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Chairman's Statement

Iran is a proven mineral province which, due to its recent history, remains under explored. It is also "elephant country" with the potential for very large discoveries in both precious and base metals. In 2003, Persian Gold entered Iran with a clear strategy, focusing on the possibility of discovering multi million ounce gold deposits associated with silica and alunite. That work is ongoing and has now reached the stage of sampling and trenching a number of specific targets.

Our presence in the country has brought considerable benefits. By maintaining a staff of experienced local geologists Persian Gold has been given the opportunity to evaluate a series of further investments. To date, we have optioned a gold project with multi million ounce potential near Yazd, and we are assessing several other gold and base metal projects.

Whilst there are low levels of international mining involvement in Iran, we have found an operating and legislative environment that is extremely co-operative. As an Irish based group we have received excellent support from the national and regional authorities. A 1998 law guarantees title and provides a good working framework for our activities in the region.

Operationally, there is a top class Geological survey in Tehran, which includes excellent computerised facilities and a staff willing and able to provide a fast and efficient service. The Persian Gold strategy is to work as much as possible with local partners so our projects will be joint ventures and, in general managed, by Iranians.

Takestan, Northwestern Iran

In 2004, based on satellite imagery, Persian Gold applied for, and obtained exploration concessions covering 1,800 sq km in the Takestan area of Iran. This area is thought to contain the second largest known deposits of alunite in the world. The target, was and is, a large open castable gold deposit associated

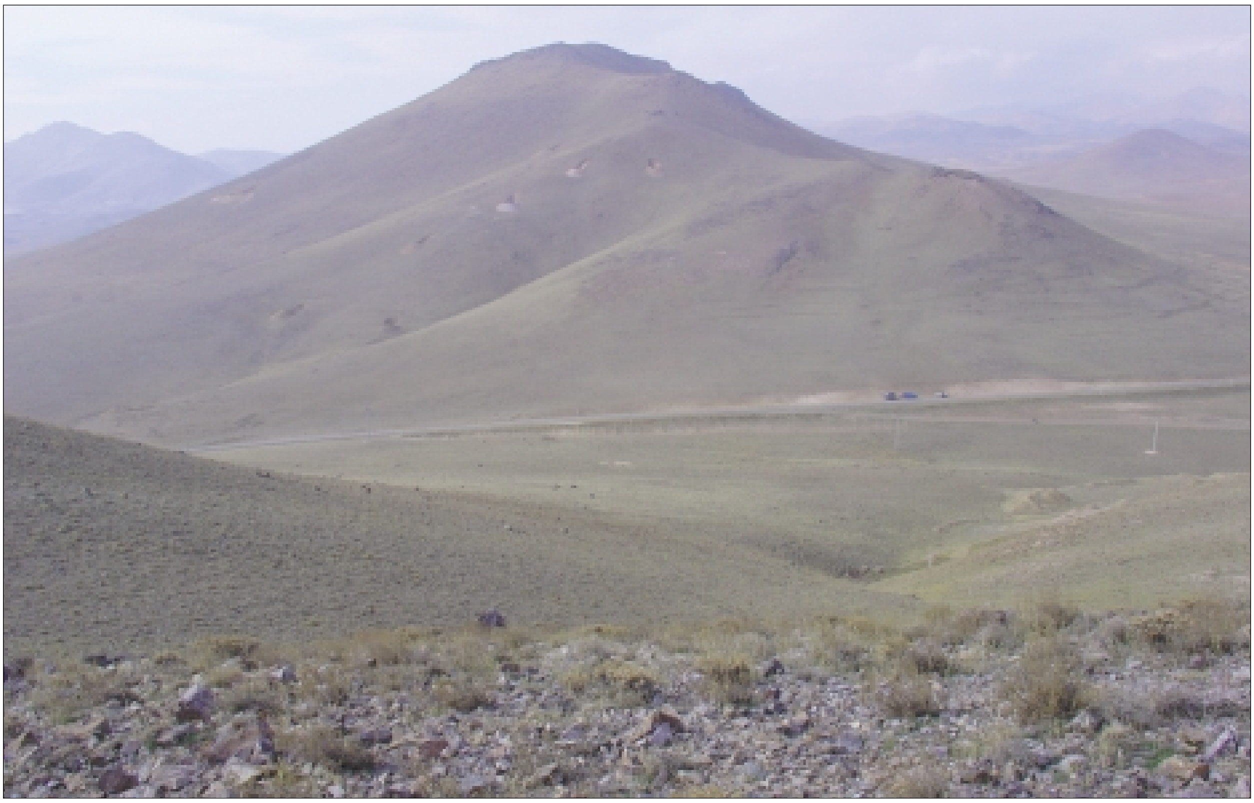


Image 1 - Twin Hills Area Takestan

with alunite and silica. We are looking for deposits similar to the Yanacocha gold/alunite mine in Peru.

During the first year of exploration we surveyed the ground and selected areas for soil and rock sampling. Roughly 3,000 samples were processed in Tehran and analysed in Europe for a suite of indicator minerals. Gold traces were found in up to 30% of the samples.

Following a review of the findings, Persian Gold applied for 8 exploration licences covering 320 sq kms of the area. Advanced work, mapping, trenching and sampling, has commenced on two areas Twin Hills and Zehabad. Drilling is anticipated within months.

Chah-e-Zard, Yazd, Central Iran

Our presence in Tehran gives us a profile which has led to a stream of potential projects in a variety of minerals. The opportunity at Chah-e-Zard stood out. This area, with a known mining history and some gold prospecting, has characteristics which attracted our interest.

