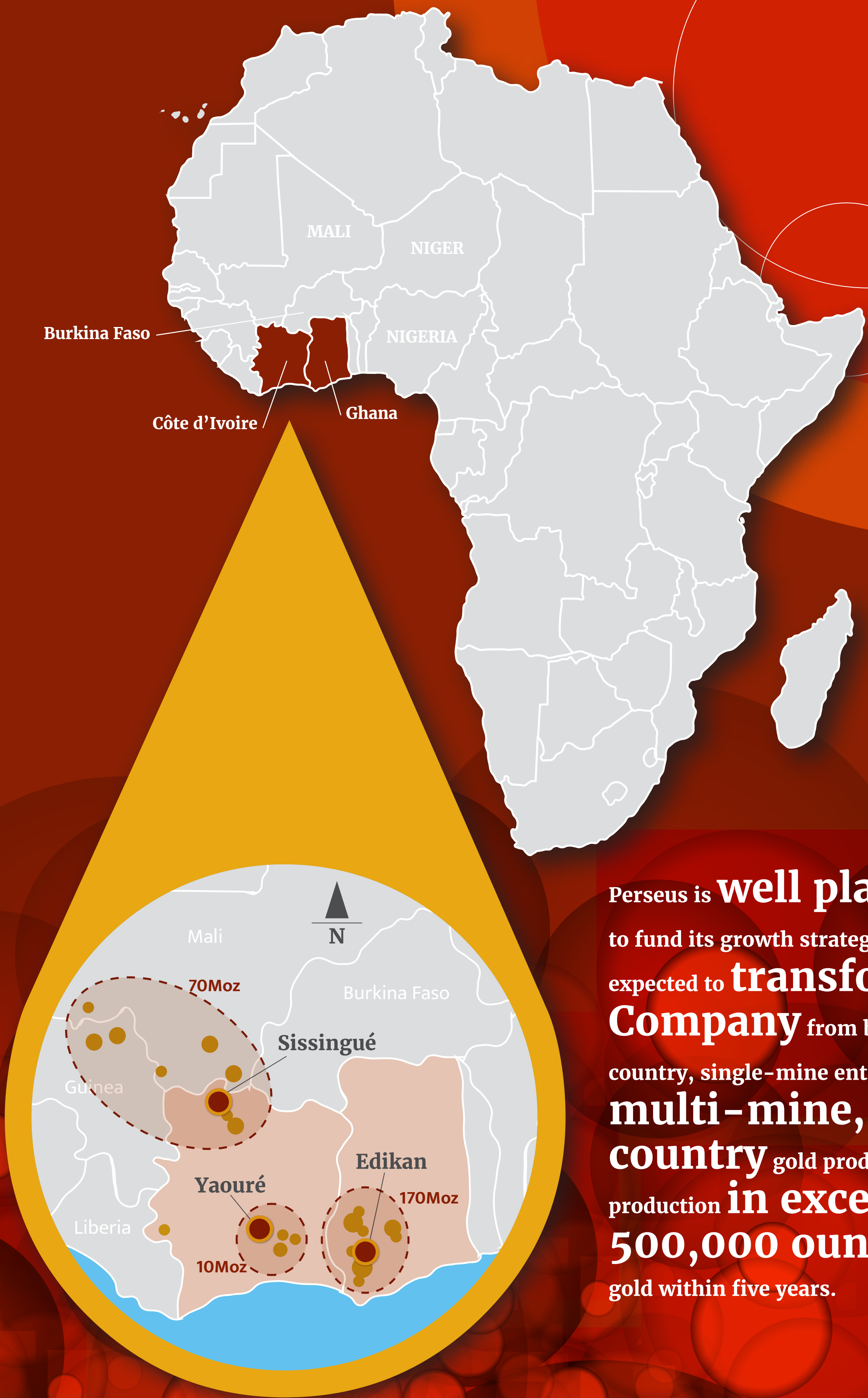
Gold production
153,900 ounces

All in site costs
US$1,351/oz

Average sale price of gold
US$1,224/oz

Mining Cost per tonne mined:
Reduced by 40%

Processing Cost per tonne of ore:
Reduced by 11%



Perseus is **well placed** to fund its growth strategy that is expected to **transform the Company** from being a single-country, single-mine enterprise into a **multi-mine, multi-country** gold producer with production **in excess of 500,000 ounces** of gold within five years.

Chairman's **Address 2016**

Dear Fellow Shareholder,

It is my pleasure to introduce you to Perseus Mining Limited's Annual Report for the year ended 30 June 2016.

The past year has been a transformational one for our company. We have, for some years, searched for a project in West Africa which was capable of taking us from being a one mine operation to a multi-mine gold producer in two or more jurisdictions. I am pleased to say that our merger with Amara Mining plc has provided that opportunity. Amara's Yaouré project is one of the best undeveloped gold projects in the region. It has the potential to become a large scale, long life and low-cost gold operation that will add significant value to our company. It also provided a synergy with our Sissingué project which is under construction in Côte d'Ivoire. After the completion of Sissingué, we will have a highly experienced, in country team capable of bringing the Yaouré project to a very efficient conclusion. Our investment in Côte d'Ivoire has generated strong relationships with government and industry and throughout that process we have developed a high level of confidence in the government's commitment to the development of a substantial mining industry.

We are now working to complete a Definitive Feasibility Study for Yaouré as quickly as possible so that we can commence construction at the end of 2017, after Sissingué has been commissioned.

We have welcomed former Amara Mining plc board members John McGloin and Alex Davidson as directors of Perseus through the merger and we look forward to their contributions as we move forward. Both men have a wealth of knowledge and experience in the gold industry.

The capital raising completed at the end of the financial year and the subsequent financing arrangements put your company in a strong position to complete the vision outlined above. I would like to thank our shareholders, both new and past for their support of our strategy.

Finally I would like to thank my fellow board members and our outstanding management team for the very significant efforts put in over the last 12 months to achieve the foregoing. Our CEO and managing director Jeff Quartermaine continues to demonstrate great leadership and strength in his role.

The future is very exciting for our company and I trust you will continue to share it with us.

Yours sincerely,

Reg Gillard
Chairman

The future is very exciting for our company...

Managing Director's Address 2016

The twelve months ending 30 June 2016 has been a challenging period for Perseus when compared to the prior financial year during which record gold production and earnings were recorded.

Delays in gaining access to new mining areas at our Edikan Gold Mine in Ghana, coupled with operational issues arising from efforts to recover lost time once access was finally obtained, meant that we were forced to process low grade ore drawn from stockpiles rather than process newly mined, higher grade, fresh ore as planned. The facts are relatively simple. Given the large scale, low grade nature of our Edikan Gold Mine, the amount of gold we produce and therefore our unit costs of production are a direct function of the head grade of ore processed. If the head grade is down then so too will our cash flow and earnings. Fortunately by year end, most of the challenges that we had encountered earlier in the year were behind us and we were able to record results more in line with expectations which augers well for a much more prosperous year ahead.

Notwithstanding the challenges that we faced, valuable lessons have been learnt and a number of very positive outcomes were achieved during the year which has positioned Perseus for a much stronger future, as we strive to establish our company as a credible mid-tier producer of gold and a reliable generator of wealth for our shareholders.

In particular, we achieved the following during the year. We:

- Faced and overcame a number of operating challenges at our large scale-low grade Edikan Gold Mine in Ghana;
- Implemented an assortment of engineering projects to upgrade the Edikan processing facility in order to materially enhance future operating performance;
- Advanced preparations for the development of our second gold mine enabling a positive decision to be taken after year end to proceed with the development of the Sissingué Gold Project;
- Enhanced the size and quality of our asset portfolio by acquiring a potential long life, large scale gold project in the form of the Yaouré Gold Project, by the acquisition of Amara Mining plc; and

Managing Director's Address 2016 (continued)

- Improved Perseus's financial position and established the financial capacity to proceed with implementing Perseus's corporate growth strategy by raising A$102 million of new equity capital and moving close to finalising arrangements to borrow US$60 million to partially fund the development of Sissingué.

As a result of the above, your company now has the physical assets, the human resources, the financial capacity, the social licence and hard earned relevant experience required to materially transform Perseus from a single mine-single jurisdiction company to a lower risk, multiple operation enterprise with activities located in more than one jurisdiction in West Africa.

The task ahead for your management team is clear and we will be focussing all of our energies on efficient and effective execution of the tasks required to deliver the outcomes needed to realise our ambitious growth strategy.

Finally, I would like to thank all of our directors, managers and employees in Ghana, Côte d'Ivoire and Australia for their diligent and dedicated efforts during what has been a challenging yet rewarding year. I would also especially like to thank our loyal shareholders for their continued support of your management team and the faith that they have displayed in the future of Perseus with their support of our recent equity capital raising to fund our growth strategy.

Jeff Quartermaine
Managing Director

Accelerated capital investment at Edikan during the financial year.

Review of **Operations**

Successful in materially improving the operating performance

Execution of a Mining Convention for Sissingué

Programme of early works was completed

Promising new prospects

During the financial year under review the intensive work program undertaken by Perseus at its Edikan Gold Mine in Ghana ("Edikan" or "EGM"), has been successful in materially improving the operating performance of the mine in recent months. Perseus also commenced a period of accelerated capital investment at Edikan during the financial year relating to the construction of infrastructure and relocation housing required for mining access, stripping waste from the new mining areas, the acquisition of additional power generation units along with processing plant improvements. Perseus has a further six months of this capital investment to undertake at Edikan before the operation enters a period of sustained strong positive cash flows starting in early 2017.

Following execution of a Mining Convention for the Sissingué Gold Mine in Côte d'Ivoiré ("Sissingué" or "SGP") between Perseus and the Government of Côte d'Ivoire in late July 2015 a programme of early works was completed. Execution plans for the full scale development of Sissingué have been activated with first production of gold scheduled to occur in the December 2017 Quarter. Negotiations with Lycopodium, a highly regarded international engineering group, were well advanced on contracts covering approximately 50% of the scope of work for the Sissingué development, and subsequent to year end these were awarded and signed.

On 18 April 2016, a scheme of arrangement in which Perseus acquired all of the outstanding shares in Amara Mining plc ("Amara") took effect giving Perseus ownership of one of West Africa's highest quality pre-development stage projects, the Yaouré Gold Project in Côte d'Ivoire ("Yaouré" or "YGP"). This asset, together with Edikan and soon-to-be producing Sissingué, provides Perseus with a balanced portfolio of producing and growth assets.

Perseus strengthened its balance sheet position, following an equity raising towards the end of the financial year. On 20 June 2016, Perseus announced an equity placement and an accelerated entitlements offer. The institutional portion of the offering closed oversubscribed and the retail offering closed subsequent to the year end. In total, $102 million of equity was raised from new and existing institutional and retail investors to fund Perseus's growth strategy. Perseus has also advanced the negotiations for a project finance debt facility which will be established in the coming months to supplement existing cash balances in funding the development of Sissingué.

Following the acquisition of Yaouré, contracts for all material work packages to complete the Yaouré Definitive Feasibility Study ("DFS") have been awarded to a range of consultants and contractors. The environmental permit ("EISA") for Yaouré is expected to be formally granted by the government of Côte d'Ivoire in the coming months.

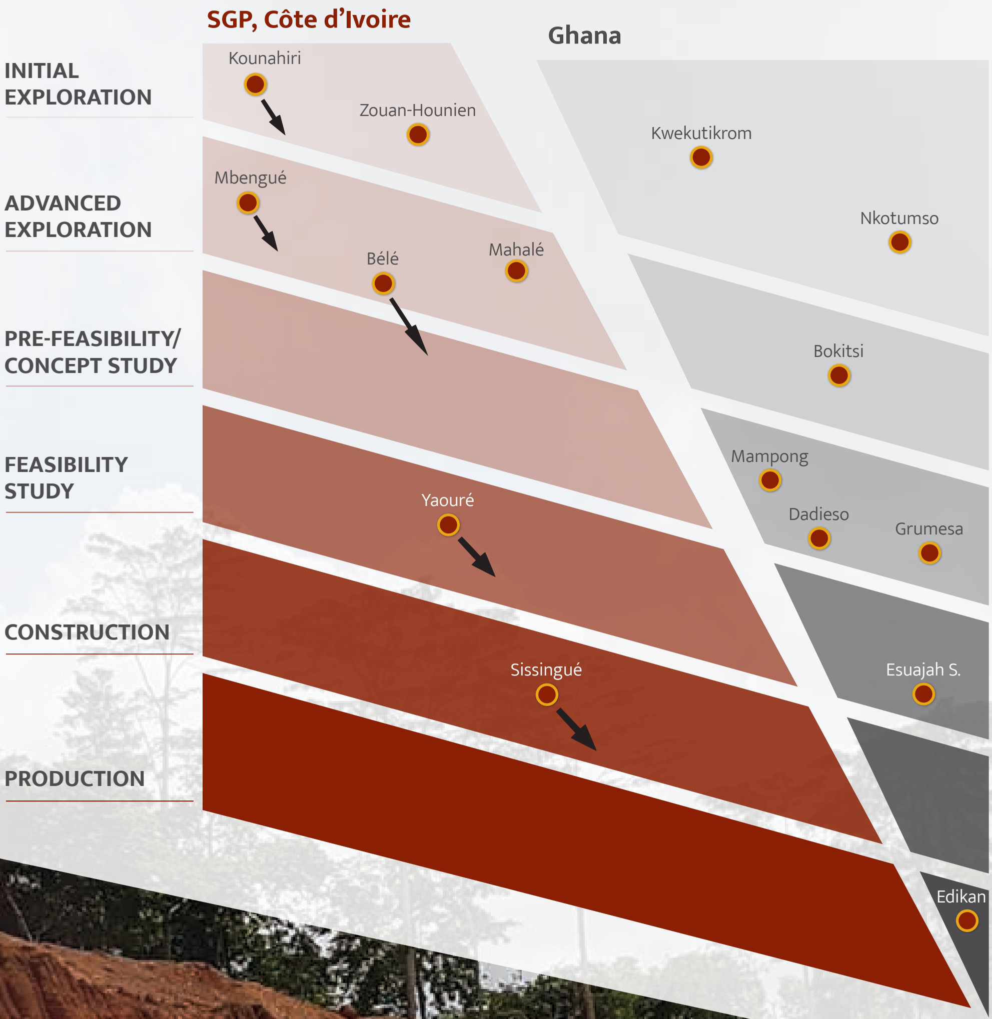
Exploration continued in Ghana and Côte d'Ivoire throughout the year, with commencement of exploration on two new Côte d'Ivoire properties, and drilling at several promising new prospects at Edikan.

The group's Proved and Probable Ore Reserves as at 30 June 2016 at Edikan and Sissingué decreased to 59.6 million tonnes ("Mt") containing 2.55 million ounces of gold after allowing for mining depletion. At the end of the year, the group's Measured and Indicated Mineral Resources (inclusive of Ore Reserves) were 6.36 million ounces of gold and Inferred Mineral Resources were 2.32 million ounces of gold. As a result of the acquisition the group has acquired an additional 5.2 million ounces of Measured and Indicated Mineral Resources[1], including 3.2 million ounces of Proven and Probable Ore Reserves[1] relating to the Yaouré project.

1. Cautionary statement: The estimates for Yaouré are Foreign Estimates under the ASX Listing Rules and Historical Estimates under Canadian NI 43-101 as at 24 November 2015 (Mineral Resource) and 14 May 2015 (Ore Reserve) and are not reported in accordance with the JORC Code.

A qualified person has not completed sufficient work to classify these estimates as current Mineral Resources or Ore Reserves in accordance with the JORC code and the Company is not treating these estimates as current. It is uncertain that following evaluation and/or further exploration work these estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. For further information regarding the treatment of the estimates, the reader is referred to page 85 of this report.

The Future:
A strong pipeline from exploration to production



An experienced mine construction and operating team.

Review of **Operations** (continued)

Aquisition of Amara

Highly Capable Board & management

Corporate

On 29 February 2016, Perseus announced that the Boards of Perseus and Amara had reached agreement on the terms of a recommended combination of Perseus and Amara via a UK scheme of arrangement.

Under the proposal Amara shareholders were entitled to receive 0.68 new Perseus shares and 0.34 unlisted, transferrable Perseus warrants for every Amara share held. Each warrant entitles the holder to subscribe for one Perseus share at A$0.44 for a period of 36 months. This represented a combined premium for Amara shareholders of 42.2% to Amara's mid-market closing price on 26 February 2016 or 28.3% to Amara's 20-day VWAP.

On 8 April 2016 the Amara shareholders voted overwhelmingly to approve the scheme of arrangement. On 15 April 2016 the High Court of Justice in England and Wales sanctioned the scheme of arrangement and it became effective from 18 April 2016.

A total of 285,862,532 new Perseus shares were then issued to the owners of Amara shares, with ownership of Perseus prior to any exercise of warrants in the ratio of 64.9% original Perseus shareholders and 35.1% new (former Amara) shareholders. In the event that all of the warrants are exercised in full, Perseus will benefit from additional equity funding of approximately $62.9 million.

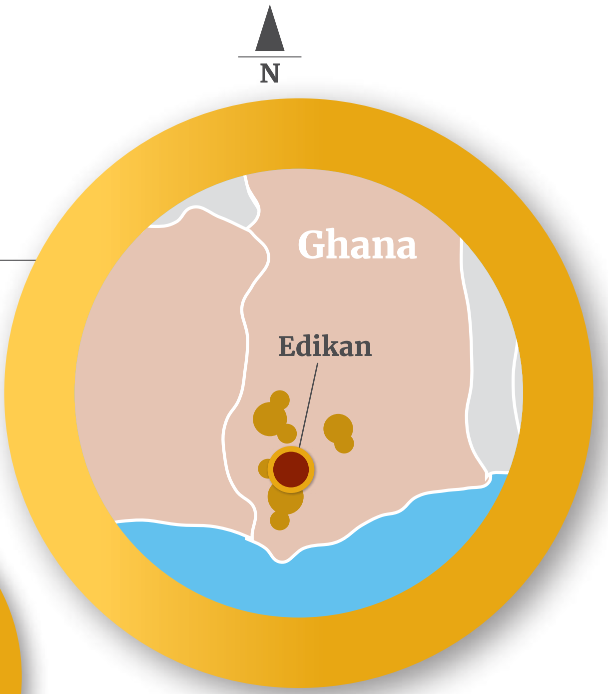
Two former directors of Amara, Messrs John McGloin and Alex Davidson have joined the Board of Perseus as non-executive directors. This expands the Board to a total of 7 directors including 5 non-executive and 2 executive directors. Messrs John McGloin and Alex Davidson bring a wealth of highly regarded, international mining experience to the Perseus Board.

Following completion of the transaction Perseus now has:

- A balanced and diversified portfolio of high quality operating, development and exploration assets that includes Edikan, Sissingué and Yaouré;
- A strong balance sheet that can be utilised together with strong projected cashflows from Edikan (following the end of the 2017 financial year) to fund the development of Sissingué and Yaouré;
- An experienced mine construction and operating team, combined with members of the current management team that oversaw the construction and delivery of Edikan into production on time and under budget, and an existing development presence in Côte d'Ivoire;
- A highly capable and reliable Board and management team that has many years of collective experience operating in West Africa and other developing regions; and
- Well established "social licences" to operate in Ghana and Côte d'Ivoire.

Review of **Operations** (continued)

90%
interest in
the EGM



EGM, Ghana

The EGM is located on the Ayanfuri and Nanankaw mining leases spanning the border between the Central and Western Provinces of the Republic of Ghana, in West Africa. These mining leases, together with the adjoining exploration license areas of Grumesa, Kwatechi, Dunkwa, Nsuaem and Nkotumso that are also held or optioned by the group, cover a total area of about 383 square kilometres. The group owns a 90% interest in the EGM, with the remaining 10% a free carried interest owned by the Ghanaian government.

Gold production operations

Operating results at the EGM for the 12 months to 30 June 2016 and the corresponding period in 2015 were as follows:

Table 1: Key production statistics - EGM

Parameter	Unit	Twelve months to 30 June 2016	Twelve months to 30 June 2015
Ore mined	kt	5,306	6,153
Total material mined	kt	30,423	15,243
Ore milled	kt	6,608	6,394
Head grade	g/t gold	0.9	1.2
Gold recovery	%	83.1	87.9
Gold produced	ounces	153,902	212,135

The group owns a 90% interest in the EGM, with the remaining 10% a free carried interest owned by the Ghanaian government.

Review of **Operations** (continued)

3.3% higher mill throughput

Gold production **153,902** ounces

Approval for full-scale mining of Eastern Pits

Total mill throughput for the period was 6,608k tonnes of ore grading 0.86 g/t of gold, 3.3% higher than the previous period. Gold recovery of 83.1%, was 5.5% lower than the previous period. The reduction in ore grade and recovery was largely as a result of the majority of ore processed at Edikan being drawn from relatively low grade ore stockpiles as mining of fresh ore from the AG pit ceased in mid-August 2015 and limited quantities of fresh ore being mined from the Fobinso, Fetish and Chirawewa pits early in the financial year following the delayed access to those pits as detailed below.

Gold production for the period was 153,902 ounces at an all-in site cost (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital) of US$1,351/oz. The 27.5% decrease in gold production during the period, relative to the 2015 financial year, is due to a lower average head grade along with decreased recoveries.

On 12 August 2015, the Ghanaian Environmental Protection Agency ("EPA") formally granted environmental approval for full-scale mining of the Fetish, Chirawewa, Bokitsi (collectively referred to as the "Eastern Pits") and Esuajah North gold deposits. The environmental approval opened the way for mining contractor, African Mining Services ("AMS"), to mine in the Eastern Pits area under the terms of their new contract with Perseus. Early in the 2016 financial year, AMS deployed equipment to the Eastern Pits area, including that previously deployed in the AG pit, and in conjunction with Perseus has accelerated mine production with the aim of recovering time lost due to the delayed EPA approval.

A total of 14,688k bank cubic metres ("bcm") of ore and waste were mined during the period from the Chirawewa, Fetish, AF Gap and Fobinso pits as well as from the decommissioned heap leach pads, including 1,259k tonnes of oxide ore at 0.83g/t gold and 4,046k tonnes of oxide ore at 1.12g/t gold. The 137.8% increase in total material moved relative to the prior period was due to an accelerated amount of waste stripping of the Eastern Pits during the year following the delayed access to these pits at the beginning of the year.

Review of **Operations** (continued)

100% self-sufficient power generation

Mining Cost per tonne mined reduced by **40%**

Processing Cost per tonne of ore reduced by **11%**

Ore stockpiles (including both high and low grade ore but not mineralised waste) plus crushed ore decreased to 2,059k tonnes grading 0.62 g/t containing approximately 40,853 oz of gold. This included approximately 38% oxide ore and 62% primary ore.

During the financial year Perseus commenced a period of intensive capital investment at Edikan relating to the construction of infrastructure and relocation housing required for mining access, the acquisition of additional power generation units along with processing plant improvements. All works, including civil and infrastructure works, commenced and as at the date of this report are on or near schedule for the completion of the construction of replacement houses required to relocate current residents of the Eastern Pits and Esuajah North blast zones. Construction of the houses required for both the Eastern Pits residents and Esuajah North residents is scheduled for completion by the end of December 2016.

Commissioning of a diesel fired power station to ensure 100% power self-sufficiency for Edikan in the event of possible future power shortages in Ghana which commenced during the financial year, was completed in July 2016. Furthermore, planned upgrades to the processing plant to improve run time and reduce maintenance costs are on track for implementation during the six months ending 31 December 2016.

The all-in site cost (including production, royalties, investment in pre-stripping and inventory, development and sustaining capital divided by gold ounces produced) for the period of US$1,351/oz is 54.0% higher than the previous period of US$877/oz. This is due to an increase in the operating cost base due to accelerated mining and waste stripping to mitigate the effects of the delayed access to the Eastern Pits, higher capital expenditure on relocation housing, building of a power station and process plant improvements, combined with less gold production resulting from a decrease in gold recovery and head grade of processed ore.

Table 2: Key financial operating statistics - EGM

Parameter	Unit	Twelve months to 30 June 2016	Twelve months to 30 June 2015
Total gold sales	Ounces	153,957	208,613
Average sales price	US$/oz of gold sold	1,224	1,324
• Mining cost	US$/tonne of material mined	2.73	4.55
• Processing cost	US$/tonne of ore milled	9.55	10.78
• G & A cost	US$M / month	1.29	1.59
Royalties	US$/oz	96	71
All-in site cost	**US$/oz**	**1,351**	**877**

Mining costs per tonne of material mined have decreased from the prior period due to a decrease in underlying costs following the negotiation of two new mining contracts in 2015. The first new mining contract was awarded to Rocksure International Limited for the cutback of the Fobinso pit, commencing in January 2015. The second was awarded to AMS for the provision of mining services for the Eastern Pits. This work commenced just before the end

Review of **Operations** (continued)

of the prior period. Both new contracts represent material reductions in mining costs and the full effect has been seen in the current period. In addition, the tonnes of material mined has increased significantly from the prior period and this has the effect of reducing the unit mining costs including mining overheads, mining contractor management fees etc.

Processing costs have decreased from the prior period due to a reduction in consumable costs as well as a reduction in consumption rates of some consumables due to improvements in operational efficiency. General and administrative costs have decreased from the prior period due to cost reduction initiatives across all departments to build on reducing the operating cost base to date.

Of the 153,957 ounces of gold that were sold at an average delivered price of US$1,224/oz, 37,810 ounces were delivered under forward sales contracts at a weighted average price of US$1,357/oz while the balance of the gold sales were made at prevailing spot prices or short term spot deferred contracts.

As at 30 June 2016, the company held forward gold sale contracts totalling 211,190 ounces of gold at a weighted average price of US$1,271/oz. Included in this are 95,000 ounces of hedging contracted at a weighted average price of US$1,306/oz specifically to support the proposed Sissingué project finance debt facility. On 1 July 2016, a further 5,000 ounces at US$1,333 in forward metal contracts were also added to the contracts entered into specifically to support the proposed Sissingué project finance debt facility.

During the year, the group received a partial payment of the outstanding VAT debt from the GRA, totalling GHS35.4 million (US$9.3 million). In early July 2016, Perseus received further payments of the outstanding VAT debt from the GRA totalling GHS44.9 million (US$11.4 million). Perseus is continuing to work with the Government in the usual course of business with regards to VAT recovery.

Exploration

During the period 12,126 metres were drilled on various targets at Edikan and on adjoining licence areas, focussing on near-mine targets that could add incremental benefit to the current operation.

Several small drilling programs were conducted on the Edikan mining leases and neighbouring licences. A number of exploration targets were tested near the Fetish and Bokitsi deposits with generally modest results. Similar reverse circulation ("RC") drill testing of shallow targets was undertaken at Mampong South, Fobinso East and Kwadjo San which were unsuccessful. RC drilling around the Besem North prospect returned marginal results.

At Fobinso North drilling beneath historical workings developed on a quartz-veined and altered granite body returned intersections indicating the potential for a significant body of low-grade near surface gold mineralisation over a 200m strike length. Further drilling is underway to define the limits and test the continuity of the mineralisation.

Soil sampling at the Kwekutikrom prospect, 9km south of the Edikan plant site, defined several zones of moderate to strong gold-in-soil anomalism extending semi-continuously in two subparallel zones over a strike length of 3km. Encouraging results on sampling of dump material from an artisanal shaft was followed up with two short diamond holes. The mineralisation is open-ended and will be subjected to further drilling in the coming months.

Exploration at Edikan is now entering a stage where traditional methods of exploration, largely driven by soil geochemistry, is delivering poorer results. Consequently, in late 2015 the Company embarked on a major review of the extensive geological, geochemical and geophysical datasets it has acquired over the Edikan district with the intention of conducting a major targeting exercise. This work, which will include the acquisition of new datasets such

Review of **Operations** (continued)

as airborne electromagnetic surveys over the whole project plus more discrete ground geophysical surveys over specific areas of interest, is currently underway and is expected to deliver a new generation of targets towards the end of 2016.

EGM Mineral Resource estimate:
The Mineral Resource estimate for Edikan was prepared by independent consultant, RungePincockMinarco ("RPM") in accordance with the JORC Code – 2012 Edition on 1 May 2014 and updated in March 2015 and December 2015 to allow for additions to the Chirawewa and Mampong deposits respectively. The Mineral Resource estimates have been amended to allow for mining depletion by Perseus in the AF Gap, Fobinso, Fetish and Chirawewa pits up to 30 June 2016.

The updated global Measured and Indicated Mineral Resource estimate for Edikan is now estimated as 143.7Mt grading 1.1g/t gold, containing 5,011k ounces of gold, as at 30 June 2016. A further 61.6Mt of material grading 1.0g/t gold and containing a further 2,005k ounces of gold are classified as an Inferred Mineral Resource.

The Mineral Resource estimates for the EGM are tabulated below in table 3.

Table 3: Mineral Resources [2,3,5] EGM

Deposit	Measured Resources			Indicated Resources			Measured + Indicated Resources		
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz
AF Gap - Fobinso[1]	27.6	1.1	933	23.7	0.9	677	51.3	1.0	1,609
Esuajah South	9.5	1.8	546	7.3	1.6	370	16.8	1.7	916
Esuajah North	16.9	0.9	494	18.4	0.8	493	35.3	0.9	986
Fetish[1,4]	11.4	0.9	343	16.2	1.2	635	27.6	1.1	979
Chirawewa[1]	1.7	0.9	49	3.9	1.3	158	5.6	1.1	207
Bokitsi South[4]	0.7	3.7	86	0.9	2.3	68	1.6	2.9	154
Mampong	0.2	0.9	6	3.7	1.0	122	3.9	1.0	128
ROM Stockpiles	1.6	0.6	32	-	-	-	1.6	0.6	32
Total	**69.6**	**1.1**	**2,489**	**74.1**	**1.1**	**2,522**	**143.7**	**1.1**	**5,011**

Notes:
1. Allows for mining depletion to 30 June 2016.
2. All Mineral Resources current as at 30 June 2016.
3. 0.4g/t gold cut-off applied.
4. The boundary between Mineral Resources of the Fetish and Bokitsi deposits has been modified since the last annual financial report 2015. The northern portion of the mineralised material that was previously included in the Bokitsi estimate is now included as part of the Fetish estimate.
5. Numbers contain some rounding.

Review of **Operations** (continued)

Table 4: Inferred Mineral Resources – EGM [2,3,5]

Deposit	Inferred Resources		
	Quantity Mt	Grade g/t gold	Gold '000oz
AF Gap - Fobinso[1]	28.3	0.8	728
Esuajah South	5.7	1.1	211
Esuajah North	3.6	0.9	105
Fetish[1,4]	11.3	1.2	451
Chirawewa[1]	4.0	1.1	136
Bokitsi South[4]	1.2	1.5	56
Mampong	2.1	1.0	65
Dadieso	5.3	1.5	253
Total	**61.6**	**1.0**	**2,005**

Notes:

1. Allows for mining depletion to 30 June 2016.
2. All Mineral Resources current as at 30 June 2016.
3. 0.4g/t gold cut-off applied.
4. The boundary between Mineral Resources of the Fetish and Bokitsi deposits has been modified since the last annual financial report 2015. The northern portion of the mineralised material that was previously included in the Bokitsi estimate is now included as part of the Fetish estimate.
5. Numbers contain some rounding.

EGM Ore Reserve estimate:

The updated Ore Reserves summarised below in table 5 are based on the March 2016 Edikan Ore Reserves with depletion up to 30 June 2016. The Reserves are reported in accordance with the 2012 JORC code.

The updated Proved and Probable Ore Reserves for Edikan are now estimated as 55.8Mt grading 1.2g/t gold, containing 2,177k ounces of gold including 40.8Mt of ore grading 1.2g/t gold and containing 1, 556k ounces of gold in the Proved category and a further 15.0Mt of ore grading 1.3g/t gold containing 620k ounces of gold classified as Probable Ore Reserves. Details of these estimates are shown in table 5.

