

GOLDEN CYCLE GOLD CORP
Form 10-Q
November 14, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

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.)

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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

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 November 13, 2007: 9,769,250

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED

BALANCE SHEETS

	September, 2007 (unaudited)	December 31, 2006
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 31,647	\$ 53,142
Short-term investments	725,960	677,944
Interest receivable and other current assets	19,177	19,168
Prepaid insurance	31,890	25,203
Total current assets	808,674	775,457
Property and equipment, at cost:		
Land	2,025	2,025
Mineral Claims	20,657	20,657
Furniture and fixtures	9,354	9,354
Machinery and equipment	21,516	21,516
	53,552	53,552
Less accumulated depreciation	(27,917)	(26,131)
	25,635	27,421
Total assets	\$ 834,309	\$ 802,878
<u>Liabilities and Shareholders' Equity</u>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 10,250	\$ 18,373
Total current liabilities	10,250	18,373
Shareholders' equity:		
Common stock, no par value, authorized 100,000,000 shares; issued and outstanding 9,769,250 shares at September 30, 2007, 9,744,250 shares at December 31, 2006	7,544,429	7,499,429
Additional paid-in capital	3,189,799	2,728,273
Accumulated comprehensive loss	(49,511)	(31,511)
Accumulated deficit	(9,860,658)	(9,411,686)
Total shareholders' equity	824,059	784,505
Total liabilities and shareholders' equity	\$ 834,309	\$ 802,878

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED

STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE THREE AND NINE MONTHS ENDED

September 30, 2007 and 2006

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenue:				
Distribution from mining joint venture in excess of carrying value	\$	\$	\$ 250,000	\$ 250,000
Payment from Tornado Gold Intl Corp. (Common Stock)			58,500	
Other operating revenue		50,000		50,000
		50,000	308,500	300,000
Expenses:				
General and administrative (1)	77,589	125,459	800,131	1,402,147
Depreciation expense	595	1,252	1,786	3,757
Exploration expense	8,235	5,846	9,096	8,091
	86,419	132,557	811,013	1,413,995
Operating loss	(86,419)	(82,557)	(502,513)	(1,113,995)
Other income				
Interest and other income	6,453	7,039	21,613	24,231
Gold bullion mark to market	27,035	(2,356)	31,928	24,955
	33,488	4,683	53,541	49,186
Net loss	\$ (52,931)	\$ (77,874)	\$ (448,972)	\$ (1,064,809)
Basic loss per share	\$ (0.01)	\$ (0.01)	\$ (0.05)	\$ (0.11)
Basic weighted average common shares outstanding	9,769,250	9,744,250	9,757,345	9,744,250
Diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.04)	\$ (0.11)
Diluted weighted average common shares outstanding	10,354,250	9,744,250	10,297,107	9,744,250
ACCUMULATED DEFICIT:				
Beginning of period	\$ (9,807,727)	\$ (9,301,486)	\$ (9,411,686)	\$ (8,314,551)
Net loss	(52,931)	(77,874)	(448,972)	(1,064,809)
End of period	\$ (9,860,658)	\$ (9,379,360)	\$ (9,860,658)	\$ (9,379,360)

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED

STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED

September 30, 2007 and 2006

(Unaudited)

	2007	2006
Cash flows from operating activities:		
Net loss	\$ (448,972)	\$ (1,064,809)
Adjustments to reconcile net loss to netcash used in operating activities:		
Depreciation	1,786	3,758
Increase in market value of gold asset	(31,928)	(24,955)
Non-cash compensation liability accrual reclassified to contributed capital		8,940
Increase in interest receivable and other current assets	(6,696)	(2,734)
Decrease in accounts payable and accrued liabilities	(8,123)	(25,568)
Decrease in market value of stock	(18,000)	
Non-cash stock based compensation	461,526	791,597
Net cash used in operating activities	(50,407)	(313,771)
Cash flows from investing activities:		
Decrease (increase) in short-term investments, net	(16,088)	246,632
Purchase of equipment		(1,110)
Net cash provided by (used in) investing activities	(16,088)	245,522
Cash flows provided by financing activities:		
Proceeds from exercise of stock options	45,000	
Net cash provided by financing activities	45,000	
Net decrease in cash and cash equivalents	(21,495)	(68,249)
Cash and cash equivalents, beginning of period	53,142	167,169
Cash and cash equivalents, end of period	\$ 31,647	\$ 98,920

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 on Form 10-K for the year ended December 31, 2006. 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 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 provisions of SFAS 159 are effective for Golden Cycle as of January 1, 2008. Golden Cycle has not yet determined the impact of adopting SFAS 159 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 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 accounts for its investment in the Cripple Creek & Victor Gold Mining Company (the Joint Venture) on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income, as the Company is not currently required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped and the Company receives cash distributions in excess of the Minimum Annual Payment. As of September 30, 2007, the Company's share of accumulated unrecorded losses from the Joint Venture was \$1,912,800.

The Company recognizes revenue as Minimum Annual Distributions from the Joint Venture are received as all services necessary for revenue recognition have been

previously provided to the Joint Venture by the Company. The Joint Venture Agreement, as amended, provides for the Company to receive a Minimum Annual Distribution of \$250,000 during the Initial Phase. Beginning in 1994, such Minimum Annual Distributions are potentially recoupable against the Company's future share of Net Proceeds, if any. 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 from which Minimum Annual Distributions can be recouped, cannot 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.

