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PERSIAN GOLD PLC

Contents

ANNUAL REPORT 2006

Chairman's Statement

The past year has seen solid progress in Iran We drilled our Chah-e-Zard gold property and recovered gold in thirteen of the sixteen holes Three of the holes produced particularly good results The coming months will see a second phase of drilling and trenching on the ground as we attempt to zero-in on a commercial gold deposit Our activities in Takestan, northwestern Iran, were curtailed while we sought trenching and drilling permits but in the interim, we evaluated a series of potential gold and precious metals projects Some of these have promise and I expect to be able to report on them in the near future

Let me refresh your memory as to why we explore in Iran The central volcanic mineral belt of Iran is one of the last places on earth with the potential to produce large multi-million ounce gold deposits Exploration in Turkey and Azerbaijan to the northwest and in Pakistan to the southeast has discovered new large gold occurrences Over the past 28 years, there has been little exploration in Iran World-class companies such as Rio Tinto, Anglo American and BHP were active but they only covered a small area of the 2,000 km x 100 km belt, two thirds of which is desert These companies have all but exited the country

In 2003 Persian Gold was established to prospect for large scale low grade "Yanacocha type" gold deposits Our first target was, and remains the one billion ton alunite deposit in northwestern Iran We currently hold four licences covering 160 sq kms in the area The work is early stage prospecting Our presence in Iran attracted other projects in Iran The first project we accepted was in Chah-e-Zard, about 350 kms south of Tehran near the city of Yazd We joint ventured the property with the local concession holder on a 70/30 option basis where Persian Gold pay 100% of all costs up to Bankable Feasibility Study We undertook detailed sampling which outlined an anomalous gold deposit of 1 25 km x 0 75 km We trenched to estimate consistency across the deposit and drilled to identify the depth of the deposit We subsequently tested the drill core to estimate the depth of the oxide and mixed oxide/sulphide zone The latter test estimated the suitability of the ore for large scale heap leaching

As the review of operations below shows, the overall results were positive While there was widespread gold the overall grade was below 1 gram per tonne (g/t) The southwest section of the anomaly does contain good grades Shallow drilling and more trenching

Image 1 - Drill core from Chah-e-Zard

Chairman's Statement

will be carried out in this area in the coming months We have re-negotiated the joint venture with our partner The new agreement involves no cash commitment until a decision to mine is made after which Persian Gold will pay an agreed sum of our partners' capital expenditure on the mine The percentage ownership remains 70/30 Persian Gold

Other Projects:
We continue to evaluate other gold opportunities that have been offered to the company Currently we are analysing

- A porphyry gold/copper project south of Tehran
- A porphyry gold/copper project in northeast Iran
- A volcanic hosted alunite gold project in northwest Iran

We anticipate acquiring at least two of these projects The first project is similar to our Chah-e-Zard venture in that it is at an advanced stage Earlier work done by a multinational identified a significant zone of gold Persian Gold has sampled the ground and found good results We are endeavouring to complete a deal with the concession holder

We have identified a large area in the northwest of Iran where soil sampling some decades ago indicated a significant gold bearing anomaly This area contains significant quantities of silica-alunite We are in discussions with the relevant people to obtain a license over the area

Operating in Iran

There is widespread ignorance and uncertainty about operating in Iran The country is very large (1 65m sq kms) with a population of over 70 million people Tehran, the capital, has 14 million people Infrastructure is extremely good with plentiful power and transport links People are well educated with experienced geologists, engineers and miners available The rule of law operates while the terms for prospecting and exploration are clear

Are there negatives? Certainly Two thirds of the country is desert so water can be a problem We ship water by tanker to the drilling sites at Chah-e-Zard In the northern mountainous region snow is a problem in winter There is an extensive bureaucracy which takes time to navigate Finding experienced commercial managers is difficult But explorers must go where discoveries can be made Iran is likely to contain many gold, zinc, copper and other deposits The trick is to find them