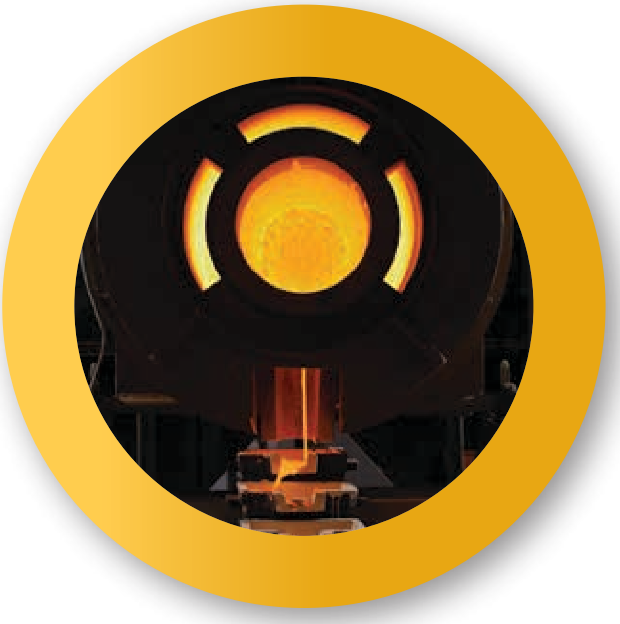
Review of Operations (continued)

Table 5: Ore Reserves – EGM [2,3,4,5]

Deposit	Proved Reserves			Probable Reserves			Proved & Probable Reserves			
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Strip Ratio[5]
AF Gap - Fobinso[1]	12.9	1.2	495	2.0	1.0	63	14.9	1.2	558	3.7
Esuajah South	5.8	1.8	334	0.9	1.9	57	6.7	1.8	391	7.7
Esuajah North	11.5	1.0	360	3.8	0.9	114	15.3	1.0	475	1.8
Fetish[1]	6.9	1.0	221	5.8	1.5	276	12.7	1.2	497	3.7
Chirawewa[1]	1.5	1.0	45	2.3	1.4	101	3.8	1.2	146	3.5
Bokitsi South	0.6	3.5	69	0.2	1.9	9	0.8	3.2	79	9.6
ROM Stockpiles	1.6	0.6	32	-	-	-	1.6	0.6	32	-
Total	**40.8**	**1.2**	**1,556**	**15.0**	**1.3**	**620**	**55.8**	**1.2**	**2,177**	**3.6**

Notes:

1. Allows for mining depletion to 30 June 2016.
2. All Mineral Resources current as at 30 June 2016.
3. 0.4g/t gold cut-off applied.
4. The boundary between Mineral Resources of the Fetish and Bokitsi deposits has been modified since the last annual financial report 2015.
   The northern portion of the mineralised material that was previously included in the Bokitsi estimate is now included as part of the Fetish estimate.
5. Numbers contain some rounding.



A programme of early works was completed, including construction of site access roads, initial earthworks, early clearing and fencing.

Review of **Operations** (continued)

86% interest in SGP

Mining Convention for Sissingué finalised

Programme of early works **completed**

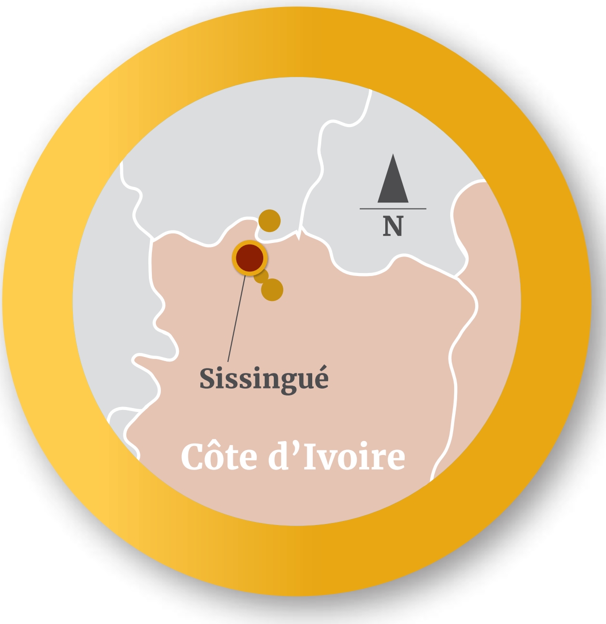
SGP, Côte d'Ivoire

The SGP is located in the north of Côte d'Ivoire and lies within the Tengrela East exploitation permit that comprises an area of 446km^2. The permit is located along a structural/stratigraphic corridor within the Syama-Boundiali greenstone belt approximately 150km south-southeast of the Morila gold mine (approximately 7Moz) in Mali and 65km west northwest of Randgold's Tongon deposit (approximately 4.3Moz) in Côte d'Ivoire. The group owns an 86% interest in the SGP, with the remaining 10% a free carried interest reserved for the Ivorian government and 4% owned by local interests.

Project development

In late July 2015 the terms of a Mining Convention for Sissingué were finalised in accordance with Côte d'Ivoire's legislated Mining Code and executed by Perseus and the Ministers for Industry and Mines, Economy and Finance, and Budget. Following this, a programme of early works was completed, including Front End Engineering and Design work by Lycopodium, construction of site access roads, initial earthworks, early clearing and fencing, design and procurement of elements of the mine camp and certain items of mobile equipment.

Organisation structures were developed for both the construction and operating phases of the project and Perseus recruited a small number of construction staff. A Recruitment Committee involving representatives of all villages located in the vicinity of Sissingué was established to ensure fair allocation of employment opportunities to local residents during both the construction and operating phases of the project.



Review of **Operations** (continued)

Advanced negotiations

First gold production **2018**

A programme of engagement was initiated with all national, regional and local government and community security stakeholders to ensure that all parties are adequately briefed on details of the project and committed to maintaining the peace and security in the vicinity of Sissingué.

After the successful raising of equity finance, execution plans for the full-scale development of Sissingué were activated early in the 2017 financial year. At a total development cost to complete of US$100 million, Sissingué is currently forecast to produce 385,000 ounces of gold at an all-in site cost of US$632/ounce over a 5.25 period from first gold production, to generate an un-geared after tax internal rate of return of 27% at an average gold price of US$1,200/ounce.

Financing

The full scale development of Sissingué is intended to be financed through a mix of equity finance (US$40 million) and project debt finance (US$60 million). Perseus successfully completed the raising of $102 million in July 2016, US$40 million of which has been allocated to fund the equity portion of Sissingué's capital budget. Material progress has been made towards establishing a US$60 million project financing facility for Sissingué and final credit approval and documentation of the facility to be provided by Macquarie Bank and BNP Paribas are anticipated to be completed early in the 2017 financial year.

To de-risk the project debt financing and ultimately the project economics, a total of 100,000 ounces of gold has been sold forward at an average price of approximately US$1,308/ounce in satisfaction of the project lenders' hedging requirement of not less than 100,000 ounces at a price of at least US$1,200/ounce.

Project implementation

Negotiations with Lycopodium were well advanced on finalising a suite of contracts, accounting for approximately 50% of estimated construction scope. Subsequent to year end these contracts were awarded to Lycopodium and signed. With the execution of the construction contracts and given that all required licencing, permitting and landowner compensation has been completed, re-commencement of site works is expected to occur early in 2017 financial year.

After the successful raising of equity finance, execution plans for the full-scale development of Sissingué were activated early in the 2017 financial year.

Review of **Operations** (continued)

Given the quality of the project planning and the assembled project management team, construction and commissioning of Sissingué is expected to progress reasonably quickly and hopefully without incident with first production of gold now scheduled to occur around mid-2018 financial year.

Exploration

During the period, 16,160 metres were drilled in Côte d'Ivoire, focussing on the Mahalé exploration licence and the Sissingué exploitation licence.

A total of 7,461m of drilling was completed on the Mahalé licence, located 43km west-southwest of the currently planned SGP plant site. Over 5000m of RC and 890m of diamond drilling were undertaken at the Bélé East and West zones to upgrade the resources there to Indicated category. Further RC and diamond drilling is planned at both Bélé East and West to infill the current drill pattern and investigate possible extensions both along strike and down plunge. A review of previous soil and auger geochemical results from sampling programs has highlighted a number of anomalies that remain untested, drilling to investigate these targets is a high priority for the second half of 2016.

A program of auger drilling with rotary air blast ("RAB") drilling to follow up auger anomalies was conducted on the Sissingué exploitation licence to evaluate areas of potential geochemical masking by transported regolith along the Papara-Sissingué-Kanakono mineralised corridor north of Sissingué. A number of modest auger anomalies around the M'basso prospect were subsequently tested through a RAB drilling program for the presence of in-situ mineralisation. Overall results from the RAB drilling were not encouraging. It is planned to conduct a major review of all historical drilling, geochemical and geophysical data from the Sissingué project as part of an integrated targeting exercise to drive future exploration.

SGP Mineral Resource estimate

In October 2014, independent mining industry consultant, Snowden Mining Industry Consultants ("Snowden") was commissioned by Perseus to estimate Mineral Resources at the SGP deposit. The Mineral Resource estimate was prepared in accordance with the JORC Code 2012 Edition. The Mineral Resource estimate is summarised in the following table that reports the Resources by category and area, above a 0.6 g/t gold cut-off grade. The classification categories of Inferred, Indicated and Measured under the JORC Code are equivalent to the CIM categories of the same name (CIM, 2014).

The global Measured and Indicated Mineral Resource for the SGP is estimated as 16.0Mt grading 1.7g/t gold, containing 880k ounces of gold. A further 1.1Mt of material grading 1.7g/t gold, containing a further 63k ounces of gold are classified as Inferred Mineral Resources. Details of these estimates are shown below in tables 6 and 7.

Review of **Operations** (continued)

Table 6: M&I Mineral Resources – SGP [1,2,3,4]

Deposit	Measured Resources			Indicated Resources			Measured + Indicated Resources		
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz
Sissingué	4.8	2.4	370	11.0	1.4	510	16.0	1.7	880

Notes:
1. Based on October 2014 Mineral Resource estimation.
2. 0.6g/t gold cut-off applied.
3. Mineral Resource current as at 30 June 2016.
4. Numbers contain some rounding.

Table 7: Inferred Mineral Resources – SGP [1,2,3,4]

Deposit	Inferred Resources		
	Quantity Mt	Grade g/t gold	Gold '000oz
Sissingué	1.1	1.7	63

Notes:
1. Based on October 2014 Mineral Resource estimation.
2. 0.6g/t gold cut-off applied.
3. Mineral Resources current as at 30 June 2016.
4. Numbers contain some rounding.

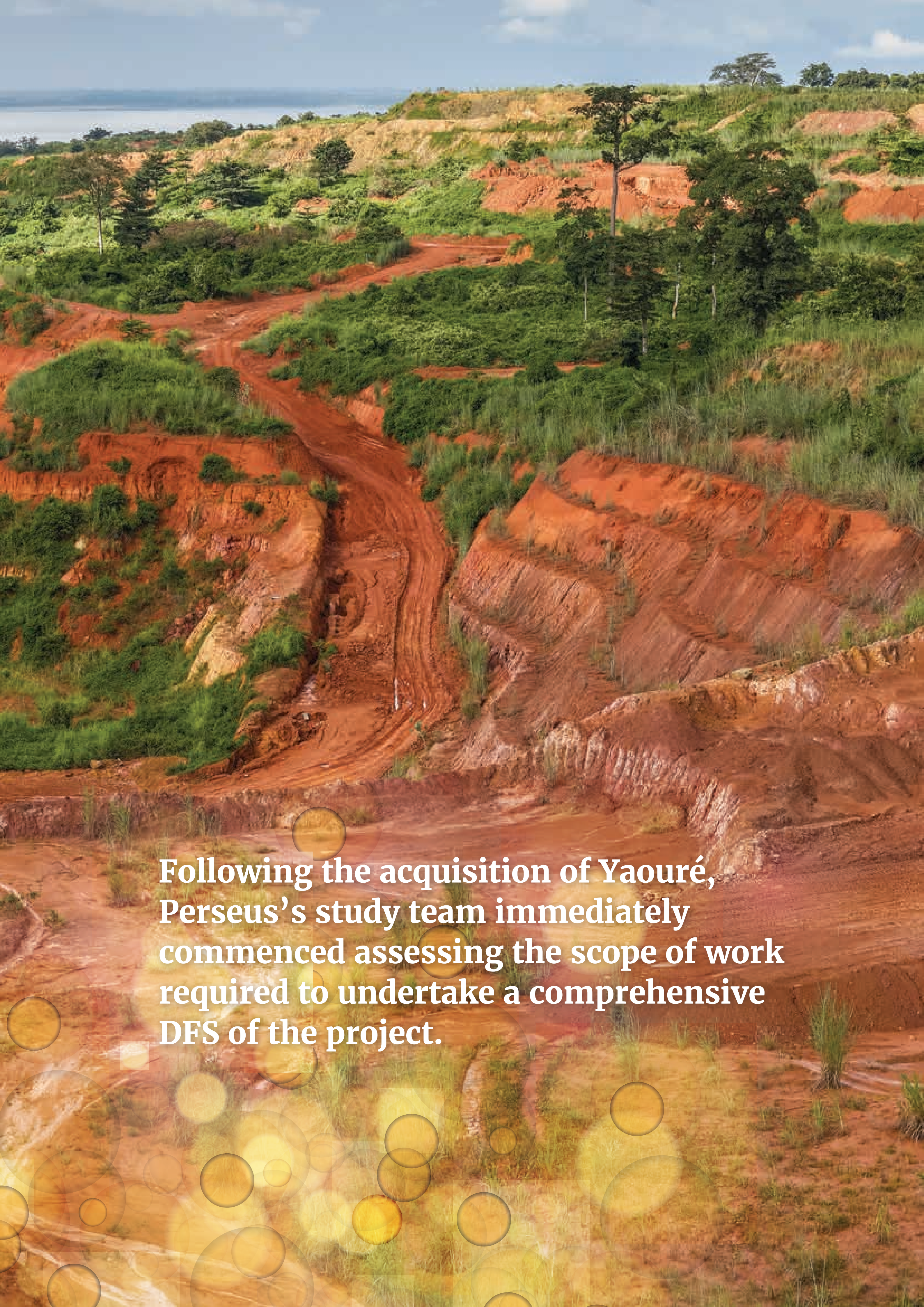
SGP Ore Reserve estimate

RPM was commissioned by Perseus to complete a mining study and a subsequent independent estimate of the open cut Ore Reserves for the SGP. The Ore Reserve Statement estimates the Ore Reserves as at 1 February 2015 and has been undertaken in compliance with the requirements of the reporting guidelines of the JORC Code 2012 Edition. A total of 5.5 Mt of open cut Ore Reserves grading 2.4g/t gold were estimated for the SGP as at 1 February 2015 classified as follows in table 8.

Table 8: Ore Reserves – SGM [1,2,4,5]

Deposit	Proved Reserves			Probable Reserves			Proved & Probable Reserves			
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Strip Ratio[5]
Sissingué	3.4	2.8	312	2.1	1.7	115	5.5	2.4	429	3.2

Notes:
1. Based on February 2015 Ore Reserve estimation.
2. Variable gold grade cut-off based on recovery of each material type: Oxide 0.6 g/t, Transition 0.8 g/t, Granite – Porphyry 0.8 g/t and Sediment 1.0 g/t.
3. Inferred Mineral Resource is considered as waste, t : t.
4. Ore Reserve current as at 30 June 2016.
5. Numbers contain some rounding.



Following the acquisition of Yaouré, Perseus's study team immediately commenced assessing the scope of work required to undertake a comprehensive DFS of the project.

Review of **Operations** (continued)

DFS commenced immediately

One of Africa's highest quality pre-dev stage projects

Yaouré, Côte d'Ivoire

On 18 April 2016, a scheme of arrangement pursuant to which Perseus acquired all of the outstanding shares in Amara took effect resulting inter alia, in Perseus owning Yaouré, one of West Africa's highest quality pre-development stage projects.

DFS

Following the acquisition of Yaouré, Perseus's study team immediately commenced assessing the scope of work required to undertake a comprehensive DFS of the project. Following this assessment which included examining all of the work previously conducted by Amara, contracts for all material work packages required to complete the DFS were awarded to a range of consultants and contractors including RPM who will perform the role of lead consultant for the study.

Drilling results and other information associated with progress of the DFS will be progressively released as the study progresses.

Review of Operations (continued)

2 New
exploration permits

An integral part of the DFS is an initial 42,000 metre infill diamond drilling and RC drilling programme designed to enhance Perseus's confidence in the existing Mineral Resource estimate as well as examine opportunities for incremental expansion of the Mineral Resource. The drilling programme includes grade control drilling in targeted areas. A 40,000 metre RAB drilling program to sterilise the planned sites of mine infrastructure as well sas geotechnical and hydrogeological drilling, will commence early in the 2017 financial year.

Discussions with the Ivorian Environmental Protection Agency have advanced since acquisition of the project and an ESIA for Yaouré is expected to be formally granted by the government of Côte d'Ivoire early in the 2017 financial year.

It is expected that the DFS will take a total of 12 months to complete from commencement which should see the full study results being available around the middle of 2017. Drilling results and other information associated with progress of the DFS will be progressively released as the study progresses.

Exploration

Extensive soil sampling was conducted on the Yaouré East and West properties following the Amara acquisition. Work has focused on the Allekran North prospect on the Yaouré West permit where soil sampling has defined extensive gold-in-soils anomalism along the faulted contact between metasediments and mafic volcanics. Soil sampling is also being extended over the Angovia North and Diale-Gorankro areas on the Yaouré West permit to complete soil geochemical coverage over all those parts of the permit not previously sampled, with auger and RAB drilling planned to follow up anomalies generated by the soil sampling.

Other permits, Côte d'Ivoire

Two new Exploration Permits were granted during the period – Zouan Hounien in the Ity district of southwest Côte d'Ivoire, and Kounahiri in central Côte d'Ivoire. Exploration commenced almost immediately, with stream sediment sampling on the Kounahiri permit followed up by soil sampling over anomalous catchments, and soil sampling at Zouan Hounien. Low to moderate tenor geochemical anomalies were defined on both properties and work to investigate these anomalies is ongoing.

Review of **Operations** (continued)

Burkina Faso

Perseus has a farm-in agreement with West African Gold Limited ("WAG"), an Australian unlisted junior explorer, in respect of four exploration permits (Koutakou, Barga, Touya and Tangayé) in the North of Burkina Faso. An air-core drilling program to follow up on a large, low tenor gold in soil anomaly defined on the Koutakou licence in early 2015 has been deferred due to ongoing delays in renewal of the permit.

Sierra Leone

As part of the scheme of arrangement with Amara, Perseus also acquired the Baomahun project in Sierra Leone. Subsequent to year end Perseus has been advised by the Sierra Leone National Minerals Agency that the Minister for Mines and Mineral Resources has cancelled Mineral Right ML 02/08 on which the Baomahun gold deposit is located. This action has been taken following Perseus's advice to the Minerals Advisory Board that development of the Baomahun Gold Project as defined by Amara is not economically feasible at current gold prices and that further exploration success and a positive feasibility study would be required before Perseus could consider committing to development.

Review of **Operations** (continued)

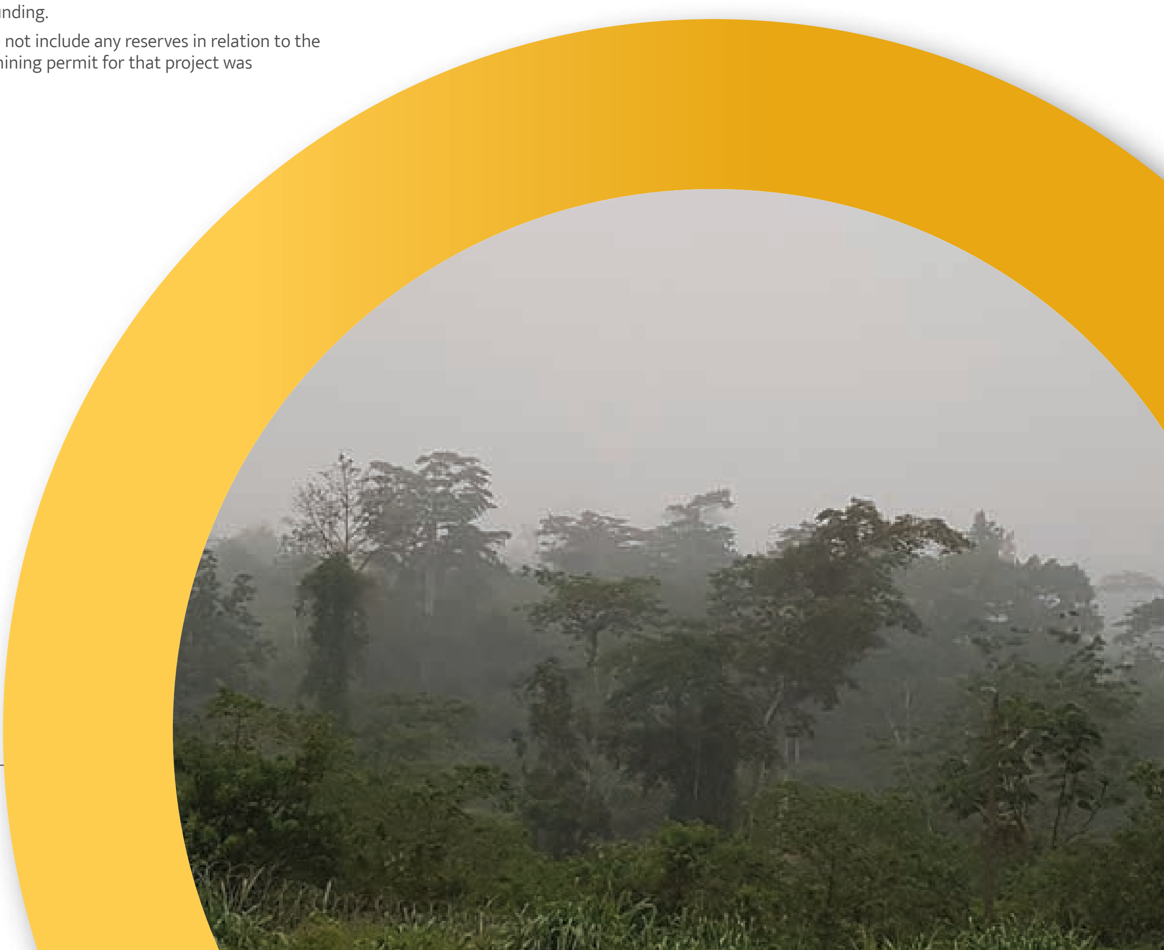
GROUP ORE RESERVES AND MINERAL RESOURCES

Table 9: Total Group Ore Reserves [2,4,5]

Deposit	Proved Reserves			Probable Reserves			Proved & Probable Reserves		
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz
EGM[1]	40.8	1.2	1,556	15.0	1.3	620	55.8	1.2	2,177
SGP[1]	3.4	2.8	312	2.1	1.7	115	5.5	2.4	429
YGP (see cautionary statement)[3]	18.1	1.8	1,100	44.2	1.5	2,200	62.3	1.6	3,200

Notes:

1. JORC Ore Reserve/NI 43-101 Mineral Reserve as at 30 June 2016.
2. The Company holds 90% of Edikan Gold Mine, 90% of Grumesa Gold Project, 90% of Yaouré Gold Project and 86% of Sissingué Gold Mine after allowing for Government equity at mining stage.
3. Cautionary statement: This estimate is a Foreign Estimate under the ASX Listing Rules and a Historical Estimate under Canadian NI 43-101 as at 24 November 2015 and is not reported in accordance with the JORC Code. A qualified person has not completed sufficient work to classify this estimate as current Mineral Resources or Ore Reserves in accordance with the JORC code and the Company is not treating these estimates as current. It is uncertain that following evaluation and/or further exploration work these estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. For further information regarding the treatment of the estimate, the reader is referred to page 85 of this report.
4. Numbers contain some rounding.
5. The Group Ore Reserves do not include any reserves in relation to the Baomahun project as the mining permit for that project was recently cancelled.



Review of **Operations** (continued)

Table 10: Total Group Mineral Resources (including Ore Reserves) [1,5,6]

Deposit	Measured Resources			Indicated Resources			Inferred Resources		
	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz	Quantity Mt	Grade g/t gold	Gold '000oz
EGM[3]	69.6	1.1	2,489	74.1	1.1	2,522	61.6	1.0	2,005
GGP[2,3]	-	-	-	25.1	0.6	471	16.4	0.5	247
SGM[3]	4.8	2.4	370	11.0	1.4	510	1.1	1.7	63
YGP (see cautionary statement)[4]	18.6	1.9	1,114	85.5	1.5	4,042	47.7	1.4	2,156

Notes:

1. The Company holds 90% of Edikan Gold Mine, 90% of Grumesa Gold Project, 90% of Yaouré Gold Project and 86% of Sissingué Gold Mine after allowing for Government equity at mining stage.
2. Last updated in December 2010.
3. JORC/NI 43-101 Mineral Resource as at 30 June 2016.
4. Cautionary statement: This estimate is a Foreign Estimate under the ASX Listing Rules and a Historical Estimate under Canadian NI 43-101 as at 14 May 2015 and is not reported in accordance with the JORC Code. A qualified person has not completed sufficient work to classify this estimate as current Mineral Resources or Ore Reserves in accordance with the JORC code and the Company is not treating these estimates as current. It is uncertain that following evaluation and/or further exploration work these estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. For further information regarding the treatment of the estimate, the reader is referred to page 85 of this report.
5. Numbers contain some rounding.
6. The Group Mineral Resources do not include any resources in relation to the Baomahun project as the mining permit for that project was recently cancelled.

GOVERNANCE AND INTERNAL CONTROLS FOR RESERVE AND RESOURCE ESTIMATES

Resource drilling is conducted by NQ and HQ diamond drilling and to a lesser extent by high quality, dry, RC drilling. Drill hole positions are surveyed to high accuracy with a DGPS and down hole deviations measured at 30m intervals with Reflex or Flexit multi-shot survey equipment. Drilling is logged in detail for lithology, alteration, structure and mineralisation and is then validated and imported into a master database using Datashed. Sampling is typically at 1 meter intervals and samples are analysed for gold by 50g Fire Assay at external recognised laboratories. QA/QC procedures are industry standard with certified standards, blanks and duplicate samples inserted into the sample stream at a rate of 1 in 20 samples.

Mineral Resource and Ore Reserve estimates are prepared and reported by suitably qualified Perseus personnel or external consultants (Competent Person) in accordance with the JORC code and other industry standards.
The modifying factors for EGM's Reserve estimates are based on information from the actual operation.
Any supporting information and documentation including geological interpretation that are prepared and supplied by Perseus personnel are reviewed by the Competent Person. Block models are visually checked by Perseus personnel for comparison against the original exploration drilling data.

Sustainability **Report** **2015-2016**

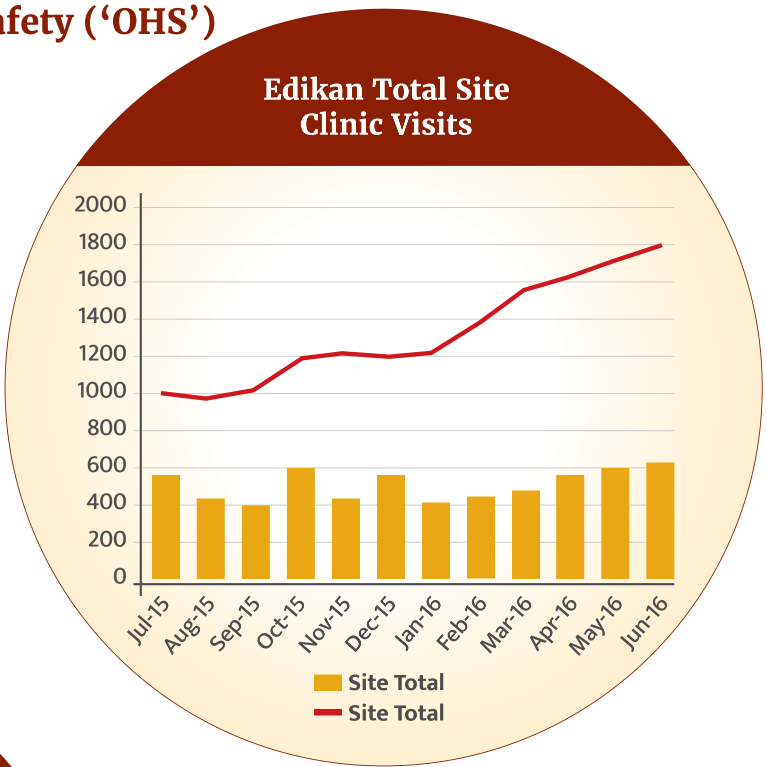
Sustainability Report 2015–2016 (continued)

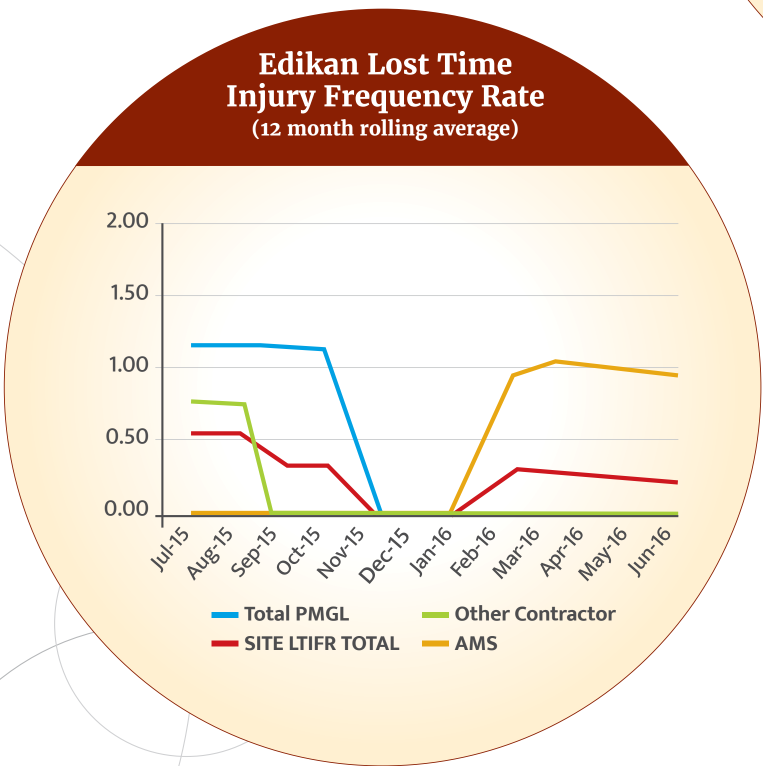
Occupational Health & Safety ('OHS')

Clinic Visits

The medical services at the Edikan site clinic were provided by West African Rescue Association until 1 September 2015 and thereafter by International SOS. International SOS now provide the local doctor, expatriate paramedic and nurses recruited from the local catchment communities. Figure 1 details the total workforce numbers on site and the number of people presenting at the site clinic each month during the year.

Figure 1: Edikan Site Clinic Visits





Injuries

There was one Lost Time Injury ("LTI") sustained at Edikan during the year, when in February 2016 a drilling offsider working for a contractor injured his right ring finger when it became trapped between the cyclone and the control panel box of the drilling rig. There were no LTIs recorded at the project in Côte d'Ivoire.

Perseus did record 42 less serious injuries during the year at Edikan and seven at Sissingué. No Restricted Work Injuries ("RWI") were recorded during the year for Perseus. The total number of injuries at Edikan is consistent with the previous year, however the injuries sustained are less severe.

Edikan's Lost Time Injury Frequency Rate ("LTIFR") is shown in Figure 2. At the end of June 2016 the site LTIFR was 0.19, down from 0.54 at the end of June 2015.

