GOLDEN CYCLE GOLD CORP
Form 10-Q
May 14, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x	**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the quarterly period ended March 31, 2008
OR	
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
	For the transition period from _______________________ to _______________________

Commission file number: 0-11226

GOLDEN CYCLE GOLD CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Colorado (State of other jurisdiction of incorporation or organization)	**84-0630963** (I.R.S. Employer Identification No.)
1515 South Tejon, Suite 201 **Colorado Springs, Colorado** (Address of Principal Executive Offices)	**80906** (Zip Code)

(719) 471-9013

(Registrant s Telephone Number, including Area Code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to the filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller Reporting Company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes No

Number of Shares outstanding at May 13, 2008: 9,794,250

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

GOLDEN CYCLE GOLD CORPORATION
CONSOLIDATED BALANCE SHEETS

	March 31, 2008		December 31, 2007	
Assets	(unaudited)			
Current assets:				
Cash and cash equivalents	$	310,530	$	25,617
Short-term investments		421,579		658,514
Interest receivable and other current assets		16,766		48,677
Prepaid insurance		11,304		21,597
Total current assets		760,179		754,405
Property and equipment, at cost:				
Land		2,025		2,025
Mineral Claims		8,657		8,657
Furniture and fixtures		9,354		9,354
Machinery and equipment		21,516		21,516
		41,552		41,552
Less accumulated depreciation		(29,086)		(28,491)
		12,466		13,061
Total assets	$	772,645	$	767,466
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable and accrued liabilities	$	27,139	$	106,835
Total current liabilities		27,139		106,835
Shareholders' equity:				
Common stock, no par value, authorized 100,000,000 shares; issued and outstanding 9,769,250 shares at March 31, 2008, and December 31, 2007		7,544,429		7,544,429
Additional paid-in capital		3,189,799		3,189,799
Accumulated comprehensive loss - foreign				

	March 31, 2008	December 31, 2007
currency translation adjustment	(83,261)	(73,511)
Accumulated deficit	(9,905,461)	(10,000,086)
Total shareholders' equity	745,506	660,631
Total liabilities and shareholders' equity	$ 772,645	$ 767,466

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GOLDEN CYCLE GOLD CORPORATION
CONSOLIDATED
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE THREE MONTHS ENDED
MARCH 31, 2008 and 2007
(Unaudited)

	2008	2007
Revenue:		
Distribution from mining joint venture in excess of carrying value	$ 250,000	$ 250,000
	250,000	250,000
Expenses:		
General and administrative	175,503	117,884
Depreciation expense	595	595
Exploration expense	—	644
	176,098	119,123
Operating income	73,902	130,877
Other income		
Interest and other income	5,149	7,389
Increase in market value of gold asset	—	7,869
Gain on sale of gold bullion	15,574	—
Gain on assets sold (net)	—	58,500
	20,723	73,758
Net income	$ 94,625	$ 204,635
Basic earnings per share	$ 0.01	$ 0.02
Basic weighted average common shares outstanding	9,769,250	9,744,250
Diluted earnings per share	$ 0.01	$ 0.02
Diluted weighted average common shares outstanding	10,354,250	10,254,250
ACCUMULATED DEFICIT:		
Beginning of period	$ (10,000,086)	$ (9,411,685)
Net income	94,625	204,635
End of period	$ (9,905,461)	$ (9,207,050)

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GOLDEN CYCLE GOLD CORPORATION
CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED
MARCH 31, 2008 and 2007
(Unaudited)

	2008	2007
Cash flows from operating activities:		
Net income	$ 94,625	$ 204,635
Adjustments to reconcile net income to net cash provided by operating activities:		
Non-cash operating revenue, Tornado Gold Intl. Corp. Common Stock	—	(58,500)
Depreciation	595	595
Gain on sale of gold bullion	(15,574)	
Increase in market value of gold asset	—	(7,869)
Decrease in interest receivable and other current assets	42,204	9,917
Increase (decrease) in accounts payable and accrued liabilities	(79,696)	25,129
Net cash provided by operating activities	42,154	173,907
Cash flows from investing activities:		
Increase in short-term investments, net	(31,155)	(61,040)
Non-cash increase in short-term investments	—	63,000
Proceeds from sale of gold bullion	273,914	—
Net cash provided by investing activities	242,759	1,960
Net increase in cash and cash equivalents	284,913	175,867
Cash and cash equivalents, beginning of period	25,617	53,142
Cash and cash equivalents, end of period	$ 310,530	$ 229,009

Golden Cycle Gold Corporation

Notes To Consolidated Financial Statements

(unaudited)

(1) BASIS OF PRESENTATION

The accompanying financial statements are unaudited but, in the opinion of management, include all adjustments, consisting solely of normal recurring items, necessary for a fair presentation. Interim results are not necessarily indicative of results for a full year.