Future

With some of the largest natural resource deposits in the world Iran is the place to be for explorers Persian Gold is building a team of professionals both inside and outside Iran who can find, evaluate and analyse opportunities in gold The Chah-e-Zard project has real near term potential to become a commercial gold mine The Takestan, Zaajkan and Mashroom licences are at an earlier stage of exploration but potential still exists The new projects under evaluation are exciting

We believe that we are the only junior Western mining company currently active in Iran As such, we have an early mover advantage The authorities are welcoming and facilitating The opportunities are there It is up to us to grab them

John Teeling
Chairman

27 June 2007

Review of Operations

During 2006 Persian Gold has established itself in Iran as the best positioned junior exploration company in the region Applying a combination of strong technical abilities with a rapid decision making process Persian Gold has, as part of its overall strategy, acquired and tested an advanced gold project in the central part of the country and announced some of the best new drill intercepts in the region As a country, Iran presents itself as a vast under-explored geologic setting with excellent potential for the near term discovery of large gold and gold–copper deposits

Persian Gold is focused on the discovery of volcanic-hosted gold systems which constitute some of the best and most profitable gold deposits in the world Iran hosts a large belt of volcanic rocks which extends the entire length of the country and trends from the northwest on the border with Turkey to the southeast on the border with Pakistan A number of major mining companies are successfully exploring projects directly across the borders with Iran in southeast Turkey and in western Pakistan Over the past year, these major companies have actively been evaluating mining projects in the area which supports the idea that large undeveloped resources in Iran are being sought to replenish the rapidly depleting reserves currently held by the major mining houses

With the price of gold rising from $525 at the start of January 2006 to the current price approaching $700 per ounce, new gold discoveries are actively being sought in many parts of the world The Tethyan Mineral Belt, which extends from Turkey through Iran and into Pakistan, has become the site of a number of aggressive exploration programs by both junior and senior mining companies Persian Gold's position in Iran has given it 'first mover advantage' Competition for high quality projects has not yet increased to the level as it has in other nearby countries Persian Gold will leverage this position to acquire other high quality gold and copper gold projects

Current Projects

Persian Gold is actively working on the following projects -

- Chah-e-Zard – an advanced gold project in central Iran
- Takestan – an early stage gold in silica-alunite project in northwestern Iran
- A porphyry gold/copper project south of Tehran
- A volcanic hosted quartz alunite gold project in northwest Iran

Chah-e-Zard

The Chah-e-Zard advanced gold project was identified and optioned in 2006 and added a significant gold target to Persian Gold's portfolio of mineral projects in the country This project is located approximately 350 kilometres southeast of Tehran near the city of Yazd in central Iran Infrastructure in the project area is very good with an excellent network of local roads The topography consists of gently sloping hills and the climate is mild and arid which allows year round operations An option agreement was negotiated with the concession holder whereby Persian Gold could acquire a 70% interest in the licence by conducting an agreed exploration programme and by making certain payments

The gold target at Chah-e-Zard is defined by a large area of Tertiary intermediate volcanics and breccias which have been intensely altered to clays and silica which suggests that a strong hydrothermal system is present in the area In many of the significant volcanic hosted gold deposits located throughout the world, clay altered volcanics represent the focus for mineralising fluids in which gold, silver and other metals are deposited in the surrounding rock formations Additionally,

Review of Operations

Exhibit 1 - Significant Gold Anomaly at Chah-e-Zard

large areas of multi-stage phreatic breccias are present at Chah-e-Zard and indicate a strong hydrothermal event which literally blasted its way up through the volcanic pile These breccias can be an excellent host site for gold deposition

Initial exploration work at Chah-e-Zard by Persian Gold consisted of two phases of rock chip geochemistry and a grid soil-sampling programme The results of those sampling programmes defined a large cohesive surface gold, silver and associated metals anomaly over the target (Exhibit 1) The surface gold anomaly covered an area 750 metres by 1,250 metres The rock chip geochemistry specifically highlighted areas of strongly anomalous gold and silver values in the southern part of the project area Trenching and sampling was also conducted throughout the surface anomaly to uncover and define additional mineralised structures

