MIRAGEN THERAPEUTICS, INC.
Form 10-Q
August 08, 2018
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2018

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 No. 001-36483

MIRAGEN THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

Delaware	47-1187261
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6200 Lookout Road, Boulder, CO 80301
(Address, including zip code, of registrant’s principal executive offices)

(720) 643-5200
(Registrant’s telephone number, including area code)

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 such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

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Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (do not check if a smaller reporting company)	Smaller reporting company o
Emerging growth company x	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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

As of August 1, 2018, there were 30,597,199 shares of the registrant’s Common Stock outstanding.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MIRAGEN THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$43,402	$ 47,441
Short-term investments	32,860	—
Accounts receivable	1,198	1,456
Prepaid expenses and other current assets	3,763	2,971
Total current assets	81,223	51,868
Property and equipment, net	614	563
Other assets	50	50
Total assets	$81,887	$ 52,481
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$461	$ 906
Accrued liabilities	3,534	2,991
Current portion of notes payable	289	—
Total current liabilities	4,284	3,897
Notes payable	9,822	9,922
Other liabilities	110	152
Total liabilities	14,216	13,971
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 100,000,000 shares authorized; 30,595,793 and 22,568,006 shares issued and outstanding at June 30, 2018 and December 31, 2017, respectively	306	226
Additional paid-in capital	174,329	131,877
Accumulated other comprehensive income	4	—
Accumulated deficit	(106,968)	(93,593)
Total stockholders' equity	67,671	38,510
Total liabilities and stockholders' equity	$81,887	$ 52,481

See accompanying notes to these condensed consolidated financial statements.

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MIRAGEN THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Revenue:				
Collaboration revenue	$1,368	$488	$6,124	$498
Grant revenue	814	230	842	682
Total revenue	2,182	718	6,966	1,180
Operating expenses:				
Research and development	8,375	5,487	14,788	9,607
General and administrative	2,668	2,581	5,658	5,862
Total operating expenses	11,043	8,068	20,446	15,469
Loss from operations	(8,861)	(7,350)	(13,480)	(14,289)
Other income (expense):				
Interest and other income	361	102	528	132
Interest and other expense	(214)	(64)	(423)	(135)
Net loss	(8,714)	(7,312)	(13,375)	(14,292)
Change in unrealized gain on investments	4	—	4	—
Comprehensive loss	$(8,710)	$(7,312)	$(13,371)	$(14,292)
Net loss	$(8,714)	$(7,312)	$(13,375)	$(14,292)
Accretion of redeemable convertible preferred stock to redemption value	—	—	—	(5)
Net loss available to common stockholders	$(8,714)	$(7,312)	$(13,375)	$(14,297)
Net loss per share, basic and diluted	$(0.29)	$(0.34)	$(0.47)	$(0.87)
Weighted-average shares used to compute basic and diluted net loss per share	30,295,200	21,409,708	28,399,687	16,509,719

See accompanying notes to these condensed consolidated financial statements.

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MIRAGEN THERAPEUTICS, INC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Income	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2017	22,568,006	$ 226	$ 131,877	$ —	$ (93,593)	$ 38,510
Issuance of common stock in public offering, net of issuance cost	7,414,996	74	37,771	—	—	37,845
Issuance of common stock, net of issuance cost; at the market	372,852	4	2,653		—	2,657
Shares issued for cash upon the exercise of stock options	215,999	2	144	—	—	146
Issuance of common stock for cash under employee stock purchase plan	23,940	—	110	—	—	110
Share-based compensation expense	—	—	1,774	—	—	1,774
Change in unrealized gain on investments	—	—	—	4	—	4
Net loss	—	—	—	—	(13,375)	(13,375)
Balance at June 30, 2018	30,595,793	$ 306	$ 174,329	$ 4	$ (106,968)	$ 67,671

See accompanying notes to these condensed consolidated financial statements.

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MIRAGEN THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Net loss	$(13,375)	$(14,292)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation expense	1,774	1,014
Depreciation and amortization	138	148
Non-cash interest expense	189	61
Amortization of premiums and discounts on available-for-sale securities	(61)	—
Changes in operating assets and liabilities:		
Accounts receivable	258	(519)
Prepaid expenses and other assets	(846)	(268)
Accounts payable	(445)	(398)
Accrued and other liabilities	501	(1,007)
Net cash used in operating activities	(11,867)	(15,261)
Cash flows from investing activities:		
Purchases of short-term investments	(32,795)	—
Purchases of property and equipment	(189)	(149)
Cash acquired in reverse merger	—	1,280
Net cash provided by (used in) investing activities	(32,984)	1,131
Cash flows from financing activities:		
Proceeds from the sale of common stock - public offering	40,782	—
Payment of issuance costs associated with the sale of common stock - public offering	(2,890)	—
Proceeds from the sale of common stock - at the market	2,746	—
Payment of issuance costs associated with the sale of common stock - at the market	(82)	—
Proceeds from the exercise of stock options	146	148
Proceeds from stock purchases under employee stock purchase plan	110	—
Proceeds from the sale of common stock - private financing	—	40,703
Payment of issuance costs associated with the sale of common stock - private financing	—	(1,490)
Payments of principal on notes payable	—	(1,000)
Net cash provided by financing activities	40,812	38,361
Net increase (decrease) in cash and cash equivalents	(4,039)	24,231
Cash and cash equivalents at beginning of period	47,441	22,104
Cash and cash equivalents at end of period	$43,402	$46,335
Supplemental disclosure of cash flow information		
Cash paid for interest	$232	$77
Supplemental disclosure of non-cash investing and financing activities		
Amortization of public offering costs	$54	$—
Change in unrealized gain on investments	$4	$—
Conversion of preferred stock to common stock	$—	$76,981
Liabilities assumed, net of non-cash assets received in reverse merger	$—	$1,076
Transfer of common stock issuance costs from prepaid expenses and other current assets to equity (private financing and at the market sales)	$—	$331

Unpaid financing costs included in prepaid expenses and other current assets and accrued liabilities	$—	$57
Reclassification of preferred stock warrant (accrued liability) to common stock warrant (equity)	$—	$51
Accretion of redeemable convertible preferred stock to redemption value	$—	$5

See accompanying notes to these condensed consolidated financial statements.

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MIRAGEN THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. DESCRIPTION OF BUSINESS

Miragen Therapeutics, Inc., a Delaware corporation (the “Company” or “Miragen”), is a clinical-stage biopharmaceutical company discovering and developing proprietary RNA-targeted therapies with a specific focus on microRNAs and their role in certain diseases where there is a high unmet medical need. microRNAs are short RNA molecules, or oligonucleotides, that regulate gene expression and play vital roles in influencing the pathways responsible for many disease processes. The Company has three clinical-stage product candidates, cobomarsen (also known as MRG-106), remlarsen (also known as MRG-201), and MRG-110. The Company is developing MRG-110 under a license and collaboration agreement (the “Servier Collaboration Agreement”) with Les Laboratoires Servier and Institut de Recherches Servier (collectively, “Servier”).

Liquidity

The Company has incurred annual net operating losses since its inception. As of June 30, 2018, the Company had an accumulated deficit of $107.0 million and a net loss of $8.7 million and $13.4 million for the three and six months ended June 30, 2018, respectively.

In February 2018,rvision of and with the participation of the Company’s management, including the Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operations of the Company’s disclosure controls and procedures (as defined in Rule 13a – 15(e) and Rule 15d – 15(e) under the Exchange Act). Based on that evaluation the CEO and the CFO have concluded that as of the end of the period covered by this report, the Company’s disclosure controls and procedures 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.

Management’s Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act, for the Company. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of internal control include providing management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management’s authorization and recorded properly to permit the preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America.

Financial management has documented and evaluated the effectiveness of the internal control of the Company as of December 31, 2007 pertaining to financial reporting in accordance with the framework and criteria established in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission. As a result of the evaluation, management concluded that as of December 31, 2007, the Company’s internal control over financial reporting was effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Our management reviewed the results of their assessment with the Audit Committee.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

Changes in Internal Control Over Financial Reporting

Within the year ended December 31, 2007, there were no changes to our internal control over financial reporting that materially affected, or is reasonably likely, or are reasonably likely, to materially affect our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

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PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The Company's directors hold office until the next annual meeting of the stockholders and the election and qualification of their successors. Officers are elected annually by the Board of Directors and serve at the discretion of the Board of Directors.

