LITTLEFIELD CORP
Form 10QSB
August 14, 2007

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-QSB

(Mark one)
[X] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the fiscal quarter ended June 30, 2007

OR

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Commission file No. 0-24805

Littlefield Corporation
(Exact name of small business issuer as specified in its charter)

Delaware	74-2723809
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

2501 North Lamar Blvd., Austin TX 78705
(Address of principal executive offices)

(512) 476-5141
(Issuer's telephone number)

Check whether the issuer (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 [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES [ ] NO [X]

As of June 30, 2007, the Issuer had 11,298,404 shares of its Common Stock, par value $0.001 per share outstanding.

Transitional Small Business Disclosure Format: YES [ ] NO [X]

Littlefield Corporation

FORM 10-QSB

For the quarter ended June 30, 2007

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended June 30,	2007	2006

REVENUES:		
Entertainment	$2,181,346	$1,996
Hospitality	1,474,755	1,622
Other	12,069	(3,
TOTAL REVENUES	3,668,170	3,614
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	805,418	786
Rent and utilities	642,939	626
Other direct operating costs	921,528	925
Depreciation and amortization	158,474	165
License expense	29,847	30
TOTAL COSTS AND EXPENSES	2,558,206	2,534
GROSS MARGIN	1,109,964	1,080
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and other compensation	280,517	142
Legal and accounting fees	111,485	62
Depreciation and amortization	28,529	26
Stock-based compensation expense	14,311	56
Other general and administrative	165,310	128
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	600,152	416
GAIN ON DISPOSITION OF FIXED ASSETS	12,098	4
OPERATING INCOME	521,910	667
OTHER INCOME AND EXPENSES:		
Interest and investment income	17,091	11
Interest expense ($5,062 and $7,876 respectively to related parties)	(122,282)	(51,
Other income and (expense)	(4,398)	
TOTAL OTHER INCOME AND EXPENSES	(109,589)	(39,
NET INCOME BEFORE PROVISION FOR INCOME TAXES	412,321	627
PROVISION FOR INCOME TAXES	30,203	15
NET INCOME	382,118	611
OTHER COMPREHENSIVE INCOME	4,680	
NET COMPREHENSIVE INCOME	$ 386,798	$ 611

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Three Months Ended June 30,	2007	2006
EARNINGS PER SHARE:		
Basic earnings per share	$ 0.034	$ 0.057
Diluted earnings per share	$ 0.033	$ 0.055
Weighted average shares outstanding - basic	11,276,282	10,756,967
Weighted average shares outstanding - diluted	11,528,617	11,048,517

See notes to consolidated financial statements.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Six Months Ended June 30,	2007	2006
REVENUES:		
Entertainment	$4,515,447	$4,168,319
Hospitality	2,618,151	2,322,883
Other	23,692	42,884
TOTAL REVENUES	7,157,290	6,534,086
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	1,574,041	1,371,507
Rent and utilities	1,260,140	1,240,122
Other direct operating costs	1,723,281	1,567,151
Depreciation and amortization	314,535	329,592

License expense	60,676	70,890
TOTAL COSTS AND EXPENSES	4,932,673	4,579,262
GROSS MARGIN	2,224,617	1,954,824
GENERAL AND ADMINISTRATIVE EXPENSES		
Salaries and other compensation	553,547	290,450
Legal and accounting fees	221,873	78,311
Depreciation and amortization	57,129	50,643
Compensation expense related to options	28,622	81,358
Other general and administrative	360,548	239,657
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	1,221,719	740,419
GAIN ON DISPOSTION OF FIXED ASSETS	12,098	4,346
OPERATING INCOME	1,014,996	1,218,751
OTHER INCOME AND EXPENSES:		
Interest and investment income	32,033	43,968
Interest expense ($10,125 and $15,753 respectively to related parties)	(252,170)	(108,365)
Other income and (expense)	(4,398)	37,527
TOTAL OTHER INCOME AND EXPENSES	(224,535)	(26,870)
NET INCOME BEFORE PROVISION FOR INCOME TAXES	790,461	1,191,881
PROVISION FOR INCOME TAXES	50,203	30,774
NET INCOME	740,258	1,161,107
OTHER COMPREHENSIVE INCOME	4,713	0
NET COMPREHENSIVE INCOME	$744,971	$1,161,107

