DECEMBER 2016 QUARTERLY REPORT

Corporate Details:

ASX/TSX code: PRU

Capital Structure as at 27 January 2017:

Ordinary shares: 1,031,863,678
Outstanding warrants: 130,870,969
Unvested performance rights: 19,450,000
Market Capitalisation: A$459.2m at share price A$0.445 per share

Directors:

Mr Reg Gillard
Non-Executive Chairman
Mr Jeff Quartermaine
Managing Director
Mr Mike Bohm
Non-Executive Director
Mr Colin Carson
Executive Director
Mr Alex Davidson
Non-Executive Director
Mr Sean Harvey
Non-Executive Director
Mr John McGloin
Non-Executive Director

Substantial Shareholders:

Van Eck Associates Corporation
12.0%
Franklin Resources, Inc.
7.7%

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OVERVIEW

Edikan Gold Mine ("Edikan")

- ***Mill upgrade and relocation housing at Edikan successfully completed by Quarter-end leading to significant improvement in expected mill performance and material reduction in capital expenditure in future periods.***

- ***A 22% quarter-on-quarter reduction in ore processed due to extended plant upgrade works and a 3% decrease in head grade, materially impacted gold production, gold sales and unit cost of production for the Quarter.***

- ***Edikan gold production of 32,223 ounces for the Quarter and 75,999 ounces for the Half Year in line with revised December 2016 Half Year guidance of 70-80,000 ounces.***

- ***Edikan production cost of US$1,278/ounce and all-in site cost ("AISC") for the Half Year of US$1,583/ounce, in line with revised December Half Year AISC guidance of US$1,550 to US$1,650/ounce.***

Table 1: Key Performance Indicators

Parameter	Units	September 2016 Quarter	December 2016 Quarter	Financial Year to Date
Gold recovered	Ounces	43,776	32,223	75,999
Production Cost	US$/ounce	1,095	1,526	1,278
All in Site Cost[1]	US$/ounce	1,388	1,847	1,583
Gold Sales	Ounces	43,952	22,431	66,383
Av. Sale Price	US$/ounce	1,223	1,115	1,187

[1] Includes production costs including waste stripping, royalties, and all other sustaining capital expenditure.

- ***Production guidance for the June 2017 Half Year has been revised from 125-145,000 ounces to 90-110,001 ounces. Production cost and AISC guidance has also been revised to US$885-1,080 per ounce and US$1,000-1,220 per ounce from US$950-1,080 per ounce and US$995-1,135 respectively. (Refer to page 5 for full details).***

- ***Mineral Resource and Ore Reserve estimates currently being reviewed and an updated Life of Mine Plan ("LOMP") reflecting recent operating parameters expected to be published in February 2017.***

Sissingué Gold Project ("Sissingué")

- ***Development of Sissingué advanced during the Quarter and at Quarter-end, expenditure, including US$10.4 million of early works and holding costs, totalled US$42.9 million, with forecast expenditure to complete (including contingency) of US$72.5 million. First gold production now scheduled for March 2018 quarter.***

- ***A review of the quality of Sissingué's drill data base during the Quarter led to a revision of its Measured and Indicated ("M&I") Mineral Resource estimate to 700,000 ounces. An updated Ore Reserve estimate reflecting the revised Mineral Resource estimate is expected to be published in February 2017.***

Sissingué Gold Project ("Sissingué") (Continued)

- ***In-fill drilling at the nearby Bélé East and West prospects aimed at delineating Mineral Resources that might be trucked to and processed at the Sissingué plant was completed during the Quarter.***

- ***Subsequent to Quarter-end, independent consultants Snowden Mining Industry Consultants Pty Ltd ("Snowden"), have been tasked with estimating a M&I Mineral Resource for the Bélé East and West deposits. It is expected that this additional Mineral Resource will largely compensate for the reduction in the Sissingué Mineral Resource estimate.***

- ***A maiden Ore Reserve estimate for the Bélé East and West deposits is being prepared along with a revised estimate of Ore Reserves at Sissingué. A revised LOMP for Sissingué will also be prepared taking into account the combined Ore Reserves of Sissingué, Bélé East and Bélé West deposits, and will be published in the March 2017 Quarter.***

Yaouré Gold Project ("Yaouré")

- ***A 42,000 metre confirmatory drill programme commenced toward the end of the Quarter in anticipation of updating the Yaouré resource model as part of the planned feasibility study revision for the project. Four drill rigs are currently deployed at Yaouré and two additional rigs are being sourced to ensure that this drill programme plus a further 40,000 metre of sterilisation drilling is completed on schedule.***

- ***The Yaouré definitive feasibility study ("DFS") remains on schedule for completion by mid-2017.***

- ***The terms of Exploration Permits 168 and 397, the two tenements on which Yaouré is located, have been extended for a period of two years from 1 December 2016.***

Exploration

- ***A detailed geological framework, prospectivity and targeting study of the Edikan mining leases was completed by Consultants during the Quarter. The study has generated a high-quality 3D structural interpretation of the tenements that was used to identify the most prospective ground and provide a priority-ranked list of targets to be explored in future periods.***

- ***A 5,250 metre combined reverse circulation ("RC") and diamond drilling ("DD") programme was commenced late in December 2016 at the Papara prospect, 20 kilometres north of the planned Sissingué mine site.***

Corporate

- ***Settled a US$20 million legal dispute between Amara Mining Ltd ("Amara") and their mining contractor, BCM International Ltd ("BCM"). Responsibility for dispute resolution assumed by Perseus following the acquisition of Amara in April 2016.***

