SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 1997.

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM _______________ to______________

Commission file number: 0-16159

LECTEC CORPORATION
(Exact name of Registrant as specified in its charter)

Minnesota	41-1301878
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10701 Red Circle Drive, Minnetonka, Minnesota	55343
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (612) 933-2291

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:
Common stock, par value $0.01 per share.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 [ ]

The number of shares outstanding of the registrant's common stock as of November 12, 1997 was 4,064,766 shares.

LECTEC CORPORATION

FORM 10-Q - QUARTERLY REPORT FOR THE QUARTERLY PERIOD ENDED
SEPTEMBER 30, 1997

TABLE OF CONTENTS

<TABLE>
<CAPTION>

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

<S>	(Unaudited) September 30, 1997 <C>	June 30, 1997 <C>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 579,695	$ 665,190
Short-term investments	390,698	577,587
Receivables		
Trade, net of allowances of $80,795 (unaudited) and $67,126 at September 30, 1997 and June 30, 1997	2,891,130	2,178,984
Refundable income taxes	392,926	401,263
Other	28,084	22,780
	3,312,140	2,603,027
Inventories		
Raw materials	1,743,496	1,655,924
Work-in-process	230,973	184,208
Finished goods	666,706	736,889
Total inventories	2,641,175	2,577,021
Prepaid expenses and other	150,642	84,871
Deferred income taxes	366,000	366,000
Total current assets	7,440,350	6,873,696
PROPERTY, PLANT AND EQUIPMENT - AT COST		
Building and improvements	1,748,868	1,635,157
Equipment	6,629,335	6,578,960
Furniture and fixtures	372,530	371,670
	8,750,733	8,585,787
Less accumulated depreciation	4,411,812	4,241,214
	4,338,921	4,344,573
Land	247,731	247,731
	4,586,652	4,592,304
OTHER ASSETS		
Patents and trademarks, less accumulated amortization of $889,990 (unaudited) and $846,914 at September 30, 1997 and June 30, 1997	338,042	363,343
Long-term investments	8,013	8,013
	346,055	371,356
	$12,373,057	$11,837,356

See accompanying notes to the consolidated financial statements.

</TABLE>

<TABLE>
<CAPTION>

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Unaudited)

<S>	September 30, 1997 <C>	June 30, 1997 <C>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	$ 1,141,622	$ 779,699
Accrued expenses		
Payroll related	303,364	324,381
Restructuring charge	1,502,341	1,521,107
Other	259,773	213,425
Total current liabilities	3,207,100	2,838,612
DEFERRED INCOME TAXES	211,000	211,000
SHAREHOLDERS' EQUITY		
Common stock, $.01 par value: 15,000,000 shares authorized; issued and outstanding 3,842,800 shares (unaudited) at September 30, 1997 and 3,842,800 shares at June 30, 1997	38,428	38,428
Additional paid-in capital	10,476,428	10,476,428
Unrealized losses on securities available-for-sale	(17,852)	(33,372)
Retained deficit	(1,542,047)	(1,693,740)
	8,954,957	8,787,744
	$ 12,373,057	$ 11,837,356

</TABLE>

See accompanying notes to the consolidated financial statements.

<TABLE>
<CAPTION>

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS

(Unaudited)

<S>	Three months ended September 30, 1997 <C>	1996 <C>
Net sales	$ 3,630,810	$ 2,973,483
Cost of goods sold	2,421,951	1,898,394
Gross profit	1,208,859	1,075,089
Operating expenses		
Sales and marketing	260,345	109,562
General and administrative	531,346	443,654
Research and development	246,592	500,202
	1,038,283	1,053,418
Earnings from operations	170,576	21,671
Other income (expense)		
Interest income	6,272	16,755
Dividend income	7,948	9,432
Interest expense	(366)	(1,230)
Other	(5,060)	15,000
	8,794	39,957

Earnings before income taxes and equity in losses of unconsolidated subsidiary	179,370	61,628
Income tax expense	27,677	1,403
Earnings before equity in losses of unconsolidated subsidiary	151,693	60,225
Equity in losses of unconsolidated subsidiary	--	22,841
Net earnings	$ 151,693	$ 37,384
Net earnings per common and common equivalent share	$ 0.04	$ 0.01
Weighted average number of common and common equivalent shares outstanding during the period	3,842,818	3,835,956

</TABLE>

See accompanying notes to the consolidated financial statements.