With the agreement of the owner we sampled the project. Results were positive and significantly complemented results from earlier exploration.

The potential resource is large, easily accessible and will be inexpensive to mine and process. We have an option to acquire 70 % of the project which can be explored all year. Chah-e-Zard, if the exploration results remain positive, has the potential to be a large heap leachable producer.

Finance

The enclosed results illustrate that Persian Gold is a tightly run operation. Funds raised are being spent on the ground not on overheads.

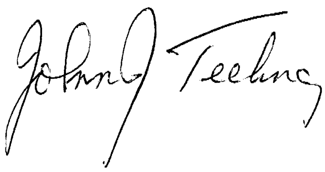
We have adequate funding for our current exploration activities. Exploration success which leads to an intensive drilling programme and/or the acquisition of late stage or producing assets may result in a need for further finance.

Prospects

The prospects for 2006 and onwards are positive. Persian Gold is a unique investment for the London Market because:

- We have "first mover advantage" in a highly prospective and co-operative resources province.
- Operationally we are striding ahead with:
  - Imminent drilling of our gold associated with alunite prospect
  - Exploration on a potential multi million oz gold prospect – results expected in Q3
  - Several promising gold and base metal leads to evaluate
- A supportive commodity price environment

I would like to thank the staff and shareholders of Persian Gold during what has been an eventful year. I am confident that our two years of operational and corporate development will provide a bedrock for success in the future.



John Teeling
Chairman

15 June 2006

Review of Operations

Overview

Persian Gold plc has established itself in the past year as the most aggressive junior gold explorer in Iran. With gold prices reaching 25 year highs, all of the major gold mining companies have greatly increased their worldwide exploration efforts to replace their gold reserve depletion. A major mineralised volcanic arc, the Tethyan Belt which extends from Turkey through Iran and into Pakistan, is now the focus of exploration for some of the world's largest mining companies. Barrick Gold Corporation, the world's largest gold mining company, recently completed a major acquisition of a gold-copper project in western Pakistan along the border region with Iran and BHP, one of the world's largest mining houses, is actively exploring in eastern Turkey.

Persian Gold is at the forefront of gold exploration efforts in the Tethyan region with its strong Iranian gold program where it is targeting volcanic hosted gold deposits similar to some of the largest and most profitable mines in the world such as Pierina, Yanacocha, and Alto Chicama in South America.

Exploration efforts by Persian Gold's geologists are targeting a number of high quality gold opportunities in the volcanic belt that transverses Iran. The initial program continues to focus on the alunite alteration zones in the Takestan area northwest of Tehran. Here, a number of significant historic alunite deposits are being sampled for gold. Multiple gold anomalies have been identified in this program and second stage sampling and trenching is underway. Twin Hills is the

Image 2 - Chah-e-Zard Gold Project

Review of Operations

first of the anomalies to advance to the trenching stage with an impressive surface gold anomaly coinciding with strong alteration of the host volcanic rocks. Indications of deeper porphyry mineralisation are also in evidence.

Efforts are also being directed at the acquisition of advanced stage gold targets. The recent option agreement on the Chah-e-Zard Gold project southeast of Tehran near the town of Yazd is an excellent example of a very strong gold target that has never been drill tested. An anomaly with plus 1.0 g/t Au values extending over an area that exceeds 1,200 metres by 750 metres presents an extremely high quality target and represents the most exciting project in the Persian Gold portfolio.

Additionally, a country-wide review of first order gold and copper-gold opportunities is underway. Much of this work is targeting the

Image 3 - Chip Channel Sample Across Silicified Breccia and Phreatic Breccia in Chad-e-Zard areas in southeastern Iran directly across the border from western Pakistan where recent exploration activities have identified a number of world-class porphyry copper and gold targets.

Chah-e-Zard Gold Project

Persian Gold's recent option of the Chah-e-Zard gold project is a significant addition to the Company's portfolio of projects in Iran. Chah-e-Zard represents a very high quality gold target which will quickly advance to the drill stage.

The project is located approximately 350 miles southeast of the capital city of Tehran near the town of Yazd in Central Iran. The area is well suited to exploration activity with a gentle topography and a climate that would allow year round operations.

Recent geochemical rock chip sampling at Chah-e-Zard returned values up to 21 g/t Au. Additionally and very importantly, gold values of +1 g/t were recorded over an area that exceeds 1,200 metres by 750 metres. This represents a very substantial gold anomaly both in terms of size and intensity and could represent the existence of a substantial gold deposit (Image 4).

The Chah-e-Zard gold anomaly is located within a breccia complex which is interpreted to be an ancient explosive volcanic event where hydrothermal gasses and fluids forced their way upward and deposited gold and other minerals as the system cooled. This type of gold mineralising event and breccia host rocks are very similar to that found at many other volcanic hosted gold deposits throughout the world.

Alteration mineralogy of the volcanic host rocks at Chah-e-Zard includes quartz, K-feldspar, alunite and clay minerals. This alteration suite of minerals is typical of many world class gold deposits and further enhances the prospectivity of this project.

A detailed and extensive soil grid sampling program over the initial gold anomaly is currently underway in order to define and expand the original target. The result of this expanded sampling program will serve as the basis for the location of drill sites. It is anticipated that drilling on the Chah-e Zard project will begin within the next three months.

Takestan Area Gold-Alunite Targets

Persian Gold holds eight exploration licenses, each covering an area of 40 sq km within a much larger study concession of 1,800 sq km. Since its inception, the Company has been focused on identifying gold anomalies associated with alunite altered volcanics which are very similar to the alteration present at many of the large gold deposits with the Andean volcanic belt.

