

November 28, 2012



Pure Cycle Corporation Announces Financial Results for Fiscal Year Ended August 31, 2012

DENVER, Nov. 28, 2012 (GLOBE NEWSWIRE) -- Pure Cycle Corporation (Nasdaq:PCYO) announced the following summary results of operations:

Summary Statements

Our summarized results of operations for the fiscal years ended August 31, 2012 and 2011 are as follows:

	Fiscal Years Ended		
	August 31, 2012	August 31, 2011	\$ Change
Revenues	\$ 284,400	\$ 282,100	\$ 2,300
Cost of revenues	(188,000)	(159,700)	(28,300)
Gross margin	96,400	122,400	(26,000)
Operating expenses:			
General and administrative	(2,374,100)	(2,212,000)	(162,100)
Impairment of land and water assets held for sale	(6,457,800)	--	--
Impairment of water assets	(5,544,000)	--	--
Other	(220,700)	(212,200)	(8,500)
Loss from operations	(14,500,200)	(2,301,800)	(196,600)
Other (expense) income:			
Interest imputed on TPF	(3,470,500)	(3,847,000)	376,500
Interest on Convertible Debt	--	(151,700)	151,700
Oil and gas lease income	423,000	199,300	223,700
Other	129,000	85,000	44,000
Net loss	<u>\$ (17,418,700)</u>	<u>\$ (6,016,200)</u>	<u>\$ 599,300</u>
Weighted average shares outstanding (basic and diluted)	<u>24,037,596</u>	<u>23,168,450</u>	
Loss per share	<u>\$ (0.72)</u>	<u>\$ (0.26)</u>	

Our summarized financial position as of August 31, 2012 and 2011 is as follows:

	August 31, 2012	August 31, 2011	\$ Change
Assets			
Cash, cash equivalents and marketable securities	\$ 2,724,900	\$ 4,660,400	\$ (1,935,500)
Current portion of related party receivable - HP A&M	4,456,900	--	\$ 4,456,900
Other current assets	580,000	405,200	174,800
Total current assets	7,761,800	5,065,600	2,696,200
Investments in water and water systems, net	88,510,400	106,472,000	(17,961,600)
Land - Sky Ranch	3,778,500	3,743,300	35,200
Land and water held for sale	5,748,600	--	5,748,600
Note receivable - related party	5,093,400	--	--
Other long-term assets	689,300	841,800	(152,500)
Total assets	<u>\$ 111,582,000</u>	<u>\$ 116,122,700</u>	<u>\$ (4,540,700)</u>
Liabilities and Shareholders' Equity			
Current liabilities	\$ 913,900	\$ 658,300	\$ 255,600
Current portion of mortgages payable	5,340,900	--	5,340,900
Tap participation fee payable to HP A&M	68,269,200	64,988,300	3,280,900
Mortgages payable	4,209,300	--	4,209,300
Other long-term liabilities	2,730,900	3,185,800	(454,900)
Total liabilities	81,464,200	68,832,400	12,631,800
Total shareholders' equity	30,117,800	47,290,300	(17,172,500)
Total liabilities and shareholders' equity	<u>\$ 111,582,000</u>	<u>\$ 116,122,700</u>	<u>\$ (4,540,700)</u>

Summary of Significant Events and Changes

Revenues increased 1% during the fiscal year ended August 31, 2012, compared to the fiscal year ended August 31, 2011, and water deliveries for 2012 were in line with prior year deliveries.

General and administrative expenses increased 7% during the fiscal year ended August 31, 2012 compared to the fiscal year ended August 31, 2011. The increase was due primarily to the increase in legal fees related to the lawsuit we filed against the State of Colorado by and through its State Board of Land Commissioners (the Land Board) in December 2011 and the lawsuit filed against us by High Plains A & M, LLC (HP A&M), as well as legal fees associated with the default by HP A&M on certain promissory notes secured by deeds of trust on our Arkansas River assets.

The Company incurred a substantial increase in Net Operating Losses for fiscal year 2012. The increase in NOL is summarized in four categories:

1. A 7% increase in G&A expense (\$2.3M) mostly attributable to additional attorney fees associated with the HP A&M default;
2. Imputed Interest expense on the Tap Participation Fee (\$3.5M);
3. Impairment of the Paradise asset (\$5.5M); and
4. Impairment of Water and Land held for Sale (\$6.5M).

General and administrative expenses have increased modestly over the past two years, which is primarily attributable to increased attorney costs. The two significant impairment expenses attributable to the Paradise asset and the water and land held for sale represent approximately 70% of the net operating loss for 2012.