Figure 2: Edikan Lost Time Injuries per 1 Million Man Hours Worked

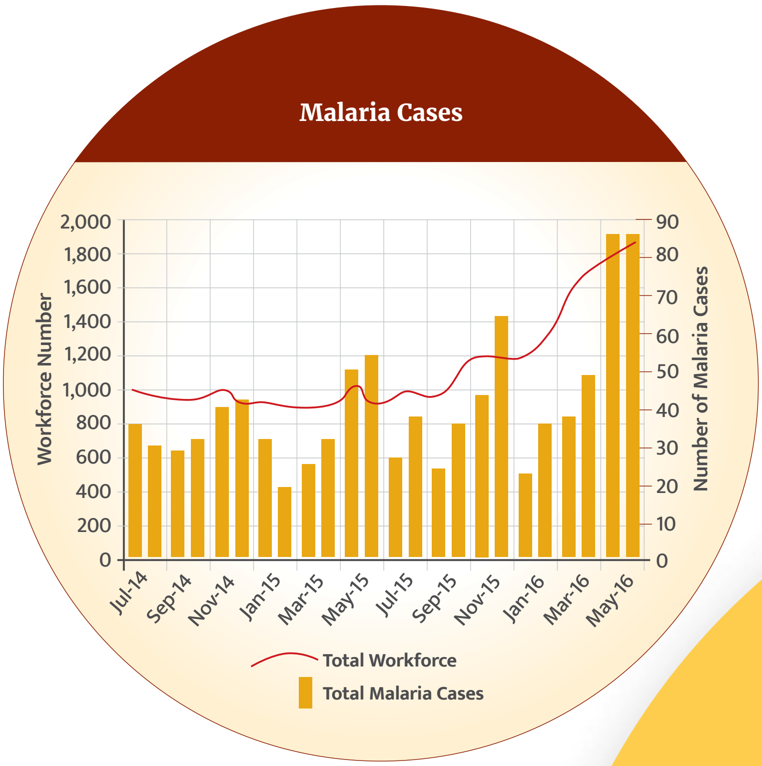
Sustainability **Report** **2015–2016** (continued)

Occupational Health & Safety ('OHS') (continued)

Malaria

Malaria continues to be an issue at Edikan as detailed in Figure 3, but the pattern of malaria cases appears to coincide with the seasons as well as total workforce numbers. Fogging and spraying programs have continued in the Edikan camp and World Malaria Day was again celebrated.

Figure 3: Edikan Malaria Cases



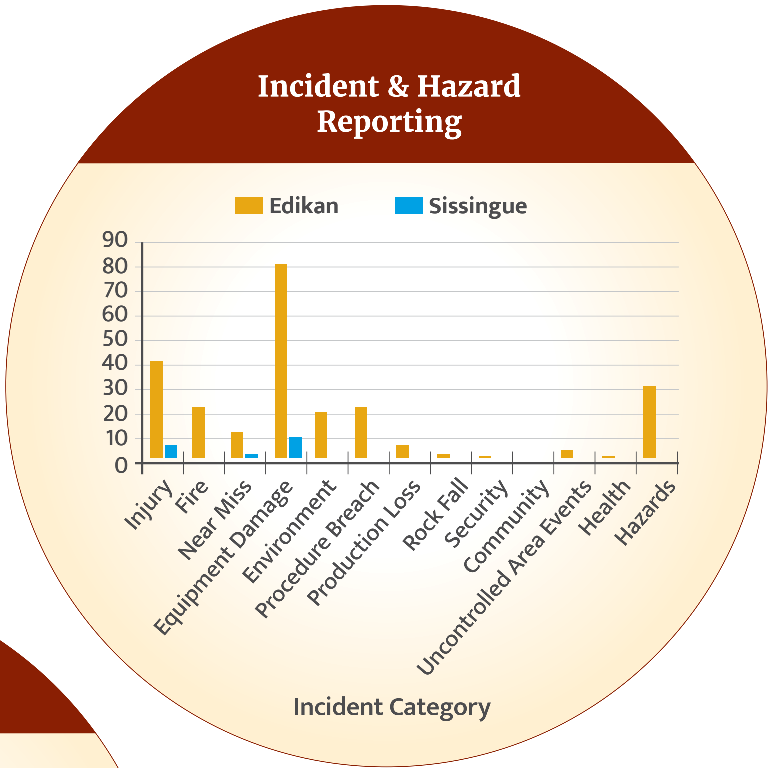
Sustainability Report 2015–2016 (continued)

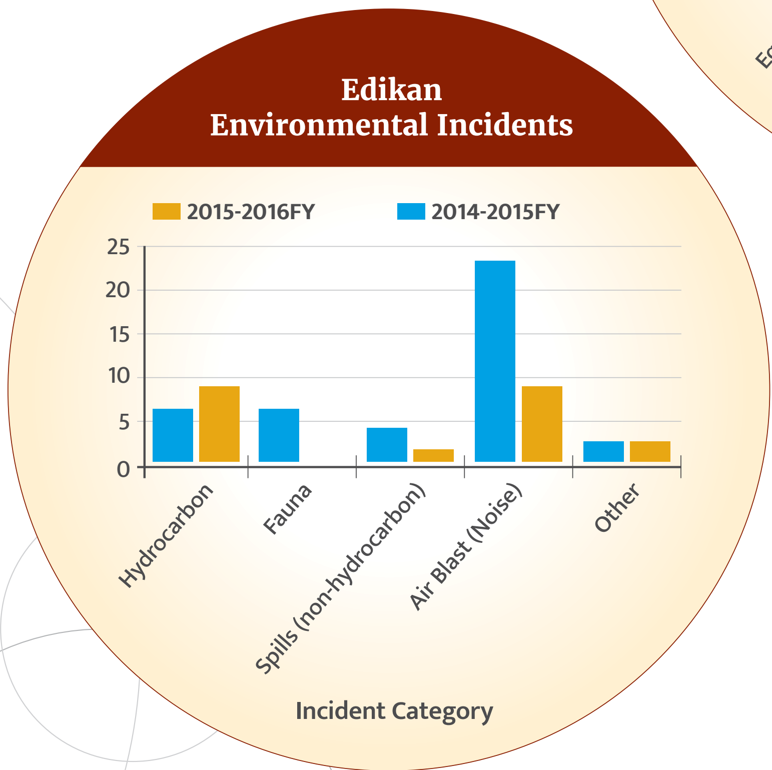
Occupational Health & Safety ('OHS') (continued)

Incidents

There were 255 incidents and hazards formally reported at Edikan during the year and 19 at Sissingué, with all incidents by category displayed in Figure 4. Incident reporting continues to decrease across the Edikan site over the last two years and equipment damage remains the most reported incident type

Figure 4: Edikan & Sissingué Incidents by Category





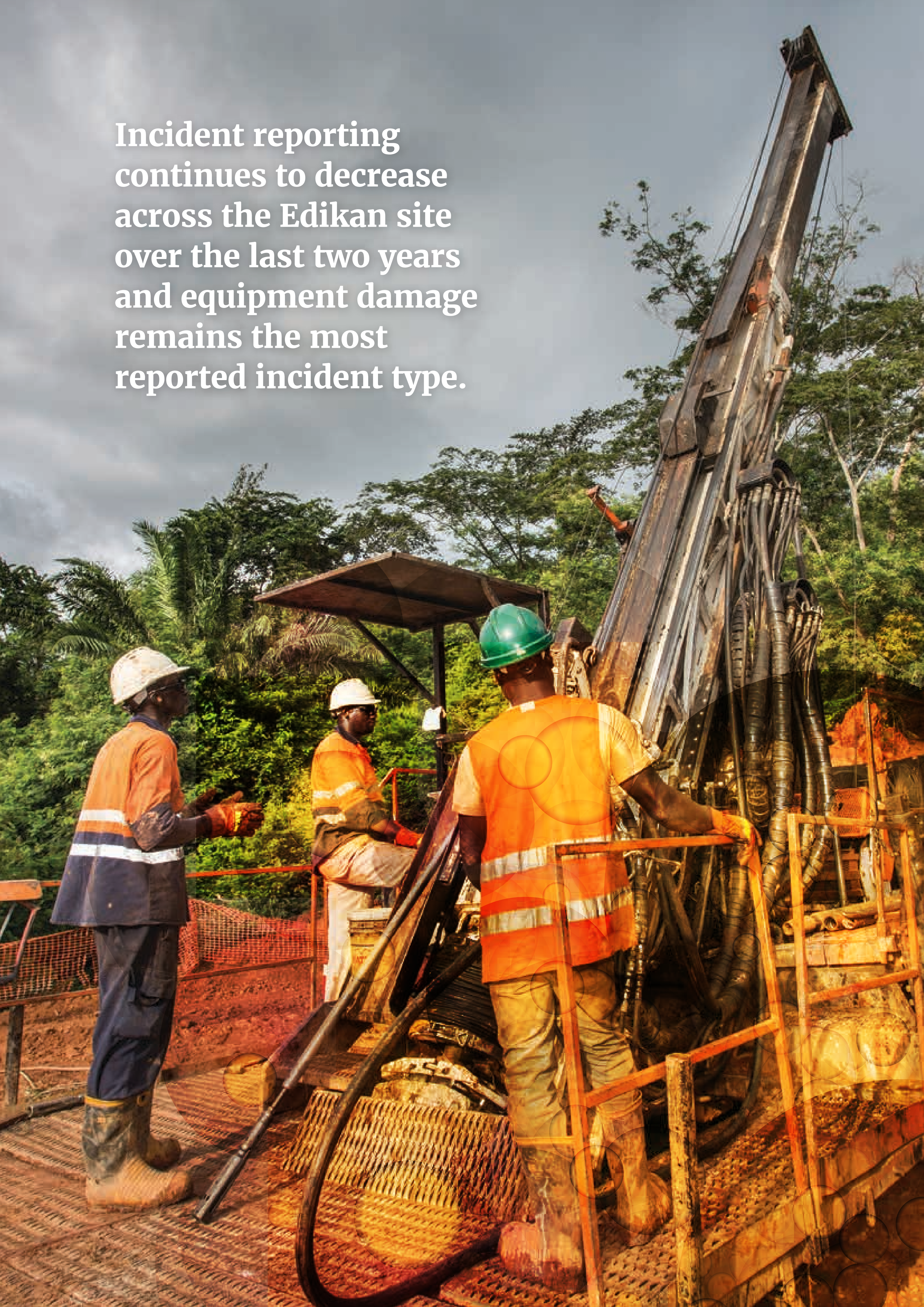
Environment

Environmental Incidents

There were 21 environmental incidents formally reported at Edikan during the year, and none for Sissingué. Incidents by category are displayed in Figure 5. Compared to last year, air blast (noise) incidents have decreased at Edikan due to less blasts being undertaken. Reduced blasting is a result of moving from the western pits to the Eastern Pits, where mining commenced in oxide and transition material.

Figure 5: Edikan Environmental Incidents by Category

Incident reporting continues to decrease across the Edikan site over the last two years and equipment damage remains the most reported incident type.



Sustainability Report 2015–2016 (continued)

Environment (continued)

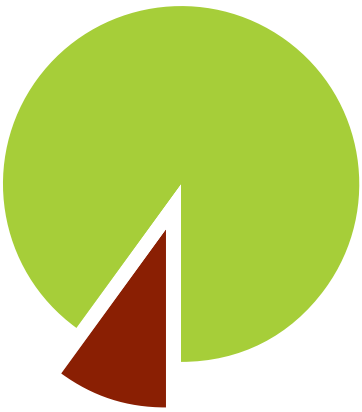
Land Disturbance and Rehabilitation

An additional 118.39 hectares of land was cleared of vegetation at Edikan, mainly for the development of the Eastern Pits. This included areas for waste rock dumps, haul roads and pit extensions for Fetish, Chirawewa and Esuajah North, plus the mining contractor's workshop. Six new stockpiles of topsoil from the affected area were created and were planted with grass to protect them from erosion. The topsoil will be used for future rehabilitation works. Details of land disturbance at Edikan this year and to date are shown in Figure 6.

Progressive rehabilitation of disturbed areas back to a natural state continues to be undertaken at Edikan, with areas contoured to ensure that final slopes are stable and erosion will be minimised before topsoil is spread. Plants for use in rehabilitation projects are grown in the Edikan nursery and personnel used for this revegetation are sourced from the local catchment communities.

Details of land disturbance and rehabilitation works undertaken at Edikan to date are shown in Figure 7.

Figure 6: Edikan Land Disturbance this Year and to Date



Edikan Land Disturbed

Edikan Site Total
(1,042 Ha)

Year Total
(118.39 Ha or 11.36% of the Site Total)

Figure 7: Edikan Rehabilitation Works to Date

Edikan Land Rehabilitated

Edikan Total Rehabilitated to Natural
(157.33 Ha or 15.10% of the Total Land Disturbed)

Edikan Total Land Disturbed
(1042 Ha)

Edikan Total Rehabilitated for Erosion Control
(44.24 Ha or 4.25% of the Total Land Distributed))

Sustainability **Report** **2015–2016** (continued)

Environment (continued)

98 hectares were cleared at the Sissingué project site as part of the initial development works, including for access roads, camp, plant and administration office area, airstrip, perimeter fence, sewage treatment plant, waste disposal area and workshops. Topsoil was stockpiled and the walls of the earthen pads were rock lined to help prevent erosion.

Environmental Approvals and Permitting

Edikan - Flotation Tailings Storage Facility ("FTSF")

Construction of the FTSF Cell 3E was completed and verbal approval was received from MINCOM to commence tailings deposition. The written permit is yet to be received.

The EPA inspected the Cell 3E site and a verification audit was undertaken by third party consultants for the EPA as part of the process for obtaining a depositional permit. The construction report, third party audit report and relevant documents were submitted to the EPA in Accra and the written permit is yet to be received.

Other FTSF works undertaken during the year included raising the main embankment and saddle embankments 1, 2, 3 and 4. Temporal embankment 5 was raised using waste rock to aid filtration between cells. The main embankment, saddle embankment 1 and saddle embankment 4 were also planted with grass to control erosion.

A new monitoring borehole was drilled at the toe of saddle embankment 1 to replace a previous bore which was grouted and then covered by the embankment raising works.

Edikan - Mining

The Ghana EPA Permit for the Eastern Pits operation was received on 12 August 2015. This followed the EPA's review of the Supplementary Environmental Impact Statement ("SEIS") for the Eastern Pits.

The Environmental Management Plan ("EMP") for the eastern pits was subsequently drafted in readiness for submission to the EPA.

The EMP for the Western Pits was updated and submitted to the EPA with other relevant documents to enable the renewal of the Environmental Certificate (Permit) for that part of the Edikan operation. The EPA Environmental Certificate is yet to be received.

Edikan - Other Permits

The renewed Permit for water abstraction and water use was received from the Water Resource Commission and covers the period from 1 January 2016 to 31 December 2018.

The site Radiation Permit was renewed and is valid for one year.

The MINCOM Mine Operating Permit expired in December 2015. All relevant documents were submitted for the permit renewal and permit fees paid. A temporary operating permit was issued but the actual permit is yet to be received.

The Environmental Permit for mineral exploration at the Esuajah South project was received and is valid until 27 December 2017.

Sustainability Report 2015-2016 (continued)

Environment (continued)

Sissingué – Environmental Permit
Following completion of the updated Definitive Feasibility Study, the Environmental and Social Impact Assessment ("ESIA") was also updated and resubmitted. The Ivoirian environmental agency ("ANDE") approved the revision in April 2016.

Sissingué - Water Abstraction Permit
Perseus has applied to the Ivorian Ministry of Water and Forestry for approval to abstract water from the Bagoe River as well as form groundwater bores on the project site. The permit is issued in agreement with Niger Basin Authority which has representatives from nine countries, as the Bagoe River is the border with Mali and is a tributary of the Niger River. A site visit was conducted by authority representatives and the permit is awaited.

Sissingué – Airstrip Permit
An application has been made to the National Civil Aviation Agency for the construction and operation of an airstrip at the project site for charter flights. A site visit was conducted by the agency and the permit is awaited.

Sissingué – Other Permits
Environmental and social baseline studies for the Mahalé gold deposit, near Sissingué, were completed during the year and drafting of the ESIA has commenced.

An ESIA was completed for a quarry that will provide aggregate for the Sissingué construction project. An application for a quarry licence was submitted to the Ivorian Ministry of Industry and Mines, but the Permit has not yet been received.

98 hectares were cleared at the Sissingué project site as part of the initial development works, including for access roads, camp, plant and administration office area, airstrip, perimeter fence, sewage treatment plant, waste disposal area and workshops.


Perseus aims to
employ local people
whenever possible.

Sustainability Report 2015-2016 (continued)

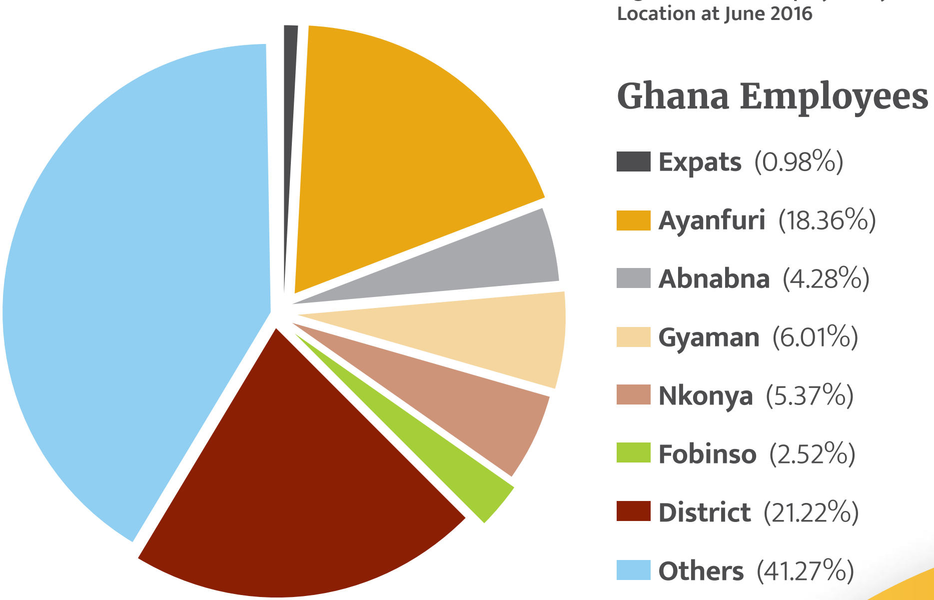
Social Development

Employment

Perseus aims to employ local people whenever possible and employment committees in the local catchment communities are used to help facilitate this.

The percentage of Perseus employees and contractors employed at Edikan in June 2016, by location, is shown in Figure 8. The percentage of both expatriate employees and Ghanaians employed from "other" areas outside the Edikan mine catchment have decreased, mainly due to the resettlement project contractors employing mainly from local communities.

Figure 8: Ghana Employees by Location at June 2016



Sustainability Report 2015-2016 (continued)

Social Development (continued)

Similarly, in Côte d'Ivoire Perseus employs as many people as possible from the catchment areas it is working in, including casual labour for drilling programs sourced from villages near its exploration activities. Over the course of the year a total of 1,417 individuals were employed from the villages of Mahalé, Mbengué, Napié, Sissingué, Tengrela and Kounahiri for a combined total of 19,732 work days. The percentage of employees employed on a permanent basis by Perseus and its contractors, by location, is shown in Figure 9.

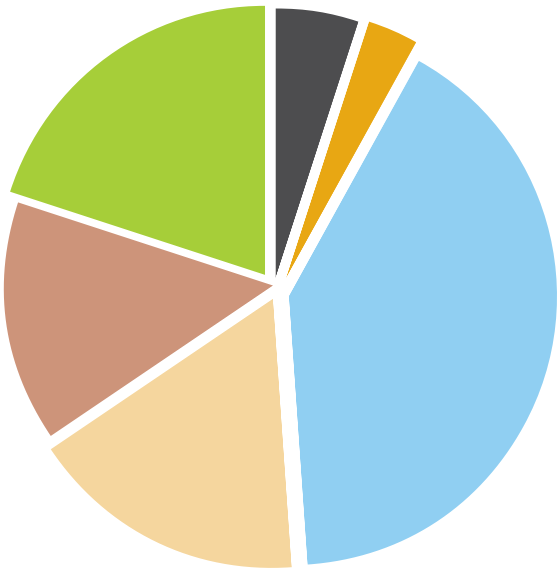


Figure 9: Côte d'Ivoire Employees by Location

Côte d'Ivoire Employees

- **Expats** (5.10%)
- **Sissingué** (3.18%)
- **Tengrela** (40.76%)
- **Kanakono** (16.56%)
- **District** (14.65%)
- **Abidjan** (19.75%)

Note: Data is for permanent personnel for June 2016

Sustainability Report 2015–2016 (continued)

Social Development (continued)

Perseus employs females in management positions within the organisation, including the Edikan Senior Human Resources Manager and the Chief Financial Officer and Group Sustainability Manager in Perth. Perseus continues to adhere to equal opportunity principals and encourages women to apply for positions with the Company. Figure 10 details the split between male and female employees across Perseus at the end of June 2016.

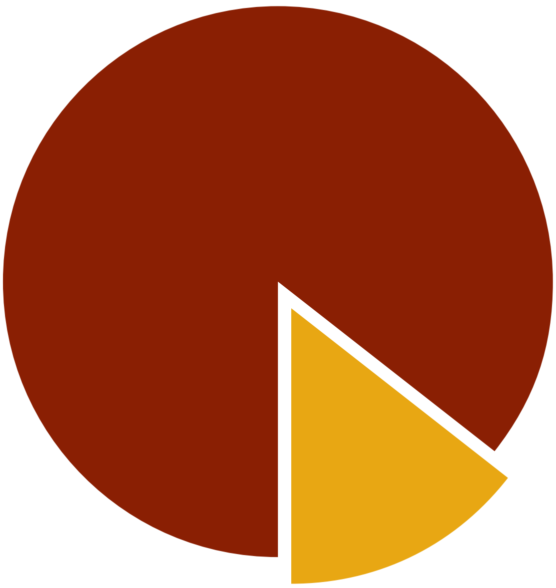


Figure 10: Total Perseus Employment by Gender

Note: Data is from June 2016 for Perseus employees only

Sustainability Report 2015–2016 (continued)

Social Development (continued)

Community Support

Perseus continued to support the local communities in its areas of influence, with the focus on projects relating to improving health, education and sanitation, as well as to support cultural events. Some of the in-kind support provided by Edikan include:

- A community clean-up at Nkonya, to support the Ghana government's sanitation program.
- The donation of two rubbish bins to the Ayanfuri community to be placed at their taxi station.
- The excavation of new domestic waste trenches at Ayanfuri and Gyaman.
- The construction of water boreholes at Ayanfuri, Gyaman and Chirawewa.

Cash donations are also made by Perseus and in total this year, Perseus donated US$28,223 to support these target areas in Ghana. Financial support to the local communities is also provided through the Edikan Trust Fund established by Perseus. This year, Perseus contributed US$253,806 to the fund and US$385,010 was spent on community development projects. Some of the major projects undertaken during the year include:

- Construction of a water supply system at Ayanfuri;
- Construction of nurses accommodation and a community centre at Abenabena;
- Repairs and upgrades of schools at Ayanfuri and Gyaman, upgrading another school's library at Ayanfuri and the provision of desks for two schools;
- Construction of ablution blocks at three villages;
- Provision of building materials for Nkonya and three exploration impacted communities; and
- 80 scholarships for senior high school and tertiary institutions for students of Ayanfuri and Nkonya.

Cash and in-kind donations were also made to communities around Sissingué, including undertaking school repairs and upgrades, providing desks and supporting local sporting events. The main community support project during the year was the installation of a deep water bore with solar pump and tanks in the Sissingué Village to provide an adequate year-round water supply.

Sustainability **Report** 2015–2016 (continued)

Social Development (continued)

Community Grievances

Perseus's grievance management process continued to be used by our stakeholders in both Ghana and Côte d'Ivoire. The system allows external stakeholders to raise issues with the Company and the Company will in turn investigate the grievance and formally respond. The objective is to resolve all matters in a timely manner.

There were four community grievances recorded in Côte d'Ivoire for the year, all relating to land compensation. The land compensation has now been resolved and all payments have been accepted and collected.

Grievances at Edikan for the year by category are detailed in Figure 11 below. There are a high number of unresolved complaints relating to building cracks because the community have rejected the Company's crack repair program, claiming their buildings cannot be repaired while blasting continues.

Figure 11: Edikan Community Grievances by Category

Sustainability Report 2015–2016 (continued)

Social Development (continued)

Community Training & Education

Perseus continues to provide educational opportunities and skills training to members of its local communities. During the year, thirteen students who were awarded scholarships in 2013 continued to be supported in their high school and tertiary studies and the last of the students with full Perseus scholarships to the Kumasi Technical Institute in Ghana completed their courses.

A number of local people who had participated in Perseus-sponsored training programs were employed at Edikan as interns, or as part of Ghana's annual National Service program.

To help improve the functionality of the Edikan Trust Fund, capacity building training was organised for the Sustainable Development Committee ("SDC") members, which will assist them to prioritise and monitor projects at the community level. The Edikan Board of Trustees also received training to enhance their ability to effectively evaluate community projects.

Perseus signed a cooperation agreement with German International Organization ("GIZ") in June 2016 to assist with the implementation of its alternative livelihood restoration program. It is hoped that through this program, the living standard of project affected people in Edikan's catchment communities will improve. Projects and training to be undertaken will focus on cultivating vegetables and food crops and animal rearing.

Community Consultation

Perseus continues to consult with the community on a regular basis to discuss a variety of issues, and had a number of forums in place during the year to achieve this, including the following:

Ghana:

- The Community Consultative Committee met four times during the year to discuss items including the compensation status, the resettlement project, Edikan Trust Fund, donations and employment issues.
- The Sustainable Development Committee met three times to discuss requirements for submitting Community Project Proposals for approval by the Edikan Board of Trustees.
- The Employment Committee met five times to assist in the recruitment of unskilled and semi-skilled labour from the community.
- Youth Groups met with Perseus four times on issues including mining regulations, employment issues and alternative livelihoods.
- There were ten formal meetings with the traditional leaders and authorities to discuss local development projects, employment and operational activities and issues.
- Community Assembly Members met seven times to discuss development issues in the catchment communities.
- The Resettlement Entitlement (Dossier Review) Committee, consisting of Perseus and community representatives, met regularly to review the individual resettlement entitlements for the affected households in the Esuajah North area.
- There were ten meetings with the Chirawewa community to discuss evacuation for blasting and resettlement.

Sustainability **Report** **2015–2016** (continued)

Social Development (continued)

- There were five meetings with the Wampam community to discuss the Esuajah North mining operations and the road and powerline diversions.
- Six meetings were held with the people impacted by water ponding who were being resettled at Nkonya.
- Public community meetings were held at Fobinso, Gyaman, Ayanfuri and Wampam to keep all community members informed of Edikan's operational activities.
- The five Community Information Centres remained operational from Monday to Friday.

Côte d'Ivoire:

- The Community Consultation Committee was established during the year and in their twenty meetings they discussed issues including employment and operational activities.
- The Local Employment Committee was inaugurated and met seven times during the year to put forward local candidates for all positions that have become available at the project.
- There were 33 other formal meetings with stakeholders including youth groups, local dignitaries, local authorities and others.

Resettlement

At Edikan, resettlement activities continued during the year.

The families living near a large pond of water which had developed due to Edikan's operations were in temporary rental accommodation during the year. Land was acquired at Nkonya to construct replacement houses which have been completed and handed over to the respective owners.

For the Eastern Pits resettlement program, the focus was on project-affected people in the Fetish, Esuajah North and Chirawewa areas. A number of activities were undertaken during the year including compensation payments as detailed in Figure 12 below. Most of the outstanding compensation remaining to be paid involves grievances which Perseus continues to resolve as a priority.

Households affected by the mining activities continued to be provided with rental accommodation whilst their new houses were being constructed. In total, 167 houses and twelve institutional structures are to be constructed. The extensive civils work for the housing development site was undertaken by a Ghanaian company and the five companies contracted to construct the resettlement buildings are all local companies who have employed locally where suitable candidates were available.

Sustainability **Report** **2015–2016** (continued)

Social Development (continued)

At the end of June 2016, only four houses were yet to start, with the remaining buildings in various stages of construction. The civils contractor was finishing off roads, the reticulated water supply system and drainage. The first households moved into their new houses in August 2016.

At Perseus's Sissingué project in Côte d'Ivoire, the land compensation was paid. The five hamlets that needed to be relocated involved the construction of seventeen structures on land acquired in Kanakono Village. Twelve structures have been completed and construction is in progress on the remaining five.

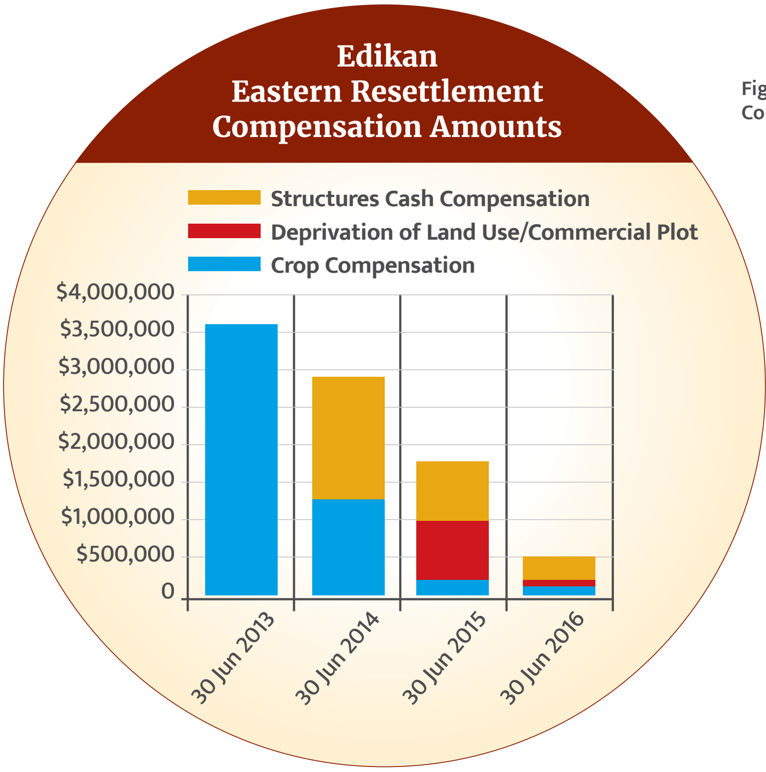


Figure 12: Edikan Eastern Resettlement Compensation Amounts

Consolidated **Financial Report**

for the year ended 30 June 2016

Contents

Directors' **Report**

Your directors present their report on the consolidated entity (referred to hereafter as the "group") consisting of Perseus Mining Limited ("Perseus" or the "company") and its controlled entities for the year ended 30 June 2016 (the "period"). Perseus is a company limited by shares that is incorporated and domiciled in Australia. Unless noted otherwise, all amounts stated are expressed in Australian dollars.

DIRECTORS

The following persons were directors of Perseus during the period and up to the date of this report.

Reginald Norman Gillard	**Non-Executive Chairman**
Jeffrey Allan Quartermaine	**Managing Director**
Colin John Carson	**Executive Director**
Terence Sean Harvey	**Non-Executive Director**
Michael Andrew Bohm	**Non-Executive Director**
John Francis Gerald McGloin (appointed 19 April 2016)	**Non-Executive Director**
Alexander John Davidson (appointed 19 April 2016)	**Non-Executive Director**

PRINCIPAL ACTIVITIES

The principal activities of the group during the period were mining operations and the sale of gold, mineral exploration and gold project evaluation and development in the Republics of Ghana, Côte d'Ivoire and Burkina Faso, in West Africa.

REVIEW OF OPERATIONS

A review of the group's operations during the year ended 30 June 2016 is provided in the section of this report headed 'Review of Operations' which immediately precedes the Directors' Report.

