

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 February 28, 2002

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 St., Thornton, CO 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 February 28, 2002:

Common Stock, 1/3 of \$.01 par Value	78,236,429
(Class)	(Number of Shares)

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

PURE CYCLE CORPORATION
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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)

		February 28, August 31,	
		2002	2001
ASSETS			
Current assets:			
Cash and cash equivalents	\$	360,726	\$ 435,660
Trade accounts receivable		29,581	33,255
Other current assets		11,259	11,259
Total current assets		401,566	480,174
Investment in water and systems:			
Rangeview water supply		13,514,753	13,483,425
Paradise water supply		5,491,423	5,487,433
Rangeview water system		124,501	126,611
Total investment in water and systems		19,130,677	19,097,469

Note receivable, including accrued interest	377,976	369,806
Other assets	114,841	127,441
	\$ 20,025,060	\$ 20,074,890

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable	4,346	--
Accrued liabilities	7,495	17,994
Total current liabilities	11,841	17,994
Long-term debt - related parties, including accrued interest	4,617,116	4,518,619

Participating interests in Rangeview water rights	11,090,630	11,090,630
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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; 78,236,429 shares issued and outstanding	261,584	261,584
Additional paid-in capital	24,778,989	24,778,989
Accumulated deficit (20,743,588)	(20,601,414)	
Total stockholders' equity	4,305,473	4,447,647
	\$ 20,025,060	\$ 20,074,890

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Three months Ended
February 28, February 28,
2002 2001

Water service revenue		
Water construction revenues	\$	-- \$ 19,536
Water usage fees	31,799	24,521

31,799 44,057

Construction costs incurred (Note 2) -- (15,000)
Water service operating expense (4,792) (1,887)

Gross Margin 27,007 27,170

General and administrative expense (58,175) (70,836)

Other income (expense):

Interest income 5,359 9,801
Interest expense related parties (48,077) (53,928)
Interest expense other (6,300)
Other 13,546 --
Net loss \$(66,640) \$(87,793)

Basic and diluted net loss
per common share \$ --* \$ --*

Weighted average common shares
outstanding 78,236,429 78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Six months Ended
February 28, February 28,
2002 2001

Water service revenue
Water construction revenues \$ -- \$ 594,334
Water usage fees 64,553 42,430
64,553 636,764
Construction costs incurred (Note 2) -- (456,320)
Water service operating expense (13,352) (4,103)

Gross Margin 51,201 176,341

General and administrative expense (107,947) (121,845)

Other income (expense):

Interest income 12,123 24,083
Interest expense related parties (98,497) (116,848)
Interest expense other (12,600) --
Other 13,546 --
Net loss \$(142,174) \$(38,269)

Basic and diluted net loss per
common share \$ --* \$ --*

Weighted average common shares
outstanding 78,236,429 78,439,763

* less than \$.01 per share

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF CASH FLOWS
(unaudited)

	Six months Ended	
	February 28, 2002	February 28, 2001
Cash flows from operating activities:		
Net loss	\$(142,174)	\$(38,269)
Increase in accrued interest on note receivable	(8,170)	(11,466)
Increase in accrued interest on long term debt and other non-current liabilities	98,500	116,848
Changes in operating assets and liabilities:		
Trade accounts receivable	3,674	16,719
Other assets	12,600	
Billings in excess of costs and estimated earnings	--	(594,334)
Accounts payable and accrued liabilities	(6,156)	(7,691)
Net cash provided by (used in) operating activities	(41,726)	(518,193)
Cash flows from investing activities:		
Investments in water supply	(35,318)	(38,028)
Investment in Rangeview water system	2,110	--
Net cash used in investing activities	(33,208)	(38,028)
Cash flows from financing activities:		
Proceeds from sale of common stock	--	219,500
Net cash provided by financing activities	--	219,500
Net decrease in cash and cash equivalents	(74,934)	(336,721)
Cash and cash equivalents beginning of period	435,660	821,124
Cash and cash equivalents end of period	\$ 360,726	\$ 484,403

See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The balance sheet as of February 28, 2002 and the statements of operations and statements of cash flows for the three and six months periods ended February 28, 2002 and February 28, 2001 have been prepared by the Company and have not been audited. 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 February 28, 2002 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 fiscal year 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 - WATER CONSTRUCTION PROJECTS

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.

In August 2000, the Company entered into a Plan of Recapitalization and a Stock Purchase Agreement whereby the Company issued 1,666,667 shares of Series C-3 Preferred Stock to Mr. Thomas Clark in exchange for 1,666,667 shares of common stock owned by Mr. Clark.

In August 2000, the Company committed to issue, and four accredited investors committed to purchase, a total of 763,333 shares of common stock, at \$.15 per share generating proceeds to the Company of \$114,500. Payment was received from these investors as follows: \$10,000 on September 28, 2000; \$4,500 on October 2, 2000; \$50,000 on October 26, 2000; and \$50,000 on October 27, 2000. The Company issued the 763,333 shares of common stock on November 22, 2000.

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

Results of Operations

During the quarter ended February 28, 2002, the Company delivered approximately 3.5 million gallons of water to customers in the Service Area generating revenues from water sales of \$31,799 compared to the delivery of 2.7 million gallon generating revenues of \$24,521 during the three months ended February 28, 2001. 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 water service operating costs of \$4,792 for the three months ending February 28, 2002 as compared to \$1,887 for the six month ending February 28, 2001. The increase in operating costs are attributable to the initiation of domestic water and wastewater service to the Model Facility beginning in July 2001. In August 2001, the Company entered into an agreement with a third party to provide operation and maintenance support for its water and wastewater operations.

During the six months ended February 28, 2002, the Company delivered approximately 16.6 million gallons of water generated water service revenues of \$64,553 compared to approximately 14.8 million gallons of water generating \$42,430 for the six months ended February 28, 2001. The increase in water service revenues are due primarily to the delivery of potable water during the current year compared to raw water during the previous year. The

Company incurred water service operating costs of \$13,352 for the six months ending February 28, 2002 as compared to \$4,103 for the six month ending February 28, 2001, due to the initiation of domestic water and wastewater service to the Model Facility beginning in July 2001.

General and administrative expenses for the six months ended February 28, 2002 were \$13,901 lower than for the period ended February 28, 2001, primarily because of a decrease in office rent. The Company has occupied office space owned by a related party at no cost since December 2000. Net loss for the six months ended February 28, 2002 was \$142,171 compared to a net loss of \$38,269 for the six month ended February 28, 2001 due to the completion of the Model Facility and the recognition of construction revenues in the previous year.

Liquidity and Capital Resources

At February 28, 2002, current assets exceed current liabilities by \$389,725 and, the Company had cash and cash equivalents of \$360,726.

The Company believes it has sufficient working capital and available credit to fund its operations for the next year or longer. There can be no assurances, however, that the Company will be successful in marketing the water from its two primary water projects in the near term. In the event sales are not achieved, the Company may sell additional participating interests in its water projects, incur additional short or long term debt or seek to sell additional shares of common or preferred stock or stock purchase warrants, as deemed necessary by the Company, to generate working 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:

April 13, 2002 /S/ Thomas P. Clark
Thomas P. Clark,
CEO

Date:

April 13, 2002 /S/ Mark W. Harding
Mark W. Harding,
President

