

Securities and Exchange Commission  
Washington, D.C. 20549

Form 10-QSB

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended November 30, 1998

TRANSITION REPORT UNDER SECTION 13 OR 15 (d) OF THE  
EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-8814

PURE CYCLE CORPORATION

(Exact name of small business issuer as specified in its charter)

Delaware 84-0705083  
(State of incorporation) (I.R.S. Employer  
Identification Number)

5650 York Street, Commerce City, CO 80022  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number(303) 292 - 3456

N/A

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

Check whether the registrant (1) filed all reports required to be  
filed by Section 13 or 15(d) of the Exchange Act during the past  
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 [ ]

State the number of shares outstanding of each of the issuer's  
classes of common equity, as of November 30, 1998:

Common Stock, 1/3 of \$.01 par Value	78,439,763
-----	-----
(Class)	(Number of Shares)

Transitional Small business Disclosure Format (Check one):  
Yes [ ]; No [x]

PURE CYCLE CORPORATION  
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"SAFE HARBOR" STATEMENT UNDER THE UNITED STATES PRIVATE  
SECURITIES LITIGATION REFORM ACT OF 1995

Statements that are not historical facts contained in this Quarterly Report on Form 10-QSB are forward looking statements that involve risk and uncertainties that could cause actual results to differ from projected results. Factors that could cause actual results to differ materially include, among others: general economic conditions, the market price of water, changes in applicable statutory and regulatory requirements, changes in technology, uncertainties in the estimation of water available under decrees and timing of development, the strength and financial resources of the Company's competitors, the Company's ability to find and retain skilled personnel, climatic conditions, labor relations, availability and cost of material and equipment, delays in the anticipated permit and start-up dates, environmental risks, and the results of financing efforts.

PURE CYCLE CORPORATION  
CONSOLIDATED BALANCE SHEETS

ASSETS	November 30 1998	August 31 1998
-----	=====	=====
Current assets:		
Cash and cash equivalents	\$ 779,167	\$ 423,027
Marketable securities	3,429	3,429
Prepaid expenses and other current assets	7,830	7,830
	-----	-----
Total current assets	790,426	434,286
Investment in water projects:		
Rangeview water rights	13,025,249	12,995,881
Paradise water rights	5,470,606	5,470,606
Rangeview Water System	129,144	114,088
	-----	-----
Total investment in water projects	18,624,999	18,580,575
Note receivable, including accrued interest	315,145	298,269
Equipment, at cost, net of accumulated depreciation of \$16,382 and \$16,095, respectively	856	1,143
Other assets	22,596	22,596
	-----	-----
	\$ 19,754,022	\$ 19,336,869
	=====	=====

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 50,399	\$ 4,049
Construction deposits (Note 2)	459,800	--
Accrued liabilities	--	45,809
	-----	-----
Total current liabilities	510,199	49,858
Long-term debt - related parties, including accrued interest	3,837,026	3,786,981
Other non-current liabilities	122,768	120,983
Participating interests in Rangeview water rights	11,090,630	11,090,630
Stockholders' equity:		
Preferred stock, par value \$.001 per share; authorized - 25,000,000 shares:		
Series A - 1,600,000 shares issued and outstanding	1,600	1,600
Series B - 432,514 shares issued and outstanding	433	433
Series C - 3,200,000 shares issued and outstanding	3,200	3,200
Common stock, par value 1/3 of \$.01 per share; authorized - 135,000,000 shares; 78,439,763 shares issued and outstanding	261,584	261,584

Additional paid-in capital	24,126,744	24,126,744
Accumulated deficit	(20,200,162)	(20,105,144)
	-----	-----
Total stockholders' equity	4,193,399	4,288,417
	-----	-----
	\$ 19,754,022	\$ 19,336,869
	=====	=====

[FN]

See Accompanying Notes to the Consolidated Financial Statements

PURE CYCLE CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended	
	November 30, 1998	November 30, 1997
	-----	-----
Water service revenue		
Tap fees	\$ --	\$ --
Water usage fees	6,371	5,608
	-----	-----
	6,371	5,608
Water service operating expense	( 1,200)	( 1,000)
General, administrative and marketing	(59,404)	(55,576)
Other income (expense):		
Interest income	11,045	9,233
Interest expense:		
Related party	(50,045)	(50,045)
Other	( 1,785)	( 1,785)
	-----	-----
Net Loss	\$ (95,018)	\$ (93,565)
	=====	=====
Loss per common share	\$ --*	\$ --*
	=====	=====

\* less than \$.01 per share

[FN]

See Accompanying Notes to the Consolidated Financial Statements

PURE CYCLE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended	
	November 30, 1998	November 30, 1997
	-----	-----
Cash flows from operating activities:		
Net loss	\$ ( 95,018)	\$ ( 93,565)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	287	609
Increase in accrued interest on note receivable	( 16,876)	( 5,876)
Increase in accrued interest on long term debt and other non-current liabilities	51,830	51,830
Changes in operating assets and liabilities:		
Accounts payable and accrued liabilities	541	( 23,994)
Construction deposits	459,800	--
	-----	-----
Net cash provided by (used in) operating activities	400,564	( 70,996)
	-----	-----
Cash flows from investing activities:		
Investments in water rights	( 29,368)	( 24,752)

