LITTLEFIELD CORP
Form 10-Q
August 14, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the quarterly period ended June 30, 2008 or

[_] 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: 0-24805

LITTLEFIELD CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	74-2723809
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2501 N Lamar Blvd Austin, Texas	78705
(address of principal executive offices)	(zip code)

Registrant's telephone number, including area code: (512) 476-5141

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 [_]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer [_]
Accelerated filer [_]
Non-accelerated filer [_]
Smaller Reporting Company [X]

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 25, 2008
Common Stock - $0.001 par value	16,754,901

Littlefield Corporation

FORM 10-Q

For the quarter ended June 30, 2008

INDEX

Part I. FINANCIAL INFORMATION

Item 1 Financial Statements

a) Consolidated Balance Sheets as of June 30, 2008 (unaudited) and December 31, 2007 2

b) Consolidated Statements of Operations (unaudited) for the Three Months Ended June 30, 2008 and 2007 3

c) Consolidated Statements of Operations (unaudited) for the Six Months Ended June 30, 2008 and 2007 5

c) Consolidated Statements of Cash Flows (unaudited) for the Six Months Ended June 30, 2008 and 2007 7

d) Notes to Consolidated Financial Statements 9

Item 2 Management's Discussion and Analysis of Financial Condition And Results of Operations 19

Item 3 Quantitative and Qualitative Disclosures about Market Risk 23

Item 4 Controls and Procedures 23

Part II. OTHER INFORMATION

Item 1 Legal Proceedings 24

Item 4 Submission of Matters to a Vote of Security Holders 24

Item 6 Exhibits 25

Signatures and Certifications 25

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

ASSETS

	June 30, 2008	December 31, 2007
	(unaudited)	
Current Assets:		
Cash and cash equivalents	$ 7,016,358	$ 1,965,624
Accounts receivable, net of allowance for doubtful accounts of $66,557 and $126,309	463,030	519,845
Other current assets	307,942	554,297
Total Current Assets	7,787,330	3,039,766
Property and Equipment - at cost, net of accumulated depreciation and amortization	7,772,864	6,926,559
Other Assets:		
Goodwill	5,096,256	4,905,111
Intangible assets, net	861,726	699,196
Note receivable - net	382,475	---
Other non-current assets	205,139	217,615
Total Other Assets	6,545,596	5,821,922
TOTAL ASSETS	$ 22,105,790	$ 15,788,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Long term debt, current portion	$ 221,907	$ 195,517
Long term debt, legal settlements, current portion	245,083	231,272
Trade accounts payable	350,986	232,339
Accrued expenses	691,729	1,063,053
Total Current Liabilities	1,509,705	1,722,181
Long-term Liabilities:		
Long term debt, net of current portion	3,317,651	3,442,932
Long term debt, legal settlements, net of current portion	256,685	362,964
Other liabilities, related party	60,000	48,000
Total Long-term Liabilities	3,634,336	3,853,896
Total Liabilities	5,144,041	5,576,077
Stockholders' Equity:		
Common stock, $0.001 par value, (authorized 40,000,000 shares, issued 17,534,707 shares, outstanding 16,754,901 shares)	17,535	12,344

Additional paid-in-capital	30,655,979	23,710,845
Treasury stock - 779,806 shares, at cost	(993,891)	(1,146,638)
Accumulated deficit	(12,717,874)	(12,364,381)
Total Stockholders' Equity	16,961,749	10,212,170
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 22,105,790	$ 15,788,247

See notes to consolidated financial statements.

2

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,	
	2008	2007
REVENUES:		
Entertainment	$ 2,064,121	$ 2,181,346
Hospitality	788,882	1,474,755
Other	27,328	12,069
TOTAL REVENUES	2,880,331	3,668,170
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	605,061	805,418
Rent and utilities	657,732	642,939
Other direct operating costs	963,392	921,528
Depreciation and amortization	229,902	158,474
License expense	32,729	29,847
TOTAL COSTS AND EXPENSES	2,488,816	2,558,206
GROSS MARGIN	391,515	1,109,964
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and other compensation	310,182	280,517
Legal and accounting fees	238,048	111,485
Depreciation and amortization	32,116	28,529
Share-based compensation expense	11,895	14,311
Other general and administrative	197,586	165,310
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	789,827	600,152
GAIN ON DISPOSAL OF ASSETS	474,387	12,098
OPERATING INCOME (LOSS)	76,075	521,910

OTHER INCOME AND EXPENSES:		
Interest and investment income	33,757	17,091
Interest expense ($0 and $5,062 respectively to related parties)	(99,496)	(122,282)
Other expense	---	(4,398)
TOTAL OTHER INCOME AND EXPENSES	(65,739)	(109,589)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	10,336	412,321
PROVISION FOR INCOME TAXES	22,334	30,203
NET INCOME (LOSS)	(11,998)	382,118
OTHER COMPREHENSIVE INCOME	---	4,680
NET COMPREHENSIVE INCOME (LOSS)	($11,998)	$ 386,798