Directors' **Report** (continued)

FINANCIAL RESULTS

The group recorded a net loss after tax of $37.5 million for the period, compared to a net profit after tax of $92.2 million in the previous financial year. This loss represents a 141% decrease, compared to the prior period profit. This is due to a number of factors, including:

- A decrease in the gold produced due to a lower average head grade and recoveries as a result of processing low grade stockpiles while the Eastern pits were being stripped;
- Increases in total operating costs as a result of greater mining activity, offset by lower unit costs;
- Foreign exchange gain decreasing by $43.2 million from $52.4 million in the prior year to $9.2 million in the current year due mainly to the depreciation of the AUD against the USD and the revaluation of the intercompany loan;
- Write-off of exploration;
- Offset by a write up of low grade run of mine stockpiles to net realisable value due to a higher gold price.

Summary of financial information	30 June 2016 $'000	30 June 2015 $'000
Net (loss) / profit after tax	(37,546)	92,167
Net increase in cash held	47,516	46,577
Total assets	943,075	697,826
Shareholders' equity	769,338	583,222

Cash and investments

At 30 June 2016 available cash totalled $151.3 million (30 June 2015: $103.7 million) while additional deposits totalling $12.7 million (30 June 2015: $12.3 million) supported performance guarantees for environmental rehabilitation of the EGM.

As at 30 June 2016, Perseus held available for sale financial instruments comprising security holdings in Manas Resources Limited of $0.4 million (30 June 2015: $0.5 million) and in Burey Gold Limited of $4.6 million (30 June 2015: $2.3 million of equity accounted investments).

Debt finance

At 30 June 2016 the group had no borrowings (30 June 2015: nil).

During the year, material progress was made towards establishing a US$60.0 million project financing facility for Sissingué and final credit approval and documentation of the facility to be provided by Macquarie Bank and BNP Paribas are anticipated to be completed in the coming months.

Financial position

At 30 June 2016 the group had net assets of $769.3 million (30 June 2015: $583.2 million) and an excess of current assets over current liabilities of $159.7 million (30 June 2015: $177.7 million).

The group's net assets increased by 32% compared with the prior period due to the acquisition of Amara and an equity raising during the year, along with movements in foreign exchange increasing asset balances.

Directors' **Report** (continued)

CORPORATE

Dividends

No dividends were paid during the period and the directors do not recommend payment of a dividend.

Equity capital raising

On 20 June 2016, Perseus announced an equity placement and an accelerated entitlements offer totalling $102 million to new and existing institutional and retail investors to fund Perseus's growth strategy. The institutional placement and the accelerated institutional entitlement offer closed on 22 June 2016 while the retail portion of the entitlement offer closed on 15 July 2016. In total 203.9 million ordinary shares were issued as a part of the equity raising at a price of $0.50 per new share issued.

Revenue protection

A total of 37,810 ounces were delivered under forward sales contracts at a weighted average price of US$1,357/oz while the balance of the gold sales were made at prevailing spot prices, or under short dated spot deferred contracts. Included in this are 100,000 ounces of hedging contracted at a weighted average price of US$1,308/oz specifically to support the proposed Sissingué project finance debt facility.

Metal Markets

From 1 July 2015 to 30 June 2016 the price of gold increased by 12.8% to US$1,321/oz, (30 June 2015: US$1,171/oz). Subsequent to the end of the financial year, the gold price increased and is currently averaging 1.5% higher than 30 June 2016.

The risk posed to Perseus's business by the gold price has, to a certain extent, been mitigated by partial hedging of its gold production as outlined above. Perseus has no reason to believe that the gold market fundamentals will not remain consistent with the current position over the short to medium term.

Outlook

Edikan

- Gold production for the EGM for the year ended 30 June 2017 is forecast to be in the range of 205,000 to 245,000 ounces at an estimated total site cash cost of US$1,110/oz to US$1,325/oz.
- Continue to implement improved grade control practices and investigate potential opportunities for improvements in grade estimation, fine-tune plant metallurgical performance and maximise SAG mill throughput and continue to implement business improvement initiatives across all departments at Edikan including the installation of a power plant on site at Edikan.
- Complete construction of houses to relocate former residents of the Eastern Pits mine take area.
- Complete the current re-assessment of geological datasets with the aim of formulating near mine exploration programmes targeting high grade mineralisation that can be mined using either underground mining or open pit mining methods.

Directors' **Report** (continued)

Sissingué

- Finalise contracts for 50% of scope of work of the Sissingué processing facility with Lycopodium, (signed subsequent to year end).
- Commence detailed design and procurement.
- Mobilise Lycopodium to site.
- Re-commence construction of Sissingué.
- Finalise the project debt facility required under the project funding plan.
- Continue drilling of the Bélé deposit to expand the Mineral Resource ahead of optimisation and possible inclusion in the Sissingué mine plan.

Yaouré

- Advance work on preparing a bankable DFS for Yaouré, including the planning and execution of a 42,000 metre drilling programme designed to confirm Mineral Resource estimates as a basis for mine optimisation; and
- Obtain an approved ESIA for Yaouré.

Corporate

- Complete the establishment of the project finance debt facility to fund the development of Sissingué.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the group during the period not otherwise disclosed in this report or the consolidated financial statements.

MATTERS SUBSEQUENT TO BALANCE DATE

Subsequent to the end of the period, the following events have occurred:

1) In July 2016, a US$120 million contract for the mining of the Esuajah North open pit has been awarded to AMS. In addition, contracts related to approximately 50% of the scope of work for the Sissingué mine development have been awarded to Lycopodium. The balance of the Sissingué scope of works will be supervised by Perseus's in-house development team;

2) On 20 June 2016, Perseus announced an equity placement and an accelerated entitlements offer. The institutional portion of the offering closed oversubscribed on 22 June 2016 and the retail portion of the offering closed subsequent to year-end. In total, $102.0 million of equity was raised from new and existing institutional and retail investors to fund Perseus's growth strategy of which $7.7 million relating to the retail portion was received in July 2016; and

3) On 28 July 2016, 375,000 performance rights successfully vested under the terms of the company's Performance Rights Plan and converted to ordinary shares on a 1 for 1 basis on satisfaction of specified conditions. The shares were issued to employees at nil consideration as part of employee remuneration.

Directors' **Report** (continued)

LIKELY DEVELOPMENTS

The likely developments in the operations of the group and the expected results of those operations in the coming financial year are as follows:

- The continued production of gold from the EGM per guidance;
- Complete the establishment of the project finance debt facility to fund the development of Sissingué;
- Materially advance development of Sissingué;
- Ongoing mineral exploration;
- Completion of the DFS for Yaouré; and
- Obtain an approved ESIA for Yaouré and finalise compensation arrangements with Yaouré landholders.

Further commentary on planned activities over the forthcoming year is provided in the section of this report headed "Review of Operations".

ENVIRONMENTAL REGULATIONS

Located in Ghana, Côte d'Ivoire and Burkina Faso, the group's exploration and development projects are not subject to any significant Australian environmental laws. They are however, subject to environmental laws, regulations and permit conditions that apply in the relevant jurisdictions. There have been no known material breaches of environmental laws or permit conditions by the group while conducting operations in these jurisdictions during the period.

Directors' **Report** (continued)

INFORMATION ON DIRECTORS

The names, qualifications, experience and special responsibilities of the directors in office during or since the end of the financial year are as follows. Directors were in office for the entire financial year unless otherwise stated.

Reginald Norman Gillard – BA FCPA FAICD JP – Non-Executive Chairman

(Appointed 24 October 2003)

After practising as an accountant for more than 30 years, during which time he formed and developed a number of service related businesses, Mr. Reg Gillard now focuses on corporate management, corporate governance and the evaluation and acquisition of resource projects. Mr. Gillard also serves on the audit and risk, as well as the remuneration committee of the company. During the past three years he has also served as a director of the following listed companies:

Other current directorships:
Platina Resources Limited - appointed 1 July 2009

Former directorships in the last 3 years:
Mount Magnet South NL - appointed 18 April 2011 and resigned 2 August 2013

Jeffrey Allan Quartermaine – BE (Civil), MBA, FCPA – Managing Director

(Appointed 1 February 2013)

The managing director and chief executive officer, Mr. Jeffrey Quartermaine, was appointed on 1 February 2013 after previously serving as the group's chief financial officer from 2010 to 2013. Jeff Quartermaine has more than 25 years of experience in senior financial and strategic management roles with ASX and TSX-listed resources companies. He is a Fellow of the Society of Certified Practising Accountant (CPA) who holds both business management (MBA) and engineering qualifications (BE). Mr. Quartermaine has extensive experience as chief financial officer and chief operating officer of a number of Australian public companies. During the past three years he has not served as a director of any other listed companies.

Colin John Carson – CPA, MAICD, FGIA – Executive Director

(Appointed 24 October 2003)

Mr. Colin Carson has served as a director and company secretary of a number of Australian public companies since the early 1980s. As an executive director of Perseus, Mr. Carson is responsible for the company's compliance, corporate and legal matters. During the past three years he has also served as a director of the following listed companies:

Other current directorships:
Manas Resources Limited - appointed 17 October 2007

Directors' **Report** (continued)

Terence Sean Harvey – BA MA LL.B MBA – Non-Executive Director

(Appointed 2 September 2009)

Mr. Sean Harvey has extensive experience in investment banking and the resources sector and brings valuable experience in capital markets to the board to assist the company as it seeks to broaden global market awareness of its growth into a West African gold producer. Mr. Harvey holds an Honours BA degree in Economics and Geography and an MA in Economics, both from Carleton University, an LLB from the University of Western Ontario and an MBA from the University of Toronto and he is a member of the Law Society of Upper Canada.

Mr. Harvey serves on the company's audit and risk, as well as the remuneration committee. During the past three years he has also served as a director of the following listed companies:

Other current directorships:

Victoria Gold Corporation - appointed 31 July 2007
Serabi Gold plc - appointed 30 March 2011
Sarama Resources Ltd - appointed 2 November 2011
Abacus Mining & Exploration Corporation - appointed 1 April 2016

Former directorships in the last 3 years:

Azimuth Resources Limited - appointed 10 May 2012 and resigned 5 July 2013
Troy Resources Limited - appointed 29 August 2013 and resigned 20 April 2015

Michael Andrew Bohm – B.AppSc (Mining Eng.), MAusIMM – Non-Executive Director

(Appointed 15 October 2009)

Mr. Michael Bohm is a mining engineer with extensive experience in operations management, evaluation and project development in Australia, Northern Europe, SE Asia, North and South America. Mr. Bohm has more than 24 years minerals industry experience predominantly in the gold, nickel and diamond sectors in both open pit and underground mining environments. Mr. Bohm serves on the company's audit and risk, as well as remuneration committees and is the chairman of the latter since 1 June 2016. During the past three years he has also served as a director of the following listed companies:

Other current directorships:

Ramelius Resources Limited - appointed 29 November 2012
Tawana Resources NL - appointed 1 August 2015

Former directorships in the last 3 years:

Herencia Resources plc - appointed 14 June 2006 and resigned 31 August 2013

Directors' **Report** (continued)

John Francis Gerald McGloin – BEng. – Non-Executive Director

(Appointed 19 April 2016)

Mr. McGloin is a geologist and graduate of Camborne School of Mines. He has worked for many years in Africa within the mining industry before moving into consultancy and subsequently into investment banking. Mr. McGloin joined Collins Stewart following 4 years at Arbuthnot Banking Group where he lead the mining team prior to that Mr. McGloin was the mining analyst at Evolution Securities. Over the years, Mr. McGloin has acted for many mining companies including African Platinum, Randgold Resources, Avocet Mining, European Goldfields and Titanium Resources Group. Mr. McGloin served as Executive Chairman of Amara Mining plc from 28 May 2012 to 18 April 2016 and as Chief Executive Officer of Amara from 7 August 2014 to 18 April 2016.

Other current directorships:
Caledonia Mining Corporation plc - appointed 26 July 2016

Former directorships in the last 3 years:
Amara Mining plc - appointed 28 May 2012 and resigned 18 April 2016

Alexander John Davidson – BSc., MSc. – Non-Executive Director

(Appointed 19 April 2016)

Mr. Davidson has held a number of senior exploration roles within major mining companies, including as executive vice president of exploration and corporate development for Barrick Gold. Prior to joining Barrick, Alex was vice president, exploration for Metall Mining Corporation and has over 25 years of experience in designing, implementing and managing gold and base metal exploration and acquisition programmes throughout the world. Mr. Davidson served as a Non-Executive Director of Amara Mining plc from 25 November 2013 to 18 April 2016. During the past three years he has also served as a director of the following listed companies:

Other current directorships:
Americas Silver Corporation - appointed 23 December 2014
Yamana Gold Inc - appointed 31 August 2009
Capital Drilling Ltd - appointed 28 May 2010
NuLegacy Gold Corporation - appointed 15 September 2014
Orca Gold Inc - appointed March 2013

Former directorships in the last 3 years:
MBAC Fertilizer Corp - appointed 24 December 2009 and resigned 30 June 2015
Amara Mining plc - appointed 25 November 2013 and resigned 18 April 2016

Company Secretary
Martijn Paul Bosboom – LL.B, LL.M, FGIA, MAICD

(Appointed 18 November 2013)

Mr. Martijn Bosboom is also the company's general counsel and has more than 20 years of international in-house and private practice experience in both common law and civil law jurisdictions. Mr. Bosboom holds a Bachelor of Laws from the University of Western Australia and a Master of Laws from the University of Leiden, the Netherlands. Mr. Bosboom is a fellow of the Governance Institute of Australia ("GIA") and has completed the GIA's Graduate Diploma of Applied Corporate Governance.

Directors' **Report** (continued)

DIRECTORS' MEETINGS

The number of meetings of the directors and the number of meetings attended by each director during the year ended 30 June 2016 were:

	Full meetings of directors		Audit committee meetings		Remuneration committee meetings	
	A	B	A	B	A	B
R. N. Gillard	13	13	4	4	4	4
J. A. Quartermaine	13	13	-	-	-	-
C. J. Carson	13	13	-	-	-	-
T. S. Harvey	13	13	4	4	4	4
M. A. Bohm	13	13	4	4	4	4
J. F. McGloin	3	3	-	-	-	-
A. J. Davidson	2	3	-	-	-	-

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the relevant committee during the period.

DIRECTORS' INTERESTS

The following relevant interests in shares, options and performance rights of the company were held directly and beneficially by the directors as at the date of this report:

Name	Fully paid ordinary shares	Options to acquire ordinary shares	Performance rights	Warrants
Non-Executive Directors				
R N Gillard	1,210,000	-	-	-
T S Harvey	1,000,000	-	-	-
M A Bohm	462,000	-	-	-
J F McGloin	1,282,907	-	-	641,453
A J Davidson	69,136	-	-	34,568
Executive Directors				
J A Quartermaine	618,750	-	1,362,500	-
C J Carson	1,132,300	-	500,000	-

ROUNDING

The amounts contained in this report and in the financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding Instrument). The company is an entity to which the class order applies.

Directors' **Report** (continued)

REMUNERATION REPORT (audited)

This report outlines the remuneration arrangements in place for Perseus's non-executive directors, executive directors and other key management personnel ("KMP") for the financial year ended 30 June 2016 in accordance with the Corporations Act 2001 (Cth) (the "Act") and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report has been set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration (including link to performance)
3. Service agreements
4. Share-based compensation
5. Additional information

1. Principles used to determine the nature and amount of remuneration

Remuneration committee

The remuneration committee (the "committee") assists the board to fulfill its responsibilities to shareholders and other stakeholders by ensuring the group has remuneration policies for fairly and competitively rewarding executives with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality board and executive management team. The committee's decisions on reward structures are based on the state of the market for experienced resources industry executives, remuneration packages for executives and employees performing comparative roles in other companies in the resources industry and the size and complexity of the group.
The committee comprises three independent non-executive directors.

The committee is primarily responsible for making recommendations to the board on:

- non-executive director's fees;
- executive remuneration (directors and other executives); and
- the over-arching executive remuneration framework and incentive plan policies.

For further information on the remuneration committee's role, responsibilities and membership the reader is referred to the committee's charter which is available on www.perseusmining.com

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Use of remuneration advisors

Independent remuneration consultants are engaged by the committee from time to time to ensure the group's remuneration system and reward practices are consistent with current market practices. Various remuneration arrangements in relation to the company's key management personnel during previous financial years were based on recommendations made by an independent remuneration consultant, PJ Kinder Consulting. Advice was last sought out from PJ Kinder Consulting in 2014. Instructions and scope of terms for the engagement of PJ Kinder Consulting were issued by the committee.

The board is satisfied that the remuneration recommendations made by PJ Kinder Consulting were made free from undue influence by the member or members of the key management personnel to whom the recommendations relate. The board's reasons for stating so are:

(i) that the instructions and terms were issued and set by the committee;

(ii) PJ Kinder Consulting discussed its findings and recommendations with the committee only and not any members of the management;

(iii) PJ Kinder Consulting's fees were based on a time basis at rates commensurate with such professional services; and

(iv) the committee had satisfied itself that PJ Kinder Consulting is a qualified and well-credentialed firm for the purposes of such professional advice and is independent from Perseus.

Policy and structure of non-executive directors' remuneration

Perseus's non-executive director remuneration policy aims to reward the directors fairly and responsibly with regards to the demands which are made on, and the responsibilities of, the directors. It seeks to set aggregate remuneration of non-executive directors at a level which provides Perseus with the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders.

With the assistance of external remuneration consultants from time to time, the committee reviews fees paid to non-executive directors on an annual basis and makes recommendations to the board. The committee considers fees paid to non-executive directors of comparable companies when undertaking the annual salary review process.

Any equity components of non-executive directors' remuneration, including the issue of options or performance rights, are required to be approved by shareholders prior to award.

Directors' fee limits

The aggregate amount of fees payable to non-executive directors is subject to periodic review and approval by shareholders. The maximum amount of directors' fees that is currently approved for payment to non-executive directors is $750,000 per annum (excluding the value of approved share based payments). The current limit of non-executive directors' fees was approved by shareholders at the 2010 Annual General Meeting.

Directors' fees framework

Non-executive directors' remuneration consists of a base fee plus 9.5% statutory superannuation where the director is covered by Australian superannuation guarantee legislation. Board fees are not paid to executive directors as the time spent on board work and the responsibilities of board membership are considered in determining the remuneration package provided to executive directors as part of their normal employment conditions.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

The remuneration of the non-executive directors for the year ended 30 June 2016 is detailed below.

Table 1 - Annual board and committee fees payable to non-executive directors

Position	Annual fees[1] from 1 July 2015 to 30 June 2016 $	Annual fees[1] from 1 July 2016 $
Base fees		
Chair	170,000	170,000
Other non-executive directors	85,000	85,000
Additional fees		
Audit committee – chair	17,000	17,000
Audit committee – member	8,500	8,500
Remuneration committee – chair	12,750	12,750
Remuneration committee - member	6,800	6,800

[1] Inclusive of statutory superannuation where applicable

Directors' retirement benefits

No retirement benefits are paid to non-executive directors other than the statutory superannuation contributions (if applicable) of 9.5% for the year ending 30 June 2016, required under Australian superannuation guarantee legislation.

Policy on executive directors' and other senior executives' remuneration

Perseus aims to reward its executive directors and other senior executives with a level of remuneration commensurate with their position and responsibilities within the group. In doing so, it aims to:

- provide competitive rewards that attract, retain and motivate high calibre executives;
- align executive rewards with the achievement of strategic objectives and performance of the group and the creation of value for shareholders;
- ensure total remuneration is competitive and reasonable; and
- comply with applicable legal requirements and appropriate standards of governance.

In consultation with external remuneration consultants, the group has developed an executive remuneration framework that is market competitive and is consistent with the reward strategy of the organisation.

Executive remuneration structure

The executive remuneration framework has two components, namely:

- fixed salary package including base salary and benefits such as superannuation; and
- variable remuneration.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Fixed salary package

The fixed component of an executive's remuneration comprises base salary and superannuation contributions. The size of the executive's salary package is based on the scope of each executive's role, the level of knowledge, skill and experience required to satisfactorily perform the role and the individual executive's performance in the role. The proportion of an executive's total fixed salary package that is paid as superannuation is at the executive's discretion, subject to compliance with relevant superannuation guarantee legislation.

The committee annually reviews each executive's performance and benchmarks the executive's salary package against appropriate market comparisons using information and advice provided by external consultants. There are no guarantees of salary increases included in any executive's employment contract.

Variable remuneration

The objective of providing a variable "at risk" component within executive directors' and senior executives' total remuneration packages is to directly align a proportion of their remuneration to achievement of the group's financial and strategic objectives with the objective of creating shareholder wealth. The group has a remuneration framework which sets out the basis of short term incentives ("STI") and long term incentives ("LTI"), these are discussed further below.

Receipt of variable remuneration in any form is not guaranteed under any executive's employment contract.

The remuneration of executive directors and senior executives including both fixed and variable remuneration components for the year ended 30 June 2016 is detailed in table 2 of this report.

STI

The STI is the annual component of the "at risk" reward opportunity, which takes the form of a cash bonus. The STI is reliant on the achievement of job related KPI's, both financial and non-financial, over a mix of group, function and individual targets. The objective of a STI is to align the performance of the individual to the short term operational and financial objectives of the group.

After the board evaluates and approves the group's operating budget for the forthcoming financial year, a series of physical, financial and business sustainability targets are set. These are used to determine the KPI's of the CEO and executives, their direct reports and so on down the organisation structure.

These performance measures are chosen to represent the key drivers of short term success for the group with reference to the group's long term strategy. The CEO and executives have a target STI opportunity of 0% up to 33% of fixed remuneration.

On an annual basis the board will evaluate the group's physical, financial and business sustainability targets to determine whether these were met, give consideration to the group's external environment including the outlook for future years and then determine the STI pool that is available for payment to individuals. Each individual has a performance review conducted to measure performance against set KPI's.

The remuneration committee will then, after consideration of performance against KPI's and recommendation from the CEO, determine the amount if any of the STI to be paid to each executive. STI payments are awarded after the conclusion of the assessment period and confirmation of financial results/individual performance for all eligible participants to the extent they reach specific targets that were set at the beginning of the financial year. The cash bonuses are inclusive of superannuation.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Given the group has a LTI plan the board does not consider it appropriate to defer a portion of the STI. The board has discretion in the approval of STI outcomes.

For the financial year ended 30 June 2016, STI payments representing 21% of fixed remuneration were made to Mr Horochuk, as determined by the remuneration committee with due regard to the performance of the EGM and the respective individual throughout the financial year. This STI payment is detailed in table 2 below, with the STI paid in July 2016. STI's for the 2016 financial year have not yet been determined for the remaining senior executives as at the date of this report.

LTI

The LTI is the "at risk" component that takes the form of an equity based incentive designed to attract, motivate and retain high quality employees at the same time as aligning their interests with those of the group's shareholders. LTI awards are made under the Performance Rights Plan ("PRP") and give eligible employees rights to acquire shares in Perseus subject to vesting conditions.

The company uses both total shareholder return ("TSR") and individual achievement of a KPI rating of 3 or more over the vesting period as the performance measure for the LTI. TSR was selected as the LTI performance measure as it links rewards of the executives to the creation of long term shareholder wealth. Furthermore vesting only occurs if the group performs in the 50th percentile of its peer group or above, the greater the outperformance the greater the reward to the executive.

The peer group chosen for comparison, having considered the following factors: ASX listing; TSX listing; commodity focus; geographic focus; and business development stage, is shown below.

Acacia Mining plc*	Medusa Mining Limited	Resolute Mining Limited	Semafo Inc
Golden Star Resources Ltd	Endeavour Mining Corp	Kingsgate Consolidated	Regis Resources
Teranga Gold Corporation	St Barbara Mines Limited		

* Formerly African Barrick Gold plc

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Subject to the performance conditions, the vesting and measurement periods for the rights range from one and a half to three years from the commencement of the period. The vesting schedule is as follows:

Relative TSR over the vesting period	Proportion of performance rights vested
Below the 50th percentile	0%
At the 50th percentile	50%
Between the 50th and the 75th percentile	Pro-rata between 50% and 100%
Above the 75th percentile	100%

TSR performance and individual KPI performance is monitored on an annual basis. If the hurdles are not achieved during the performance period, the rights may lapse and no re-testing of rights is permitted.

Table 7 provides details of rights awarded and vested during the year and table 5 provides details of the value of rights awarded, exercised and lapsed during the year.

Where a participant ceases employment for any reason, any unvested rights will lapse and be forfeited, subject to the discretion of the board in the case of death, disability, retirement or redundancy.

In the event of a change of control of the group all unvested rights automatically vest and are automatically exercised.

Discretionary Bonus
For the financial year ended 30 June 2016, a one-off discretionary bonus was paid in relation to executing the Amara acquisition to Mr Quartermaine, Mr Carson , Ms Brown, Mr Bosboom and Mr Thompson. These payments are detailed in table 2 below, with the discretionary bonus paid in July 2016.

2. Details of remuneration (including link to performance)

Details of the remuneration of the directors and the KMP of Perseus and the group are set out in table 2 below.

KMP (as defined in AASB 124 Related Party Disclosures) of the group are those persons having authority and responsibility for planning, directing and controlling the major activities of Perseus and the group, directly or indirectly, including any director (whether executive or otherwise) of the parent company.

At the date of this report, the KMP of the group are the directors of Perseus (refer to pages 57 to 59 for details) plus the following senior executives.

Ms Elissa Brown	Chief financial officer
Mr Martijn Bosboom	General counsel and company secretary
Mr Paul Thompson	Group general manager – technical services
Mr Adam Smits	Project director
Mr Douglas Jones	Group general manager – exploration and geology (Appointed 19 April 2016)
Mr Brent Horochuk	Executive general manager

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Company performance

For the financial year ended 30 June 2016, an STI payment was made to Mr Horochuk, as determined by the Remuneration Committee with due regard to the performance of EGM and the respective individual throughout the financial year. STI's for the 2016 financial year have not yet been determined for the remaining senior executives as at the date of this report. This payment is detailed in table 2 below.

The board issues performance rights to the executives of the group, as well as other employees with a certain level of influence over the group's performance. The performance measures that drive the vesting of these LTIs include Perseus's TSR relative to its peer group and the individual's performance over the relevant vesting period.

Perseus's performance during the 12 months to 30 June 2016 and the four previous years are set out below:

Year ended 30 June	2016	2015	2014	2013	2012
Net (loss) / profit after income tax ($'000)	(37,546)	92,167	(32,060)	41,435	52,461
Basic (loss) / profit per share (cents)	(5.74)	16.67	(6.43)	8.38	10.56
Market capitalisation ($'000)	522,420	226,462	218,562	201,503	1,135,746
Closing share price ($)	0.52	0.43	0.42	0.44	2.48
TSR – 1 year (%)	27.0	2.4	(5.7)	(82.3)	(5.3)
TSR – 3 year rolling (%)	(33.5)	(82.7)	(84.2)	(80.9)	239.7
Median peer group TSR – 1 year (%)[1]	85.4	(22.0)	20.1	(68.0)	
Median peer group TSR – 3 year rolling (%)[1]	56.4	(65.5)			

Notes:

1 Only relevant for the financial years after and including 2013 as prior years would have had a different peer group.

For all performance rights granted after 1 January 2014, based on the group's performance over the relevant period up to 30 June 2016, Perseus is below the 50th percentile of the peer group. If the ranking remains unchanged at the end of the measurement period of each performance right tranche granted, then all performance rights would not vest regardless of achievement of minimum individual employee KPI rating requirements.

Directors' Report (continued)

REMUNERATION REPORT (continued)

Table 2 - Directors' and executives' remuneration for the year ended 30 June 2016

		Short-term			Long-term	Post-employment		Share-based payments			
		Salary / fees $	Cash bonus $	Annual leave movement $	Long service leave movement	Super-annuation $	Termination / resignation payments	Options $	Performance Rights[i] $	Total $	Performance related %
Non-Executive Directors											
Reginald Gillard	2016	174,205	-	-	-	16,549	-	-	-	190,754	-
	2015	174,657	-	-	-	16,593	-	-	-	191,250	-
Sean Harvey	2016	108,800	-	-	-	-	-	-	-	108,800	-
	2015	108,800	-	-	-	-	-	-	-	108,800	-
Michael Bohm	2016	92,051	-	-	-	8,763	-	-	-	100,814	-
	2015	91,598	-	-	-	8,702	-	-	-	100,300	-
John McGloin [ii]	2016	17,109	-	-	-	-	-	-	-	17,109	-
	2015	-	-	-	-	-	-	-	-	-	-
Alexander Davidson [ii]	2016	20,189	-	-	-	-	-	-	-	20,189	-
	2015	-	-	-	-	-	-	-	-	-	-
Sub-total Non-Executive Directors											
	2016	412,354	-	-	-	25,312	-	-	-	437,666	-
	2015	375,055	-	-	-	25,295	-	-	-	400,350	-
Executive Directors											
Jeffrey Quartermaine	2016	705,563	150,000	(6,282)	31,273	35,000	-	-	225,886	1,141,440	33
	2015	687,500	167,375	40,603	18,874	35,000	-	-	135,747	1,085,099	28
Colin Carson	2016	355,250	100,000	1,740	10,332	24,000	-	-	73,264	564,586	31
	2015	346,000	85,500	38,010	19,233	24,000	-	-	147,273	660,016	35
Sub-total Executive Directors											
	2016	1,060,813	250,000	(4,542)	41,605	59,000	-	-	299,150	1,706,026	32
	2015	1,033,500	252,875	78,613	38,107	59,000	-	-	283,020	1,745,115	31
Directors Total											
	2016	1,473,167	250,000	(4,542)	41,605	84,312	-	-	299,150	2,143,692	26
	2015	1,408,555	252,875	78,613	38,107	84,295	-	-	283,020	2,145,465	25

REMUNERATION REPORT (continued)

Table 2 - Directors' and executives' remuneration for the year ended 30 June 2016 (continued)

		Short-term			Long-term	Post-employment		Share-based payments			
		Salary / fees $	Cash bonus $	Annual leave movement $	Long service leave movement	Super-annuation $	Termination / resignation payments	Options $	Performance Rights[i] $	Total $	Performance related %
Senior Executives											
Elissa Brown	2016	359,942	100,000	16,787	15,169	19,308	-	-	28,343	539,549	24
	2015	351,217	85,500	1,691	9,734	18,783	-	-	36,444	503,369	24
Martijn Bosboom	2016	308,250	100,000	(9,632)	5,644	30,000	-	-	26,856	461,118	28
	2015	300,000	49,500	17,333	1,982	30,000	-	-	10,637	409,452	15
Paul Thompson	2016	272,500	40,000	15,133	581	35,000	-	-	33,413	396,627	19
	2015	115,010	-	11,819	101	9,204	-	-	-	136,134	-
Adam Smits	2016	280,692	-	15,963	509	19,308	-	-	33,413	349,885	10
	2015	40,380	-	3,395	29	2,677	-	-	-	46,481	-
Douglas Jones [iii]	2016	110,201	-	1,972	17	2,917	-	-	-	115,107	-
	2015	-	-	-	-	-	-	-	-	-	-
Brent Horochuk	2016	561,061	84,378	(27,729)	-	-	-	-	60,404	678,114	21
	2015	211,733	-	28,518	-	-	-	-	23,435	263,686	9
Senior Executives Total											
	2016	**1,892,646**	**324,378**	**12,494**	**21,920**	**106,533**	**-**	**-**	**182,429**	**2,540,400**	**20**
	2015	1,018,340	135,000	62,756	11,846	60,664	-	-	70,516	1,359,123	15

Notes:

(i) Vesting expense for the financial year of performance rights issues to directors and employees under the terms of the company's Performance Rights Plan approved by shareholders in November 2012. The fair value of the performance rights is calculated at the date of grant using the Monte-Carlo Simulation pricing model.

(ii) Mr John McGloin and Mr Alexander Davidson were appointed non-executive directors on 19 April 2016.

