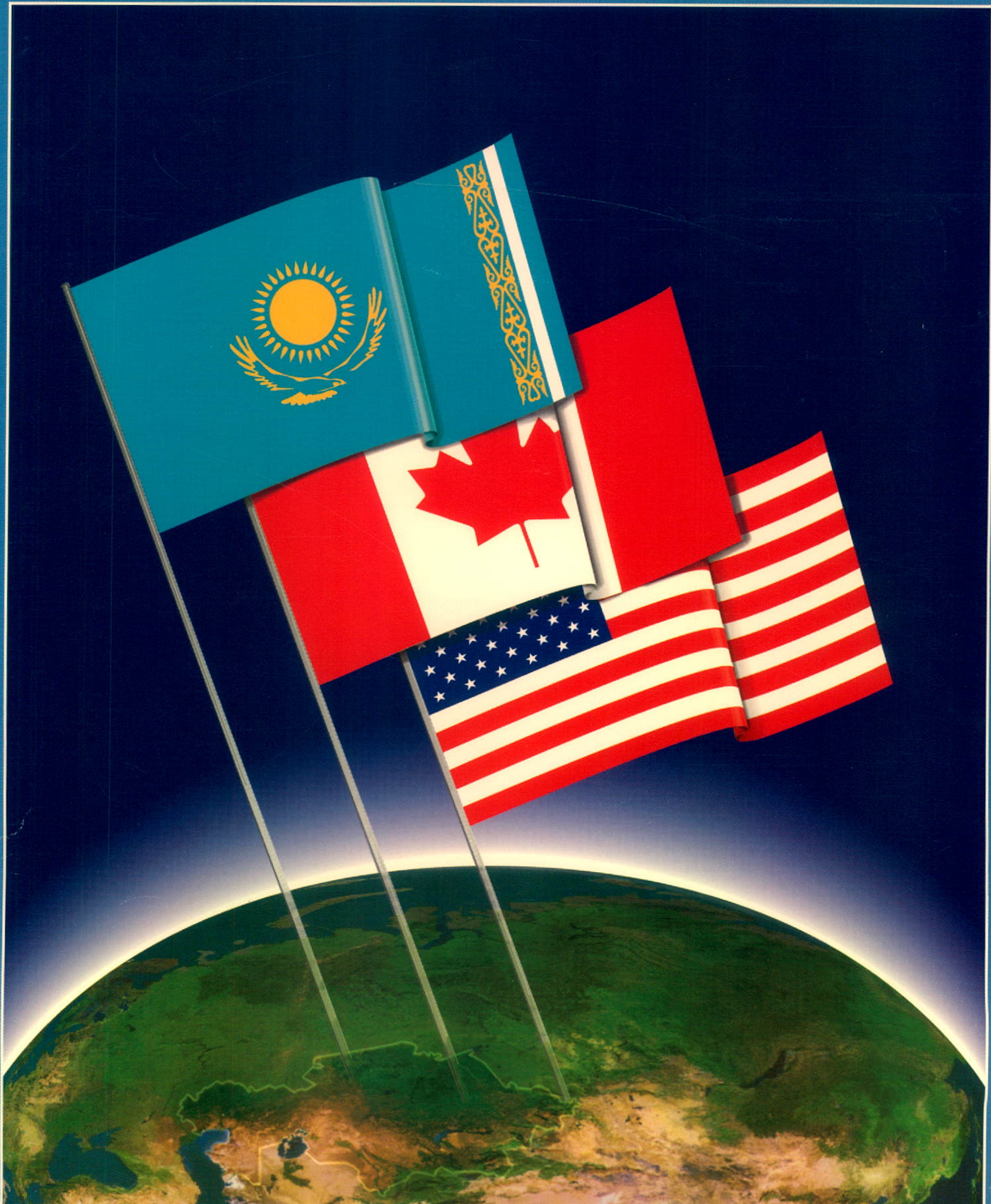
Goldbelt Resources Ltd.

1994 ANNUAL REPORT



CORPORATE PROFILE

Goldbelt Resources Ltd. is a Vancouver based company that is among the first Western mining organizations to complete agreements to develop mineral resources in Kazakhstan, one of the republics in the Commonwealth of Independent States. Goldbelt has completed a "bankable" feasibility study and is preparing to invest approximately U.S.$ 83.0 million in an initial project – a 50/50 joint company developing a 2.4 million ounce gold tailing deposit in Kazakhstan. Construction is scheduled to begin in 1995. Production is expected to commence in 1996 with production in 1997 of 151,000 ounces of gold and 720,000 ounces of silver.

ANNUAL MEETING

The Annual General Meeting of Goldbelt Resources Ltd., will be held at the Four Seasons Hotel, Strathcona Room, 791 West Georgia Street, Vancouver, British Columbia, on December 16, 1994 at the hour of 10:00 a.m., Vancouver time.

The flags of Kazakhstan, Canada and the United States symbolically fly over Kazakhstan, which is among the ten largest countries in the world.

INDEX

REPORT OF THE DIRECTORS

To Our Shareholders

Corporate Highlights

- Strategic alliance executed with Pegasus Gold
- Financial "bankable" feasibility study completed
- "Operating Licence Protocol" granted for construction and operation of gold project in Kazakhstan
- Private Placement completed with Emerging Markets Gold Fund
- OPIC announces provision for US$ 35 million in project financing
- Negotiations further advanced with other international lenders
- Study of new mining opportunities accelerated

A number of events during fiscal 1994 and the several months subsequent to the June 30 year end have been important to Goldbelt. During this period the company continued to focus its attention on the development of a precious metals tailings retreatment project in the Republic of Kazakhstan.

Goldbelt's partner in the Kazakhstan venture is the Leninogorsk Polymetallic Combinat, a government controlled agency that employs 11,000 people. It operates a complex of three underground mines, an open pit mine and associated metal refining facilities in Leninogorsk.

Goldbelt, through a wholly-owned subsidiary, and LPC jointly own a Kazakhstan registered company, Kazgold, that has been formed to operate the project. LPC is contributing the polymetallic mine tailings which have never been processed for precious metals, and the community infrastructure. Goldbelt is responsible for senior project and operations management, processing technology and arranging project financing.

FINAL FEASIBILITY STUDY

Highlights

- Project economic viability confirmed
- Annual throughput increases to 7.0 million tonnes
- Construction to commence early 1995
- Capital costs estimated at US$ 83.0 million
- First production scheduled in July 1996
- First full year's production (1997) projected to be 151,000 oz gold, 720,000 oz silver
- Initial cash costs estimated at $ 100+ per ounce of gold
- 15 year project life to recover 1.6 million oz gold, 5.4 million oz silver

In September, a "bankable" feasibility study by Kilborn Engineering Pacific Ltd. confirmed the economic viability of the gold tailings project.

The Kilborn study confirmed mineable ore reserves of 102 million tonnes at 0.74g/t of gold and 5.71g/t of silver, and projected total production of 1.6 million ounces of gold and 5.4 million ounces of silver over a 15 year mine life. Total initial project capital is estimated at US$ 83.0 million and production cash cost, averaged for 15 years, is projected to be US$ 175 per ounce of gold produced. The project pays out within two years, based on a gold price of US$ 385 per ounce and silver at US$ 5.50 per ounce.

