





2007 Annual Report

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Cover photo by Mark Kelley;
photos on this page and page 24
by Peter Metcalfe.

The totem pole, pictured at left and on
page 24, was carved by the late Goldbelt
shareholder Amos Wallace in 1968.

PRESIDENT'S LETTER TO SHAREHOLDERS



Dear Shareholders:

I am pleased to report, for the fourth year in a row, a profitable year for your Corporation. Since 2004, we have almost doubled our income each succeeding year. We have achieved this sustained profitability by moving into government contracting, focusing our tourism investments on key profit centers, and controlling our overhead. As a result, we have been able to accumulate cash reserves which provides us with stability and confidence in our business plans.

At the end of 2007 we had the cash to pay out another dividend—this time at \$2.00 per share, and we contributed nearly \$100,000 in 2007 to Goldbelt Heritage Institute to provide scholarships for shareholders and descendants.

Our 8(a) minority-preference government contracting ventures continue to grow in size and in profitability. We will press ahead with these opportunities as long as the 8(a) program provides the advantages we currently enjoy. Recognizing that this program may not last forever, we will reinvest earnings from these ventures in development and enhancement of our ANCSA land, and in other key assets.

As reported to you during the year, we suffered a setback in the development of a marine facility at Cascade Point when the environmental groups, which have opposed the Kensington Mine, were handed a ruling from the Ninth Circuit Court of Appeals that suspended our Corps of Engineers construction permit. We view this setback as temporary, and will continue our efforts to develop Cascade Point.

We are looking at options for expansion of the Goldbelt Hotel, and for improving the Seadrome waterfront property that is across the street from the Hotel. A record financial performance from the Hotel in 2007, coupled with low interest rates, is providing us with the capability to pursue this expansion. Furthermore, the City and Borough of Juneau is planning on expanding the Juneau harbor to accommodate more and larger cruise ships. Harbor improvements will add significant value to our property, which further makes a case for additional investment in these assets.

We also see a possibility for West Douglas development occurring in the not too distant future, and to help this happen, we have committed to work with developers planning the construction of a golf course and resort facility on West Douglas.

We clearly have much on our plate, but with an outstanding Corporate staff, that was enhanced this year with the addition of a Chief Financial Officer and most recently, with a Human Resources Manager, we are in a position to capitalize on all opportunities that may arise for Goldbelt to grow and to profit.

Sincerely,

A handwritten signature in black ink that reads "J. Gary Droubay". The signature is written in a cursive, flowing style.

J. Gary Droubay
President & CEO



Dear Shareholders:

We had another successful year here at Goldbelt, but it was not without challenges. Predominantly, we once again faced environmental groups trying to limit the use of our ANCSA lands. The environmentalists do not want Berners Bay developed in any way, and have repeatedly attacked our development plans at Cascade Point, the northern end of Echo Cove.

In cooperation with Coeur Alaska, we had been developing a terminal at Cascade Point to service the Kensington Mine, which is located on the opposite side of Berners Bay. When the environmental organizations opposing Coeur Alaska's mining project succeeded in getting a court order reversing federal permits for the mine, our project also lost its permits.

In our relationship with Coeur Alaska, this meant transferring the passenger transfer facility at Cascade Point to nearby Yankee Cove. The Board met with management of Coeur Alaska and had hard questions for them, which were answered. In essence, their hand was forced because of the need to modify their tailings disposal plan.

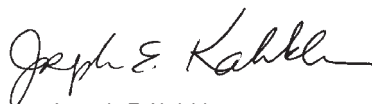
After all the time we had invested in the Cascade Point project, this set-back was deeply frustrating. We have faced these kinds of challenges in the past, however, and we will persevere over this one as well. We feel positive about our continued relationship with Coeur, which has already directly benefited shareholders by providing them with jobs during mine construction.

Our Hobart Bay cruise ship destination is still in the developmental stage. Full development is dependent on growth of the cruise ship traffic in Alaska. The head tax initiative that passed in Alaska in 2006 dampened, at least temporarily, the Cruise industry's enthusiasm for growth in Alaska. We remain confident in the viability of this project, and that it will soon fulfill a need in Alaska for more port facilities.

Our 8(a) contracting partnerships have grown beyond our expectations, providing significant cash flow to Goldbelt. Recently, we attended a national convention called "Res 2008," which is an opportunity to network with other Native-owned government contractors. Time and time again, our Lower 48 Native American friends stated that Alaska Native corporations (ANC) were role models for those who want to become 8(a) contractors. In Alaska alone, this program has generated hundreds of millions of dollars for Native corporations. Goldbelt is near the top among ANC 8(a) companies.

Totem Creek, Inc., the non-profit entity that gained approval from the City and Borough of Juneau to develop a golf course adjacent to Goldbelt land at West Douglas, recently signed an agreement with new development partners. Management has met with those individuals on several occasions and we all recognize the potential benefit to Goldbelt of a nearby golf course that could spur development of Goldbelt's West Douglas land. The City has identified West Douglas as an area for additional growth and has expressed interest in seeing these developments move forward.

We can all look upon our organization with pride as we consider where we were and how far we have come in a short period of time. It is how we react in the face of adversity that defines us as people and we can all feel good about the success we have enjoyed.