- ***Cash and bullion at 31 December 2016 totalling A$67.5 million, A$69.4 million less than at 30 September 2016 following high levels of capital expenditure at Edikan, Sissingué and Yaouré, heavy investment in Edikan waste stripping, increased exploration and part settlement of the Amara /BCM legal dispute.***

- ***At Quarter-end, gold forward sales of 165,973 ounces at US$1,287/ounce were contracted including 100,000 ounces of hedging at an average price of US$1,307/ounce that is currently earmarked to support the proposed debt financing of the Sissingué development.***

Operations

Edikan Gold Mine, Ghana

Edikan's operating performance during the three months ending on 31 December 2016 (the "Quarter" or the "December 2016 quarter"), and the three quarters preceding this Quarter, is summarised as follows:

Table 2: Quarterly Performance Statistics

Parameter	Unit	March 2016 Quarter	June 2016 Quarter	September 2016 Quarter	December 2016 Quarter
Production & Sales:					
Total material mined:					
• Volume	bcm[1]	2,988,374	4,055,540	4,492,727	**4,567,877**
• Weight	tonnes	6,488,518	8,772,647	9,167,718	**9,397,353**
Ore mined:					
• Oxide	tonnes	324,054	164,173	239,013	**205,542**
• Fresh/Transitional	tonnes	1,173,641	1,591,149	1,262,517	**1,287,992**
• Total ore mined	tonnes	1,497,695	1,755,322	1,501,530	**1,493,534**
Ore grade mined:					
• Oxide	g/t[2] gold	1.21	0.92	1.01	**0.94**
• Fresh/Transitional	g/t gold	1.13	1.10	1.05	**1.02**
• Average grade	g/t gold	1.15	1.08	1.04	**1.01**
Strip ratio	t:t	3.3	4.0	5.1	**5.3**
Ore stockpiles:					
• Quantity	tonnes	1,792,573	2,058,545	1,759,695	**1,854,470**
• Grade	g/t gold	0.6	0.6	0.6	**0.6**
Ore crushed	tonnes	1,408,659	1,253,045	1,479,127	**1,159,817**
Ore milled	tonnes	1,661,895	1,489,347	1,800,380	**1,398,757**
Milled head grade	g/t gold	0.85	1.01	0.91	**0.88**
Gold recovery	%	82	83	83	**82**
Gold produced	ozs	37,150	40,058	43,776	**32,223**
Gold sales[3]	ozs	36,355	39,642	43,952	**22,431**
Average sales price	US$/oz	1,190	1,172	1,223	**1,115**
Unit Costs:					
Mining cost	US$/t mined	3.14	3.00	3.09	**3.05**
Processing cost	US$/t milled	9.11	10.86	8.63	**11.70**
G & A cost	US$M/month	0.95	1.43	1.37	**1.37**
All-In Site Cost					
Production cost	US$/oz	1,034	1,168	1,095	**1,526**
Royalties	US$/oz	85	83	78	**84**
Sub-total	**US$/oz**	1,119	1,251	1,173	**1,610**
Sustaining capital	US$/oz	322	291	215	**237**
Total All-In Site Cost	**US$/oz**	1,441	1,542	1,388	**1,847**
Site Exploration Cost	US$M	0.65	0.67	0.80	**0.78**

Notes:

1. Denotes bank cubic metres
2. Denotes grams of gold/tonne of ore
3. Gold sales are recognised in Perseus's accounts when the contracted gold refiner takes delivery of gold in the gold room.

The quantity of ore plus waste mined during the Quarter increased by approximately 2.5% to 9,397,353 tonnes relative to the prior quarter as waste stripping of the Fetish, Chirawewa and Esuajah North pits continued to provide access to fresh ore. Consistent with this slight increase in waste stripping, the total strip ratio across the Edikan site increased slightly from 5.1:1 in the prior period to 5.3:1 in the Quarter.

Unit mining costs decreased slightly during the Quarter to US$3.05/tonne from US$3.09/tonne mined in the prior quarter, reflecting a modest increase in mine material movements in this Quarter compared to the prior period.

The recent trend of improved processing plant performance reported at Edikan in prior periods was interrupted during the Quarter as a result of an extended shutdown of the Edikan plant to enable a programme of upgrade works to be completed. This programme of capital works was designed to improve future plant operating performance and reduce maintenance costs. However, the impact of these works on the Quarter's plant performance statistics is apparent from the following table.

Table 3: Plant Performance Statistics

	March 2016 Quarter	*June 2016 Quarter*	*September 2016 Quarter*	*December 2016 Quarter*
Crusher				
Run time (%)	*47*	*47*	*48*	***43***
Hourly throughput rate (t)	*1,368*	*1,329*	*1,388*	***1,224***
Oxide Circuit				
Run time (%)	*42*	*50*	*74*	***53***
Hourly throughput rate (t)	*148*	*134*	*138*	***127***
SAG Mill				
Run time (%)	*85*	*79*	*89*	***70***
Hourly throughput rate (t)	*900*	*868*	*921*	***907***
Gold recovery rate (%)	*82*	*83*	*83*	***82***

It should be noted that subsequent to the plant shutdown, operating performance has materially improved and operating statistics for the March 2017 quarter to date indicate a significant improvement relative to the December 2016 quarter, with mill run time including and excluding scheduled maintenance down time, of 92.3% and 96.9% respectively. Crusher run time including both scheduled and unscheduled down time stands at 67.2% which is well in excess of prior periods and more than enough to keep the crushed ore stockpile at close to capacity.