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

Six Months Ended June 30,	2007	2006
EARNINGS PER SHARE:		
Basic earnings per share	$ 0.067	$ 0.109
Diluted earnings per share	$ 0.065	$ 0.107

Weighted average shares outstanding - basic	11,116,886	10,626,668
Weighted average shares outstanding - diluted	11,354,456	10,843,946

Littlefield Corporation
CONSOLIDATED BALANCE SHEET (Unaudited)

ASSETS

	June 30, 2007
Current Assets:	
Cash and cash equivalents	$ 3,484,012
Accounts receivable, net of allowance for doubtful accounts of $157,784	759,323
Other prepaid expenses and current assets	310,318
Note receivable	6,088
Total Current Assets	4,559,741
Property and Equipment - at cost, net of accumulated depreciation and amortization	6,203,108
Other Assets:	
Goodwill	4,905,111
Intangible assets, net	608,946
Other non-current assets	199,129
Total Other Assets	5,713,186
TOTAL ASSETS	$16,476,035

LIABILITIES AND STOCKHOLDERS' EQUITY

Current Liabilities:	
Long term debt, current portion	185,620
Long term debt, legal settlements, current portion	275,725
Trade accounts payable	124,983
Accrued expenses	877,528
Other current liabilities - related party	396,183
Total Current Liabilities	1,860,039
Long-term Liabilities:	
Long term debt, net of current portion	3,542,528
Long term debt, legal settlements, net of current portion	488,532
Long term debt-related party	36,000

Total Long-term Liabilities	4,067,060
Total Liabilities	5,927,099
Stockholders' Equity:	
Common stock, $0.001 par value, (authorized 20,000,000 shares, issued 12,344,139 shares, outstanding 11,298,404 shares)	12,344
Additional paid-in-capital	23,792,521
Treasury stock - 1,045,735 shares, at cost	(1,331,621)
Accumulated deficit	(11,924,308)
Total Stockholders' Equity	10,548,936
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$16,476,035

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

Six months Ended June 30,	2007
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net income	$740,258
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	371,664
Stock based compensation expense	28,622
Gain on disposition of fixed assets	(12,098)
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:	
Accounts receivable	329,417
Other assets and licenses	314,309
Trade accounts payable	(139,655)
Accrued expenses and other current liabilities	3,136
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,635,653
CASH FLOWS FROM INVESTING ACTIVITIES:	
Property and equipment expenditures	(509,512)
Proceeds from the sale of property and equipment	18,250
Proceeds form the sale of investments	3,741
Proceeds from collection of Note Receivable	1,103
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(486,418)

CASH FLOWS FROM FINANCING ACTIVITIES:	
Payments on capital lease obligations	--
Payments on notes payable and legal settlement obligations	(1,093,307)
Proceeds from issued shares	476,560
Proceeds from note payable	401,958
Collections of Subscription receivable	--
Proceeds from options exercised	--
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(214,789)
NET INCREASE IN CASH	934,446
CASH AT BEGINNING OF PERIOD	2,549,566
CASH AT END OF PERIOD	$3,484,012

See notes to consolidated financial statements.

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Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Six months Ended June 30,	2007	2006
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments:		
Interest	$239,509	$96,718
Income taxes	$0	$0
Non-cash transactions:		
Issuance of treasury stock for deferred compensation and 401K plan	$23,656	$24,403

See notes to consolidated financial statements.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2007

NOTE 1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION.