These financial statements should be read in conjunction with the consolidated financial statements and notes thereto which are included in the Company s Annual Report for the year ended December 31, 2007, on Form 10-K. The accounting policies set forth in those annual financial statements are the same as the accounting policies utilized in the preparation of these financial statements, except as modified for appropriate interim financial statement presentation.

Recent Accounting Pronouncements

In December 2007, the FASB issued SFAS No. 141 (revised 2007), Business Combinations (SFAS No. 141R), which replaces FASB Statement No. 141. SFAS No. 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non controlling interest in the acquiree and the goodwill acquired, and establishes that acquisition costs will be generally expensed as incurred. This statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS No. 141R is effective as of the beginning of an entity s fiscal year that begins after December 15, 2008, which will be the Company s year beginning January 1, 2009. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 141R on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statement-amendments of ARB No. 51 (SFAS No. 160). SFAS No. 160 states that accounting and reporting for minority interests will be recharacterized as noncontrolling interests and classified as a component of equity. The SFAS No. 160 also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008, which corresponds to the Company s year beginning January 1, 2009. The Company is currently evaluating the potential impact, if any, of the adoption of SFAS No. 160 on the Company s financial statements.

In February 2007, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard No. 159, The Fair Value Option For Financial Assets and Financial Liabilities (SFAS No. 159). SFAS No. 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The Company adopted SFAS No. 159 as of January 1, 2008, and it has not had an impact on its financial position, results of operations or cash flows.

In September 2006, the FASB issued Statement of Financial Accounting Standard No. 157 Fair Value Measurements (SFAS No. 157). SFAS No. 157 clarifies that fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the most advantageous market for the asset or liability. SFAS No. 157 clarifies that the transaction to sell an asset or transfer a liability is a hypothetical transaction at a measurement date, considered from the perspective of a market participant that holds the asset or owes the liability. SFAS No. 157 states that fair value is a market-based measurement, not an entity specific measurement and that market assumptions should be based upon independent observations of the reporting entity over a reporting entity s observations about market participant assumptions. SFAS No. 157 states that market participant assumptions should include risk, restrictions on asset sales, non-performance risk, but that quoted market

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prices for financial instruments should not be adjusted for the size of a position relative to trading volume (block discounts). SFAS No. 157 expands disclosures about, among other things, the use of fair value to measure assets and liabilities in interim and annual periods, including the use of unobservable inputs, and the effect of fair value on earnings and changes in net assets. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. Golden Cycle adopted SFAS No. 157 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

In June 2006, the FASB issued FASB Interpretation No. 48, Accounting for uncertainty in Income Taxes, (FIN 48) an interpretation of FASB Statement No. 109, Accounting for Income Taxes. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The interpretation requires that the entities recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods and disclosure. The provisions of FIN 48 are effective beginning January 1, 2007 with the cumulative effect of the change in accounting principle recorded as an adjustment to the opening balance of retained earnings. Golden Cycle adopted FIN 48 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

In February 2006, the FASB issued SFAS No. 155, Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140 (SFAS No. 155). SFAS No. 155 resolves issues addressed in SFAS No. 133 Implementation Issue No. D1, Application of Statement 133 to Beneficial Interest in Securitized Financial Assets. SFAS No. 155 became effective January 1, 2007 and is applicable based upon the nature and extent of any new derivatives entered into after that date. Golden Cycle adopted SFAS No. 155 on January 1, 2007 and it has not had an impact on its financial position, results of operations or cash flows.

(2) INVESTMENT IN JOINT VENTURE

The Company owns an interest in the Joint Venture with AngloGold Ashanti (Colorado) Corp. (AngloGold). AngloGold manages the Joint Venture. The Joint Venture conducts exploration, development, and mining of certain properties in the Cripple Creek Mining District, Teller County, Colorado. The Joint Venture owns or controls surface and/or mineral rights in the Cripple Creek Mining District, certain portions of which are being actively explored and developed.

