

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 February 29, 1996

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
(State or other jurisdiction of
incorporation or organization)

84-0705083
(I.R.S. Employer
Identification Number)

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

80022
(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 29, 1996:

Common Stock, 1/3 of \$.01 par Value
(Class)

78,439,763
(Number of Shares)

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

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PURE CYCLE CORPORATION AND SUBSIDIARY

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED BALANCE SHEETS
(unaudited)

<TABLE>
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Assets	February 29 1996	August 31 1995
	-----	-----
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Current Assets:		
Cash and cash equivalents	\$ 421,482	\$ 865,803
Marketable securities	3,429	3,429
Note receivable (Note 2)	197,268	119,327
Prepaid expenses and other current assets	12,485	16,037
	-----	-----
Total current assets	634,664	1,004,596
Investments in water projects:		
Paradise water rights	5,463,983	5,462,457
Rangeview water commercialization agreement (Rangeview WCA)	5,911,286	5,856,194
Sellers Gulch water rights	--	31,997
Equipment, at cost, net of accumulated depreciation of \$11,005 and \$9,514	5,380	5,359
Patents, net of accumulated amortization of \$35,460 and \$34,776 in 1996 and 1995, respectively	--	684
Other assets	22,596	22,596
	-----	-----
	\$ 12,037,909	\$ 12,383,883
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt (Note 3)	\$ --	\$ 185,460
Accounts payable	35,443	60,450
	-----	-----
Total current liabilities	35,443	245,910
Long-term debt payable to related parties, less current maturities	2,970,095	2,888,296
Other non-current liabilities	123,798	120,228
Minority interest in Rangeview WCA	4,020,630	4,020,630
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 - 432,513 shares issued and outstanding	433	433
Common stock, par value 1/3 of \$.01 per share; authorized - 135,000,000 shares; issued and outstanding 78,439,763 shares	261,584	261,584
Additional paid-in capital	23,615,561	23,615,561
Deficit accumulated during development stage	(6,264,863)	(6,043,987)
Deficit accumulated prior to September 1, 1986	(12,726,372)	(12,726,372)
	-----	-----
Total stockholders' equity	4,887,943	5,108,819
	-----	-----
Contingency (Note 4)	\$ 12,037,909	\$ 12,383,883
	=====	=====

</TABLE>

[FN]
See Accompanying Notes to the Consolidated Financial Statements

CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	Three Months Ended	
	February 29 1996	February 28 1995
<S>	<C>	<C>
Expenses:		
General, administrative and marketing	\$(81,561)	\$(74,667)
Expiration of option to purchase water rights	(31,997)	--
Interest	(44,487)	(51,846)
Total Expenses	(158,045)	(126,513)
Other income (expense):		
Interest income	11,290	--
Gain/(loss) on marketable securities	--	(604)
Net Loss before extraordinary item	(146,755)	(127,117)
Extraordinary gain on extinguishment of debt (Note 3)	48,228	--
Net loss	\$(98,527)	\$(127,117)
Net Loss per common share	\$ --*	\$ --*

* less than \$.01 per share

</TABLE>

[FN]

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

<TABLE>
<CAPTION>

	Six Months Ended		Cumulative Sept. 1, 1986 to Feb. 29, 1996
	February 29 1996	February 28 1995	
<S>	<C>	<C>	<C>
General and administrative expenses	\$(170,248)	\$(164,846)	\$(3,669,968)
Other income (expense):			
Interest expense	(90,637)	(103,057)	(1,799,830)
Loss on abandonment of option on water rights	--	--	(850,000)
Financing expense on purchase of water rights option	--	--	(200,000)
Financing cost for issuance of stock below market price	--	--	(187,500)
Loss on abandonment of power plant equipment	--	--	(242,500)
Gain from waived put options	--	--	40,950
Expiration of option to purchase water rights	(31,997)	--	(31,997)
Gain on sale of marketable securities	--	(3,611)	24,809
Interest income	23,778	--	62,019
Other, net	--	--	29,503
Net loss before extraordinary item	(269,104)	(271,514)	(6,824,514)

Extraordinary gain on

extinguishment of debt (Note 3)	48,228	--	559,651
	-----	-----	-----
Net loss	\$ (220,876)	\$ (271,514)	\$ (6,264,863)
	=====	=====	=====
Net loss per common share	\$ --*	\$ --*	
	=====	=====	

* less than \$.01 per share

</TABLE>

[FN]

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

<TABLE>

<CAPTION>

	Six Months Ended		Cumulative
	February 29	February 28	Sept. 1, 1986 to
	1996	1995	February 29, 1996
	-----	-----	-----
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net loss	\$ (220,876)	\$ (271,514)	\$ (6,264,863)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	2,175	2,434	30,460
Amortization of debt issuance costs	--	4,600	23,000
(Loss)/gain on sale of marketable securities	--	3,611	(24,809)
Accretion of discount on long-term debt	--	10,470	69,630
Common shares issued as additional interest expense	--	--	25,000
Extraordinary gain on extinguishment of debt	(48,228)	--	(559,651)
Loss on abandonment of option on water rights	--	--	750,000
Financing expense on purchase of water option	--	--	200,000
Financing costs for issuance of stock options below market price	--	--	187,500
Gain on put options waived	--	--	(40,950)
Loss on abandonment of power plant equipment	--	--	62,500
Payment for services and expenses with common stock donated by President	--	--	298,250
Other unrealized loss on marketable securities	--	--	1,143
Increase in accrued interest on note receivable	(7,641)	--	(10,968)
Other	--	--	(1,065)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	3,552	(5,310)	(7,535)
Accounts payable and other non-current liabilities	(21,437)	8,469	414,508
Accrued interest	87,067	94,562	1,505,186
	-----	-----	-----
Net cash used in operating activities	\$ (205,388)	\$ (152,678)	\$ (3,342,664)
	-----	-----	-----