The unaudited consolidated financial statements include the accounts of Littlefield Corporation and its wholly owned subsidiaries (the "Company"). The financial statements contained herein are unaudited and, in the opinion of management, contain all adjustments necessary for a fair presentation of financial position, results of operations and cash flows for the periods presented. The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities and the reported amount of revenue and expenses during the reported period. Actual results could differ from these estimates. Where appropriate, items within the consolidated financial statements have been reclassified to maintain consistency and comparability for all periods presented.

The operating results for the six-month period ended June 30, 2007 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2007. Except for historical information contained herein, certain matters set forth in this report are forward looking statements that are subject to substantial risks and uncertainties, including the impact of government regulation and taxation, customer attendance and spending, competition, and general economic conditions, among others. This Quarterly Report on Form 10-QSB contains "forward-looking" statements as such term is defined in the Private Securities Litigation Reform Act of 1995 and information relating to the Company and its subsidiaries that are based on the beliefs of the Company's management. When used in this report, the words "anticipate," "believe," "estimate," "expect," and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements. Such statements reflect the current risks, uncertainties and assumptions related to certain factors including, without limitations, competitive factors, general economic conditions, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in other filings made by the company with the Securities and Exchange Commission, based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected or intended. The Company does not intend to update these forward-looking statements.

NOTE 2 - PROPERTY AND EQUIPMENT.

Property and equipment at June 30, 2007 consists of the following:

Land	$740,467
Buildings	3,274,925
Leasehold improvements	4,228,573
Rental inventory and bingo equipment	1,806,569
Equipment, furniture and fixtures	2,332,369
Automobiles	451,433
	12,834,336
Less: Accumulated depreciation and amortization	(6,631,228)
Property and equipment, net	$6,203,108

Total depreciation expense, for owned and leased assets, charged to operations for the six months ended June 30, 2007 and 2006 was approximately $356,900 and $369,000 respectively.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2007

NOTE 3 - GOODWILL & OTHER INTANGIBLE ASSETS.

Goodwill at June 30, 2007 is as follows:

	Gross Carrying Amount	Accumulated Amortization
Goodwill	$6,704,375	$(1,799,264)

	Entertainment	Hospitality
Balance at December 31, 2006	$4,533,727	$ 371,384
Goodwill acquired during the year	---	---
Impairment losses	---	---
Goodwill disposed during the year	---	---

Balance at June 30, 2007	$4,533,727	$ 371,384	

Intangible assets at June 30, 2007 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	
Intangible Assets with Indefinite Lives:			
Bingo licenses	$589,719	(51,974)	
Intangible Assets with Finite Lives:			
Covenants not to compete	$297,500	(226,299)	
Intangible Assets, Net of Accumulated Amortization			

Amortization expense charged to operations for the six months ended June 30, 2007 and 2006 was approximately $14,800 and $11,000 respectively.

NOTE 4 - SHAREHOLDERS' EQUITY.

At June 30, 2007 the Company holds 1,045,735 treasury shares at an average purchase cost of $1.27.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2007

NOTE 5 - SHARE BASED PAYMENTS.

Effective January 1, 2006, the Company adopted FASB Statement of Financial Accounting Standards No. 123R (Revised 2004), Share-Based Payment, which requires that the compensation cost relating to share-based payment transactions be recognized in financial statements based on the provisions of SFAS 123 issued in 1995. We have adopted this statement using the modified prospective method of implementation, whereby the prospective method records the compensation expense from the implementation date forward, but leaves prior periods unchanged.

The Company recorded approximately $28,600 in compensation expense in the six month period ended June 30, 2007 related to options issued under its stock-based incentive compensation plans. This includes expense related to both options issued in the current year and options issued in prior years for which the requisite service period for those options includes the current year. The fair value of these options was calculated using the Black-Scholes options pricing model. For options issued in 2006, the following assumptions were used: dividend yield of 10%, expected volatility of 68%, risk free interest rates of 5.0% and an expected life of 7 years. There were no options issued in the six month period ended June 30, 2007.

NOTE 6 - EARNINGS PER SHARE.