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended June 30,	
	2008	2007
EARNINGS (LOSS) PER SHARE:		
Basic earnings per share	($ 0.00)	$ 0.03
Diluted earnings per share	($ 0.00)	$ 0.03
Weighted average shares outstanding - basic	16,737,669	11,276,282
Weighted average shares outstanding - diluted	16,737,669	11,528,617

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
REVENUES:		
Entertainment	$ 4,314,108	$ 4,515,447
Hospitality	1,642,884	2,618,151
Other	47,270	23,692
TOTAL REVENUES	6,004,262	7,157,290
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	1,354,208	1,574,041
Rent and utilities	1,314,072	1,260,140
Other direct operating costs	1,970,909	1,723,281
Depreciation and amortization	431,274	314,535
License expense	60,213	60,676
TOTAL COSTS AND EXPENSES	5,130,676	4,932,673
GROSS MARGIN	873,586	2,224,617
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and other compensation	629,337	553,547
Legal and accounting fees	406,908	221,873
Depreciation and amortization	64,097	57,129
Share-based compensation expense	26,206	28,622
Other general and administrative	398,770	360,548
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	1,525,318	1,221,719
GAIN ON DISPOSAL OF FIXED ASSETS	474,387	12,098
OPERATING INCOME (LOSS)	(177,345)	1,014,996
OTHER INCOME AND EXPENSES:		
Interest and investment income	46,410	32,033
Interest expense ($0 and $10,125 respectively to related parties)	(178,214)	(252,170)
Other expense	---	(4,398)
TOTAL OTHER INCOME AND EXPENSES	(131,804)	(224,535)
NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(309,149)	790,461
PROVISION FOR INCOME TAXES	44,344	50,203
NET INCOME (LOSS)	(353,493)	740,258
OTHER COMPREHENSIVE INCOME	---	4,713
NET COMPREHENSIVE INCOME (LOSS)	($353,493)	$ 744,971

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Six Months Ended June 30, 2008	Six Months Ended June 30, 2007
EARNINGS (LOSS) PER SHARE:		
Basic earnings per share	($ 0.025)	$ 0.067
Diluted earnings per share	($ 0.025)	$ 0.065
Weighted average shares outstanding - basic	14,238,166	11,116,886
Weighted average shares outstanding - diluted	14,238,166	11,354,456

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Six Months Ended June 2008	20
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	$ (353,493)	$
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	495,371	
Gain on sale of fixed assets	(474,387)	
Bad debt allowance	(59,752)	
Stock-based compensation expense	26,206	
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	86,335	
Other assets	252,235	
Trade accounts payable	118,646	(
Accrued expenses and other current liabilities	(316,773)	

NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(225,612)	1,
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(1,407,505)	(
Purchase of goodwill and intangibles	(410,792)	
Proceeds from the sale of property and equipment	250,000	
Proceeds from the sale of investments	---	
Proceeds from the collection of notes receivable	1,687	
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,566,610)	(
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable, legal settlements and capital leases	(191,360)	(1,
Proceeds from sale of common stock	7,000,000	
Proceeds from note payable	---	
Proceeds from options exercised	34,316	
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	6,842,956	(
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,050,734	
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,965,624	2,
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 7,016,358	$ 3,

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

	Six Months Ended June 30,	
	2008	2007
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash payments:		
Interest	$ 178,214	$ 239,509
Income taxes	$ 65,789	$ ---

Non-cash transactions:

Issuance of treasury stock under deferred compensation plan	$ 25,817	$ 23,656
Issuance of treasury stock under employee stock purchase plan	$ 16,734	$ ---
Sale of property and equipment in exchange for note receivable	$ 400,000	$ ---

See notes to consolidated financial statements.

8

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2008

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, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2008. 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-Q 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, 2008 and December 31, 2007 consists of the following:

	June 30, 2008	December 31, 2007
Land	$ 740,467	$ 740,467
Buildings	3,395,498	3,404,348
Leasehold improvements	5,328,195	4,756,267
Rental inventory and bingo equipment	2,050,112	1,989,605
Equipment, furniture and fixtures	3,065,939	2,604,406
Automobiles	385,144	468,626
	14,965,355	13,963,719
Less: Accumulated depreciation and amortization	(7,192,491)	(7,037,160)
Property and equipment, net	$ 7,772,864	$ 6,926,559

Total depreciation expense, for owned and leased assets, charged to operations for the six months ended June 30, 2008 and 2007 was approximately $480,600 and $356,900 respectively.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2008

NOTE 3 - GOODWILL & OTHER INTANGIBLE ASSETS.

