

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 28, 1998

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 February 28, 1998:

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
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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
CONSOLIDATED BALANCE SHEETS

ASSETS	February 28 1998	August 31 1997
	-----	-----
Current assets:		
Cash and cash equivalents	\$ 160,707	\$ 370,426
Marketable securities	3,429	3,429
Prepaid expenses and other current assets	7,830	7,830
	-----	-----
Total current assets	171,966	381,685
Investment in water projects:		
Rangeview water rights	12,989,875	12,920,490
Paradise water rights	5,470,606	5,468,041
Rangeview Water System	114,088	100,212
	-----	-----
Total investment in water projects	18,574,569	18,488,743
Note receivable, including accrued interest	286,517	274,765
Equipment, at cost, net of accumulated depreciation of \$14,758 and \$14,149, respectively	1,757	3,089
Other assets	22,596	22,596
	-----	-----
	\$ 19,057,405	\$ 19,170,878
	=====	=====
 LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 48,672	\$ 6,856
Accrued liabilities	--	45,809
	-----	-----
Total current liabilities	48,672	52,665
Long-term debt - related parties, including accrued interest (Note 2)	3,651,016	3,550,925
Other non-current liabilities	117,413	113,843
Participating interests in Rangeview water rights	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	23,729,944	23,678,561
Accumulated deficit	(19,843,887)	(19,579,363)
	-----	-----

Total stockholders' equity	4,149,674	4,362,815
	\$ 19,057,405	\$ 19,170,878
	=====	=====

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three Months Ended	
	February 28 1998	February 28 1997
	-----	-----
Water service revenue		
Tap fees	\$ --	\$ 46,370
Water usage fees	8,136	--
	-----	-----
	8,136	46,370
Expenses		
Water service operating expense	(1,000)	--
General, administrative and marketing	(136,225)	(77,950)
Interest		
Related party	(50,046)	(49,580)
Other	(1,785)	--
	-----	-----
	(189,056)	(81,160)
Interest income	7,961	8,034
	-----	-----
Net Loss	\$ (172,959)	\$ (73,126)
	=====	=====
Loss per common share	\$ --*	\$ --*

* less than \$.01 per share

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Six Months Ended	
	February 28 1998	February 28 1997
	-----	-----
Water service revenue		
Tap fees	\$ --	\$ 46,370
Water usage fees	13,744	--
	-----	-----
	13,744	46,370
Expenses		
Water service operating expense	(1,000)	--
General, administrative and marketing	(190,801)	(157,360)
Interest		
Related party	(100,091)	(99,160)
Other	(3,570)	--
	-----	-----
	(295,462)	(256,520)
Interest income	17,194	13,737
	-----	-----
Net Loss	\$ (264,524)	\$ (196,413)
	=====	=====
Loss per common share	\$ --*	\$ --*

* less than \$.01 per share

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Six Months Ended	
	February 28 1998	February 28 1997
Cash flows from operating activities:		
Net loss	\$ (264,524)	\$ (196,413)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,332	1,024
Amortization of deferred financing costs	--	9,000
Noncash compensation expense for the repricing of options and warrants (Note 3)	51,383	--
Increase in accrued interest on note receivable	(11,752)	(11,731)
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	--	3,034
Accounts payable	(3,993)	(20,254)
Accrued interest and other non-current liabilities	103,661	99,160
	-----	-----
Net cash used in operating activities	(123,893)	(116,180)
	-----	-----
Cash flows from investing activities:		
Investments in water rights	(71,950)	(77,110)
Investment in rangeview water system	(13,876)	--
	-----	-----
Net cash used in investing activities	(85,826)	(77,110)
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	(209,719)	106,710
Cash and cash equivalents beginning of period	370,426	126,756
	-----	-----
Cash and cash equivalents end of period	\$ 160,707	\$ 233,466
	=====	=====

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - ACCOUNTING PRINCIPLES

The consolidated balance sheet as of February 28, 1998 and August 31, 1997, the consolidated statements of operations for the three months and six months ended February 28, 1998 and February 28, 1997 and the consolidated statements of cash flows for the six months ended February 28, 1998 and February 28, 1997, 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, 1998 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.

In December of 1997, the Company agreed to adjust the exercise price of its outstanding options and warrants totaling approximately 48,672,000 shares held by certain directors, officers, and investors of the Company from \$.25 per share to \$.18 per share. The options and warrant repricing was based on the market closing price on December 2, 1997 of \$.18 per share. The Company has recognized a non-cash compensation expense of \$51,000 which reflects the change in value of the options and warrants based on the price of the Company's outstanding shares at the date of repricing. The options and warrants expire during 2002.

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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 28, 1998 were approximately \$33,000 higher than for the period ended February 28, 1997, primarily because of a non-recurring, non-cash compensation expense. Interest expense increased for the six months ended February 28, 1998 by approximately \$1,000 compared to the period ended February 28, 1997 primarily because of a higher average outstanding balance of notes payable for the six months of fiscal 1998 compared to the same period in fiscal 1997. Net loss for the six months ended February 28, 1998 increased approximately \$69,000 compared to the six month ended February 28, 1997 primarily because of the receipt of one-time tap fee revenue during the six months ended February 28, 1997 and the non-cash compensation expense.

During the six months ended February 28, 1998, the Company generated water service revenues of \$13,744 and incurred approximately \$1,000 in operating costs associated with the water service revenues. The water service revenues were generated from

the sale of water to customers within the Company's Service Area.

Liquidity and Capital Resources

At February 28, 1998, current assets exceed current liabilities by \$123,294 and, the Company had cash and cash equivalents of \$164,136.

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.

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:

April 15, 1998

/S/ Thomas P. Clark

Thomas P. Clark,
President

Date:

April 15, 1998

/S/ Mark W. Harding

Mark W. Harding,
Chief Financial Officer

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THIS DOCUMENT CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE COMPANY'S 10-QSB DATED February 28, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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