The program has consisted of taking nearly 3,000 rock chip geochemical samples over the areas of the strongest silica-alunite alteration that was previously identified. A number of gold anomalies were identified which necessitated follow-up sampling.

One of the first and most interesting of the gold anomalies was the Twin Hills target. Here, strong silica-alunite-clay alteration caps two nearby hilltops and revealed a consistent surface gold anomaly. The Company recently received approval from governmental authorities to trench this target to determine the full extent of the mineralisation.

Continued sampling throughout the study concession returned some of the highest gold grades from the Zehabad prospect in the central part of the trend of alunite altered volcanics of the Takestan area. At Zehabad,

Review of Operations

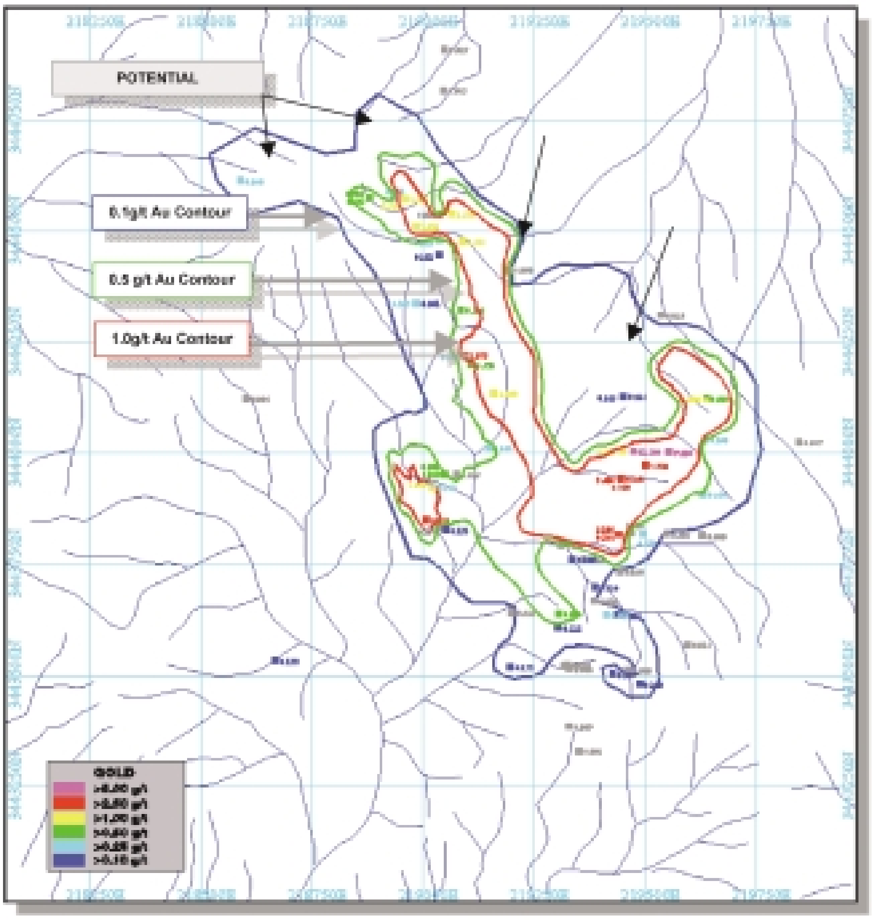


Image 4 - Significant Gold Anomaly at Chah-e-Zard

grades up to 15 g/t Au were found in quartz veins from a previous small zinc mine. Additional sampling further defined the zone of higher grade gold values.

Other gold anomalies were located through this sampling program which will require additional work in the coming months to define future targets. These would include the Ghaleh-Sarhang and western Takestan areas.

Twin Hills Gold Project

The target at Twin Hills represents one of the first gold anomalies identified in the program (Image 5). This prospect is located at the extreme southern end of the belt of alunite deposits that extends from the southeast to the northwest across our study concession. Initial geologic mapping and sampling at Twin Hills recorded strong silica-alunite-clay alteration capping two rounded hilltops. Geochemical results revealed a consistent surface gold anomaly covering the area of strongest alteration.

An evaluation of the alteration pattern suggests that Twin Hills may represent the upper precious metal-rich portion of a potential deeper porphyry system (Image 6). This is a typical zoning pattern for many mineral deposits of this type around the world. Geochemical sampling gave a strong and consistent southwest-northeast trending gold anomaly up to 0.7 g/t over a distance of approximately 1,000 metres. This gold anomaly corresponds closely with surface mapping of an elongate silica altered zone centered over the western hill.

Persian Gold recently approved trenching programme for Twin Hills has commenced (Image 7). As the flanks of these hills are covered by soils with no outcrop in evidence, this trenching programme will help to determine and define the full extent of the gold mineralisation.

After the trenching programme is complete, a plan to drill test this target will be proposed for later in 2006.

Zehabad Au-Zn-Pb Project

The gold and polymetallic base metal veins at Zehabad are located within the central portion of the Takestan licenses. Zehabad was a small base metal producer in the past but its gold content has never been fully evaluated. Repeated sampling of the Zehabad veins by Persian Gold suggests that there are some high-grade zones within the base metal deposit that need to be evaluated further.