(iii) Between 13 March 2016 and 31 May 2016, fees for exploration management services provided by Mr Douglas Jones were charged to Perseus by Eburnean Geological Management, a company in which Mr Jones has a beneficial interest. From 19 April 2016, Mr Jones was appointed Group General Manager – Exploration.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

3. Service agreements

Remuneration and other terms of employment for the chief executive officer and managing director, chief financial officer and the other KMP are also formalised in employment agreements. Major provisions of the agreements relating to remuneration of the CEO are set out below.

Remuneration of the chief executive officer, Mr. Jeffrey Quartermaine

Mr. Jeffrey Quartermaine was appointed on 1 February 2013 as managing director and CEO and an employment contract with Perseus was entered outlining the terms of his employment.

Under his employment contract with Perseus, Mr. Quartermaine is currently entitled to receive fixed remuneration including a base salary and superannuation, plus variable remuneration including performance rights, options and cash bonuses determined under the STI/LTI plans and at the discretion of the board. A summary of these and other key terms of Mr. Quartermaine's employment contract are described below and set out in table 3 below.

Fixed remuneration – Mr. Quartermaine's annual salary is set at $740,563 per annum, inclusive of statutory superannuation entitlements.

Variable remuneration – Mr. Quartermaine is eligible to participate in the group's STI and LTI scheme as described above.

Statutory entitlements

Mr. Quartermaine is entitled to 10 days sick leave per annum, 20 days of annual leave and long service leave of 13 weeks after 10 years of service.

Termination of contract

Perseus can terminate Mr. Quartermaine's contract without notice under certain circumstances including but not limited to material breaches of contract, grave misconduct, dishonesty, fraud or bringing the group into disrepute. Mr. Quartermaine may terminate the contract by giving Perseus three months' notice, whilst Perseus may terminate the contract by giving Mr. Quartermaine the greater of six months or a period that is not less than that specified by the Fair Work Act 2009 (Cth) and the National Employment Standards. In the case of Perseus, it may at its sole discretion, terminate the contract sooner than the conclusion of the notice period by choosing to pay Mr. Quartermaine in lieu of the notice period.

If the terms of Mr. Quartermaine's employment contract are materially changed to the detriment of the chief executive officer then he is entitled to receive an amount of money from Perseus that is equivalent to two months of his originally contracted gross base salary ($850,000 per annum prior to a 15% reduction taken by directors on 1 July 2013) as for each year of employment by Perseus with a minimum payment equivalent to six months of his originally contracted gross base salary and a maximum of twelve months of his originally contracted gross base salary.

Contracts for KMP

A summary of the key contractual provisions as at the date of this report for each of the current KMP is set out in table 3 below.

Table 3 - Contractual provisions for key management personnel

Name and job title	Employing company	Contract duration	Notice period	Fixed remuneration (including base salary and superannuation as applicable) (iii)	Variable remuneration	Termination provision
Jeffrey Quartermaine CEO & managing director	Perseus Mining Limited	No fixed term and review annually	3 months	$740,563	STI / LTI plan	Applicable on early termination by the company (iv)
Colin Carson Executive director	Perseus Mining Limited	No fixed term and review annually	3 months	$379,250	STI / LTI plan	Applicable on early termination by the company (iv)
Elissa Brown Chief financial officer	Perseus Mining Limited	No fixed term and review annually	3 months	$379,250	STI / LTI plan	Applicable on early termination by the company (iv)
Martijn Bosboom (i) General counsel and company secretary	Perseus Mining Limited	No fixed term and review annually	3 months(i)	$338,250	STI / LTI plan	Applicable on early termination by the company (iv)
Paul Thompson Group general manager – technical services	Perseus Mining Limited	No fixed term and review annually	3 months	$307,500	STI / LTI plan	Applicable on early termination by the company (iv)
Adam Smits Project director	Perseus Mining Limited	No fixed term and review annually	3 months	$300,000	STI / LTI plan	Applicable on early termination by the company (iv)
Douglas Jones (ii) Group general manager – exploration	Perseus Mining Limited	No fixed term and review annually	3 months	$300,000	STI / LTI plan	Applicable on early termination by the company (iv)
Brent Horochuk Executive general manager (EGM)	Perseus Mining (Ghana) Limited	Three year contract and review annually	3 months	US$398,802	STI / LTI plan	Applicable on early termination by the company (iv)

Notes:

(i) Mr Bosboom is required to provide 2 months' notice on resignation; the company is required to provide 3 months' notice.

(ii) Mr Jones was appointed Group General Manager – Exploration on 19 April 2016.

(iii) Represents current fixed remuneration of key management personnel from 1 July 2016.

(iv) Termination benefits are payable on early termination by the company. Other than for gross misconduct, executives receive payment of between 2 to 12 months of originally contracted salary.

REMUNERATION REPORT (continued)

4. Share based compensation

KMP are eligible to participate in Perseus's PRP. The terms and conditions of the performance rights affecting remuneration of directors and KMP in the current or a future reporting period are set out below. Performance rights granted carry no dividend or voting rights. When exercisable, the performance rights are convertible into one ordinary share per right. Further information is set out in note 23 to the financial statements.

Table 4 - Key terms of share based compensation held by KMP and directors as at 30 June 2016

Type	Grant date	Exercise price	Fair value at grant date	End of measurement period	% of grant vested	Expiry date
Performance right (i)	1 January 2014	nil	$0.18	31 December 2016	-	30 June 2017
Performance right (i)	4 June 2014	nil	$0.23	31 December 2016	-	30 June 2017
Performance right (ii)	1 January 2015	nil	$0.17	30 June 2016	-	31 December 2016
Performance right (ii)	1 January 2015	nil	$0.16	31 December 2017	-	30 June 2018
Performance right (iii)	1 July 2015	nil	$0.34	30 June 2017	-	31 December 2017
Performance right (iv)	20 November 2015	nil	$0.30	30 June 2017	-	31 December 2017
Performance right (iv)	20 November 2015	nil	$0.33	30 June 2018	-	31 December 2018
Performance right (v)	13 January 2016	nil	$0.22	31 December 2016	-	30 June 2017

(i) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the performance period three year period from 1 January 2014 to 31 December 2016 over which the individuals and the company's performance is assessed), and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in note 23 to the financial statements.

(ii) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the performance period (18 month period from 1 January 2015 to 30 June 2016 and three year period from 1 January 2015 to 31 December 2017 over which the individuals and the company's performance is assessed), and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in note 23 to the financial statements.

(iii) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the performance period (two year period from 1 July 2015 to 30 June 2017 over which the individuals and the company's performance is assessed), and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in note 23 to the financial statements.

(iv) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the performance period (24 month period from 1 July 2015 to 30 June 2017 and 36 month period from 1 July 2015 to 30 June 2018 over which the individuals and the company's performance is assessed), and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in note 23 to the financial statements.

(v) The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the performance period (one year period from 13 January 2016 to 31 December 2016 over which the individuals and the company's performance is assessed), and the amount is included in the remuneration tables above. Fair values at grant date are determined using a Monte Carlo Simulation pricing model. Further information is set out in note 23 to the financial statements.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Further information relating to the portion of KMP remuneration related to equity compensation for the period are set out below in table 5.

Table 5 - Value of share based compensation

	Percentage of remuneration consisting of:		Value granted, exercised or lapsed in 12 months ended 30 June 2016			
Name	Options	Performance rights	Granted $ Performance rights	Exercised $ Performance rights	Lapsed $ Performance rights	Amount paid per share on exercise
Executive directors						
Jeffrey Quartermaine	-	20%	312,080	79,255	193,544	-
Colin Carson	-	13%	89,437	43,727	266,125	-
Senior executives						
Elissa Brown	-	5%	144,920	34,793	127,013	-
Martijn Bosboom	-	6%	103,269	21,746	-	-
Paul Thompson	-	8%	170,526	-	-	-
Adam Smits	-	10%	212,177	-	-	-
Doug Jones	-	-	-	-	-	-
Brent Horochuk	-	9%	2,980	-	-	

No amounts were unpaid on any shares issued on the exercise of options.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

The movement in options and performance right holdings for KMP and directors during the period are set out below in table 6.

Table 6 – Movement of options and performance rights granted to KMP and directors during the period

Name		Balance at the start of the year	Granted during the period as remuneration	Exercised during the year	Forfeited / lapsed	Other movements	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
Non-Executive Directors									
Reginald Gillard	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
Sean Harvey	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
Michael Bohm	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
John McGloin	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
Alexander Davidson	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
Executive Directors									
Jeffrey Quartermaine	Options	-	-	-	-	-	-	-	-
	Performance rights	999,286	1,000,000	(362,500)	(274,286)	-	1,362,500	-	-
Colin Carson	Options	-	-	-	-	-	-	-	-
	Performance rights	700,000	300,000	(200,000)	(300,000)	-	500,000	-	-

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

The movement in options and performance right holdings for KMP and directors during the period are set out below in table 6.

Table 6 – Movement of options and performance rights granted to KMP and directors during the period – continued

Name		Balance at the start of the year	Granted during the period as remuner-ation	Exercised during the year	Forfeited / lapsed	Other move-ments	Balance at the end of the year	Vested during the year	Vested and exercisable at the end of the year
Senior executives									
Elissa Brown	Options	-	-	-	-	-	-	-	-
	Performance rights	580,000	500,000	(200,000)	(180,000)	-	700,000	-	-
Martijn Bosboom	Options	-	-	-	-	-	-	-	-
	Performance rights	250,000	500,000	(125,000)	-	-	625,000	-	-
Paul Thompson	Options	-	-	-	-	-	-	-	-
	Performance rights	-	700,000	-	-	-	700,000	-	-
Adam Smits	Options	-	-	-	-	-	-	-	-
	Performance rights	-	700,000	-	-	-	700,000	-	-
Douglas Jones	Options	-	-	-	-	-	-	-	-
	Performance rights	-	-	-	-	-	-	-	-
Brent Horochuk	Options	-	-	-	-	-	-	-	-
	Performance rights	1,000,000	250,000	-	-		1,250,000		

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Details of remuneration: share-based compensation benefits

The following table details the percentage of the available grant that vested in the financial year and the percentage forfeited because the person did not meet either/or service and performance criteria specified. The maximum value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options or performance rights.

Table 7 – Options and performance rights granted as at 30 June 2016

Name		Number of performance rights No.	Financial period granted Yr	Vested in current financial period %	Vested in prior financial period %	Forfeited in current financial period %	Financial period in which performance rights may vest Yr	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Executive Directors									
Jeffrey Quartermaine	Performance rights	274,286	2013	-	-	100	2015	-	-
	Performance rights	362,500	2014	100	-	-	2015	-	-
	Performance rights	362,500	2014	-	-	-	2016	-	82,920
	Performance rights	500,000	2016	-	-	-	2017	-	149,062
	Performance rights	500,000	2016	-	-	-	2018	-	163,017
Colin Carson	Performance rights	300,000	2013	-	-	100	2015	-	-
	Performance rights	200,000	2014	100	-	-	2015	-	-
	Performance rights	200,000	2014	-	-	-	2016	-	45,749
	Performance rights	300,000	2016	-	-	-	2017	-	89,437

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Details of remuneration: share-based compensation benefits

The following table details the percentage of the available grant that vested in the financial year and the percentage forfeited because the person did not meet either/or service and performance criteria specified. The maximum value of the options and performance rights yet to vest has been determined as the amount of the grant date fair value of the options or performance rights.

Table 7 – Options and performance rights granted as at 30 June 2016 – continued

Name		Number of performance rights No.	Financial period granted Yr	Vested in current financial period %	Vested in prior financial period %	Forfeited in current financial period %	Financial period in which performance rights may vest Yr	Minimum total value of grant yet to vest $	Maximum total value of grant yet to vest $
Senior Executives									
Elissa Brown	Performance rights	180,000	2013	-	-	100	2015	-	-
	Performance rights	200,000	2014	100	-	-	2015	-	-
	Performance rights	200,000	2014	-	-	-	2016	-	35,088
	Performance rights	300,000	2016	-	-	-	2017	-	80,590
	Performance rights	200,000	2016	-	-	-	2017	-	33,767
Martijn Bosboom	Performance rights	125,000	2014	100	-	-	2015	-	-
	Performance rights	125,000	2014	-	-	-	2016	-	21,930
	Performance rights	300,000	2016	-	-	-	2017	-	80,590
	Performance rights	200,000	2016	-	-	-	2017	-	33,767
Paul Thompson	Performance rights	500,000	2016	-	-	-	2017	-	134,317
	Performance rights	200,000	2016	-	-	-	2017	-	33,767
Adam Smits	Performance rights	500,000	2016	-	-	-	2017	-	168,142
	Performance rights	200,000	2016	-	-	-	2017	-	44,034
Brent Horochuk	Performance rights	500,000	2015	-	-	-	2016	-	86,925
	Performance rights	500,000	2015	-	-	-	2018	-	82,493
	Performance rights	250,000	2016	-	-	-	2017	-	42,209

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

5. Additional information

Loans to directors and executives

There were no loans outstanding at the reporting date to directors or executives.

Shares options under employee share option plan

As at the date of this report, there were no unissued ordinary shares in Perseus under the employee share option plan.

Shares issued on exercise of options

During the financial year no ordinary shares were issued by Perseus as a result of the exercise of options under the employee share option plan. None have been issued since the end of the financial year.

Share holdings

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

	Balance at 30 June 2015	Received as remuneration	Received during the year on vesting	Shares sold	Other movements (i)	Balance at 30 June 2016
Directors						
Reginald Gillard	1,100,000	-	-	-	-	**1,100,000**
Jeffrey Quartermaine	200,000	-	362,500	-	-	**562,500**
Colin Carson	853,200	-	200,000	-	-	**1,053,200**
Sean Harvey	1,000,000	-	-	-	-	**1,000,000**
Michael Bohm	420,000	-	-	-	-	**420,000**
John McGloin (ii)	-	-	-	-	1,282,907 (ii)	**1,282,907**
Alexander Davidson (ii)	-	-	-	-	69,136 (ii)	**69,136**

Notes:

(i) The remaining other movements represent on-market purchase of shares.

(ii) Mr John McGloin and Mr Alexander Davidson were appointed non-executive directors on 19 April 2016. As part of the Scheme of Arrangement ("the Scheme"), through which Perseus acquired all of the outstanding shares in Amara, Mr McGloin and Mr Davidson were issued Perseus shares on 19 April 2016 as consideration.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

5. Additional information (continued)

Share holdings (continued)

The numbers of shares in the company held during the financial year by other key management personnel, including shares held by entities they control, are set out below:

	Balance at 30 June 2015	Received as remuneration	Received during the year on vesting	Shares sold	Other movements[i]	Balance at 30 June 2016
Other key management personnel						
Elissa Brown	31,250	-	200,000	(100,000)	-	**131,250**
Martijn Bosboom	40,000	-	125,000	(40,000)	-	**125,000**
Paul Thompson	-	-	-	-	-	**-**
Adam Smits	-	-	-	-	-	**-**
Douglas Jones	10,835	-	-	-	-	**10,835**
Brent Horochuk	-	-	-	-	43,400[ii]	**43,400**

(i) The remaining other movements represent on-market purchase of shares.
(ii) Mr Horochuk received 3,400 Perseus shares as consideration for Amara shares held and acquired by Perseus as part of the Scheme. The remaining other movements represent on-market purchase of shares.

Warrant holdings

The numbers of warrants in the company held during the financial year by directors and other key management personnel, including warrants held by entities they control, are set out below:

	Balance at 30 June 2015	Received during the year	Other movements	Balance at 30 June 2016
Directors				
Reginald Gillard	-	-	-	-
Jeffrey Quartermaine	-	-	-	-
Colin Carson	-	-	-	-
Sean Harvey	-	-	-	-
Michael Bohm	-	-	-	-
John McGloin[i]	-	-	641,453	641,453
Alexander Davidson[i]		-	34,568	34,568

Notes:
(i) Mr Alexander Davidson and Mr John McGloin were appointed non-executive directors on 19 April 2016. As part of the Scheme of Arrangement ("the Scheme"), through which Perseus acquired all of the outstanding shares in Amara, Mr Davidson and Mr McGloin, as shareholders of Amara, were issued warrants on 19 April 2016.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Warrant holdings (continued)

	Balance at 30 June 2015	Received during the year	Other movements	Balance at 30 June 2016
Other key management personnel				
Elissa Brown	-	-	-	-
Martijn Bosboom	-	-	-	-
Paul Thompson	-	-	-	-
Adam Smits	-	-	-	-
Douglas Jones	-	-	-	-
Brent Horochuk [(ii)]	-	-	1,700	1,700

Notes:
(ii) Mr Horochuk received 1,700 Perseus warrants as consideration for Amara shares held and acquired by Perseus as part of the Scheme.

Performance rights

As at the date of this report, the total number of performance rights under the Performance Rights Plan was 10,837,500 as follows:

Type of security	Number	Exercise price	Issue date	Expiry date
Directors				
Performance rights	1,925,000	nil	1 January 2014	**30 June 2017**
Performance rights	562,500	nil	4 June 2014	**30 June 2017**
Performance rights	750,000	nil	1 January 2015	**30 June 2018**
Performance rights	4,725,000	nil	1 July 2015	**31 December 2017**
Performance rights	800,000	nil	20 November 2015	**31 December 2017**
Performance rights	500,000	nil	20 November 2015	**31 December 2018**
Performance rights	1,325,000	nil	13 January 2016	**30 June 2017**
Performance rights	125,000	nil	1 July 2016	**30 June 2017**
Performance rights	125,000	nil	1 July 2016	**30 June 2018**

These performance rights do not entitle the holder to participate in any share issue of Perseus or any other body corporate. There are no performance rights to subscribe for shares in any controlled entity.

Directors' **Report** (continued)

REMUNERATION REPORT (continued)

Shares issued on exercise of performance rights

On 29 July 2015, 2,687,500 performance rights successfully vested under the terms of the company's Performance Rights Plan and converted to ordinary shares on a 1 for 1 basis on satisfaction of specified conditions. The shares were issued to employees at nil consideration as part of employee remuneration.

4,975,000 performance rights were issued to employees of the company under the terms of the company's Performance Rights Plan approved by shareholders in November 2014. These performance rights were issued at nil consideration with an effective issue date of 1 July 2015. Each performance right will convert to an ordinary share upon satisfaction of vesting criteria.

1,300,000 performance rights were issued to employees of the company under the terms of the company's Performance Rights Plan approved by shareholders in November 2014. These performance rights were issued at nil consideration with an effective issue date of 20 November 2015. Each performance right will convert to an ordinary share upon satisfaction of vesting criteria.

1,325,000 performance rights were issued to employees of the company under the terms of the company's Performance Rights Plan approved by shareholders in November 2014. These performance rights were issued at nil consideration with an effective issue date of 13 January 2016. Each performance right will convert to an ordinary share upon satisfaction of vesting criteria.

On 28 July 2016, 375,000 performance rights successfully vested under the terms of the company's Performance Rights Plan and converted to ordinary shares on a 1 for 1 basis on satisfaction of specified conditions. The shares were issued to employees at nil consideration as part of employee remuneration.

250,000 performance rights were issued to employees of the company under the terms of the company's Performance Rights Plan approved by shareholders in November 2014. These performance rights were issued at nil consideration with an effective issue date of 1 July 2016. Each performance right will convert to an ordinary share upon satisfaction of vesting criteria.

End of remuneration report.

Directors' **Report** (continued)

INDEMNIFICATION AND INSURANCE OF DIRECTORS, OFFICERS AND AUDITORS

Perseus's Constitution requires it to indemnify directors and officers of any entity within the group against liabilities incurred to third parties and against costs and expenses incurred in defending civil or criminal proceedings, except in certain circumstances. In April 2014, the company entered into Deeds of Indemnity, Access and Insurance with all persons who were an officer of the company at that time. Independent legal advice was received that the content of the deeds conforms with the Act and current market practice. The directors and officers of the group have been insured against all liabilities and expenses arising as a result of work performed in their respective capacities, to the extent permitted by law. The insurance premiums, paid during the year ended 30 June 2016 amounted to $159,406, and relates to:

1. costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever the outcome; and
2. other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year end.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of Perseus or to intervene in any proceedings to which Perseus is a party, for the purposes of taking responsibility on behalf of Perseus for all or part of the proceedings. No proceeding has been brought or intervened in on behalf of Perseus with leave of the Court under section 237 of the Act.

NON-AUDIT SERVICES

During the year Ernst & Young, the group's auditor, performed other non-audit services in addition to statutory duties. The non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the group, acting as an advocate for the group or jointly sharing risks and rewards. Further information is set out at note 21 of the financial statements.

CORPORATE GOVERNANCE STATEMENT

The ASX Corporate Governance Council (CGC) has developed corporate governance principles and recommendations for listed entities with the aim of promoting investor confidence and meeting stakeholder expectations. ASX listing rule 4.10.3 requires that listed entities disclose the extent to which they have followed the CGC's recommendations and, where a recommendation has not been followed, the reasons why.

Perseus's corporate governance statement can be found on the company's website at the following link:

http://www.perseusmining.com/aurora/assets/user_content/CorporateGovernanceStatement.pdf

Directors' **Report** (continued)

AUDITORS' INDEPENDENCE DECLARATION

Section 307C of the Act requires our auditors, Ernst & Young, to provide the directors of Perseus with an independence declaration in relation to the audit of the annual report. This independence declaration is set out on page 86 and forms part of this directors' report for the year ended 30 June 2016.

Signed in accordance with a resolution of directors.

J A Quartermaine

Managing director
Perth, 26 August 2016

Directors' **Report** (continued)

Competent Person Statement

The information in the Annual Group Ore Reserves and Mineral Resources Statement (other than the information in relation to the Ore Reserves and Mineral Resources estimates for the YGP in this report is based on, and fairly represents information and supporting documentation prepared by competent persons in accordance with the requirements of the JORC Code. The Annual Group Mineral Resources Statement as a whole has been approved by Mr Steffen Brammer, a Competent Person who is a Resource Geologist with the Australian Institute of Mining and Metallurgy. Mr Brammer is an employee of the Company. Mr Brammer 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 Brammer consents to the inclusion in this report of the information in the form and context in which it appears. The Annual Group Ore Reserve Statement as a whole has been approved by Mr Paul Thompson, a Competent Person who is an Engineer with the Australian Institute of Mining and Metallurgy. Mr Thompson is an employee of the Company. Mr Thompson 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 NI 43-101. Mr Thompson consents to the inclusion in this report of the information in the form and context in which it appears.

The information in this report includes an update for depletion as at 30 June 2016 to the Mineral Resource for the EGM deposits which was first reported by the Company in compliance with the JORC Code 2012 in market announcements released on 27 August 2014, 4 September 2014, 20 April 2015 and updated in its 2015 Financial Statements released on 31 August 2015 and a market release on 19 April 2016. The information in this report includes an update for depletion as at 30 June 2016 to the EGM Ore Reserves which were first reported by the Company in compliance with the JORC Code 2012 in a market announcement released on 20 April 2015 and updated in its 2015 Financial Statements released on 31 August 2015 and a market release on 19 April 2016. The Company confirms that it is not aware of any new information or data that materially affects the information in those market announcements and that all material assumptions and technical parameters underpinning the estimates in those market announcements continue to apply and have not materially changed.

The information in this report that relates to the update of the EGM Mineral Resources is based on information compiled and reviewed by Steffen Brammer who is a Resource Geologist with the Australian Institute of Mining and Metallurgy. Mr Brammer has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Mr Brammer is a full time employee of the Company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to the update of the EGM Ore Reserves is based on information compiled and reviewed by Paul Thompson who is an Engineer with the Australian Institute of Mining and Metallurgy. Mr Thompson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he has undertaken to qualify as a Competent Person as defined in the JORC Code 2012. Mr Thompson is a full time employee of the Company and consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources and Ore Reserves for the SGP was first reported by the Company in compliance with the JORC Code 2012 in a market announcement released on 21 April 2015. The Company confirms that it is not aware of any new information or data that materially affects the information in that market announcement and that all material assumptions and technical parameters underpinning the estimates in that market announcement continue to apply and have not materially changed.

All production targets for the EGM and the SGP 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 Company confirms that all material assumptions underpinning those production targets, or the forecast financial information derived from those production targets, in the market releases dated 19 April 2016 (EGM) and 21 April 2015 (SGP) continue to apply and have not materially changed. Refer "Technical Report — Central Ashanti Gold Project, Ghana" dated 30 May 2011 and "Technical Report — Sissingué Gold Project, Côte d'Ivoire" dated 29 May 2015. Steffen Brammer and Paul Thompson, each of whom is a Qualified Person as defined in NI 43-101 and an employee of the Company, have approved the inclusion of technical and scientific information in this presentation.

Yaouré

All information in this report in the Annual Group Ore Reserves and Mineral Resources Statement concerning the YGP are reported as Foreign Estimates as defined in the ASX Listing Rules in accordance with ASX Listing Rules 5.12.1 to 5.12.10 and as Historical Estimates as defined under NI 43-101. The Foreign Estimates and Historical Estimates are together referred to as "Estimates". The Estimates for the YGP have been sourced from the following report in accordance with NI 43-101: Technical Report and Prefeasibility Study of the YGP, Côte d'Ivoire. Document No 1494400100-REP-R0001-01 dated 14 May 2015. The Estimates have been classified as Inferred, Indicated and Measured under NI 43-101. The classification categories are considered by Perseus to be equivalent to the JORC categories of the same name (JORC 2012), thus the NI 43-101 compliant estimates are considered "qualifying foreign estimates" for the purposes of the ASX Listing Rules. Perseus has reviewed the relevant Technical Reports for the YGP and believes the foreign estimates were conducted in a professional and competent manner and are relevant for purposes of the Company's decision regarding these properties. However, neither Perseus nor its qualified persons have completed the work necessary to verify the Estimates and the estimates should not be relied upon. The Estimate for the YGP deposit is material to Perseus. The Mineral Resource Estimate is based on RC and diamond core drill holes, conducted by Amara since 2005. Drill holes were nominally spaced at 50x50m over the entire prospect,. A total of 630 RC holes for 59,096.65m and 405 DD holes for 116,383.35m were drilled. Resource wireframes were generated by combining manually digitized sectional polygons. A standard block model was created with 12.5x12.5x10m parent block size and grade estimation was performed using a combination of Ordinary Kriging and Cubed Inverse Distance algorithms, both with top-cuts applied.The oxides of the YGP deposits have been partly mined in open pit heap leach operations by the Compagnie Minière d'Afrique ("CMA") between 1999 and 2003, and between 2008 and 2011 by Amara. Historic data from drilling prior to 2005, and grade control data from the mining operations were not included in the

Directors' **Report** (continued)

Mineral Resource Estimate. The depletion due to mining by CMA and Amara, as well as backfilling of the historic CMA open pits have been taken into account.Mineralogical and metallurgical test work was carried out on several ore types at variable grades. Investigations indicated that the ores are free milling and non-refractory at a grind size of approximately P80 = 75 µm. The ore is hard and amenable to direct cyanidation, with an overall gold recovery of approximately 90%. Open pit mining using conventional drill and blast methods was adopted taking into consideration oxide and fresh material. Pits were optimised and then designed in staged cutbacks. Suitably sized mining equipment was adopted with total material movement determined based on the plant throughput rate with an elevated cut-off strategy in the early years of production to maximise grade. Owner mining was adopted. The process plant was designed for a 6.5Mt/a capacity. The flowsheet comprised a gyratory crusher, SAG mill, ball mill, gravity concentration, thickeners, agitated leach tanks, CIP circuit, elution and electrowinning to produce doré gold bars for refining. Infrastructure was designed to match the overall mining and processing rates, including tailings storage facility, power and water supply, camp, offices, workshops and roads. Cost estimates were completed to +/-25%. A $1,250/oz gold price was used in the evaluation.

A statement was made by Amara on 26 February 2016 updating the Mineral Resource and Ore/Mineral Reserve at the YGP. An incomplete draft technical report was available to Perseus, but a fully compliant NI 43-101 document had not been completed. Therefore the May 2015 NI 43-101 technical report is the basis of the Estimate.

Perseus has commenced a feasibility study on the YGP including a NI 43-101 technical report, with completion expected in the middle of 2017. The feasibility will be focussed on increasing geological information by carrying out closer spaced drilling in targeted areas than has been completed historically. Also significant additional metallurgical test work will be carried out, with a specific focus on comminution. The new information will be used to better define controls on mineralisation and thereby determine the tonnes and grade of the deposit with greater reliability and develop a geo-metallurgical model. The mining method for the deposit can then be optimised along with the mining and processing rates. The process plant design and associated infrastructure will then be finalised. Quotes will be sought from suitably experienced mining contractors to fully evaluate the option of contract mining compared to owner mining. The feasibility will be funded from funds from the recent equity raising.

Cautionary statement in respect of Yaouré

The Estimates are historical/foreign estimates and are not reported in accordance with the JORC Code. A qualified person has not completed sufficient work to classify the Estimates as current Mineral Resources or Ore Reserves in accordance with the JORC code and the Company is not treating the Estimates as current. It is uncertain that following evaluation and/or further exploration work the Estimates will be able to be reported as Mineral Resources or Ore Reserves in accordance with the JORC Code. It should not be assumed that quantities reported as "resources" will be converted to reserves under the JORC Code or any other reporting regime or that the Company will be able to legally and economically extract them.

Competent Persons/Qualified Person Statement in respect of Yaouré

The information in this report that relates to the reporting of Yaouré Mineral Resource Foreign Estimates is provided under ASX listing rules 5.12.2 to 5.12.7 and under NI 43-101 and is an accurate representation of the available data and studies for those projects based upon information compiled and Historical Estimates by Mr Steffen Brammer, who is Member of The Australasian Institute of Mining and Metallurgy. Mr Brammer is an employee of the Company. Mr Brammer has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking 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 as a Qualified Person as defined in NI 43-101. Mr Brammer consents to and has approved inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this presentation that relates to the reporting of Yaouré Mineral Reserve Foreign Estimates and Historical Estimates is provided under ASX listing rules 5.12.2 to 5.12.7 and under NI 43-101 and is an accurate representation of the available data and studies for those projects based upon information compiled by Mr Paul Thompson, who is Fellow of The Australasian Institute of Mining and Metallurgy. Mr Thompson is an employee of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposits under consideration and to the activity which he is undertaking 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 a Qualified Person as defined in NI 43-101. Mr Thompson consents to and has approved inclusion in the report of the matters based on his information in the form and context in which it appears.

Auditor's **Independence Declaration**

EY
Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Perseus Mining Limited

As lead auditor for the audit of Perseus Mining Limited for the financial year ended 30 June 2016, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Perseus Mining Limited and the entities it controlled during the financial year.

Ernst & Young

Gavin Buckingham
Partner
26 August 2016

GB:EH:PRU:059

Financial **Statements**

for the year ended 30 June 2016

Contents

These financial statements are the financial statements of the consolidated entity consisting of Perseus Mining Limited and its subsidiaries. The financial statements are presented in the Australian currency.

Perseus Mining Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Perseus Mining Limited
Second Floor, 437 Roberts Road, Subiaco WA 6008 AUSTRALIA

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report on pages 9 to 32, which is not part of these financial statements.

These financial statements were authorised for issue by the directors on 26 August 2016. The directors have the power to amend and reissue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the company. All press releases, financial statements and other information are available at our News and Reports section on our website at www.perseusmining.com.au.