Joseph E. Kahklen
Chairman of the Board

BOARD OF DIRECTORS



Andrea Cadiante-Laiti



Del Cesar



Ben Coronell



Joseph Kahklen



Robert W. Loescher



Edith McHenry



Kathy Polk



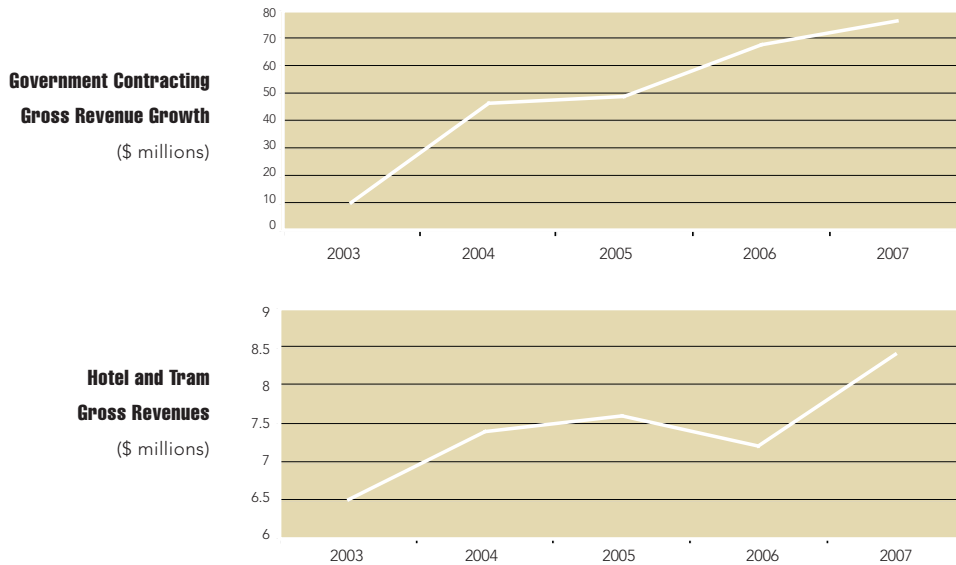
Trudy Scan



Randy Wanamaker



Over the last several years, the Board and Management have focused on returning Goldbelt to profitability. Management has divested the company of those operations that were not contributing profits, primarily those within the tourism sector. This renewed focus on profitability has yielded more working capital, enabling us to capitalize on opportunities in the government contracting arena and invest in the development of our lands.



With less invested in tourism, gross tourism revenues are down compared to previous years, yet our remaining business interests in this sector are profitable and growing more so with each passing year. Specifically, the Goldbelt Hotel and Mount Roberts Tram are contributing well to the bottom line while providing opportunity to shareholders in terms of jobs.

Positive earnings during 2007 increased Shareholders' equity by \$3.2 million, less the \$23,000 paid to elders and \$884,650 paid to shareholders in distributions.

Contracting

Goldbelt's federal contracting entities continue to grow their revenues and profitability. In 2007, Goldbelt 8(a) businesses were conducting business in 20 states and in Central and South America, providing such services as construction, facilities management, technical staffing, vehicle and equipment leasing, hi-tech solutions and security, to name a few.

CP Leasing, Inc. graduated from the 8(a) program in early 2008, no longer receiving the bidding preference characteristic of 8(a) businesses. We are applying to have another subsidiary, Goldbelt Wolf, LLC, accredited under the 8(a) program.

The expansion into contracting has decreased the volatility of cash flow typical of seasonal tourism operations. With our diversified operations, we now have stable ongoing cash flow throughout the year, and are less exposed to downturns in any particular industry.

The result of this growth in revenue is that we received \$2.7 million in distributions from our 8(a) subsidiaries in 2007. These proceeds enabled the corporation to pay distributions and expand our business interests.

Tourism

Tourism continues to be an important part of the revenue mix here at Goldbelt Mt. Roberts Tram and the Goldbelt Hotel as identified above have contributed positive returns for the last several years.

The Goldbelt Hotel had a great year in 2007, generating total revenues of \$3.1 million, which resulted in nearly \$1 million of net income and approximately \$1.2 million in cash.

Mt Roberts Tram also did well in 2007, generating \$5.3 million in total revenues, producing a net income of \$300,000 and \$1.08 million in cash flow. The tram had a good year and we feel that trend of modest growth will continue.

Revenue from lands is primarily from the long-term lease agreement of the Company's lands at Hobart Bay. In addition to annual lease payments of \$137,500, Goldbelt was reimbursed over \$200,000 in operating costs for maintaining the facilities.

Liquidity and Capital Resources

The Company ended 2007 with cash balances of \$1.23 million compared to \$3.2 million in 2006. This difference between 2006 and 2007 cash balances is modest when considering the accounts receivable at year-end. The money we booked as receivables are almost entirely from our government contracting entities, and that number ballooned from \$4.4 million at the end of 2006 to \$20.8 million in 2007. We will realize those receivables in early 2008.

We also have accounts payable balances, mainly related to our contracting entities, which have grown from \$20 million at the end of 2006 to \$30 million at year-end 2007. These are normal, related to increased business volume as companies pay us for our services and we pay others for theirs.