The following table and information that follows sets forth, as of December 31, 2007,the names, and positions of the Company's directors and executive officers:

Name	**Current Office with Company**	**Principal Occupation Last Five Years**	**Director Since**
Taki N. Anagnoston, M.D.	Director	Private security analyst and investor, real estate investor and developer, medical doctor in private practice for more than forty years.	2004
Donald L. Gustafson	Director	Vice President, Exploration of the Corporation from Aug 1, 2004 to Nov 31, 2006; Consulting Economic Geologist from 1998 and consultant to the Corporation through June 2004; Director of Gold Summit Exploration since 2001; Director of Green River Geology Co PTY LTD since 2004; President and Chief Operating Officer, Quest International Minerals, 1996-1998; Homestake Mining Company from 1975-1990 and Vice President Exploration of Homestake International Minerals, 1985-1990	2004
R. Herbert Hampton	President, Chief Executive Officer, Treasurer	President, Chief Executive Officer and Treasurer of the Corporation since April 1999; Vice President, Finance From August 1, 1993 to April 1999; Secretary and Treasurer of the Corporation from May 1994 to April 1999; and an employee of the Corporation since October 1, 1992.	1999
James C. Ruder	Chairman of the Board, Director	Chairman of Board of the Corporation since June 2003 and of Golden Cycle Exploration since June 2002; Private security analyst and investor, primarily in gold and gold mining equities for more than twenty years.	2003

Robert T. Thul	Director	Independent Certified Public Accountant from 1985 to present. Treasurer of Golden Cycle Gold Corporation from 1973 to 1983.	2003

The following is a description of the business background of the directors and executive officers of the Company.

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R. Herbert Hampton (61) – Chief Executive Officer, Treasurer

Mr. Hampton has been an employee of the Company since October 1, 1992. Mr. Hampton was Secretary and Treasurer to the Company from May 1994 to April 1999 and Vice President, Finance from August 1, 1993 to April 1999. Since April 1999, Mr. Hampton has been the Company's President, Chief Executive Officer and Treasurer. Mr. Hampton received a Bachelor of Science in Accounting from Brigham Young University in 1972 and a Masters of Business Administration from University of Utah in 1980.

James C. Ruder (78) – Chairman of the Board, Director

Mr. Ruder has been Chairman of the Board of the Company since June 2003. Mr. Ruder has been Chairman of the Board to Golden Cycle Exploration since June 2002. Mr. Ruder has been a private security analyst and investor, primarily in gold and gold mining equities, for the past twenty years. Mr. Ruder received Bachelor of Arts from Stanford University in 1951 and a Master of Business Administration from Stanford University Graduate School of Business in 1953.

Robert T. Thul (62) – Director

Mr. Thul was the Treasurer of Golden Cycle from 1973 to 1983. Mr. Thul has been a self-employed independent certified public accountant from 1985 to the present. Mr. Thul received Bachelor of Arts from Saint Norbert College in 1969 and a Masters of Business Administration from University of Colorado in 1990.

Donald L. Gustafson (69) – Director

Mr. Gustafson is a self-employed geologic consultant since December 2006. Mr. Gustafson was the vice president, exploration of the Company from August 1, 2004 to November 31,2006. Mr. Gustafson was a consulting economic geologist from 1998 and consultant to the Company through June 2004. Mr. Gustafson has been a director of Gold Summit Exploration since 2001 and a director of Green River Geology Co PTY LTD since 2004. He was president and chief operating officer of Quest International minerals from 1996-1998. Mr. Gustafson was vice president exploration of Homestake International Minerals from 1985-1990. Mr. Gustafson received a Bachelors of Arts in Geology and Mineralology in 1963 and a Masters of Science in Geology from the University of Colorado in 1965.

Taki N. Anagnoston, M.D. (76) – Director

Mr. Anagnoston has been a medical doctor in solo private practice since 1965. Mr. Anagnoston is also a private security analyst and investor and real estate investor and developer. Mr. Anagnoston received a Bachelor of Science from Otterbein College in 1954 and MD Universtity of Cincinatti 1958 became OBGYN Specialist 1962.

Legal Proceedings

None of the Corporation's directors, officers, or affiliates, or any beneficial owner of record of more than 5% of the Corporation's common stock, or any associate of such persons, is a party adverse to the Corporation or has a material adverse interest to the Corporation.

Family Relationships

None of our Directors are related by blood, marriage, or adoption to any other Director, executive officer, or other key employees. To our knowledge, there are no arrangements or understandings between any of our officers and any other person, including Directors, pursuant to which the officer was selected to serve as an officer.

Section 16(a) Beneficial Ownership Reporting Compliance

Pursuant to Section 16(a) of the Securities Exchange Act of 1934 and the rules issued thereunder, the Corporation's directors, executive officers and 10% shareholders are required to file with the Securities and Exchange Commission and the NYSE-Arca reports of ownership and changes in ownership of the Corporation's Common Stock. Copies of such forms are required to be furnished to the Corporation. Based solely on its review of the copies of such reports, or written representations that no reports were required, the Corporation believes that during the fiscal year ended December 31, 2007, its directors, executive officers and 10% shareholders complied with the Section 16(a) requirements.

Audit Committee

Pursuant to Paragraph 16 of the Corporation's By-Laws, the Board of Directors has created a separately designated standing Audit Committee established in accordance with Section 3(a)(58)(A). The Committee is comprised of Messrs. Robert T. Thul (Chairman), James C. Ruder, and Dr. Taki N. Anagnoston, and is empowered to supervise the auditing of the accounts of the Corporation. Its primary duties and responsibilities are to: monitor the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting, and legal compliance; monitor the independence and performance of the Corporation's independent auditors; provide an avenue of communication among the independent auditors, management and the Board of Directors; and performing other duties and functions deemed appropriate by the Board. The Corporation's Board of Directors has determined that Mr. Robert T. Thul is a "financial expert" as defined by the NYSE-Arca and the SEC. The Audit Committee charter is available on the Corporation's website, www.goldencycle.com. The Audit Committee met four times during the fiscal year ended December 31, 2007.

Code of Ethics

The Corporation has adopted a Code of Ethics that applies to its management (including its Chief Executive Officer and any other accounting officer, controller or persons performing similar functions) and its directors. The Code of Ethics is also available on the Corporation's website, www.goldencycle.com. In the event that we amend our Code of Ethics or grant a waiver from its restrictions to a person covered by the Code of Ethics, we intend to provide this information on our website.

Shareholder Communication with the Board of Directors

Historically, the Corporation has not adopted a formal process for stockholder communications with the Board. Nevertheless, every effort has been made to ensure that the views of stockholders are heard by the Board, or individual directors as applicable, and that appropriate responses are provided to the stockholder in a timely manner. Stockholders wishing to communicate at any time with the Board of Directors, or a specific member of the Board, may do so by writing the Board or a specific member of the Board by delivering correspondence in person or by mail to: The Board of Directors, c/o Wilma L. Delacruz, Corporate Secretary, 1515 South Tejon, Suite 201, Colorado Springs, Colorado 80906. Communication(s) directed to the Board or a specific Board member will be relayed to the intended Board member(s).

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth information on the compensation earned by Mr. R. Herbert Hampton, the current Chief Executive Officer. The Chief Executive Officer is the highest paid officer of the Corporation.

Name (a)	Year (b)	Salary (c)	Bonus (d)	Stock Awards (e)	Option Awards (f)	Non-Equity Incentive Plan Compensation (g)	Change in Pension Value and Non-Qualified Deferred Compensation Earnings (h)	All Other Compensation (i)	Total (j)
R. Herbert Hampton Principal Executive Officer	2007	$ 98,823	$ —	$ —	$ —	$ —	$ —	$ —	$ 98,823
	2006	$ 95,375	$ —	$ —	$ 158,250	$ —	$ —	$ —	$ 253,625

Compensation Discussion and Analysis

Contract with R. Herbert Hampton

Compensation for R. Herbert Hampton is currently provided pursuant to a three-year contract with Mr. Hampton, which terminates on August 1, 2008. Mr. Hampton’s current compensation consists of base salary payments of approximately $95,375 per year. Salary compensation is paid for executive services rendered by Mr. Hampton for the Corporation. Mr. Hampton serves as the Company’s President, Chief Executive Officer, and Treasurer. Stock option based compensation was granted to Mr. Hampton in his capacity as a Director of the Company. The Compensation Committee will review Mr. Hampton’s compensation next year in anticipation of the expiration of the current contract. Mr. Hampton’s compensation is based on the types and levels of services provided, noting that he is responsible for all the functions of the Company.
Mr. Hampton’s compensation has been adjusted annually only for a cost of living allowance computed in accordance with the US Government’s published CPI for the past six years. The Compensation committee recognizes the Company’s limited resources, and has therefore limited salary increases.