Quarterly gold production totalled 32,223 ounces, approximately 26% less than the 43,776 ounces produced in the prior quarter. Of the 26% reduction in quarterly gold production, reduced mill run time resulted in 22% less ore being processed and therefore gold produced during the Quarter. A decrease in the head grade of processed ore accounted for 3% of the 26% variance while a small decrease in the gold recovery rate achieved during the quarter accounted for the balance.

Unit processing costs incurred during the Quarter increased by 36% to US$11.70/tonne milled from US$8.63/tonne milled in the prior quarter, due largely to the 22% decrease in the tonnes of ore processed as noted above as well as additional freight costs.

It should also be noted that towards the end of the Quarter, the head grade of ore presented to the mill had progressively improved and in December 2016, the grade averaged 0.97g/t compared with the Quarter average of 0.88g/t. This trend of improved head grade has continued in the March 2017 quarter as the percentage of mill feed mined from the Esuajah North pit steadily increases and also reliance on low grade ore stockpiles as a source of fresh ore reduces.

Production costs for the Quarter (including all mining including waste stripping, processing and G&A costs but excluding royalty) amounted to US$1,526/ounce, about 39% above the September 2016 quarter's production cost US$1,095/ounce. Of the US$431/ounce increase in production costs, US$393/ounce or 36% of the 39% increase in production costs, was due to reduced production (i.e. was volume related). The remainder of the increase can be attributed to slightly higher expenditure on mining and processing.

For the December 2016 Half Year, production costs amounted to US$1,278/ounce which was consistent with previously announced cost guidance as well as the revised guidance given in December 2016.

The AISC during the Quarter (including production costs plus royalty plus all sustaining capital costs) increased by 33% to US$1,847/ounce compared to US$1,388/ounce in the prior quarter. As well as the increase in production costs noted above, royalties and sustaining capital expenditure expressed on a per pounce basis, also increased during the Quarter. Sustaining capital expenditure in total cost terms reduced US$1.8 million during the quarter as relocation housing construction comes to an end.

For the December 2016 Half Year, the AISC of US$1,583/ounce was recorded, in line with revised December 2016 Half Year AISC guidance of US$1,550 to US$1,650/ounce.

Completion of Capital Works

The capital investment programme that Perseus has undertaken at Edikan during the last two years, that has been a major factor in elevating the mine's AISC during this period, is now largely complete.

During the Quarter, in addition to the completion of a US$9.0 million programme of capital works referred to above aimed at upgrading Edikan's crushing and milling circuits to increase availability and reduce maintenance costs and time, construction of housing and the relocation into the new dwellings of families displaced by the opening up of the Fetish, Chirawewa and Esuajah North open pits was also completed. In total, 186 new houses and 12 institutional structures have been constructed at a cost of approximately US$30 million. A ceremony to formally hand over the new housing estate took place in January 2017.

Development of the Esuajah North open pit has been advanced and fresh ore is now being mined from the pit. Blasting of fresh ore commenced on 26 November, and in coming months ore will be drawn from four pits on the Edikan licence area including Fobinso, Fetish, Chirawewa and Esuajah North. With the opening up of these work areas, the amount of investment required in waste stripping will materially reduce in coming months.

Outlook for Edikan

Production and AISC guidance for Edikan in the remainder of the current financial year is as follows:

Table 4: FY2017 Production and Cost Guidance

Parameter	Units	Production and Cost Guidance		
		Dec 16 Half Year	Jun 17 Half Year	Full Fiscal 17 Year
Gold Production	'000 ounces	75,999	90-110,001	166-186,000
Production costs	$US/ ounce	1,278	885-1,080	1,050-1,170
All-In Site Costs	$US/ ounce	1,583	1,000-1,220	1,240-1,390

The production and costs guidance shown above represents a decrease from previously provided guidance and is largely the result of the following:

- During the June 2017 Half Year, ore processed at Edikan is scheduled to come from several sources including the Esuajah North, Fobinso, Fetish and Chirawewa open pits as well as the run of mine stockpile that contains ore mined in previous periods from these pits. While the proportion of ore from the Esuajah and Fobinso pits will be increasing during this period, some ore will still come from the Chirawewa and Fetish open pits (the "Eastern Pits").

Recent experience in processing ore from the Eastern Pits has been that the milled head grade has reconciled negatively to the mined head grade to an extent that cannot be accounted for by normal mining dilution. In examining this matter carefully, it has been determined that the estimating technique (i.e. Ordinary Kriging or "OK") that has been used to estimate Mineral Resources (and therefore the Ore Reserve) in these pits overestimates the tonnes and grade of ore present when compared to a similar calculation made using grade control drill data obtained using significantly upgraded grade control techniques. As a consequence, to correct this negative bias, the modelling technique that has been applied to estimate Mineral Resources at Edikan has been changed to Multiple Indicator Kriging or "MIK", since the results produced by this technique more closely align in terms of tonnes and grade with those parameters actually achieved in recent times, and therefore expected in future periods.

- In prior periods, in selecting the blend of ore to be processed, Perseus has considered the metallurgical characteristics of the ore and distinguished between oxide, transitional and fresh ore (i.e. oxidation state). Recent mining of the orebody and recent geotechnical drilling close to the ore zone in the Chirawewa Pit (and to a lesser extent in the Fetish Pit) have identified that the rock mass is relatively weak and weathered in areas described as fresh in terms of oxidation state. The more weathered rock mass has some metallurgical properties similar to the transitional material which has lower gold recovery, and lower bulk density. This has meant that in recent periods the forecast metallurgical recovery and ore tonnes mined have been lower than originally planned. This trend is expected to continue in the March 2017 quarter but is expected to abate from then on. Excessive quantities of transition ore in the mill feed impacts the performance of the flotation circuit and overall gold recovery, (including that of the fresh ore contained in the blend). To avoid this, Perseus has to be very selective in the material that it processes and at times is required to substitute lower grade stockpiled fresh ore for recently mined, weathered, higher grade fresh material in order to satisfy the blending constraints of the processing plant, thereby lowering the overall grade of the feed.