Goodwill at June 30, 2008 is as follows:

	Gross Carrying Amount	Accumulated Amortization	Total
Goodwill at December 31, 2007	$ 6,704,375	$ (1,799,264)	$ 4,905,111
Goodwill acquired during period	233,513	---	233,513
Goodwill disposed of during period	(42,368)	---	(42,368)
Goodwill at June 30, 2008	$ 6,895,520	$ (1,799,264)	$ 5,096,256

	Entertainment	Hospitality	Total
Balance at December 31, 2007	$ 4,533,727	$ 371,384	$ 4,905,111
Goodwill acquired during the year	233,513	---	233,513
Goodwill disposed of during period	---	(42,368)	(42,368)
Balance at June 30, 2008	$ 4,767,240	$ 329,016	$ 5,096,256

Intangible assets at June 30, 2008 consists of the following:

	Gross Carrying Amount	Accumulated Amortization	Total
Intangible Assets with Indefinite Lives:			
Bingo licenses at December 31, 2007	$ 694,719	(51,974)	$ 642,745
Licenses acquired during the period	177,814		177,814
Bingo licenses at June 30, 2008	$ 872,533	(51,974)	$ 820,559
Intangible Assets with Finite Lives:			
Covenants not to compete	$ 297,500	(256,333)	$ 41,167
Intangible Assets, Net of Accumulated Amortization			$ 861,726

Amortization expense charged to operations for the six months ended June 30, 2008 and 2007 was approximately $14,800 and $14,800 respectively.

NOTE 4 - SHAREHOLDERS' EQUITY.

At June 30, 2008 the Company holds 779,086 treasury shares at an average purchase cost of $1.27.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2008

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 $26,200 and $28,600 in compensation expense in the six month periods ended June 30, 2008 and June 30, 2007, respectively, 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. There were no options issued in the six month periods ended June 30, 2008 and 2007.

NOTE 6 - EARNINGS PER SHARE.

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

Six months ended June 30,	2008 Basic	2008 Diluted	2007 Basic	2007 Diluted
Numerator:				
Net income (loss)	$ (353,493)	$ (353,493)	$ 740,258	$ 740,258
Denominator:				
Weighted average shares outstanding	14,238,166	14,238,166	11,116,886	11,116,886
Effect of dilutive securities:				
Stock options and warrants	---	---	---	237,570
Weighted average shares outstanding	14,238,166	14,238,166	11,116,886	11,354,456
Earnings (loss) per share	$ (0.025)	$ (0.025)	$ 0.067	$ 0.065

Stock options to acquire 225,974 and 85,500 shares for the six months ended June 30, 2008 and 2007, respectively were excluded in the computations of diluted EPS because the effect of including the stock options would have been anti-dilutive.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2008

NOTE 7 - ACCOUNTING FOR STOCK BASED COMPENSATION

The Company applies FASB Statement of Financial Accounting Standards No. 123R (Revised 2004), Share Based Payment, using the modified prospective method of implementation, whereby the prospective method records the compensation expense from the implementation date forward, however leaves prior periods recorded in accordance with APB Opinion No. 25 Accounting for Stock Issued to Employees ("APB 25") in accounting for its stock options. At June 30, 2008, the Company has implemented five shareholder approved stock option plans. These plans are intended to comply with Section 422 of the Internal Revenue Code of 1986, as amended. The plans collectively provide for the total issuance of 3,600,000 common shares, as adjusted for the 20% stock dividend in 2006, over ten years from the date of each plan's approval. In addition, the plans allow for additional increases of 15% of the then outstanding shares each year through 2008.

Transactions under the stock option plans are summarized below. At June 30, 2008, a total of 445,410 options were outstanding under these plans.

	Employee Stock Plans	
	Options	Weighted Average Exercise Price
Outstanding at 12/31/07	617,910	$ 0.74
Granted	---	---
Exercised	(67,500)	0.51
Forfeited	(105,000)	1.78
Outstanding at 06/30/08	445,410	$ 0.53

No options were issued during 2008.

Aggregate intrinsic value represents the value of the Company's closing stock price on the last trading day of the period in excess of the exercise price multiplied by the number of options outstanding or exercisable. The total intrinsic value of options exercised during 2008 was $43,835. Total unrecognized stock-based compensation expense related to non-vested stock options was approximately $31,070 as of June 30, 2008, related to approximately 73,500 shares with a per share weighted average fair value of $0.48. We anticipate this expense to be recognized over a weighted average period of approximately 0.50 years.

The following table summarizes information about options outstanding at June 30, 2008 under the Employee Stock Plan adjusted for the 2006 stock dividend:

	Range of Exercise Prices	Options Outstanding: Number Outstanding	Options Outstanding: Weighted Avg. Remaining Contractual Life	Options Outstanding: Weighted Avg. Exercise Price	Options Exercisable: Number Exercisable	Options Exercisable: Weighted Avg. Exercise Price
2008:	$ 1.26 - $1.87	16,500	7.9 years	$ 1.32	16,500	$ 1.32
	$ 0.00 - $1.25	428,910	6.2 years	$ 0.50	355,410	$ 0.50
		445,410	6.3 years	$ 0.53	371,910	$ 0.54
	Aggregate intrinsic value	$ 172,716			$ 144,051	

The weighted average remaining contractual life of options exercisable as of June 30, 2008 was 6.1 years.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
June 30, 2008

NOTE 8 - 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, 2008 and 2007 are as follows:

	2008	2007
Net income (loss)	$ (353,493)	$ 740,258
Other comprehensive income		
Reclassification adjustment for loss included in net income	---	4,713
	---	4,713
Total comprehensive income (loss)	$ (353,493)	$ 744,971

NOTE 9 - INCOME TAXES.