Grants of Plan-Based Awards

The Company did not grant options to Mr. Hampton during fiscal 2007.

Outstanding Equity Awards at Fiscal Year-End

	Option Awards					Stock Awards			
Name (a)	**Number of Securities Underlying Unexercised Options (#) Exercisable (b)**	**Number of Securities Underlying Unexercised Options (#) Unexercisable (c)**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)**	**Option Exercise Price ($) (e)**	**Option Expiration Date (f)**	**Number of Shares or Units of Stock Held That Have Not Vested (#) (g)**	**Market Value of Shares or Units of Stock That Have Not Vested ($) (h)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)**
R. Herbert Hampton Principal Executive Officer	—	—	—	$ —	—		$		$

Option Exercises and Stock Vested

The following table sets forth certain information with respect to the value of stock options held by Mr. R. Herbert Hampton at fiscal year end.

	Option Awards	Stock Awards

Name (a)	Number of Shares Acquired on Exercise (#) (b)	Value Realized on Exercise ($) (c)	Number of Shares Acquired on Vesting (#) (d)	Value Realized on Vesting ($) (e)
R. Herbert Hampton Principal Executive Officer	25,000	$ 125,000	—	$ —

(1) Mr. Hampton holds options entitling him to purchase 225,000 shares of the Corporation's Common Stock.

Pension Benefits

The Corporation does not have a pension benefit plan.

Pursuant to a resolution of the Company's board of directors, the Company has agreed to pay Mr. Hampton severance following the closing of the proposed merger with AngloGold Ashanti in a lump sum amount equal to $8,404 per month from the closing of the merger through August 1, 2008. For a description of the terms and conditions of the Agreement and the contemplated transaction, see the disclosure under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Changes in Control."

Deferred Compensation

The Corporation does not have deferred compensation.

Director Compensation

Name (a)	Fees Earned or Paid in Cash ($) (b)	Stock Awards ($) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compensation ($) (e)	Change in Pension Value and Nonqualified Deferred Compensation Earnings (f)	All Other Compensation ($) (g)	Total ($) (h)
James C. Ruder	$ 10,400	$ —	$ 115,500	$ —	$ —	—	$ 125,900
Taki N. Anagnoston	7,400	—	115,500	—	—	—	122,900
Robert T. Thul	10,400	—	115,500	—	—	—	125,900
Donald L. Gustafson	6,000	—	115,500	—	—	—	121,500

The compensation payable to directors is established periodically by the Board. During 2007, each non- management member of the Board was paid a fee of $3,000 for each meeting attended (telephonic meetings excluded) with the Chairman of the Board entitled to an additional fee of $3,000 per year. Directors are also entitled to reimbursement of expenses incurred in connection with such attendance. Members of the Audit Committee are entitled to a fee of $350 for each formal committee meeting with the Chairman of the Audit Committee entitled to an additional fee of $3,000 per year.

Under the terms of the 2002 Stock Option Plan, on June 5th of each year, each director of the Corporation will automatically receive an option to purchase 25,000 shares of the Corporation's Common Stock at an exercise price equal to the fair market value of such stock on such date, until such director or executive officer has received options to purchase an aggregate of 125,000 shares of Common Stock under such plan. To date, options to purchase 625,000 shares of the Corporation's Common Stock have been granted under the plan, of which 585,000 are currently outstanding. During 2007, with the exception of Mr. R. Herbert Hampton, all directors received options under the plan. The 2002 Stock Option Plan was completed with the June 2007 stock option grants. No further stock option grants are available under the plan.

Employment Contracts

The Corporation has a three-year employment contract with its President, Mr. R. Herbert Hampton, which pays an annual salary of $85,000, adjusted annually by the consumer price index, ($100,848 annual rate as of March 2008) and expires on August 1, 2008.

Compensation Committee Interlocks and Insider Participation

No person who served as a member of the Compensation Committee during fiscal 2007 was a current or former officer or employee of the Corporation or engaged in certain transactions with the Corporation required to be disclosed by regulations of the SEC. Additionally, there were no compensation committee “interlocks” during 2007, which generally means that no executive officer of the Corporation served as a director or member of the compensation committee of another entity, which had an executive officer serving as a director or member of the Corporation's Compensation Committee.

Compensation Committee Report

The Golden Cycle Gold Corporation Compensation Committee oversees the Corporation's compensation reporting process on behalf of the Board of Directors. The Committee has three members, each of whom is "independent" as defined by applicable SEC, NYSE-Arca and auditing standards. The Committee operates under a written charter, adopted by the Board in April 2004 and revised by the Board in October of 2007.

The Committee assists the Board of Directors by overseeing the (1) annual review of director and executive officer compensation policies and goals, (2) determining the compensation of directors and executive officers, (3) and providing accurate public disclosure of the Corporation's compensation.

In the course of providing its oversight responsibilities regarding the Corporation's compensation of directors and executive officers in 2007, the Committee reviewed and discussed with management the Compensation Discussion and Analysis included in this annual report.

Based on the Committee's review of the Compensation Discussion and Analysis and discussions with the Board of Directors and the Corporation's management, the Committee recommended that the Compensation Discussion and Analysis be included in this annual report.

Submitted by the following members of the Compensation Committee of the Board of Directors:

Robert T. Thul

Dr. Taki N. Anagnoston

James C. Ruder

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership of Certain Beneficial Owners

The following table sets forth the number and percentage of outstanding shares of the Company's common stock beneficially owned as of March 18, 2008 by:

- each director and named executive officer of the Company;
- all directors and executive officers of the Company as a group; and
- beneficial owners of 5 percent or more of the Company's common stock.

As of March 18, 2008, 9,769,250 shares of the Company's common stock were issued and outstanding.

For purposes of the following table a person or group of persons is deemed to have beneficial ownership of any shares of the Company's common stock as of a given date which such person or group of persons has the right to acquire within 60 days after March 18, 2008 upon exercise of vested portions of stock options.

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Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Ownership
MIDAS Fund, Inc.(1) 11 Hanover Square New York, NY 10005	1,964,500	20.1%
David W. Tice & Associates, LLC(2) Prudent Bear Funds, Inc. 8140 Walnut Hill Lane, Ste 300 Dallas, Texas 75231	1,298,265	13.2%
R. Herbert Hampton(3)	338,510	3.3%
Donald L. Gustafson(4)	85,000	0.9%
James Ruder(5)	101,000	1.0%
Dr. Taki Anagnoston(6)	559,280	5.7%
Robert Thul(7)	100,125	1.0%
Directors and Officers as a Group	**1,183,915**	**11.43%**

(1) MIDAS Fund, Inc. is a registered, open-end, investment company and is an advisory client of Midas Management Corporation (MMC). Mr. Thomas B. Winmill, a former director of Golden Cycle, is President of MIDAS Fund, Inc., and its investment manager. MMC is a wholly owned subsidiary of Winmill & Co. Incorporated (Winco). Mr. Bassett S. Winmill owns 100% of the outstanding voting stock of Winco and is the principal shareholder of Winco. MMC, Winco and Mr. Bassett S. Winmill each disclaim any economic interest or beneficial ownership in the securities shown above owned by advisory clients of Winco subsidiaries.

(2) David W. Tice & Associates, LLC is a registered investment advisor and Prudent Bear Funds, Inc. is a registered investment company. Prudent Bear Funds, Inc. includes two operating portfolios, Prudent Bear Fund and Prudent Global Income Fund. David W. Tice and Associates, LLC is the investment adviser to Prudent Bear Funds, Inc.

(3) R. Herbert Hampton is an officer and director of Golden Cycle. Beneficial ownership includes 56,110 shares of common stock and 225,000 stock options exercisable to acquire common stock. 57,400 shares of common stock beneficially owned by R. Herbert Hampton and his siblings are held by the Estate of Rex H. Hampton.

(4) Donald L. Gustafson is a director of Golden Cycle. Beneficial ownership includes 85,000 stock options exercisable to acquire common stock.

(5) James Ruder is a director of Golden Cycle. Beneficial ownership includes 1,000 shares of common stock and 100,000 stock options exercisable to acquire common stock.

(6) Dr. Taki Anagnoston is a director of Golden Cycle. Beneficial ownership includes 484,280 shares of the common stock and 75,000 stock options exercisable to acquire common stock.

(7) Robert Thul is a director of Golden Cycle. Beneficial ownership includes 125 shares of common stock and 100,000 stock options exercisable to acquire common stock.

Changes in Control

On January 11, 2008, the Company entered into an Agreement and Plan of Merger (“Agreement and Plan of Merger”) with AngloGold Ashanti Limited, a corporation organized under the laws of the Republic of South Africa (the “Parent”), 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 (collectively, “AngloGold Ashanti”).