Statement of **Comprehensive Income**

for the year ended 30 June 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Continuing operations			
Revenue		**252,203**	333,502
Changes in inventories of finished goods and work in progress	2	**10,769**	(6,237)
Contractors, consumables, utilities and reagents		**(185,179)**	(154,117)
Royalties		**(20,197)**	(17,894)
Employee benefits expense		**(32,042)**	(27,193)
Depreciation and amortisation expense	2	**(48,056)**	(54,423)
Foreign exchange gain	2	**9,214**	52,414
Finance cost	2	**(306)**	(746)
Impairment of available-for-sale financial asset	8	**(709)**	(1,030)
Write-off of exploration	11	**(17,921)**	-
Share of net losses of associate		**-**	(108)
Gain recognised on discontinuation of equity accounting		**-**	499
Other expenses		**(12,074)**	(7,685)
(Loss) / profit before income tax		**(44,298)**	116,982
Income tax benefit / (expense)	3	**6,752**	(24,815)
Net (loss) / profit after income tax		**(37,546)**	92,167
Other comprehensive (loss) / income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**13,977**	27,144
Net changes in fair value of cash flow hedges		**(39,723)**	(4,315)
Net changes in fair value of financial assets		**2,887**	(147)
Income tax benefit relating to cash flow hedges		**14,001**	1,510
Total comprehensive (loss) / income for the year		**(46,404)**	116,359
(Loss) / profit attributable to:			
Owners of the parent		**(35,640)**	87,819
Non-controlling interests		**(1,906)**	4,348
		(37,546)	92,167
Total comprehensive (loss) / profit attributable to:			
Owners of the parent		**(42,279)**	110,763
Non-controlling interests		**(4,125)**	5,596
		(46,404)	116,359
Basic (loss) / profit per share	4	**(5.74) cents**	16.67 cents
Diluted (loss) / profit per share	4	**(5.74) cents**	16.43 cents

The accompanying notes form part of these financial statements.

Statement of **Financial Position**

for the year ended 30 June 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Current assets			
Cash and cash equivalents	5	**151,257**	103,741
Receivables	6	**43,648**	40,720
Inventories	7	**58,849**	43,960
Prepayments		**4,256**	6,033
Derivative financial instruments	14	**-**	21,276
Assets of disposal group held for sale	25	**12,289**	-
Total current assets		**270,299**	215,730
Non-current assets			
Receivables	6	**12,724**	12,337
Inventories	7	**2,517**	-
Available for sale financial assets	8	**5,044**	2,820
Property, plant and equipment	9	**240,803**	210,672
Mine properties	10	**227,245**	214,699
Mineral interest acquisition and exploration expenditure	11	**184,443**	41,568
Total non-current assets		**672,776**	482,096
Total assets		**943,075**	697,826
Current liabilities			
Trade and other payables	12	**81,449**	38,054
Derivative financial instruments	14	**15,361**	-
Liabilities of disposal group held for sale	25	**13,776**	-
Total current liabilities		**110,586**	38,054
Non-current liabilities			
Provision	12	**15,935**	10,477
Deferred tax liability	13	**47,216**	66,073
Total non-current liabilities		**63,151**	76,550
Total liabilities		**173,737**	114,604
Net assets		**769,338**	583,222
Equity			
Issued capital	16	**708,692**	476,427
Reserves	16	**15,555**	22,007
Retained earnings	17	**36,899**	72,539
Parent entity interest		**761,146**	570,973
Non-controlling interest		**8,192**	12,249
Total equity		**769,338**	583,222

The accompanying notes form part of these financial statements.

Statement of **Changes in Equity**

for the year ended 30 June 2016

	Issued capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Hedge reserve $'000	Non-controlling interests reserve $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2015	476,427	72,539	19,212	(8,124)	(93)	10,762	250	12,249	583,222
Loss for the period	-	(35,640)	-	-	-	-	-	(1,906)	(37,546)
Currency translation differences	-	-	-	13,624	-	-	-	353	13,977
Net change in the available-for-sale financial assets	-	-	-	-	2,887	-	-	-	2,887
Net change in the fair value of cash flow hedges	-	-	-	-	-	(35,615)	-	(4,108)	(39,723)
Income tax relating to components of other comprehensive income	-	-	-	-	-	12,465	-	1,536	14,001
Total comprehensive (loss) / income	**-**	**(35,640)**	**-**	**13,624**	**2,887**	**(23,150)**	**-**	**(4,125)**	**(46,404)**
Shares issued during the period	94,281	-	-	-	-	-	-	-	94,281
Share issue expenses	(3,879)	-	-	-	-	-	-	-	(3,879)
Exercise of warrants	295	-	-	-	-	-	-	-	295
Share based payments	-	-	692	-	-	-	-	37	729
Acquisition of a subsidiary	141,568	-	-	-	-	-	-	-	141,568
Non-controlling interest arising from change in ownership interest	-	-	-	-	-	-	(505)	31	(474)
Balance at 30 June 2016	**708,692**	**36,899**	**19,904**	**5,500**	**2,794**	**(12,388)**	**(255)**	**8,192**	**769,338**

The accompanying notes form part of these financial statements.

	Issued capital $'000	Retained earnings $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Asset revaluation reserve $'000	Hedge reserve $'000	Non-controlling interests reserve $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 July 2014	476,429	(15,280)	19,071	(33,739)	54	13,286	218	6,570	466,609
Profit for the period	-	87,819	-	-	-	-	-	4,348	92,167
Currency translation differences	-	-	-	25,680	-	-	-	1,529	27,209
Share of currency translation difference of associated entity	-	-	-	(65)	-	-	-	-	(65)
Net change in the available-for-sale financial assets	-	-	-	-	(147)	-	-	-	(147)
Net change in the fair value of cash flow hedges	-	-	-	-	-	(3,883)	-	(432)	(4,315)
Income tax relating to components of other comprehensive income	-	-	-	-	-	1,359	-	151	1,510
Total comprehensive income / (loss)	-	**87,819**	-	**25,615**	**(147)**	**(2,524)**	-	**5,596**	**116,359**
Shares issued during the period	-	-	-	-	-	-	-	-	-
Share issue expenses	(2)	-	-	-	-	-	-	-	(2)
Derecognition of share of reserve on discontinuation of equity accounting	-	-	(391)	-	-	-	-	-	(391)
Share based payments	-	-	532	-	-	-	-	115	647
Non-controlling interest arising from the issue of exploitation permit	-	-	-	-	-	-	32	(32)	-
Balance at 30 June 2015	**476,427**	**72,539**	**19,212**	**(8,124)**	**(93)**	**10,762**	**250**	**12,249**	**583,222**

The accompanying notes form part of these financial statements.

Statement of **Cash flows**

for the year ended 30 June 2016

	Notes	Consolidated 2016 $'000	Consolidated 2015 $'000
Operating activities			
Receipts in the course of operations		263,165	314,000
Payments to suppliers and employees		(233,734)	(228,844)
Interest received		964	637
Net cash from operating activities	22	30,395	85,793
Investing activities			
Payments for exploration and evaluation expenditure		(7,895)	(5,570)
Payments for acquisition of property, plant and equipment		(797)	(47)
Payments for mine properties		(15,473)	(13,150)
Payments for acquisition of assets under construction		(50,003)	(20,166)
Proceeds on disposal of property, plant and equipment		5	-
Investment in listed / unlisted entity		(46)	(281)
Cash acquired on the acquisition of a subsidiary	24	2,315	-
Net cash used in investing activities		(71,894)	(39,214)
Financing activities			
Proceeds from share issues		94,281	-
Proceeds from exercise of warrants		295	-
Share issue expenses		(3,879)	(2)
Acquisition of minority interest		(475)	-
Net cash provided by / (used in) financing activities		90,222	(2)
Net increase in cash held		48,723	46,577
Cash and cash equivalents at the beginning of the financial year		103,741	36,937
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies		(1,207)	20,227
Cash and cash equivalents at the end of the financial year	5	151,257	103,741

The accompanying notes form part of these financial statements.

Notes to the **Financial Statements**

for the year ended 30 June 2016

ABOUT THIS REPORT

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated in note 26. The financial statements are for the consolidated entity consisting of Perseus Mining Limited and its subsidiaries (the "group" or the "consolidated entity"). Perseus Mining Limited is a listed for-profit public company, incorporated and domiciled in Australia. During the year ended 30 June 2016, the consolidated entity conducted operations in Australia, Ghana and Côte d'Ivoire.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*.

Compliance with IFRS
The consolidated financial statements of the group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of derivative instruments and available for sale financial assets.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in throughout the notes.

Rounding
The amounts contained in this financial report have been rounded to the nearest $1,000 (unless otherwise stated) under the option available to the company under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 (Rounding Instrument). The company is an entity to which the class order applies.

Notes to the **Financial Statements**

for the year ended 30 June 2016

SIGNIFICANT JUDGEMENTS AND 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 consolidated entity and that are believed to be reasonable under the circumstances.

The group makes estimates and assumptions concerning the future. The resulting accounting will, by definition, seldom equal the actual results. The estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in the notes indicated below.

	Note
Depreciation and amortisation	2
Unit-of-production method of depreciation/amortisation	2
Deferred stripping expenditure	2
Impairment	2
Income tax	3
Inventory	7
Reserves and resources	10
Exploration and evaluation expenditure	11
Restoration and Rehabilitation provision	12
Derivative financial instruments	14
Measurement of fair value	15
Share based payments	16, 23
Acquisition of Amara Mining plc	24

Notes to the Financial Statements

for the year ended 30 June 2016

1. SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the executive management team and board of directors that are used to make strategic decisions.

The group primarily reports on a geographical basis as its risks and rates of return are affected predominantly by differences in geographical areas in which it operates and this is the format of the information provided to the executive management team and board of directors.

The group operated principally in three geographical segments in 2016 being Australia and the West African countries of Ghana and Côte d'Ivoire. The segment information is prepared in conformity with the group's accounting policies.

The group comprises the following main segments:

Australia	Investing activities and corporate management.
Ghana	Mining, mineral exploration, evaluation and development activities.
Côte d'Ivoire	Mineral exploration, evaluation and development activities.

Revenue is derived from two external customers arising from the sale of gold bullion reported under the Ghana reporting segment.

(b) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive management team and board of directors of the parent entity.

Notes to the Financial Statements

1. SEGMENT INFORMATION (continued)

(c) Segment information provided to the executive management team and board of directors

	Australia 2016 $'000	Australia 2015 $'000	Ghana 2016 $'000	Ghana 2015 $'000	Côte d'Ivoire 2016 $'000	Côte d'Ivoire 2015 $'000	Consolidated 2016 $'000	Consolidated 2015 $'000
Revenue								
Total revenue	667	551	251,536	332,951	-	-	252,203	333,502
Results								
Operating (loss) / profit before income tax	(11,371)	48,241	(25,708)	70,590	(7,219)	(1,849)	(44,298)	116,982
Income tax benefit / (expense)							6,752	(24,815)
Net (loss) / profit							(37,546)	92,167
Included within segment results:								
Share of net loss of associate accounted for using the equity method	-	(108)	-	-	-	-	-	(108)
Impairment of available-for-sale financial asset	(709)	(1,030)	-	-	-	-	(709)	(1,030)
Depreciation and amortisation	(843)	(1,005)	(47,030)	(53,279)	(183)	(139)	(48,056)	(54,423)
Share based payments to employees, directors and consultants	(490)	(481)	(220)	(66)	(22)	(39)	(732)	(586)
Foreign exchange gain / (loss)	10,159	57,800	1,324	(5,410)	(2,269)	24	9,214	52,414

	As at 30 June 2016 $'000	As at 30 June 2015 $'000	As at 30 June 2016 $'000	As at 30 June 2015 $'000	As at 30 June 2016 $'000	As at 30 June 2015 $'000	As at 30 June 2016 $'000	As at 30 June 2015 $'000
Assets								
Segment assets	163,614	45,104	530,091	587,263	237,081	65,459	930,786	697,826
Unallocated							12,289	-
Total segment assets							943,075	697,826
Total assets includes:								
Additions to non-current assets (other than financial assets)	159	131	66,343	36,023	131,118	3,782	197,620	39,936
Liabilities								
Segment liabilities	3,763	1,543	150,943	112,512	5,255	549	159,961	114,604
Unallocated							13,776	-
Total segment liabilities							173,737	114,604

Notes to the **Financial Statements**

for the year ended 30 June 2016

2. OTHER INCOME / EXPENSES AND ADJUSTMENTS

	Consolidated	
	2016 $'000	2015 $'000
Profit / (loss) before income tax has been determined after:		
Other revenue		
Interest revenue	**1,052**	651
Interest revenue is included in 'revenue' in the statement of comprehensive income.		
Foreign exchange gain:		
Foreign exchange gain on translation of inter-company loans	**10,893**	55,559
Foreign exchange gain / (loss) on translation of VAT receivable	**886**	(5,779)
Foreign exchange (loss) / gain on other translations	**(2,565)**	2,634
	9,214	52,414
Changes in inventories of finished goods and work in progress:		
Write back / (write down) of inventories due to increase / (decrease) in net realisable value	**13,064**	(6,389)
Write back / (write down) of inventories due to increase / (decrease) in net realisable value is included in 'changes in inventories of finished goods and work in progress' in the statement of comprehensive income.		
Finance costs:		
Interest and finance charges	**(306)**	(746)
Other costs:		
Write-down of receivable	**(708)**	(2,820)
Depreciation and amortisation:		
Amortisation of stripping asset	**(8,754)**	(24,138)
Other depreciation and amortisation	**(39,302)**	(30,285)
	(48,056)	(54,423)

RECOGNITION & MEASUREMENT

(i) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties. The group recognises revenue when the amount can be reliably measured and it is probable that future economic benefits will flow to the entity. The following criteria are also applicable to specific revenue transactions:

Gold bullion sales
Revenue from gold bullion sales is recognised when there has been a transfer of risks and rewards from the group to an external party, no further processing is required by the group, quality and quantity of the goods has been determined with reasonable accuracy, the selling price is fixed or determinable, and collectability is probable. The point at which risk and rewards pass for the group's commodity sales is upon dispatch of the gold bullion from the mine site. Adjustments are made for variations in commodity price, assay and weight between the time of dispatch and the time of final settlement.

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

(ii) Borrowing costs
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

Notes to the Financial Statements

for the year ended 30 June 2016

2. OTHER INCOME / EXPENSES AND ADJUSTMENTS (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

(i) Impairment of assets

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 group undertakes future cash flow calculations which are based on a number of critical estimates and assumptions, and reflect the life of mine ("LOM") operating and capital cost assumptions used in the group's latest budget and LOM plans:

(i) Mine life including quantities of mineral Ore 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) Estimate future commodity prices are based on brokers consensus forecast;
(iv) Future costs of production;
(v) Future capital expenditure;
(vi) Future exchange rates; and/or
(vii) Discount rates based on the group's estimated before tax weighted average cost of capital, adjusted when appropriate to take into account relevant risks such as development risk etc.

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. The expected future cash flows of the cash generating units are most sensitive to fluctuations in the gold price.

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

The group 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 group amortises mine property assets utilising tonnes of ore mined and mine related plant and equipment over tonnes of ore processed.

Notes to the Financial Statements

for the year ended 30 June 2016

2. OTHER INCOME / EXPENSES AND ADJUSTMENTS (continued)

(iii) 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 and a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset(s) for each component.
The group considers that the ratio of the expected waste to be stripped for an expected amount of ore to be mined, for a specific component of the ore body, is the most suitable production measure. Furthermore, judgements and estimates are also used to apply the units of production method in determining the amortisation of the stripping activity asset(s).

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 component ratio even if they do not affect the mine's design. Changes to the life of the component are accounted for prospectively.

Notes to the Financial Statements

for the year ended 30 June 2016

3. INCOME TAX EXPENSE

	Consolidated	
	2016 $'000	2015 $'000
(a) Income tax expense		
Current tax expense	**124**	263
Deferred tax (benefit) / expense	**(6,876)**	24,552
Income tax (benefit) / expense	**(6,752)**	24,815
Income tax expense is attributable to:		
(Loss) / profit from continuing operations	**(6,752)**	24,815
(Loss) / profit from discontinued operations	**-**	-
Aggregate income tax expense / (benefit)	**(6,752)**	24,815
Deferred income tax expense included in tax comprises:		
(Increase) / decrease in deferred tax assets	**(19,506)**	23,751
Increase in deferred tax liabilities	**12,630**	801
Aggregate deferred tax (benefit) / expense	**(6,876)**	24,552
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
(Loss) / profit from continuing operations before income tax expense	**(44,298)**	116,599
(Loss) / profit from discontinuing operations before income tax expense	**-**	-
	(44,298)	116,599
Tax at the Australian tax rate of 30%	**(13,289)**	34,980
Effect of tax rates in foreign jurisdictions	**(1,105)**	3,402
Non-deductible expenses	**811**	757
Share based payments	**162**	152
Foreign exchange on investment in foreign subsidiaries	**(1,971)**	(12,844)
Recognition of previously unrecognised deferred tax assets	**-**	(1,632)
Deferred tax asset not brought to account	**8,640**	-
	(6,752)	24,815
(Over) / under provision in prior years	**-**	-
Income tax (benefit) / expense	**(6,752)**	24,815

Notes to the Financial Statements
for the year ended 30 June 2016

3. INCOME TAX EXPENSE (continued)

	Consolidated	
	2016 $'000	2015 $'000
(c) Amounts recognised directly in equity		
Aggregate current and deferred tax arising in the reporting period and not recognised in net profit or loss but directly debited or credited to equity	**14,001**	1,510
Net deferred tax credited directly to equity	**14,001**	1,510
(d) Tax losses		
Estimated Australian revenue tax losses	**22,014**	27,887
Estimated Australian capital tax losses	**932**	933
	22,946	28,820
Potential tax benefit at 30%	**6,884**	8,646
Unused foreign tax losses for which no deferred tax has been recognised	**-**	-
	6,884	8,646

RECOGNITION & MEASUREMENT

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associated operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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

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

Notes to the Financial Statements

for the year ended 30 June 2016

4. (LOSS) / EARNINGS PER SHARE

	Consolidated	
	2016 $'000	2015 $'000
(a) Earnings used in calculating earnings per share		
(Loss) / profit attributable to ordinary shareholders of the parent	**(35,640)**	87,819
(b) **Weighted average number of shares**		
	No. of shares	No. of shares
Weighted average number of ordinary shares used in calculating basic (loss) / earnings per share	**621,364,425**	526,656,401
Effect of dilution from performance rights	**10,225,758**	7,870,152
Effect of dilution from warrants	**46,119,835**	-
Weighted average number of ordinary shares used in calculating diluted (loss) / earnings per share	**677,710,018**	534,526,553

Performance rights, first issued in November 2012 (see note 23) and granted to employees under the terms of the company's Performance Rights Plan approved by shareholders in November 2012, are considered to be potential ordinary shares but, as they are anti-dilutive for the year ended 30 June 2016, they have been excluded from the calculation of diluted earnings per share. Warrants issued in April 2016 (see note 24) to the shareholders of Amara, are also considered to be potential ordinary shares but, as they are anti-dilutive for the year ended 30 June 2016, they have been excluded from the calculation of diluted earnings per share.

RECOGNITION & MEASUREMENT

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the net result attributable to owners of the parent, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for any bonus element.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of ordinary shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Notes to the **Financial Statements**

for the year ended 30 June 2016

5. CASH AND CASH EQUIVALENTS

		Consolidated	
		2016 $'000	2015 $'000
Cash assets	(i)	**101,613**	10,795
Short term deposits	(ii)	**49,644**	92,946
		151,257	103,741

(i) Cash at bank earns interest at floating rates based on daily bank deposit rates.
(ii) Short-term deposits are made for varying periods, depending on the immediate cash requirements of the group, and earn interest at the respective short-term deposit rates.

RECOGNITION & MEASUREMENT

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions with an original maturity not exceeding three months, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. If greater than three months principal amounts can be redeemed in full with interest payable at the same cash rate from inception as per the agreement with each bank. Bank overdrafts, if utilised, are shown within borrowings in current liabilities on the statement of financial position.

Notes to the Financial Statements

for the year ended 30 June 2016

6. RECEIVABLES

		Consolidated	
		2016 $'000	2015 $'000
Current			
Trade debtors	(i)	**15,258**	24,508
Sundry debtors	(i)	**9,271**	7,403
Other receivable	(ii)	**22,870**	12,454
Allowance for doubtful debts	(iii)	**(3,751)**	(3,645)
		43,648	40,720
Non-current			
Security deposits		**12,724**	12,337
		12,724	12,337
Movement in the allowance for doubtful debts:			
Balance at beginning of the year		**3,645**	2,958
Foreign exchange translation gains		**106**	687
Balance at the end of the year		**3,751**	3,645

Terms relating to the above financial instruments:

(i) Trade and sundry debtors are non-interest bearing and generally on 30 day terms.

(ii) Other receivable relates to GST and VAT receivable throughout the group. At 30 June 2016 $22.9 million (30 June 2015: $12.5 million) related to a VAT refund receivable from the Ghana Revenue Authority ("GRA"). There are no non-current VAT receivables as at 30 June 2016. In early July 2016 two cheques from the GRA totalling GHS44.9 million (US$11.4 million) were received from the GRA for the VAT receivable.

(iii) Allowance for doubtful debts are recognised against sundry debtors for estimated irrecoverable amounts determined by reference to an analysis of the counterparty's current financial position.

(iv) At 30 June 2016, the group has US$9.5 million (approximately A$12.7 million) (30 June 2015: US$9.4 million (approximately A$12.3 million)) held in bank deposits which are subject to a lien and are collateral for a bank guarantee that has been issued to the Ghana Environmental Protection Agency in relation to environmental rehabilitation provisions concerning the EGM.

Past due but not impaired

With the exception of $3.8 million disclosed above which is fully provided for, all of the remaining trade and other receivables are current.

Fair value and foreign exchange and credit risk

Due to the short term nature of the current receivables, their carrying amount is assumed to approximate their fair value. Long term receivables are evaluated by the group based on parameters such as individual creditworthiness of the customer and specific country risk factors. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of receivable mentioned above.

The other receivable relating to a VAT refund from the GRA is immediately repayable on demand in Ghanaian Cedis ("GHS"), is unsecured and bears no interest. Since the authorisation of treasury credit notes by the GRA, payments of employment taxes, withholding taxes and royalties have been offset against the VAT receivable. During the year, the

Notes to the
Financial Statements
for the year ended 30 June 2016

6. RECEIVABLES (continued)

group received GHS35.4 million (US$9.3 million) of Treasury Credit Notes to cover that part of the VAT refund that has been formerly audited and approved. In early July 2016 a further two cheques from the GRA totalling GHS44.9 million (US$11.4 million) were received from the GRA for the VAT receivable.

Further information about the group's exposure to these risks is provided in note 15.

RECOGNITION & MEASUREMENT

(i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.
An allowance for doubtful debts is made when collection of the full amount is no longer probable. Impairment of trade receivables is continually reviewed and those that are considered to be uncollectible are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses.

(ii) Loan and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

7. INVENTORIES

	Consolidated	
	2016 $'000	2015 $'000
Current		
Ore stockpiles – at cost	**5,407**	9,176
Ore stockpiles – at net realisable value	**9,919**	-
Gold in circuit – at cost	-	4,288
Gold in circuit – at net realisable value	**6,557**	-
Materials and supplies	**36,966**	30,496
	58,849	43,960

Inventory expense
The inventory expense during the year ended 30 June 2016 was $244.3 million (30 June 2015: $235.3 million). The write up of inventories due to an increase in net realisable value recognised during the year ended 30 June 2016 amounted to $13.1 million (30 June 2015 write down: $6.4 million) and is included in 'changes in inventories of finished goods and work in progress' in the statement of comprehensive income.

Non-current		
Ore stockpiles – at net realisable value	**2,517**	-
	2,517	-

Notes to the Financial Statements

for the year ended 30 June 2016

7. INVENTORIES (continued)

RECOGNITION & MEASUREMENT

Gold bullion, gold in circuit and ore stockpiles are physically measured or estimated and stated at the lower of cost and net realisable value. Cost comprises direct material, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs in getting such inventories to their existing location and condition, based on weighted average costs incurred during the period in which such inventories were produced. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and costs of selling the final product.

Inventories of consumable supplies and spare parts expected to be used in production are valued at weighted average cost. Obsolete or damaged inventories of such item are valued at net realisable value.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Net realisable value tests are performed at least quarterly and represent the estimated future sales price of the product based on 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.

8. AVAILABLE FOR SALE FINANCIAL ASSETS

		Consolidated	
		2016 $'000	2015 $'000
Non-current			
Available for sale financial assets	(i)	**5,044**	2,820
		5,044	2,820
Reconciliation of movements in available for sale financial assets:			
Balance at beginning of the year		**2,820**	1,841
Reclassification from investments accounted for using the equity method		**-**	1,875
Additions		**46**	281
Impairment of available for sale financial asset	(ii)	**(709)**	(1,030)
Gain / (loss) on fair value remeasurements		**2,887**	(147)
Balance at end of the year		**5,044**	2,820

(i) The group's investment in Manas Resources Limited ($0.4 million) and Burey Gold Limited ($4.6 million) is recognised as an available for sale financial asset.

(ii) During the year ended 30 June 2016, impairment of the investment in Manas was considered. The significant decline in the fair value of Manas's shares was considered objective evidence of impairment and as such, an impairment of $0.7 million was made and is shown at 'impairment of available for sale financial assets' in the statement of comprehensive income. The investment in Manas is recognised at fair value 30 June 2016.

Risk exposure and fair value measurements

Information about the group's exposure to price risk and about the methods and assumptions used in determining fair value is provided in note 15.

Notes to the Financial Statements

for the year ended 30 June 2016

8. AVAILABLE FOR SALE FINANCIAL ASSETS (continued)

RECOGNITION & MEASUREMENT

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term

Purchase and sale of investments are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses on sale of available-for-sale financial assets.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss in the period in which they arise. Changes in value of non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 15.

(ii) Impairment

The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered an indicator in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from other comprehensive income and recognised in the profit or loss.

Notes to the Financial Statements

for the year ended 30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2016 $'000	2015 $'000
Plant and equipment - at cost	193,218	177,088
Accumulated depreciation	(74,487)	(51,358)
	118,731	125,730
Reconciliation of plant and equipment:		
Balance at the beginning of the year	125,730	110,467
Acquired on acquisition of a subsidiary (Note 24)	152	-
Additions	797	69
Transferred from assets under construction	7,263	5,935
Depreciation	(19,088)	(15,271)
Disposals	(24)	(29)
Translation difference movement	3,901	24,559
Carrying amount at the end of the year	118,731	125,730
Assets under construction – at cost	122,072	84,942
Reconciliation of assets under construction:		
Balance at the beginning of the year	84,942	74,054
Acquisition of a subsidiary (Note 24)	461	-
Additions	58,084	19,362
Transferred to property, plant and equipment	(7,263)	(5,935)
Transferred to mine properties	(15,678)	(5,818)
Translation difference movement	1,526	3,279
Carrying amount at the end of the year	122,072	84,942
Total property, plant and equipment net book value	240,803	210,672

Notes to the Financial Statements

for the year ended 30 June 2016

9. PROPERTY, PLANT AND EQUIPMENT (continued)

RECOGNITION & MEASUREMENT

(i) Assets under construction

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified as 'assets under construction', and disclosed as a component of property, plant and equipment.

All subsequent expenditure incurred in the construction of a mine by or on behalf of, the group is accumulated separately for each area of interest in which economically recoverable reserves have been identified. This expenditure includes net direct costs of construction and borrowing costs capitalised during construction. On completion of development, all assets included in 'assets under construction' are reclassified as either 'plant and equipment' or 'mine properties'.

(ii) Property, plant and equipment

Land and buildings and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Land is not depreciated.

Depreciation on other assets is calculated using the straight-line method to allocate their cost net of their residual values, over their estimated useful lives as follows:

Item	Estimated useful life (years)
Plant and equipment	3-10
Buildings	20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in profit or loss.

(iii) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they may be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount exceeds its recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects current market assessments of the time value of money and the risks specific to the asset.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generated units). The group has three cash generating units, Edikan Gold Mine, the Sissingué Gold Project and the Yaouré Gold Project. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to the Financial Statements

for the year ended 30 June 2016

10. MINE PROPERTIES

	Consolidated	
	2016 $'000	2015 $'000
Mine properties - at cost	374,203	330,017
Accumulated depreciation	(146,958)	(115,318)
	227,245	214,699
Reconciliation of mine properties:		
Balance at the beginning of the year	214,699	189,005
Additions	19,940	14,992
Transferred from assets under construction	15,678	5,818
Transferred from mineral interest acquisition and exploration expenditure	-	3,267
Amortisation	(28,968)	(39,152)
Translation difference movement	5,896	40,769
Carrying amount at the end of the year	227,245	214,699

RECOGNITION & MEASUREMENT

(i) Mine Properties

Accumulated mine development costs (classified as either 'plant and equipment' or 'mine properties') are depreciated/amortised on a unit of production basis over the economically recoverable reserves of the mine concerned, except in the case of assets whose useful life is shorter than the life of mine, in which case the straight line method is applied. The units of measure for amortisation of mine properties is tonnes of ore mined and the amortisation of mine properties takes into account expenditures incurred to date, together with sanctioned future development expenditure. The EGM mine properties work in progress is assessed at the end of every month and when the work is completed it is transferred to mine properties and then amortised.

The units of measure for depreciating mine related plant and equipment is tonnes of ore processed.

(ii) Deferred stripping costs

The group incurs waste removal costs (stripping costs) during the development and production phases of its surface mining operations. During the production phase, stripping costs (production stripping costs) can be incurred both in relation to the production of inventory in that period and the creation of improved access and mining flexibility in relation to ore to be mined in the future. The former are included as part of the costs of inventory, while the latter are capitalised as a stripping activity asset, where certain criteria are met. Once the group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity.

The stripping activity asset is initially measured at cost, which is the accumulation of costs directly incurred to perform the stripping activity that improves access to the identified component of ore, plus an allocation of directly attributable overhead costs. If incidental operations are occurring at the same time as the production stripping activity, but are not necessary for the production stripping activity to continue as planned, these costs are not included in the cost of the stripping activity asset. The stripping activity asset is accounted for as an addition to, or an enhancement of, an existing asset, being the mine asset, and is presented as part of 'Mine properties' in the statement of financial position. This forms part of the total investment in the relevant cash generating unit, which is reviewed for impairment if events or changes of circumstances indicate that the carrying value may not be recoverable.

Notes to the **Financial Statements**

for the year ended 30 June 2016

10. MINE PROPERTIES (continued)

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Ore reserves are estimates of the amount of ore that can be economically and legally extracted from the group's mining properties. The group estimates its Ore 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.

11. MINERAL INTEREST ACQUISITION AND EXPLORATION EXPENDITURE

	Consolidated	
	2016 $'000	2015 $'000
Mineral interest acquisition and exploration – at cost	**184,443**	41,568
Reconciliation:		
Balance at the beginning of the year	**41,568**	33,565
Acquired on acquisition of a subsidiary (Note 24)	**147,107**	-
Additions	**8,972**	5,389
Transferred to mine properties	**-**	(3,267)
Write-off of exploration	**(17,921)**	-
Translation difference movement	**4,717**	5,881
Carrying amount at the end of the year	**184,443**	41,568

The expenditure above relates principally to exploration and evaluation activities. The ultimate recoupment of this expenditure is dependent upon successful development and commercial exploitation, or alternatively, sale of the respective areas of interest. The write-off of $17.9 million (30 June 2015: nil) is a result of writing-off the Dadieso licence in Ghana due to the assessed complexity of developing that area of interest and the Mampong, Grumesa and Kwatechi licences in Ghana due to those areas of interest being assessed as uncommercial to develop.

11. MINERAL INTEREST ACQUISITION AND EXPLORATION EXPENDITURE (continued)

RECOGNITION & MEASUREMENT

Exploration and evaluation expenditures in relation to each separate area of interest with current tenure are carried forward to the extent that:

(i) such expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(ii) exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest is continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest.

In the event that an area of interest if abandoned or, if facts and circumstances suggest that the carrying amount of an exploration and evaluation asset is impaired then the accumulated costs carried forward are written off in the year in which the assessment is made.

Where a decision has been made to proceed with development in respect of a particular area of interest, the relevant exploration and evaluation asset is tested for impairment and the balance is then reclassified as 'assets under construction'.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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 prospectivity are made.

