

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 May 31, 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 84-0705083
(State of incorporation) (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 May 31, 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 [x]

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	May 31 1998	August 31 1997
Current assets:		
Cash and cash equivalents	\$ 87,559	\$ 370,426
Marketable securities	3,429	3,429
Prepaid expenses and other current assets	7,830	7,830
	-----	-----
Total current assets	98,818	381,685
Investment in water projects:		
Rangeview water rights	12,992,383	12,920,490
Paradise water rights	5,470,606	5,468,041
Rangeview Water System	114,088	100,212
	-----	-----
Total investment in water projects	18,577,077	18,488,743
Note receivable, including accrued interest	292,393	274,765
Equipment, at cost, net of accumulated depreciation of \$15,790 and \$14,149, respectively	1,448	3,089
Other assets	22,596	22,596
	-----	-----
	\$ 18,992,332	\$ 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)	3,701,061	3,550,925
Other non-current liabilities	119,198	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	(19,960,790)	(19,579,363)
	-----	-----
Total stockholders' equity	4,032,771	4,362,815

 \$ 18,992,332 \$ 19,170,878
 =====

[FN]
 See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited)

	Three Months Ended	
	May 31 1998	May 31 1997
Water service revenue		
Tap fees	\$ --	\$ 29,354
Water usage fees	5,419	--
	-----	-----
	5,419	29,354
Expenses		
Water service operating expense	(1,000)	--
General, administrative and marketing	(77,857)	(75,164)
Interest		
Related party	(50,046)	(49,580)
Other	(1,785)	--
	-----	-----
	(130,688)	(124,744)
Interest income	7,365	7,007
	-----	-----
Net Loss	\$(117,904)	\$(88,383)
Loss per common share	\$ --*	\$ --*

* less than \$.01 per share

[FN]
 See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
 CONSOLIDATED STATEMENTS OF OPERATIONS
 (unaudited)

	Nine Months Ended	
	May 31 1998	May 31 1997
Water service revenue		
Tap fees	\$ --	\$ 75,724
Water usage fees	19,163	--
	-----	-----
	19,163	75,724
Expenses		
Water service operating expense	(2,000)	--
General, administrative and marketing	(267,658)	(232,524)
Interest		
Related party	(150,136)	(148,740)
Other	(5,355)	--
	-----	-----
	(425,149)	(381,264)
Interest income	24,559	20,744
	-----	-----
Net Loss	\$(381,427)	\$(284,796)
	=====	=====
Loss per common share	\$ --*	\$ --*

* less than \$.01 per share

[FN]

See Accompanying Notes to the Consolidated Financial Statements

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PURE CYCLE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended	
	May 31	May 31
	1998	1997
Cash flows from operating activities:		
Net loss	\$(381,427)	\$(284,796)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,641	1,544
Amortization of deferred financing costs	--	13,500
Noncash compensation expense for the repricing of options and warrants (Note 3)	51,383	--
Increase in accrued interest on note receivable	(17,628)	(17,607)
Increase in accrued interest on long term debt and other non-current liabilities	155,491	148,740
Changes in operating assets and liabilities:		
Prepaid expenses and other current assets	--	3,034
Accounts payable	(3,993)	(25,124)
	-----	-----
Net cash used in operating activities	(194,533)	(160,709)
Cash flows from investing activities:		
Investments in water rights	(74,458)	(91,784)
Investment in rangeview water system	(13,876)	(41,535)
	-----	-----
Net cash used in investing activities	(88,334)	(133,319)
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	(282,867)	5,972
Cash and cash equivalents beginning of period	370,426	126,756
	-----	-----
Cash and cash equivalents end of period	\$ 87,559	\$ 132,728
	=====	=====

[FN]

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 May 31, 1998 and August 31, 1997, the consolidated statements of operations for the three months and nine months ended May 31, 1998 and May 31, 1997 and the consolidated statements of cash flows for the nine months ended May 31, 1998 and May 31, 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 May 31, 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. In connection with the August 1996 loan agreement, the Company issued warrants to purchase shares of the Company's common stock. The agreement allowed the Company to extend the due date to August 30, 2002 by issuing additional warrants (see Note 3).

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 charged to expense during the year ended August 31, 1997.

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 to purchase 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 nine months ended May 31, 1998 were approximately \$37,000 higher than for the period ended May 31, 1997, primarily because of a non-recurring, non-cash compensation expense related to the repricing of outstanding options and warrants. Interest expense increased for the nine months ended May 31, 1998 by approximately \$7,000 compared to the period ended May 31, 1997 primarily because of a higher average outstanding balance of notes payable for the nine months of fiscal 1998 compared to the same period in fiscal 1997. Net loss for the nine months ended May 31, 1998 increased approximately \$97,000 compared to the nine month ended May 31, 1997 primarily because of the receipt of one-time tap fee revenue during the nine months ended May 31, 1997 and the non-cash compensation expense.

During the nine months ended May 31, 1998, the Company generated water service revenues of \$19,163 and incurred approximately \$2,000 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 May 31, 1998, current assets exceed current liabilities by \$50,146 and, the Company had cash and cash equivalents of \$87,559.

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:

July 9, 1998

/S/ Thomas P. Clark

Thomas P. Clark,
President

Date:

July 9, 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 May 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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