(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 586,000 shares and 539,762 shares of dilutive securities outstanding during the three and nine months ended September 30, 2007, respectively. For the same three and nine month periods of 2006 there were 510,000 and 438,571 shares of dilutive securities outstanding.

(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, 2006, 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. There were no stock options exercised during the 2006 period. 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.

(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 development 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 \$40,500 and \$0 respectively, and cost of \$58,500 and \$0, respectively, at September 30, 2007 and December 31, 2006. Golden Cycle has accumulated other comprehensive income for unrealized holding losses of \$18,000 and \$0 at September 30, 2007 and December 31, 2006, respectively, related to our marketable equity securities.

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

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 \$336.4 million were outstanding at September 30, 2007. 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.

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 150,000 shares of Tornado common stock on March 13, 2007 in accordance with the Agreement. An additional 200,000 shares of Tornado common stock is due to Golden Cycle at present. 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 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 used in operations was approximately \$50,000 in the nine months ended September 30, 2007 compared to cash used in operations of approximately \$314,000 during the same period in 2006. The approximately \$264,000 decrease in cash used in by operations in the 2007 period compared to the 2006 period was primarily due to decreased non-cash compensation expense of \$330,000, offset by a \$18,000 decrease in the value of Tornado common stock held, \$17,000 decrease in accounts payable, \$4,000 increase in other current assets, and decreased operating expense (primarily a decrease in salary and legal expenses) during the 2007 period. The non-cash compensation expense decreased due to fewer option shares issued (100,000 in June 2007 compared to 125,000 in June 2006) and decreased Black-Scholes model estimated value per option share issued (\$4.62 in June 2007 compared to \$6.33 in June 2006).

The Company's working capital was approximately \$798,000 at September 30, 2007 compared to \$757,000 at December 31, 2006. The increase in working capital at September 30, 2007 was primarily due to \$45,000 received on exercise of stock options by a director and the receipt of \$58,500 of Tornado common stock partially offset by \$50,000 cash used in operations.

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.

Results of Operations

The Company recorded net operating loss for the three months ended September 30, 2007, of approximately \$86,000, compared to net operating loss of approximately

\$83,000 in the comparable 2006 period. The increase in net loss for the three months ended September 30, 2007, compared with the corresponding period in 2006, was due primarily to increased exploration expense in the 2007 period. The Company recorded net operating loss for the nine months ended September 30, 2007, of approximately \$449,000, compared to net operating loss of approximately \$1,114,000 in the comparable 2006 period. The decrease in net loss for the three months ended September 30, 2007, compared with the corresponding period in 2006, was due primarily to decreased general and administrative expenses and decreased non-cash compensation expenses, as discussed above, during the 2007 period.

The Company accounts for its investment in the Joint Venture on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income as received, as the Company is not required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped and the Company receives cash distributions in excess of the Minimum Annual Payment.

The Joint Venture reported a net profit of approximately \$11.5 million for the three months ended September 30, 2007 as compared to a net profit of \$9.3 million for the corresponding period in 2006. The increase in net profit in the 2007 period was primarily due to a combination of higher revenue from gold bullion sales (\$44.3 million vs. \$43.0 million) due to higher prevailing gold bullion prices and lower interest expense (\$8.2 million vs. \$10.9 million) partially offset by increased operating costs (\$24.6 million vs. \$22.9 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.

Forward-Looking Statements

The foregoing 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.

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.

Internal Control over Financial Reporting

Changes in Internal Controls over Financial Reporting

During the quarter ended September 30, 2007, 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.

The Company, owner of a 33% interest in Cripple Creek & Victor Gold Company (CC&V), and the owners of the other 67% interest therein, AngloGold North America, Inc., and AngloGold (Colorado) Corp., now AngloGold Ashanti North America, Inc., and AngloGold Ashanti (Colorado) Corp., respectively, were sued together with CC&V, the owner and operator of the Cresson Project, by the Sierra Club and Mineral Policy Center in 2001. The Plaintiffs asserted numerous violations of the U.S. Clean Water Act which went to trial in the United States District Court for the District of Colorado early in 2006, resulting in a judgment in favor of all Defendants and against all Plaintiffs on all claims, as well as an award of costs and attorneys fees incurred after the point in time at which the Plaintiffs knew or should have known that their dogged pursuit of factually unsupported claims was unreasonable.

The Plaintiffs appealed both the judgment and the fee award to the United States Court of Appeals in Denver. Briefs were timely filed by the Plaintiffs in that court, but the parties reached an agreement to settle all disputes before the Defendants commenced briefing, and the cases have been dismissed. The settlement preserved the Defendants' complete success on all of the alleged violations of the Clean Water Act, and left each of the parties responsible for their own fees and costs. CC&V and the Company gained immediate confirmation of their success on the merits in return for waiving the award of approximately one-fifth of their fees and costs incurred over more than six years. So long as judicial review of the judgment and the monetary award remained possible, the Company did not record a receivable for any of its costs, then approximately \$130,000.

Item 1A. Risk factors.

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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, 2006.

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.

- 2.1** Letter Agreement dated August 23, 2006, between Golden Cycle Gold Corporation and Tornado Gold International Corporation (incorporated by reference to Exhibit 2.1 filed as part of the Current Report on Form 8-K filed by Golden Cycle Gold Corporation on August 29, 2006)
- 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: November 13, 2007

/s/ R. Herbert Hampton
R. Herbert Hampton, President, Chief
Executive Officer, and Treasurer
(Principal Executive Officer, Principal
Financial Officer, and Principal Accounting
Officer)