Subject to completion of project finance negotiations, construction is planned to begin in the first quarter of 1995 with production commencing in July of 1996. Initial production during 1996 is projected to be 61,000 ounces of gold and 258,000 ounces of silver followed by 151,000 ounces of gold and 720,000 ounces of silver in 1997.

Plant process design provides for treatment of 7,025,000 tonnes of tailings annually to produce dore bullion.

Mine scheduling has been optimized to mine the higher grade tailings during the initial five-year, tax free period.

Various mining methods were thoroughly reviewed in the feasibility study including mechanical, high pressure hydraulic recovery and dredging, as well as various combinations of these methods. After further extensive geotechnical studies it was determined that twin suction dredges equipped with monitors could efficiently and practically be used to excavate the tailings deposits.

Diluted reserves considered in the study comprise tailings deposited in two of three existing tailings areas. The major deposit, Chasinskoe contains 88.8 million tonnes of mineable tailings grading 0.68 grams per tonne of gold and 4.69 grams per tonne of silver. The second deposit, Starroya, contains 13.6 million tonnes grading 1.16 grams of gold and 12.38 grams of silver. This latter deposit previously was identified as Starroya East and Starroya West.

A third deposit, the Talaskoe, is still being used for tailings deposition from the ongoing polymetallic operations. It currently contains 44.0 million tonnes at 0.43 grams of gold per tonne, a reserve that was not considered as a potential resource in the study as this impoundment will be expanded to include the tailings stream from our new facility.

The project capital cost of US$ 83.0 million includes costs incurred prior to mill commissioning and makes provisions for start-up expenses, ongoing capital and reclamation costs.

Initial cash operating costs are projected to be in the low range of costs experienced by gold producers world wide.

OPERATING LICENCE PROTOCOL ISSUED

Of particular importance was the announcement on October 18, that the Kazakhstan Department of Industry and Trade has issued an "Operating Licence Protocol" for the construction and operation of a gold tailings recovery project at Leninogorsk, a mining community in northeastern Kazakhstan.

Its granting marked the completion of an exhaustive permitting process that included intensive reviews of such matters as environmental impact, worker health and safety, construction standards, fire protection and land use. In all, more than 20 separate approvals led to the issuance of the Operating Licence Protocol.

PROJECT FINANCING

The completion of the positive feasibility study was an important step toward securing project debt financing.

The company's on-going negotiations with multi-lateral funding agencies led to an October 18 protocol signing in Almaty, the capital of Kazakhstan, whereby the Overseas Private Investment Corporation, a U.S. government agency, committed support to the project. The protocol calls for OPIC to provide up to US$ 35 million to the project if it receives the necessary agreements, licences and approvals to begin construction and operations.

PEGASUS GOLD ALLIANCE

In March, 1994, the company entered into a formal agreement with Pegasus Gold Inc. under which Pegasus can become a majority share owner of Goldbelt for advancing up to US$ 18 million in convertible loans, and for providing a completion guarantee related to the Leninogorsk project of up to US$ 35.0 million.

An initial tranche of US$ 3.0 has been paid and it is anticipated that the further US$ 15.0 million will be advanced at the time of project financing.

The US$ 18.0 million in loans are convertible into Goldbelt common shares at a price of US$ 0.495 per share. When the loans are converted Pegasus will hold approximately 54 percent of the fully diluted outstanding shares of Goldbelt.

The Pegasus alliance brings to Goldbelt the financial and technical strengths of a senior international mining company that currently produces in excess of 450,000 ounces of gold per year.

The association already has benefitted the company materially, particularly the contributions by senior staff of Pegasus to the Kilborn feasibility study, ongoing negotiations with funding agencies, and technical and financial analyses of potential additional projects in Kazakhstan.

PRIVATE PLACEMENT COMPLETED

Subsequent to the fiscal year end, the company completed a private placement with the Emerging Markets Gold Fund of 4.75 million units at C$ 0.90 per unit. The placing carries warrants to purchase a further 3.25 million shares at a price of C$ 1.05 per share for total proceeds to Goldbelt of C$ 7,687,500.

Recently organized, the Emerging Markets Gold Fund is managed in Denver by the Castle Group. Lead investors include the International Finance Corporation of Washington, the Rothschild Group of London and Pegasus Gold.

The warrants attached to the issue are exercisable until June 15 of 1996 but carry a compulsory feature related to Leninogorsk project financing.

NEW PROJECTS

As reported in the past, the company's future is directly linked to Kazakhstan. Over a period of more than three years we have developed a significant data base of mineral reserves and opportunities and now have commenced negotiations as to possible joint ventures on other precious and base metals opportunities.

CORPORATE

All who are closely associated with Goldbelt were saddened in April with the sudden death of Doug McRae, a founder of the company and president. Doug will be remembered for his intuitive entrepreneurship and the hand of friendship he extended to all who crossed his path. He was a man of vision whose contribution to the company's development was significant.

Paul Morgan was requested by the Board of Directors to succeed Mr. McRae as president. Following the Emerging Markets Fund private placement, Graham H. Scott was appointed a director.

A year ago we suggested that 1994 would be pivotal to the company's ongoing success. Much was accomplished and more progress toward our prime corporate objective should be realized in 1995. We value the contribution made by our Kazakh partners, our associates at Pegasus Gold, our consultants, employees and shareholders.

ON BEHALF OF THE BOARD

Paul J. Morgan
President and Chief Executive Officer

Mike Muzylowski
Co-Chairman

Paul G. Naughton
Co-Chairman

Vancouver, B.C.
November 25, 1994

REPORT ON OPERATIONS

INTRODUCTION

The Leninogorsk Gold Tailings Project is located near the City of Leninogorsk on the northeastern border of the Republic of Kazakhstan, near the Russia/China border. Leninogorsk lies approximately 900 km northeast of Almaty, the capital of Kazakhstan, and approximately 120 km northeast of Ust'-Kamenogorsk, the major industrial center of northeastern Kazakhstan.

In March 1994, Goldbelt Resources Ltd. retained Kilborn Engineering Pacific Ltd. to prepare a Final Feasibility Study (Bankable Document).

The following groups contributed to the preparation of this report.

- Leninogorsk Polymetallic Combinat.
- Kazmechanobr.
- Steffen Robertson and Kirsten.
- Dames and Moore International.
- Kazgiprotsvetmet.
- Ammtec Pty. Ltd.
- INCO Exploration and Technical Services Inc.
- Hazen Research Inc.

This feasibility study for mining and ore processing examined the capital and operating costs of all mining, process, support and infrastructure facilities. The costs are based on second quarter 1994 U.S. dollars.

RESERVES

The first mineral discoveries in the Leninogorsk area were found in 1784. Mining of the rich oxidized,base metal ores started in 1789 and continued until 1861. Mining of sulfide ores began in 1885 and continued until 1916 when the mines were shut down. Most of the pre-1916 tailings were shipped out of the area and were not considered in this study.

