Securities and Exchange Commission
Washington, D.C. 20549
Form 10-QSB

(Mark One)
X QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

For the quarterly period ended February 28, 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	84-0705083
(State or other jurisdiction of incorporation or organization)	(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 [x]; NO [ ]

State the number of shares outstanding of each of the issuer's classes of common equity , as of February 28, 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 [x]

PURE CYCLE CORPORATION AND SUBSIDIARY

INDEX TO FEBRUARY 28, 1997 FORM 10-QSB

Signature Page 12

"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.

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

ASSETS	February 28 1997	August 31 1996
Current assets:		
Cash and cash equivalents	$ 233,466	$ 126,756
Marketable securities	3,429	3,429
Prepaid expenses and other current assets	7,830	10,864
Total current assets	244,725	141,049
Investment in water projects:		
Rangeview water rights (Rangeview Water Commercialization Agreement in 1995)	12,865,523	12,788,413
Paradise water rights	5,466,834	5,466,834
Total investment in water projects	18,332,357	18,255,247
Note receivable	263,013	251,282
Equipment, at cost, net of accumulated depreciation of $13,107 in 1997 and $11,005 in 1996	4,131	5,155
Other assets	31,596	40,596
	$ 18,875,822	$ 18,693,329
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 33,542	$ 53,796
Long-term debt - related parties	3,145,901	2,750,311
Other non-current liabilities	131,038	127,468
Participating interests in Rangeview water rights (Minority interest in Rangeview Water Commercialization Agreement in 1995)	11,090,630	11,090,630
Stockholders' equity (Note 4):		
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	23,633,561	23,633,561
Deficit accumulated during development stage	(6,696,095)	(6,499,682)
Deficit accumulated prior to September 1, 1986	(12,726,372)	(12,726,372)
Total stockholders' equity	4,474,711	4,671,124

Contingency (Note 5)		
	$ 18,875,822	$ 18,693,329

[FN]
See Accompanying Notes to the Consolidated Financial Statements

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

	Three Months Ended	
	February 28 1997	February 29 1996
Water revenue	$ 46,370	$ --
Expenses:		
General, administrative and marketing	(77,950)	(81,561)
Expiration of option to purchase water rights	--	(31,997)
Interest	(49,580)	(44,487)
Total Expenses	(81,160)	(158,045)
Other income (expense):		
Interest income	8,034	11,290
Net loss before extraordinary item	(73,126)	(146,755)
Extraordinary gain on extinguishment of debt (Note 2)	--	48,228
Net loss	$(73,126)	$(98,527)
Net Loss per common share	$ --*	$ --*

* less than $.01 per share

[FN]
See Accompanying Notes to the Consolidated Financial Statements

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

	Six Months Ended		Cumulative
	February 28 1997	February 29 1996	Sept. 1, 1986 to Feb. 28, 1997
Water revenue	$ 46,370	$ --	$ 46,370
General and administrative expenses	(157,360)	(170,248)	(3,994,911)
Other income (expense):			
Interest expense	(99,160)	(90,637)	(1,982,876)
Loss on abandonment of option on water rights	--	(31,997)	(881,997)
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
Gain on sale of marketable securities	--	--	24,809
Interest income	13,737	23,778	92,406
Other, net	--	--	29,503
Net loss before extraordinary item	(196,413)	(269,104)	(7,255,746)
Extraordinary gain on extinguishment of debt (Note 2)	--	48,228	559,651
Net loss	$(196,413)	$(220,876)	$(6,696,095)
Net Loss per common share	$ --*	$ --*	

* less than $.01 per share

[FN]
See Accompanying Notes to the Consolidated Financial Statements

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

	Six Months Ended		Cumulative
	February 28 1997	February 29 1996	Sept. 1, 1986 to Feb. 28, 1997
Cash flows from operating activities:			
Net loss	$(196,413)	$(220,876)	$(6,696,095)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	1,024	2,175	32,562
Amortization of debt issuance costs	--	--	23,000
Amortization of warrant issuance costs	9,000	--	9,000
(Loss)/gain on sale of marketable securities	--	--	(24,809)
Accretion of discount on long-term debt	--	--	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	--	--	781,997
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	(11,731)	(7,641)	(33,703)
Other	--	--	(1,065)
Changes in operating assets and liabilities:			
Prepaid expenses and other current assets	3,034	3,552	(2,880)
Accounts payable and other non-current			

liabilities	(20,254)	(21,437)	409,037
Accrued interest	99,160	87,067	1,691,802
Net cash used in operating activities	$(116,180)	$(205,388)	$(3,567,732)

(continued)

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

	Six Months Ended		Cumulative
	February 28 1997	February 29 1996	Sept. 1, 1986 to Feb. 28, 1997
Cash flows from investing activities:			
Investments in water rights	$(77,110)	$(24,621)	$(2,429,334)
Purchase of marketable securities	--	--	(2,000,000)
Proceeds from sale of marketable securities	--	--	2,024,809
Increase in note receivable	--	(70,300)	(229,310)
Purchase of equipment	--	(1,512)	(17,237)
Increase in other assets	--	--	(106,595)
Net cash provided by (used in) investing activities	(77,110)	(96,433)	(2,757,667)
Cash flows from financing activities:			
Proceeds from issuance of debt	300,000	--	2,977,629
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	300,000	(142,500)	6,555,439
Net increase (decrease) in cash and cash equivalents	106,710	(444,321)	230,040
Cash and cash equivalents beginning of period	126,756	865,803	3,426
Cash and cash equivalents end of period	$ 233,466	$ 421,482	$ 233,466

[FN]
See Accompanying Notes to the Consolidated Financial Statements

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 28, 1997 and August 31, 1996, the consolidated statements of operations for the three months ended February 28, 1997 and February 29, 1996 and the consolidated statements of cash flows for the three months ended February 28, 1997 and February 29, 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 February 28, 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 1996 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 - 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 3 - 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%, is payable in equal quarterly installments through August 30, 1997. The agreement provides that the Company can extend the due date of any of the four quarterly installment to August 30, 2002 by issuing additional warrants (see Note 3). The funds were advanced to the Company in September 1996. In connection with the loan agreement, the Company issued warrants to purchase shares of the Company's common stock. The agreement includes a covenant that prohibits the note from being called prior to the expiration of the warrants issued in conjunction with the note.