A reconciliation of basic to diluted earnings per share is as follows:

Six months ended June 30,	2007 Basic	2007 Diluted	2006 Basic
Numerator:			
Net income (loss)	$740,258	$740,258	$1,1
Denominator:			
Weighted average shares outstanding	11,116,886	11,116,886	10,6
Effect of dilutive securities:			
Preferred stock	---	---	
Stock options and warrants	---	237,570	
Weighted average shares outstanding	11,116,886	11,354,456	10,6
Earnings (loss) per share	$0.067	$0.065	

NOTE 7 - COMPREHENSIVE INCOME.

The Company has adopted Financial Accounting Standards Board Statement No. 130, Reporting Comprehensive Income. Statement No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, the adoption of this Statement has no impact on net income or shareholders' equity. Statement No. 130 requires unrealized gains or losses to be included in other comprehensive income.

The components of comprehensive income for the six months ended June 30, 2007 and 2006 are as follows:

	2007	2006
Net income	$740,258	$1,161,107
Other comprehensive income		
Reclassification adjustment for loss included in net income	4,713	--
	4,713	--
Total comprehensive income	$744,971	$1,161,107

NOTE 8 - INCOME TAXES.

The Company recorded approximately $50,000 and $31,000 of state income tax expense, respectively, for the six months ended June 30, 2007 and 2006. The Company does not expect to incur material federal income tax charges until the depletion of its accumulated federal income tax loss carry-forwards, which totaled approximately $6,800,000 at December 31, 2006 that begin expiring in the year 2015.

NOTE 9 - RELATED PARTY TRANSACTIONS.

In 2002, the President was awarded a $300,000 bonus which is presented on the balance sheet with accrued interest as Other current liabilities - related party. The Company accrued $10,125 in interest in 2007 and $12,188 in 2006 on these liabilities.

The President and CEO of the Company had personally guaranteed $300,000 of a note payable to a third party lender, in the original total amount of $540,000. The note was paid in full in May 2005. The Company accrued a total of $61,125 in loan guaranty fees to him in 2002. During the fourth quarter of 2006, the Board unanimously approved repayment of the loan guarantee and interest thereon and these amounts were paid in December 2006.

The Company purchased the President's office furniture and antiques for a total price of $105,650 in July 2002. This amount was set up on a note payable with interest only payments for 4 years at 6.75% with the principal amount due in July 2006 as a balloon payment. During the fourth quarter of 2006, the Board unanimously approved repayment of the office furniture note. During the six months ended June 30, 2006 the President was paid interest in the amount of $3,565. The note was paid in full in December 2006.

During 2006, the Company renewed the employment agreement with its President and CEO; in accordance with this agreement, the Company accrued $12,000 and $0 of deferred compensation in the six months ended June 30, 2007 and 2006 respectively.

NOTE 10 - COMMITMENTS AND CONTINGENCIES.

Generally speaking, the Securities and Exchange Commission guidelines require a company to report any pending legal and/or regulatory proceedings that involves a claim for damages in excess of ten percent (10%) of its current assets. The litigation and proceedings discussed below do not necessarily meet this threshold, but are included in the interest of full disclosure. In general, the Company will vigorously defend itself against all claims to the fullest extent possible.

The Company is obligated to make payments over approximately the next three years in settlement of litigation that was concluded in prior periods. At June 30, 2007, the carrying value of these obligations was $764,257. The Company is current in all its settlement payment obligations.