The Company recorded approximately $44,000 and $50,000 of state income tax expense, respectively, for the six months ended June 30, 2008 and 2007. 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 $6,700,000 at December 31, 2007, and begin expiring in the year 2015.

The Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109 (FIN 48) on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes, by prescribing a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. If a tax position is more likely than not to be sustained upon examination, then an enterprise would be required to recognize in its financial statements the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. As a result of our implementation of FIN 48 at the time of adoption and as of December 31, 2007, the Company did not recognize a liability for uncertain tax positions. We do not expect our unrecognized tax benefits to change significantly over the next twelve months. The tax years 2003 through 2007 remain open to examination by the taxing jurisdictions in which we file income tax returns.

NOTE 10 - RELATED PARTY TRANSACTIONS.

In 2002, the President was awarded a $300,000 bonus. In August 2007, the Board of Directors approved and payment was made to the President and CEO for the accrued bonus and accrued interest thereon. The Company accrued $10,125 in interest in 2007 on this liability.

During 2006, the Company renewed the employment agreement with its President and CEO; in accordance with this agreement, the Company accrued $12,000 and $12,000 of deferred compensation in the six months ended June 30, 2008 and 2007, respectively.

NOTE 11 - 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, 2008, the carrying value of these obligations was $501,768. 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.

In this case, the Company is plaintiff. The Company initially sought recovery from Philip Furtney ["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 Furtney - Pondella Hall for Hire, Inc., and 800438 Ontario. Several months after the acquisition of the three centers, the Florida Attorney General obtained an indictment for alleged racketeering against two American Bingo subsidiaries that operated two of the centers and brought a civil proceeding against the same two subsidiaries and American Bingo based upon the same allegations. 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. The Company was successful in finally serving Furtney when he was in the United States in 2005 to attend related litigation.

Furtney passed away in September 2007, several months before the scheduled trial date. In the event a defendant dies following the commencement of litigation, the Florida Rules of Civil Procedure provides that a plaintiff may substitute the defendant's estate as the defendant and continue to pursue the claim to judgment. Furtney's estate has now been substituted as the defendant and the Company intends to vigorously pursue the claim for all damages related to the purchase of the Florida centers from Furtney's estate, including all sums paid in the acquisition, all costs incurred by American Bingo in the litigation with the state of Florida, and judgments the Company was required to pay to Pondella and 800438 Ontario as a result of related litigation. The Company is awaiting a trial date.

NOTE 11 - COMMITMENTS AND CONTINGENCIES.

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 bingo promoter licenses held by the Company's South Carolina subsidiaries and seeks a $5,000 penalty. The Department of Revenue is seeking 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 sham corporations and that, as a matter of law, the Company should be deemed 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 was stayed until co-counsel returned from active military duty, which occurred at the end of June 2008.

Additionally, in Littlefield Corporation, Gamecock Promotions Inc., Palmetto Upstate Promotions Inc., and Midlands Promotions Inc. v. South Carolina Department of Revenue, 07-ALJ-17-623-CC, the Company and its subsidiaries protested the South Carolina Department of Revenue's initial denial of six additional promoters licenses that the Department of Revenue denied on the same theories upon which they seek to revoke the other subsidiaries' promoter licenses, as described above. Although both parties' Motions for Summary Judgment were denied in this proceeding, in June 2008, the administrative law judge in this protest proceeding ordered that the six licenses be issued pending trial and resolution of the proceedings between the Department of Revenue and the Company.

The Company and its subsidiaries will seek to consolidate both of the above proceedings for discovery and trial, because both proceedings involve the same legal and factual issues. In August, counsel for the parties plan to meet regarding a proposed scheduling order that will govern discovery in both proceedings and a proposed date for a trial.

The Company and its subsidiaries are vigorously defending the revocation proceeding and the right to hold the additional licenses for which the subsidiaries applied and assert that Littlefield Corporation is not the holder of these promoter licenses, but rather that its lawfully formed subsidiaries are separate corporations that each hold a lawful number of the promoter licenses.

Cause No. 8285-D; West Texas Bingo, Inc v. Rodger Hiatt, in the 350th Judicial District Court of Taylor County, Texas.

In this case, the Company is plaintiff. The Company filed suit against the Defendant alleging the Defendant interfered with the Company's bingo operations and/or business operations at Super Bingo, which is located in Abilene, Texas. The Defendant asserted counterclaims against the Company alleging that the Company's claims were harassing and constituted intentional infliction of emotional distress. The counter-claims were dismissed by the court. The lawsuit is ongoing and the parties are currently engaged in discovery. The matter has not been set for trial, nor have the parties scheduled a pre-trial mediation.