In the 1920's a major exploration program was carried out by the state and mining once again commenced. Mining continues to the present time, with 3 mines in the Leninogorsk mining district feeding the Leninogorsk concentrator at a total rate of approximately 4,500,000 tonnes per year.

A. DATA COLLECTION

1. Chasinskoe

Data collection for the Chasinskoe reserve estimate is from 4 sources:

1. Production data from the Leninogorsk concentrator:

   LPC has provided yearly records of tonnages and grades of the tailings deposited in Chasinskoe. A total of 29,553 samples were sent for assay over the life of the Chasinskoe deposit, (1953 to 1979).

2. Goldbelt Drill Program – 1991 – 1992

   In October 1991, 12 drillholes were completed. An additional 12 holes were drilled in March 1992. A total of 725 samples were collected and analyzed.

3. Goldbelt Drill and Trench Program – 1993

   From May to July, 1993, 37 drillholes were completed using a vibrating or "vibra-core" type drill. In addition, 16 test trenches were excavated. A total of 951 samples were collected and analyzed.

4. Goldbelt/Pegasus Verification Drilling and Sampling Program – 1993 – 1994

   Under Goldbelt supervision, 7 auger holes, 4 vibra-core holes, and 5 trenches were completed. A total of 193 samples were collected. An additional 76 m of drillhole sampling, (35 samples), were obtained from geotechnical holes drilled in 1994.

Data Quality

The Chasinskoe deposit can be considered a reserve with a high confidence level on the basis of historical production data alone.

Results from 37 additional drill holes and from Goldbelt's sampling programs lend further confidence to the quality of the assay and density data. Surveys were also completed allowing volumes to also be estimated with confidence.

2. Starroya

No production records are available for the combined Starroya West and Starroya East deposit. Initial sampling work (1974 to 1991) was on the West deposit only. The work is summarized as follows:

1. LPC Drill Program- 1974

   40 drillholes through the West section were completed and assay information was composited on a hole by hole basis.

Officials representing the Government of Kazakhstan, the Overseas Private Investment Corporation, Pegasus Gold and Goldbelt met in Almaty on October 18 for a protocol signing and announcement of provision of project financing for the Kazgold project. Left to right are Yesbergen Abitayev, Deputy Minister of the Ministry of Economy; Marat Bitimbaev, Deputy Minister, Ministry of Geology and Preservation of Underground Resources; Paul Morgan, President of Goldbelt; Vicktor Sobolev, Deputy Prime Minister; OPIC President, Ruth R. Harkin; Eric Kinneberg, Pegasus Treasurer, and Jay Layman, Pegasus' senior representative in Kazakhstan.

2. Goldbelt Drill Program -1991

3 drillholes and 15 trench samples were completed for a total of 57 samples – all from the West area.

3. Goldbelt/Pegasus Verification Sampling Programs - 1993 - 1994

A major drill program was carried out, mostly on the Starroya East deposit. 5 auger holes (19 samples) and 24 vibra-core holes (305 samples) were completed for a total of 375 m of drilling. 5 trenches provided 12 additional samples.

Goldbelt also carried out a check survey, resulting in a major increase in the Starroya reserve.

Data Quality

Starroya East and West database up to 1992 comprised 40 LPC drillholes and 3 Goldbelt drill holes. Goldbelt drilling was executed in 1992 to verify previous LPC results. The average reproducible gold grades from 38 of the 40 LPC holes ranged between 0.82 and 3.82 g/t. The other 2 holes averaged 10.8 g/t and 11.5 g/t which were not reproducible.

Goldbelt channel samples (15) averaged 1.41 g/t gold and 11.6 g/t silver. This compares closely to the top 4 m of 3 verification holes and with 4 nearby LPC holes with 4 m sample intervals averaging 1.48 g/t gold and 12.4 g/t silver.

The 1991 data was valid for Starroya West. Upon completion of Goldbelt's 1993/1994 sampling programs on the combined Starroya deposit, however, a major increase in the volume of the combined deposit resulted. The increase was primarily due to a check survey of the combined Starroya East – Starroya West area.

The west portion of the deposit was drilled on a 50 m x 50 m grid, and the eastern portion, on an approximate 100 m x 100 m grid. Goldbelt drilling twinned some of the LPC holes and results were successfully duplicated.

B. ORE RESERVE ESTIMATION

Between 1991 to 1993, data manipulation was carried out by Metech in 3 phases using Medsystem software. Goldbelt verified the Metech model in the fall of 1993 using Gemcom software. In July 1994, Kilborn generated a reserve estimate using Datamine software for the final feasibility study. Overall, 3 computer software packages were used to generate reserves and only minor variations in volume and grade were observed.

Analysis of the data sets indicates the following:

1. sampling errors are not significant,
2. assaying errors also not significant,
3. assaying errors in the LPC laboratory in Leninogorsk are significant, but that for a population of results the errors tend to be randomly distributed about the average of the true average result.

1.Reserve Classification

Reserve estimates produced by LPC, Metech, Goldbelt and Kilborn are considered proven and probable reserves. Kilborn's minable reserve estimation considers dilution and tailings volume recovery calculations.

2. Total Estimated Reserves For Starroya and Chasinskoe Tailings Deposit.

Deposit	Diluted Reserve			Unminable Reserve	Minable Reserve		
	Tonnes (1000)	Au g/t	Ag g/t	Tonnes (1000)	Tonnes (1000)	Au g/t	Ag g/t
Chasinskoe	89,294	0.68	4.69	446	88,848	0.68	4.69
Proven	70,220	0.73	5.12				
Probable	19,074	0.52	3.11				
Starroya (Proven)	13,677	1.16	12.35	68	13,608	1.16	12.35
Total Proven and Probable	102,971	0.74	5.71	514	102,456	0.74	5.71

The probable reserve is considered to have a high degree of confidence with good support from verified historical data coupled with an accurate geostatistical model. Additional drilling will modify this part of the reserve to "proven".

Recently appointed Minister of Industry and Trade for the Kazakhstan government, Garri Shtoik, with Co-chairman Mike Muzylowski and President, Paul Morgan.

Gennadi Sokolov, left, Head of the Department for Foreign Economic Relations for Leninogorsk Polymetallic Combinat, is shown with Lloyd Halvorson, Goldbelt's Chief Financial Officer and Director.

C. ADDITIONAL RESOURCES

In addition to the Chasinskoe and Starroya deposits, mill feed may be supplemented from two sources:

- pyrite concentrate from LPC concentrator and stockpile;
- LPC flotation tailings.

LPC estimates that 157,000 tonnes of concentrate is currently stockpiled at an average grade of 10.0 g Au per tonne, and 8.59 g Ag per tonne. A sample of the pyrite concentrate was provided by LPC, and the assay grade was checked and confirmed by Goldbelt. LPC also annually produces 25,000 tonnes of pyrite concentrate. Kilborn has inspected the stockpile, and confirms that a stockpile approximately 50 m wide x 200 m long x 8 m high exists. Also, in a tour of the LPC concentrator, Kilborn observed the production of a pyrite concentrate. These observations cannot confirm the absolute tonnes and grade of pyrite concentrate, but do confirm that the estimates provided by LPC are reasonable.