<TABLE>
<CAPTION>

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	(Unaudited) Three Months Ended September 30, 1997 <C>	(Unaudited) Three Months Ended September 30, 1996 <C>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$ 151,693	$ 37,384
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	211,774	252,916
Loss on sale of investments	5,060	--
Gain on sale of equipment	--	(15,000)
Equity in losses of unconsolidated subsidiary	--	22,841
Changes in operating assets and liabilities:		
Trade and other receivables	(717,450)	(244,787)
Refundable income taxes	8,337	--
Inventories	(64,154)	(234,908)
Prepaid expenses and other	(65,771)	(129,695)
Accounts payable	361,923	(6,250)
Accrued expenses	6,565	19,358
Net cash used in operating activities	(102,023)	(298,141)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(164,946)	(34,175)
Proceeds from sale of equipment	--	15,000
Investment in patents and trademarks	(15,875)	(40,571)
Sale of investments	197,349	--
Net cash provided by (used in) investing activities	16,528	(59,746)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of common stock	--	1,125
Net cash provided by financing activities	--	1,125
Net decrease in cash and cash equivalents	(85,495)	(356,762)

Cash and cash equivalents at beginning of period	665,190	800,693
Cash and cash equivalents at end of period	$ 579,695	$ 443,931

</TABLE>

See accompanying notes to the consolidated financial statements.

<TABLE>
<CAPTION>

LECTEC CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

<S>	(Unaudited) Three Months Ended September 30, 1997 <C>	(Unaudited) Three Months Ended September 30, 1996 <C>
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest expense	$ 366	$ 5,924
Income taxes	8,500	6,000
SUPPLEMENTAL SCHEDULE OF NONCASH ACTIVITIES:		
Conversion of subsidiary's notes payable to equity	$ --	$83,595

</TABLE>

See accompanying notes to the consolidated financial statements.

LECTEC CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

QUARTERS ENDED SEPTEMBER 30, 1997 AND 1996

(1) GENERAL

The accompanying consolidated financial statements include the accounts of LecTec Corporation (the "Company"), LecTec International Corporation, a wholly-owned subsidiary, and Pharmadyne Corporation, a sixty-one percent owned subsidiary as of September 30, 1997. All significant intercompany balances and transactions have been eliminated in consolidation. The Company's financial statements for the three months ended September 30, 1997 should be read in conjunction with its Annual Report on Form 10-K and its Annual Report to Shareholders for the fiscal year ended June 30, 1997. The interim financial statements are unaudited and in the opinion of management, reflect all adjustments necessary for a fair presentation of results for the periods presented. Results for interim periods are not necessarily indicative of results for the year.

(2) PHARMADYNE CORPORATION AND RESTRUCTURING CHARGE

During fiscal 1997 the Company adopted a plan for eliminating the Pharmadyne Corporation subsidiary and recorded a nonrecurring restructuring charge of $2,180,353. The restructuring charge included approximately $1,369,000 for the planned acquisition of the minority interests in Pharmadyne in exchange for newly issued shares of LecTec Corporation common stock. In October 1997 the Company issued 221,948 new shares of its common stock to acquire the minority interests in Pharmadyne. Effective October 2, 1997 Pharmadyne is a wholly-owned subsidiary of the Company. The Company is currently in the process of *registering the newly issued shares of LecTec Corporation common stock with the Securities and Exchange Commission. The Company expects to complete the restructuring during fiscal 1998.*

(3) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) 128, "Earnings Per Share," which is effective for financial statements issued after December 15, 1997. Early adoption of the new standard is not permitted. The new standard eliminates primary and fully diluted earnings per share and requires presentation of basic and diluted earnings per share together with disclosure of how the per share amounts were computed.

In June 1997, the FASB issued SFAS 130, "Reporting Comprehensive Income," and SFAS 131, "Disclosures about Segments of an Enterprise and Related Information," which are effective for fiscal year 1999. SFAS 130 will require the Company to display an amount representing total comprehensive income, as defined by the statement, as part of the Company's basic financial statements. Comprehensive income will include items such as unrealized gains or losses on certain investment securities. SFAS 131 will require the Company to disclose financial and other information about its business segments, their products and services, geographic areas, major customers, sales, profits, assets and other information.

The adoption of these statements is not expected to have a material effect on the consolidated financial statements of the Company.