Additionally, we also have a number of credit vehicles related to our contracting entities and tourism operations. Many of our subsidiaries have lines of credit from which to draw when they have to pay bills before receiving payment for services by the government. Wolf owed \$1.04 million at the end of 2007, Raven \$7.5 million, Eagle \$1.4 million and Falcon \$1 million. These are short term instruments which ebb and flow according to business volume. The government must pay the receivables to the contracting entities within 30 days or pay interest on the outstanding balances until these are paid.

Goldbelt, Incorporated has long-term debt related to the Hotel, Tram, CP Marine and investment in Auk Ta Shaa totaling \$14.5 million. The bulk of the debt is related to the Mt Roberts Tram. We are planning to refinance this debt in the current low interest rate market, in order to lower our debt service, which will increase profitability and cash flow. Through scheduled debt service, the company reduced long term debt by \$1.084 million in 2007, and we borrowed \$500,000 for a \$750,000 investment in a vessel that will provide day tours in the Ketchikan harbor as part of Auk Ta Shaa. The company also has an \$871,000 note payable to Coeur Alaska related to work at Cascade Point that will assumed by Coeur in 2008.

Investment activities other than the vessel noted above in 2007 were related to the Tram and Hotel. We spent \$215,320 in capital improvements at the Tram property and \$278,483 in capital improvements at the Hotel.

All in all 2007 was a good year for the organization. We feel good about 2008 as well and have numerous opportunities to consider in pursuit of ongoing growth.



The Board of Directors and Shareholders Goldbelt, Incorporated:

We have audited the accompanying balance sheet of Goldbelt, Incorporated and subsidiaries (the Company) as of December 31, 2007, and the related statements of operations and stockholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Goldbelt, Incorporated and subsidiaries as of December 31, 2006, were audited by other auditors whose report dated April 16, 2007, expressed a qualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Goldbelt, Incorporated and subsidiaries as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Mikunda, Cottrell & Co.

Anchorage, Alaska
April 9, 2008

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2006

Assets	<u>2007</u>	<u>2006</u>
Current assets:		
Cash and cash equivalents	\$ 1,230,307	3,214,379
Accounts receivable	43,029,671	22,183,144
Income tax receivable	193,298	-
Inventory	329,775	284,344
Prepaid expenses and other	1,341,943	322,149
Assets held for sale	156,478	149,490
Total current assets	<u>46,281,472</u>	<u>26,153,506</u>
Investment in affiliates	1,376,397	425,287
Equipment under operating lease, net	76,429	56,824
Property and equipment, net	35,963,658	35,470,733
Deferred income taxes	4,699,050	4,699,050
Other assets	1,374,686	1,302,200
Total assets	<u>\$ 89,771,692</u>	<u>68,107,600</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Lines of credit	\$ 11,718,758	3,791,716
Accounts payable and accrued expenses	30,372,406	18,973,785
Current portion of long-term debt	871,336	1,027,598
Deferred revenue	62,600	47,669
Total current liabilities	<u>43,025,100</u>	<u>23,840,768</u>
Long-term debt, net of current portion	13,676,484	14,104,444
Minority interest	2,369,480	1,750,532
Total liabilities	<u>59,071,064</u>	<u>39,695,744</u>
Shareholders' equity:		
Common stock, no par value. Authorized 400,000 shares; issued and outstanding 272,200 shares	-	-
Elders stock, no par value. Authorized 400,000 shares issued and outstanding: none	-	-
Contributed capital	26,825,465	26,825,465
Retained earnings	3,875,163	1,586,391
Total shareholders' equity	<u>30,700,628</u>	<u>28,411,856</u>
Total liabilities and shareholders' equity	<u>\$ 89,771,692</u>	<u>68,107,600</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF OPERATIONS



Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Continuing operations:		
Revenues:		
Contracted services	\$ 74,804,780	67,485,248
Tourism	8,527,454	7,814,098
Real estate	328,199	270,590
Equity in net income of affiliates	719,770	74,220
Other	401,991	97,880
Total revenues	<u>84,782,194</u>	<u>75,742,036</u>
Expenses:		
Cost of service for government contracts	63,015,456	58,646,397
Tourism	5,164,230	5,699,444
Real estate	53,293	150,010
Depreciation and amortization	1,107,038	1,092,957
General and administrative	7,968,567	4,882,812
Total expenses	<u>77,308,584</u>	<u>70,471,620</u>
Income from operations	7,473,610	5,270,416
Other income (expenses):		
Interest	(1,561,887)	(1,393,975)
Gain on sale of assets	2,470	-
Minority interest	(2,353,179)	(1,993,025)
Income before taxes	<u>3,561,014</u>	<u>1,883,416</u>
Income tax expense	(376,985)	(105,541)
Income from continuing operations	<u>3,184,029</u>	<u>1,777,875</u>
Discounted operations:		
Operations	-	(166,685)
Gain on disposal	12,393	130,792
Income (loss) from discontinued operations	<u>12,393</u>	<u>(35,893)</u>
Net income	<u>\$ 3,196,422</u>	<u>1,741,982</u>
Net income per share	<u>\$ 12</u>	<u>6</u>