NOTE 4 - STOCKHOLDERS' EQUITY

In connection with a loan agreement described in note 3, the Company issued warrants to purchase 600,000 shares of the Company's common stock at $.25 per share. The warrants expire August 30, 2002. The loan agreement includes a provision entitling the Company to extend the due date of any of the installments to August 30, 2002 by issuing additional warrants to purchase common stock at $.25 per share. The number of warrants to be issued is equal to 150% of the principal amounts due plus accrued interest, divided by $.25. 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.

Note 5 - 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

Note 5 - CONTINGENCY (continued)

Colorado State Board of Land Commissioners (the "State Land Board") seeking a declaratory judgment affirming that the lease, as amended, from the State Land Board to the District was valid and enforceable. In April of 1996, the parties to the lawsuit agreed to a settlement (the "Settlement"). The Settlement, among other things, clarifies the State Land Board's royalty participation in an amended and restated lease relating to the principal value of $24,914,058 in exchange for interests in the

Company's Rangeview water rights. The Company negotiated agreements to acquire the remainder of the District's Bonds not already owned by the Company with a Comprehensive Amendment Agreement ("CAA"). Commitments to the former bondholders and investors to share in the proceeds from the sale or other disposition of the Export Water Rights decreased from approximately $33,546,000 to approximately $31,807,000 as a result of the Settlement. The Settlement was subject to obtaining a final non-appealable order of the trial court approving the Settlement. The trial court order was signed June 14, 1996 and became final and non-appealable on July 29, 1996.

Certain crossclaims in the lawsuit remained pending between the District and the East Cherry Creek Valley Water and Sanitation District (the "ECCV"). One of ECCV's crossclaims would have affected the Company in that ECCV asserted that it had the right of first refusal to purchase the Export Water. If ECCV were to have prevailed on this claim, the Company would have been required to sell the Export Water to ECCV. The price for such a purchase would have been determined by the court and might have been more or less favorable than the price the Company could obtain from a third party.

In December 1996, the crossclaims in the lawsuit were settled. ECCV set aside its right to first refusal to purchase the Export Water in return for a financial settlement with the District. The outcome of the settlement had no effect on the Company.

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

Results of Operations

As a result of the Company's privatization of water and waste water services for the Rangeview Metropolitan District ("Rangeview"), during the quarter ended February 28, 1997, the Company generated revenues of $46,370 from the sale of water taps within the Rangeview Service Area. In addition to the sale of the water taps, the Company will receive monthly water use revenues based on the water delivered to the users within the Rangeview Service Area.

Pursuant to the Company's 85 year Service Agreement with Rangeview, the Company receives 95% of Rangeview's water revenues after deducting royalties (totaling 12% of gross revenues) paid to the State of Colorado. Rangeview's water and waste water tap fees are $8,000 and $4,000, respectively, per single family equivalent dwelling. Rangeview's water usage fees are $1.55 for non-potable water and $2.00 for potable water per 1,000 gallons (or $505 and $652 per acre foot, respectively). Rangeview's waste water usage fee is $2.24 per 1,000 gallons (or $730 per acre foot of waste water processed). Rangeview's Service Area encompasses over 24,000 acres of property with the capacity to serve approximately 30,000 single family equivalent dwellings. The Company is currently negotiating with potential customers for additional water and waste water service within the Rangeview Service Area.

General and administrative expenses for the six months ended February 28, 1997 were approximately $12,900 lower than for the period ended February 29, 1996. Lower general and administrative expenses resulted from a reduction in salaries paid to the officers of the Company offset by higher professional service fees. Interest expense increased for the three months ended February 28, 1997 by approximately $8,500 compared to the period ended February 29, 1996 primarily because of a higher average outstanding balance of notes payable in the second quarter of fiscal 1997 compared to the same period in fiscal 1996. Net loss for the three months ended February 28, 1997 decreased approximately $24,400 compared to the six months ended February 29, 1996. The reduction in net loss from the prior period resulted from the recognition of water tap fee revenues and lower salaries expense, however increased professional service fees and lower interest income served to lessen the reduction in net loss for the six months ended February 28, 1997 as compared to the same period in fiscal 1996.

Liquidity and Capital Resources

At February 28, 1997, current assets exceed current liabilities by $211,183 and, the Company had cash and cash equivalents of $233,466.

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%, is payable in equal quarterly installments through August 30, 1997 (see Notes 2 and 3 to the financial statements). Proceeds from the note were received in September 1996.

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 CAA, 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.

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:

March 25, 1997 — /S/ THOMAS P. CLARK
Thomas P. Clark,
President

Date:

March 25, 1997 — /S/ MARK W. HARDING
Mark W. Harding,
Chief Financial Officer

Date:

March 25, 1997 — /S/ MICHAEL S. MEHRTENS
Michael S. Mehrtens
Controller

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FROM THE COMPANY'S 10-QSB DATED FEBRUARY 28, 1997 AND IS QUALIFIED IN ITS
ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
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