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LITTLEFIELD CORP
Form 10-Q
May 14, 2008

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

FORM 10-Q

(Mark One)

- ☒ Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 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 ☒ 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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller Reporting Company <input checked="" type="checkbox"/>

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

Indicate the number of shares outstanding of each of the issuer's classes of

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common stock, as of the latest practicable date.

Class	Outstanding at April 25, 2008
Common Stock - \$0.001 par value	16,715,190

Littlefield Corporation

FORM 10-Q

For the quarter ended March 31, 2008

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Littlefield Corporation
CONSOLIDATED BALANCE SHEETS

ASSETS

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	March 31, 2008	December 31, 2007
	(unaudited)	
Current Assets:		
Cash and cash equivalents	\$ 7,719,987	\$ 1,965,624
Accounts receivable, net of allowance for doubtful accounts of \$67,457 and \$126,309	614,312	519,845
Other current assets	307,231	549,194
Note receivable	4,853	5,103
Total Current Assets	8,646,383	3,039,766
Property and Equipment - at cost, net of accumulated depreciation and amortization	7,481,811	6,926,559
Other Assets:		
Goodwill	5,138,624	4,905,111
Intangible assets, net	841,342	699,196
Other non-current assets	204,715	217,615
Total Other Assets	6,184,681	5,821,922
TOTAL ASSETS	\$ 22,312,875	\$ 15,788,247
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Long term debt, current portion	\$ 196,779	\$ 195,517
Long term debt, legal settlements, current portion	231,272	231,272
Trade accounts payable	384,411	232,339
Accrued expenses	814,036	1,063,053
Total Current Liabilities	1,626,498	1,722,181
Long-term Liabilities:		
Long term debt, net of current portion	3,395,839	3,442,932
Long term debt, legal settlements, net of current portion	308,128	362,964
Other liabilities, related party	54,000	48,000
Total Long-term Liabilities	3,757,967	3,853,896
Total Liabilities	5,384,465	5,576,077
Stockholders' Equity:		
Common stock, \$0.001 par value, (authorized 20,000,000 shares, issued 17,534,707 shares, outstanding 16,715,190 shares)	17,535	12,344
Additional paid-in-capital	30,661,075	23,710,845
Treasury stock - 819,517 shares, at cost	(1,044,324)	(1,146,638)
Accumulated deficit	(12,705,876)	(12,364,381)
Total Stockholders' Equity	16,928,410	10,212,170

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TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$	22,312,875	\$	15,788,247
		=====		=====

See notes to consolidated financial statements.

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Littlefield Corporation CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2008	2007
REVENUES:		
Entertainment	\$ 2,249,987	\$ 2,334,101
Hospitality	854,002	1,143,396
Other	19,942	11,623
TOTAL REVENUES	3,123,931	3,489,120
DIRECT COSTS AND EXPENSES:		
Direct salaries and other compensation	749,147	768,623
Rent and utilities	656,340	617,201
Other direct operating costs	1,007,517	801,753
Depreciation and amortization	201,372	156,061
License expense	27,484	30,829
TOTAL COSTS AND EXPENSES	2,641,860	2,374,467
GROSS MARGIN	482,071	1,114,653
GENERAL AND ADMINISTRATIVE EXPENSES:		
Salaries and other compensation	319,155	273,030
Legal and accounting fees	168,860	110,388
Depreciation and amortization	31,981	28,600
Share-based compensation expense	14,311	14,311
Other general and administrative	201,184	195,238
TOTAL GENERAL AND ADMINISTRATIVE EXPENSES	735,491	621,567
OPERATING INCOME (LOSS)	(253,420)	493,086
OTHER INCOME AND EXPENSES:		
Interest and investment income	12,653	14,942
Interest expense (\$0 and \$5,063 respectively to related parties)	(78,718)	(129,888)
TOTAL OTHER INCOME AND EXPENSES	(66,065)	(114,946)

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NET INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES	(319,485)	378,140
PROVISION FOR INCOME TAXES	22,010	20,000
NET INCOME (LOSS)	(341,495)	358,140
OTHER COMPREHENSIVE INCOME	---	33
NET COMPREHENSIVE INCOME (LOSS)	(\$341,495)	\$ 358,173

See notes to consolidated financial statements.