Based on the success of the surface geochemical sampling, further trenching and a diamond drill programme was initiated This first phase drilling programme consisted of 16 core holes Gold mineralisation was identified in thirteen of the sixteen holes Long intercepts of phreatic breccia were found in most holes Summary results are in Exhibit 2 overleaf

Two of the longest and highest-grade drill intercepts were located in the southern part of the anomaly Intercepts of 122m @ 1 95 g/t Au and 40m @ 1 24 g/t Au were reported from holes ZDH-3 and ZDH-1 respectively From the first phase drilling results, a potential commercial gold resource is thought to exist in this southern part of the target The gold mineralisation, as seen in the drill core, consists of a near surface oxide zone extending to a few tens of metres depth, after which an interval of mixed

Review of Operations

Exhibit 2 - Chah-e-Zard Gold Drill Hole Results

ZDH 1	40m @ 1 24 /g/t Au and 49 3 g/t Ag (includes 16m 2 37 g/t Au, 92 2 g/t Au)
ZDH 2	40m @ 0 43 g/t Au
ZDH 3	122m @ 1 95 g/t Au and 23 8 g/t Ag (includes 10m @ 13 60 g/t Au)
ZDH 4	18m @ 0 66 g/t Au
ZDH 6	38m @ 0 15 g t Au
ZDH 7	44m @ 0 14 g/t Au
ZDH 8	16m @ 0 18 g/t Au and 30 0 g/t Ag
ZDH 9	6m @ 0 52 g/t Au
ZDH 10	18m @ 0 15 g/t Au
ZDH 11	36m @ 0 20 g/t Au
ZDH 13	8m @ 0 47 g/t Au
ZDH 14	32m @ 0 41 g/t Au
ZDH 16	14m @ 0 21 g/t Au
ZDH 5, 12, 15	no anomalous gold values

oxide/sulfide is found Beneath this zone and extending for the remainder of the holes is the sulfidic zone (Exhibit 3)

A second round of trenching and drilling will occur in the third quarter of 2007 This effort will consist of an extensive trenching programme of the silicified structures in the southern zone to determine the extent and strike length of the gold mineralization as seen on the surface After that trenching effort is completed, a comprehensive short-hole drilling programme will attempt to delineate and define the limits of the near surface oxide gold system If the results are positive, prefeasibility planning will begin on a small heap leach gold mine Metallurgical recovery characteristics of the oxide zone are favourable and the stripping ratio should be low The size of the potential oxide gold zone should be determined by drilling

Takestan Area Gold-Alunite Targets

The Takestan area in northwest Iran is thought to contain over a billion tonnes of alunite In the past two decades geologists have discovered some of the largest gold deposits in the world in alunite-silica geology in the Andes of South America The best example is the 50 million ounce Yanacocha low-grade (1g/t) open cast mine in Peru Takestan is almost totally unexplored for gold Persian Gold entered Iran with the specific mission of seeking a Yanacocha type of gold deposit in the Takestan silica-alunite The Takestan area targets are located northwest of the city of Qazvin in an area of extensive volcanics that have been strongly altered to alunite, clay and silica These widespread alteration minerals suggest that an intense hydrothermal mineral system has been introduced into these volcanic units

Persian Gold prospected over 1,800 sq kms in 2004 and 2005 following which prospecting licences over 8 areas were applied for Subsequently, the licence area was reduced to 4x40 sq kms licences in the Twin Hills, Zehabad and Mashroom areas

Work on the most advanced target in the Takestan area in 2006 was directed at the Twin Hills project Here, a strong zone of silica-alunite alteration caps formed two

Review of Operations

Exhibit 3 - Chah-e-Zard Trench and Drill Hole Plan

Review of Operations

Exhibit 4- Twin Hills Topographic Profile

adjacent topographic protrusions, hence the name Twin Hills (Exhibit 4) This alteration is interpreted to represent the upper levels of a gold-silver precious metals system possibly overlying a deeper porphyry copper and base metal system Geochemical sampling of the limited outcropping exposures of rock returned a broad consistent gold anomaly with the highest values up to 0 7 g/t Au This gold anomaly extended over a distance of approximately 1,000 metres covering the two hills