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(continued)

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
CONSOLIDATED STATEMENTS OF CASH FLOWS

(CONTINUED)

<TABLE>
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	Six Months Ended		Cumulative Sept. 1, 1986 to February 29, 1996
	February 29 1996	February 28 1995	
<S>	<C>	<C>	<C>
Cash flows from investing activities:			
Investments in water rights	\$(24,621)	\$(64,839)	\$ (2,210,249)
Purchase of marketable securities	--	(300,000)	(2,000,000)
Proceeds from sale of marketable securities	--	1,278,289	2,024,809
Increase in note receivable	(70,300)	--	(186,300)
Purchase of equipment	(1,512)	(679)	(16,384)
Increase in other assets	--	--	(106,595)
	-----	-----	-----
Net cash provided by (used in) investing activities	(96,433)	912,771	(2,494,719)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from issuance of debt	--	--	2,677,629
Repayments of debt	(142,500)	--	(1,167,190)
Proceeds from sale of common stock	--	--	2,900,000
Proceeds from sale of Series A convertible Preferred stock	--	--	1,600,000
Proceeds from issuance of redeemable common stock	--	--	245,000
Proceeds from issuance of stock options	--	--	100,000
Repurchase of stock options	--	--	(100,000)
	-----	-----	-----
Net cash provided by (used in) financing activities	(142,500)	--	6,255,439
	-----	-----	-----
Net increase (decrease) in cash and cash equivalents	(444,321)	760,093	418,056
Cash and cash equivalents beginning of period	865,803	122,441	3,426
	-----	-----	-----
Cash and cash equivalents end of period	\$ 421,482	\$ 882,534	\$ 421,482
	=====	=====	=====

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[FN]

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The consolidated balance sheet as of February 29, 1996 and August 31, 1995, the consolidated statements of operations for the three and six months ended February 29, 1996 and February 28, 1995 and the consolidated statements of cash flows for the six months ended February 29, 1996 and February 28, 1995, 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 February 29, 1996 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 1995 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 - NOTE RECEIVABLE

In April 1995, the Company extended short-term credit to the Rangeview Metropolitan District. The loan permits borrowings up to \$250,000, is unsecured, bears interest based on the prevailing prime rate plus 2% and, matures on December 31, 1996.

NOTE 3 - CURRENT MATURITIES OF LONG-TERM DEBT

During January 1996, the Company reached an agreement with a creditor to retire a note payable, totaling \$190,728 with accrued interest, for payment of \$142,500. The difference in the face value of the note and the cash paid to retire the debt of \$48,228 has been reflected as an extraordinary gain on the consolidated statement of operations for the six months ended February 29, 1996.

NOTE 4 - CONTINGENCY

In October 1994, the Company joined in a lawsuit initiated by others including the Rangeview Metropolitan District (the "District"), brought in the District Court of the City and County of Denver, Colorado, against the Colorado State Board of Land Commissioners (the "Board") seeking a declaratory judgment affirming that the lease, as amended, (the "Lease"), between the Board and the District is valid and enforceable. Under the Lease, the Board leased the development rights to ground water underlying certain lands controlled by the Board, to the current lessee, the District. The Company has an interest in such water by reason of agreements entered into between the District and other parties.

On March 1, 1995, a counterclaim was filed by the Board against the District, the Company and other plaintiffs, in which the Board asserts that the Lease is void because the original lessee breached his fiduciary duty to the Board and that successive lessees have breached the Lease. The Board also claims damages of unspecified amounts against the plaintiffs, including the Company, because of alleged wrongs done in connection with the Lease and subsequent transactions.

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PURE CYCLE CORPORATION AND SUBSIDIARY
(A DEVELOPMENT STAGE ENTERPRISE)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - CONTINGENCY (continued)

Based on ongoing settlement discussions, management believes that the Rangeview litigation will be settled on terms acceptable to the Company during fiscal year 1996. However, if the Board were to change its current position on settling the matter and were to prosecute and prevail on its claims that the Lease is void or unenforceable, that would have an effect on the Company's contractual rights under its Water Commercialization Agreement related to the water covered by the Lease and would have a materially adverse effect on the Company.

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

Results of Operations

General and administrative expenses for the six months ended February 29, 1996 were approximately \$5,400 higher than for the period ended February 28, 1995, primarily because of an increase in facility costs and professional fees expense. Interest expense decreased for the six months ended February 29, 1996 by approximately \$19,000 compared to the period ended February 28, 1995 due to a lower average outstanding balance of notes payable in the first six months of fiscal 1996 compared to the same period in fiscal 1995. Net loss for the six months ended February 29, 1996 decreased approximately \$50,600 compared to the six months ended February 28, 1995 primarily because of the combined effects of the recognition of an extraordinary gain on

the extinguishment of debt, higher interest income and lower interest expense offset by the expiration of an option to purchase certain water rights.

Liquidity and Capital Resources

At February 29, 1996, current assets exceed current liabilities by approximately \$599,221 and, the Company had cash and cash equivalents of \$421,482.

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.

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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:

March 27, 1996

/S/ Thomas P. Clark

Thomas P. Clark,
President

Date:

March 27, 1996

/S/ Mark W. Harding

Mark W. Harding,
Chief Financial Officer

Date:

March 27, 1996

/S/ Michael S. Mehrtens

Michael S. Mehrtens
Controller

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THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 10-QSB DATED FEBRUARY 29, 1996 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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