The current LPC flotation tailings stream could potentially be treated in the Kazgold facility. The average gold grade from this source is estimated to be 0.43 g per tonne. Since this grade is significantly lower than the Chasinskoe and Starroya deposits, it will not be used to displace or dilute reserves available from the proposed mining operations. Additional metallurgical work is required to finalize process alternatives, and expected recoveries from this source. Once the metallurgical recoveries and process alternatives are known, the economics of this potential mill feed source can be evaluated based on the capital and operating costs required to process this tailings stream.

MINING METHOD

Various mining methods have been assessed including mechanical, monitoring, dredging and a combination of the above. The most practical and safe method of mining is the operation of twin suction dredges, one dredge placed in Chasinskoe, the other in Starroya. Both dredges will operate concurrently with equal production. After the reserve is depleted at Starroya (year 5), the dredge will be transported to Chasinskoe for the remaining life of mine.

The grade distribution of the Chasinskoe tailings deposit shows higher grades near historical discharge points at the crest of the dam. This area will not be selectively mined during the first 5 years due to stability concerns during dredging. Mine scheduling has been optimized to safely and practically mine the higher grade tailings as soon as possible.

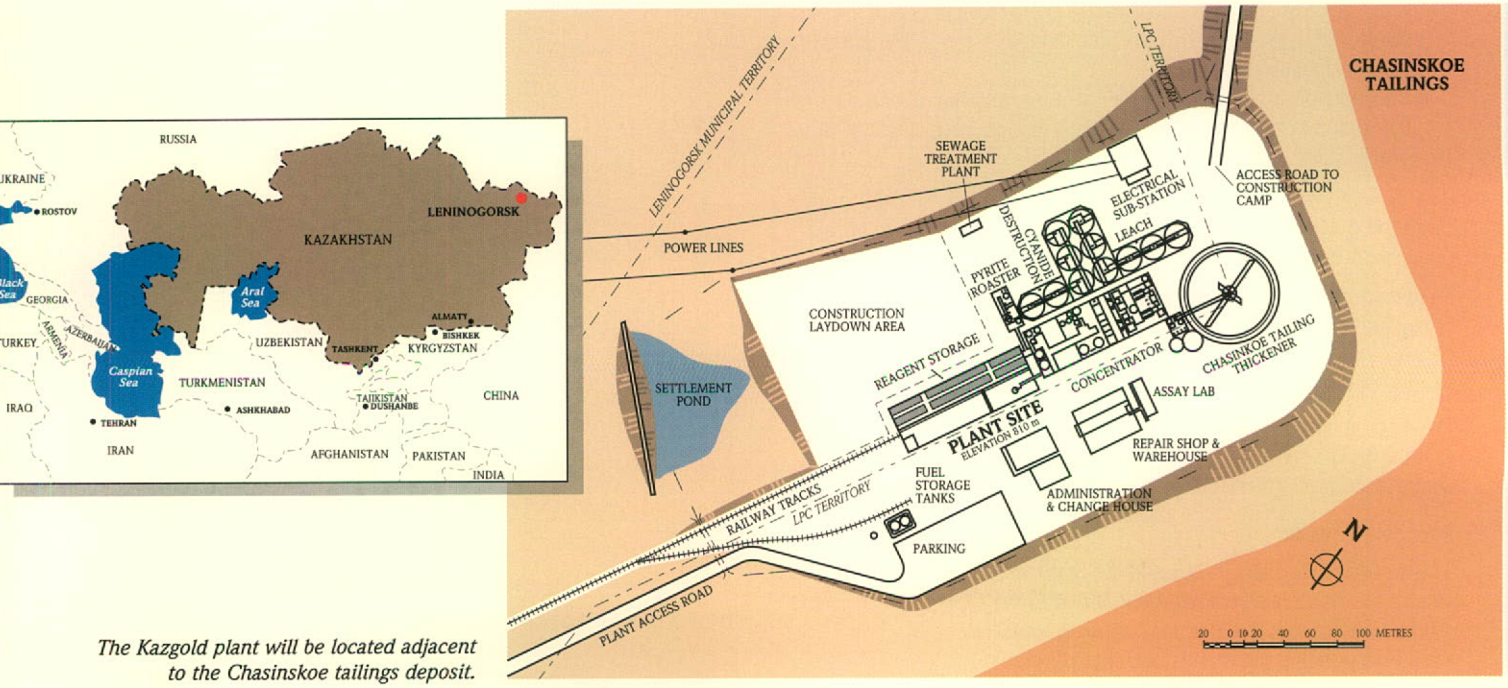
The grade distribution of the Starroya tailings deposit shows higher grades on the west side, presumably near historical discharge points. Dredging will commence within the higher grade tailings to offset the average grade being produced from Chasinskoe and to maximize grade during the payback period.

Production rates required by the combined dredges will be 7.0 Mtpa with the exception of the 6 month start-up period which will treat 3,000,000 t. After start up, this rate of production will be split between the Chasinskoe deposit which will produce 3.5 Mtpa and Starroya at 3.5 Mtpa. During year 5, the Starroya deposit will be depleted and both dredges will be operating in the Chasinskoe deposit at a combined rate of 7 Mtpa until mine closure in year 16.

Mining will be carried out on three, eight hour shifts per day seven days per week with a dredge availability of 90 percent. Production rates will average 444 t/hr/dredge for a total of 888 t/hr. Maintenance of the dredges will be scheduled on a rotating basis to assure a high level of dredging availability and process plant throughput. Dredges were intentionally oversized and rates of production from a single dredge will be increased to partially compensate for down time of the other dredge. A maximum production of 700 t/hr/dredge is achievable.

A portable monitoring gun will be mounted on both dredges to remove exposed surface tailings and unsafe undercut areas by collapsing them into the dredging pond. Booster pumps for slurry transportation to the plantsite will be installed on each dredge.

Each dredge will require a constant water supply to create an appropriate pond for tailings excavation. Present groundwater in saturated tailings will be utilized and will be augmented by LPC reclaim water stored in the Chasinskoe Pond.



The Kazgold plant will be located adjacent to the Chasinskoe tailings deposit.

Production Schedule

Year	Starroya			Chasinskoe			Contained Metal	
	Tonnes (1000)	Au g/t	Ag g/t	Tonnes (1000)	Au g/t	Ag g/t	Au kg	Ag kg
1	1,500	1.24	11.72	1,500	0.74	4.29	2,970	24,015
2	3,500	1.59	14.75	3,500	0.60	4.11	7,665	66,010
3	3,500	0.99	11.40	3,500	0.70	3.88	5,915	53,480
4	3,500	1.05	13.41	3,500	0.61	4.08	5,810	61,215
5	1,609	0.74	7.71	5,391	0.56	3.67	4,200	32,865
6				7,000	0.63	4.07	4,375	28,455
7				7,000	0.53	3.39	3,710	23,730
8				7,000	0.69	3.87	4,830	27,090
9				7,000	0.67	3.52	4,690	24,640
10				7,000	0.78	4.15	5,460	29,050
11				7,000	0.73	3.98	5,110	27,860
12				7,000	0.72	4.38	5,040	30,660
13				7,000	0.72	4.71	5,040	32,970
14				7,000	0.81	6.93	5,670	48,510
15				7,000	0.64	9.00	4,489	63,020
16				1,456	0.57	8.03	830	11,701
Total	13,609	1.16	12.35	88,847	0.68	4.69	75,804	585,271

METALLURGY

The metallurgical characteristics of the Chasinskoe and Starroya deposits were studied during metallurgical test programs carried out between 1992 and 1994. Additional testwork was done on the roasting and cyanidation of LPC pyrite concentrate.