Zehabad represents a multiple quartz vein swarm and breccia within a volcanic-intrusive complex that contains of mineral inventory of approximately 900,000 tonnes at a grade of 11% combined Zn-Pb with 0.5% Cu, 1 g/t Au and 40 g/t Ag. The quartz veins at Zehabad range in thickness from one to ten metres and contain high grade pockets of ore that have been exploited in the past.

A geochemical evaluation of the Zehabad district began in 2005 with underground and surface rock chip geochemical sampling in addition to stream sediment sampling of the surrounding drainages. This work is ongoing with the goal to increase the overall mineral inventory of the deposit.

Country-wide Gold, Copper and Zinc Opportunities

Iran is endowed with some of the largest undeveloped copper and zinc deposits in the world. Additionally, Iran represents one of the few countries where modern exploration methods for both gold and base metals have not been fully implemented.

With precious and base metal commodity prices nearing historic highs, Iran is fast

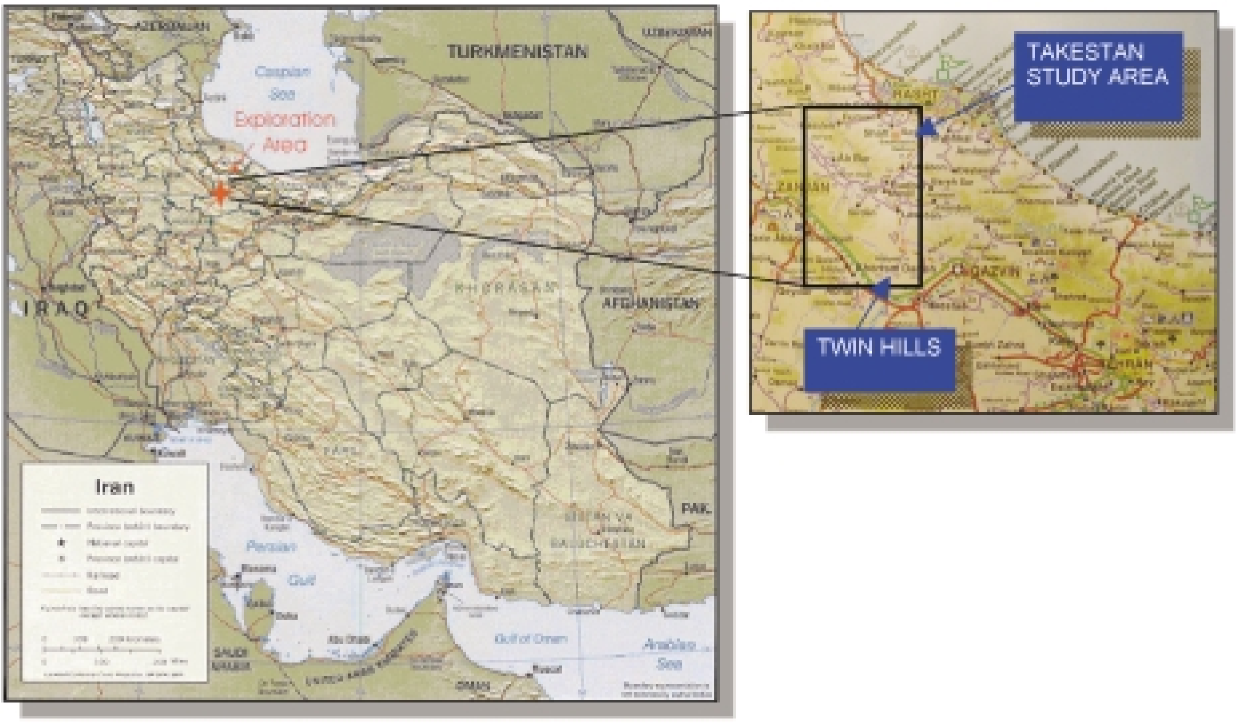


Image 5 – Map of Iran with Takestan Study Concession Highlighted

Review of Operations

becoming the focus of evaluation by some of the largest mining companies in the world. Persian Gold is well positioned to lead the effort to identify new mineral targets in that country.

The Tethyan volcanic belt transects Iran from the Turkish border in the northwest to the Pakistan border in the southeast. World class metal deposits are located throughout this volcanic belt in Iran. Persian Gold's exploration teams are evaluating other parts of this belt for potential world class opportunities. One region of particular focus is the border region with Pakistan where Barrick Gold recently announced the major acquisition of a large copper-gold porphyry system.

Persian Gold geologists believe there is strong evidence to suggest that the mineral district in western Pakistan trends westward and continues into southern Iran. This is an area that has seen very little exploration in the past yet holds excellent potential to host major gold and copper-gold systems.