- In terms of guided costs, the increase in costs is very much attributable to the decrease in ounces that are expected to be produced during the June 2017 Half Year. Perseus continues to successfully implement business improvement programmes aimed at reducing the cost base of the Edikan operation and in future periods will also materially reduce the amount of capital that is spent on the site. Notwithstanding these improvements, the impact on unit costs of the reduction in volume, outweighs the benefits of cost reductions and hence the increase in guided production costs and AISC.

In considering the above, it should be noted that the ore remaining to be mined from the Esuajah North, Fobinso and AF Gap pits is predominantly known to be fresh based on actual mining experience and therefore the challenges caused by the increased amount of transitional ore from the Eastern Pits should not be experienced when these pits are mined. The recent issues relating to transitional ore are expected to persist for the next two quarters, after which mining will have progressed completely through the transitional zone in Chirawewa. Beyond the current Half Year, the composition of ore to be fed to the mill is dominated by fresh ore from Esuajah North, Fobinso and AF Gap and therefore the reduction in head grade which has impacted the guidance for the Half Year is not a permanent trend.

A full revised Mineral Resource Estimate as well as a revised Ore Reserve estimate and LOMP for Edikan is in the process of being prepared and results will be released to the market during the March 2017 Quarter. It is expected that this information when released will confirm the above and in particular, provide a higher level of certainty over future production performance.

Development

Sissingué Gold Mine, Côte d'Ivoire

The development of Sissingué provides Perseus with a relatively low cost opportunity to pursue its corporate strategy of geographically and technically diversifying its production base as soon as possible by establishing a second producing mine in Côte d'Ivoire.

Project Development

During the Quarter, Perseus materially progressed the development of Sissingué and at Quarter-end, expenditure including US$10.4 million of early works and holding costs, totalled US$42.9 million, with forecast expenditure to complete (including contingency) of US$72.5 million.

Off-site, detailed engineering is largely complete as is the procurement of all long lead items of plant and equipment. The construction team has mobilised to site and is well underway on the pouring of concrete works associated with the plant as well as the installation of underground services. Work on the construction of the airstrip, tailings dam and mine camp is well advanced. Refer to **Appendix A** for a photographic record of recent on-site activities.

To accommodate a possible change to the project funding mix employed by Perseus (refer to discussion below), the Company in conjunction with its major contracting group, Lycopodium has reassessed its engineering, procurement and construction schedule and has implemented a plan that more closely aligns activities with the Company's available funding capacity. As a result of the above, the projected date of production of first gold from Sissingué has been moved back approximately 4 months from October 2017 to the end of February 2018 as shown in the revised project schedule shown below.

Table 5: Sissingué Development Schedule

Description	Q3 2016			Q4 2016			Q1 2017			Q2 2017			Q3 2017			Q4 2017			Q1 2018		
	J	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M
Lycopodium Contract Award		■																			
Permanent Village & Site Buildings		■	■	■	■	■	■	■	■	■	■	■									
Formal Lycopodium Project Commencement			■																		
Earthworks inc. Tails Dam			■	■	■	■	■	■	■	■	■										
Concrete Works						■	■	■	■	■	■										
SMP & E-I Works									■	■	■	■	■	■	■	■	■	■	■		
Mining Commences and Waste Removal													■	■	■	■	■	■	■		
First Ore to Mill																				■	
First Gold Pour																				■	
Performance Test Complete																					■

Project Mineral Resources and Ore Reserves

Mineral Resources - Sissingué

In advance of discussions with prospective project debt financiers, Perseus undertook a review of the drill database that was used by consultants, Snowden and RungePincockMinarco ("Runge") as a basis for calculating previous Mineral Resource and Ore Reserve estimates for Sissingué respectively. This internal review identified a number of wet RC drill holes with possible downhole contamination that could potentially cause overstatement of the gold grade in specific holes or parts of holes.

To determine the impact of the contaminated drill results on the Sissingué Mineral Resource estimate, Perseus undertook a drilling programme comprising 64 holes for 6,587 metres of diamond drilling which was completed during the Quarter. On completion of this programme, Snowden was tasked with reviewing both the new and old drill data, and they confirmed that contamination had occurred in some previous RC drill holes. The contaminated data were withdrawn from the drill database and replaced with the new diamond drilling data. Snowden was then requested to re-estimate the Mineral Resource using the updated drill database.