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

Years Ended December 31, 2007 and 2006

	Common Stock	Elders Stock	Contributed Capital	Retained Earnings (Accumulated Deficit)	Total Shareholders' Equity
Balance at January 1, 2006	\$ -	-	26,825,465	(98,591)	26,726,874
Net income	-	-	-	1,741,982	1,741,982
Redemption of 5,700 shares of Elders' stock (\$10 per share)	-	-	-	(57,000)	(57,000)
Balance at December 31, 2006	-	-	26,825,465	1,586,391	28,411,856
Net income	-	-	-	3,196,422	3,196,422
Shareholder dividends - \$3.25 per share	-	-	-	(884,650)	(884,650)
Redemption of 2,300 shares of Elders' stock (\$10 per share)	-	-	-	(23,000)	(23,000)
Balance at December 31, 2007	\$ -	-	26,825,465	3,875,163	30,700,628

See accompanying notes to consolidated financial statements

CONSOLIDATED STATEMENTS OF CASH FLOWS



Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Operating activities:		
Net income	\$ 3,196,422	1,741,982
Adjustments to reconcile net income to cash flow from operating activities:		
Non-cash charges and credits:		
Depreciation and amortization	1,107,038	1,092,957
Minority interest in net income	2,353,179	1,993,025
Deferred taxes	-	(22,340)
Equity in net income of affiliates	(719,770)	(74,220)
Gain on sale of assets and investments	(14,863)	(130,792)
Changes in operating accounting providing (requiring) cash:		
Accounts receivable	(20,846,527)	(4,437,561)
Income tax receivable	(193,298)	-
Inventory	(45,431)	86,661
Prepaid expenses and other	(1,019,794)	326,321
Other assets	(72,486)	655,496
Accounts payable and accrued expenses	11,398,621	3,617,869
Deferred revenue	14,931	36,687
Net cash (used) provided by operating activities	<u>(4,841,978)</u>	<u>4,886,085</u>
Investing activities:		
Purchase of property and equipment	(1,617,368)	(804,717)
Distributions from affiliates	518,660	-
Investment in affiliates	(750,000)	-
Proceeds from sale of discounted operations	-	789,687
Proceeds from the sale of assets	5,675	978,754
Net cash (used) provided by investing activities	<u>(1,843,033)</u>	<u>963,724</u>
Financing activities:		
Distributions to minority interest	(1,734,231)	(2,359,764)
Dividends paid	(884,650)	-
Net borrowings under lines of credit	7,927,042	1,731,394
Net principal payments of long-term debt	(584,222)	(3,193,172)
Redemption of Elders' stock	(23,000)	(57,000)
Net cash provided (used) in financing activities	<u>4,700,939</u>	<u>(3,878,542)</u>
Net (decrease) increase in cash and cash equivalents	(1,984,072)	1,971,267
Cash and cash equivalents at beginning of year	3,214,379	1,243,112
Cash and cash equivalents at end of year	<u>\$ 1,230,307</u>	<u>3,214,379</u>
Cash paid for interest	<u>\$ 1,561,887</u>	<u>1,202,951</u>
Cash paid for income taxes	<u>\$ 570,283</u>	<u>105,541</u>

See accompanying notes to consolidated financial statements

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

1 • History

Goldbelt, Incorporated (Company) was incorporated according to the Alaska Native Claims Settlement Act (ANCSA). Under the terms of ANCSA (and amendments), the Company is entitled to \$250,000 and the surface estate of 32,627 acres of land. The regional corporation within whose designated boundaries the Company is located will receive title to the subsurface estate. Until developed or leased or sold to third parties, lands conveyed to the Company pursuant to ANCSA are exempt from adverse possession and similar claims and real property taxes with certain exceptions.

Under the provisions of ANCSA the Settlement Common Stock and right thereto may not be sold, pledged, or treated as an asset under Title 11. However, the stock may be transferred to a Native or a descendant of a Native in certain circumstances or by will or intestate succession. The stock shall carry voting rights only if the holder thereof is an eligible Native or a descendant of a Native.

On June 28, 1997, the Company amended its Articles of Incorporation to authorize 400,000 shares of a new class of stock. This new class of stock is referred to as Elders Stock and is nonvoting, without par value, and ineligible for payment of dividends or distributions. This stock is restricted to issuance to shareholders meeting the eligibility requirements of: 1) 65 years of age or older and 2) holder of Settlement Common Stock that was not obtained through gift, inheritance or purchase, or who transferred such Settlement Common Stock by *inter vivos* gift. The shares cannot be sold, pledged or assigned in present or future, nor shall any inchoate rights thereto, and present and future rights to receive dividends there be sold, pledged or assigned.

Each eligible shareholder of record on May 1, 1997, and shareholders becoming eligible subsequent to that date, are issued 100 shares of the Elders Stock, which are immediately redeemed by the Company for \$10 per share. The redeemed shares are constructively retired by the Company.

The Company's operations are geographically concentrated in tourism in Alaska and government contracting with the U.S. government. As a result of these concentrations, the Company's growth and operations depend upon economic conditions of the Alaska tourism industry and spending by the U.S. government.

2 • Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Goldbelt Enterprises, Inc. and Cultural Preservation, Inc., and their subsidiaries that are at least 51% owned. Operating subsidiary companies include Goldbelt Aerial Tramway, Inc., Goldbelt Hotel Juneau, Alaska Native Tours, Inc; Goldbelt Security Services, LLC (GSS), CP Leasing, Inc., Goldbelt Eagle, LLC, Goldbelt Raven, LLC, Goldbelt Cedar, LLC, Goldbelt Hawk, LLC, Goldbelt Orca, LLC, Goldbelt Wolf, LLC, and Goldbelt Falcon, LLC. All significant inter-company transactions have been eliminated in consolidation.