Littlefield Corporation f/k/a/ American Bingo and Gaming v. Philip Furtney, Case No.: 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

Littlefield is suing Philip Furtney for fraud, negligent misrepresentations, and breach of guaranty. This litigation arises from the 1995 acquisition of three Florida bingo centers by a predecessor, American Bingo & Gaming Corporation, from two corporations controlled by Phillip Furtney - Pondella Hall for Hire, Inc., and 800438 Ontario. Several months after the acquisition of the three centers, the Florida Attorney General's office obtained an indictment against two American Bingo subsidiaries and brought a civil proceeding related to two of the three centers for alleged gambling related offenses. The indictment and civil litigation were the result of an investigation that had been ongoing for over one year prior to the acquisition of the centers. Furtney was aware of the investigation and its serious nature, but did not disclose the investigation to American Bingo. In fact, the agreements related to the sale specifically and falsely stated that there were not any ongoing governmental investigations. American Bingo settled the litigation brought by the Florida Attorney General and sold its Florida centers as a condition of the settlement. The resolution of this long pending matter was substantially delayed when Furtney, a citizen of Canada and part time resident of Mexico would not permit his United States attorney to accept service of the Complaint. Littlefield was successful finally serving Furtney when he was in the United States in 2005 to attend related litigation. The trial against Furtney is scheduled for December 2007, and the company intends to vigorously pursue Furtney for all damages related to the purchase of the Florida centers, including all sums paid in the acquisition, all costs incurred by American Bingo in the litigation with the state of Florida, and judgments Littlefield was required to pay to Pondella and 800438 Ontario as a result of related litigation.

Amy Ramon, et al v. Clark C. Lilly, et al; Cause No. 2006-535,397 in the 237th District Court of Lubbock County, Texas.

This case is still pending. This proceeding is the result of the consolidation of four separate lawsuits. Littlefield Corporation, Meeks Management Company (sued as Meeks Management Corporation), and Littlefield Charitable Bingo Management Consulting, Inc., (and other non-related parties including the charities) are defendants in this case. The Plaintiffs are six former employees of various charities which conducted bingo games in a bingo hall leased to the charities by Meeks Management Company. Plaintiffs have sued, among others, Littlefield Corporation, and two of its subsidiaries, Meeks Management Company (sued as Meeks Management Corporation) and Littlefield Charitable Bingo Management Consulting, Inc.

The plaintiffs claim that the bingo hall manager sexually harassed them and that they were fired in retaliation for making claims of sexual harassment or otherwise were fired in violation of their rights under nondiscrimination provisions of the Texas Labor Code. The Plaintiffs also assert various tort claims against the defendants under state law, including, but not limited to, claims for negligent hiring, supervision, and retention of the alleged harasser. Plaintiffs allege that the defendants (other than the bingo hall manager), including Littlefield and its named subsidiaries, were their employers and the employers of the accused harasser. All of the plaintiffs claim that Littlefield (and subsidiaries) as well as the charities were their employers and the employers of Clark Lilly (the alleged harasser) and therefore liable for his harassing and other tortuous conduct. Various claims are state law tort claims which are not technically dependent upon the status of Littlefield (or its subsidiaries) as an employer under the state discrimination law. Some of the plaintiffs have also claimed sexual discrimination in compensation. The depositions of some, but not all, of the plaintiffs have been taken. The depositions of most defendants' representatives have been taken.

The charities and the alleged harasser have settled with the Plaintiffs leaving Littlefield and its subsidiaries the only remaining defendants.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Littlefield and its named subsidiaries are in the process of preparing to file a motion for summary judgment on the basis of the lack of an employee-employer or control relationship with either the plaintiffs or Mr. Lilly. Littlefield and its named subsidiaries intend to vigorously defend this case because the plaintiffs and the alleged harasser were not their employees. Trial is scheduled for October 15, 2007.

South Carolina Department of Revenue v. Littlefield Corporation, Midlands Promotions, Inc., Low Country Promotions, Inc. ,and Gamecock Promotions, Inc., 05- ALJ-17-0413-CC

The South Carolina Department of Revenue issued an administrative bingo violation against the above referenced parties alleging that the Company has an unlawful number of bingo promoter licenses. The Department of Revenue seeks to revoke all but 5 bingo promoter licenses held by the Company's South Carolina subsidiaries and seeks a $5,000 penalty. The Department of Revenue has moved to pierce the corporate veil of the Company to thereby attribute the promoter licenses to the Company. The Department of Revenue's theory is that the three South Carolina subsidiaries are invalid corporations and that as a matter of law the Company is the holder of the 12 promoter licenses at issue. South Carolina law provides that a promoter may only have 5 licenses. The Company moved for summary judgment and it was denied. However, certain originally named charities were dismissed from the lawsuit. The case has been stayed until co-counsel returns from active military duty, which is expected to occur around August of 2008. The Company is vigorously defending itself and asserts that it is not the holder of the promoter licenses but rather that its lawfully formed subsidiaries are separate corporations that each holds a lawful number of the promoter licenses.