Under the terms of the Agreement and Plan of Merger, the Company agreed to be acquired by AngloGold Ashanti through a transaction in which the Company’s shareholders will receive consideration consisting of American Depositary Shares (each, an “ADS”) of Parent under the terms and subject to the conditions set forth in the Agreement and Plan of Merger (the “Transaction”).

The Board of Directors of the Company, upon determination of the fairness from a financial point of view of the Transaction by PI Financial (US) Corp., has determined that the Transaction is fair to and in the best interests of the Company and its shareholders and has recommended that the Company’s shareholders approve the Transaction.

Under the terms of the Agreement and Plan of Merger, it is proposed that the Transaction will be implemented as a statutory merger under Colorado law, pursuant to which the Company will merge with and into GCGC LLC with GCGC LLC continuing as the surviving entity in the merger.

Under the terms and subject to the conditions set forth in the Agreement and Plan of Merger (a) each issued and outstanding share of the Company's common stock shall be automatically converted into the right to receive 0.29 (the "Exchange Ratio") ADSs rounded up to the next whole ADS, with each whole ADS representing one ordinary share, par value 25 South African cents per share, of Parent; and (b) each unexpired and unexercised option to purchase the Company's common stock granted under the Company's stock option plans, whether vested or unvested, to be automatically converted into an option to purchase a number of ADSs equal to the number of the Company's shares that could have been purchased (assuming full vesting) under such option multiplied by the Exchange Ratio (rounded down to the nearest whole number of ADSs) at a price per ADS equal to the per-share option exercise price specified in the Company option divided by the Exchange Ratio (rounded up to the nearest whole cent). Such substituted option shall otherwise be subject to the same terms and conditions as the option to purchase the Company's shares that it was issued in respect of.

Each of the Company and AngloGold Ashanti has made customary representations, warranties and covenants in the Agreement and Plan of Merger.

The Transaction is subject to mutual customary conditions to closing, including: (i) the Company obtaining approval of the holders of two-thirds of the issued and outstanding shares of the Company's common stock entitled to vote; (ii) no governmental action, suit or proceeding that would prohibit, restrain, enjoin or restrict the consummation of the Transaction; (iii) a Form F-4 registration statement registering the ADSs to be issued in the Transaction with the U.S. Securities and Exchange Commission shall have become effective in accordance with the provisions of the Securities Act of 1933, as amended; (iv) ADSs to be issued in the Transaction shall have been approved for listing on the New York Stock Exchange; and (v) all necessary governmental approvals shall have been obtained or applicable waiting periods shall have expired (including the approval of the South African Reserve Bank).

AngloGold Ashanti's obligation to close the Transaction is subject to the additional customary conditions to closing, including: (i) no breach of a representation or warranty by the Company that would give rise, in aggregate to a "material adverse effect" (as defined in the Agreement and Plan of Merger); (ii) no material adverse effect shall have occurred to the Company (not caused by or within the control of AngloGold Ashanti); (iii) the Company shall have performed or complied in all material respects with each of its obligations under the Agreement and Plan of Merger; (iv) delivery of tax representations and opinions, auditor comfort letters and officers' certificates; and (v) evidence reasonably satisfactory to AngloGold Ashanti that the aggregate amount of all unpaid costs and expenses incurred by the Company in connection with the Agreement and Plan of Merger and the Transactions at closing is not in excess of $200,000. The Company's obligation to close the Transaction is subject to the additional customary conditions to closing, including: (i) no breach of a representation or warrant by AngloGold Ashanti that would give rise in the aggregate to a material adverse effect; (ii) AngloGold Ashanti shall have performed or complied in all material respects with each of its obligations under the Agreement and Plan of Merger; and (iii) delivery of tax representations and opinions, auditor comfort letters and officers' certificates.

The Agreement and Plan of Merger contains a "no shop" restriction on the Company's ability to solicit third party proposals, provide information to and engage in discussions and negotiations with third parties. The no shop provision is subject to a "fiduciary out" provision that allows the Company, under certain circumstances and in compliance with certain obligations, to provide information and participate in discussions and negotiations with respect to written third party acquisition proposals submitted after the date of the Agreement and Plan of Merger that the Board of Directors believes in good faith to be bona fide and determines in good faith, after consultation with its outside counsel and receipt of the written opinion of an independent investment bank that the third party acquisition proposal constitutes a "superior proposal" (as defined in the Agreement and Plan of Merger), constitutes a "superior proposal".

As noted above, the Company's board of directors unanimously recommended that the Company's shareholders approve the Agreement and Plan of Merger. Subject to limited exceptions, the Agreement and Plan of Merger prohibits the Company's board of directors from withdrawing or amending in a manner adverse to AngloGold Ashanti its recommendation. However, under limited circumstances and subject to certain conditions, the Company may make an “adverse recommendation change” (as defined in the Agreement and Plan of Merger) if: (i) the Company receives a bona fide written acquisition proposal from a third party (and such acquisition proposal was not initiated, solicited or knowingly encouraged or facilitated in violation of the Agreement and Plan of Merger), (ii) the board of directors of the Company determines in good faith, after consultation with its outside counsel and receipt of the written opinion of an independent investment bank that the third party acquisition proposal constitutes a “superior

proposal” and (iii) the Company provides written notice to AngloGold Ashanti advising that it is contemplating making such an adverse recommendation change and specifying the material facts and information constituting the basis for such contemplated determination; *provided that* prior to making an adverse recommendation change, at the request of AngloGold Ashanti, during a four business day period, the Company shall negotiate in good faith with respect to any changes or modifications to the Agreement and Plan of Merger which would allow the Board of Directors of the Company not to make such adverse recommendation change consistent with its fiduciary duties. Notwithstanding an adverse recommendation change, the Company shall submit the Agreement and Plan of Merger to its shareholders at the shareholder meeting for the purpose of adopting the Agreement and Plan of Merger, with such disclosures as shall be required by applicable law.

Either party may terminate the Agreement and Plan of Merger (i) by mutual agreement, (ii) if the Transaction has not closed on or before June 30, 2008, provided that such party has fulfilled its obligations under the Agreement and Plan of Merger; (iii) any governmental action, suit or proceeding would prohibit, restrain, enjoin or restrict the consummation of the Transaction; or (iv) the Company shareholders fail to approve the Transaction. In addition, AngloGold Ashanti may terminate the Agreement and Plan of Merger under certain circumstances, including if: (i) the Company’s Board of Directors makes an “adverse recommendation change”; (ii) the Company breaches its “no shop” obligations; (iii) the Company breaches a representation or warranty giving rise to a “ material adverse effect”; (iv) a “material adverse effect” occurs with respect to the Company (not caused by or within the control of AngloGold Ashanti); and (v) the Company fails to satisfy its conditions to closing. The Company may terminate the Agreement and Plan of Merger under certain circumstances, including if: (i) AngloGold Ashanti breaches a representation or warranty giving rise to a “material adverse effect”; or (ii) the Company accepts a “superior proposal” and pays the break fee described below.

In connection with a termination of the Agreement and Plan of Merger, (a) the Company may be required to pay a fee of $5,760,000 to AngloGold Ashanti if: (i) the Transaction has not closed on or before June 30, 2008, provided that AngloGold Ashanti has fulfilled its obligations under the Agreement and Plan of Merger and is prepared to close; (ii) the Company has breached its no-shop covenants or obligation to hold a shareholder meeting; (iii) the Company terminates to accept a “superior proposal”; (iv) the Company’s board of directors make an “adverse recommendation change”, the Company shareholders fail to approve the Transaction or the Transaction has not closed before June 30, 2008 and, in each case, an acquisition transaction with respect to the Company is closed within 18 months of the termination of the Agreement and Plan of Merger; or (v) the Company breaches a representation or warranty giving rise to a “material adverse effect” or fails to comply in all material respects with its covenants and agreements in the Agreement and Plan of Merger, or (b) AngloGold Ashanti may be required to pay a fee of $1,440,000 to the Company if: (i) the Transaction has not closed on or before June 30, 2008, provided that the Company has fulfilled its obligations under the Agreement and Plan of Merger and is prepared to close or (ii) AngloGold Ashanti breaches a representation or warranty giving rise to a “material adverse effect” or fails to comply in all material respects with its covenants and agreements in the Agreement and Plan of Merger. In addition, the Company shall pay AngloGold Ashanti the reasonable, documented costs and expenses incurred by AngloGold Ashanti in connection with the Agreement and Plan of Merger and the Transaction up to an amount equal to $500,000 in the event that AngloGold Ashanti terminates the Agreement and Plan of Merger as the result of an Adverse Recommendation Change, which amount shall be credited towards any termination fee payable to AngloGold Ashanti in connection with such termination.