Notes to the
Financial Statements
for the year ended 30 June 2016

12. PAYABLES AND PROVISIONS

		Consolidated	
		2016 $'000	2015 $'000
Current			
Trade creditors and accruals	(i)	**79,868**	36,437
Employee benefits		**1,581**	1,617
		81,449	38,054

Terms and conditions relating to the above financial instruments:
(i) Trade and other creditors are non-interest bearing and are normally settled on 30 day terms.

Risk exposure
Information about the group's exposure to risk is provided in note 15.

	2016 $'000	2015 $'000
Non-current		
Provision for rehabilitation work	**15,648**	10,283
Balance at the beginning of the year	**10,283**	7,543
Acquired on acquisition of a subsidiary (Note 24)	**3,117**	-
Arising during the year	**2,198**	1,121
Amounts used during the year	**(111)**	(254)
Unwinding of discount	**32**	34
Translation difference movement	**129**	1,839
Balance at the end of the year	**15,648**	10,283
Employee benefits	**287**	194
Total non-current provisions	**15,935**	10,477

The provision for rehabilitation work relates to the EGM in Ghana and the historical heap leach operations at Yaouré in Cote d'Ivoire. The timing of settlement of these obligations cannot be established with any certainty. The group has commenced mining the EGM project area and many of the old pits identified for rehabilitation work will be subject to new mining. The provision related to the EGM has been reviewed and increased in line with the additional development that has occurred since June 2015.

RECOGNITION & MEASUREMENT

(i) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

Notes to the **Financial Statements**

for the year ended 30 June 2016

12. PAYABLES AND PROVISIONS (continued)

RECOGNITION & MEASUREMENT

(ii) Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured as the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as an interest expense.

(iii) Employee benefits

(a) Short term obligations

Liabilities for short-term employee benefits expected to be wholly settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(b) Other long-term employee benefit obligations
The liability for long service leave which is not expected to be wholly settled within 12 months of the reporting date is recognised in the provision for employee benefits and measured as the present value of expected future payments. Consideration is given to expected future wage and salary level, experience of employees' departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(c) Retirement benefit obligations
Contributions are made by the group to superannuation funds as stipulated by statutory requirements and are charged as expenses when incurred.

(iv) Rehabilitation provision
A provision for restoration and rehabilitation is recognised when there is a present obligation as a result of development activities undertaken, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the provision can be measured reliably. The estimated future obligations include the costs of abandoning sites, removing facilities and restoring the affected areas.

The provision for future restoration costs is the best estimate of the present value of the expenditure required to settle the restoration obligation at the balance date. Future restoration costs are reviewed annually and any changes in the estimate are reflected in the present value of the restoration provision at each balance date.

The initial estimate of the restoration and rehabilitation provision is capitalised into the cost of the related asset and amortised on the same basis as the related asset, unless the present obligation arises from the production of inventory in the period, in which case the amount is included in the cost of production for the period. Changes in the estimate of the provision for restoration and rehabilitation are treated in the same manner, except that the unwinding of the effect of discounting on the provision is recognised as a finance cost rather than being capitalised into the cost of the related asset.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Restoration and Rehabilitation provision

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 risk free discount rate. Additionally current provisions are based on the assumption that no significant changes will occur in 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.

Notes to the Financial Statements

for the year ended 30 June 2016

13. DEFERRED TAX

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax asset	**29,794**	5,631
Set off of deferred tax liabilities of entity pursuant to set off provisions	**(29,794)**	(5,631)
Net deferred tax asset	**-**	-
Deferred tax liability	**77,010**	71,704
Set off of deferred tax assets of entity pursuant to set off provisions	**(29,794)**	(5,631)
Net deferred tax liability	**47,216**	66,073
(a) The deferred tax asset balance comprising of temporary differences attributable to:		
Employee benefits	**83**	113
Derivatives held for trading	**91**	-
Cash flow hedges	**4,494**	-
Other	**860**	3,345
Tax losses	**24,266**	2,173
Net deferred tax asset	**29,794**	5,631
(b) Movement in the deferred tax asset:		
Opening balance at 1 July	**5,631**	23,837
Foreign exchange	**163**	5,545
Credited to the equity – hedging reserve	**4,494**	-
Credited to the income statement	**19,506**	(23,751)
Closing balance at 30 June	**29,794**	5,631
(c) The deferred tax liability comprises temporary differences attributable to:		
Property, plant and equipment	**32,457**	31,240
Mine properties in use	**44,553**	33,017
Derivatives held for trading	**-**	1,008
Cash flow hedges	**-**	6,439
Net deferred tax liability	**77,010**	71,704
(d) Movement in the deferred tax liability:		
Opening balance at 1 July	**71,704**	58,389
Charged to the income statement	**12,630**	801
Charged to the equity – hedging reserve	**(9,506)**	(1,510)
Foreign exchange	**2,182**	14,024
Closing balance at 30 June	**77,010**	71,704

Notes to the **Financial Statements**

for the year ended 30 June 2016

13. DEFERRED TAX (continued)

RECOGNITION & MEASUREMENT

Deferred income tax is provided in full, using the balance sheet full liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affect neither accounting nor taxable profit nor loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and liabilities are offset where the entity has a legally enforceable right to offset and intends to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

14. DERIVATIVE FINANCIAL INSTRUMENTS

	Consolidated	
	2016 $'000	2015 $'000
Current assets		
Cash flow hedge asset	-	18,397
Financial assets at fair value – gold forward contracts	-	2,879
	-	**21,276**
Current liabilities		
Cash flow hedge liabilities	**12,841**	-
Financial liabilities at fair value – gold forward contracts	**2,520**	-
	15,361	-

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to future price and currency fluctuations in the primary commodity markets in which it operates. This is done in accordance with the group's financial risk management policies.

Notes to the **Financial Statements**

for the year ended 30 June 2016

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Forward metal contracts – cash flow hedges:
The group uses cash flow designated USD forward metal contracts to hedge movements in USD precious metal prices on its anticipated sales of gold. At 30 June 2016 there were cash flow designated hedge contracts in place for 85,674 ounces of gold with settlements scheduled between September 2016 and March 2017 with a weighted average price of US$1,215/oz. The portion of the gain or loss on these hedging instruments that are determined to be an effective hedge are recognised and retained directly in equity. The ineffective portion will be recognised in the statement of comprehensive income.

The amount reclassified during the year to the income statement was a gain of $17.8 million (30 June 2015 gain: $23.6 million)

Financial liabilities at fair value – gold forward contracts:
Financial assets at fair value through profit or loss include the change in value of gold forward contracts put in place during the year ending 30 June 2016. The group uses USD forward metal contracts to hedge movements in USD precious metal prices on its anticipated sales of gold. The risk management policies related to these contracts are provided in note 15. Movements in fair value between inception and close-out of the contract are taken to the statement of comprehensive income.

At 30 June 2016 the group held forward metal contracts for 30,516 ounces of gold on a spot deferred basis with a weighted average price of US$1,316/oz. Additionally, at 30 June 2016 there was 95,000 ounces of forward metal contracts at an average price of US$1,306/oz specifically to support the proposed Sissingué project finance debt facility. On 1 July 2016, a further 5,000 ounces at US$1,333 in forward metal contracts were also added to the contracts entered into specifically to support the proposed Sissingué project finance debt facility. When necessary, these contracts may be rolled over into new contracts at maturity, subject to counterparty credit approval.

Risk exposures and fair value measurements
Information about the group's exposure to credit risk, price risk and liquidity risk related to the undiscounted cash flow exposure from derivative contracts is provided at note 15.

Notes to the Financial Statements

for the year ended 30 June 2016

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION & MEASUREMENT

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are financial assets held for trading. A financial liability is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Liabilities in this category are classified as current liabilities if they are expected to be settled within 12 months; otherwise they are classified as non-current.

(ii) Fair value measurement

The group measures derivatives at fair value at each balance-sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

(iii) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges); or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

At the inception of a hedge transaction, the group formally designates and documents the hedge relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking the hedge. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedge items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed as above. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months.

Where forward contracts are entered into and continue to be held for the purpose of receipt or delivery of a physical commodity in accordance with expected purchase, sale or usage requirements, the contracts are outside of the scope of AASB 139 Financial Instruments: Recognition and Measurement and are therefore off balance sheet.

(i) Fair value hedges
Changes in fair value of derivatives that are designated and qualify as fair value hedges are recorded in the comprehensive income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The gain or loss relating to the effective portion of derivative contracts are recognised in the statement of comprehensive income within "sale of goods" with a corresponding offsetting amount to the carrying amount of the asset or liability being the fair value movement of the hedged asset or liability. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income as other income or expense.

(ii) Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss related to the ineffective portion is recognised immediately in profit or loss within other income or expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of derivative contracts is recognised in the statement of comprehensive income within "revenue". However when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a non-financial liability, the gains and losses previously deferred in equity are included in the measurement of the initial cost or carrying amount of the asset or liability.

Notes to the Financial Statements

for the year ended 30 June 2016

14. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

RECOGNITION & MEASUREMENT (continued)

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the statement of comprehensive income.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The group 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 the above accounting policy. 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.

Notes to the
Financial Statements
for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2016:

	Loans and receivables / amortised cost $'000	Available -for- sale $'000	Fair value through profit and loss $'000	Fair value through other comprehensive income (cash flow hedge) $'000
Financial assets:				
Receivables	43,648	-	-	-
Total current	43,648	-	-	-
Receivables	12,724	-	-	-
Available for sale investments	-	5,044	-	-
Total non-current	12,724	5,044	-	-
Total	56,372	5,044	-	-
Financial liabilities:				
Payables	79,868	-	-	-
Gold forward contracts	-	-	2,520	-
Derivative financial instruments	-	-	-	12,841
Total current	79,868	-	2,520	12,841
Total	79,868	-	2,520	12,841

Notes to the **Financial Statements**

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Set out below is an overview of financial instruments, other than cash and short-term deposits, held by the group as at 30 June 2015:

	Loans and receivables / amortised cost $'000	Available -for- sale $'000	Fair value through profit and loss $'000	Fair value through other comprehensive income (cash flow hedge) $'000
Financial assets:				
Receivables	40,720	-	-	-
Gold forward contracts	-	-	2,879	-
Derivative financial instruments	-	-	-	18,397
Total current	40,720	-	2,879	18,397
Receivables	12,337	-	-	-
Available for sale investments	-	2,820	-	-
Total non-current	12,337	2,820	-	-
Total	53,057	2,820	2,879	18,397
Financial liabilities:				
Payables	36,437	-	-	-
Total current	36,437	-	-	-
Total	36,437	-	-	-

Notes to the Financial Statements

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

The group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk); credit risk; liquidity risk and equity price risk. The group therefore has an overall risk management program that focuses on the unpredictability of financial and precious metal commodity markets and seeks to minimise potential adverse effects on the financial performance of the group.

The group uses different methods to measure different types of risk to which it is exposed including sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk. The group then uses derivative financial instruments such as forward metal and forward metal option contracts to hedge certain risk exposures.

Financial risk management is carried out by the finance area of the group under policies approved by the board of directors with identification, evaluation and hedging of financial and commodity risks being undertaken in close co-operation with the group's operating units. The board provides written principles for overall risk management as well as written policies covering specific areas such as use of derivative financial instruments and investment of excess liquidity.

Market Risk

(i) Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Ghanaian cedi. Foreign exchange risk arises from 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 group is also exposed to foreign exchange risk arising from the translation of its foreign operations, the group'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 as the loan is not considered to be part of the net investment in the subsidiary.

Notes to the
Financial Statements
for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

The group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	2016				
	USD $'000	GHS $'000	EUR $'000	AUD $'000	GBP $'000
Financial Assets					
Cash and cash equivalents	32,150	236	62	-	257
Receivables	10,977	22,860	-	-	-
Total assets	43,127	23,096	62	-	257
Financial Liabilities					
Payables	124	5,319	352	449	439
Gold forward contracts	2,520	-	-	-	-
Derivative financial instruments	12,841	-	-	-	-
Total liabilities	15,485	5,319	352	449	439

	2015				
	USD $'000	GHS $'000	EUR $'000	AUD $'000	GBP $'000
Financial Assets					
Cash and cash equivalents	1,691	6,236	197	-	-
Receivables	10,651	12,365	-	-	-
Total assets	12,342	18,601	197	-	-
Financial Liabilities					
Payables	24	1,086	33	13	2
Total liabilities	24	1,086	33	13	2

Notes to the Financial Statements

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity

The following table summarises the sensitivity of financial instruments held at balance date to movement in the exchange rate of the AUD to the USD with all other variables held constant and the AUD to the GHS with all other variables held constant, including the impact of the foreign exchange movement on the inter-company loan of $248.1 million (2015: $286.4 million). The sensitivity is based on management's estimate of reasonably possible changes over a financial year.

	Change in USD rate	Impact on profit or loss before tax and equity $'000
2016	**+10%**	**(25,865)**
	-10%	**32,937**
2015	+10%	(27,172)
	-10%	33,180

	Change in USD rate	Impact on profit or loss before tax and equity $'000
2016	**+10%**	**(1,616)**
	-10%	**1,975**
2015	+10%	(1,592)
	-10%	1,946

The group's exposure to other foreign exchange movements is not material.

(ii) Price risk

The group is exposed to commodity price risk for its future gold production. These risks are measured using sensitivity analysis and cash flow forecasting and to manage exposures the group enters into forward commodity price derivatives.

The group's policy is to hedge no more than 40% of anticipated gold sales in the subsequent 12 months and no more than 30% of anticipated gold sales in the 6 months subsequent to that first 12 months.

At the end of the reporting period the group has 85,674 ounces of forward metal contracts in place over approximately 28% of anticipated monthly gold production through to 30 June 2017. When necessary these contracts may be rolled over into new contracts at maturity, subject to counterparty credit approval. The group held forward metal contracts for 30,516 ounces of gold on a spot deferred basis. Additionally, at 30 June 2016 there was 95,000 ounces of hedging contracted specifically to support the proposed Sissingué project finance debt facility.

Balance date exposures and further details of current commodity price derivatives are provided at note 14.

Notes to the Financial Statements

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity

The following table summarises the sensitivity of the fair value of instruments held at balance date to movements in the forward gold price, with all other variables held constant.

	Increase / decrease in gold prices	Impact on profit or loss before tax	Impact on equity before tax
2016	**+10%**	**(5,536)**	**(53,116)**
	-10%	**5,536**	**22,091**
2015	+10%	(4,201)	(5,009)
	-10%	4,201	5,009

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The group's exposure to the risk of changes in market interest rates is diminished as the group has no interest bearing debt obligations.

At the end of the reporting period the group's interest rate risk exposure and the weighted average interest rate for each class of financial assets and liabilities was:

30 June 2016	Weighted average effective interest rate	Fixed interest rate $'000	Floating interest rate $'000	Non-interest bearing $'000	Total $'000
Financial assets:					
Cash and cash equivalents	1.25%	**32,686**	**116,747**	**1,824**	**151,257**
Security deposit	0.49%	**8,235**	**2,695**	**1,794**	**12,724**
Net exposure to cash flow interest rate risk		**40,921**	**119,442**	**3,618**	**163,981**
Financial liabilities:					
Interest-bearing liabilities	-	-	-	-	-
Net exposure to cash flow interest rate risk		-	-	-	-
30 June 2015					
Financial assets:					
Cash and cash equivalents	0.51%	15,100	76,523	12,118	103,741
Security deposit	0.19%	7,992	2,614	1,731	12,337
Net exposure to cash flow interest rate risk		23,092	79,137	13,849	116,078
Financial liabilities:					
Interest-bearing liabilities	-	-	-	-	-
Net exposure to cash flow interest rate risk		-	-	-	-

15. FINANCIAL RISK MANAGEMENT (continued)

Sensitivity

If interest rates were to move up by 1% with all other variables held constant, then the pre-tax impact on the group's profit as well as total equity would be a movement of $1.6 million (30 June 2015: $1.0 million), a 1% decrease would be a movement of $1.3 million (30 June 2015: $0.3 million).

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 group 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. For banks and financial institutions, only independent parties with a minimum credit rating of 'A' are accepted.

The carrying amount the group's financial assets, represents the maximum credit exposure.

The group restricts the exposure to credit losses on derivative instruments it holds by entering into master netting arrangements with major counterparties with whom a significant volume of transactions are undertaken.

Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master-netting arrangements do not result in an offset of balance-sheet assets and liabilities unless certain conditions for offsetting under AASB 132 apply.

Although master-netting arrangements may significantly reduce credit risk, it should be noted that:

(i) Credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are realised; and

(ii) The extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.

At 30 June 2016, master netting arrangements reduced the credit risk on favourable contracts that have a fair value of nil (2015: $18.4 million).

Liquidity Risk

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

The group 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.

Notes to the **Financial Statements**

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Consolidated $'000	Less than 6 months $'000	6 months – 1 year $'000	1 – 2 years $'000	2 – 5 years $'000	Greater than 5 years $'000	Total contractual cash flows $'000
30 June 2016						
Non-derivatives	**79,868**	-	-	-	-	**79,868**
Payables	**79,868**	-	-	-	-	**79,868**
30 June 2015						
Non-derivatives	36,437	-	-	-	-	36,437
Payables	36,437	-	-	-	-	36,437

Fair values

Set out below is a comparison of the carrying amounts and fair values of financial instruments as at 30 June 2016:

	Consolidated			
	2016		2015	
	Carrying amount $'000	Fair value $'000	Carrying amount $'000	Fair value $'000
Financial assets:				
Receivables	**43,648**	**43,648**	40,720	40,720
Gold forward contracts	-	-	2,879	2,879
Derivative financial instruments	-	-	18,397	18,397
Total current	**43,648**	**43,648**	61,996	61,996
Receivables	**12,724**	**12,724**	12,337	12,337
Available for sale instruments	**5,044**	**5,044**	2,820	2,820
Total non-current	**17,768**	**17,768**	15,157	15,157
Total	**61,416**	**61,416**	77,153	77,153
Financial liabilities:				
Payables	**79,868**	**79,868**	36,437	36,437
Gold forward contracts	**2,520**	**2,520**	-	-
Derivative financial instruments	**12,841**	**12,841**	-	-
Total current	**95,229**	**95,229**	36,437	36,437
Total	**95,229**	**95,229**	36,437	36,437

Notes to the Financial Statements

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Fair value hierarchy

All financial instruments for which fair value is recognised or disclosed are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities

Level 2 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable)

Level 3 Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable)

For financial instruments that are recognised at fair value on a recurring basis, the group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

There were no transfers between categories during the period.

The following table presents the group's financial instruments measured and recognised at fair value at 30 June 2016 and 30 June 2015.

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
30 June 2016				
Financial assets:				
Available for sale instruments	5,044	-	-	5,044
Assets of disposal group held for sale	-	-	12,289	12,289
Total	5,044	-	12,289	17,333
Financial liabilities:				
Gold forward contracts	-	2,520	-	2,520
Derivative financial instruments	-	12,841	-	12,841
Liabilities of disposal group held for sale	-	-	13,776	13,776
Total	-	15,361	13,776	29,137
30 June 2015				
Financial assets:				
Available for sale instruments	2,820	-	-	2,820
Gold forward contracts	-	2,879	-	2,879
Derivative financial instruments	-	18,397	-	18,397
Total	2,820	21,276	-	24,096

Valuation techniques

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the group is the current bid price. These instruments are included in level 1.

15. FINANCIAL RISK MANAGEMENT (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The valuation techniques include forward pricing using present value calculations. The models incorporate various inputs including the credit quality of counterparties and forward rate curves of the underlying commodity. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include;

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period.
- Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The net fair value of cash and cash equivalents and non-interest bearing financial assets and liabilities of the group approximate their carrying values. The carrying values (less impairment provision if provided) of trade receivables and payable are assumed to approximate their fair values due to their short-term nature.

RECOGNITION & MEASUREMENT

Measurement
At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Fair value measurement
The group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is either:

- Expected to be realised within 12 months after the reporting period
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period

All other assets are classified as non-current.

A liability is current when either:

- It is due to be settled within 12 months after the reporting period
- There is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period

The group classifies all other liabilities as non-current.

SIGNIFICANT JUDGEMENTS AND ESTIMATES

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.

Notes to the **Financial Statements**

for the year ended 30 June 2016

15. FINANCIAL RISK MANAGEMENT (continued)

Equity price risk

The group's investments in Manas and Burey, which are classified as available for sale financial assets, is susceptible to market price risk arising from uncertainties about future values of the investment securities. At the reporting date, the exposure to listed equity securities at fair value was $5.0 million (30 June 2015: $2.8 million). A decrease of 10% on the share price of Manas could have an impact of approximately ($0.03 million) on the income or equity attributable to the group and a decrease of 10% on the share price of Burey could have an impact of approximately ($0.46 million), depending on whether the decline is prolonged. An increase of 10% in the value of the listed securities would only impact equity by $0.03 million for Manas and $0.46 million for Burey and would not have an effect on the profit or loss.

Capital management

Management controls the capital of the group in order to ensure that the group can fund its operations in an efficient and timely basis and continue as a going concern.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's cash projections up to twenty four months in the future and any associated financial risks. Management will adjust the group's capital structure in response to changes in these risks and in the market.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year.

Notes to the Financial Statements

for the year ended 30 June 2016

16. ISSUED CAPITAL AND RESERVES

	Consolidated	
	2016 $'000	2015 $'000
(a) Issued and paid-up share capital		
1,004,653,217 (2015: 526,656,401) ordinary shares, fully paid	**708,692**	476,427

	Consolidated			
	2016		2015	
	$'000	Number	$'000	Number
Balance at the beginning of the year	**476,427**	**526,656,401**	476,429	526,656,401
Transaction costs arising from issue of securities	**(3,879)**	**-**	(2)	-
Vesting of performance rights on 29 July 2015	**-**	**2,687,500**	-	-
Shares issued on 19 April 2016 for acquisition of subsidiary (Note 24)	**125,885**	**286,101,744**	-	-
Share placement at issue price of $0.44 pursuant to the exercise of warrants	**295**	**646,439**	-	-
Share placement at issue price of $0.48 on 30 June 2016	**94,281**	**188,561,133**	-	-
Issued and paid-up share capital	**693,003**	**1,004,653,217**	-	-
Warrants issued on 19 April 2016 for acquisition of subsidiary (Note 24)	**15,683**	**-**	-	-
Balance at the end of the year	**708,692**	**1,004,653,217**	476,427	526,656,401

RECOGNITION & MEASUREMENT

Ordinary shares are classified as equity and incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. If the company reacquires its own equity instruments for the purpose of reducing its issued capital, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid including any directly attributable incremental costs (net of tax) is recognised directly in equity.

Notes to the **Financial Statements**

16. ISSUED CAPITAL AND RESERVES (continued)

(b) Performance rights

Performance rights have been granted as follows:

Grant date	End of measure-ment period	Expiry date	Exercise price	Opening balance	Performance rights issued	Performance rights exercised	Performance rights forfeited	Closing balance
				1 July 2015 Number	Number	Number	Number	30 June 2016 Number
25-Nov-12	30-Jun-15	31-Dec-15	nil	300,000	-	-	(300,000)	-
1-Jan-13	30-Jun-15	31-Dec-15	nil	1,202,418	-	-	(1,202,418)	-
1-Jan-14	30-Jun-15	31-Dec-15	nil	2,125,000	-	(2,125,000)	-	-
1-Jan-14	31-Dec-16	30-Jun-17	nil	2,125,000	-	-	(200,000)	1,925,000
4-Jun-14	30-Jun-15	31-Dec-15	nil	562,500	-	(562,500)	-	-
4-Jun-14	31-Dec-16	30-Jun-17	nil	562,500	-	-	-	562,500
1-Jan-15	30-Jun-16	31-Dec-16	nil	750,000	-	-	-	750,000
1-Jan-15	31-Dec-17	30-Jun-18	nil	750,000	-	-	-	750,000
1-Jul-15	30-Jun-17	31-Dec-17	nil	-	4,975,000	-	(250,000)	4,725,000
20-Nov-15	30-Jun-17	31-Dec-17	nil	-	800,000	-	-	800,000
20-Nov-15	30-Jun-18	31-Dec-18	nil	-	500,000	-	-	500,000
13-Jan-16	31-Dec-16	30-Jun-17	nil	-	1,325,000	-	-	1,325,000
				8,377,418	7,600,000	(2,687,500)	(1,952,418)	11,337,500

SIGNIFICANT JUDGEMENTS AND ESTIMATES

The consolidated entity measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they were granted. The fair value of options granted is determined using a Black-Scholes model and the fair value of performance rights granted is determined using a Monte Carlo simulation model.

Notes to the Financial Statements

for the year ended 30 June 2016

16. ISSUED CAPITAL AND RESERVES (continued)

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends as declared and, in the event of winding up of the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

(d) Nature and purpose of reserves

A summary of the transactions impacting each reserve has been disclosed in the statement of changes in equity.

Share based payments reserve

The share based payments reserve is used to record the fair value of options and performance rights issued but not exercised.

Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity along with Perseus's share of the movement in its associate's foreign currency translation reserve.

Non-controlling interest's reserve

The non-controlling interest's reserve records the difference between the fair value of the amount by which the non-controlling interests were adjusted to record their initial relative interest and the consideration paid.

Hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Asset revaluation reserve

The asset revaluation reserve is used to record the revaluation of the investment in Manas Resources Limited and Burey Gold Limited to market value as the investment is designated as an available for sale financial asset.

17. RETAINED EARNINGS

	Consolidated	
	2016 $'000	2015 $'000
Balance at beginning of financial year	**72,539**	(15,280)
(Loss) / profit attributable to the owners of the parent	**(35,640)**	87,819
Balance at end of financial year	**36,899**	72,539

Notes to the Financial Statements

for the year ended 30 June 2016

18. SUBSIDIARIES

Name of subsidiary	Notes	Place of incorporation	Consolidated entity interest 2016 (%)	Consolidated entity interest 2015 (%)
Parent entity				
Perseus Mining Limited	(a)	Australia		
Subsidiaries				
Occidental Gold Pty Ltd (i)	(a)	Australia	100	100
Centash Holdings Pty Limited (ii)	(a)	Australia	100	100
Sun Gold Resources Ltd	(b)	Ghana	100	100
Kojina Resources Ltd (iii)	(b)	Ghana	100	100
Perseus Mining Services Ltd	(a)	Canada	100	100
Perseus Burkina Holdings Pty Ltd	(a)	Australia	100	100
Amara Mining Limited	(a)	UK	100	-
(i) Subsidiaries of Occidental Gold Pty Ltd				
Occidental Gold SARL	(c)	Côte d'Ivoire	100	100
Perseus Mining Côte d'Ivoire SA	(c) (e)	Côte d'Ivoire	86	85
(ii) Subsidiaries of Centash Holdings Pty Ltd				
Perex SARL	(c)	Côte d'Ivoire	100	100
Perseus Services SARL	(c)	Côte d'Ivoire	100	100
(iii) Subsidiary of Kojina Resources Ltd				
Perseus Mining (Ghana) Limited	(b) (d)	Ghana	90	90
(iv) Subsidiaries of Amara Mining Limited				
Amara Mining (Burkina) Limited	(g)	UK	100	-
Winston Mining Limited	(g)	BVI	100	-
Amara Mining (Sierra Leone) Limited	(g)	UK	100	-
Amara Mining (Côte d'Ivoire) Limited	(g)	UK	100	-
(v) Subsidiaries of Amara Mining (Burkina) Limited				
Cluff Gold Sega SARL	(g)(f)	Burkina Faso	100	-
Amara Mining Burkina SARL	(g)(f)	Burkina Faso	100	-
Kalsaka Mining SA	(g)(f)	Burkina Faso	78	-
(v) Subsidiaries of Winston Mining Limited				
Baomahun Gold Limited	(g)	Sierra Leone	100	-
(vi) Subsidiaries of Amara Mining (Sierra Leone) Limited				
Baomahun Gold Limited	(g)	Sierra Leone	100	-
Cluff Gold (SL) Limited	(g)	Sierra Leone	99	-
(vii) Subsidiaries of Amara Mining (Côte d'Ivoire) Limited				
Perseus Yaouré sarl	(g)	Côte d'Ivoire	100	-
Yaouré Mining SA	(g)	Côte d'Ivoire	90	-

Notes:

(a) Audited by Ernst & Young Australia.
(b) Audited by Ernst & Young Ghana.
(c) Audited by Ernst & Young Côte d'Ivoire.
(d) For key financial information of Perseus Mining (Ghana) Limited ("PMGL") which has a non-controlling interest. The entity accounts for the majority of the Ghana reporting segment.
(e) The 86% interest in the Perseus Mining Côte d'Ivoire SA reflects a 10% free carried interest 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 4% owned by local interests. For key financial information of PMCI which has a non-controlling interest, refer to note 1. The entity accounts for the majority of the Côte d'Ivoire reporting segment.
(f) Part of disposal group.
(g) Audited by BDO United Kingdom.

Notes to the **Financial Statements**

for the year ended 30 June 2016

19.PARENT ENTITY DISCLOSURES

	Parent	
	2016 $'000	2015 $'000
Statement of financial position		
Assets		
Current assets	**139,192**	20,789
Non-current assets	**616,200**	492,146
Total assets	**755,392**	512,935
Liabilities		
Current liabilities	**3,815**	1,188
Non-current liabilities	**288**	194
Total liabilities	**4,103**	1,382
Equity		
Issued capital	**708,691**	476,427
Retained earnings	**19,430**	15,576
Asset revaluation reserve	**2,794**	(92)
Share-based payments reserve	**20,373**	19,642
Total equity	**751,288**	511,553
Profit for the year		
Other comprehensive income	**3,854**	82,080
Total comprehensive income	**-**	-
	3,854	82,080

Contingent liabilities of the parent entity:
There were no contingent liabilities of the parent entity at 30 June 2016.

Commitments for the acquisition of property, plant and equipment by the parent entity:		
Plant and equipment		
Within one year	**-**	-
One year or later and not later than five years	**-**	-
Later than five years	**-**	-
Commitments for operating lease by the parent entity:		
Operating lease		
Within one year	**303**	411
One year or later and not later than five years	**-**	318
Later than five years	**-**	-

19.PARENT ENTITY DISCLOSURES (continued)

RECOGNITION & MEASUREMENT

The financial information for the parent entity, Perseus Mining Limited has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Perseus Mining Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Share-based payments

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the group is treated as a capital contribution to that subsidiary undertaking. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

20. RELATED PARTY DISCLOSURES

(a) Identity of related parties

The consolidated entity has a related party relationship with its subsidiaries (see note 18) and with its key management personnel (refer below).

(b) Transactions with other related parties

The consolidated entity had no transactions with any other related party during the period ended 30 June 2016.

(c) Key management personnel compensation

The key management personnel compensation included in 'Employee benefits expenses' and 'Share based payments' is as follows:

	Consolidated	
	2016 $'000	2015 $'000
Short-term employee benefits	**3,948**	3,318
Long-term employee benefits	**64**	50
Post-employment benefits	**191**	142
Termination / resignation payments	**-**	45
Share-based payments	**482**	396
	4,685	3,951

Details of remuneration disclosures are provided in the remuneration report on pages 61 to 81.