NOTE 11 - SEGMENTS.

The Company's Chief Operating Decision Maker ("CODM"), the President and CEO, evaluates performance and allocates resources based on a measure of segment profit or loss from operations. The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies except that depreciation and amortization are allocated to each segment from functional department totals based on certain assumptions which include, among other things, revenues. Also, the Company's CODM does not view segment results below gross profit (loss), therefore, general and administrative expenses, net interest income, other income, and the provision for income taxes are not broken out by segment below.

The entertainment segment encompasses charitable bingo hall operations in Texas, Alabama, and South Carolina. The hospitality segment includes income from party and tent rentals, catering services and event planning fees. These segments were identified based on the different nature of the services and legislative monitoring and, in general, the type of customers for those services.

A summary of the segment financial information reported to the CODM for the six months ended June 30, 2007 and 2006 is as follows:

June 30, 2007	Entertainment	Hospitality	Adjustment
Revenue	$4,515,000	$2,618,000	$24,000
Depreciation and Amortization	198,000	116,000	58,000
Segment profit (loss)	2,262,000	(61,000)	(1,461,000)
Segment Assets	26,123,000	1,428,000	(11,075,000)

June 30, 2006	Entertainment	Hospitality	Adjustment
Revenue	$4,168,000	$2,323,000	$43,000
Depreciation and Amortization	207,000	123,000	50,000
Segment profit (loss)	1,932,000	(14,000)	(757,000)
Segment Assets	24,193,000	1,462,000	(9,021,000)

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2007

The adjustments represent other corporate expenses, other income, depreciation and amortization related to corporate assets, corporate gains and losses on disposition of assets, inter-company eliminations and corporate capital expenditures to reconcile segment balances to consolidated balances.

NOTE 12 - SUBSEQUENT EVENTS.

In August 2007, the Board of Directors approved and payment was made to the President and CEO for all amounts as of June 30, 2007 shown as Other current liabilities - related party as more fully described in Note 9 - Related Party Transactions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

During the first six months of 2007, we continued to improve revenue and gross profit in our Entertainment and Hospitality segments. These improvements were partially offset by certain increases in General and Administrative expenses and interest expense. Earnings in the first six months of 2007 included approximately $208,000 of notable items: $75,000 related to business development expenses associated with opening a new market, $104,000 for legal expenses and $29,000 of non-cash expenses related to stock-based compensation. Earnings in the first six months of 2006 included approximately $81,000 of non-cash expenses related to stock-based compensation, $36,000 for legal expenses offset by $38,000 from insurance proceeds and fixed asset sales.

Revenues

The following table sets forth the Company's revenues by segment for the six months ended June 30, 2007 and 2006:

	2007	2006	Change	% Change
Total Revenues	$ 7,157,000	$ 6,534,000	$623,000	10%
Entertainment	4,515,000	4,168,000	347,000	8%
Texas	2,751,000	2,421,000	330,000	14%
South Carolina	978,000	901,000	77,000	9%
Alabama	786,000	846,000	(60,000)	(7%)
Hospitality	2,618,000	$ 2,323,000	$295,000	13%

During the first six months of 2007, total revenues for the Company increased 10% over 2006 with both Entertainment and Hospitality segments contributing to the increase in revenue. Entertainment revenue rose 8% with Texas being the most significant contributor. Alabama operations continued to be affected by competition in the form of casinos on the Indian Reservations and electronic gaming machines at a horse race track in the adjoining counties. The Entertainment segment accounted for 63% of total revenues compared with 64% of total revenues in 2006. By state, Entertainment revenues for Texas, South Carolina and Alabama were 61%, 22%, and 17% of total Entertainment revenue respectively compared to 58%, 22% and 20% in 2006. Hospitality revenue increased 13% over the prior year reflecting the contribution of larger customers and events. Hospitality accounted for 37% of total revenues in 2007, compared to 36% of total revenues in 2006.

