GOLDEN CYCLE GOLD CORP
Form 10QSB
May 20, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2003

or

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

For the transition period from _______________ to _______________________

Commission file number 0-11226

GOLDEN CYCLE GOLD CORPORATION
(Exact name of registrant as specified in its charter)

COLORADO	84-0630963
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1515 South Tejon, Suite 201, Colorado Springs, Colorado	80906
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (719) 471-9013

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

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

Number of Shares outstanding at March 31, 2003: 1,908,450

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED
BALANCE SHEETS

	March 31, 2003 (unaudited)	December 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 476,250	$ 578,212
Short-term investments	1,039,056	640,788
Interest receivable and other current assets	35,512	31,762
Total current assets	1,550,818	1,250,762
Assets held for sale - water rights (net)	132,680	132,680
Property and equipment, at cost:		
Land	2,025	2,025
Mineral Claims	20,657	20,657
Furniture and fixtures	10,056	10,056
Machinery and equipment	31,045	30,247
	63,783	62,985
Less accumulated depreciation	(30,286)	(29,452)
	33,497	33,533
Total assets	$ 1,716,995	$ 1,416,975
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable and accrued liabilities	$ 2,333	$ 18,252
Shareholders' equity:		
Common stock, no par value, authorized 3,500,000 shares; issued and outstanding 1,888,450 shares at December 31, 2002, 1,908,450 shares at March 31, 2003	7,307,854	7,116,604
Additional paid-in capital	1,927,736	1,927,736
Accumulated comprehensive loss	(31,538)	(31,538)
Accumulated deficit	(7,489,390)	(7,614,079)
Total shareholders' equity	1,714,662	1,398,723

	$ 1,716,995	$ 1,416,975

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED
STATEMENTS OF OPERATIONS AND ACCUMULATED DEFICIT

FOR THE THREE MONTHS ENDED
March 31, 2003 and 2002
(Unaudited)

	March 31, 2003	March 31, 2002
Revenue:		
Distribution from mining joint venture in excess of carrying value	$ 250,000	$ 250,000
Expenses:		
General and administrative	(130,476)	(96,311)
Operating income	119,524	153,689
Other income	5,165	10,622
Net income	$ 124,689	$ 164,311
Income per share	$ 0.07	$ 0.09
Weighted average common shares outstanding	1,901,783	1,888,450
Dilutive shares outstanding	157,000	-
Fully diluted earnings per share	$ 0.06	$ 0.09
ACCUMULATED DEFICIT:		
Beginning of period	$ (7,614,079)	$ (7,390,649)
End of period	(7,489,390)	(7,226,338)

GOLDEN CYCLE GOLD CORPORATION

CONSOLIDATED
STATEMENTS OF CASH FLOWS

FOR THE THREE MONTHS ENDED
March 31, 2003 and 2002
(Unaudited)

	2003	2002
Cash flows from operating activities:		
Net income	$ 124,689	$ 164,311
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	834	835
Decrease (increase) in interest receivable and other current assets	(3,750)	11,697
Decrease in accounts payable and accrued liabilities	(15,919)	(10,095)
Net cash provided by operating activities	105,854	166,748
Cash flows from investing activities:		
Increase in short-term investments, net	(398,268)	(409,976)
Purchase of equipment	(798)	(2,730)
Net cash used in investing activities	(399,066)	(412,706)
Cash flows provided by financing activity:		
Proceeds from issuance of common stock, net of offering costs	191,250	-
Net decrease in cash and cash equivalents	(101,962)	(245,958)
Cash and cash equivalents, beginning of period	578,212	570,842
Cash and cash equivalents, end of period	$ 476,250	$ 324,884

GOLDEN CYCLE GOLD CORPORATION

NOTES TO FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

These financial statements should be read in conjunction with the financial statements and notes thereto which are included in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. The accounting policies set forth in those annual financial statements are the same as the accounting policies utilized in the preparation of these financial statements, except as modified for appropriate interim financial statement presentation.

(2) INVESTMENT IN JOINT VENTURE

The Company accounts for its investment in the Cripple Creek & Victor Gold Mining Company (the "Joint Venture") on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income, as the Company is not required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped. As of March 31, 2003, the Company's share of accumulated unrecorded losses from the Joint Venture was $19,232,258.