Testwork Results

Chasinskoe Deposit

In the early testwork, the focus was on the following:

- determination of optimum grind size;
- determination of optimum cyanide levels;
- determination of optimum leach time.

The effect of leach retention time was also examined. The results of the tests showed that, provided adequate cyanide was present, gold and silver extractions levelled off after 24 hours and further cyanidation resulted in a minor increase in extraction.

The variability of 20 individual Chasinskoe samples was examined. The cyanidation test results show that there is some variability between individual samples in the Chasinskoe deposit. The variable recoveries are partially a result of the following factors:

- the feed size for each sample varied, and, as a result, the grind size for cyanidation varied;
- the lime consumption varied for each test, and high lime consumptive tests results in a low pH, and an ineffective use of cyanide, likely resulting in lower extractions.

Allis Mineral Systems Inc. tested the grinding characteristics of Chasinskoe deposit samples. The samples were composited to form 5 samples for Bond Work Index testwork.

Cyanide destruction tests were done by INCO at Montana Tunnels. These tests indicate that both Chasinskoe and a blend of Chasinskoe/Starroya leach tailings are amenable to the SO_2/air cyanide destruction process.

The settling characteristics of the Chasinskoe deposits were examined. The settling tests show that good settling rates were obtained with 10 g/tonne flocculant.

Starroya Deposit

The metallurgical characteristics of the Starroya deposit were examined. The test objectives were similar to the Chasinskoe tests and results indicate that the Starroya deposit is less sensitive to additional grinding than the Chasinskoe deposit.

The cyanidation tests also indicate that for the Starroya deposit higher cyanide additions result in high cyanide consumptions and minor increases in extraction. Although extractions were marginally higher, the economics indicate that increased cyanide addition is not justified.

The leach retention time was also examined for Starroya, and these tests indicate that leaching is essentially complete after 24 hours.

Pyrite Concentrate

A sample of pyrite concentrate was obtained by Goldbelt, and was tested at Ammtec and at Hazen Research. The objective of the preliminary tests were to determine the amenability of the pyrite concentrate to roasting, and to evaluate the potential of creating a source of SO_2 to be used in the cyanide destruction circuit.

The Hazen test results indicate that a 14 percent SO_2 by volume off gas stream is expected when roasting the concentrate at 900 Celsius. The cyanidation of the unground calcine at Hazen resulted in gold extractions of up to 51.1 percent and silver extractions up to 8.2 percent. Ammtec performed similar tests and the cyanidation of unground calcine resulted in 53.5 percent gold extraction and reground calcines resulted in gold extractions of 75.4 percent.

PROJECTED RECOVERIES

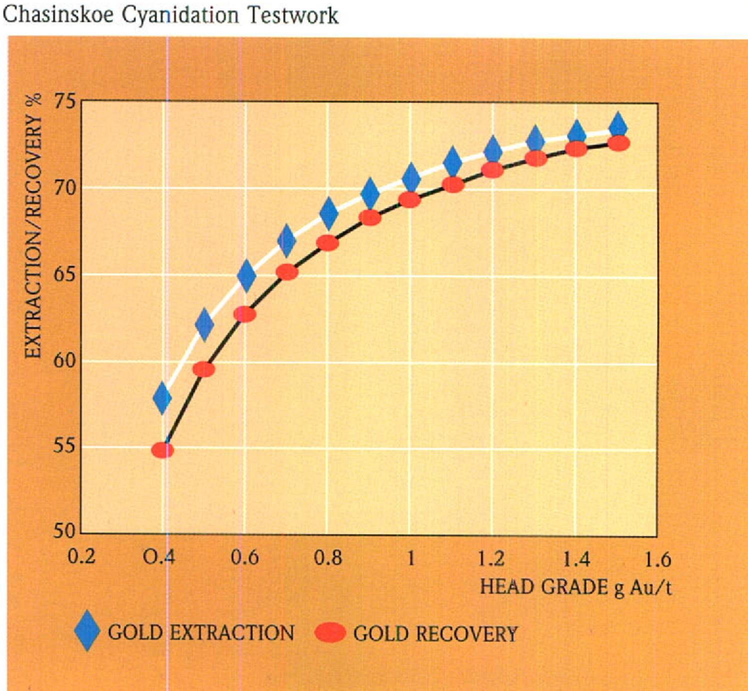
The gold and silver recoveries for Chasinskoe, Starroya and the pyrite concentrate were estimated from the cyanidation testwork. The Starroya tests were based on samples that were representative of the Starroya deposit. The pyrite concentrate roasting cyanidation was based on the Ammtec and Hazen testwork.

The extractions and recoveries for the various mill feeds are summarized in the following table:

Predicted Recoveries

Ore Type	Extraction (%)		Recovery (%)	
	Au	Ag	Au	Ag
Chasinskoe	see graph	45.0	see graph	25.4
Starroya	57.65	43.73	56.60	36.3
Pyrite Concentrate	75.4	10.0	75.28	5.0

Chasinskoe Cyanidation Testwork



PROCESS PLANT

The Kazgold process plant will treat 7,025,000 tonnes of ore annually to produce dore bullion. The hydraulically mined ore will be pumped to a thickener, and the thickener underflow will be pumped at a controlled rate to the grinding circuit. The thickened ore will be ground in two, parallel, single stage ball mill circuits. The ground ore will be leached in a cyanidation circuit that comprises 9 stages of leaching with the last 6 stages utilizing carbon-in-leach technology. The carbon-in-leach tailings will be treated in an SO_2/air cyanide destruction circuit to lower the cyanide concentrations to acceptable levels. The SO_2 will be provided from the off-gases from a fluid bed roaster treating a pyrite concentrate. The treated tailings will be pumped to the tailings impoundment. The loaded carbon from the carbon-in-leach circuits will be stripped of the gold and silver in a pressure stripping circuit. The gold and silver will be recovered in a zinc precipitation circuit. The gold and silver precipitates will be smelted to produce dore bullion. The dore bullion will be shipped off-site for further refining. The stripped carbon will be reactivated and recycled to the carbon-in-leach circuit.

The Talaskoe tailings impoundment will continue to be used for storage of LPC tailings and will be expanded to include the tailings stream from the Kazgold Plant.

Environmental Guidelines

The environmental work for this project has considered the World Bank Operational Manual, Operational Directive 4.01: Environmental Assessment, guidelines.

Meetings were held with several Kazakh government agencies to establish which local laws and state regulations will be applicable to the project. The essence of these laws have been considered in the environmental and feasibility design of the project.