In summary, the updated global M&I Mineral Resource for Sissingué was estimated as 13.0 Mt grading at 1.6 g/t gold, containing 700 kozs of gold. A further 0.9 Mt of material grading at 1.9 g/t gold and containing a further 58 kozs of gold are classified as Inferred Resources. Details of these estimates are shown below in **Table 6.**

Table 6: Sissingué Mineral Resource Estimate – December 2016

Category	Area	Tonnage ('000t)	Grade (g/t Au)	Contained Gold (koz)
Measured	Oxide	780	1.9	48,000
	Transitional	590	1.9	36,000
	Fresh	2,900	2.1	200,000
Total Measured		**4,300**	**2.1**	**290,000**
Indicated	Oxide	2,400	1.3	100,000
	Transitional	670	1.4	29,000
	Fresh	5,900	1.5	280,000
Total Indicated		**8,900**	**1.4**	**410,000**
Measured + Indicated	Oxide	3,200	1.5	150,000
	Transitional	1,300	1.6	66,000
	Fresh	8,800	1.7	480,000
Total Measured + Indicated Resource		**13,000**	**1.6**	**700,000**
Inferred	Oxide	230	1.2	8,500
	Transitional	57	1.0	1,800
	Fresh	660	2.3	48,000
Total Inferred Resource		**940**	**1.9**	**58,000**

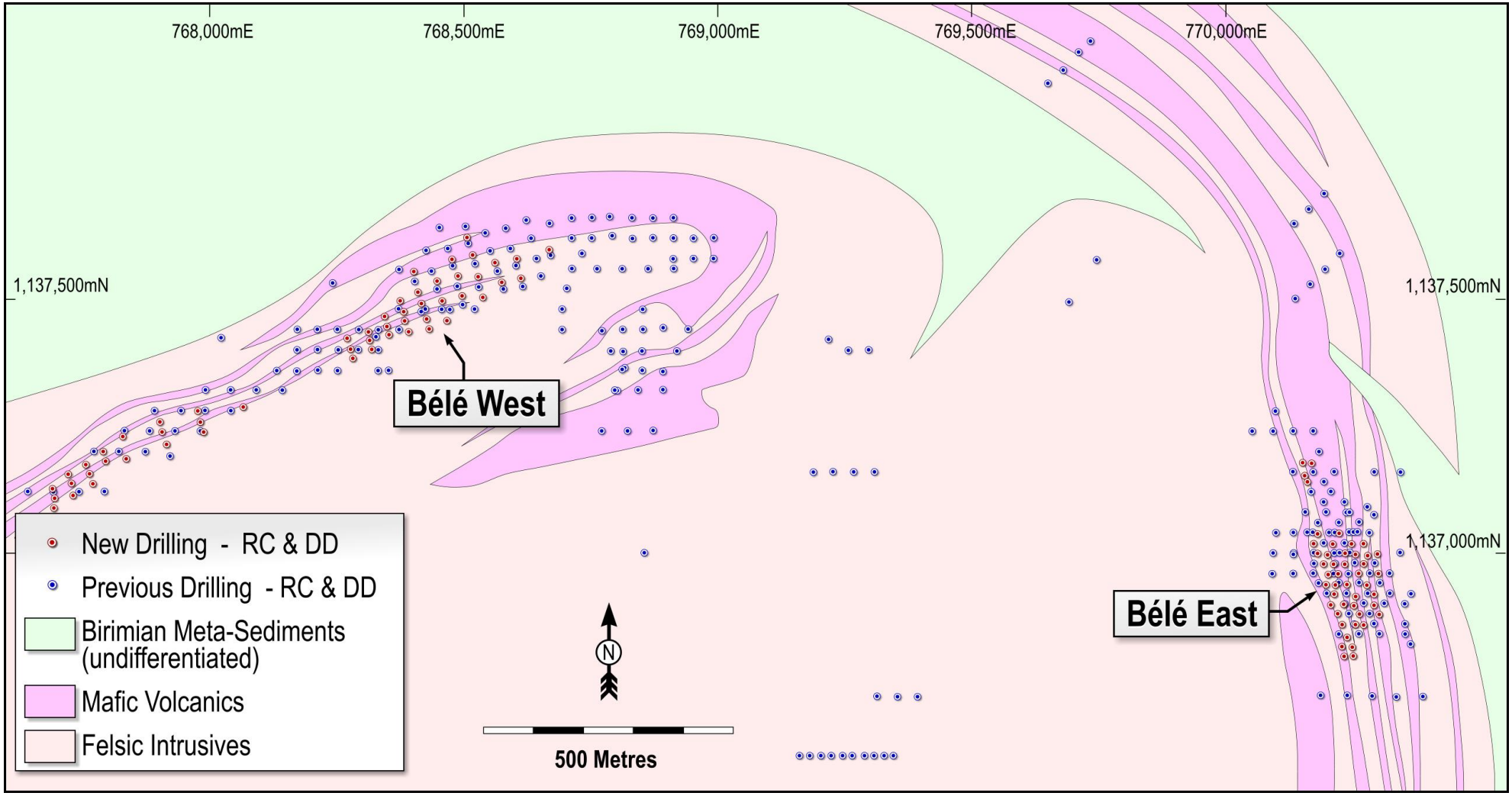
Notes: Mineral Resources are inclusive of Mineral Reserves. Mineral Resources are reported to two significant figures. Rounding may cause minor discrepancies in the table. Oxide includes small portions of laterite (115 kt total).

Mineral Resources - Bélé

During the period from 2013 to 2016, Perseus has conducted a series of DD and RC drill exploration programmes on the Mahalé Exploration licence that is located approximately 40 kilometres from the planned Sissingué processing plant. In particular, Perseus has targeted the Bélé prospect that comprises two main areas of mineralisation: Bélé East and Bélé West. (Refer to **Figure 1** for an overview of geology and layout of drilling) During the Quarter, an in-fill drilling programme at the Bélé East and West prospects was completed with the aim of delineating Mineral Resources that might be trucked to and processed at the Sissingué plant.