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

QUARTERS ENDED SEPTEMBER 30, 1997 AND 1996

RESULTS OF OPERATIONS

Net sales for the first quarter of fiscal 1998 were $3,630,810 compared to net sales of $2,973,483 for the first quarter of fiscal 1997, an increase of 22.1%. The increase was primarily the result of increased medical tape sales and therapeutic product sales. Conductive product sales, the Company's largest product group, increased by 4.4% from the prior year while medical tape product sales, the Company's second largest product group, increased by 39.4% and therapeutic product sales increased by 99.5%. The conductive sales increase was primarily the result of increased volumes to existing customers. Medical tape product sales increased primarily due to increased sales volume to several customers which more than offset the absence of sales in fiscal 1998 to another large customer who purchases intermittently. The therapeutic product sales increase was primarily the result of increased analgesic patch sales volume which more than offset decreased sales of corn and callous and wart remover products in fiscal 1998.

Gross profit for the first quarter of fiscal 1998 was $1,208,859 compared to $1,075,089 for the first quarter of fiscal 1997. Gross profit as a percent of net sales for the first quarter of fiscal 1998 was 33.3% compared to 36.2% for the first quarter of fiscal 1997. The decrease in gross profit percent for the quarter resulted primarily from increased overtime and incentive labor costs necessary to meet peak production levels, the cost of plant upgrades and renovations and a decrease in the sales mix of higher margin conductive products.

Sales and marketing expenses were $260,345 and $109,562 during the first quarters of fiscal 1998 and 1997, and as a percentage of net sales, were 7.2% and 3.7%. General and administrative expenses were $531,346 and $443,654 during the first quarters of fiscal 1998 and 1997, and as a percentage of net sales, were 14.6% and 14.9%. The increase in sales and marketing expense for the quarter was primarily due to staffing level increases and increased consulting expenses. The Company anticipates that due to increased sales and marketing efforts, future sales and marketing expense as a percent of sales will be comparable to the first quarter of fiscal 1998. The increase in general and administrative expenses for the quarter was primarily due to staffing level increases and increased legal expenses which more than offset the absence of goodwill related amortization present in fiscal 1997.

Research and development expenses for the first quarters of fiscal 1998 and 1997 were $246,592 and $500,202, and as a percentage of net sales, were 6.8% and 16.8%. The decrease in R&D expense for the quarter primarily reflects reductions in research costs associated with the internal development of the cotinine-based smoking cessation product. The Company is currently pursuing potential strategic partners to assist in the further development and potential ultimate commercialization of a cotinine-based pill.

Other income, net decreased in the first quarter of fiscal 1998 to $8,794 from $39,957 in the first quarter of 1997. Other income was lower in fiscal 1998 due to the absence in 1998 of a gain on the sale of equipment, decreased dividend income as a result of lower investment balances and a loss in 1998 on the sale of investments.

Earnings before income taxes and equity in losses of an unconsolidated subsidiary were $179,370 for the first quarter of fiscal 1998 compared to $61,628 for the first quarter of 1997. Earnings for the current quarter were primarily the result of increased sales which more than offset increased costs of goods sold.

The Company recorded income tax expense of $27,677 in the first quarter of fiscal 1998 compared to income tax expense of $1,403 in 1997. Income tax expense in the first quarter of fiscal 1998 reflects the Company's expected annual effective tax rate for 1998. In the first quarter of fiscal 1997 there was minimal income tax expense due to the utilization of NOL carryforwards.

In fiscal 1996, the Company contributed the direct marketing related assets of Pharmadyne Corporation to Natus L.L.C. (an Arizona limited liability company) in exchange for a 15% interest in Natus L.L.C. This investment was accounted for using the equity method. During the first quarter of fiscal 1997, the Company recorded $22,841 of equity in the losses of Natus L.L.C. The investment in Natus L.L.C. was fully written off in the third quarter of fiscal 1997 as part of the restructuring charge (see note 2 of the Notes to Consolidated Financial Statements of this report).

Inflation has not had a significant impact on the Company as it has generally been able to adjust its selling prices as the costs of materials and other expenses have changed.