Notes to the **Financial Statements**

for the year ended 30 June 2016

21. REMUNERATION OF AUDITORS

	Consolidated	
	2016 $'000	2015 $'000
Amounts received or due and receivable by Ernst & Young Australia for:		
Audit or review of the financial report of the entity and any other entity in the group	**147,000**	106,000
Non-statutory audit services in relation to the entity and any other entity in the group	**26,000**	16,800
Amounts received or due and receivable by overseas Ernst & Young firm for:		
Audit or review of the financial report of the entity and any other entity in the group	**118,000**	90,000
Non-statutory audit services in relation to the entity and any other entity in the group	**-**	-
Amounts received or due and receivable by Deloitte Touche Tohmatsu for:		
Non-statutory audit services in relation to the entity and any other entity in the group	**15,000**	-
	306,000	212,800

Notes to the Financial Statements

for the year ended 30 June 2016

22. CASH FLOWS FROM OPERATING ACTIVITIES RECONCILIATON

	Consolidated	
	2016 $'000	2015 $'000
Reconciliation of the (loss) / profit from ordinary activities to net cash provided in operating activities		
(Loss) / profit from ordinary activities after income tax	**(37,546)**	92,167
Accumulated loss from Amara acquisition		
Add back non-cash items:		
Depreciation and amortisation	**48,056**	54,423
Foreign currency gain	**(9,214)**	(52,414)
Loss / (gain) on derivative financial instruments	**5,399**	(2,994)
(Gain) / loss on disposal of property, plant and equipment	**(4)**	29
Share based payments	**732**	607
Impairment of exploration	**17,921**	-
Impairment of investment in financial asset	**709**	1,030
Write down of receivable	**708**	2,820
Gain recognised on discontinuation of equity accounting	**-**	(890)
Share of associates' net loss	**-**	108
Borrowing costs	**274**	712
Cash flow hedges gains	**12,847**	(3,475)
Change in operating assets and liabilities:		
(Increase) / decrease in net tax balances	**(6,876)**	24,552
Increase in inventories	**(17,400)**	(4,823)
Increase in receivables	**(15,144)**	(11,644)
(Increase) / decrease in other assets	**(915)**	40
Increase / (decrease) in payables	**30,759**	(14,844)
Increase in provision	**89**	389
Net cash from operating activities	**30,395**	85,793

23. SHARE BASED PAYMENTS

Performance Rights Plan

Performance rights were issued to directors and employees of the company under the terms of the company's Performance Rights Plan approved by shareholders in November 2014 as disclosed in the remuneration report under the heading "LTI". These performance rights were issued at nil consideration and each performance right will convert to an ordinary share upon satisfaction of vesting criteria.

The following table illustrates the number and movements in performance rights during the year under the Plan:

Notes to the **Financial Statements**

for the year ended 30 June 2016

23. SHARE BASED PAYMENTS (continued)

Grant date	End of measure-ment period	Expiry date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at the end of the year	Vested and exercisable at end of the year
				Number	Number	Number	Number	Number	Number
2016								-	
25-Nov-12	30-Jun-15	31-Dec-15	nil	300,000	-	-	(300,000)	-	-
1-Jan-13	30-Jun-15	31-Dec-15	nil	1,202,418	-	-	(1,202,418)	-	-
1-Jan-14	30-Jun-15	31-Dec-15	nil	2,125,000	-	(2,125,000)	-	-	-
1-Jan-14	31-Dec-16	30-Jun-17	nil	2,125,000	-	-	(200,000)	1,925,000	-
4-Jun-14	30-Jun-15	31-Dec-15	nil	562,500	-	(562,500)	-	-	-
4-Jun-14	31-Dec-16	30-Jun-17	nil	562,500	-	-	-	562,500	-
1-Jan-15	30-Jun-16	31-Dec-16	nil	750,000	-	-	-	750,000	-
1-Jan-15	31-Dec-17	30-Jun-18	nil	750,000	-	-	-	750,000	-
1-Jul-15	30-Jun-17	31-Dec-17	nil	-	4,975,000	-	(250,000)	4,725,000	-
20-Nov-15	30-Jun-17	31-Dec-17	nil	-	800,000	-	-	800,000	-
20-Nov-15	30-Jun-18	31-Dec-18	nil	-	500,000	-	-	500,000	-
13-Jan-16	31-Dec-16	30-Jun-17	nil	-	1,325,000	-	-	1,325,000	-
Total				8,377,418	7,600,000	(2,687,500)	(1,952,418)	11,337,500	-
2015									
25-Nov-12	30-Jun-15	31-Dec-15	nil	300,000	-	-	-	300,000	-
1-Jan-13	30-Jun-15	31-Dec-15	nil	1,358,911	-	-	156,493	1,202,418	-
1-Jan-14	30-Jun-15	31-Dec-15	nil	2,600,000	-	-	475,000	2,125,000	-
1-Jan-14	31-Dec-16	30-Jun-17	nil	2,600,000	-	-	475,000	2,125,000	-
4-Jun-14	30-Jun-15	31-Dec-15	nil	562,500	-	-	-	562,500	-
4-Jun-14	31-Dec-16	30-Jun-17	nil	562,500	-	-	-	562,500	-
1-Jan-15	30-Jun-16	31-Dec-16	nil	-	750,000	-	-	750,000	-
1-Jan-15	31-Dec-17	30-Jun-18	nil	-	750,000	-	-	750,000	-
Total				7,983,911	-	-	1,106,493	8,377,418	-

The weighted average exercise price of all performance rights granted was nil.

The fair value of the equity-settled performance rights granted under the Performance Rights Plan is estimated as at the date of grant using a Monte Carlo model taking into account the terms and conditions upon which the performance rights were granted.

The following table lists the inputs to the model used for the performance rights granted during the year ended 30 June 2016.

Notes to the **Financial Statements**

for the year ended 30 June 2016

23. SHARE BASED PAYMENTS (continued)

Grant date	Exercise price	Expected life of performance rights (years)	Price of underlying shares at grant date	Volatility (%) – Perseus share price	Volatility (%) – per group range	Dividends expected on shares	Risk-free interest rate (%) - range	Performance period
25-Nov-12	nil	2.6	$2.45	43.2%	32.3% - 133.1%	nil	2.74%	01/07/2012 - 30/06/2015
1-Jan-13	nil	2.5	$2.10	43.4%	35.7% - 133.1%	nil	2.67%	01/07/2012 - 30/06/2015
1-Jan-14	nil	1.5	$0.25	137.5%	47.5% - 137.5%	nil	2.68%	01/01/2014 - 30/06/2015
1-Jan-14	nil	3.0	$0.25	84.7%	45.1% - 91.7%	nil	2.91%	01/01/2014 - 31/12/2016
4-Jun-14	nil	1.1	$0.31	103.1%	57.8% - 118%	nil	2.69%	01/01/2014 - 30/06/2015
4-Jun-14	nil	2.6	$0.31	83.2%	50.7% - 85.1%	nil	2.87%	01/01/2014 - 31/12/2016
1-Jan-15	nil	1.5	$0.26	94.0%	55.0% - 110.7%	nil	2.15%	01/01/2015 – 30/06/2016
1-Jan-15	nil	3.0	$0.26	217.2%	52.0% - 113.3%	nil	2.11%	01/01/2015 – 31/12/2017
1-Jul-15	nil	2.0	$0.42	86.8%	42.2% - 98.2%	nil	1.92%	01/07/2015 – 30/06/2017
20-Nov-15	nil	2.0	$0.42	71.9%	42.5% - 83.4%	nil	1.92%	01/07/2015 – 30/06/2017
20-Nov-15	nil	3.0	$0.42	74.0%	50.6% - 82.7%	nil	1.95%	01/07/2015 – 30/06/2018
13-Jan-16	nil	1.0	$0.33	75.7%	48.1% - 82.9%	nil	1.95%	01/01/2016 – 31/12/2016

The expected life of the performance rights is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. Refer to table 4 of the remuneration report for the fair value of the performance rights at the grant date.

Notes to the Financial Statements

for the year ended 30 June 2016

23. SHARE BASED PAYMENTS (continued)

RECOGNITION & MEASUREMENT

Share based compensation benefits are provided to employees, consultants and contractors via the Perseus Mining Limited Employee Option Plan and the Performance Rights Plan.

The fair value of options or performance rights granted under the Perseus Mining Limited's Employee Option Plan or the Performance Rights Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options or performance rights granted, which includes any market performance conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specific vesting conditions are to be satisfied. At the end of each reporting period, the group revises its estimate of the number of options or performance rights that are expected to become vested. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the statement of comprehensive income with a corresponding adjustment to equity.

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

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

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

24. ACQUISITION OF AMARA MINING PLC

On 18 April 2016, Perseus completed the scheme of arrangement ("Scheme") by which the Company acquired all of the issued shares of Amara Mining plc ("Amara"). Under the Scheme, Amara shareholders have received 0.68 new Perseus shares and 0.34 unlisted, transferable Perseus warrants for every Amara share held. Each warrant entitles the holder to subscribe for one Perseus share at $0.44 for a period of 36 months.

In accordance with the Scheme Document dated 18 March 2016, 286,101,744 shares and 143,050,770 warrants have been issued to the shareholders of Amara.

The primary asset acquired was the Yaouré project in Côte d'Ivoire.

The transaction has been accounted for by Perseus as a purchase of net assets. For accounting purposes, the acquisition date was determined to be 15 April 2016, the date at which Perseus obtained control of Amara.

The fair value of the assets acquired have been measured indirectly, by reference to the fair value of equity instruments granted as the fair value of those assets cannot be reliably measured directly. The cost of acquisition includes the fair value of 286,101,744 Perseus shares at $0.44 per share (the Closing share price on ASX on 15 April 2016) plus the fair value of 143,050,770 Perseus warrants at $0.11 per warrant (based on a Black Scholes Warrants Valuation) and transaction costs of $2,529,190 equalling a total purchase price of $144,097,410.

Notes to the Financial Statements

for the year ended 30 June 2016

24. ACQUISITION OF AMARA MINING PLC (continued)

The purchase price was calculated as follows:

	2016 $'000
	2016 $
Purchase price	
286,101,744 Perseus shares	125,885
143,050,770 Perseus warrants	15,683
Transaction costs	2,529
Total purchase price	144,097

The purchase price has been allocated to the fair values of the assets and liabilities acquired as set out below:

Net assets acquired	
Cash and cash equivalents	2,315
Trade and other receivables	1,167
Inventories	6
Assets of disposal group held for sale	11,761
Mineral interest acquisition and exploration	147,107
Property, plant and equipment	613
Trade and other payables	(3,994)
Liabilities of disposal group held for sale	(11,761)
Non-current provisions	(3,117)
Total net assets acquired	144,097

SIGNIFICANT JUDGEMENTS AND ESTIMATES

Perseus accounted for the acquisition of Amara as an asset acquisition as the primary asset, Yaouré, is an exploration stage asset. In particular, Perseus deemed that an integrated set of activities and assets that are capable of being conducted and managed to provide a return to investors were not present in Amara, and therefore the acquisition of Amara does not meet the definition of a business combination.

Another key estimate and judgement made by the group in relation to the acquisition of Amara was for the valuation of the warrants. The fair value of the warrants was based on a Black Scholes Warrants Valuation model taking into account the various inputs on the date of acquisition. The group has made various assumptions on these inputs, consistent with the valuations performed in the Amara Scheme Document, which include share price ($0.44), volatility (40%), dilution, time to exercise (3 years), exercise price ($0.44) and risk free rate (1.98%) at the date of acquisition.

Notes to the **Financial Statements**

for the year ended 30 June 2016

25. DISPOSAL GROUP HELD FOR SALE

The Burkinabe subsidiaries that that were acquired by Perseus through the Amara acquisition have been presented as a disposal group held for sale. The decision to sell the assets was made by the Amara Board on 4 December 2014 and negotiations are ongoing by Perseus to sell the Burkinabe assets. The subsidiaries held for sale are Kalsaka Mining SA, Cluff Gold Sega Sarl and Cluff Mining Burkina Sarl. The disposal group has been treated as a discontinued operation.

At 30 June 2016, the disposal group comprised the following assets and liabilities:

	Consolidated	
	2016 $'000	2015 $'000
Assets of disposal group held for sale		
Property, plant and equipment	6,447	-
Inventory	53	-
Other receivables and recoverable taxes	2,022	-
Cash and cash equivalents	3,767	-
Total assets of disposal group held for sale	12,289	-
Liabilities of disposal group held for sale		
Trade and other payables	8,822	-
Provisions	4,954	-
Total liabilities of disposal group held for sale	13,776	-

There is no cumulative income or expenses included in other comprehensive income relating to the disposal group.

RECOGNITION & MEASUREMENT

The group classifies assets (or disposal group) as held for sale if it is highly probable that the carrying amount of those assets will be recovered principally through a sale transaction within 12 months, rather than through continuing use. The group measures assets (or disposal group) classified as held for sale at the lower of the carrying amount and fair value less costs to sell.

Notes to the **Financial Statements**

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES

Other significant accounting policies adopted in the preparation of these consolidated financial statements are set out in relevant sections of the notes and below. These policies have been consistently applied to all the years presented, unless otherwise stated. Where necessary, comparative information has been restated to conform with changes in presentation in the current year.

(a) Basis of preparation

New and amended Standards and Interpretations adopted by the group
In the year ended 30 June 2016, 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 from 1 July 2015, including:

(i) ASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments

Part A makes consequential amendments arising from the issuance of AASB CF 2013-1 Amendments to the Australian Conceptual Framework.

Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 Materiality and also makes minor editorial amendments to various other standards.

AASB 2013-9 is applicable to annual reporting periods beginning on or after 1 January 2015 and has been adopted in this financial report. The group has applied the new standard and its application has had no impact on the composition of the group as they are largely of the nature of clarification of existing requirements and additional disclosures introduced.

(i) AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality. The Standard completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.

AASB 2013-9 is applicable to annual reporting periods beginning on or after 1 July 2015 and has no material impact on the composition of the group.

Accounting standards and interpretations issued but not yet effective
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.

(i) AASB 9 Financial Instruments (December 2014) is a new standard which replaces AASB 139. This new version supersedes AASB 9 issued in December 2009 (as amended) and AASB 9 (issued in December 2010) and includes a model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

AASB 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early adoption. The own credit changes can be early adopted in isolation without otherwise changing the accounting for financial instruments.

Notes to the **Financial Statements**

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Classification and measurement
AASB 9 includes requirements for a simpler approach for classification and measurement of financial assets compared with the requirements of AASB 139. There are also some changes made in relation to financial liabilities. The main changes are described below.

Financial assets

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.

Financial liabilities
Changes introduced by AASB 9 in respect of financial liabilities are limited to the measurement of liabilities designated at fair value through profit or loss (FVPL) using the fair value option. Where the fair value option is used for financial liabilities, the change in fair value is to be accounted for as follows:

- The change attributable to changes in credit risk are presented in other comprehensive income (OCI)
- The remaining change is presented in profit or loss

AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains or losses attributable to changes in the entity's own credit risk would be recognised in OCI. These amounts recognised in OCI are not recycled to profit or loss if the liability is ever repurchased at a discount.

Impairment
The final version of AASB 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis.

Hedge accounting
Amendments to AASB 9 (December 2009 & 2010 editions and AASB 2013-9) issued in December 2013 included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.

Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9 in Dec 2014.

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and AASB 9 (December 2010)) from 1 February 2015 and applies to annual reporting periods beginning on after 1 January 2015.

The application date of this standard is 1 January 2018 and management has not yet assessed its impact on the group.

(ii) AASB 15 Revenue from contracts with customers replaces the existing revenue recognition standards AASB 111 Construction Contracts, AASB 118 Revenue and related interpretations (Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, Interpretation 131 Revenue—Barter Transactions Involving Advertising Services and Interpretation 1042 Subscriber Acquisition Costs in the Telecommunications Industry). AASB 15 incorporates the requirements of IFRS 15 Revenue from contracts with customers issued by the IASB and developed jointly with the US Financial Accounting Standards Board ("FASB")

The core principle of AASB 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under AASB 15, an assessment of contractual arrangements is currently in progress and the group has not completed the assessment of the new standard. AASB 2015-8 amended the AASB 15 effective date so it is now effective for annual reporting periods commencing on or after 1 January 2018. Early application is permitted.

(iii) AASB 16 Leases replaces AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases – Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The Standard will provide a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors.

The new Standard introduces three main changes:

- Enhanced guidance on identifying whether a contract contains a lease;
- A completely new leases accounting model for lessees that require lessees to recognise all leases on balance sheet, except for short-term leases and leases of low value assets; and
- Enhanced disclosures.

Notes to the Financial Statements

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Lessor accounting will not significantly change.

The application date of this standard is 1 January 2019 and management has not yet assessed its impact on the group.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Perseus Mining Limited (the 'company' or 'parent entity') as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities (including special purpose entities) controlled by the group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity.

Subsidiaries are fully consolidated from the date in which control is transferred to the group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the group.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of the subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests

The group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the group. A change in ownership interest results in an adjustment between the carrying amounts of controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interest and any consideration paid or received is recognised within equity attributable to owners of the parent entity.

When the group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Notes to the **Financial Statements**

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Foreign currency transactions and balances

(i) Functional and presentation currency
Items included in the financial statements of each entity within the group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the company's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

(iii) Group companies
The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position are translated at the closing rate at the balance date;
- income and expenses for each statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

Notes to the Financial Statements

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The functional currencies of the Perseus Mining Limited's overseas subsidiaries are as follows:

Jurisdiction	Entity	Functional currency
Ghana	Kojina Resources Limited	United States dollars (USD)
	Sun Gold Resources Limited	United States dollars (USD)
	Perseus Mining (Ghana) Limited	United States dollars (USD)
Côte d'Ivoire	Occidental Gold Sarl	CFA[1] francs (XOF)
	Perex Sarl	CFA[1] francs (XOF)
	Perseus Mining Côte d'Ivoire SA	CFA[1] francs (XOF)
	Perseus Services Sarl	CFA[1] francs (XOF)
	Perseus Yaouré sarl	CFA[1] francs (XOF)
	Yaouré Mining SA	CFA[1] francs (XOF)
Canada	Perseus Mining Services Ltd	Canadian dollars (CAD)
United Kingdom	Amara Mining Limited	United States dollars (USD)
	Amara Mining (Burkina) Limited	United States dollars (USD)
	Amara Mining (Sierra Leone) Limited	United States dollars (USD)
	Amara Mining (Côte d'Ivoire) Limited	United States dollars (USD)
Burkina Faso	Cluff Gold Sega SARL	CFA[1] francs (XOF)
	Cluff Mining Burkina SARL	CFA[1] francs (XOF)
	Kalsaka Mining SA	CFA[1] francs (XOF)
Sierra Leone	Baomahun Gold Limited	Sierra Leonean Leone (SLL)
	Cluff Gold (SL) Limited	United States dollars (USD)

1. Communauté Financière d'Afrique (Financial Community of Africa)

Notes to the Financial Statements

for the year ended 30 June 2016

26. SUMMARY OF OTHER SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probably that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(e) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or other payables in the statement of financial position. Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

27. CONTINGENCIES

(a) Tax

Consistent with industry practice in Ghana, Perseus Mining (Ghana) Limited ("PMGL") is currently undergoing a tax audit in connection with its 30 June 2010, 2011 and 2012 income tax returns. Various matters are currently being discussed as part of the audit process and to date the GRA has not issued PMGL with a formal report on its findings. Based on management's understanding of the matters currently under discussion they do not believe that the group will ultimately have any material exposure as a result of the current tax audit.

(b) Litigation

Perseus inherited litigation following the completion of the merger with Amara relating to Amara's Burkina Faso operations. The matter relates to a claim brought by Bayswater Construction & Mining Burkina sarl ("BCM"), the mining contractor for Amara's Burkinabé subsidiaries' historic mining operations which were conducted until mid-2014, against Amara in 2014 in Burkina Faso for Amara's involvement in the non-payment of invoices by its

Notes to the Financial Statements

for the year ended 30 June 2016

27. CONTINGENCIES (continued)

subsidiaries and subsequent damages in a total amount of approximately US$22 million. Subsequent to the claim, about US$8 million was paid to BCM as a result of the liquidation of one of the Amara subsidiaries. Perseus is currently assessing the merits of the claim and formulating Perseus's strategy and potential defences. The outflow of economic benefits is not considered probable at present, and therefore no amount has been recognised as a liability.

There were no other known contingent liabilities identified at 30 June 2016.

28. COMMITMENTS

(a) Exploration expenditure commitments

With respect to the group's mineral property interests in Ghana and Côte d'Ivoire, statutory expenditure commitments specified by the mining legislation are nominal in monetary terms. However, as part of mineral licence application and renewal requirements, the group submits budgeted exploration expenditure. In assessing subsequent renewal applications, the mining authorities review actual expenditure against budgets previously submitted. The group's budget expenditures for future periods are shown below. These amounts do not become legal obligations of the group and actual expenditure may and does vary depending on the outcome of actual exploration programs, and the costs and results from those programs.

	Consolidated	
	2016 $'000	2015 $'000
Within one year	**1,500**	750
One year or later and not later than five years	**2,800**	1,700
Later than five years	**3,500**	1,500
	7,800	3,950

(b) Capital commitments

The group is responsible for all rehabilitation of the EGM mining leases, which are currently estimated to cost approximately US$9.4 million and a provision has been recorded for this at balance date. The group is also responsible for the rehabilitation of the historical heap leach operations at Yaouré in Cote d'Ivoire, which are currently estimated to cost approximately US$2.2 million and a provision has been recorded for this at balance date.

Notes to the **Financial Statements**

for the year ended 30 June 2016

28. COMMITMENTS (continued)

(c) Operating lease commitments

The company leases office premises under normal commercial arrangements. The lease is for a period of 5 years beginning 1 April 2012. The company is under no legal obligation to renew the lease once the lease term has expired.

Future minimum lease payments payable under non-cancellable operating leases at 30 June 2016 are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Within one year	303	411
One year or later and not later than five years	-	318
Later than five years	303	729

Total operating lease expenditure was $0.4 million for the year ended 30 June 2016 (30 June 2015: $0.4 million).

29. EVENTS OCCURING AFTER THE END OF THE REPORTING PERIOD

Since the end of the financial year and to the date of this report no matter or circumstance has arisen that has significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years other than:

1) In July 2016 US$120 million contract for the mining of the Esuajah North open pit has been awarded to AMS. In addition, contracts related to approximately 50% of the scope of work for the Sissingué mine development have been awarded to Lycopodium. The balance of the Sissingué scope of works will be supervised by Perseus's in-house development team;
2) On 20 June 2016, Perseus announced an equity placement and an accelerated entitlements offer. The institutional portion of the offering closed oversubscribed on 22 June 2016 and the retail portion of the offering closed subsequent to year-end. In total, $102.0 million of equity was raised from new and existing institutional and retail investors to fund Perseus's growth strategy of which $7.7 million relating to the retail portion was received in July 2016; and
3) On 28 July 2016, 375,000 performance rights successfully vested under the terms of the company's Performance Rights Plan and converted to ordinary shares on a 1 for 1 basis on satisfaction of specified conditions. The shares were issued to employees at nil consideration as part of employee remuneration.

Directors' **Declaration**

for the year ended 30 June 2016

1. In the opinion of the directors of Perseus Mining Limited (the 'company'):

(a) The accompanying financial statements, and notes are in accordance with the Corporations Act 2001 including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year then ended; and

(i) complying with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(c) The financial statements and notes thereto are in accordance with International Financial Reporting Standards as disclosed in note 26.

2. This declaration has been made after receiving the declarations required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 30 June 2016.

This declaration is made in accordance with a resolution of the directors.

J A Quartermaine
Managing director

Dated at Perth, 26 August 2016

Independent Auditor's **Report**

for the year ended 30 June 2016

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Perseus Mining Limited

We have audited the accompanying financial report of Perseus Mining Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. The directors also state in the notes to the financial statements, that in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

GB:EH:PRU:058

Independent Auditor's **Report**

for the year ended 30 June 2016

EY
Building a better working world

Opinion

In our opinion:

i. the financial report of Perseus Mining Limited is in accordance with the *Corporations Act 2001*, including:

 i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

 ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

ii. the financial report also complies with *International Financial Reporting Standards* as disclosed in the financial report.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Perseus Mining Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Gavin Buckingham

Gavin Buckingham
Partner
Perth
26 August 2016

GB:EH:PRU:058

Additional Shareholder **Information**

As at 15 September 2016

MINERAL CONCESSION INTERESTS AT 15 SEPTEMBER 2016

Concession name and type	Registered Holder	File/ Permit Number	Perseus's current equity interest (%)	Maximum equity interest capable of being earned	Notes[1]
Location - Ghana					
Edikan Gold Mine (EGM) Leases - Ayanfuri mining lease - Nanankaw mining lease	Perseus Mining (Ghana) Ltd ('PMGL")	ML6/15 ML3/2	90%	90%	2,3
Dadieso Prospecting Licence	Perseus Mining (Ghana) Ltd	PL6/15	90%	90%	2,3
Nsuaem Prospecting Licence	Perseus Mining (Ghana) Ltd	PL3/26	90%	90%	2
Dunkwa Prospecting Licence	Perseus Mining (Ghana) Ltd	PL3/27	90%	90%	2,10
Grumesa-Awisam Prospecting Licence	Sun Gold Resources Limited	PL2/30	90%	90%	4
Kwatechi Prospecting Licence	Tropical Exploration and Mining Company Limited	PL3/64	16%	76%	5
Nkotumso Prospecting Licence	W.D. Mining Limited	PL 3/29	0%	90%	6
Location – Côte d'Ivoire					
Sissingué Exploitation Permit	Perseus Mining Côte d'Ivoire S.A.	PE39	86%	86%	4,7,8
Yaouré Exploitation Permit	Perseus Yaouré s.a.r.l.	**Application**	90%	90%	
Yaouré West Exploration Permit	Perseus Yaouré s.a.r.l.	**PR 615**	100%	90%	
Yaouré East Exploration Permit	Perseus Yaouré s.a.r..l.	**PR 577**	100%	90%	
Mahalé Exploration Permit	Occidental Gold s.a.r.l.	**PR 259**	90%	90%	
M'Bengué East Exploration Permit	Occidental Gold s.a.r.l.	**PR 272**	90%	90%	
Napié Exploration Permit	Occidental Gold s.a.r.l.	**PR 281**	80%	80%	
Zouhan-Hounien Exploration Permit	Generale des Mines et Carrieres (GEMICA) s.a.r.l.	**PR 610**	93%	86.5%	11
Kounahiri Exploration Permit	Generale des Mines et Carrieres (GEMICA) s.a.r.l.	**PR455**	93%	86.5%	11
Location – Burkina Faso					
Barga Exploration Permit	Caracal Gold Burkina s.a.r.l.	**2013/0919**	0%	72%	9
Koutakou Exploration Permit	Mr SAWADOGO Sayouba	**2011/109**	0%	72%	9
Tangayé Exploration Permit	Caracal Gold Burkina s.a.r.l.	**2013/0919**	0%	72%	9
Touya Exploration Permit	Caracal Gold Burkina s.a.r.l.	**2013/0919**	0%	72%	9

Additional Shareholder **Information**

As at 15 September 2016

Notes -

1. The Governments of Ghana, Côte d'Ivoire and Burkina Faso are entitled to a 10% equity interest in mining companies owning projects. Perseus's quoted equity is after allowance for that national interest, which occurs when a new project company is established prior to commencement of mining.

   Production royalties are payable to the Governments of Ghana (5%), Côte d'Ivoire (3-6% depending on the gold price) and Burkina Faso (3-5% depending on the gold price).
2. A royalty of 0.25% of gold produced from the Edikan Gold Mine ("EGM") Licences and the Dadieso, Nsuaem and Dunkwa Licences is payable pursuant to the contract to purchase PMGL.
3. Under the terms of the contract to purchase the EGM Licences and the Dadieso Licence, PMGL is required to pay a 1.5% royalty on gold production.
4. A royalty of 0.5% of the value of minerals recovered from the licence is payable to the vendors of the exploration licence.
5. The Company has the right to earn a 76% interest in the property by funding the development of the project to profitable production. Joint venture partners, Tropical and Leo Shield, each retain a 7% interest which is convertible to a 1.25% net smelter royalty at the option of those parties within 30 days of completion of a feasibility study. The Company can withdraw from the joint venture at any time and is required to pay US$3,600 to Tropical annually whilst it remains in the joint venture.
6. The Company has an option exercisable on or before 26 July 2021 to purchase the Nkotumso prospecting licence for US$10 plus US$3 per ounce royalty of gold produced.
7. The joint venture partner is free carried to production with costs subsequently recoverable by Perseus from production.
8. A royalty of US$0.80 per ounce of gold produced from the licence is payable. The exploitation permit is valid for 6 years from August 2012 and may be extended.
9. The Company has the right to earn up to a 72% interest in stages in the Barga, Koutakou, Tangayé and Touya Exploration Permits by incurring at least US$ 4,000,000 of exploration expenditure by 13 January 2020. If the Company has earned a 72% interest, the joint venture partner will be free carried to production. Costs (including exploration expenditure) are recoverable by Perseus from production. A 1% net smelter return royalty (convertible to a US$1 million one off payment) is payable to Sawadogo in respect of production from the Koutakou Exploration Permit.
10. The Dunkwa licence is in the process of being split into three separate licences, to be named Dunkwa, Ahinforoso and Betenase. Perseus intends to surrender Dunkwa and Ahinforoso. An option agreement has been entered into with a Ghanaian subsidiary of Canadian explorer Asante Gold Limited in respect of the Betenase licence. Under the option agreement, Asante has the option to purchase the Betenase licence for a consideration of US$1 million and a 0.75% net smelter royalty. In addition, Asante will assume the obligation to pay the royalty referred to in note 2 above in respect of the area of the former Dunkwa licence now covered by the Betenase licence.
11. The Company has a 93% interest in the GEMICA permits and has the option to acquire half (i.e. 3.5%) of GEMICA's interest at any time for US$ 1,000,000. The 10% statutory Government interest will be issued from Perseus's interest, thereby reducing Perseus's interest to a maximum of 86.5%,

Mineral permits and licences in which Perseus has an interest are subject to renewal from time to time in accordance with the relevant legislation of the governing jurisdiction and Perseus's compliance therewith.

The shareholder information set out below was applicable as at 15 September 2016.

SUBSTANTIAL SHAREHOLDERS

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

	Number of Ordinary Shares
Franklin Resources, Inc and associates	65,222,700
Paradice Investment Management Pty Ltd	59,207,159

Additional Shareholder **Information**

As at 15 September 2016

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

Size of Holding	Number of Holders
1 to 1,000	1,064
1,001 to 5,000	1,707
5,001 to 10,000	885
10,001 to 100,000	1,837
100,001 and over	330
	5,823

The number of shareholdings comprising less than a marketable parcel was 1,040.

VOTING RIGHTS

The voting rights attaching to ordinary shares are governed by the Constitution. On a show of hands every person present who is a member or representative of a member shall have one vote and on a poll, every member present in person or by proxy or by attorney or duly authorised representative shall have one vote for each share held. None of the options has any voting rights.

TWENTY LARGEST SHAREHOLDERS	Number of Shares	% Held
JP Morgan Nominees Australia Limited	223,028,529	21.77
HSBC Custody Nominees (Australia) Limited	209,669,520	20.47
National Nominees Limited	143,371,885	14.00
Computershare Clearing Pty Ltd – CCNL DI A/C	99,300,267	9.70
Citicorp Nominees Pty Limited	77,524,728	7.57
CDS & Co	66,950,902	6.54
HSBC Custody Nominees (Australia) Limited - NT Cmnwlth Super Corp A/C	14,024,467	1.37
BNP Paribas Noms Pty Ltd - DRP	10,612,216	1.04
HSBC Custody Nominees (Australia) Limited – A/C 2	6,664,160	0.65
Citicorp Nominees Pty Limited - Colonial First State Inv A/C	5,811,620	0.57
Geared Investments Pty Ltd – Investment A/C	4,906,000	0.48
Merrill Lynch (Australia) Nominees Pty Limited	4,300,005	0.42
Tsou Enterprise Pty Ltd	4,010,875	0.39
RBC Investor Services Australia Nominees Pty Limited – PI Select	3,324,917	0.33
CS Fourth Nominees Pty Ltd – HSBC Cust Nom AU Ltd 11A/C	2,854,368	0.28
HSBC Custody Nominees (Australia) Limited – A/C 3	2,265,503	0.22
HSBC Custody Nominees (Australia) Limited – GSCO ECA	2,001,527	0.20
Mr Garry Charles Pershouse	1,724,000	0.17
Mr Richard Arthur Lockwood	1,635,000	0.16
Hawkestone Resources Pty Ltd	1,570,000	0.15
	885,550,489	86.46

perseusmining.com

ABN 27 106 808 986