Snowden was requested to estimate the Mineral Resources contained in the Bélé East and Bélé West mineral deposits based on drill data that was available at that time. Their initial resource estimate that was published on 15 December 2016 was prepared in accordance with the 2012 JORC Code and in summary, the global Inferred Mineral Resource for Bélé East and West is estimated as 5.2 Mt grading 1.5 g/t gold, containing 260 kozs of gold.

Figure 1: Geology and Drill layout – Bélé East and Bélé West



Subsequent to the end of the Quarter following the receipt of additional drill results and the completion of a comprehensive review of the QA/QC of the Bélé drill data base, Snowden have been requested to prepare an updated Mineral Resource estimate taking the new information into account. This estimate is expected to be available for publication in February 2017 and it is expected that consideration of the additional drill and QA/QC information will result, at the very least, in a change of classification of a material proportion of the Bélé Inferred Mineral Resource to the Measured and Indicated categories.

This means that when considering the combined M&I Mineral Resources of both the Sissingué and Bélé deposits, the total Mineral Resources on which Ore Reserve estimates and therefore LOMPs are based, are not expected to be materially different to the Mineral Resource estimate that formed the basis of the DFS on which the decision to develop Sissingué was based.

Sissingue and Bélé Ore Reserves and Life of Mine Plan

A maiden Ore Reserve estimate for the Bélé deposits and an updated Ore Reserve estimate for the Sissingué deposit are being prepared by Independent consultants Runge and are expected to be completed during the March 2017 quarter. Once this work is complete, a revised LOMP for the Sissingué Gold Mine will be prepared, taking into account the combined Ore Reserves of Sissingué, Bélé East and Bélé West deposits. This LOMP is scheduled to be published in the March 2017 Quarter.

Project Debt Financing

Perseus's original financing plan for the development of Sissingué envisaged the deployment of a combination of US$60 million of project debt finance and approximately US$40 million of internally generated cash and existing cash reserves.

During the Quarter, as a result of uncertainty associated with the Sissingué Ore Reserve due to the re-estimation of the Sissingué Mineral Resource as described above, Perseus decided to reduce the level of project debt finance that it sought from its debt financiers, Macquarie Bank and BNP Paribas. This initiative was taken to avoid the potential for over-gearing the project but requires a greater proportion of development funds to come from internal sources including cash flow and cash reserves.

Discussions are at an advanced stage with Macquarie Bank to provide a project debt financing facility. Negotiation of the revised facility is expected to be finalised and documentation completed in the March 2017 Quarter.

Yaouré Gold Project, Côte d'Ivoire

Extension to Exploration Permits 168 and 397

The terms of Exploration Permits 168 and 397, the two tenements on which Yaouré is located, have been extended for a period of two years from 1 December 2016 by the Ivorian Ministry of Industry and Mines. It is expected that within this period, Perseus will complete the DFS for Yaouré, negotiate a Mining Convention, apply for and be granted an Exploitation Permit for the Yaouré development and take a positive development decision.

Definitive Feasibility Study

Work on preparation of the Yaouré DFS is progressing close to schedule. As shown below in Table 7, during the Quarter, Stage 1 was completed and Stage 2 was commenced. This stage is due to be completed late in the March 2017 quarter.

An initial 42,000 metre infill DD and RC drilling programme including grade control drilling in targeted areas, designed to enhance Perseus's confidence in the existing Mineral Resource estimate as well as examine opportunities for incremental expansion of the Mineral Resource, commenced late in the Quarter. A 40,000 metre Rotary Air Blast ("RAB") drilling programme to sterilise the planned sites of mine infrastructure is also planned and will start in the March 2017 quarter.

Completion of the DFS is scheduled to take a total of 12 months from commencement which should see the full study completed by August 2017. If current efforts to contract additional drilling rigs to be deployed on The Mineral Resource confirmation drill programme are successful, then results of the study could be available around the middle of 2017 rather than August 2017. Drilling results and other information associated with progress of the DFS will be progressively released as the study progresses.

Table 7: Yaouré Definitive Feasibility Study Schedule

Project Breakdown	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1. Project Stages																		
a. Stage 1 - Review & Option Identification																		
b. Stage 2 - Assessment & Narrowing of Options																		
c. Stage 3 - Identification of Preferred Option																		
d. Stage 4 - Cost Estimate <20% for Preferred Option																		
e. Stage 5 - Cost Estimate <10% for Preferred Option																		
2. Technical and Financial Components																		
a. Technical Scope Finalisation																		
b. Resource Drilling																		
c. Geological Resource Estimate																		
d. Metallurgical Testwork																		
e. Mining, Processing & Infrastructure Assessment																		
f. Engineering & Design Assessment																		
g. Progressive Financial Assessments																		

Definitive Feasibility Study (DFS) +/- 20% Accuracy
Front End Engineering & Design (Feed) +/- 10% Accuracy

Land Access Negotiations

Encouraging progress has been made on negotiating rates of compensation to be paid to landowners for access to land required to develop the project. It is anticipated that these negotiations will be materially advanced during the March 2017 quarter.

Exploration Projects

Ghana

Exploration activities in Ghana focused on using newly acquired geophysical data and existing geological datasets to generate and rank new targets at Edikan.

A combined airborne EM ("VTEM"), magnetics and radiometrics survey was flown over the Edikan leases, comprising 2,674-line km flown at 100 metre line spacing. Interpretation of data from the survey has significantly improved the Company's understanding of the geology and structure of the Edikan district, particularly the distribution of the major shear systems, the presence of shallow, potentially mineralised granitoids and the surface regolith geology.