CP Leasing, GSS, Raven, Orca, Falcon, Cedar, Hawk and Eagle hold 8(a) status under the Small Business Administration's Minority Small Business Development program. The Company's interest in these entities ranges from 60% to 100% and its share of earnings ranges from 55% to 100%.

Management Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements, and revenue and expenses for the period then ended. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include demand deposits and unrestricted money market funds that are readily convertible into cash and time deposits convertible to cash within 90 days.

Investments in Affiliates

Investments in affiliates where the Company has significant influence are accounted for using the equity method of accounting, whereby the Company's pro rata share of the earnings or losses of each investment is included in the consolidated statements of operations and the undistributed earnings or losses are reported as an increase or decrease in the investment balance. Distributions are reported as a decrease in the investment balance when received. Equity investments not accounted for under the equity method are recorded at the lower of cost or estimated market value.

Depreciation and Amortization

Depreciation is calculated using the straight line method over the estimated useful lives of the underlying assets. Estimated useful lives by major category of fixed assets are as follows:

Buildings	40 years
Marine vessels and equipment	5 – 15 years
Furniture and fixtures	3 – 10 years
Production and office equipment	3 – 10 years

Land

Land transferred to the Company under the terms of ANCSA that was received for other than its timber or other resources value is recorded as contributed capital at its estimated fair value on the date of conveyance.

Land conveyed to the Company under ANCSA for its timber or other resource value is recorded at zero value, in accordance with industry practice, because its fair value at the date of conveyance was not determinable within reasonable limits.

Other Assets

Other assets consist of art and intangible assets. Intangible assets are amortized over their estimated life.

Advertising Costs

Advertising costs for direct response advertising are capitalized as prepaid expenses and amortized during the upcoming summer tour season, unless the operation is expected to incur a net loss, in which case the costs are expensed in the year incurred. The Company recorded advertising expense of \$173,957 in 2007 and \$229,140 in 2006.

Inventories

Inventories consist primarily of gift shop and restaurant items and are stated at the lower of cost or market as determined on a first-in, first-out basis.

Income Taxes

Funds received under provisions of ANCSA from the Alaska Native Fund are not subject to federal, state or local income taxes. Real property interests received pursuant to ANCSA are also not subject to income taxes; however, income derived from the real property interests and other operations of the Company are subject to federal, state and local income taxes.

The Company and subsidiaries file consolidated federal and state income tax returns. The Company accounts for income taxes utilizing the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Income tax benefits derived from differences between the book and tax basis of assets received under ANCSA are recorded as increases to contributed capital.

Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Revenue Recognition

Revenue for rental activities is recognized at the time of service or over the rental period. Revenues on long-term service contracts will be recognized ratably over the term of the contract, as services are performed or based on the terms of the contracts. Revenue related to reimbursable cost line items is recognized when the applicable expense is incurred. Award fee revenue is recognized as the Company achieves performance criteria if they are objective in nature otherwise when notified of the fee by the U.S. government agency. Variances between provisional rates and actual rates are accrued if the variance is unfavorable to the Company. If they are favorable to the Company, they are only accrued when the Company has the ability and intent to collect the variances. Revenue from sales where the Company has transferred all significant risk to vendors, manufactures or purchasers are recorded net of costs.

3 • Investments in Affiliates

Investments in affiliates consist of the following at December 31:

	2007	2006
Investment in Auk Ta Shaa Discovery, LLC	\$ 934,879	186,954
Investment in Seward Property, LLC	233,333	233,333
Investment in Eagle Facility Management Services	124,354	2,500
Investment in Eagle Construction Management Services	83,831	2,500
Total investments in affiliates	\$ 1,376,397	425,287

Auk Ta Shaa Discovery, LLC

Auk Ta Shaa Discovery, LLC (ATSD) was formed in 1996 with Alaska Discovery, LLC. In 2002, Alaska Discovery's 50% interest was purchased by Alaska Travel Adventures. ATSD is an adventure company that provides rafting excursions on the Mendenhall River and canoeing on Mendenhall Lake. ATA is the manager of the operation, for which it earns a fee of 5% of the annual revenue. The Company's 50% share of net income was \$47,925 and \$74,220 for the years ended December 31, 2007 and 2006, respectively. In 2007, the Company invested an additional \$750,000. The Company received distributions in 2007 and 2006 of \$50,000 and \$75,000, respectively.

Seward Property, LLC

In December 2006, the Company transferred land in Seward, Alaska to an LLC, in which it retains a 10% interest. The Kenai Land Investors paid the Company \$677,666 in cash and a note for \$133,333 for their 90% interest in the LLC. The LLC is not actively marketing the property, but does intend to sell it when market conditions warrant.

Eagle Facility Management Services

Eagle Facility Management Services (EFMS) was formed between the Company and EG&G Technical Services, Inc. on October 22, 2003, for the purpose of making a proposal to the Department of Energy National Energy Technology Laboratory operation services project and to perform the project if awarded. The Company's interest in the joint venture is 51% and its share of net income was \$419,402 and \$0 for the years ended December 31, 2007 and 2006, respectively. The Company received distributions in 2007 and 2006 of \$297,548 and \$0, respectively.