Cause No.24, 182-B; West Texas Bingo, Inc. v. Janie Wall, in the 104th Judicial District Court of Taylor County, Texas.

In this case, the Company is plaintiff. The Company filed suit against the Defendant alleging the Defendant interfered with the Company's bingo operations and/or business operations at Super Bingo, which is located in Abilene, Texas. The Defendant asserted counterclaims against the Company alleging that the Company's claims were harassing and constituted intentional infliction of emotional distress. The counter-claims were dismissed by the court. The lawsuit is ongoing and the parties are currently engaged in discovery. The matter has not been set for trial, nor have the parties scheduled a pre-trial mediation.

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

NOTE 12 - SALE OF BUSINESS.

On April 15, 2008, the Company sold the assets of its custom catering business unit reflecting the Company's focus on its charitable bingo business in Texas, South Carolina, Alabama and Florida. The asset sale resulted in a gain on sale of $474,387 resulting from a $650,000 sales price less $175,613 of disposed assets, at net book value.

The assets of the catering business unit were sold for $650,000 with payment consisting of $250,000 in cash and a three year $400,000 note receivable at seven percent (7%). During the first year, only interest is due and payable on a quarterly basis. Thereafter, payments are to be made monthly at $4,644 with a final balloon payment of $342,638. The principal amount of the note is subject to certain proration adjustments which are expected to be finalized in the third quarter, 2008. The note is secured by a security interest in the business and the personal guarantee of the purchaser.

The amounts of sales, gross profit and gross profit on a basic per share basis of the catering business unit included in the second quarter and six months to date of 2008 compared to the comparable prior year periods are as follows:

	Q208	Q207	Change	2008 Six months year to date	Six
Revenue	$ 71,621	$ 668,291	$ (596,670)	$ 497,039	$
Gross profit	$ 12,373	$ 29,558	$ (17,185)	$ (33,263)	$
Gross profit per share	$ 0.00	$ 0.00		$ (0.00)	$

NOTE 13 - 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, South Carolina and Florida. The hospitality segment includes income from party and tent rentals, separating the catering business unit sold at the beginning of the second quarter. The entertainment and hospitality segments were identified based on the different nature of the services and legislative monitoring and, in general, the type of customers for those services.

16

Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008

A summary of the segment financial information, separating the catering business unit sold at the beginning of the second quarter, reported to the CODM for the six months ended June 30, 2008 and 2007 is as follows:

June 30, 2008

	Entertainment	Hospitality	Catering	Adjustment	Consolidated
Revenue	$ 4,314,000	$1,146,000	$ 497,000	$ 47,000	$ 6,004,000
Depreciation and Amortization	297,000	122,000	12,000	64,000	495,000
Segment profit (loss)	1,040,000	(180,000)	(33,000)	(1,180,000)	(353,000)
Segment Assets	29,573,000	1,324,000		(8,791,000)	22,106,000

June 30, 2007

	Entertainment	Hospitality	Catering	Adjustment	Consolidated
Revenue	$ 4,515,000	$1,341,000	$1,277,000	$ 24,000	$ 7,157,000
Depreciation and Amortization	198,000	96,000	20,000	58,000	372,000
Segment profit (loss)	2,262,000	(111,000)	50,000	(1,461,000)	740,000
Segment Assets	26,123,000	1,428,000		(11,075,000)	16,476,000

The Adjustments generally represent other corporate expenses and revenue, 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.

A summary of items included in the "Adjustment" follows:

	2008	2007
Gross profit - other revenue	$ 47,000	$ 24,000
General and administrative expense	(1,525,000)	(1,222,000)
Gain on disposal of assets	474,000	12,000
Other income and expenses	(132,000)	(225,000)
Provision for income taxes	(44,000)	(50,000)

Total "Adjustment"	$ (1,180,000)	$ (1,461,000)

NOTE 14 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS.

Recent Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, SFAS 157 is amended by Financial Statement Position ("FSP") FAS 157-1, "Application of FASB Statement 157 to FASB Statement 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" , which excludes from the scope of this provision arrangements accounted for under SFAS 13, "Accounting for Leases". SFAS 157 is also amended by FSP FAS 157-2 "Effective Date of FASB Statement No. 157", which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. We adopted SFAS 157 on January 1, 2008, except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The partial adoption of SFAS 157 did not have a material impact on our consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement 115. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. This statement is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 159 on January 1, 2008, as required. The adoption of SFAS 159 did not have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS 141(R), Business Combinations--a replacement of FASB Statement No. 141, which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. We are currently evaluating the requirements of SFAS 141(R) and have not yet determined the impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities". This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. We are currently evaluating the requirements of SFAS 161 and have not yet determined the impact on our consolidated financial statements.