The airborne survey provided one of the core new data sets for a comprehensive interpretation and targeting exercise by consulting group Corporate Geoscience Group ("CGSG"). CGSG undertook a detailed geological framework, prospectivity and targeting study involving a compilation of all available airborne data (including the newly acquired VTEM data), ground geophysics, geochemistry, drill data, and geological mapping to develop a high-quality 3D lithostructural interpretation. This interpretation was then used to generate a predictive model to identify the most prospective ground and provide a priority-ranked list of targets.

The study, completed in late December, identified over 50 exploration targets defined by various criteria, of which 10 were ranked as high priority. Company geologists are now field checking and assessing these targets for immediate follow up, including drilling.

In addition to this work, soil sampling was conducted over several important gaps in the existing soil geochemistry database. These included Akyease East (Nsuaem permit), and sections of the Dadieso-Bokitsi Shear Zone on the Nanankaw and Dadieso permits. Several modest gold anomalies were defined and are currently being assessed for further follow up.

Côte d'Ivoire

Mahalé

An infill drilling campaign was completed at the Bélé East and West prospects on the Mahalé Permit with the aim of better defining a Mineral Resource that might be trucked to and processed at the Sissingué Gold Project. A total of 5,536 metres of DD and RC drilling was completed in 103 holes (3,081 metres in 46 holes at Bélé East and 2,455 metres in 57 holes at Bélé West). The drilling was designed to infill existing coverage within the main resource areas to a nominal 20 by 20 metre spacing to allow an upgrade of the existing Inferred resources to Indicated category, and to investigate the southwest extension of the Bélé West mineralisation. Final assay results from this drilling are still pending and a new resource estimate will be completed upon receipt of all results.

Relogging of diamond core from Bélé has revealed a strong magnetite alteration halo around the mineralised zone, within which conversion of magnetite to pyrite and pyrrhotite has led to a demagnetised core. To determine whether this process has produced a recognisable magnetic signature, a programme of detailed ground magnetics is being conducted over the Bélé West and Bélé West zones. If successful, this survey may be extended over the mineralised rim of the Bélé granite to define additional areas that, in conjunction with existing gold-in-soil geochemistry, will be targeted for drilling.

Papara

A 5,250 metre combined DD and RC drilling programme commenced late in December at the Papara prospect, located 20 kilometres north of the Sissingué mine site. Intensive artisanal mining over an area covering 1,500 metres by 1,000 metres has previously prevented effective testing of this target. Geological mapping and inspection of artisanal workings indicates the mineralisation consists of quartz veins in a dioritic intrusive and its contacts with surrounding Birimian sediments.

Katara

Geological mapping and rock chip sampling was conducted over the Katara prospect, located 25 kilometres south of the Sissingué mine site. Mineralisation in historical RC and RAB drilling at this site returned some interesting results. A 1,350 metre combined DD and RC drilling programme is planned to commence in the next Quarter.

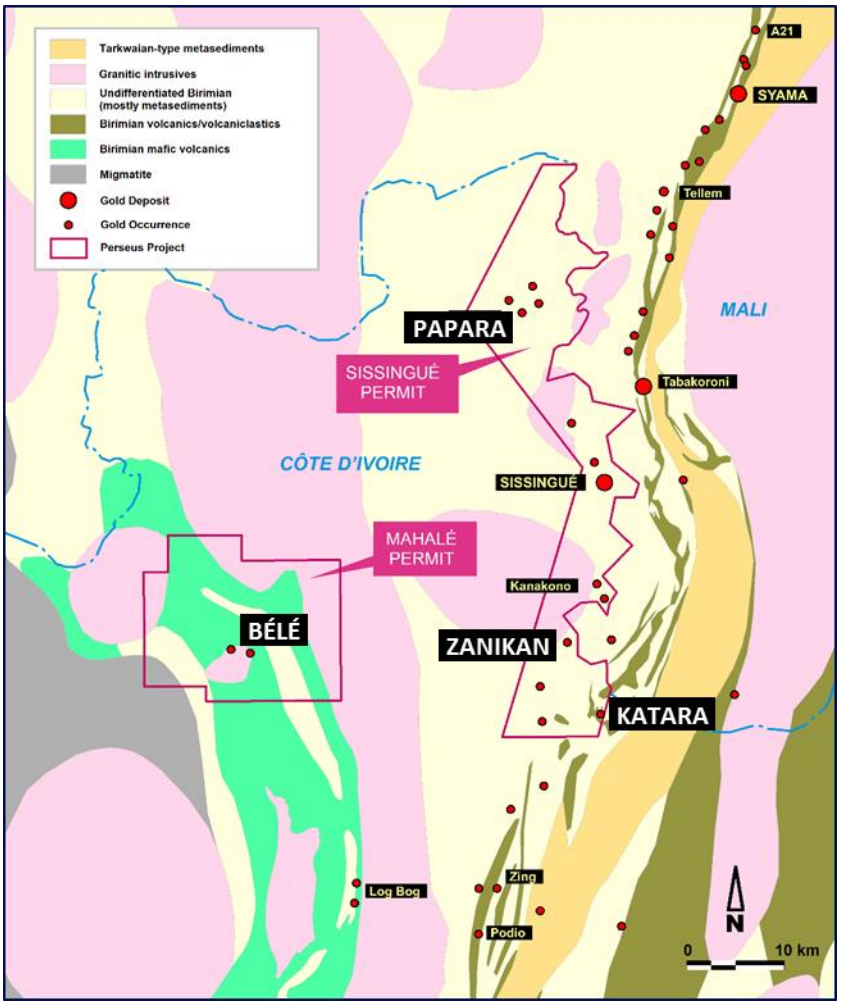


Figure 2: Sissingué Gold Project and Mahalé Permits and prospects

Corporate

Settlement of Legal Dispute

On 30 November 2016, Perseus executed a Settlement Agreement with BCM in relation to a dispute between BCM and various members of the Amara group that was acquired by Perseus earlier this year.