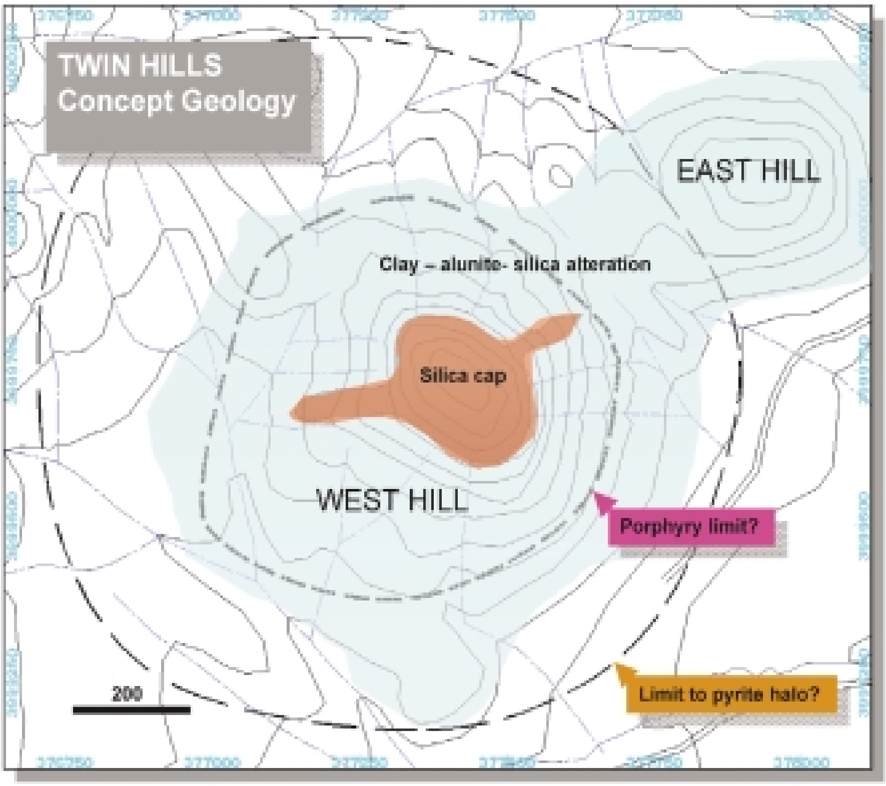


Image 6 - Twin Hills Prospect Conceptual Geology Map

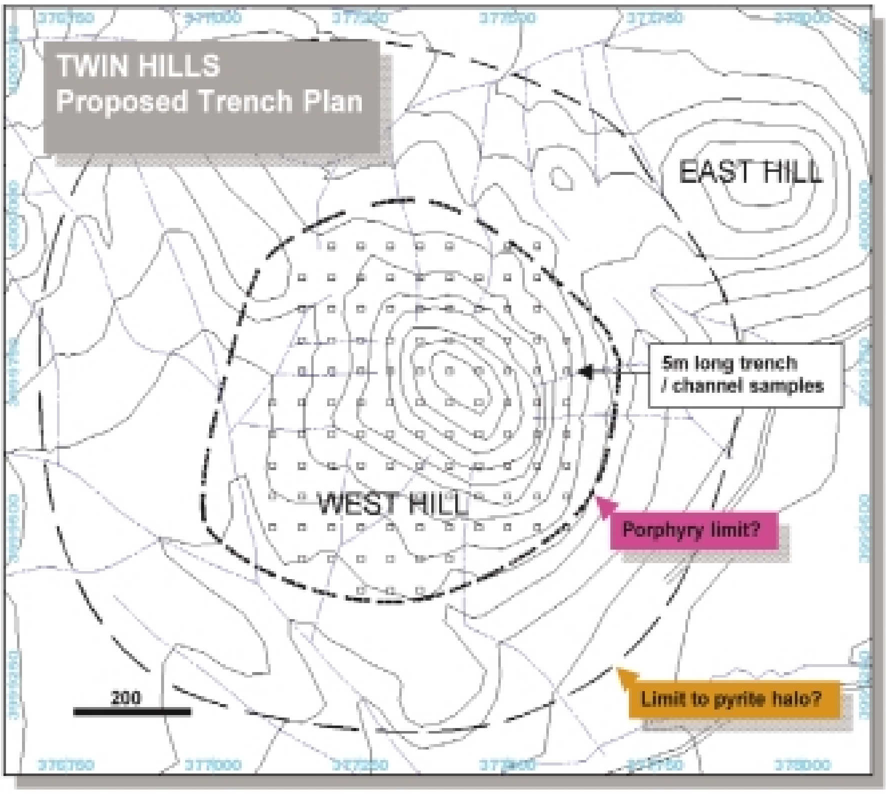


Image 7 - Twin Hills Prospect Trenching Plan

Directors' Report

The directors present their annual report and the audited financial statements of the company for the year ended 31 December 2005.

Business review and future prospects
The company's main activities are mineral exploration and development.

Further information concerning the activities of the company and its future prospects is contained in the Chairman's Statement and the Review of Operations.

Results for the year
The loss after taxation for the year amounted to £162,204 (2004: £60,216.)

Dividends
The directors do not propose that a dividend be paid (2004: £Nil).

Creditor payment policy
It is the company's normal practice to agree terms of transactions, including payment terms, with suppliers and provided suppliers perform in accordance with the agreed terms, it is the company's policy that payment is made accordingly.

Directors and their interests in shares of the company
The following directors held office during the year and to date:

J. J. Teeling
J. Finn
Jack Teeling
D. Horgan was appointed director on 29 April 2005
M. Takin was appointed director on 12 April 2006

The directors at 31 December 2005 had the following interests in the ordinary shares of the company:

	31 December 2005		31 December 2004	
	Ordinary Shares of 0.25p each Shares Number	Ordinary Shares of 0.25p each Options Number	Ordinary Shares of 1p each Shares Number	Ordinary Shares of 1p each Options Number
J. J. Teeling	9,600,400	1,990,000	2,400,100	475,000
J. Finn	4,300,400	1,390,000	1,075,100	325,000
Jack Teeling	3,900,000	1,390,000	975,000	325,000
D. Horgan	3,800,000	950,000	950,000	225,000

The following options were granted to current directors during the year:

	20 June 2005 Number
J.J. Teeling	90,000
J. Finn	90,000
Jack Teeling	90,000
D. Horgan	50,000

All options granted on 20 June 2005 were granted at an option price of 25p per share.