The next phase in the evaluation of Twin Hills consists of the digging of shallow pits and trenches to expose bedrock where covered by soils (Exhibit 5) This pitting and trenching effort will provide a more uniform sample spacing to determine controls to the mineralisation in this system While early indications from the relevant governmental authorities suggested that approval for the trenching programme would be granted during the year, that approval was not received by the end of 2006 Persian Gold continues to work with the agencies responsible for this area to obtain approval to commence the trenching programme It is expected that the approval will be granted in due course

Because of the redirection of efforts to the Chah-e-Zard project, the geologic teams that had been working on the other Takestan targets including Zaajkan and Mashroom were repositioned to the drilling and sampling at Chah-e-Zard Additional work will be directed to Takestan when the crews become available

Exhibit 5 - Twin Hills Prospect Trenching Plan

Review of Operations

Other Gold and Copper Opportunities In Iran

As one of the first junior gold companies to target mining opportunities in the country, Persian Gold is using its 'first mover advantage' to identify and evaluate new gold and base metal opportunities throughout the country Iran is a country endowed with excellent mineral potential where modern exploration methods have not yet been fully applied Persian Gold is reviewing a number of proposals to identify opportunities that present above average potential for discovery and development This effort is primarily directed at the central volcanic belt where world-class deposits of copper, zinc and other metals have been mined in the past

An example of the projects under evaluation is shown in Exhibit 6 This area has never been drilled Soil sampling has indicated a significant zone of gold mineralization Persian Gold is in negotiations with the concession holder.

Exhibit 6 - Undrilled Project Under Evaluation

Directors' Report

The directors present their annual report and the audited financial statements of the group for the year ended 31 December 2006

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

Further information concerning the activities of the group 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 £286,272 (2005 £162,204)

Dividends
The directors do not propose that a dividend be paid (2005 £Nil)

Creditor payment policy
It is the group'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 group's policy that payment is made between 30 - 45 days

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
M Takin (Appointed director 12 April 2006)

The directors at 31 December 2006 and 31 December 2005 or date of appointment if later had the following interests in the ordinary shares of the company

	31 December 2006		31 December 2005	
	Ordinary Shares of 0.25p each Shares Number	Ordinary Shares of 0 25p each Options Number	Ordinary Shares of 0 25p each Shares Number	Ordinary Shares of 0 25p each Options Number
J J Teeling	9,600,400	1,990,000	9,600,400	1,990,000
J Finn	4,300,400	1,390,000	4,300,400	1,390,000
Jack Teeling	3,900,000	1,390,000	3,900,000	1,390,000
D Horgan	3,800,000	950,000	3,800,000	950,000
M Takin	-	100,000	-	-

The following options were granted to current directors during the year

	12 April 2006 Number
M Takin	100,000

All options granted on 12 April 2006 were granted 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 group as at 31 December 2006

	Number of Shares	%
Goodbody Stockbrokers Nominees	9,621,400	17 24
WB Nominees	4,939,900	8 85
Michael Thomsen	4,000,000	7 17
HSBC Global Custody Nominees	3,990,000	7 15

Financial risk management
Details of the group's financial risk management policies are set out in Note 20

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

Subsequent events
There are no material subsequent events affecting the group

Directors Indemnities
The company has made third party indemnity provisions for the benefit of its directors which were made during the year and remain in place at the date of this report

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

Each of the persons who is a director at the date of approval of this report confirms that

1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and

2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of S234ZA of the Companies Act, 1985

By Order of the Board

James Finn
Secretary

27th June 2007

Statement of Directors' Responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group, and of the profit or loss of the group for that period In preparing these 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,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the company will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act, 1985 They are also responsible for safeguarding the assets of the company and the group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