The foregoing description of the Agreement and Plan of Merger does not purport to be complete and is qualified in its entirety by reference to the Agreement and Plan of Merger. The Agreement and Plan of Merger is filed as an Exhibit to the Company's current report on Form 8-K, as filed with the Securities and Exchange Commission on January 15, 2008. The Agreement and Plan of Merger contains representations and warranties that the parties to the Agreement and Plan of Merger made to and solely for the benefit of each other, and the assertions embodied in such representations and warranties are qualified by information contained in confidential disclosure schedules that the parties exchanged in connection with execution of the Agreement and Plan of Merger. Accordingly, investors and stockholders should not rely on such representations and warranties as characterizations of the actual state of facts or circumstances, since they were only made as of the date of the Agreement and Plan of Merger and are modified in important part by the underlying disclosure schedules.

Additionally, on January 11, 2008, AngloGold Ashanti entered into shareholder support agreements with each of the following shareholders:

1. David W. Tice & Associates, Inc.
2. OCM Gold Fund
3. Rex H. Hampton Jr.
4. Estate of Rex H. Hampton
5. Dr. Taki N. Anagnoston
6. James C. Ruder
7. Robert T. Thul
8. Donald L. Gustafson
9. Midas Fund, Inc./Midas Management Corporation

The aforementioned shareholders represent an aggregate of approximately 44.2% of the Company's outstanding common stock. Each of aforementioned shareholders has agreed, in their capacities as stockholders, upon the terms and subject to the conditions set forth in their respective shareholder support agreements, to vote all shares of common stock beneficially owned by such stockholder in accordance with the terms of such shareholder support agreements, as terms principally stating that all shares of common stock beneficially owned will be voted in favor of the Agreement and Plan of Merger.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Except as disclosed below, none of our directors, named executive officers or more-than-five-percent shareholders, nor any associate or affiliate of the foregoing, have any interest, direct or indirect, in any transaction, during the fiscal year-ended December 31, 2007, or in any proposed transactions which has materially affected or will materially affect us.

Certain members of the Company's board of directors and executive officers of the Company have interests in the proposed Agreement and Plan of Merger with AngloGold Ashanti that differ from, or are in addition to, their interests as shareholders of the Company. The Company's board of directors was aware of these interests and considered them, among other matters, in approving the Agreement and Plan of Merger. These interests are described below.

Shareholder Support Agreements

As described above under Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Change in Control," in connection with the Agreement and Plan of Merger, AngloGold Ashanti required that each of Messrs. Hampton, Anagnoston, Ruder, Thul and Gustafson and their respective affiliates enter into shareholder support agreements in which, among other things, they each severally agree to grant an irrevocable proxy to AngloGold Ashanti to vote their shares of the Company's common stock:

- in favor of (i) the merger, the adoption of the Agreement and Plan of Merger and the approval of its terms and each of the other transactions contemplated by the Agreement and Plan of Merger and (ii) any other matter necessary to the consummation of the merger and the other transactions contemplated by the Agreement and Plan of Merger;

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- against any other merger agreement or merger (other than the Agreement and Plan of Merger with AngloGold Ashanti and the merger with an indirect subsidiary of AngloGold Ashanti), consolidation, combination, sale of substantial assets, reorganization, recapitalization, dissolution, liquidation or winding up of or by the Company or any of its subsidiaries or any other acquisition proposal;

- against any amendment of the Company's articles of incorporation or by-laws or other proposal or transaction involving the Company or any of its subsidiaries, which amendment or other proposal or transaction would in any manner impede, frustrate, prevent or nullify the merger with an indirect subsidiary of AngloGold Ashanti, the merger agreement or any of the other transactions contemplated by the Agreement and Plan of Merger or change in any manner the voting rights of any class of capital stock of the Company; and

- against any action that would result in a breach of any representation, warranty or covenant made by the Company in the Agreement and Plan of Merger.

Messrs. Hampton, Anagnoston, Ruder, Thul and Gustafson and their respective affiliates beneficially owned approximately 0.6 percent, 5.0 percent, less than 0.1 percent, less than 0.1 percent and zero percent, respectively, of the shares of Golden Cycle common stock outstanding as of March 18, 2008 (excluding shares of the Company's common stock which such person had the right to acquire as of such date upon exercise of stock options).

Indemnification and Insurance of the Company's Directors and Officers

The Agreement and Plan of Merger requires the surviving company in the merger to indemnify the Company's directors and officers and to honor all rights to indemnification and exculpation existing in favor of a director or officer of the Company and its subsidiaries under the Company's articles of incorporation and by-laws as in effect on the date of the Agreement and Plan of Merger for a period of six years after the effective time of the merger and to maintain for a period of three years after the closing date of the merger director and officer liability insurance for the benefit of the Company's officers and directors with respect to acts or omissions occurring prior to the closing date.

Stock Options

In connection with the merger, each unexpired and unexercised option to purchase the Company's common stock granted under the Company's stock option plans, whether vested or unvested, will be automatically converted into an option to purchase a number of AngloGold Ashanti ADSs equal to the number of shares of the Company's common stock that could have been purchased (assuming full vesting) under such option multiplied by the exchange ratio of 0.29 (rounded down to the nearest whole number of AngloGold Ashanti ADSs) at a price per AngloGold Ashanti ADS equal to the per share option exercise price specified in the Company option divided by the exchange ratio of 0.29 (rounded up to the nearest whole cent). Each substituted option shall otherwise be subject to the same terms and conditions as the option to purchase the Company's common stock that it was issued in respect of. Prior to the closing of the merger, each director and officer of the Company will voluntarily tender his resignation and, under the terms of the option plans pursuant to which the Company's stock options were issued, each substituted option will therefore expire six months following the closing of the merger.

Severance Pay

Pursuant to a resolution of the Company's board of directors, the Company has agreed to pay Mr. Hampton severance following the closing of the merger in a lump sum amount equal to $8,404 per month from the closing of the merger through August 31, 2008.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Audit Fees

The fees paid by the Corporation to Ehrhardt Keefe Steiner & Hottman ("EKS&H") for services provided:

	2007	**2006**
1) Audit fees, including audits of our annual financial statements, review of our quarterly financial statements and statutory audits of our foreign subsidiaries.	$22,500(a)	$21,100
2) Audit-related fees	7,500(b)	6,900
3) Tax fees (including tax compliance and advice)	—	4,400
4) All other fees	293(c)(	6,629*

(a) Represents billing of $22,500 for the 2006 audit

(b) Includes billings related to the first, second and third quarter reviews

(c) represents $293 of out-of-pocket expenses

* Includes $3,850 related to assistance with a potential merger with Fronteer Development Group, Inc., $1,500 related to research of potential phantom income, $800 related to the Illipah sale and $479 of out-of-pocket expenses.

The Audit Committee determined that the provision of tax preparation services by EKS&H is compatible with maintaining the independence of EKS&H, however, decided to engage the services of Stockman Kast Ryan & Co, LLP for the preparation of the Company's 2006 and 2007 State and Federal income tax returns.

Policy on Audit Committee Pre-Approval of Audit and Non-Audit Services of Independent Auditor

The Audit Committee's policy is to pre-approve all audit and non-audit services provided by the independent auditors. These services may include audit services, audit IT-related services, tax services and other services. Pre-approval is generally granted for up to one year and any pre-approval is detailed as to the particular service and generally subject to a specific budget. The independent auditors and management are required to report to the full Audit Committee regarding the extent of services provided by the independent auditors in accordance with this pre-approval, and the fees for the services performed to date. During 2007 and 2006, the Audit Committee pre-approved the EKS&H audit services for quarterly review of four quarterly periods.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

Documents Filed as Part of This Report

Documents Filed as Part of This Report

Financial Statement Schedules

Financial statement schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

Exhibit Index

3.1. Articles of Incorporation, as amended, effective June 15, 2004, (incorporated by reference to Exhibit 3.1 to the Company’s Quarterly Report on Form 10-Q for the quarter ended March 31, 2006)

3.2 Articles of Amendment to the Articles of Incorporation of Golden Cycle Gold Corporation (incorporated by reference to Exhibit 3.1 to the Company’s Form 8-K filed May 12, 2006.

3.3. By-laws (incorporated by reference to Exhibit 2 to the Company’s Form 10 dated May 19, 1983).

10.1. Amended and Restated Joint Venture Agreement between AngloGold Ashanti (Colorado) Inc. and the Company dated as of January 1, 1991 (incorporated by reference to Exhibit 1 to the Company's Current Report on Form 8-K dated June 17, 1991).