The Joint Venture Agreement, as amended, generally requires AngloGold to finance operations and capital expenditures of the Joint Venture. The Joint Venture is currently operating in an Initial Phase. The Joint Venture Agreement defines an Initial Phase that will end when (i) the Initial Loans (defined below) have been repaid (ii) a cash reserve has been established to fund accrued reclamation and severance tax obligations, plus an amount approximating nine months of estimated operating costs, plus an amount approximating twelve months of estimated capital costs, and (iii) Net Proceeds (defined in the Joint Venture Agreement generally as gross revenues less costs) in the amount of $58 million have been distributed as follows: 80% to AngloGold and 20% to the Company. After the Initial Phase, the Joint Venture will distribute metal in kind in the proportion of 67% to AngloGold and 33% to the Company. In addition, the Company will generally be entitled to receive, in each year during the Initial Phase or until the mining of ore by the Joint Venture ceases due to the exhaustion of economically recoverable reserves, whichever occurs first, an annual minimum distribution of $250,000 (a Minimum Annual Distribution). The first three Minimum Annual Distributions in 1991, 1992 and 1993 were not deemed to be a distribution of Net Proceeds to the Company and were not applied against the Company s share of any Net Proceeds. The Minimum Annual Distributions received on January 15, 1994 and thereafter constitute an advance on Net Proceeds and will be recouped against future shares of Net Proceeds to the Company. As of March 31, 2008, Initial Loans were approximately $305.9 million and no Net Proceeds have been distributed.

Whether future gold prices and the results of the Joint Venture s operations will reach and maintain a level necessary to repay the Initial Loans, complete the Initial Phase, and thereafter generate net income cannot

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be assured due to uncertainties inherent within any mining operation. Based on the amount of Initial Loans payable to the manager and the uncertainty of future operating revenues, there is no assurance that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

The Company s share of the Joint Venture net income, which has not been recorded in its consolidated financial statements, is approximately $5.1 million for the quarter and three months ending March 31, 2008, and $11.8 million, $7.7 million and $1.9 million in 2007, 2006 and 2005, respectively. The Company s accumulated unrecorded losses from the Joint Venture were $7.9 million as of December 31, 2006. As such, as of December 31, 2007, the Company s accumulated unrecorded losses from the Joint Venture were eliminated and the Company recorded Joint Venture equity of $3.9 million. During the quarter ended March 31, 2008, the Company accumulated additional equity in the amount of approximately $5.1 million, bringing the total increase in equity to $9.0 million. As of March 31, 2008 the receipt of cash distributions from the Joint Venture is highly uncertain as the Joint Venture s Initial Loans totaling $305.9 million have not been repaid nor is it anticipated they will be repaid in the foreseeable future based on anticipated future cash flows from the Joint Venture s operations.

As a result, the Company has accounted for this uncertainty by creating a 100% valuation allowance against the Joint Venture equity interest of $9.0 million. It is anticipated by management that this valuation allowance against the Joint Venture equity will remain until it is determined by management that the collectibility of the investment in the form of future cash distributions becomes probable.

Agreement and Plan of Merger with AngloGold Ashanti Limited

On January 11, 2008, the Company entered into an Agreement and Plan of Merger (the Agreement) with AngloGold Ashanti Limited, a corporation organized under the laws of the Republic of South Africa, AngloGold Ashanti USA Incorporated, a Delaware corporation, and GCGC LLC, a Colorado limited liability company and a direct wholly-owned subsidiary of AngloGold Ashanti USA Incorporated. Under the terms of the Agreement, the Company agreed to be acquired by AngloGold Ashanti through a transaction in which the Company s shareholders will receive consideration consisting of 0.29 American Depositary Shares of AngloGold Ashanti Limited for each issued and outstanding share of the Company s common stock, rounded up to the next whole ADS, each whole ADS representing one ordinary share, par value 25 South African cents per share, of AngloGold Ashanti Limited. The Agreement is subject to the approval of the holders of two-thirds of the issued and outstanding shares of the Company s common stock entitled to vote.

For a more detailed description of the terms and conditions of the Agreement and the merger, see the disclosure in the Company s Annual Report for the year ended December 31, 2007 on Form 10-K under Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Changes in Control.

(3) EARNINGS PER SHARE

Earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during each period. On a weighted average basis there were 585,000 shares and 510,000 shares of dilutive securities outstanding during the three months ended March 31, 2008, and March 31, 2007, respectively.