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Littlefield Corporation CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

	Three Months Ended March 31,	
	2008	2007
EARNINGS (LOSS) PER SHARE:		
Basic earnings per share	(\$ 0.029)	\$ 0.033
Diluted earnings per share	(\$ 0.029)	\$ 0.032
Weighted average shares outstanding - basic	11,738,662	10,955,719
Weighted average shares outstanding - diluted	11,738,662	11,178,523

See notes to consolidated financial statements.

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Littlefield Corporation CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

	Three Months Ended March	
	2008	2007

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CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income (loss)	\$ (341,495)	\$ 358,
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	233,353	184,
Bad debt allowance	(58,852)	
Stock-based compensation expense	14,311	14,
Increase (decrease) in cash flows as a result of changes in asset and liability account balances:		
Accounts receivable	(35,616)	188,
Other assets	255,113	(44,
Trade accounts payable	152,072	(155,
Accrued expenses and other current liabilities	(226,283)	(139,
	-----	-----
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	(7,397)	405,
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(781,230)	(126,
Purchase of goodwill and intangibles	(383,033)	
	-----	-----
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(1,164,263)	(126,
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Payments on notes payable, legal settlements and capital leases	(100,667)	(107,
Proceeds from sale of common stock	7,000,000	476,
Proceeds from options exercised	26,690	
	-----	-----
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	6,926,023	369,
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	5,754,363	648,
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,965,624	2,549,
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 7,719,987	\$ 3,198,
	=====	=====

See notes to consolidated financial statements.

Littlefield Corporation
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

Three Months Ended March 31,

-----	-----
2008	2007
-----	-----

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SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash payments:

Interest	\$ 79,233	\$ 124,819
	=====	=====
Income taxes	\$ 5,789	\$ 275
	=====	=====

Non-cash transactions:

Issuance of treasury stock under deferred compensation plan	---	---
	=====	=====
Issuance of treasury stock under employee stock purchase plan	\$ 16,734	---
	=====	=====

See notes to consolidated financial statements.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 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 three month period ended March 31, 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,

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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 March 31, 2008 and December 31, 2007 consists of the following:

	March 31, 2008	December 31, 2007
Land	\$ 740,467	\$ 740,467
Buildings	3,395,498	3,404,348
Leasehold improvements	5,046,362	4,756,267
Rental inventory and bingo equipment	2,022,155	1,989,605
Equipment, furniture and fixtures	3,023,726	2,604,406
Automobiles	516,741	468,626
	-----	-----
	14,744,949	13,963,719
Less: Accumulated depreciation and amortization	(7,263,138)	(7,037,160)
	-----	-----
Property and equipment, net	\$ 7,481,811	\$ 6,926,559
	=====	=====

Total depreciation expense, for owned and leased assets, charged to operations for the three months ended March 31, 2008 and 2007 was approximately \$226,000 and \$177,300 respectively.

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NOTE 3 - GOODWILL & OTHER INTANGIBLE ASSETS.

Goodwill at March 31, 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 at March 31, 2008	\$ 6,937,888	\$ (1,799,264)	\$ 5,138,624
	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
Balance at March 31, 2008	\$ 4,767,240	\$ 371,384	\$ 5,138,624

Intangible assets at March 31, 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	150,054		150,054
Bingo licenses at March 31, 2008	\$ 844,773	(51,974)	\$ 792,799
Intangible Assets with Finite Lives:			
Covenants not to compete	\$ 297,500	(248,957)	\$ 48,543
Intangible Assets, Net of Accumulated Amortization			\$ 841,342

Amortization expense charged to operations for the three months ended March 31, 2008 and 2007 was approximately \$7,400 and \$7,400 respectively.

NOTE 4 - SHAREHOLDERS' EQUITY.

At March 31, 2008 the Company holds 819,517 treasury shares at an average purchase cost of \$1.27.

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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 \$14,000 in compensation expense in the three month periods ended March 31, 2008 and March 31, 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. There were no options issued in the three month periods ended March 31, 2008 and 2007.

NOTE 6 - EARNINGS PER SHARE.

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

Three months ended March 31,	2008	2008	2007	2007
	Basic	Diluted	Basic	Diluted
Numerator:				
Net income (loss)	\$ (341,495)	\$ (341,495)	\$ 358,140	\$ 358,140
Denominator:				
Weighted average shares outstanding	11,738,662	11,738,662	10,955,719	10,955,719
Effect of dilutive securities:				
Stock options and warrants	---	---	---	222,804
Weighted average shares outstanding	11,738,662	11,738,662	10,955,719	11,178,523
Earnings (loss) per share	\$ (0.029)	\$ (0.029)	\$ 0.033	\$ 0.032

Stock options to acquire 299,333 and 94,500 shares for the three months ended March 31, 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.