Subsequent to the year end, on 12 April 2006, M. Takin was granted 100,000 options at an option price of 23.5p per share.

Substantial shareholdings
The share register records that the following shareholders, excluding directors, held 3% or more of the issued share capital of the company as at 31 December 2005:

	Number of Shares	%
Courtfield Industries Limited	3,990,000	7.15%
Michael Thomsen	4,000,000	7.17%
Stephen Teeling	2,320,000	4.16%
Emma Teeling	2,299,900	4.12%

Financial risk management
Details of the company's financial risk management policies are set out in Note 18.

Charitable and political donations
The company made no political or charitable contributions during the year.

Subsequent events
Subsequent events are set out in Note 19.

Auditors
A resolution to re-appoint the auditors, Deloitte & Touche, Chartered Accountants, will be proposed at the annual general meeting.

By Order of the Board:

James Finn
Secretary

15 June 2006

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business;
- state that all accounting standards which they consider to be applicable have been followed.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements are prepared in accordance with accounting standards generally accepted in the United Kingdom and comply with the Companies Act, 1985. They are also responsible for the system of internal control, safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditors' Report

to the Members of Persian Gold Plc

We have audited the financial statements of Persian Gold PLC for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Balance Sheet, the Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As described in the statement of directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the relevant financial reporting framework and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Fundamental uncertainty
In forming our opinion, we have considered the adequacy of the disclosures made in the financial statements concerning the valuation of intangible fixed assets. The realisation of the intangible assets of £258,606 (2004: £81,419) included in the balance sheet is dependent on the successful development of mineral reserves. We draw attention to further details given in Note 10. Our opinion is not qualified in this respect.

Opinion
In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its loss for the year then ended;

  and

- the financial statements have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche
Chartered Accountants and Registered Auditors
Deloitte & Touche House
Earlsfort Terrace
Dublin 2

15 June 2006

Profit and Loss Account

for the year ended 31 December 2005

	Notes	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Turnover		**-**	-
Cost of sales		**-**	-
Gross profit		**-**	-
Cost of admission to AIM		**(100,474)**	-
Administrative expenses		**(75,343)**	(60,216)
Operating loss – continuing operations		**(175,817)**	(60,216)
Interest receivable and similar income	3	**14,395**	-
Interest payable and similar charges	4	**(782)**	-
Loss on ordinary activities before taxation	2	**(162,204)**	(60,216)
Tax on loss on ordinary activities	8	**-**	-
Loss on ordinary activities after taxation for the financial year	15	**(162,204)**	(60,216)
Loss per share	9	**(0.30p)**	(2.78p)
Loss per share – diluted	9	**(0.30p)**	(2.78p)

The company has no recognised gains or losses other than those disclosed in the profit and loss account for the year. The results arise from continuing activities.

Balance Sheet

as at 31 December 2005

	Notes	31/12/2005 £	31/12/2004 £
Fixed assets			
Intangible assets	10	**258,606**	81,419
Current assets			
Debtors	11	**3,283**	1,000
Cash at bank		**924,878**	269,683
		928,161	270,683
Creditors : (Amounts falling due within one year)	12	**(25,346)**	(20,998)
Net current assets		**902,815**	249,685
Total assets less current liabilities		**1,161,421**	331,104
Capital and reserves			
Called-up share capital	13	**139,482**	129,482
Share premium	14	**1,244,359**	261,838
Profit and loss account – (deficit)	15	**(222,420)**	(60,216)
Shareholders' funds – all equity		**1,161,421**	331,104

The financial statements were approved by the Board of Directors on 15 June 2006 and signed on its behalf by:

J.J. Teeling

Director

Cash Flow Statement

for the year ended 31 December 2005

	Notes	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Net cash outflow from operating activities	17(a)	**(173,752)**	17,782
Returns on investments and servicing of finance			
Interest paid and similar charges		**(782)**	-
Interest received and similar income		**14,395**	-
Net cash inflow/outflow from returns on investments and servicing of finance		**13,613**	-
Net cash outflow from capital expenditure and financial investment		**(160,139)**	17,782
Payments to acquire intangible assets		**(177,187)**	(39,419)
Net cash outflow before financing		**(337,326)**	(21,637)
Financing:			
Issue of ordinary share capital for cash (net of expenses)		**992,521**	291,320
Net cash inflow from financing		**992,521**	291,320
Increase in cash	17(b)	**655,195**	269,683

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2005

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Total recognised loss for the year	**(162,204)**	(60,216)
Issue of shares:		
– at par	**10,000**	129,482
– share premium	**982,521**	261,838
Net change in shareholders' funds	**830,317**	331,104
Opening equity shareholders' funds	**331,104**	-
Closing equity shareholders' funds	**1,161,421**	331,104

Notes to the Financial Statements

for the year ended 31 December 2005

1. Principal accounting policies

(i) Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards generally accepted in the United Kingdom and United Kingdom statute comprising the Companies Act 1985.

(ii) Accounting convention

The financial statements are prepared under the historical cost convention.

(iii) Intangible fixed assets – deferred development expenditure

Mineral exploration costs are capitalised until the results of the projects, which are based on geographic areas, are known. Mineral exploration costs include an allocation of administration and salary costs as determined by management. If the project is successful, the related exploration costs are written off over the life of the estimated gold deposit reserve on a unit of production basis. Where a project is terminated, the related exploration costs are written off immediately.

(iv) Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rate ruling at the balance sheet date. Transactions are converted at the rate ruling at the date of the transaction. Exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs are capitalised when such borrowings can be directly linked to specific capital development. Other exchange differences are dealt with in the profit and loss account.