(3) EARNINGS PER SHARE

Earnings per share are computed by dividing net earnings by the weighted average number of shares of common stock outstanding during each period. There were 157,000 shares of dilutive securities outstanding during the three months ended March 31, 2003. There were 177,000 shares of dilutive securities outstanding during the year ended December 31, 2002, not reported in loss per share, as they would be anti-dilutive due to net loss.

(4) STOCK-BASED COMPENSATION

Stock Options: The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its stock option plans.

Accordingly, no compensation cost is recognized for stock options granted with exercise prices equal to the fair market value of the common stock.

Had compensation cost for the Company's stock-based compensation plans been determined on the fair value at the grant dated for awards under those plans consistent with the FASB Statement 123, the Company's net loss and loss per share would have been reduced to pro forma amounts indicated below:

	2002	2001	2000
Net income (loss):			
As reported	$(223,430)	$ (93,482)	$ 34,332
Pro forma	(454,346)	(205,233)	(111,668)
Basic and diluted earnings (loss) per share:			
As reported	(.12)	(0.05)	0.02
Pro forma	(.22)	(0.11)	(0.06)

No stock options were granted during the three months ended either March 31, 2003 or March 31, 2002. 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 range	Expected life (in years)	Fair value of option
Options granted during the three months ended March 31, 2002	0		4.61%	10	$
Options granted during the three months ended March 31, 2003	0		4.10%	10	

The Black-Scholes option-pricing model provides a mathematical calculation of fair value using the variables above which the Company does not believe represents the fair value in an exchange transaction between unrelated parties.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

Liquidity and Capital Resources

The Company's principal mining investment and source of cash flows has been its interest in the Joint Venture. The Joint Venture engages in gold mining activity in the Cripple Creek area of Colorado. The Company's Joint Venture co-venturer is AngloGold Colorado Inc. ("AngloGold", formerly Pikes Peak Mining

Company), a wholly-owned subsidiary of AngloGold North America Inc., which is a wholly owned subsidiary of AngloGold Ltd.

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

The Initial Phase will terminate after Initial Loans, as defined, have been repaid and Net Proceeds (defined generally as gross revenues less operating costs including AngloGold's administrative fees) of $58 million have been distributed to the venture participants in the proportion of 80% to AngloGold and 20% to the Company. Initial Loans generally constitute funds loaned to the Joint Venture, and interest thereon, to finance operations and mine development by either AngloGold or third-party financial institutions and are repayable prior to distributions to the venture participants. AngloGold (the "Manager") reported that Initial Loans, payable to AngloGold, of approximately $356.5 million were outstanding at March 31, 2003. Under the Agreement as amended, the Joint Venture has not earned or distributed any Net Proceeds.

After the Initial Phase, the Joint Venture will distribute metal in kind in the proportion of 67% to AngloGold and 33% to the Company, and the venture participants will be responsible for their proportionate share of the Joint Venture costs.

During the Initial Phase, the Company is entitled to receive a Minimum Annual Distribution of $250,000. Minimum Annual Distributions received after 1993 constitute an advance of Net Proceeds. Accordingly, such Net Proceeds advances will be recouped from future Net Proceeds distributions allocable to the Company. Based on the amount of Initial Loans payable to the Manager and the recurring operating losses incurred by the Joint Venture, management of the Company believes that, absent a significant and sustained increase in the prevailing market prices for gold, it is unlikely that the Company will receive more than the Minimum Annual Distribution from the Joint Venture in the foreseeable future.

Cash provided by operations was approximately $106,000 in the three months ended March 31, 2003 compared to cash provided by operations of approximately $167,000 during the same period in 2002. Prior to 1993, the $250,000 Minimum Annual Distribution was classified as an investing cash flow; beginning in 1993, the Minimum Annual Distribution was reflected as an operating cash flow by reason of the fact that the Joint Venture investment balance was reduced to zero during 1992, as discussed below under "Results of Operations". The Minimum Annual Distribution was received from the Joint Venture on January 15, 2003. No further distributions are expected from the Joint Venture during the remainder of 2003.

The Company's working capital was approximately $1,548,000 at March 31, 2003 compared to $1,233,000 at December 31, 2002. Working capital increased by approximately $315,000 at March 31, 2003 compared to December 31, 2002.