10.2 1997 Officers' & Directors' Stock Option Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement dated April 30, 1997).

10.3 2002 Stock Option Plan (incorporated by reference to Appendix A of the Company's Definitive Proxy Statement dated April 27, 2001).

10.5 Employment Agreement dated December 2, 2004 with R. Herbert Hampton (incorporated by reference to Exhibit 1 to the Company's Form 8-K dated December 3, 2004).

10.6 Agreement of Plan of Merger dated January 11, 2008 by and between the Company and AngloGold Ashanti Limited (incorporated by reference to the Company's Form 8-K dated January 15, 2008).

10.7 Form of Shareholder Agreement between AngloGold Ashanti and principal shareholders of the Company (incorporated by reference to the Company's Form 8-K dated January 15, 2008).

10.8 Engagement Letter dated December 18, 2007, by and between the Company and PI Financial (USA) Corp. (incorporate by reference to the Company's Form 8-K dated January 15, 2008).

21.1. Subsidiary of the Company: Golden Cycle Philippines Inc. incorporated in the Republic of the Philippines.

21.2. Subsidiary of the Company: Golden Cycle Gold Exploration Inc. incorporated in the state of Nevada.

23.1 Consent of Ehrhardt Keefe Steiner & Hottman P.C.

31.1 Certification of Chief Executive Officer and Principal Financial and Accounting Officer pursuant to the Sarbanes-Oxley Act of 2002, Section 302

32.1 Certification of Chief Executive Officer and Principal Financial and Accounting Officer aaaa pursuant to the Sarbanes-Oxley Act of 2002, Section 906.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereto duly authorized.

\s\ R. Herbert Hampton____________________

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

Date: March 18, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

\s\ R. Herbert Hampton	March 18, 2008
R. Herbert Hampton, President, Chief Executive Officer, and Treasurer (Principal Executive Officer, Principal Financial Officer, and Principal Accounting Officer)	Date
\s\ James C. Ruder	March 18, 2008
James C. Ruder, Director	Date
\s\ Robert T. Thul	March 18, 2008
Robert T. Thul, Director	Date
\s\ Dr. Taki N. Anagnoston	March 18, 2008
Dr. Taki N. Anagnoston, Director	Date
\s\ Donald L. Gustafson	March 18, 2008
Donald L. Gustafson, Director	Date

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Golden Cycle Gold Corporation

Colorado Springs, Colorado

We have audited the accompanying consolidated balance sheets of Golden Cycle Gold Corporation and Subsidiaries (a Colorado Corporation) as of December 31, 2007 and 2006, and the related consolidated statements of operations, changes in stockholders' equity and comprehensive income (loss), and cash flows for the years ended December 31, 2007, 2006 and 2005. 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 the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Golden Cycle Gold Corporation and Subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years ended December 31, 2007, 2006 and 2005 in conformity with accounting principals generally accepted in the United States of America.

/s/ Ehrhardt Keefe Steiner & Hottman P.C.

March 18, 2008

Denver, Colorado

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GOLDEN CYCLE GOLD CORPORATION

AND SUBSIDIARIES

Consolidated Balance Sheets

		Dece
Assets		**2007**
Current assets:		
Cash and cash equivalents	$	25,61
Short-term investments (note 2)		658,5
Interest receivable and other current assets		48,67
Prepaid insurance		21,59
Total current assets		754,4
Property and equipment, at cost:		
Land		2,025
Mineral claims		8,657
Furniture and fixtures		9,354
Machinery and equipment		21,51
		41,55
Less accumulated depreciation		(28,4
		13,06
Total assets	$	767,4

Liabilities and Shareholders' Equity

Current liabilities:	
Accounts payable and accrued liabilities	$ 106,8
Total current liabilities	106,8
Commitments and contingencies (note 7)	
Shareholders’ equity (note 5):	
Common stock, no par value. Authorized 100,000,000 shares; issued and outstanding 9,769,250 shares in 2007 and 9,744,250 shares in 2006	7,544
Additional paid-in capital	3,189
Accumulated deficit	(10,0
Accumulated other comprehensive loss	(73,5
Total shareholders’ equity	660,6
Total liabilities and shareholders' equity	$ 767,4

See accompanying notes to consolidated financial statements.

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GOLDEN CYCLE GOLD CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Operations

	For the Years Ended December 31,		
	2007	**2006**	**2005**
Revenue:			
Distributions from mining joint venture in excess of carrying value (note 3)	$ 250,000	$ 250,000	$ 250,000
Expenses:			
General and administrative expense	992,963	1,502,938	603,044
Depreciation expense	2,360	2,224	3,973
Exploration expense	9,259	8,410	305,661
	1,004,582	1,513,572	912,678
Operating loss	(754,582)	(1,263,572)	(662,678)
Other income:			
Interest and other income	27,107	30,787	35,667
Gold bullion mark to market	62,575	35,650	24,986
Gain on assets sold (net)	76,500	100,000	—
	166,182	166,437	60,653
Net loss	$ (588,400)	$ (1,097,135)	$ (602,025)
Basic loss per share	$ (0.06)	$ (0.11)	$ (0.06)

Diluted loss per share	$ (0.06)	$ (0.11)	$ (0.06)
Basic weighted average shares outstanding	9,760,346	9,744,250	9,738,086
Diluted weighted average shares outstanding	9,760,346	9,744,250	9,738,086

See accompanying notes to consolidated financial statements.

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GOLDEN CYCLE GOLD CORPORATION

AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity and Comprehensive Income (Loss)

For the Years ended December 31, 2007, 2006, and 2005

	Common stock				**Accumulated other comprehensive loss–foreign currency translation**	
	Shares	**Amount**	**Additional paid-in capital**	**Accumulated deficit**	**adjustment**	**Total**
Balance at December 31, 2004	9,669,250	$ 7,406,317	$ 1,927,736	$ (7,712,526)	$ (31,813)	$1,589,714
Stock options exercised	75,000	93,112	—	—	—	93,112
Net loss	—	—	—	(602,025)	—	(602,025)
Foreign currency translation adjustment	—	—	—	—	302	302
Comprehensive net loss						(601,723)
Balance at December 31, 2005	9,744,250	7,499,429	1,927,736	(8,314,551)	(31,511)	1,081,103
Net loss	—	—	—	(1,097,135)	—	(1,097,135)
Non-cash stock-based compensation	—	—	791,597	—	—	791,597
Non-cash compensation liability accrual						

Reclassified to contributed capital	—	—	8,940	—	—	8,940
Balance at December 31, 2006	9,744,250	7,499,429	2,728,273	(9,411,686)	(31,511)	784,505
Stock options exercised	25,000	45,000	—	—	—	45,000
Non-cash stock-based compensation	—	—	461,526	—	—	461,526
Net loss	—	—	—	(588,400)	—	(588,400)
Other comprehensive loss	—	—	—	—	(42,000)	(42,000)
Comprehensive net loss						(630,400)
Balance at December 31, 2007	9,769,250	$ 7,544,429	$ 3,189,799	$ (10,000,086)	$ (73,511)	$ 660,631

See accompanying notes to consolidated financial statements.

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GOLDEN CYCLE GOLD CORPORATION

AND SUBSIDIARIES

Consolidated Statement of Cash Flows

	For the Years Ended December 31,		
	2007	2006	2005
Cash flows from operating activities:			
Net loss	$ (588,400)	$ (1,097,135)	$ (602,025)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	2,360	2,224	3,973
Gain on sale of Illipah	(76,500)	—	—
Increase in market value of gold asset	(62,575)	(35,650)	(24,986)
Stock based compensation expense	461,526	791,597	—
Non-cash Compensation liability accrual reclassified to contributed capital	—	8,940	—
Write-down of investment in subsidiary	—	(2,964)	—
Decrease (increase) in interest receivable and other current assets	491	(3,415)	(2,229)
Decrease (increase) in prepaid insurance	3,606	(376)	(447)
Increase (decrease) in accounts payable and accrued liabilities	88,462	(25,435)	(13,060)
Net cash used in operating activities	(171,030)	(362,214)	(638,774)
Cash flows from investing activities:			
Decrease in short-term investments, net	98,505	249,297	256,632
Purchases of property and equipment, net	—	(1,110)	(1,103)
Net cash provided by investing activities	98,505	248,187	255,529
Cash flows provided by financing activity:			
Proceeds on exercise of stock options	45,000	—	93,112

Net cash provided by financing activities	45,000	—	93,112
Effect of exchange rate changes on cash	—	—	302
Net decrease in cash and cash equivalents	(27,525)	(114,027)	(289,831)
Cash and cash equivalents, beginning of year	53,142	167,169	457,000
Cash and cash equivalents, end of year	$ 25,617	$ 53,142	$ 167,169

See accompanying notes to consolidated financial statements.