(v) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Deferred tax assets are only recognised to the extent that they are regarded as recoverable. They are regarded as recoverable to the extent that, on the basis of all available evidence, it can be regarded as more likely that not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Loss on ordinary activities before taxation

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
The operating loss on ordinary activities before taxation is stated after charging:		
Auditors’ remmuneration	**4,000**	2,000

Details of directors’ remuneration are disclosed in Note 6.

The auditors were paid £8,164 in respect of non-audit services in connection with the AIM listing.

Notes to the Financial Statements

for the year ended 31 December 2005

3. Interest receivable and similar income

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Bank interest	10,493	-
Exchange profit	**3,902**	-
	14,395	-

4. Interest payable and similar charges

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Bank charges	**782**	-

5. Segmental analysis

The analysis of operating loss before taxation and net assets employed by geographical segment is shown below:

	Loss		Net assets	
	2005 £	2004 £	**2005 £**	2004 £
United Kingdom	**(162,204)**	(60,216)	**913,704**	249,685
Iran	**-**	-	**247,717**	81,419
	(162,204)	(60,216)	**1,161,421**	331,104

6. Directors' emoluments

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Paid in cash	**-**	-
Paid by shares issued at 1p each	**-**	57,500
	-	57,500

7. Staff numbers

There were no employees of the company other than the directors during the current year.

8. Tax on loss on ordinary activities

No charge to taxation arises due to the tax losses incurred. No deferred tax asset has been recognised on accumulated tax losses as the recoverability of any assets is not likely in the foreseeable future. At the year end, deferred tax assets totalling £66,000 (2004: £18,000) were not recognised.

9. Loss per share

Basic earnings per share is computed by dividing the loss after taxation for the year available to ordinary shareholders by the sum of the weighted average number of ordinary shares in issue and ranking for dividend during the year. Diluted earnings per share is computed by dividing the loss after taxation for the year by the weighted average number of ordinary shares in issue, adjusted for the effect of all dilutive potential ordinary shares that were outstanding during the year.

The following table sets forth the computation for basic and diluted earnings per share (EPS):

	Year ended 31/12/2005 £	Period from 18/11/2003 to 31/12/2004 £
Numerator		
Numerator for basic EPS retained loss	**(162,204)**	(60,216)
	Number	Number
Denominator		
Numerator for basic EPS retained loss	**53,809,238**	2,163,946
Basic EPS	**(0.30p)**	(2.78p)
Diluted EPS	**(0.30p)**	(2.78p)

Basic and diluted loss per share are the same as the effect of the outstanding share options is anti-dilutive and is therefore excluded.

Notes to the Financial Statements

for the year ended 31 December 2005

10. Intangible assets

	31/12/2005	31/12/2004
	£	£
Deferred Development Expenditure:		
Cost:		
At 1 January 2005	**81,419**	-
Additions during the year	**177,187**	81,419
At 31 December 2005	**258,606**	81,419
Net book value:		
At 31 December 2005	**258,606**	81,419

Deferred development expenditure relates to prospecting, exploration for gold and related expenditure in Iran.

The company's activities are subject to a number of significant potential risks including:

– Price fluctuations
– Uncertainties over development and operational costs
– Operational and environmental risks
– Political and legal risks, including arrangements with governments for licences, profit sharing and taxation
– Funding developments

The realisation of this intangible asset is dependent on the discovery and development of economic mineral reserves which is affected by these and other risks. Should this prove unsuccessful the value included in the balance sheet would be written off to the profit and loss account.

The directors are aware that by its nature there is an inherent uncertainty in such development expenditure as to the value of the asset. Having reviewed the deferred development expenditure at 31 December 2005, the directors are satisfied that the value of the intangible asset is not less than net book value.

11. Debtors

	31/12/2005	31/12/2004
	£	£
Prepayments and accrued income	**2,283**	-
Other debtors	**1,000**	1,000
	3,283	1,000

Notes to the Financial Statements

for the year ended 31 December 2005

12. Creditors: (amounts falling due within one year)

	31/12/2005	31/12/2004
	£	£
Trade creditors and other accruals	**24,177**	5,500
Other creditors	**1,169**	15,498
	25,346	20,998

13. Share capital

	31/12/2005	31/12/2004
	£	£
Authorised		
800,000,000 Ordinary shares of 0.25p each		
(2004: 200,000,000 shares of 1p each)	**2,000,000**	2,000,000
Allotted, Called-up and Fully Paid		
Opening balance 12,948,200 shares of 1p each	**129,482**	-
Issued during the year 4,000,000 shares of 0.25p		
(2004: 12,948,200 shares of 1p each)	**10,000**	129,482
Closing balance 55,792,800 shares of 0.25p each		
(2004: 12,948,200 shares of 1p each)	**139,482**	129,482

Movements in issued share capital

The authorised share capital of 200,000,000 Ordinary shares of 1p each (whether issued or un-issued) were subdivided and converted into 800,000,000 Ordinary shares of 0.25p each following a special resolution passed on 31 May 2005.

On 30 June 2005, 4,000,000 ordinary shares of 0.25p per share were issued at a price of 25p per share to raise cash to fund ongoing corporate and development costs in Iran.

Share options

A total number of 7,830,000 share options were in issue at 31 December 2005. These options are exercisable, at prices ranging between 1p and 10p for the year up to seven years from the date of granting the options unless otherwise determined by the board.