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

Results of the first six months of 2008 were impacted by a gain on sale of the assets of the catering business unit, continuing legal matters and the effects of a broad program of renovations, re-openings and start-ups of new halls affecting eight locations within the Company's portfolio of 38 bingo centers including Pensacola, Florida; San Angelo, Abilene, Odessa and Corpus Christi, Texas. The Company also announced plans to open additional halls in McAllen and El Paso, Texas, later in the year. The San Angelo bingo hall opened during the first quarter while the Corpus Christi bingo hall opened in May of the second quarter of 2008.

The Company has also increased the level of capital spending associated with the implementation of its entertainment destination strategy which encompasses bettering the infrastructure, interior environment, amenities and activities of the bingo centers in the Company's portfolio.

Results in the first six months of 2008 include the effect of approximately $925,000 of notable items: $999,000 from the effects of renovations, re-openings and start-ups of new halls at several halls in Texas, $354,000 of legal expenses and $26,000 for non cash expenses for compensation expense related to stock options which were partially offset by a $454, 000 net gain on sale of catering business unit assets after direct expenses. The legal expenses were mainly related to our expansion plans and operations in South Carolina, Texas legal items, our completed Florida acquisition and our litigation with Furtney seeking recovery of prior settlements and other damages.

Earnings in the first six months of 2007 included approximately $187,000 of notable items: $158,000 from legal expenses related to South Carolina, Texas and our attempts to expand into Arkansas, and $29,000 for non cash expenses for compensation expense related to stock options.

Revenues

The following table sets forth the Company's revenues by segment for the six months ended June 30, 2008 and 2007, adjusted for the sale of the catering business unit at the beginning of the second quarter:

	2008	2007	$Change	% Change
Total Revenues	$ 6,004,000	$ 7,157,000	$ (1,153,000)	(16%)
Less: Catering	497,000	1,277,000	(780,000)	(61%)
Adjusted revenue	5,507,000	5,880,000	(373,000)	(6%)
Entertainment	4,314,000	4,515,000	(201,000)	(4%)
Texas	2,534,000	2,751,000	(217,000)	(8%)
South Carolina	878,000	978,000	(100,000)	(10%)
Alabama / Florida	902,000	786,000	116,000	15%
Hospitality	1,146,000	1,341,000	(195,000)	(15%)
Other	$ 47,000	$ 24,000	$ 23,000	NM

During the first six months of 2008, total adjusted revenues for the Company decreased 6% from 2007 with both Entertainment and Hospitality segments contributing to the decline in revenue. Entertainment revenue decreased 4% with Texas being the most significant contributor mainly as a result of the effect on revenue of hall renovations and re-openings totaling $260,000. Absent the effects of the strategic investments to strengthen its long-term position in certain markets by renovating then reopening and merging certain halls in Texas, the underlying performance of the Texas portfolio was up approximately 2% from the prior year. The Entertainment segment accounted for 78% of total adjusted revenues compared with 77% of total adjusted revenues in 2007. By state, Entertainment revenues for Texas, South Carolina and Alabama / Florida were 59%, 20% and 21% of total Entertainment revenue respectively compared to 61%, 22% and 17% in 2007. The increase in Alabama / Florida mainly represented the purchase of a new Florida hall in January 2008. Hospitality revenue decreased 15% from the prior year reflecting lower event activity. Hospitality accounted for 21% of total adjusted revenues in 2008, compared to 23% of total adjusted revenues in 2007. Other revenue includes other ancillary services and miscellaneous revenue not reported as segment revenue.

Gross profit and Costs and Expenses

The table below summarizes the Company's gross profit by segment for the six months ended June 30, 2008 and 2007, adjusted for the sale of the catering business unit at the beginning of the second quarter:

	2008	2007	$Change	% Change
Total Gross Profit	$ 874,000	$ 2,225,000	$ (1,351,000)	(61%)
Less: Catering gross profit (loss)	(33,000)	50,000	(83,000)	NM
Adjusted gross profit	907,000	2,175,000	(1,268,000)	(58%)
Entertainment	1,040,000	2,262,000	(1,222,000)	(54%)
Hospitality	(180,000)	(111,000)	(69,000)	NM
Other	$ 47,000	$ 24,000	$ 23,000	NM

The decrease in adjusted gross profit was mainly attributed to the effects of renovations and openings at several halls in Texas in the amount of $999,000, higher Texas administrative expenses added to manage the new bingo centers and renovation activity of $124,000 and lower hospitality revenue.