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GOLDEN CYCLE GOLD CORPORATION

AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

Golden Cycle Gold Corporation (the Company), a Colorado corporation, acquires and explores mining properties in Colorado, Nevada, and the Republic of the Philippines. The Company's principal investment consists of its joint venture participation in the Cripple Creek and Victor Gold Mining Company (the Joint Venture), a precious metals mining company in the Cripple Creek Mining District of Teller County, Colorado. In addition, during 1997 the Company established Golden Cycle Philippines, Inc. (GCPI), a wholly owned subsidiary of the Company, in the Republic of the Philippines in order to participate in potential mining opportunities. In January 2002, the Company established Golden Cycle Gold Exploration, Inc. (GCGE), a wholly owned subsidiary, to conduct exploration activities for the Company.

(a) Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make various estimates and assumptions in determining the reported amounts of assets, liabilities, revenues, and expenses for each period presented, and in the disclosure of commitments and contingencies. Actual results could differ significantly from those estimates. Changes in these estimates and assumptions will occur based on the passage of time and the occurrence of future events.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant inter-company transactions and balances have been eliminated in consolidation.

(c) Cash and Cash Equivalents

The Company considers all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalent.

(d) Short-Term Investments

Short-term investments consist primarily of certificates of deposit. Short-term investments also include 310 troy ounces of gold bullion purchased by the Company in 2002. Interest revenue and the increase or decrease in the value of the gold bullion is included in the consolidated statement of operations.

(e) 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 $16,500 and $0 respectively, and cost of $58,500 and $0, respectively, at December 31, 2007 and December 31, 2006. Golden Cycle has accumulated other comprehensive income for unrealized holding losses of $42,000 and $0 at December 31, 2007 and December 31, 2006, respectively, related to our marketable equity securities.

(f) Investment in Mining Joint Venture

The Company accounts for its investment in the Joint Venture on the equity method. In prior years, the Company's share of Joint Venture losses exceeded the remaining carrying value of the investment and, accordingly, the investment was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income. The Company has not recorded its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero, as the Company has no obligation to fund operating losses. To the extent the Joint Venture is profitable, the Company records its share of equity income. However, the Company currently offsets the Joint Venture equity income with an allowance account due to the uncertainty that the actual receipt of cash distributions by the Company attributable to current year increases in joint venture equity will occur given that those cash distributions are far in the future due to the necessity of repaying the Joint Venture's Initial Loans.

(g) Mineral Exploration and Development Costs

Mineral exploration costs are expensed as incurred. Mineral property development costs are capitalized and depleted based upon estimated proven and probable recoverable reserves. The Company has no capitalized mineral property development costs at December 31, 2007 or December 31, 2006.

The Company assesses the carrying value of its long-lived assets for impairment whenever changes in facts or circumstances indicate that they may be impaired. Potential impairment is estimated by comparing estimated future undiscounted cash flows expected to be generated from such assets with their net book value. If net book value exceeds estimated cash flows, the asset is written down to fair value. The Company has not recorded impairment costs at December 31, 2007 or December 31, 2006.

(h) Property and Equipment

Office furniture, fixtures, and equipment are stated at cost and depreciated using the straight-line method over estimated useful lives ranging from three to ten years.

(i) Foreign Currency Translation

The GCPI operations' functional currency is the local currency and, accordingly, the assets and liabilities of its Philippines operations are translated into their United States dollar equivalent at rates of exchange prevailing at each balance sheet date. Revenue and expenses are translated at average exchange rates prevailing during the periods in which such items are recognized in operations.

Gains and losses arising from translation of the consolidated financial statements of GCPI operations are included in accumulated other comprehensive income (loss) in shareholders' equity. Amounts in this account are recognized in the consolidated statements of operations when the related net foreign investment is reduced. Gains and losses on foreign currency transactions are included in the consolidated statements of operations.

(j) Stock Options

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. 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 to the Company 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.

The Company adopted SFAS 123R using the modified prospective method. Under this method, compensation cost recognized in the years ended December 31, 2007 and 2006 include: a) compensation cost for all stock-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the original provisions of SFAS 123, and b) compensation cost for all stock-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The results for prior periods have not been restated.

The adoption of SFAS 123R increased the Company's net loss for the twelve months ended December 31, 2007 and December 31, 2006 by $461,525 and $791,597 respectively. This expense increased the basic and diluted loss per share by $0.05 for the twelve months ended December 31, 2007 and $0.08 for the twelve months ended December 31, 2006. The Company did not recognize a tax benefit from stock-based compensation expense because the Company considers it is more likely than not that the related deferred tax assets, which have been reduced by a full valuation allowance, will not be realized.

The following illustrates the effect on net income and earnings per share if the fair value based method had been applied to the prior comparable period.

	Twelve Months Ended December 31, 2005	
Reported net loss	$(602,025)	
Stock-based employee compensation under the fair value based method prior to adoption of SFAS 123R, net of related tax effects	(244,360)	
Pro forma net loss	$(846,385)	
Loss per share:		
Basic – as reported	$	(0.06)
Basic – pro forma	$	(0.09)
Diluted – as reported	$	(0.06)
Diluted – pro forma	$	(0.09)

The Company recognized compensation expense of $461,525 and $791,597 for the twelve months ended December 31, 2007 and December 31, 2006 respectively for employee stock options that prior to January 1, 2006 would not have been recognized under APB 25. The following summarizes the activity of the Company's stock options for the twelve months ended December 31, 2007:

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	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (1)
Number of shares under option:					
Outstanding at January 1, 2006	510,000	$	3.69		
Granted	100,000		6.25		

Exercised	(25,000)		1.80		
Canceled or expired	-		-		
Outstanding at December 31, 2007	635,000	$	4.55	6.65 $	3,129,750
Exercisable at December 31, 2007	585,000	$	4.55	6.65 $	3,129,750

(1) The intrinsic value of a stock option is the amount by which the current market value of the underlying stock exceeds the exercise price of the option.

As of December 31, 2007, there are no unvested stock options outstanding. As of December 31, 2007, there was no unrecognized compensation expense related to unvested stock options.

The fair value of each option grant was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for options granted:

	Dividend yield	Expected volatility	Risk-free interest rate	Expected life (in years)	Weighted-average fair value of option
Options granted in 2005	0%	70%	4.05%	10	$1.95
Options granted in 2006	0%	61%	5.03%	10	$6.33
Options granted in 2007	0%	61%	4.75%	10	$4.62

(k) Income Taxes

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities using enacted tax rates expected to apply in the years in which such temporary differences are expected to be recovered or settled. Changes in tax rates are recognized in the period of the enactment date. A valuation allowance is recognized unless tax assets are more likely than not to be realized. 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. For more information see Notes to the Financial Statements, note 6, “Recently Issued Financial Accounting Standards”.

(l) Comprehensive Income

In 1998, the Company adopted SFAS No. 130, *Reporting Comprehensive Income*. SFAS No. 130 requires that all components of comprehensive income (loss), including net income (loss), be reported in the financial statements in the period they are recognized. Comprehensive income (loss) is defined as the change in equity during a period from transactions and other events and circumstances from non-owner sources. Net income

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(loss) and other comprehensive income (loss), including foreign currency translation adjustments, shall be reported, net of their related tax effect, to arrive at comprehensive income (loss). We have recorded a ($42,000) decrease in the fair market value of Tornado common stock and disclosed comprehensive income (loss) in our consolidated financial statements at December 31, 2007.

(m) Revenue Recognition

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 (see Note 3). Beginning in 1994, such Minimum Annual Distributions are 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 (see Note 3), 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.

(n) Per Share Information

Basic earnings (loss) per common share are computed as net income (loss) divided by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per common share are computed as net income (loss) divided by the weighted average number of common shares and potential common shares, using the treasury stock method, outstanding during the period.

(2) Short-Term Investments

The Company held certificates of deposit of approximately $285,000 and $380,000 at December 31, 2007 and 2006, respectively. All certificates of deposit held at December 31, 2007 mature within one year. Short-term investments also include 310 troy ounces of gold bullion purchased by the Company in 2002 at a cost of $102,859 and is carried at market value of $258,340 at December 31, 2007. The Company has reflected unrealized gains of $62,575, $35,650, and $24,986 for the years ended December 31, 2007, 2006 and 2005, respectively, in the consolidated statement of operations.