In late summer and fall of 1994, environmental approvals required by the Kazakhstan Republic were sought and granted.

Along with existing Kazakh Republic regulatory conditions, World Health Organization water quality criteria will be considered for detailed design.

Impact Assessment and Mitigation

This Environmental Study has been prepared as part of the project feasibility study to ensure that environmental protection is considered in the design, operation and decommissioning of the project. This approach is similar to that currently utilized in North America where a comprehensive feasibility study addressing the technical, economic, legal and environmental viability of a proposed mining project is required prior to any financial or regulatory approvals.

It is believed that the environmental plan presented minimizes negative environmental impacts and maximizes environmental benefits to the people of Kazakhstan and more specifically, to the residents and mine workers in Leninogorsk.

Health and safety is considered an essential part of every employee's responsibility. A clear line of command will define the responsibility of all levels of management. Responsibility to organize or supervise any production, maintenance or construction work will include the responsibility to organize or supervise the health and safety aspect of the work.

Socioeconomic Aspects

Key socioeconomic aspects of the Leninogorsk Gold Tailings Project are:

- job creation;
- workforce skills, availability and training programs and upgrading skills;
- financial benefits to citizens, communities, region and the overall republic; and
- consideration for and preservation or enhancement of the more desirable qualities of existing lifestyles.

SCHEDULE

The duration from the commencement of detailed engineering to plant start-up is 22 months. Construction will commence in the first quarter of 1995 and the duration is forecast at 17 months. During the final two months of construction a process of visual inspection and pre-operational testing will be carried out.

CAPITAL COST ESTIMATE

The feasibility study includes the capital and operating costs. The base case assumed that most bulk materials would be sourced within Kazakhstan and critical items sourced outside Kazakhstan. The accuracy of the capital cost estimate is ±15% on the summary level.

Initial Capital Cost

Area	Initial Capital Costs (US$)
Site and General	5,895,241
Tailings Reclamation	8,128,960
Process Plant	25,869,645
Tailings Disposal and Reclaim	1,692,533
Ancillary Buildings and Services	4,494,826
Infrastructure	2,009,073
Construction Support	6,800,187
General Indirect Costs	18,854,399
Contingency	9,269,940
Project Total	83,014,804

OPERATING COST ESTIMATES

The average operating costs, excluding taxes are summarized in the table below.

	Total Annual Cost	Avg $/tonne
General and Administrative Costs	$ 2,086,122	$ 0.2970
Mining Cost	$ 1,268,798	$ 0.1806
Milling Cost	$ 17,229,965	$ 2.4527
TOTAL OPERATING COST	$ 20,584,886	$ 2.9302

FINANCIAL

The economic analysis is based on reserves of 102,456,145 tonnes of proven and probable ore from the Chasinskoe and Starroya deposits, plus an additional 367,702 tonnes of pyrite concentrate produced by LPC.

The metal price used for the economic evaluation was $ 385 per ounce of gold and $ 5.50 per ounce of silver.

Operating cost averaged over mine life

*per tonne ore processed (cash cost) $ 3.06/+
(escalated for life of project)
*per ounce gold produced (cash cost) $ 175.00

Goldbelt is currently negotiating with multi-lateral funding agencies in regard to project financing.

CONSOLIDATED BALANCE SHEETS

As at June 30, 1994 and 1993

	1994	1993
ASSETS		
Current Assets		
Cash and short-term deposits (note 6)	$ 4,146,471	$ 381,657
Marketable securities (note 4)	326,560	1,623,345
Accounts receivable (note 9)	280,946	280,337
	4,753,977	2,285,339
Mineral Properties and Deferred Costs (notes 1, 3 and 5)	7,500,102	5,624,279
Fixed Assets	56,284	70,182
	$ 12,310,363	$ 7,979,800
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities (note 9)	$ 1,312,317	$ 526,394
Long-Term Liability (note 9)	325,487	–
Convertible Loan (note 6)	4,225,105	–
Non-controlling Interest in Subsidiary	–	10,012
	5,889,909	536,406
SHAREHOLDERS' EQUITY		
Capital Stock (note 7)	26,130,528	25,067,929
Contributed Surplus	133,029	133,029
Deficit	(19,843,103)	(17,757,564)
	6,420,454	7,443,394
	$ 12,310,363	$ 7,979,800

Operations (note 1)
Contingency (note 11)
Subsequent Event (note 12)

APPROVED BY THE DIRECTORS

Director

Director

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

For the Years Ended June 30, 1994 and 1993

	1994	1993
Expenses		
Audit and accounting	$ 25,977	$ 40,624
Bad debts	–	69,998
Consulting fees	761,435	412,927
Depreciation	20,625	28,599
Directors' fees	32,000	62,000
Interest and bank charges	80,459	5,807
Legal	30,121	28,997
Office	127,477	159,538
Promotion and travel	160,008	314,652
Rent	104,044	77,395
Salaries and benefits	239,971	228,475
Stock exchange, registration fees and shareholder relations	40,386	54,206
Taxes, licences and dues	23,335	14,525
Transfer agent fees	12,079	9,465
	1,657,917	1,507,208
Write-down (up) of marketable securities	185,739	(872,817)
Loss (gain) on sale of marketable securities	19,825	(779,975)
Gain on foreign exchange translation	(12,024)	–
Write-off of formation/capital costs in subsidiary	–	52,029
Write-down of mineral properties and deferred costs (note 5)	287,418	2,787,210
	2,138,875	2,693,655
Less: Interest income	53,336	25,837
Management fees	–	9,400
	53,336	35,237
Loss Before the Following:	2,085,539	2,658,418
Non-controlling interest in share of loss of subsidiary	–	(1,634)
Equity in loss of associated company	–	35,000
Loss for the Year	2,085,539	2,691,784
Deficit - Beginning of Year	17,757,564	15,065,780
Deficit - End of Year	$ 19,843,103	$ 17,757,564
Loss per Share	$ 0.10	$ 0.14

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION

For the Years Ended June 30, 1994 and 1993

	1994	1993
Cash Provided from (Used for)		
Operating Activities		
Loss for the year	$ (2,085,539)	$ (2,691,784)
Add: Items not affecting funds -		
Loss (gain) on sale of marketable securities	19,825	(779,975)
Write-down (up) of marketable securities	185,739	(872,817)
Depreciation	20,625	28,599
Gain on foreign exchange translation	(12,024)	–
Write-down of mineral properties and deferred costs	287,418	2,787,210
Equity in loss of associated company	–	35,000
	(1,583,956)	(1,493,767)
Net change in non-cash current items (see below)	1,888,559	1,122,507
	304,603	(371,260)
Financing Activities		
Issue of shares -		
For cash	1,062,599	139,200
For acquisition (note 3)	–	3,080,000
Convertible loan	4,225,105	–
Long-term liability	352,487	–
	5,640,191	3,219,200
Investing Activities		
Deferred exploration, evaluation and development costs	(3,091,100)	(2,509,233)
Rights fee received	927,859	–
Purchase of fixed assets	(6,727)	(16,586)
Other	(10,012)	26,448
	(2,179,980)	(2,499,371)
Increase in Cash and Short-Term Deposits	3,764,814	348,569
Cash and Short-Term Deposits – Beginning of Year	381,657	33,088
Cash and Short-Term Deposits – End of Year	$ 4,146,471	$ 381,657
Analysis of Net Changes in Non-cash Current Items		
Marketable securities	$ 1,103,245	$ 995,793
Accounts receivable	(609)	(129,921)
Accounts payable and accrued liabilities	785,923	256,635
	$ 1,888,559	$ 1,122,507