The dispute with BCM related to outstanding claims made by BCM against Amara in relation to contract mining services provided by BCM at Amara's now closed Kalsaka and Seguenega mines in Burkina Faso.

Under the terms of the settlement, Perseus agreed to pay BCM the sum of US$20 million, with US$5 million paid on signing the Settlement Agreement with the balance to be paid when various seizure orders in Côte d'Ivoire are lifted and relevant court processes withdrawn.

Subsequent to the end of the Quarter, seizure orders in Côte d'Ivoire were lifted, relevant court processes were withdrawn and the balance of the settlement amount was paid by Perseus.

Cash and Bullion

Based on the gold price of US$1,159.10/ounce and an A$:US$ exchange rate of 0.7207 as at 31 December 2016, the total value of available cash and bullion on hand at the end of the Quarter was $67.5 million. This sum is $69.4 million less than the balance of cash and bullion as at 30 September 2016 and largely reflects heavy capital investment at both Edikan and Sissingué during the Quarter.

Gold Price Hedging

At the end of the Quarter, gold forward sales contracts were in place for 165,973 ounces of gold at US$1,287/ounce. This includes 100,000 ounces of hedging at an average price of US$1,307/ounce that is currently earmarked to support the proposed debt financing of the Sissingué development.

Debt

At the end of the Quarter, Perseus had no debts other than creditors that are payable in the ordinary course of business. As noted above, discussions are at an advanced stage with Macquarie Bank in relation to the provision of a project debt facility to partially fund the development of Sissingué.

Program for the March 2017 Quarter

Edikan

- *Produce gold at a total all-in site cost that is in line with June Half Year guidance;*
- *Continue to implement improved grade control practices and investigate potential opportunities for improvements in grade estimation;*
- *Continue training of operating and maintenance staff;*
- *Continue to implement business improvement initiatives across all departments at Edikan; and*
- *Assess exploration targets and prepare drill programmes for targets identified by the recent review of geological datasets relating to the Edikan mining leases.*

Sissingué

- *Complete detailed design and procurement;*
- *Continue construction of Sissingué in line with schedule and budget;*
- *Finalise the project debt facility required under the project funding plan; and*
- *Complete drilling of Papara and Katara prospects with the aim of determining the potential for additional Mineral Resources which could be processed at the Sissingué processing facility.*

Yaouré

- *Advance work on preparing a bankable DFS for Yaouré, including the execution of a 42,000 metre drilling programme designed to confirm Mineral Resoure estimates as a basis for mine optimisation;*
- *Obtain an approved ESIA for Yaouré; and*
- *Finalise negotiation of compensation arrangements with Landowners with holdings within the proposed Yaouré footprint.*

Jeff Quartermaine
Managing Director and Chief Executive Officer
27 January 2017

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***Competent Person Statement**:*

Production targets for the EGM referred to in this report are underpinned by estimated Ore Reserves which have been prepared by competent persons in accordance with the requirements of the JORC Code. The Company confirms that all material assumptions underpinning those production targets, or the forecast financial information derived from those production targets, in its market release dated 19 April 2016 and its 2016 Financial Statements released on 29 August 2016 continue to apply and have not materially changed. Refer "Technical Report — Central Ashanti Gold Project, Ghana" dated 30 May 2011. 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 report.

The information in this report that relates to Mineral Resources for the Sissingué Gold Project (SGP) and Bélé was first reported by the Company in compliance with the JORC Code 2012 in a market announcement released on 15 December 2016. The Company confirms that other than set out in this report 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.

***Caution Regarding Forward Looking Information**:*

This report contains forward-looking information which is based on the assumptions, estimates, analysis and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management of the Company believes to be relevant and reasonable in the circumstances at the date that such statements are made, but which may prove to be incorrect. Assumptions have been made by the Company regarding, among other things: the price of gold, continuing commercial production at the Edikan Gold Mine without any major disruption, development of a mine at Sissingué and/or Yaouré, the receipt of required governmental approvals, the accuracy of capital and operating cost estimates, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used by the Company. Although management believes that the assumptions made by the Company and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. Forward-looking information involves known and unknown risks, uncertainties, and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any anticipated future results, performance or achievements expressed or implied by such forward-looking information. Such factors include, among others, the actual market price of gold, the actual results of current exploration, the actual results of future exploration, changes in project parameters as plans continue to be evaluated, as well as those factors disclosed in the Company's publicly filed documents. The Company believes that the assumptions and expectations reflected in the forward-looking information are reasonable. Assumptions have been made regarding, among other things, the Company's ability to carry on its exploration and development activities, the timely receipt of required approvals, the price of gold, the ability of the Company to operate in a safe, efficient and effective manner and the ability of the Company to obtain financing as and when required and on reasonable terms. Readers should not place undue reliance on forward-looking information. Perseus does not undertake to update any forward-looking information, except in accordance with applicable securities laws.

Appendix A – Photos of Sissingué Site Works

Aerial View of Mine Camp Site

Concrete Batch Plant

Future Plant site showing ring beams to support CIL Tanks

Sissingué Access Road

Stripping of waste from the Sissingué Pit for use in construction of the Tailings Dam

Tailings Dam with clay ready for compaction