14. Share premium

	31/12/2005	31/12/2004
	£	£
At 1 January 2005	**261,838**	-
Arising on shares issued during the year	**990,000**	265,338
Less issue costs	**(7,479)**	(3,500)
At 31 December 2005	**1,244,359**	261,838

Notes to the Financial Statements

for the year ended 31 December 2005

15. Profit and loss account

	31/12/2005	31/12/2004
	£	£
Accumulated deficit at 1 January 2005	**(60,216)**	-
Loss for the year	**(162,204)**	(60,216)
Accumulated deficit at 31 December 2005	**(222,420)**	(60,216)

16. Material non-cash transactions

All material non-cash transactions during the year are outlined in note 13 on share capital.

17. Cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	Year ended 31/12/2005	Period from 18/11/2003 to 31/12/2004
	£	£
Operating loss	**(175,817)**	(60,216)
Increase in debtors	**(2,283)**	(1,000)
Increase in creditors	**4,348**	20,998
Expenses discharged by share issues	**-**	58,000
	(173,752)	17,782

(b) Analysis of net debt

	At 31/12/2004	**Cash Flow**	**At 31/12/2005**
	£	**£**	**£**
Cash in hand and at bank	269,683	655,195	924,878

(c) Reconciliation of net cash flow to movement in net debts

	Year ended 31/12/2005	Period from 18/11/2003 to 31/12/2004
	£	£
Increase in cash in the year	**655,195**	269,683
Change in net funds resulting from cash flows	**655,195**	269,683
Net funds at start of year	**269,683**	-
Net funds at end of year	**924,878**	269,683

Notes to the Financial Statements

for the year ended 31 December 2005

18. Risk management

The company's financial instruments comprise cash balances and various items such as trade debtors and trade creditors which arise directly from trading operations. The main purpose of these financial instruments is to raise finance to fund operations.

The company does not enter into any derivative transactions, and it is the company's policy that no trading in financial instruments shall be undertaken.

The main financial risk arising from the company's financial instruments is currency risk. The board reviews and agrees policies for managing this risk and they are summarised below.

Interest rate risk
The company's exposure to interest rate risk is considered to be minimal as the company finances its operations primarily through equity finance.

Interest rate risk profile of financial assets and financial liabilities
The company has no borrowings and has no interest rate exposure.

Financial assets
The company has no financial assets, other than short-term debtors and cash at bank.

Liquidity risk
As regards liquidity, the company's policy is to ensure continuity of funding primarily through fresh issues of shares. Short term funding is achieved through utilising overall facilities and optimising the management of working capital.

Foreign currency risk
The company has no significant dealings in currencies other than the reporting currency and euro denominated currencies.

19. Subsequent events

On 26 May 2006, the company announced that it had entered an option agreement on the Chah-e-Zard gold project in Iran. If exercised, the option will allow the company to acquire a 70% interest in a new company to be established to hold the licence on the property.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of Persian Gold PLC will be held at the Offices of College Hill, 78 Cannon Street, London, EC 4N 6HH on July 27 2006 at 12 noon for the following purposes:

1. To receive and consider the Directors' Report, Audited Accounts and Auditors Report for the period ended 31 December 2005.

2. To elect Director:
   Manouchehr Takin retires in accordance with article 70 and seeks re-appointment.

3. To re-elect Director:
   James Finn retires in accordance with article 98 and seeks re-appointment.

4. To re-elect Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration.

5. To transact any other ordinary business of an Annual General Meeting.

By order of the Board:

James Finn
Secretary

26 June 2006

Note: A member who is unable to attend and vote at the above Annual General Meeting is entitled to appoint a proxy to attend, speak and vote in his stead. A proxy need not be a member of the company.

Form of Proxy

I/We ....

(BLOCK LETTERS)

of ....

(being a member/members of the above named hereby appoint the *Chairman of the Meeting)

....

....

as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at the Offices of College Hill, 78 Cannon Street, London, EC 4N 6HH on July 27 2006 at 12 noon and at any adjournment therof. I/We direct that my /our vote(s) be cast on the specified Resolution as indicated by an X in the appropriate box.

Ordinary Resolution	**For**	**Against**
1. To receive and consider the Directors' Report and audited financial statements for the period ended 31 December 2005.	☐	☐
2. To elect Director: M Takin	☐	☐
3. To re-elect Director: J Finn	☐	☐
4. To re-elect Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration.	☐	☐
5. To transact any other ordinary business of an Annual General Meeting.	☐	☐

*Unless otherwise directed, and in respect of any other business resolution properly moved at the Meeting, the proxy will vote, or may abstain from voting, as he/she thinks fit. If it is desired to appoint another person as a proxy these words should be deleted and the name and address of the proxy, who need not be a member of the Company, inserted.

Dated this ....day of..2006

Signature...

Notes:

1. To be effective the Form of Proxy duly signed, together with the power of attorney (if any) under which it is signed, must be deposited at the Companys Registrars, Computershare Services (Ireland) Ltd., Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, not less than forty-eight hours before the time appointed for the Meeting or any adjournment thereof, at which the person named in the Form is to vote.
2. If the Form of Proxy is given to a body corporate it must be given under its Common Seal or under the hand of the attorney or officer duly authorised.
3. A proxy need not be a member of the Company.
4. In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the other registered holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members in respect of such holding.

FOLD 2

The Company Registrar,
Computershare Services (Ireland) Ltd,
Heron House,
Corrig Road,
Sandyford Industrial Estate,
Dublin 18.

FOLD 3
(then turn in)

FOLD 1