(4) STOCK-BASED COMPENSATION

On June 5, 2007, the Company s one active stock-based compensation plan was completed and closed with the issue of 100,000 stock options to four directors. Readers should refer to Item 8, Note 5 of the Company s financial statements, which are included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007, for additional information related to the Company s closed stock-based compensation plans. Four of the Company s directors were granted 25,000 stock options each on June 5, 2007 at the prevailing market price of $6.25 per share. One director exercised options for 25,000 shares of the Company s stock May 10, 2007 for proceeds of $45,000. The Company accounts for stock option grants in accordance with FASB Statement 123(R), Share-Based Payment. Compensation costs related to share-based payments in the amount of $461,526 and $791,597 were recognized in the Consolidated Statements of Operations for the periods ended June 30, 2007 and 2006 respectively. No stock options were issued during the three months ended March 31, 2008.

(5) ILLIPAH SALE CONTINGENCY

Should Tornado Gold International Inc. fail to complete the conditions of its purchase of the Illipah property, Golden Cycle may be entitled to full possession of the property and later market the property again. Tornado Gold has provided notice of its intent to hold the property for the second fiscal year of the contract which began August 23, 2007. Tornado Gold is also required to provide Golden Cycle a report of the completion of its first year s (ending August 23, 2007) exploration program totaling more than $250,000 in exploration and development expenses, and convey to Golden Cycle an additional 200,000 shares of its common stock. During the second twelve months of the contract which concludes August 23, 2008, Tornado is responsible for the minimum annual royalty payment and the Bureau of Land Management and County claim maintenance fees. Further, Tornado is required to expend an additional $500,000 in exploration and developments expenses on the Illipah property. If any of these conditions of the agreement are not met, Golden Cycle could claim a default by Tornado Gold.

(6) MARKETABLE EQUITY SECURITIES

The Company s investments in marketable equity securities are classified as available-for-sale and are carried at fair value, which is based upon quoted prices of the securities owned. The cost of marketable equity securities sold is determined by the specific identification method. Changes in market value are recorded in accumulated other comprehensive income within stockholders equity, unless a decline in market value is considered other than temporary, in which case the decline is recognized as a loss in the consolidated statement of operations. The Company had marketable equity securities with fair values of $36,750 and $16,500 respectively, and cost of $88,500 and $58,500, respectively, at March 31, 2008 and December 31, 2007. Golden Cycle has accumulated other comprehensive income for unrealized holding losses of $51,750 and $42,000 at March 31, 2008 and December 31, 2007, respectively, related to our marketable equity securities.

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

The following management s discussion and analysis in this quarterly report on Form 10-Q contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements concern the Company s anticipated results and developments in the Company s operations in future periods, planned exploration and development of its properties, plans related to its business and other matters that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as expects or does not expect , is expected , anticipates or does not anticipate , plans , estimates or intends , or stating that certain actions, events or results may , could , would , might or will or be achieved) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are subject to a variety of known and unknown risks, uncertainties and other factors which could cause actual events or results to differ from those expressed or implied by the forward-looking statements. Some of the important risks and uncertainties that could affect forward-looking statements are described further in our Annual Report on Form 10-K under the section heading Risk Factors and Uncertainties .

Should one or more of these risks and uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in the forward-looking statements. Forward-looking statements are made based on management s beliefs, estimates and opinions on the date the statements are made, and the Company undertakes no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements.

Overview

Cripple Creek Joint Venture

The Company s principal mining investment and source of cash flows has been its interest in a joint venture (Joint Venture), which engages in gold mining activity in the Cripple Creek area of Colorado. The Company s Joint Venture co-venturer is AngloGold Ashanti (Colorado) Corp. (AngloGold , formerly Pikes Peak Mining Company), a wholly-owned subsidiary of AngloGold Ashanti North America Inc., which is an indirect wholly-owned subsidiary of AngloGold Ashanti Ltd.

The Company s rights and obligations relating to its Joint Venture interest are governed by the Joint Venture Agreement. The Joint Venture is currently, and for the foreseeable future will be, operating in the Initial Phase, as defined in the Joint Venture Agreement. In accordance with the Joint Venture Agreement, AngloGold manages the Joint Venture, and is required to finance all operations and capital expenditures during the Initial Phase.