LIQUIDITY AND CAPITAL RESOURCES

Cash and cash equivalents decreased by $85,495 to $579,695 during the first quarter of fiscal 1998. Short and long-term investments decreased by $186,889 to $398,711 during the first quarter of fiscal 1998 due primarily to the sale of investments. Receivables increased by $709,113 to $3,312,140 during the first quarter of fiscal 1998 due primarily to increased sales in the month of September. Accounts payable increased by $361,923 to $1,141,622 during the first quarter of fiscal 1998 primarily due to an increase in the average number of days outstanding before payment and increased raw material and labor payables related to increased production during the month of September. Capital spending for plant renovations and upgrades and various equipment totaled $164,946 during the first quarter of fiscal 1998. There were no material commitments for capital expenditures at September 30, 1997.

Working capital, at the end of the first quarter of fiscal 1998, increased to $4,233,250 from $4,035,084 at the end of fiscal 1997. The Company had a current ratio at the end of the first quarter of fiscal 1998 of 2.3 as compared to 2.4 at the end of fiscal 1997.

The Company had no short or long-term debt as of September 30, 1997. During August 1997 the Company obtained an unsecured $1,000,000 working capital line of credit which expires in September 1998. The previous working capital line of credit expired January 1, 1997. There were no borrowings outstanding on the line of credit during the first quarter of fiscal 1998 nor during all of fiscal 1997. Shareholders' equity increased by $167,213 to $8,954,957 during the first quarter of fiscal 1998.

Management believes that internally-generated cash-flow and the existing short-term line of credit will be sufficient to support anticipated operating and capital spending requirements for the remainder of fiscal 1998.

FORWARD-LOOKING STATEMENTS

From time to time, in reports filed with the Securities and Exchange Commission, in press releases, and in other communications to shareholders or the investment community, the Company may provide forward-looking statements concerning possible or anticipated future results of operations or business developments which are typically preceded by the words "believes", "expects", "anticipates", "intends", "will", "may", "should" or similar expressions. Such forward-looking statements are subject to risks and uncertainties which could cause results or developments to differ materially from those indicated in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the buying patterns of major customers; competitive forces including new products or pricing pressures; costs associated with and acceptance of the Company's new brand strategy; impact of interruptions to production; dependence on key personnel; need for regulatory approvals; changes in governmental regulatory requirements or accounting pronouncements; and ability to satisfy funding requirements for operating needs, expansion or capital expenditures.

PART II

OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS

None.

Item 2. CHANGES IN SECURITIES

There have been no changes in the rights of security holders.

Item 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

Item 5. OTHER INFORMATION

None.

Item 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

Financial Data Schedule

(b) REPORTS ON FORM 8-K

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

LECTEC CORPORATION

Date November 13, 1997 /s/ Rodney A. Young

Rodney A. Young, Chief Executive Officer & President

Date November 13, 1997 /s/ Deborah L. Moore

Deborah L. Moore, Chief Financial Officer

```
<TABLE> <S> <C>



<ARTICLE> 5

<S>                             <C>
<PERIOD-TYPE>                   3-MOS
<FISCAL-YEAR-END>                          JUN-30-1998
<PERIOD-END>                               SEP-30-1997
<CASH>                                         579,695
<SECURITIES>                                   390,698
<RECEIVABLES>                                3,392,935
<ALLOWANCES>                                    80,795
<INVENTORY>                                  2,641,175
<CURRENT-ASSETS>                             7,440,350
<PP&E>                                       8,998,464
<DEPRECIATION>                               4,411,812
<TOTAL-ASSETS>                              12,373,057
<CURRENT-LIABILITIES>                        3,207,100
<BONDS>                                              0
<PREFERRED-MANDATORY>                                0
<PREFERRED>                                          0
<COMMON>                                        38,428
<OTHER-SE>                                   8,916,529
<TOTAL-LIABILITY-AND-EQUITY>                12,373,057
<SALES>                                      3,630,810
<TOTAL-REVENUES>                             3,630,810
<CGS>                                        2,421,951
<TOTAL-COSTS>                                2,421,951
<OTHER-EXPENSES>                                     0
<LOSS-PROVISION>                                12,000
<INTEREST-EXPENSE>                                 366
<INCOME-PRETAX>                                179,370
<INCOME-TAX>                                    27,677
<INCOME-CONTINUING>                            151,693
<DISCONTINUED>                                       0
<EXTRAORDINARY>                                      0
<CHANGES>                                            0
<NET-INCOME>                                   151,693
<EPS-PRIMARY>                                      .04
<EPS-DILUTED>                                      .04



</TABLE>
```