

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 May 31, 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 May 31, 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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"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)

May 31, August 31,

ASSETS 2002 2001

Current assets:

Cash and cash equivalents	\$ 336,951	\$ 435,660
Trade accounts receivable	27,000	33,255
Other current assets	11,259	11,259
Total current assets	375,210	480,174

Investment in water and systems:

Rangeview water supply	13,533,786	13,483,425
Paradise water supply	5,491,423	5,487,433
Rangeview water system	144,340	126,611
Total investment in water and systems	19,169,549	19,097,469

Note receivable, including

accrued interest	381,846	369,806
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Other assets

108,541	127,441
\$ 20,035,146	\$ 20,074,890

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:

Accounts payable	628	--
Accrued liabilities	10,995	17,994
Total current liabilities	11,623	17,994

Long-term debt - related parties,

including accrued interest	4,665,193	4,518,619
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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
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Accumulated deficit	(20,781,361)	(20,601,414)
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Total stockholders' equity	4,267,700	4,447,647
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See Accompanying Notes to the Financial Statements

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PURE CYCLE CORPORATION
STATEMENTS OF OPERATIONS
(unaudited)

Three months Ended
May 31, May 31,
2002 2001

Water service revenue			
Water construction revenues	\$	--	\$ 178,167
Water usage and wastewater processing fees	71,814	6,630	
	71,814	184,797	
Construction costs incurred (Note 2)	--		(32,664)
Water service and wastewater processing operating expense	(6,417)		(2,573)
Gross Margin	65,397	149,560	
General and administrative expense	(53,672)		(54,463)
Other income (expense):			
Interest income	4,876	9,763	
Interest expense - related parties	(48,077)		(49,240)
Interest expense - other	(6,300)	--	
Other	--	--	
Net income (loss)	\$ (37,776)	\$55,620	
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)

Nine months Ended
May 31, May 31,
2002 2001

Water service revenue			
Water construction revenues	\$	--	\$ 772,500
Water usage and wastewater processing fees	136,367	49,060	
	136,367	821,561	

Construction costs incurred (Note 2)	--	(488,983)
Water service and wastewater processing operating expense	(21,877)	(6,677)
Gross Margin	114,490	325,900
General and administrative expense	(159,504)	(176,308)
Other income (expense):		
Interest income	13,546	33,846
Interest expense related parties	(146,574)	(116,088)
Interest expense other	(18,900)	--
Other	16,999	--
Net income (loss)	\$ (179,947)	\$17,350

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)

	Nine months Ended	
	May 31, 2002	May 31, 2001
Cash flows from operating activities:		
Net income (loss)	\$(179,947)	\$17,350
Adjustments to reconcile net income (loss) to cash from operating activities:		
Accumulated depletion	3,165	--
Increase in note receivable, including accrued interest	(12,040)	(17,771)
Increase in long term debt - related parties, including accrued interest	146,574	166,088
Changes in operating assets and liabilities:		
Trade accounts receivable	6,255	16,619
Other assets	18,900	--
Billings in excess of costs and estimated earnings	--	(772,500)
Accounts payable and accrued liabilities	(6,371)	(5,429)
Net cash used in operating activities	(23,464)	(595,643)
Cash flows from investing activities:		
Investments in water supply	(54,351)	(50,301)
Investment in Rangeview water system	(20,894)	--
Net cash used in investing activities	(75,245)	(50,301)
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	(98,709)	(426,444)
Cash and cash equivalents at beginning of period	435,660	821,124

Cash and cash equivalents at
end of period \$ 336,951 \$ 394,680

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 May 31, 2002 and the statements of operations and statements of cash flows for the three and nine months periods ended May 31, 2002 and May 31, 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 May 31, 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. None of the Series D Convertible Preferred Stock pay dividends. The Company subsequently 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.

In fiscal year ended August 31, 2000, the Company entered into two separate Plans of Recapitalization and a Stock Purchase Agreement. The first Plan was in September 1999 whereby the Company issued 666,667 shares of Series C-2 Preferred Stock to Mr. Thomas Clark in exchange for 666,667 shares of common stock owned by Mr. Clark. The Company subsequently sold 666,667 shares of the Company's Common Stock at \$.18 per share to three accredited investors. Proceeds to the Company were \$120,000. In

August 2000, the Company also sold 763,333 shares at \$.15 per share to four accredited investors generating proceeds of \$114,500.

The second Plan was in August 2000 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 three transactions, beginning in December 2000, the Company sold 700,000 shares of the Company's Common Stock at \$.15 per share to two accredited investors, generating proceeds to the Company of \$105,000. In August 2001, the Company also sold 625,000 shares at \$.16 per share to two accredited investors generating proceeds of \$100,000.

All the shares were issued under Section 4(2) of the Securities Act of 1933.

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

Results of Operations

During the quarter ended May 31, 2002, the Company delivered approximately 6.5 million gallons of water to customers in the Service Area generating revenues from water sales of \$58,654 compared to the delivery of 5.6 million gallons generating revenues of \$6,630 during the three months ended May 31, 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 \$3,736 for the three months ending May 31, 2002 as compared to \$2,573 for the three month ending May 31, 2001. The increase in operating costs is 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 quarter ended May 31, 2002, the Company processed approximately 1.0 million gallons of wastewater from customers in the Service Area generating revenues from wastewater service of \$13,160. The Company incurred wastewater service operating costs of \$2,681. Fiscal year 2002 is the first year of operations for the Company's wastewater operations to the Model Facility which began in July 2001.

General and administrative expenses for the three months ended May 31, 2002 were \$791 lower than for the period ended May 31, 2001, primarily because of a decrease in office rent expense. Net loss for the three months ended May 31, 2002 was \$37,776 compared to net income of \$55,620 for the three month ended May 31, 2001 due to the completion of the Model Facility and the recognition of construction revenues in the previous year

During the nine months ended May 31, 2002, the Company delivered approximately 23.1 million gallons of water generating water service revenues of \$96,885 compared to approximately 18.6 million gallons of water generating \$49,060 for the nine months ended May 31, 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 \$12,524 for the nine months ending May 31, 2002 as compared to \$6,677 for the nine month ending May 31, 2001, due to the initiation of domestic water and wastewater service to the Model Facility beginning in July 2001.

During the nine months ended May 31, 2002, the Company processed approximately 3.0 million gallons of wastewater from customers in the Service Area generating revenues from wastewater service of \$39,482. The Company incurred wastewater service operating costs of \$9,357. Fiscal year 2002 is the first year of operations for the Company's wastewater operations to the Model Facility which began in July 2001.

General and administrative expenses for the nine months ended May 31, 2002 were \$16,804 lower than for the period ended May 31, 2001, primarily because of a decrease in office rent expense. The Company has occupied office space owned by a related party at no cost since December 2000. Net loss for the nine months ended May 31, 2002 was \$179,947 compared to net income of \$17,350 for the nine month ended May 31, 2001 due to the completion of the

Model Facility and the recognition of construction revenues in the previous year.

Liquidity and Capital Resources

At May 31, 2002, current assets exceed current liabilities by \$363,587 and, the Company had cash and cash equivalents of \$336,951.

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.

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

Liquidity and Capital Resources (continued)

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.

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:

July 15, 2002 /S/ Thomas P. Clark
Thomas P. Clark,
CEO

Date:

July 15, 2002 /S/ Mark W. Harding
Mark W. Harding,
President