The Joint Venture Agreement defines an Initial Phase that will end when (i) the Initial Loans (defined below) have been repaid, (ii) a cash reserve has been established to fund accrued reclamation and severance tax obligations, plus an amount approximating nine months of estimated operating costs, plus an amount approximating twelve months of estimated capital costs, and (iii) Net Proceeds (defined in the Joint Venture Agreement generally as gross revenues less costs) in the amount of $58 million have been distributed as follows: 80% to AngloGold and 20% to the Company. After the Initial Phase, the Joint Venture will distribute metal in kind in the proportion of 67% to AngloGold and 33% to the Company, and the venture participants will be responsible for their proportionate share of the Joint Venture costs. In addition, the Company will generally be entitled to receive, in each year during the Initial Phase or until the mining of ore by the Joint Venture ceases due to the exhaustion of economically recoverable reserves, whichever occurs first, an annual minimum distribution of $250,000 (a Minimum Annual Distribution). The first three Minimum Annual Distributions in 1991, 1992 and 1993 were not deemed to be a distribution of Net Proceeds to the Company and were not applied against the Company s share of any Net Proceeds. The Minimum Annual Distributions received on January 15, 1994 and thereafter constitute an advance on Net Proceeds and will be recouped against future shares of Net Proceeds to the Company.

Initial Loans generally constitute funds loaned to the Joint Venture, and interest thereon, to finance operations and mine development by either AngloGold, or third-party financial institutions, and are repayable prior to distributions to the venture participants. AngloGold (the Manager) reported that Initial Loans, payable to AngloGold, of approximately $305.9 million were outstanding at March 31, 2008. Under the Agreement as amended, the Joint Venture has not distributed any Net Proceeds. Based on the amount of Initial Loans payable to the Manager, management of the Company believes that, absent a significant and sustained increase in the prevailing market prices for gold, it is unlikely that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

On January 11, 2008, the Company entered into an Agreement and Plan of Merger (the Agreement) with AngloGold Ashanti Limited, a corporation organized under the laws of the Republic of South Africa, AngloGold Ashanti USA Incorporated, a Delaware corporation, and GCGC LLC, a Colorado limited liability company and a direct wholly-owned subsidiary of AngloGold Ashanti USA Incorporated. Under the terms of the Agreement, the Company agreed to be acquired by AngloGold Ashanti through a transaction in which the Company s shareholders will receive consideration consisting of 0.29 American Depositary Shares of AngloGold Ashanti Limited for each issued and outstanding share of the Company s common stock, rounded up to the next whole ADS, each whole ADS representing one ordinary share, par value 25 South African cents per share, of AngloGold Ashanti Limited. The Agreement is subject to the approval of the holders of two-thirds of the issued and outstanding shares of the Company s common stock entitled to vote.

For a more detailed description of the terms and conditions of the Agreement and the merger, see the disclosure in the Company s Annual Report for the year ended December 31, 2007 on Form 10-K under Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Changes in Control.

Illipah

The Company entered into an agreement (the Agreement) effective August 23, 2006, with Tornado Gold International Corp. (Tornado), pursuant to which Tornado acquired certain mining claims referred to as the Illipah claims. Tornado paid the Company $50,000 upon execution of the Agreement, an additional $50,000 on November 22, 2006 and 350,000 shares of Tornado common stock in accordance with the Agreement. Upon execution of the Agreement, Tornado assumed the Company s obligations in an underlying exploration and mining lease agreement on the claims, and granted to the Company a production royalty of two percent of net smelter returns on all rents and mineral production from the property. Tornado has the option, exercisable at any time prior to commercial production on any of the Illipah claims, to reduce the Company s production royalties from two percent to one percent by paying the

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Company, at the Company s option, either $1 million, or its equivalent in gold bullion at the August 23, 2006 closing price of gold on the New York Commodity Exchange ($623.70 per troy ounce). Tornado has also agreed to undertake an exploration program on the Illipah property and related area of interest, and incur exploration and development expenditures of at least $750,000 within two years, of which $250,000 was to be expended during the first year of the Agreement. Pursuant to the Agreement, the Company may reacquire the Illipah claims under certain circumstances, such as default by Tornado.

Liquidity and Capital Resources

Cash provided by operations was approximately $58,000 in the three months ended March 31, 2008 compared to cash provided by operations of approximately $174,000 during the same period in 2007. The approximately $116,000 decrease in cash provided by operations in the 2008 period compared to the 2007 period was primarily due to increased merger transaction related expenses in the 2008 period.