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended June 30, 1994 and 1993

1. Operations

The principal activity of Goldbelt Resources Ltd. (the Company) is the continuing evaluation of the Leninogorsk Gold Tailings Project in the Republic of Kazakhstan. It has been determined that this project contains gold and silver reserves that are economically recoverable. The amounts shown for mineral properties and deferred costs represent costs incurred to date and are not representative of present or future values. The recoverability of these amounts is dependent upon the ability of the Company to obtain government approvals, financing to complete the development of the project and upon future profitable operations.

2. Significant Accounting Policies

(a) Generally Accepted Accounting Principles

The consolidated financial statements of the Company and its subsidiaries have been prepared in accordance with accounting principles generally accepted in Canada.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries, Comptoir International du Commerce Ltee. (Comptoir) and Goldbelt Mines (U.S.A.), Inc. During the year, the Company purchased the remaining 0.5% of Comptoir from a director of the Company for $ 13,354.

The last financial year of Comptoir was December 31, 1992. Following continuance of Comptoir under the Canada Business Corporations Act, the financial year has been changed to coincide with that of the Company.

The Company's interest in the Leninogorsk Gold Tailings Project is represented by a 50% interest in a joint stock company (Kazgold), which is to be accounted for using the proportionate consolidation method of accounting.

(c) Marketable Securities

Marketable securities are valued at the lower of cost and net realizable value on an aggregate portfolio basis.

(d) Mineral Properties and Deferred Costs

The Company and its subsidiaries record their interests in mineral properties at cost. Exploration, evaluation and development costs relating to mineral properties, including all direct costs incurred in the preparation of a feasibility study for the gold tailings project, are deferred until the properties are either brought into production, at which time they are amortized against production from that area, or until the properties are sold, allowed to lapse or abandoned, at which time the deferred costs and related mineral property costs are written off.

(e) Fixed Assets and Depreciation

Plant and equipment are carried at cost, less accumulated depreciation, and depreciated over their estimated useful lives using the declining balance method. Leasehold improvements are amortized over the term of the lease.

(f) Foreign Currency Translation

Foreign currencies are translated into Canadian dollars as follows:

i. revenues and expenses at rates prevailing at the date of the transaction
ii. monetary items at the rates of exchange prevailing at the balance sheet date
iii. non-monetary items at the historical exchange rate.

Gains and losses arising on currency translation are credited or charged to current operations and/or deferred to mineral properties and deferred costs.

(g) Loss per Share

Loss per share is calculated using a weighted average of shares outstanding during the year.

3. Acquisition

On July 28,1992, the Company completed the acquisition of 99.5% of the issued share capital of Comptoir. The acquisition was completed through the issuance of 8,085,000 common shares of the Company at an aggregate deemed value of $ 3,080,000 and the conversion into equity of the advances made by the Company to Comptoir prior to June 30, 1992.

The acquisition has been accounted for by the purchase method and the cost of the acquisition has been allocated to the net assets based on their estimated fair values as follows:

	1993
Net assets acquired -	
Total assets	$ 2,862,643
Less: Total liabilities	313,589
Net assets before non-controlling interest	2,549,054
Less: Non-controlling interest	12,745
Net assets acquired	2,536,309
Consideration -	
8,085,000 common shares	3,080,000
Advances, acquisition rights and deferred costs	3,274,199
	6,354,199
Excess of consideration over the net book value of the assets acquired allocated to the Leninogorsk Gold Tailings and Udokan projects (note 5)	$ 3,817,890

Under the terms of the Company's acquisition agreement with Comptoir, the Company has agreed to unconditionally guarantee Comptoir's obligation as set out in the Joint Company Agreement between Comptoir and the Leninogorsk Polymetallic Combinat.

4.Marketable Securities

	1994	1993
Marketable securities at cost	$ 1,778,716	$ 2,825,871
Less: Write-down to market value	(1,452,156)	(1,202,526)
Market value	$ 326,560	$ 1,623,345

5. Mineral Properties and Deferred Costs

	Interest %	Carrying value June 30, 1993	During the year ended June 30,1994 Property acquisition costs	Exploration/ evaluation costs	Write-downs/ rights fee received	Carrying value June 30, 1994
NORTH AMERICA						
Galore Creek	100	$ 101,156	$ –	$ –	$ 101,156	$ –
Ruttan Lake	100	115,000	–	25,680	–	140,680
Trophy	45	161,262	–	–	161,262	–
Georgia	100	25,000	–	–	25,000	–
		402,418	Nil	25,680	287,418	140,680
KAZAKHSTAN						
Leninogorsk	50	5,221,861	Nil	3,065,420	927,859	7,359,422
TOTAL		$ 5,624,279	$ Nil	$ 3,091,100	$ 1,215,277	$ 7,500,102

During the year ended June 30, 1994, the Company received a fee, in the amount of $ 927,859, from Pegasus Gold Inc. (Pegasus) for the right to participate, through ownership in the Company (note 6), in the Leninogorsk Gold Tailings Project.

	Interest %	Carrying value June 30, 1992	During the year ended June 30,1993 Property acquisition costs	Exploration/ evaluation costs	Write-downs	Carrying value June 30, 1993
NORTH AMERICA						
Wolf Lake	50	$ 31,433	$ –	$ 790	$ 32,223	$ –
Galore Creek	100	801,156	–	–	700,000	101,156
Ruttan Lake	100	143,222	–	–	28,222	115,000
Trophy	45	645,047	–	–	483,785	161,262
Georgia	100	351,332	–	–	326,332	25,000
Scout	0	112,176	–	–	112,176	–
		2,084,366	Nil	790	1,682,738	402,418
KAZAKHSTAN/RUSSIA						
Leninogorsk	50	–	2,863,418	2,358,443	–	5,221,861
Udokan	0	–	954,472	150,000	1,104,472	–
		Nil	3,817,890	2,508,443	1,104,472	5,221,861
TOTAL		$ 2,084,366	$ 3,817,890	$ 2,509,233	$ 2,787,210	$ 5,624,279

During the year ended June 30, 1993, the Russian government decided to grant the Udokan project to the Udokan Mining Company. Accordingly, the Company has written off the entire net book value of $ 1,104,472.

6. Convertible Loan

During the year ended June 30, 1994, Pegasus advanced U.S.$ 3 million to the Company. If all permits and approvals for the construction of the Leninogorsk Gold Tailings project and the commitment of project financing have been received by January 1, 1995, a deadline which can be extended to December 31, 1995, Pegasus must advance an additional U.S.$ 15 million. If such additional advance is made, the aggregate advances of U.S.$ 18 million will be converted into common shares of the Company at a price of U.S.$ 0.495 per share. If such additional advance is not made, the U.S. $3 million advance is repayable on March 24,1996.