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 2006 which comprise the Consolidated Profit and Loss, Consolidated Balance Sheet, Company Balance Sheet, the Consolidated Cash Flow Statement, the Reconciliation of Movements in Shareholders' Funds and the related notes 1 to 22 These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the group'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 group'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 group and the group'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 group'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 report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements We also report to you if, in our opinion, the group 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 other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatement or material inconsistencies with the financial statements The other information comprises only the Directors' Report, the Chairman's Statement and the Review of Operations

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 group'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 £819,203 (2005 £258,606) included in the consolidated and company balance sheets is dependent on the discovery and development of economic 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 affairs of the Company and the Group as at 31 December 2006 and of the loss of the Group for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the directors' report is consistent with the financial statements

Deloitte & Touche

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

27th June 2007

Consolidated Profit and Loss Account

for the year ended 31 December 2006

	Notes	**2006** £	2005 £
TURNOVER		**-**	-
Cost of sales		**-**	-
GROSS PROFIT		**-**	-
Cost of admission to AIM		**-**	(100,474)
Administrative expenses		**(310,321)**	(75,343)
OPERATING LOSS – continuing operations		**(310,321)**	(175,817)
Interest receivable and similar income	3	**25,057**	14,395
Interest payable and similar charges	4	**(1,008)**	(782)
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	2	**(286,272)**	(162,204)
Tax on loss on ordinary activities	8	**-**	-
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR	16	**(286,272)**	(162,204)
LOSS PER SHARE	9	**(0.51p)**	(0 30p)
LOSS PER SHARE - diluted	9	**(0.51p)**	(0 30p)

The group 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

Consolidated Balance Sheet

as at 31 December 2006

	Notes	**2006**	2005
		£	£
FIXED ASSETS			
Intangible assets	10	**819,203**	258,606
CURRENT ASSETS			
Debtors	12	**3,529**	3,283
Cash at bank		**309,260**	924,878
		312,789	928,161
CREDITORS: (Amounts falling due within one year)	13	**(199,855)**	(25,346)
NET CURRENT ASSETS		**112,934**	902,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**932,137**	1,161,421
CAPITAL AND RESERVES			
Called-up share capital	14	**139,507**	139,482
Share premium	15	**1,246,034**	1,244,359
Profit and loss account – (deficit)	16	**(508,692)**	(222,420)
Share based remuneration reserve	17	**55,288**	-
SHAREHOLDERS' FUNDS - ALL EQUITY		**932,137**	1,161,421

The financial statements were approved by the Board of Directors on 27 June 2007 and signed on its behalf by

J J Teeling
Director

Company Balance Sheet

as at 31 December 2006

	Notes	2006 £	2005 £
FIXED ASSETS			
Intangible assets	10	**819,203**	258,606
Investment in subsidiaries	11	**67**	-
		819,270	258,606
CURRENT ASSETS			
Debtors	12	**3,529**	3,283
Cash at bank		**309,260**	924,878
		312,789	928,161
CREDITORS. (Amounts falling due within one year)	13	**(199,922)**	(25,346)
NET CURRENT ASSETS		**112,867**	902,815
TOTAL ASSETS LESS CURRENT LIABILITIES		**932,137**	1,161,421
CAPITAL AND RESERVES			
Called-up share capital	14	**139,507**	139,482
Share premium	15	**1,246,034**	1,244,359
Profit and loss account – (deficit)	16	**(508,692)**	(222,420)
Share based remuneration reserve	17	**55,288**	-
SHAREHOLDERS' FUNDS - ALL EQUITY		**932,137**	1,161,421

The financial statements were approved by the Board of Directors on 27 June 2007 and signed on its behalf by

J J Teeling
Director

Consolidated Cash Flow Statement

for the year ended 31 December 2006

	Notes	2006 £	2005 £
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	19(a)	**(136,057)**	(173,752)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest paid and similar charges		**(1,008)**	(782)
Interest received and similar income		**25,057**	14,395
NET CASH INFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		**24,049**	13,613
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		**(112,008)**	(160,139)
Payments to acquire intangible assets		**(505,310)**	(177,187)
NET CASH OUTFLOW BEFORE FINANCING		**(617,318)**	(337,326)
FINANCING:			
Issue of ordinary share capital for cash (net of expenses)		**1,700**	992,521
NET CASH INFLOW FROM FINANCING		**1,700**	992,521
(DECREASE)/INCREASE IN CASH	19(b)&(c)	**(615,618)**	655,195