Investment in Rangeview Water System	( 15,056)	( 11,294)
	-----	-----
Net cash used in investing activities	( 44,424)	( 36,046)
Net increase (decrease) in cash and cash equivalents	356,140	(107,042)
Cash and cash equivalents beginning of period	423,027	370,426
	-----	-----
Cash and cash equivalents end of period	\$ 779,167	\$ 263,384
	=====	=====

[FN]

See Accompanying Notes to the Consolidated Financial Statements

PURE CYCLE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The consolidated balance sheet as of November 30, 1998 and August 31, 1998, the consolidated statements of operations for the three months ended November 30, 1998 and November 30, 1997 and the consolidated statements of cash flows for the three months ended November 30, 1998 and November 30, 1997, have been prepared by the Company, without an audit. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position, results of operations and cash flows at November 30, 1998 and for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. It is suggested that these consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 1998 Annual Report on Form 10-KSB. The results of operations for interim periods presented are not necessarily indicative of the operating results for the full year.

NOTE 2 - CONSTRUCTION DEPOSITS

In August 1998, the Company entered into an agreement to provide water and wastewater service to a 400 acre development which will include the construction of a 500-bed Academic Model Juvenile Facility ("Model Facility"). The Model Facility purchased 201 equivalent residential water taps at \$8,165 per tap (or \$1,641,165), and 156 equivalent residential wastewater taps at \$4,000 per tap (or \$624,000, collectively \$2,265,165). Pursuant to its Service Agreements, the Company will receive \$1,372,014 from the water tap revenue, and \$624,000 from the sewer tap revenues for a combined total of \$1,996,014. The Company will design, construct, operate and maintain the water and wastewater system to deliver water and sewer service to the Model Facility. During the quarter ended November 30, 1998, the Company received construction deposits of \$459,800 to begin construction of a water and wastewater system to service the Model Facility. Costs incurred on behalf of the model facility will be applied to these deposits. Construction of the water system began in November 1998.

NOTE 3 - STOCKHOLDERS' EQUITY

In August 1998, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 3,200,000 shares of Series C Convertible Preferred Stock to the Company's President, Mr. Thomas Clark, in exchange for 3,200,000 shares of common stock owned by Mr. Clark. The Series C Convertible Preferred Stock converts into an equivalent number of shares of Common stock at the election of Mr. Clark provided the Company has authorized and unissued shares of Common Stock available. The Company sold 3,200,000 shares of the Company's Common Stock at \$.125 per share to four accredited investors who have previously invested in the Company. Proceeds to the Company were \$400,000.

## Results of Operations

General and administrative expenses for the three months ended November 30, 1998 were approximately \$3,828 higher than for the period ended November 30, 1997, primarily because of compensation expense. Net loss for the three months ended November 30, 1998 increased approximately \$1,453 compared to the three month ended November 30, 1997 primarily because of the non-cash compensation expense.

During the three months ended November 30, 1998, the Company generated water service revenues of \$6,371 compared to \$5,608 for the period ended November 30, 1997 and incurred approximately \$1,200 in operating costs compared to \$1,000 in operating costs for the period ended November 30, 1997 associated with the water service revenues. The water service revenues were generated from the sale of water to customers within the Company's Service Area.

## Liquidity and Capital Resources

At November 30, 1998, current assets exceed current liabilities by \$280,227 and, the Company had cash and cash equivalents of \$790,426.

The Company is aggressively pursuing the sale and development of its water rights. The Company cannot provide any assurances that it will be able to sell its water rights. In the event a sale of the Company's water rights is not forthcoming and the Company is not able to generate revenues from the sale or development of its technology, the Company may sell additional portions of the Company's profit interest pursuant to the WCA, incur short or long-term debt obligations or seek to sell additional shares of Common Stock, Preferred Stock or stock purchase warrants as deemed necessary by the Company to generate operating capital.

Development of any of the water rights that the Company has, or is seeking to acquire, will require substantial capital investment by the Company. Any such additional capital for the development of the water rights is anticipated to be financed through the sale of water taps and water delivery charges to a city or municipality. A water tap charge refers to a charge imposed by a municipality to permit a water user to access a water delivery system (i.e. a single-family home's tap into the municipal water system), and a water delivery charge refers to a water user's monthly water bill generally based on a per 1,000 gallons of water consumed.

## Year 2000

The Company has completed its assessment of year 2000 issues on its computer systems and applications and developed a remediation plan. Conversion activities are in process and the Company expects conversion and testing to be completed by the end of the fiscal year ended August 31, 1999. The Company expects completion of the project to cost less than \$16,000. The Company believes its non-information technology systems either will not have year 2000 issues or are not material to the Company's operations. While the company does not believe it has any material year 2000 problem, the failure to correct a material problem or the impact of a year 2000 problem on customers and third-party suppliers could result in an interruption in, or failure of normal business activities or operations. Such failures could materially and adversely affect the Company's results of operations, liquidity and financial condition.

## PURE CYCLE CORPORATION SIGNATURES

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

PURE CYCLE CORPORATION

Date:

January 14, 1999  
-----

/S/ Thomas P. Clark  
-----

Thomas P. Clark,

President

Date:

January 14, 1999

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/S/ Mark W. Harding

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Mark W. Harding,  
Chief Financial Officer

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THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED  
FROM THE COMPANY'S 10-QSB DATED NOVEMBER 30, 1998 AND IS  
QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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