The six month year-to-date direct costs and expenses for 2008 and 2007, adjusted for the sale of the catering business, are set forth in the following table:

	2008 Six months year to date	2007 Six months year to date	$ Change	% Change
Adjusted Revenue	$ 5,507,000	$ 5,880,000	$ (373,000)	(6%)
Adjusted direct costs and expenses				
Direct salaries and other compensation	1,045,000	939,000	106,000	11%
Rent and utilities	1,281,000	1,206,000	75,000	6%
Other direct operating costs	1,795,000	1,208,000	587,000	49%
Depreciation and amortization	419,000	295,000	124,000	42%
License expense	60,000	57,000	3,000	5%
Total adjusted costs and expenses	4,600,000	3,705,000	895,000	24%
Adjusted Gross profit	$ 907,000	2,175,000	$(1,268,000)	(58%)

Adjusted cost of services increased 24% over the comparable six-month prior year period mainly as a result of the costs associated with renovations, re-openings and start-ups of new bingo centers. This, in conjunction with lower revenues, resulted in a decline of gross profit percent (gross profit as a percent of sales) to 16.5% from 37.0% in 2007.

Direct salaries and other compensation were 11% above the prior year. The increase mainly represented increased staffing, travel and other expenses related to the renovations and start-ups of bingo centers.

Rent and utilities in 2008 were up approximately 6% over 2007 which largely reflected the addition of our new hall in Florida. In 2008 and 2007, we did not recognize lease costs on a straight-line basis as provided in SFAS 13, paragraph 15 and FTB 85-3. Instead, lease costs were recognized based on payments made or accrued during each month. If the Company had recognized lease expense on a straight-line basis in 2008 and 2007, total lease costs would not have materially changed the Company's financial results. In general, the Company enters into long term leases underlying its operations. At the same time, the Company generally enters into agreements which are renewed annually with its customers. This permits the Company to adjust its customer agreements in response to general price increases and limits the effect of lease escalation clauses. Generally, the Company's leases require payments of rent and a pro-rata share of real estate maintenance, taxes and insurance.

Other direct operating costs in 2008 were up 49% over the prior year, mainly due to costs such as advertizing, promotions and development expenses of the new halls and re-opening after major renovations. The provision for doubtful accounts was reduced as a result of the payment of a settlement reached with certain customers.

Depreciation and amortization expense totaled approximately $495,000 ($431,000 Cost of Services plus $64,000 G&A) in 2008 versus $372,000 in the prior year. The increase was mainly attributed to capital spending on new halls, renovations and implementation of the Company's entertainment destination strategy.

General and administrative expenses, excluding related depreciation expense, the noted legal fees and stock-based compensation totaled approximately $1,061,000 in 2008, compared to approximately $977,000 in 2007, an increase of about $84,000. The increase mainly related to planned staff, compensation and travel related increases.

Other income and expense was a net expense of approximately $132,000 for 2008, compared to approximately $225,000 in 2007. The difference mainly stems from lower interest expense from the refinancing of legal settlements and certain notes payable during 2007.

Our income tax expense for 2008 was approximately $44,000 compared to $50,000 in 2007, all of which is related to the expected effective tax rate for state income taxes. As of December 31, 2007, the Company had a net operating loss available for carryover on its federal income taxes of approximately $6,700,000.

Net Income

During the first six months of 2008, we realized a net loss of $353,000; $(0.02) per basic share and $(0.02) per fully diluted share. Net income for the first six months of 2007 was $740,000; $0.07 per basic share and $0.07 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 14,238,166 in 2008 compared to 11,116,886 in 2007. The increase in shares outstanding mainly represents the sale of 5,190,568 shares of common stock on March 27, 2008.

Adjusted for the noted items above, the adjusted net income during the first six months of 2008 was $604,000 and basic earnings per share were $0.04 per share in 2008 versus an adjusted net income of $878,000 and basic earnings per share of $0.08 last year.

Liquidity and Capital Resources

Cash and cash equivalents at June 30, 2008, totaled approximately $7,016,000 and represented 32% of total assets of approximately $22,106,000. Current assets totaled approximately $7,787,000. Current liabilities totaled $1,510,000. Working capital was approximately $6,277,000 with a current ratio of 5.2 to 1 compared to approximately 1.8 to 1 in December 2007.

Cash used by operating activities for the six months ended June 30, 2008 totaled approximately $226,000 compared to cash provided of $1,636,000 during 2007. Cash flows from operating activities in 2008 were decreased by a net loss of approximately $353,000, the sale of the catering business $474,000 and provided by non-cash depreciation expense of approximately $495,000, stock based compensation of approximately $26,000 and by other net changes in asset and liability accounts of $80,000.

Net cash used in investing activities totaled approximately $1,567,000 for capital expenditures mainly for bingo hall renovations, leasehold improvements, the acquisition of the Florida hall and additional licenses during the six months ended June 30, 2008. This compared to net cash used in investing activities of approximately $486,000 in 2007 mainly for the purchase of capital assets.

Cash provided by financing activities in 2008 totaled approximately $6,843,000, compared to net cash used in financing activities in 2007 of approximately $215,000. During the first six months of 2008, approximately $7,000,000 of cash proceeds were obtained through the sale of common stock, approximately $34,000 was provided by exercised options and $191,000 was used for the payment of notes payable and legal settlement obligations. In 2007, approximately $476,000 of financing was obtained from the sale of common stock and $402,000 from notes payable and $1,093,000 was used for the payment of notes payable and legal settlements.

