

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 November 30, 1997

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 of incorporation) 84-0705083  
(I.R.S. Employer  
Identification

Number)

5650 York Street, Commerce City, CO 80022  
(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, 1997:

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  
INDEX TO NOVEMBER 30, 1997 FORM 10-QSB

	Page
Part I - Financial Information (unaudited)	
Balance Sheets - November 30, 1997 and August 31, 1997	3
Statements of Operations - For the three months ended November 30, 1997 and November 30, 1996	4
Statements of Cash Flows - For the three months ended November 30, 1997 and November 30, 1996	5
Notes to Financial Statements	6
Management's Discussion and Analysis of Results of Operations and Financial Condition	7

"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.

2

PURE CYCLE CORPORATION  
CONSOLIDATED BALANCE SHEETS

ASSETS	November 30 1997	August 31 1997
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 263,384	\$ 370,426
Marketable securities	3,429	3,429
Prepaid expenses and other current assets	7,830	7,830
	-----	-----
Total current assets	274,643	381,685
Investment in water projects:		
Rangeview water rights (Note 2)	12,945,242	12,920,490
Paradise water rights	5,468,041	5,468,041
Rangeview Water System	111,506	100,212
	-----	-----
Total investment in water projects	18,524,789	18,488,743
Note receivable	280,641	274,765
Equipment, at cost, net of accumulated depreciation of \$14,758 in 1997 and \$14,149 in 1996	2,480	3,089
Other assets	22,596	22,596
	-----	-----
	\$ 19,105,149	\$ 19,170,878
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 28,671	\$ 6,856
Accrued liabilities	0	45,809
	-----	-----
Total current liabilities	28,671	52,665
Long-term debt - related parties, including accrued interest	3,600,970	3,550,925
Other non-current liabilities	115,628	113,843
Participating interests in Rangeview water rights (Note 2)	11,090,630	11,090,630
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; 78,439,763 shares issued and outstanding	261,584	261,584
Additional paid-in capital	23,678,561	23,678,561
Accumulated deficit	(19,672,928)	(19,579,363)

Total stockholders' equity	4,269,250	4,362,815
	-----	-----
	\$ 19,105,149	\$ 19,170,878
	=====	=====

See Accompanying Notes to the Consolidated Financial Statements

3

PURE CYCLE CORPORATION  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	Three Months Ended	
	November 30 1997	November 30 1996
	-----	-----
Water service revenue		
Tap fees	\$       --	\$       --
Water usage fees	5,608	--
Water service operating expense	( 1,000)	--
Expenses:		
General, administrative and marketing	( 55,576)	( 69,512)
Interest		
Related party	( 50,045)	( 49,580)
Other	( 1,785)	( 1,785)
Total Expenses	(108,406)	(119,092)
Other income (expense):		
Interest income	9,233	5,703
Net Loss	\$ (93,565)	\$ (113,389)
	=====	=====
Net Loss per common share	\$    --*	\$    --*

\* less than \$.01 per share

See Accompanying Notes to the Consolidated Financial Statements

4

PURE CYCLE CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	Three Months Ended	
	November 30 1997	November 30 1996
	-----	-----
Cash flows from operating activities:		
Net loss	\$ ( 93,565)	\$ (113,389)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	609	721
Amortization of warrant issuance costs	--	4,500
Increase in accrued interest on note receivable	( 5,876)	( 4,774)
Other	--	--
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	--	2,889
Accounts payable and other non-current liabilities	( 23,994)	( 2,961)
Accrued interest	51,830	49,580
	-----	-----

Net cash used in operating activities	( 70,996)	( 63,434)
	-----	-----
Cash flows from investing activities:		
Investments in water rights	( 24,752)	35,439
Investment in rangeview water system	( 11,294)	--
Increase in note receivable	--	--
	-----	-----
Net cash provided by (used in) investing activities	( 36,046)	35,439
	-----	-----
Cash flows from financing activities:		
Proceeds from issuance of debt	--	300,000
	-----	-----
Net cash provided by (used in) financing activities	--	300,000
	-----	-----
Net increase (decrease) in cash and cash equivalents	(107,042)	201,127
Cash and cash equivalents beginning of period		
	370,426	126,756
	-----	-----
Cash and cash equivalents end of period	\$ 263,384	\$ 327,883
	=====	=====