Reconciliation of Movements in Shareholders' Funds

for the year ended 31 December 2006

	2006	2005
	£	£
Total recognised loss for the year	**(286,272)**	(162,204)
Issue of shares		
- at par	**25**	10,000
- share premium	**1,675**	982,521
Share based remuneration reserve (Note 17)	**55,287**	-
Net change in shareholders' funds	**(229,285)**	830,317
Opening shareholders' funds	**1,161,421**	331,104
Closing shareholders' funds	**932,136**	1,161,421

Notes to the Financial Statements

for the year ended 31 December 2006

1. Principal accounting policies

The significant accounting policies adoped by the group are as follows

(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

(vi) Share-based payments

The group has applied the requirements of FRS 20 "Share-Based Payment" In accordance with the transitional provisions, FRS 20 has been applied to all equity instruments vesting after 1 January 2006

The group issues equity-settled share based payments to certain employees Equity settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period based on the group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions

Fair value is measured by use of a binomial Black-Scholes model The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

2. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2006	2005
	£	£
The loss on ordinary activities before taxation is stated after charging		
Auditors' remuneration	**5,000**	4,000

Details of directors' remuneration are disclosed in Note 6

Notes to the Financial Statements

for the year ended 31 December 2006

3 INTEREST RECEIVABLE AND SIMILAR INCOME

	2006	2005
	£	£
Bank Interest	**25,057**	10,493
Exchange profit	**-**	3,902
	25,057	14,395

4. INTEREST PAYABLE AND SIMILAR CHARGES

	2006	2005
	£	£
Bank charges	**1,008**	782

5. SEGMENTAL ANALYSIS

The analysis of operating loss before taxation and net assets employed by geographical segment is shown below and relates to mineral exploration and development

	Loss		**Net assets**	
	2006	2005	**2006**	2005
	£	£	**£**	£
United Kingdom	**(286,272)**	(162,204)	**133,875**	913,704
Iran	**-**	-	**798,261**	247,717
	(286,272)	(162,204)	**932,136**	1,161,421

6. Directors' emoluments

	2006	2005
	£	£
Directors' fees	**160,000**	-

Notes to the Financial Statements

for the year ended 31 December 2006

7. STAFF NUMBERS

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

8 TAX ON LOSS ON ORDINARY ACTIVITIES

Group

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, a deferred tax asset of £152,513 (2005 £66,000) was not recognised

	2006	2005
	£	£
Loss on ordinary activities before taxation	**286,272**	162,204
Loss on ordinary activities multiplied by the standard rate of tax 30%	**85,882**	48,661
Effects of		
Losses carried forward	**(85,882)**	(48,661)

9 LOSS PER SHARE

Basic earnings per share (eps) 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)

	2006	2005
	£	£
Numerator		
Numerator for basic EPS retained loss	**(286,272)**	(162,204)
	Number	Number
Denominator		
Denominator for basic EPS	**55,794,279**	53,809,238
Basic EPS	**(0 51p)**	(0 30p)
Diluted EPS	**(0 51p)**	(0 30p)

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 2006

10 INTANGIBLE ASSETS

	2006 Group £	2006 Company £	2005 Group £	2005 Company £
Deferred Development Expenditure·				
Cost·				
At 1 January	**258,606**	**258,606**	81,419	81,419
Additions during the year	**560,597**	**560,597**	177,187	177,187
At 31 December	**819,203**	**819,203**	258,606	258,606
Net Book Value:				
At 31 December	**819,203**	**819,203**	258,606	258,606

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

The group'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 2006, the directors are satisfied that the value of the intangible asset is not less than net book value

Included above is an amount of £55,288 of capitalised expenses related to equity-settled share-based payment transactions during the year (Note 21)