At June 30, 2008, we had approximately $22,106,000 in total assets with total liabilities of approximately $5,144,000 and approximately $16,962,000 of shareholders' equity. Total assets include approximately $7,016,000 in cash, $463,000 of net accounts receivable, other current assets of $308,000, $7,774,000 of net property and equipment, $5,958,000 of intangible assets, $382,000 of notes receivable and $205,000 of other assets. Total liabilities primarily consist of accounts payable of approximately $351,000 and notes payable obligations of approximately $3,539,000, legal settlement obligations of $502,000 and accrued liabilities of $692,000 and related-party liabilities of $60,000.

In 2008, 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.

Financial Risk Management

Off-Balance Sheet Arrangements. We have no off-balance sheet debt.

Market Risk. In the normal course of business, we employ established procedures to manage our exposure to changes in the market value of our investments. There were no significant investments in marketable securities at June 30, 2008 or 2007.

Recently Issued Accounting Pronouncements

In September 2006, the FASB issued SFAS 157, Fair Value Measurements. This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. However, SFAS 157 is amended by Financial Statement Position ("FSP") FAS 157-1, "Application of FASB Statement 157 to FASB Statement 13 and Other Accounting Pronouncements That Address Fair Value Measurements for Purposes of Lease Classification or Measurement under Statement 13" , which excludes from the scope of this provision arrangements accounted for under SFAS 13, "Accounting for Leases". SFAS 157 is also amended by FSP FAS 157-2 "Effective Date of FASB Statement No. 157", which delays the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. We adopted SFAS 157 on January 1, 2008, except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The partial adoption of SFAS 157 did not have a material impact on our consolidated financial position or results of operations.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities - including an amendment of FASB Statement 115. This standard permits an entity to measure many financial instruments and certain other assets and liabilities at fair value on an instrument-by-instrument basis. This statement is effective for fiscal years beginning after November 15, 2007. We adopted SFAS 159 on January 1, 2008, as required. The adoption of SFAS 159 did not have a significant impact on our financial position or results of operations.

In December 2007, the FASB issued SFAS 141(R), Business Combinations--a replacement of FASB Statement No. 141, which significantly changes the principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. The statement also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. This statement is effective prospectively, except for certain retrospective adjustments to deferred tax balances, for fiscal years beginning after December 15, 2008. We are currently evaluating the requirements of SFAS 141(R) and have not yet determined the impact on our consolidated financial statements.

In March 2008, the FASB issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities". This Statement changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for fiscal years and interim periods beginning after November 15, 2008. Early application is encouraged. We are currently evaluating the requirements of SFAS 161 and have not yet determined the impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Response to this item is included in "Item 2 - Management's Discussion and Analysis of Financial Conditions and Results of Operations - Market Risk" above.

Item 4. 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-Q, 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, 2008, 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.

23

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

For a discussion of material pending legal proceedings, see Note 11 to the unaudited Consolidated Financial Statements included in Part I hereof, which Note 11 is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

On May 21, 2008, the Company held its Annual Meeting of Stockholders to elect members to its Board of Directors, to ratify the appointment of Padgett, Stratemann & Co. LLP as independent auditor and to approve an increase in authorized shares of common stock to 40,000,000 shares. An advisory vote was also obtained regarding the compensation of the President and CEO and Directors.

(a) Our annual meeting of stockholders was held on May 21, 2008.

(b) The following directors were elected at the meeting to serve a term of one year:

Jeffrey L. Minch
Carlton R. Williams
Alfred T. Stanley
Michael L. Wilfley
Lanny R. Chiu
Charles M. Gillman

(c) The matters voted upon at the meeting and results of the voting with respect to those matters were as follows:

(1) Election of Directors:

	For	Withheld
Jeffrey L. Minch	9,307,632	1,057,502
Carlton R. Williams	9,305,512	1,059,622
Alfred T. Stanley	9,199,432	1,165,702
Michael L. Wilfley	9,199,552	1,165,582
Lanny R. Chiu	9,197,470	1,167,664
Charles M. Gillman	9,249,300	1,115,834

	For	Against	Abstain
(2) Ratify Independent Auditors:	10,061,962	291,160	12,012
(3) Increase in Common Stock:	8,604,404	1,708,431	52,298
(4) Advisory vote - CEO compensation:	6,608,064	178,243	38,341
(5) Advisory vote - Director compensation:	6,631,305	179,803	13,540

24

Item 6. Exhibits

Exhibit	Description
31.1	Rule 31a-14(a) / 15d-14(a) Certifications
32.1	Section 1350 Certifications
*	Denotes a management contract or compensatory plan or arrangement.

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, 2008

By:

/s/ JEFFREY L MINCH

Jeffrey L. Minch
President and Chief Executive Officer

/s/ RICHARD S. CHILINSKI

Richard S. Chilinski
Chief Financial Officer