Eagle Construction Management Services (ECMS)

Eagle Construction Management Services was formed between the Company and TJR Enterprises, Inc. on March 31, 2006, for the purpose of making a proposal to the Department of Energy National Energy Technology Laboratory construction project and to perform the project if awarded. The Company's interest in the joint venture is 51% and its share of net income was \$252,443 and \$0 for the years ended December 31, 2007 and 2006, respectively. The Company received distributions in 2007 and 2006 of \$171,112 and \$0, respectively.

4 • Equipment Under Operating Leases

Equipment under operating leases primarily represents vehicles leased for two to three years to agencies of the U.S. government. The components of the net investment in equipment under operating leases as of December 31, 2007 and 2006 are as follows:

	2007	2006
Cost of equipment under operating lease	\$ 138,676	235,161
Less accumulated depreciation	(62,247)	(178,337)
Net	<u>\$ 76,429</u>	<u>56,824</u>

5 • Property and Equipment

Property and equipment, at cost, consist of the following at December 31:

	2007	2006
Land and land improvements	\$ 15,184,121	15,184,121
Aerial tramway and buildings	18,511,282	18,324,347
Commercial and residential buildings	7,956,968	7,708,951
Marine vessels and equipment	963,602	964,602
Operating and office equipment	2,848,379	3,257,817
Land transportation equipment	408,616	400,837
Furniture and fixtures	1,687,590	1,718,749
Construction in progress*	1,244,041	294,749
	<u>48,804,599</u>	<u>47,854,173</u>
Less accumulated depreciation	12,840,941	12,383,440
Property and equipment, net	<u>\$ 35,963,658</u>	<u>35,470,733</u>

* Construction in progress is for a Marine Facility at Cascade Point

Real estate held for investment purposes, which is part of property and equipment, consists of the following at December 31:

	2007	2006
Land acquired under the ANCSA and held for investment or development		
Land near Echo Cove, 1,382 acres	\$ 5,370,600	5,370,600
Land on West Douglas, 1,402 acres	6,506,000	6,506,000
	<u>\$ 11,876,600</u>	<u>11,876,600</u>

6 • Assets Held for Sale

The Company has assets held for sale at December 31, 2007 and 2006 and as the following:

	2007	2006
Vessels held for sale in Ketchikan, Alaska	\$ 156,478	149,490

The vessels held for sale were assets of the Company's Ketchikan subsidiary which were not transferred when the subsidiary was sold in 2006.

7 • Other Assets

Other assets consist of the following at December 31:

	2007	2006
Artwork	\$ 338,339	338,339
Investment in film	574,201	574,201
Intangible assets	42,968	147,969
Other	419,178	241,691
	<u>\$ 1,374,686</u>	<u>1,302,200</u>

8 • Pension Plan

The Company has 401(k) employee savings plans. The plans allow full time employees to become eligible to participate after completing one year of service. Under the plans, the Company at its discretion may match a percentage of participant contributions. The Company elected to match employee contributions of \$389,168 in 2007 and \$416,121 in 2006.

9 • Income Taxes

Income tax expense (benefit) attributable to continuing operations for the years ended December 31, 2007 and 2006 is as follows:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
2007:			
Federal	\$ 157,839	-	157,839
State	219,146	-	219,146
Total	<u>\$ 376,985</u>	<u>-</u>	<u>376,985</u>
2006:			
Federal	\$ 61,955	(15,772)	46,183
State	65,926	(6,568)	59,358
Total	<u>\$ 127,881</u>	<u>(22,340)</u>	<u>105,541</u>

No income tax (benefit) from discontinued operations is recorded for the years ended December 31, 2007 and 2006, as it is offset by the change in valuation allowance.

Actual income tax expense (benefit) differs from "expected" income taxes (calculated at the Federal statutory tax rate of 34%) attributable to continuing operations, for the years ended December 31, as follows:

	<u>2007</u>	<u>2006</u>
Computed "expected" tax expense	\$ 1,210,745	640,361
State income tax expense, net of federal effect	205,459	39,176
Nondeductible expenses	4,063	10,128
Change in valuation allowance	(1,916,650)	(618,544)
Change in LLCs	(305,673)	-
Change in state NOL	90,303	-
Change in federal NOL	1,100,480	-
Other	(11,742)	34,420
	<u>\$ 376,985</u>	<u>105,541</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS, CONTINUED

The components of and changes in deferred tax assets and liabilities as of and for the years ended December 31, follows:

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
ANCSA land	\$ 2,355,600	2,355,600
Net operating loss carryforward	23,723,000	25,219,300
AMT credit carryforward	75,600	61,200
Intangible assets	55,000	56,400
Capital loss carryforward	849,300	1,130,500
Other	104,500	197,000
Total deferred tax assets	<u>27,163,000</u>	<u>29,020,000</u>
Deferred tax liabilities:		
Fixed assets	(3,128,750)	(2,867,500)
Basis in LLCs	(340,000)	(541,600)
Other	(255,700)	(255,700)
Total deferred tax liabilities	<u>(3,724,450)</u>	<u>(3,664,800)</u>
Deferred tax asset	23,438,550	25,355,200
Valuation allowance	(18,739,500)	(20,656,150)
Net deferred tax asset	<u>\$ 4,699,050</u>	<u>4,699,050</u>

A valuation allowance has been estimated by management to reduce the deferred tax asset to the amount that is more likely than not to be realized based on estimated future taxable income and utilization of tax planning strategies. The valuation allowance relates primarily to net operating loss carryforwards.

