

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, 2001

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)

8451 Delaware Street, Thornton, Colorado 80260
(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 ; NO

State the number of shares outstanding of each of the issuer's classes of
common equity, as of November 30, 2001:

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

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

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.

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PURE CYCLE CORPORATION
BALANCE SHEETS
(unaudited)

	November 30 2001	August 31 2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 441,737	\$ 435,660
Trade accounts receivable	7,258	33,255
Other current assets	11,259	11,259
Total current assets	460,254	480,174
Investment in water and systems:		
Rangeview water supply	13,493,013	13,483,425
Paradise water supply	5,488,573	5,487,433
Rangeview water system	125,556	126,611
Total investment in water and systems	19,107,142	19,097,469
Note receivable, including accrued interest	374,106	369,806
Other assets	121,141	127,441
	\$ 20,062,643	\$ 20,074,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	26,868	--
Accrued liabilities	3,995	17,994
Total current liabilities	30,863	17,994
Long-term debt - related parties, including accrued interest	4,569,039	4,518,619
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 A1 - 1,600,000 shares issued and outstanding	1,600	1,600
Series B - 432,514 shares issued and outstanding	433	433
Series D - 6,455,000 shares issued and outstanding	6,455	6,455
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	24,778,989	24,778,989
Accumulated deficit	(20,676,950)	(20,601,414)
Total stockholders' equity	4,372,111	4,447,647
	\$ 20,062,643	\$ 20,074,890

See Accompanying Notes to the Financial Statements

PURE CYCLE CORPORATION
 STATEMENTS OF OPERATIONS
 (unaudited)

	Three Months Ended	
	November 30	November 30
	2001	2000
Water service revenue		
Water construction revenues	\$ --	\$ 574,798
Water usage fees	32,754	17,909
	32,754	592,707
Construction costs incurred (Note 2)	--	(441,320)
Water service operating expense	(8,561)	(2,219)
Gross Margin	24,193	149,168
General and administrative expense	(49,773)	(51,008)
Other income (expense):		
Interest income	6,764	14,282
Interest expense:		
Related parties	(56,720)	(62,920)
Other	--	--
Net income (loss)	\$ (75,536)	\$ 49,522
Basic and diluted net loss per common share	\$ --*	\$ --*
Weighted average common shares outstanding	78,439,763	77,536,429

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
 STATEMENTS OF CASH FLOWS
 (unaudited)

	Three Months Ended	
	November 30	November 30
	2001	2000
Cash flows from operating activities:		
Net loss	\$ (75,536)	\$ 49,522
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation on water system	1,055	--
Increase in accrued interest on note receivable	(4,300)	(6,593)
Increase in accrued interest on long term debt and other non-current liabilities	50,420	62,920
Changes in operating assets and liabilities:		
Accounts receivable	25,996	8,454
Billings in excess of costs and estimated earnings	--	(574,797)
Other assets	6,300	--
Accounts payable and accrued liabilities	12,870	156,118
Net cash provided by (used in) operating activities	18,916	(304,376)
Cash flows from investing activities:		
Investments in water supply	(10,728)	(22,612)
Net cash used in investing activities	(10,728)	(22,612)
Cash flows from financing activities:		
Proceeds from sale of common stock	--	114,500

Net cash provided by financing activities	--	114,500
Net increase (decrease) in cash and cash equivalents	6,077	(212,488)
Cash and cash equivalents beginning of period	435,660	821,124
Cash and cash equivalents end of period	\$ 441,737	\$ 608,636

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The balance sheets as of November 30, 2001 and August 31, 2001, the statements of operations for the three months ended November 30, 2001 and 2000 and the statements of cash flows for the three months ended November 30, 2001 and 2000, 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, 2001 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 financial statements be read in conjunction with the financial statements and notes thereto included in the Company's 2001 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 1998, the Company entered into an agreement to provide water and wastewater service to a 400 acre development which includes a 500-bed Academic Model Juvenile Facility ("Model Facility"). The Model Facility paid a Water System Development and Water Resource Charge based on estimated water consumption, for the construction of water and wastewater systems. Pursuant to its Service Agreements, the Company has received all fees pursuant to the agreements totaling \$2,013,495 for the construction of the water and wastewater facilities. Additionally, the Company received \$154,800 from the State of Colorado for the construction of additional facilities related to the wastewater plant which the Company constructed on behalf of the State of Colorado. The Company completed construction of the water and wastewater facilities in July 2001, concurrent with the opening of the Model Facility.

NOTE 3 - STOCKHOLDERS' EQUITY

In August 2001, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 6,455,000 shares of Series D Preferred Stock to the Company's CEO, Mr. Thomas Clark in exchange for 421,666 shares of common stock, 3,200,000 shares of Series C Preferred Stock, 500,000 shares of Series C-1 Preferred Stock, 666,667 shares of Series C-2 Preferred Stock, and 1,666,667 shares of Series C-3 Preferred Stock, all of which were owned by Mr. Clark. The Company retired 3,200,000 shares of Series C Preferred Stock, 500,000 shares of Series C-1 Preferred Stock, 666,667 shares of Series C-2 Preferred Stock, and 1,666,667 shares of Series C-3 Preferred Stock. The Company sold 625,000 shares of the Company's Common Stock at \$.16 per share to two accredited investors. Proceeds to the Company were \$100,000. The shares were issued under Section 4(2) of the Securities Act of 1933.

In December 2000, the Company sold 700,000 shares of the Company's Common Stock to two accredited investors at \$.15 per share. Proceeds to the Company were \$105,000.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Results of Operations

During the three months ended November 30, 2001, the Company generated water service revenues of \$32,754 compared to \$592,707 for the period ended November 30, 2000. The decrease in water service revenues is a result of the completion of the water and wastewater system and the corresponding revenues recognized pursuant to the construction of the water and wastewater systems for the Model Facility. During the quarter ended November 30, 2001, the Company delivered approximately 13.1 million gallons of water to customers in the Service Area generating revenues from water sales of \$32,754 compared to 12.1 million gallons generating \$17,909 during the quarter ending November 30, 2000. The increase in water revenues is attributable to the delivery of potable water during the current year compared to raw water during the previous year. The Company incurred approximately \$8,561 in operating costs during the quarter ending November 30, 2001, compared to \$2,219 for the quarter ending November 30, 2000. The increase in operating costs are attributable to the initiation of domestic water and wastewater service to the Model Facility beginning in July 2001.

General and administrative expenses for the three months ended November 30, 2001 were approximately \$3,348 lower than for the three months ended November 30, 2000. Net loss for the three months ended November 30, 2001 was \$73,423 compared to a net income of \$49,522 in the three months ended November 30, 2000 primarily because of revenues recognized pursuant to the construction of the water and wastewater systems for the Model Facility.

Liquidity and Capital Resources

At November 30, 2001, current assets exceed current liabilities by \$429,474 and the Company had cash and cash equivalents of \$441,737. 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 Water Commercialization Agreement, 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.

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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, 2001 /S/ Thomas P. Clark
Thomas P. Clark,
CEO

Date:

January 14, 2001 /S/ Mark W. Harding
Mark W. Harding,
President