11 INVESTMENT IN SUBSIDIARIES

	2006 £	2005 £
Balance at beginning of year	-	-
Additions	**67**	-
Balance at end of year	**67**	-

In the opinion of the directors, at 31 December 2006, the value of the investments are not less than their balance sheet value

The wholly owned subsidiary of the company at 31 December 2006, which has been consolidated is

	Total allotted Capital	**Country of Incorporation**	**Nature of Business**
Persian Gold Limited	100 Ordinary Shares of €1	Republic of Ireland	Prospecting and exploration for diamonds

Notes to the Financial Statements

for the year ended 31 December 2006

12. DEBTORS: (Amounts falling due within one year)

	2006 £	2005 £
Group and Company		
Prepayments and accrued income	**2,529**	2,283
Other debtors	**1,000**	1,000
	3,529	3,283

13 CREDITORS: (Amounts falling due within one year)

	2006 Group £	2006 Company £	2005 Group £	2005 Company £
Trade creditors and other accruals	**144,750**	**144,750**	24,177	24,177
Other creditors	**55,105**	**55,172**	1,169	1,169
	199,855	**199,922**	25,346	25,346

14 CALLED-UP SHARE CAPITAL

	2006 £	2005 £
Group and Company		
Authorised		
800,000,000 Ordinary shares of 0 25p each (2005 200,000,000 shares of 1p each)	**2,000,000**	2,000,000
Allotted, Called-up and Fully Paid		
Opening balance 55,792,800 shares of 0 25p each	**139,482**	129,482
Issued during the year 10,000 shares of 0 25p (2005 4,000,000 shares of 1p each)	**25**	10,000
Closing balance 55,802,800 shares of 0 25p each (2005 12,948,200 shares of 1p each)	**139,507**	139,482

Movements in issued share capital

On 7 November 2006, 10,000 options were exercised at a price of 17p per share

Share options

A total number of 8,230,000 share options were in issue at 31 December 2006 (Dec 2005 7,830,000) These options are exercisable, at prices ranging between 1p and 25p for the year up to seven years from the date of granting the options unless otherwise determined by the board

Notes to the Financial Statements

for the year ended 31 December 2006

15. SHARE PREMIUM

	2006	2005
	£	£
Group and Company		
At 1 January	**1,244,359**	261,838
Arising on shares issued during the year	**1,675**	990,000
Less issue costs	**-**	(7,479)
At 31 December	**1,246,034**	1,244,359

16. PROFIT AND LOSS ACCOUNT

	2006	2005
	£	£
Accumulated deficit at 1 January	**(222,420)**	(60,216)
Loss for the year	**(286,272)**	(162,204)
Accumulated deficit at 31 December	**(508,692)**	(222,420)

17. SHARE BASED REMUNERATION RESERVE

	2006
	£
Opening	**-**
Issued during year (Note 21)	**55,288**
Closing balance	**55,288**

18 MATERIAL NON-CASH TRANSACTIONS

There were no material non-cash transactions during the year

19. CASH FLOW STATEMENT

	2006	2005
	£	£
(a) Reconciliation of operating loss to net cash outflow from operating activities		
Operating loss	**(310,321)**	(175,817)
Increase in debtors	**(246)**	(2,283)
Increase in creditors	**174,510**	4,348
	(136,057)	(173,752)

(b) Analysis of net debt

	At 31/12/2005	Cash flow	At 31/12/2006
	£	£	£
Cash in hand and at bank	924,878	(615,618)	**309,260**

19 CASH FLOW STATEMENT (Continued)

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

	2006	2005
	£	£
(Decrease)/increase in cash in the year	**(615,618)**	655,195
Change in net funds resulting from cash flows	**(615,618)**	655,195
Net funds at start of year	**924,878**	269,683
Net funds at end of year	**309,260**	924,878

20. RISK MANAGEMENT

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

The main financial risk arising from the group'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 group's exposure to interest rate risk is considered to be minimal as the group finances its operations primarily through equity finance