The Company's net operating loss carryforwards and the years of expiration are as follows:

	<u>Federal</u>	<u>State</u>
2009	\$ -	1,759,000
2011	-	3,782,000
2012	13,360,550	17,236,000
2018	8,839,000	7,854,000
2019	13,718,000	11,739,000
2020	1,632,000	1,423,000
2021	6,254,000	6,248,000
2022	6,407,000	5,800,000
2023	5,943,000	5,424,000
2024	1,677,000	1,085,000
2025	800,000	426,000
2026	64,400	6,000
	<u>\$ 58,694,950</u>	<u>62,782,00</u>

10 • Lines of Credit

The Company and two subsidiaries have the following notes payable and lines of credit:

	<u>2007</u>	<u>2006</u>
Line of credit with a financial institution to \$10 million bearing interest at prime plus .75%, secured by accounts receivable	\$ 7,419,918	3,521,814
Line of credit with a company that is a minority shareholder in a subsidiary, and bearing interest at 8.25%, secured by all the assets of the subsidiary	1,009,449	269,902
Line of credit with a financial institution to \$500,000 bearing interest at prime plus .75%, secured by all the assets of the subsidiary, guaranteed by the Company and a minority shareholder	20,000	-
Line of credit with a financial institution to \$5 million bearing interest at prime plus .75%, secured by accounts receivable	1,044,523	-
Line of credit with a financial institution to \$2 million bearing interest at LIBOR plus 1.9%, secured by accounts receivable	1,353,623	-
Note payable to Coeur Alaska at 8% interest. See note 13 for more information	871,245	-
	<u>\$ 11,718,758</u>	<u>3,791,716</u>

The Company also maintains a letter of credit for \$350,000, which is pledged to the State of Alaska, in connection with a tidelands lease that the Company is seeking to lease from the Department of Natural resources of the State of Alaska. The letter of credit serves as a source of funds that the State could use to restore the tidelands to its natural state at the termination of the lease.

As of December 31, 2007, a subsidiary of the Corporation was in default of a certain debt covenant. This covenant was related to distribution of earnings and subsidiary management expects a waiver from the lending institution is forthcoming.

11 • Long-term Debt

A summary of long-term debt at December 31 follows:

	<u>2007</u>	<u>2006</u>
Note payable to a financial institution, principal and interest at the five year U.S. Treasury securities rate plus 2.5%, due in monthly payments of \$42,593 through December 2015, secured by hotel real property	\$ 3,301,796	3,621,179
Notes payable to Alaska Industrial Development Authority (77%), eight monthly payments of \$90,607 each year at six month LIBOR plus 2.3%, and to a bank (23%) eight payments of \$24,491 per year at 30 day commercial plus 3.25%, through September 2022, secured by Aerial Tramway	9,921,574	10,246,326
Notes payable to a financial institution, principal and interest at 8.0% due in monthly payments through May 2024, secured by building and marine dock	803,320	837,526
Notes payable to individuals, principal and interest at 8.5% due in monthly payments through January 2004, secured by common stock of subsidiary	\$ -	240,916
Note payable to a financial institution, principal and interest at 9.25% due in annual payments of \$124,000 through 2011	400,000	-
Other long-term debt	<u>121,130</u>	<u>186,095</u>
Total long-term debt	14,547,820	15,132,042
Less current installments	<u>871,336</u>	<u>1,027,598</u>
Long-term debt	<u>\$ 13,676,484</u>	<u>14,104,444</u>

Significant covenants contained in the notes payable require an insurance reserve account, capital expense reserve account, fire and other risk insurance and restrictions on working capital and continuity of operations. The Company believes it is in compliance with the covenants, except for the restriction on declaring dividends, which the Company has received a waiver from the financial institution.

Scheduled payment of principal payments on long-term debt is as follows:

2008	\$ 871,336
2009	867,221
2010	886,879
2011	907,442
2012	829,734
Thereafter	<u>10,185,208</u>
	<u>\$ 14,547,820</u>

12 • Discontinued Operations

During 2006, the Company's Board of Directors adopted a plan to sell the Company's Ketchikan subsidiary, Alaska Cruises, Inc. (ACI). In May 2006, an agreement was reached to sell the stock of the Company for \$300,000, excluding its vessels, which were its primary assets. The Company leased the vessels to ACI for the 2006 season. In October 2006, the acquiring Company exercised an option to purchase one of the vessels for its appraised value of \$1,200,000. The other two vessels are held for sale. The Company was responsible for operations in 2006 through May 10. The Company realized a gain on the sale of the vessels of \$526,877, and a loss of sale of the stock of ACI of \$396,085, resulting in a net gain on disposal of \$130,792.

During 2006, the Company's Board of Directors adopted a plan to close Auk Nu Tours. In August, 2006, Auk Nu Tours finished its last tour and ceased operations. The income from closing operations in the amount of \$12,735 in 2007 resulted from closing out liabilities that were no longer valid.