The Company's Paradise Water Supply is subject to a finding of reasonable diligence review by the water court and the State Engineer every six years. Due to the significant development costs of water assets along the western slope and agreements with other western slope water interests, the use of our Paradise Water Supply is limited to opportunities along the western slope. In order to obtain a finding of reasonable diligence at the next diligence proceeding for the Paradise conditional water rights in October 2014, we are required to (i) select an alternate reservoir site; (ii) file an application with the Water Court for Water Division 5 to change the place of storage; (iii) identify specific end users and places of use for the Paradise conditional water rights within the Colorado River basin in Colorado, excluding the Gunnison River basin; and (iv) identify specific source(s) of the water rights for use. We do not intend to spend the resources needed to find an alternative reservoir site without a specific use for the water. We have been unable to find potential customers for this water and cannot be certain that any customer will commit to use the water within the next two years. Since we do not have a customer that will commit to use the water and will not commit the resources necessary to move the reservoir site without a customer, we are expecting to lose the conditional water rights. Accordingly during the fourth quarter of fiscal 2012, the Company determined the Paradise Water Supply is fully impaired and an impairment charge of \$5.5 million was recorded.

HP A&M began defaulting on promissory notes secured by deeds of trust on the Company's Arkansas River properties and water rights in June 2012. HP A&M currently owes approximately \$9.6 million of principal and accrued interest on the notes secured by approximately 14,000 acres of farm land and 16,882 FLCC shares representing water rights owned by the Company, which represent nearly 70% of the Company's Arkansas River land and water interests. HP A&M's promissory notes were secured by 1.5 million shares of the Company's common stock issued to HP A&M (the "Pledged Shares") which were pledged by HP A&M pursuant to a pledge agreement (the "Seller Pledge Agreement") entered into in conjunction with the Arkansas River Agreement. The Company foreclosed on the Pledged Shares and sold them at an auction open only to pre-qualified accredited investors for \$3.5 million, or \$2.35 per share, on September 27, 2012.

In the fourth quarter of fiscal 2012, the Company identified farms to sell totaling 1,486 acres of land along with 3,377 shares of the Fort Lyon Canal Company associated with this land with a net book value of \$12.2 million. These farms and associated water shares are anticipated to be sold for approximately \$5.7 million. The Company recorded an impairment charge for the land and water rights held for sale of approximately \$6.5 million for the year ended August 31, 2012.

The Company's book value for its Arkansas River land and water assets were valued based on the value of the common stock and the obligation payable to HP A&M known as the Tap Participation Fee paid to HP A&M as consideration for the acquisition. HP A&M's failure to pay the promissory notes constituted an Event of Default under the Seller Pledge Agreement and a default of a material covenant under the Arkansas River Agreement. The Company has and will pursue any and all remedies available to it, which include, but are not limited to,

the right to (i) foreclose on the Pledged Shares; (ii) reduce the Tap Participation Fee; (iii) terminate the Property Management Agreement; and (iv) recover damages caused by the defaults, including certain costs and attorneys' fees. As we process our remedies for HP A&M's default, we will reduce portions of the Tap Participation Fee (resulting in a debit to the liability), and we will record a credit to Additional Paid In Capital which will offset the land and water impairment loss from the sale of certain farms within equity. Until certain remedies are concluded, the Company does not expect to reduce the Tap Participation Fee obligation, which results in a timing difference for net operating losses from the sale of certain farms. The Company expects finalization of its remedies against HP A&M may take up to a year or longer.

We will host a conference call on Thursday November 29, 2012 at 4PM Eastern (2PM Mountain) to discuss these results. Call details are below. Additionally, we have posted a detailed slide presentation which overviews the Company and presents summary financial results on our website which can be accessed at www.purecyclewater.com.

CALL DETAILS

When:	4PM Eastern on Thursday November 29 2012
Call in number:	1-877-307-1379 (no pass codes required)
Replay available until:	December 6, 2012
Replay call in number:	1-800-585-8367
Passcode:	75635433

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and other applicable securities laws. Forward-looking statements are all statements, other than statements of historical facts, included in this press release that address activities, events or developments that we expect or anticipate will or may occur in the future, such as statements regarding the remedies we intend to seek from HP A&M, the timing of such remedies, the quantity of farm land and water which may be sold, and the price attainable from such sales. Investors are cautioned that forward-looking statements are inherently uncertain and involve risks and uncertainties that could cause actual results to differ materially. Factors that could cause actual results to differ from projected results include, without limitation: our ability to find buyers for our farms and water rights; the market price of land and water; the risk factors discussed in Part I, Item 1A of our most recent Annual Report on Form 10-K; and those factors discussed from time to time in our press releases, public statements and documents filed or furnished with the U.S. Securities and Exchange Commission. Although we have attempted to identify important factors that could cause actual results to differ materially from those described in forward-looking statements, there may be other factors that cause results not to be as anticipated or intended. Except as required by law, we disclaim any obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Company Information

Pure Cycle owns water rights, storage rights and land in several river basins in the State of

Colorado. Pure Cycle provides water and wastewater services, including the design, construction, operation and maintenance of water and wastewater systems, to wholesale customers, which are local governmental entities who provide water and wastewater services to their end-use customers located in the greater Denver metropolitan area.

Additional information including our recent press releases and Annual Reports are available at www.purecyclewater.com, or you may contact our President, Mark W. Harding, at 303-292-3456 or at info@purecyclewater.com.

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Source: Pure Cycle Corporation