Costs and Expenses

Cost of services increased 8% over the comparable prior year period. This, in conjunction with the higher revenue growth of 10%, resulted in an improvement of gross profit percent (gross profit as a percent of sales) to 31.1% from 29.9% in 2006. Overall, total gross profit increased 14% or $270,000 over the prior year. The table below summarizes gross profit by segment for the six months ended June 30, 2007 and 2006:

	2007	2006	Change	% Change
Total Gross Profit	$2,225,000	$1,955,000	$270,000	14%
Entertainment	2,262,000	1,932,000	330,000	17%
Hospitality	($61,000)	($14,000)	($47,000)	NM

The increase in gross profit was mainly attributed to higher revenues and management's concentration on cost containment throughout the organization. The Entertainment gross profit as a percent to sales increased to 50.1% versus 46.4% respectively for 2007 and 2006. The 2007 Hospitality gross margin loss widened largely as a result of a cancellation of a large $100,000 order in June due to flooding in Central Texas and costs associated with self-promotion events.

Direct salaries and other compensation were up 15% over the prior year representing staff additions corresponding to the higher revenues especially in the Hospitality segment. Rent and utilities in 2007 were up approximately 2% over 2006. Other direct operating costs in 2007 were up 10% over the prior year, mainly due to higher food and supplies costs associated with the increased revenue and sub-rental expenses than incurred in 2006. License expense was down $10,000 as a result of the timing of the payment of licenses. The provision for doubtful accounts was reduced to 0% versus 1.0% of sales last year.

Depreciation and amortization expense totaled approximately $372,000 ($315,000 Cost of Services plus $57,000 G&A) in 2007 versus $380,000 in the prior year.

General and administrative expenses, excluding related depreciation expense and the noted business development and legal fees totaled approximately $957,000 in 2007, compared to approximately $572,000 in 2006, an increase of about $385,000. The increase mainly related to staff additions, compensation adjustments, sundry expenses and the timing of accrued incentive expenses.

Other income and expense was an expense of approximately $225,000 for 2007, compared to approximately $27,000 in 2006. The difference mainly stems from higher interest expense and the noted 2006 insurance proceeds and fixed asset sales. The higher 2007 interest expense mainly reflects the financing of legal settlements during 2006.

Our income tax expense for 2007 was approximately $50,000 compared to $31,000 in 2006, all of which is related to the expected effective tax rate for state income taxes. As of December 31, 2006, the Company had a net operating loss available for carryover on its federal income taxes of approximately $6,800,000.

Net Income

During the first six months of 2007, we realized net income of approximately $740,000; $0.07 per basic and $0.07 per fully diluted share. Net income for 2006 was $1,161,000; $0.11 per basic and $0.11 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 11,116,886 in 2007 compared to 10,626,668 in 2006. The increase in shares outstanding mainly represents the sale of 400,000 shares of common stock in 2007.

Earnings in the first six months of 2007 included approximately $208,000 of notable items: $75,000 related to business development expenses associated with opening a new market, $104,000 for legal expenses related to legal cases and $29,000 of non-cash expenses related to stock-based compensation.

Earnings in the first six months of 2006 included approximately $81,000 of non-cash expenses related to stock-based compensation, $36,000 for legal expenses offset by $38,000 from insurance proceeds and fixed asset sales.

Adjusted for the noted items above, the adjusted net income during the first six months of 2007 was $948,000 and basic earnings per share were $0.09 per share in 2007 versus an adjusted net income of $1,240,000 and basic earnings per share of $0.12 last year.