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

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

Liquidity risk
As regards liquidity, the group'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 group has no significant dealings in currencies other than the reporting currency and euro denominated currencies

21 SHARE-BASED PAYMENTS

The group has applied the requirements of FRS 20 'Share-Based Payment' In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that had not vested by 1 April 2005

The group issues equity-settled share-based payments to certain employees Equity-settled share-based payments are measured at fair value at the date of grant The fair value determined at the grant date of the equity-settled share-based payments is capitalised as the transaction relates to the payment of goods and services which qualify to be recognised as an asset

Fair value is measured by use of a binomial Black-Scholes model

The group plan provides for a grant price equal to the average quoted market price of the ordinary shares on the date of grant There is no vesting period for the options granted in 2006

Notes to the Financial Statements

for the year ended 31 December 2006

21 SHARE-BASED PAYMENTS (CONTINUED)

	Options	2006 Weighted average exercise price in pence
Outstanding at beginning of year	-	-
Granted during the year	400,000	22 13
Outstanding and exercisable at the end of the year	400,000	22 13

The options outstanding at 31 December 2006 had a weighted average exercise price of 22 13p, and a weighted average remaining contractual life of 6 3 years

During 2006, 400,000 options were granted with a stated fair value of £55,288 These fair values were calculated using the Black-Scholes model

The group has availed of the exemptions available under FRS 20 from including options vested before 1 January 2006 in the Black-Scholes calculations

The inputs into the Black Scholes model are as follows

	2006
Weighted average share price at date of grant (in pence)	22 13
Weighted average exercise price (in pence)	22 13
Expected volatility	58%
Expected life	7 years
Risk free rate	4 95%
Expected dividends	None

Expected volatility was determined by management based on their cumulative experience of the movement in share prices over the previous number of years The expected useful life used in the model has been adjusted based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations

The terms of the options granted do not contain any market conditions within the meaning of FRS 20

The group capitalised expenses of £55,288 related to equity-settled share-based payments transactions during the year

22 PROFIT AND LOSS ACCOUNT

As permitted by Section 230 of the Companies Act, 1985, the company's profit and loss account has not been included in these financial statements The loss after taxation of the company is £286,272 (2005 £162,204)

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, The Registry, Royal Mint Court, London, EC3N 4QN on 23rd August 2007 at 12 30 pm for the following purposes

1 To receive and consider the Directors' Report, Audited Accounts and Auditors Report for the year ended 31 December 2006

2 To re-elect Directors
Jack Teeling retires in accordance with article 98 and seeks reappointment

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

4 To transact any other ordinary business of an Annual General Meeting

By order of the Board

James Finn
Secretary

27th June 2007

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 - Persian Gold Plc

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, The Registry, Royal Mint Court, London, EC3N 4QN on 23rd August 2007 at 12 30 pm 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 year ended 31 December 2006	☐	☐
2 To re-elect Director Jack Teeling	☐	☐
3 To re-elect Deloitte & Touche as auditors and to authorise the Directors to fix their remuneration	☐	☐
4 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 2007

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

Directors & Other Information

Directors	John Teeling - Chairman James Finn - Finance Director Jack Teeling David Horgan Manouchehr Takin
Secretary	James Finn
Registered Office	20-22 Bedford Row London England WCIR 4JS Tel 0117 9230600
Principal Place of Business	162 Clontarf Road Dublin 3 Ireland Tel +353 1 8332833 Fax +353 1 8333505
Auditors to the Company	Deloitte & Touche Deloitte & Touche House Earlsfort Terrace Dublin 2 Ireland
Bankers	Allied Irish Bank Plc Annesley Bridge North Strand Road Dublin 3 Ireland
Company Registration Number	4967918
Solicitors to the Company	Mc Evoy & Partners Connaught House Burlington Road Dublin 4 Ireland
Nominated Adviser and Broker	Blue Oar Securities Plc 30 Old Broad St London EC2N 1HT United Kingdom
Registrars	Computershare Investor Services (Ireland) plc Heron House Corrig Road Sandyford Industrial Estate Dublin 18 Ireland

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