13 • Commitments and Contingencies

During 2006, the Company entered into a Land Use Agreement with Coeur Alaska, Inc. to construct a marine facility on tidelands adjacent to land owned by the Company at Cascade Point, 40 miles north of Juneau, Alaska, and to lease it to Coeur for a ten year period. Construction commenced in early 2007, but was halted when less than 30% complete due to a ruling by the United States Ninth Circuit Court of Appeals which invalidated certain permits for Coeur's Kensington Mine, and invalidated Goldbelt's Corps of Engineers 404 permit for construction of the marine facility. As a result of this ruling, Coeur was forced to seek an alternative location to base its mine transportation plan, and therefore, the agreement to build the marine facility at Cascade Point was cancelled. As of December 31, 2007, Goldbelt had incurred \$1,224,000 in costs, of which \$871,245 had been funded by Coeur under a temporary construction loan agreement. Under the terms of the Land Use Agreement, upon early cancellation, Coeur bears responsibility for all construction costs incurred by Goldbelt up to the time of cancellation. Accordingly, Coeur has agreed to forgive the construction loan, and to reimburse Goldbelt for other construction costs which Goldbelt incurred.

The Company is subject to various contingencies, risks and regulatory requirements that arise in the normal course of business. Other than disclosed herein, management does not believe these contingencies and risks will be a significant effect on the Company's financial position, results of operations or liquidity.

The Company incurred various costs on U.S. government contracts in 2007 and 2006 that are subject to direct reimbursement from the U.S. government. The U.S. government has the right to audit these costs. Disallowed costs, if any, would have to be reimbursed to the U.S. government. Management believes that disallowed costs, if any, will not be material.

14 • Concentration of Revenue

The Company received substantially all of its contracting revenue from contracted government services from the U.S. government.

15 • Related Party Transactions

The Company's contracted government service businesses have various agreements with minority owners and related subcontractors that provided for fees for services and participation in profits of the subsidiaries. The subsidiaries paid minority owners and related entities approximately \$10.6 million and \$9.5 million for subcontracting and management services in 2007 and 2006, respectively. Amounts payable to related parties was approximately \$21.5 million and \$10.2 million at December 31, 2007 and 2006, respectively.

GOLDBELT EMPLOYEES



Management (left to right): Dionne Cadiente-Laiti, J. Gary Droubay, Lisa Fisher, Robert Martin Jr., Bill Abbott, and Victor Scarano



Goldbelt Office Staff

(left to right, seated): Barbara Duncan, Jeri Roehl, and Lisa Fisher
(standing): Joanne Hock, Angela Culp, and Norman Flood

Goldbelt, Incorporated

J. Gary Droubay	President/CEO
Robert Martin Jr.	Vice President of Operations
Victor R. Scarano	Chief Financial Officer
Dionne Cadiente-Laiti	GHI Manager/Executive Assistant
Bill Abbott	Human Resources Manager
Arlene A. Alcancia	Accounting Tech II
Angel M. Culp	Stock Registrar
Barbara L. Duncan	Accounting Manager
Lisa L. Fisher	Controller
Norman B. Flood	Receptionist/Office Assistant
Joanna Hock	Human Resources Technician
Reed Reynolds	Management Information Systems Manager
Jeri A. Roehl	Accounting Tech III

Goldbelt Government Services Group

Joseph LoCasale Vice President

Cultural Preservation, Inc.

Jeffrey V. White General Manager

Goldbelt Security Services

Mike Tagaban General Manager
 Steve Stewart Operations Manager
 Richard Carter Officer in Charge
 Raymond Dennis Jr. Senior Security Guard

Alden Balalong Security Guard
 Robert Beltz Security Guard
 Matthew Brown Security Guard
 Ronald Carrick Security Guard
 James Conkle Security Guard
 Randall Gamble Security Guard
 Alberta Hanlon Security Guard
 Robert Hughes Security Guard
 Donald Johnson Security Guard
 Robert King Security Guard
 David Miller Security Guard
 Antoinette Schwinghammer Security Guard
 Ty Schwinghammer Security Guard
 Russell See Security Guard
 Sergius Sheakley Security Guard

Goldbelt Hotel Juneau

David L. Hays Acting General Manager
 Edward Hotch Assistant General Manager

Mount Roberts Tram LTD (Year Round Staff)

George Reifenstein General Manager
 James W. Duncan Director of Operations
 Marlis Mayeda Guest Services Manager
 Skyler Mazon Support Manager
 Joseph Puliafico Maintenance/Operations Manager
 Linda R. Chichester Retail Manager
 Timothy A. Boynton Tram Maintenance Supervisor
 Robert Cozby Building Maintenance Supervisor
 Matt Stevens Tram Maintenance/Operations Tech



Goldbelt Subsidiary Management Staff

(left to right, seated): David Hays, James Duncan, Ed Hotch
 (standing): Jeff White, George Reifenstein, Michael Tagaban and Steven Stewart

Goldbelt's 8(a) subsidiaries

Goldbelt Wolf
 Steven K. Cook President
 James Jones Director of Product Solutions

Goldbelt Eagle
 Jack Silvey President
 Carol Schulze Director of Finance

Goldbelt Falcon
 William Christensen President
 Barbara Gordon Director of Administration

Goldbelt Raven
 J. Gary Droubay President
 Gurjinder Singh Chief Financial Officer

Goldbelt Orca
 Fred Hawkins President
 Glenn Nakamura Chief Financial Officer

Goldbelt Hawk
 Wayne Smith President
 Janie Wolleck Accountant

Goldbelt Cedar
 Bob N. Robards Construction Manager





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