(3) Investment in Mining 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 December 31, 2007, Initial Loans were approximately $310.8 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 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 $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. As of December 31, 2007 the receipt of cash distributions from the Joint Venture is highly uncertain as the Joint Venture's Initial Loans totaling $310,823,000 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 $3.9 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.

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The condensed balance sheets of the Joint Venture as of December 31, 2007 and 2006 are summarized as follows:

Assets		2007		2006
			(In thousands)	
Current assets:				
Cash and cash equivalents	$	1	$	1
Inventory		46,360		42,615
Other current assets		-		1,037
Prepaid expenses		766		-
Total current assets		47,127		43,653
Property, plant, and equipment				
Land and mineral properties		19,085		27,768
Mine development not currently being depleted		9,854		-
Structures and equipment		461,469		438,378
Construction - work-in-progress		595		2,112
		491,003		468,258
Accumulated depreciation, depletion,				
and amortization		(319,676)		(292,151)
Property, plant, and equipment, net		171,327		176,107
Inventories		187,986		148,761
Total assets	$	406,440	$	368,521
Liabilities				
Current liabilities				
Accounts payable	$	9,951	$	9,060
Accrued liabilities		3,841		3,494
Current portion of capital lease obligations		2,670		2,734
Total current liabilities		16,462		15,288
Loans payable to AngloGold Ashanti (Colorado) Corp.		310,823		333,843
Capital lease obligations		2,498		5,168
Asset retirement obligation		29,681		24,029
Other long-term liabilities		8		1,867

Venturers' equity:		
Venturers' investments	60,062	60,062
Accumulated deficit	(13,094)	(71,736)
Total venturers' equity (deficit)	46,968	(11,674)
Total liabilities and venturers' equity	$ 406,440	$ 368,521

The condensed statements of operations of the Joint Venture for each of the years in the three-year period ended December 31, 2007 are summarized as follows:

	2007	2006	2005
		(In thousands)	
Revenue	$ 194,848	$ 172,827	$ 145,347
Operating expenses			
Production costs	75,805	70,437	75,662
Depreciation, depletion, amortization, and reclamation	25,418	26,454	30,151
Accretion expense	1,769	1,398	1,113
	102,992	98,289	106,926
Mineral exploration expense	-	-	17
Total operating costs	102,992	98,289	106,943
Income from operations	91,856	74,538	38,404
Other Expenses:			
Interest expense	(32,757)	(34,408)	(29,243)
Other income (expense)	(207)	(1,738)	299
Net income	$ 58,892	$ 38,392	$ 9,460

(4) Income Taxes

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets at December 31, 2007 and 2006 are presented below:

	2007	2006
Deferred tax assets:		
Net operating loss carryforwards	$ 1,113,000	967,000
Exploration expenditures	11,000	145,000
FAS 123R non-qualified stock options	464,000	293,000
Other	-	1,000
Total deferred tax assets	1,588,000	1,406,000
Deferred tax liability:		
Gold bullion mark to market	(96,000)	(73,000)

Tornado Stock- Mark to Market		37,000	-
Total deferred tax assets		1,529,000	1,333,000
Valuation allowance		(1,529,000)	(1,333,000)
Net deferred tax assets	$	-	-

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A reconciliation of the statutory federal income tax rate to the effective tax rate follows:

	2007	2006
Statutory federal		
income tax rate	34.00%	34.00%
Effect of:		
State and local		
income taxes	3.05%	3.05%
Other - net	0.21%	0.10%
Change in valuation		
allowance	36.84%	36.95%
Effective tax rate	0.00%	0.00%

At December 31, 2007, the Company has net operating loss carryforwards for income tax purposes of approximately $3,003,379 which expire beginning in 2008 through 2027.

The Company has not recorded an income tax benefit in 2007 or 2006 as it does not believe it is more likely than not that the benefit of the deferred tax assets will be realized in the future.

(5) Common Stock Options

During 1992, the Company's Board of Directors adopted a Directors' Stock Option Plan (the Directors' Plan) and a 1992 Stock Option Plan (the 1992 Plan). All options available under the Directors' Plan were granted prior to December 31, 1994. During 1997, shareholders approved the 1997 Officers' and Directors' Stock Option Plan, and during 2002, shareholders approved the 2002 Stock Option Plan pursuant to which 1,000,000 and 625,000 shares, respectively, of the Corporation's common stock were reserved for issuance pursuant to options to be granted. The 1992 Plan provided for the grant of options on a discretionary basis to certain employees and consultants. Under each plan, the exercise price cannot be less than the fair market value of the common stock on the date of the grant. The expiration of the options is ten years from the date of the grant.

During 2007, the Company granted 100,000 options to directors of the Corporation, and during 2006 and 2005 the Company granted 125,000 options each year to directors of the Corporation under the above plans.

Changes in stock options for each of the years in the three-year period ended December 31, 2007 are as follows:

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	Shares	Option price per share	Weighted average exercise price

Outstanding and exercisable at				
December 31, 2004	410,000	$	1.04 - 2.60	$1.92
Granted	125,000		2.50	2.50
Exercised	(75,000)		1.04 - 1.50	1.24
Expired	(75,000)		2.33 - 2.60	2.51
Outstanding and exercisable at				
December 31, 2005	385,000	$	1.04 - 2.60	2.13
Granted	125,000		8.50	8.50
Outstanding and exercisable at				
December 31, 2006	510,000	$	1.04 - 8.50	3.69
Granted	100,000		6.25	6.25
Exercised	(25,000)		1.80	1.80
Outstanding and exercisable at				
December 31, 2007	585,000	$	1.04 - 8.50	$4.55

The weighted average remaining term of options outstanding was 6.65 and 6.81 years at December 31, 2007 and 2006, respectively.

(6) Recently Issued Financial Accounting Standards:

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 provisions of SFAS No. 159 are effective for Golden Cycle as of January 1, 2008. Golden Cycle has not yet determined

the impact of adopting SFAS No. 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.

(7) Commitments and Contingencies

(a) Litigation

The Company, owner of a 33% interest in Cripple Creek & Victor Gold Company ("CC&V"), and the owner of the other 67% interest therein, AngloGold (Colorado) Corp., now AngloGold Ashanti (Colorado) Corp., and its direct parent AngloGold North America Inc., now AngloGold Ashanti North America Inc., 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

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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. 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 own fees, then approximately $130,000. The settlement eliminated the possibility of recovering any of the Company’s fees or costs.

(b) Illipah sale contingency

Should Tornado Gold International Inc. (“Tornado Gold”) 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 is 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. 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 which it paid. Further, Tornado is required to expend an additional $500,000 in exploration and developments expenses on the Illipah property bringing the total required exploration and development expenditures to a total of $750,000 during the first two years. Tornado has not yet expended the required exploration funds in compliance with the agreement.

(8) Subsequent Events

On January 11, 2008, the Company entered into an Agreement and Plan of Merger, dated January 11, 2008 (the “Agreement and Plan of Merger”), 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 and Plan of Merger, 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 (“ADS”) 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 two-thirds of the Company’s shareholders entitled to vote.

For a description of the terms and conditions of the Agreement and Plan of Merger and the contemplated transaction, see the disclosure under Item 12 “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Changes in Control.”

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(9) Selected quarterly financial data

(unaudited)

	2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Distributions from mining joint venture in excess of carrying value (note 4)	$ 250,000	$ -	$ -	$ -
Operating income (loss)	130,877	(605,471)	(86,419)	(193,569)
Other income	73,758	4,796	33,488	54,140
Net income (loss)	204,635	(600,675)	(52,931)	(139,429)
Net income (loss) per share	0.02	(0.06)	(0.01)	(0.01)
Pro forma net income (loss) per share	0.02	(0.06)	(0.01)	(0.01)

	2006			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Distributions from mining joint venture in excess of carrying value (note 4)	$ 250,000	$ -	$ -	$ -
Operating income (loss)	40,243	(1,071,681)	(82,557)	(149,577)
Net income (loss)	66,701	(1,053,636)	(77,874)	(32,326)
Net income (loss) per share	0.01	(0.11)	(0.01)	(0.00)
Pro forma net income (loss) per share	0.01	(0.11)	(0.01)	(0.00)

	2005			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
Distributions from mining joint venture in excess of carrying value (note 4)	$ 250,000	$ -	$ -	$ -
Operating income (loss)	138,885	(164,566)	(322,861)	(314,136)
Net income (loss)	146,486	(154,505)	(313,041)	(280,965)
Net income (loss) per share	0.02	(0.02)	(0.03)	(0.03)
Pro forma net income (loss) per share	0.02	(0.04)	(0.03)	(0.03)