The Company s working capital was approximately $733,000 at March 31, 2008 compared to $648,000 at December 31, 2007. The increase in working capital at March 31, 2008 was primarily due to the receipt of the Minimum Annual Distribution of $250,000 January 15, 2008 and a gain on the sale of the Company s gold bullion.

The Company s management believes that the Company s working capital, augmented by the Minimum Annual Distribution from the Joint Venture, is adequate to support operations at the current level for the coming year, barring unforeseen events. The Company s management anticipates that the Company s Philippine subsidiary will hold all work on a standby basis until the Mineral Profits Sharing Agreement is awarded to the claim owner. If opportunities to economically pursue or expand Philippine, Nevada, Colorado operations, or any other opportunity are available, and the Company elects to pursue them, additional working capital may also be required. There is no assurance that the Company will be able to obtain such additional capital, if required, or that such capital would be available to the Company on terms that would be acceptable. Furthermore, if the Company were to commence such operations, it is not presently known when or if a positive cash flow could be derived from the operations. The Company s working capital will also be affected by the outcome of the proposed merger with AngloGold Ashanti. For a more detailed description of the terms and conditions of the Agreement and the merger, see the disclosure in the Company s Annual Report for the year ended December 31, 2007 on Form 10-K under Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters Changes in Control.

Results of Operations

The Company recorded net income for the three months ended March 31, 2008, of approximately $95,000, compared to net income of approximately $205,000 in the comparable 2007 period. The decrease in net income for the three months ended March 31, 2008, compared with the corresponding period in 2007, was due primarily to increased general and administrative expense in the 2007 period related to the proposed merger transaction with AngloGold Ashanti.

The Joint Venture reported a net profit of approximately $25.6 million for the three months ended March 31, 2008 as compared to a net profit of $9.3 million for the corresponding period in 2007. The increase in net profit in the 2007 period was primarily due to a combination of higher revenue from gold bullion sales ($53.8 million vs. $39.3 million) due to higher prevailing gold bullion prices and lower interest expense ($6.1 million vs. $8.7 million) partially offset by increased operating costs ($22.1 million vs. $21.3 million) during the 2007 period.

Whether future gold prices and the results of the Joint Venture s operations will reach and maintain a level necessary to repay the Initial Loans, complete the Initial Phase, and thereafter generate net income cannot be assured. Based on the amount of Initial Loans payable to the Manager and the uncertainty of future operating revenues, management of the Company believes that, without a significant and sustained increase in the prevailing market price for gold, it is unlikely that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

The Company does not hedge, sell forward or otherwise commit any asset on a contingency basis. The Company does not normally commit to multi-year contracts other than employment agreements and office space rental. The Company s Joint Venture, the Cripple Creek & Victor Gold Mining Company, in the course of normal business, periodically executes long term supply contracts to limit its exposure to various supply risks. The Joint Venture has not previously hedged or sold forward gold or other assets for the joint account.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

As of the end of the period covered by this report (the Evaluation Date), we carried out an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and the Company s Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(e) of the United States Securities Exchange Act of 1934, as amended (the Exchange Act). Based upon that evaluation, the Company s Chief Executive Officer, who is also the Company s Chief Financial Officer, concluded that as of the Evaluation Date, the Company s disclosure controls and procedures (as defined in Exchange Act Rule 13a-15) were adequately designed and effective in ensuring that: (i) information required to be disclosed by the Company in reports that it files or submits to the Securities and Exchange Commission under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and (ii) material information required to be disclosed in our reports filed under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for accurate and timely decisions regarding required disclosure.

Changes in Internal Controls over Financial Reporting

During the quarter ended March 31, 2008, there were no changes to internal control over financial reporting that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal proceedings.

None

Item 1A. Risk factors.

There have been no material changes from the risk factors discussed in the Company s Annual Report on Form 10-K for the year ended December 31, 2007.

Item 2. Unregistered Sale of Equity Securities and Use of Proceeds.

None.

Item 3. Default Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other information.

None.

Item 6. Exhibits.

31.1. Rule 13a-14(a)/15d-14(a) Certification. (Sarbanes-Oxley Act Section 302 Certification Principal Executive Officer and Principal Financial Officer.)

32.1. Section 1350 Certification.

SIGNATURES

Pursuant to requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GOLDEN CYCLE GOLD CORPORATION
(Registrant)

Date: May 14, 2008
/s/ R. Herbert Hampton
_________________________________ R. Herbert Hampton, President, Chief Executive Officer, and Treasurer
(Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)