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Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2007, totaled approximately $3,484,000 and represented 21% of total assets of approximately $16,476,000. Current assets totaled approximately $4,560,000. Current liabilities totaled $1,860,000. Working capital was approximately $2,700,000 with a current ratio of 2.5 to 1 compared to approximately 1:1 in June 2006.

Cash provided by operating activities for the six months ended June 30, 2007, totaled approximately $1,636,000 compared to cash provided of $1,127,000 during 2006. Cash flows provided by operating activities in 2007 were increased by net income of approximately $740,000, non-cash depreciation expense of approximately $372,000, stock based compensation of approximately $29,000 and by other net changes in asset and liability accounts and gain on the disposition of fixed assets of approximately $495,000 which mainly represent improved collections of accounts receivable and the removal of a restriction on certain assets as a result of our refinancing.

Net cash used in investing activities totaled approximately $486,000 for capital expenditures mainly for bingo hall renovations and leasehold improvements during the six months ended June 30, 2007. This compared to net cash provided by investing activities of approximately $1,008,000 in 2006. In 2006, cash was used in the amount of approximately $176,000 for the purchase of capital assets and offset by the collection of a note receivable in the amount of approximately $1,184,000.

Cash used in financing activities in 2007 totaled approximately $215,000, compared to net cash used in financing activities in 2006 of approximately $236,000. During the first six months of 2007, approximately $477,000 of cash proceeds were obtained through the sale of common stock, approximately $401,000 obtained from our refinancing and $1,093,000 was used for the payment of notes payable and legal settlement obligations. In 2006, approximately $204,000 of financing was obtained from proceeds from options exercised and the collection of subscription receivable and $440,000 was used for the payment of notes payable and capital lease obligations.

At June 30, 2007, we had approximately $16,476,000 in total assets with total liabilities of approximately $5,927,000 and approximately $10,549,000 of shareholders' equity. Total assets include approximately $3,484,000 in cash, $759,000 of net accounts receivable, other current assets of $317,000, $6,203,000 of net property and equipment, $5,514,000 of intangible assets, and $199,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $125,000 and notes payable obligations of approximately $3,728,000, legal settlement obligations of $764,000 and accrued and related-party liabilities of $1,310,000.

In 2007, we plan to continue to use our cash generated from operations to make leasehold improvements and renovations in our bingo operations. We also plan to use advantageous combinations of bank financing, seller financing, treasury stock, and cash on new bingo hall acquisitions when favorable terms can be obtained.

Item 3. Controls and Procedures

Evaluation of Disclosure Controls

The Company's management evaluated, with the participation of the Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Disclosure controls and procedures are designed with the objective of ensuring that (i) information required to be disclosed in the Company's reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) the information is accumulated and communicated to management, including the principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

Based upon their evaluation, our management including the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15 d - 15(e) under the Securities Exchange Act) are effective, as of the end of the period covered by this report on Form 10-QSB, to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC rules and forms.

There have been no changes in our internal control over financial reporting during the quarter ended June 30, 2007, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls

Our management, including our CEO and CFO, does not expect that our disclosure controls or our internal controls over financial reporting will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, but not absolute, assurance that the objectives of a control system are met. Further, any control system reflects limitations on resources, and the benefits of a control system must be considered relative to its costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within Littlefield Corporation have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of a control. A design of a control system is also based upon certain assumptions about potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of material pending legal proceedings, see Note 10 to the unaudited Consolidated Financial Statements included in Part I hereof, which Note 10 is incorporated herein by reference.

Item 6. Exhibits

31.1 Rule 31a-14(a) / 15d-14(a) Certifications

32.1 Section 1350 Certifications

SIGNATURES

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

Littlefield Corporation

August 14, 2007

By:

/s/ JEFFREY L MINCH

Jeffrey L. Minch

President and Chief Executive Officer

/s/ RICHARD S. CHILINSKI

Richard S. Chilinski
Chief Financial Officer