See Accompanying Notes to the Consolidated Financial Statements

5

PURE CYCLE CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The consolidated balance sheet as of November 30, 1997 and August 31, 1997, the consolidated statements of operations for the three months ended November 30, 1997 and November 30, 1996 and the consolidated statements of cash flows for the three months ended November 30, 1997 and November 30, 1996, 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, 1997 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 1997 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 - LONG-TERM DEBT

In August 1996, the Company entered into a loan agreement with six related party investors. The loan is for \$300,000, is unsecured, bears interest based on the prime rate plus 2% or 10 1/4% and is due August 30, 2002. The agreement allowed the Company to extend the due date to August 30, 2002 by issuing additional warrants (see Note 3). In connection with the August 1996 loan agreement, the Company issued warrants to purchase shares of the Company's common stock.

In August 1997, the Company entered into a loan agreement with five related party investors. The loan is for \$350,000, is unsecured, bears interest at the rate of 10 1/4% and is due August 30, 2002. In connection with the August 1997 loan agreement, the Company issued warrants to purchase shares of the Company's common stock (see Note 3).

NOTE 3 - STOCKHOLDERS' EQUITY

In connection with the August 1996 loan agreement described in note 2, the Company issued warrants to purchase 600,000 shares of

the Company's common stock and additional warrants to purchase 1,323,000 shares to extend the due date of the note until August 30, 2002. The warrants are exercisable at \$.25 per share and expire August 30, 2002. The estimated fair value of the warrants issued of \$18,000 has been capitalized and is being amortized to expense over the term of the notes.

In connection with the August 1997 loan agreement, the Company issued warrants to purchase 2,100,000 shares of the Company's common stock. The warrants are exercisable at \$.25 per share and expire August 30, 2002. A portion of the proceeds received under the agreement (\$45,000) has been attributed to the estimated fair value of the warrants issued. The resulting discount is being amortized over the term of the loan.

6

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

Results of Operations

General and administrative expenses for the three months ended November 30, 1997 were approximately \$14,000 lower than for the period ended November 30, 1996, primarily because of a reduction payroll expense. Interest expense increased for the three months ended November 30, 1997 by approximately \$2,300 compared to the period ended November 30, 1996 primarily because of a higher average outstanding balance of notes payable in the first quarter of fiscal 1997 compared to the same period in fiscal 1996. Net loss for the three months ended November 30, 1997 decreased approximately \$20,000 compared to the three months ended November 30, 1996 primarily because the reduction in payroll expense.

Liquidity and Capital Resources

At November 30, 1997, current assets exceed current liabilities by \$245,972 and, the Company had cash and cash equivalents of \$274,643.

In August 1997, the Company entered into a loan agreement with five related party investors. The loan is for \$350,000, is unsecured, bears interest based on the prime rate plus 2% or 10 1/4% and is due August 30, 2002.

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.

7

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 10, 1998  
-----

/S/ Thomas P. Clark  
-----  
Thomas P. Clark,  
President

Date:

January 10, 1998  
-----

/S/ Mark W. Harding  
-----  
Mark W. Harding,  
Chief Financial Officer

<TABLE> <S> <C>

<ARTICLE>

5

<LEGEND>

THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 10-QSB DATED NOVEMBER 30, 1997 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	AUG-31-1997
<PERIOD-END>	NOV-30-1997
<CASH>	263,384
<SECURITIES>	3,429
<RECEIVABLES>	0
<ALLOWANCES>	0
<INVENTORY>	0
<CURRENT-ASSETS>	274,643
<PP&E>	17,238
<DEPRECIATION>	14,758
<TOTAL-ASSETS>	19,105,149
<CURRENT-LIABILITIES>	28,671
<BONDS>	0
<COMMON>	261,584
<PREFERRED-MANDATORY>	0
<PREFERRED>	2,033
<OTHER-SE>	4,005,633
<TOTAL-LIABILITY-AND-EQUITY>	19,105,149
<SALES>	0
<TOTAL-REVENUES>	5,608
<CGS>	0
<TOTAL-COSTS>	56,576
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	51,830
<INCOME-PRETAX>	(93,565)
<INCOME-TAX>	0
<INCOME-CONTINUING>	(93,565)
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	(93,565)
<EPS-PRIMARY>	(0.01)
<EPS-DILUTED>	0

</TABLE>