Management believes that the Company's working capital, augmented by the

Minimum Annual Distribution, is adequate to support operations at the current level for the coming year, barring unforeseen events. Although there can be no assurance, the Company anticipates the closure of its sale of certain Water Rights to the City of Cripple Creek during the year 2003 which will provide additional working capital. The Company anticipates that its Philippine subsidiary will hold all work on a standby basis until the MPSA is awarded to the claim owner. If opportunities to economically pursue or expand Philippine or Nevada operations, or any other opportunity are available, and the Company elects to pursue them, additional working capital may also be required. There is no assurance that the Company will be able to obtain such additional capital, if required, or that such capital would be available to the Company on terms that would be acceptable. Furthermore, if any such operations are commenced, it is not presently known when or if a positive cash flow could be derived from the properties.

Results of Operations

The Company had net income, for the three months ended March 31, 2003, of approximately $125,000, compared to net income of approximately $164,000 in the comparable 2002 period.

The decrease in net income for the first three months of 2003 compared with the corresponding period in 2002 was primarily due to increased exploration activities during the 2003 period, and decreased interest income from investments due to lower prevailing interest rates during 2003 to date.

The Company accounts for its investment in the Joint Venture on the equity method. During 1992, the Company's investment balance in the Joint Venture was reduced to zero. Joint Venture distributions in excess of the investment carrying value are recorded as income as received, as the Company is not required to finance the Joint Venture's operating losses or capital expenditures. Correspondingly, the Company does not record its share of Joint Venture losses incurred subsequent to the reduction of its investment balance to zero. To the extent the Joint Venture is subsequently profitable, the Company will not record its share of equity income until the cumulative amount of previously unrecorded Joint Venture losses has been recouped. As of March 31, 2003, the Company's share of accumulated unrecorded losses from the Joint Venture was $19,232,258.

The Manager reported that the Joint Venture incurred a net loss of approximately $1.5 million for the three months ended March 31, 2003 as compared to a net loss of $4.4 million for the corresponding period in 2002. There is no assurance that the Joint Venture will be able to achieve profitability in any subsequent period or to sustain profitability for an extended period. The

ability of the Joint Venture to sustain profitability is dependent upon a number of factors, including without limitation, the market price of gold, which is currently near recent historically low levels, volatile and subject to speculative movement, a variety of factors beyond the Joint Venture's control, and the efficiency of the Cresson mining operation.

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

PART II - OTHER INFORMATION

Item 1 through 3 are not being reported due to a lack of circumstances that require a response.

Item 4. Controls and Procedures.

a. Evaluation of disclosure controls and procedures. The Company, under the supervision and with the participation of the Company's management, including its Chief Executive Officer, carried out an evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 240.13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934 (the "Exchange Act") as of a date within ninety days before the filing date of this quarterly report (the "Evaluation Date"). Based upon this evaluation, the Chief Executive Officer concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective for the purposes of recording, processing, summarizing and timely reporting information required to be disclosed by the Company in the reports that it files under the Securities Exchange Act of 1934 and that such information is accumulated and communicated to the Company's management in order to allow timely decisions regarding required disclosure.

b. Changes in internal controls. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor were there any significant deficiencies or material weaknesses in the Company's internal controls.

Item 5. Other Information. None.

Item 6. Exhibits and Reports on Form 8-K.

99.1 - Certification of Chief Financial Officer

SIGNATURES

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

THE GOLDEN CYCLE GOLD CORPORATION
(Registrant)

May 19, 2003 By: /s/ R. Herbert Hampton

R. Herbert Hampton
President, C.E.O. and Treasurer
(as both a duly authorized officer
of Registrant and as principal
financial officer of Registrant)

CERTIFICATION OF PERIODIC REPORT

I, R. Herbert Hampton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Golden Cycle Gold Corporation;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant, and I have:

   a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

   b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

   c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. I have disclosed, based on my most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors:

   a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of my most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

May 19, 2003

/s/ R. Herbert Hampton

R. Herbert Hampton
President, C.E.O.
and Treasurer (as both a duly authorized officer of Registrant and as principal financial officer of Registrant)

EXHIBIT INDEX

Exhibit No.	Description
99.1	Certification of Chief Financial Officer

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