Interest is at the U.S. prime rate during the first year and at prime rate plus 2% thereafter. The effective interest rate for the year ended June 30, 1994 was 6.88% and a portion of the Company's investment in Comptoir's common shares has been pledged as security.

During the term of the loan agreement with Pegasus, the Company can not issue any further common shares or securities convertible into or exchangeable for common shares, or grant further options or rights to acquire common shares, without the prior consent of Pegasus. Further, the Company may not make payments or expenditures from monies advanced by Pegasus without the prior consent of Pegasus.

7. Capital Stock

	1994	1993
Authorized -		
100,000,000 common shares without par value		
Issued -		
21,822,512 common shares		
(1993 - 20,058,512)	$ 26,130,528	$ 25,067,929

(a) Capital stock transactions during the year were:

	1994		1993	
	Number of shares	Amount	Number of shares	Amount
Beginning of year	20,058,512	$ 25,067,929	11,609,512	$ 21,848,729
Issued for cash	1,764,000	1,062,599	364,000	139,200
Acquisition rights (note 3)	–	–	8,085,000	3,080,000
	21,822,512	$ 26,130,528	20,058,512	$ 25,067,929

(b) Stock options outstanding to officers, directors and employees of the Company at June 30, 1994 were as follows:

Number of shares	Exercise price	Expiry date
385,000	$ 0.76	August 6, 1997
300,000	0.68	September 24, 1994

Subsequent to the year ended June 30, 1994, the Company agreed, subject to regulatory approval, to extend the expiry date of the options expiring September 24, 1994 to September 24, 1996.

8. Income Taxes

The reconciliation between the statutory and effective income tax rates is as follows:

	1994	1993
Federal and provincial recovery of income taxes at statutory rates	$ 809,154	$ 1,206,996
Other	(12,214)	(26,111)
Deferred tax debit not recognized	(796,940)	(1,180,885)
Actual provision for income taxes	$ Nil	$ Nil

The non-capital losses carried forward for tax purposes, which have not been recognized in these financial statements, amount to approximately $ 3,822,000. These losses can be carried forward to reduce future taxable income for the years ending 2000.
If control of the Company is acquired by Pegasus (note 6), the non-capital losses carried forward for tax purposes may not be available in a subsequent year unless certain conditions are met.

9. Related Party Transactions

During the year ended June 30, 1994, the amount paid or payable for consulting fees to companies controlled by directors or officers of the Company and its subsidiaries was $ 755,113 (1993 - $ 742,889).

At June 30, 1994, accounts receivable include $ nil (1993 - $ 58,786) due from companies with common directors.

At June 30, 1994, accounts payable and accrued liabilities include $ 243,449 (1993 - $ 414,009) for consulting and directors fees due to directors and companies controlled by directors or officers of the Company and its subsidiaries.

At June 30, 1994, $ 497,628 is due to a company controlled by a former director of the Company of which $ 352,487 is shown as long-term liability and the remaining $ 145,141 included in accounts payable and accrued liabilities.

Other related party transactions are disclosed elsewhere in these consolidated financial statements.

10. Lease Commitments

The Company has obligations under operating leases for its office premises over the next five years as follows:

1995	$ 121,097
1996	91,137
1997	91,137
1998	91,137
1999 and onwards	106,327

11. Contingency

The Company has been named as a defendant in a lawsuit which alleges that the Company is obligated to issue additional shares to Black Swan Gold Mines (Black Swan) with respect to an agreement with Black Swan for the purchase of the rights to the Kazakhstan Gold Tailings project. Black Swan is seeking issuance of the shares of the Company or damages in lieu of specific performance. The Company has denied liability and has filed a statement of defense. It is not possible to determine whether a loss will occur, however, in the event a loss is incurred, it would be treated as a prior period adjustment.

12. Subsequent Event

On July 15, 1994, the Company completed a private placement of 4,750,000 common shares at $ 0.90 per share with the Emerging Markets Gold Fund Limited. In addition, purchase warrants were issued which entitle the warrant holder to purchase 3,250,000 additional common shares at the price of $ 1.05 per share at any time up to June 15, 1996. The remaining share purchase warrants not exercised must be exercised within 30 days of the advance to the Company by Pegasus of U.S.$ 15 million (note 6).

MANAGEMENT'S STATEMENT ON FINANCIAL REPORTING

The accompanying consolidated financial statements of Goldbelt Resources Ltd. have been prepared in accordance with generally accepted accounting principles considered to be appropriate in the circumstances.

The financial statements and all the information contained in the Report of the Directors are the responsibility of management and have been approved by the Board of Directors. Financial information appearing in the Report of the Directors is consistent with that contained in the financial statements.

The company's auditors, Coopers & Lybrand, are responsible for auditing the financial statements and expressing an opinion based on their audit. Their report follows.

AUDITORS' REPORT

To the Shareholders of Goldbelt Resources Ltd.

We have audited the consolidated balance sheets of Goldbelt Resources Ltd. as at June 30, 1994 and 1993 and the consolidated statements of loss and deficit and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance 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.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at June 30,1994 and 1993 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the British Columbia Company Act, we report that, in our opinion, these principles have been applied on a consistent basis.

Coopers & Lybrand

Vancouver, B.C.
November 15, 1994

CORPORATE INFORMATION

OFFICERS:

Mike Muzylowski
Co-chairman

Paul G. Naughton
Co-chairman

Paul J. Morgan
President and
Chief Executive Officer

Robert E. Swenarchuk
Vice President
Corporate Affairs

Lloyd A. Halvorson
Chief Financial Officer
and Secretary

DIRECTORS:

Lloyd A. Halvorson
Vancouver, B. C.

Paul J. Morgan
London, England

Mike Muzylowski
Vancouver, B. C.

Paul G. Naughton
Perth, Australia

Graham H. Scott
Vancouver, B. C.

CORPORATE ADDRESS
AND TELEPHONE:

Goldbelt Resources Ltd.
1200, 885 West Georgia Street
Vancouver, B. C.
V6C 3E8

Phone (604) 669-2290
Fax (604) 684-2679

SHARES LISTED:

Vancouver Stock Exchange
Symbol: GDB

LEGAL COUNSEL:

DuMoulin Black
10th Fl., 595 Howe Street
Vancouver, B. C.
V6C 2T5

AUDITORS:

Coopers & Lybrand
1111 West Hastings Street
Vancouver, B. C.
V6E 3R2

CAPITALIZATION:

Common Shares Issued:
26,922,512 as at November 15, 1994

COMPANY CONTACT:

Robert E. Swenarchuk
(604) 669-2290

TRANSFER AGENT:

Montreal Trust Company
510 Burrard Street
Vancouver, B. C.
V6C 3B9

Goldbelt
Resources Ltd.
1200 – 885 WEST GEORGIA STREET
VANCOUVER, B.C., CANADA V6C 3E8
TEL: (604) 669-2290
FAX: (604) 684-2679

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