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Littlefield Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

March 31, 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 March 31, 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 March 31, 2008, a total of 475,410 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	(52,500)		0.51
Forfeited	(90,000)		2.00
Outstanding at 3/31/08	475,410	\$	0.53

The fair value of options issued during 2008 was approximately \$0.

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 \$35,263. Total unrecognized stock-based compensation expense related to non-vested stock options was approximately \$42,965 as of March 31, 2008, related to approximately 88,500 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 0.75 years.

The following table summarizes information about options outstanding at March 31, 2008 under the Employee Stock Plan adjusted for the 2006 stock dividend:

Options Outstanding	Options Exercisable
Weighted Avg.	

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	Range of Exercise Prices	Number Outstanding	Remaining Contractual Life	Weighted Avg. Exercise Price	Number Exercisable	Weighted Avg. Exercise Price
2008:	\$1.26 - 1.87	16,500	8.1 years	\$1.32	16,500	\$1.32
	\$0.00 - \$1.25	458,910	6.5 years	\$0.50	370,410	\$0.50
		475,410	6.6 years	\$0.53	386,910	\$0.54
	Aggregate intrinsic value	\$309,941			\$250,646	

The weighted average remaining contractual life of options exercisable as of March 31, 2008 was 6.5 years.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 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 three months ended March 31, 2008 and 2007 are as follows:

	2008	2007
Net income (loss)	\$ (341,495)	\$ 358,140
Other comprehensive income		
Net Unrealized gain	---	33
Total comprehensive income (loss)	\$ (341,495)	\$ 358,173

NOTE 9 - INCOME TAXES.

The Company recorded approximately \$22,000 and \$20,000 of state income tax expense, respectively, for the three months ended March 31, 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.

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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 \$5,063 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 \$6,000 and \$6,000 of deferred compensation in the three months ended March 31, 2008 and 2007, respectively.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 2008

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 March 31, 2008, the carrying value of these obligations was \$539,400. 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.

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In this case, Littlefield 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. Littlefield 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 Littlefield 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 Littlefield was required to pay to Pondella and 800438 Ontario as a result of related litigation. The Company is awaiting a trial date.

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 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.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 2008

NOTE 11 - COMMITMENTS AND CONTINGENCIES.

Texas Lottery Commission Notice of Opportunity to Show Compliance.

Texas Charities, Inc., a subsidiary of the Company and licensed by the Texas Lottery Commission ("Commission") as a commercial lessor pursuant to the Bingo Enabling Act, received a Notice of Opportunity to Show Compliance ("Notice") from the Commission's Charitable Bingo Division ("Division") dated July 27, 2007. The Notice indicated that the Division intended to initiate administrative disciplinary action against Texas Charities, Inc. because it believed that Texas Charities, Inc. violated the Act by improperly extending credit. On January 16, 2008, the Division amended the Notice to indicate the Division also had reason to believe that Texas Charities, Inc., violated the act by including a provision in its commercial lease agreement that required the lessee to sell certain bingo equipment to third parties under certain circumstances. Texas Charities, Inc. disputed the Division's interpretation of the Act and, on March 27, 2008, the Division sent two separate letters (one to Texas Charities, Inc. in connection with the "extension of credit issue" and one to Ambler Bingo, Inc. in connection with the "bingo equipment" issue) indicating that no further administrative action would be taken.

Cause No. 24140-B; Hamby Volunteer Fire Department, Trustee of the Ambler Charities Unit Trust v. Littlefield Corporation, d/b/a Ambler Bingo, Inc.; 104th Judicial District Court of Taylor County, Texas.

Plaintiff filed suit against the Company alleging breach of contract and violation of the Bingo Enabling Act ("Act"). The Company filed an answer denying all of the Plaintiff's claims. Plaintiff's and the Company reached a confidential settlement agreement. However, the Plaintiffs failed to perform under the terms and conditions of the settlement agreement and the Company filed a complaint with the American Arbitration Association to enforce the settlement agreement. This matter has been fully resolved. The lawsuit and the arbitration have both been dismissed.

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

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 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.

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 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.

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NOTE 12 - 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.

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Littlefield Corporation
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
March 31, 2008

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, 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 three months ended March 31, 2008 and 2007 is as follows:

March 31, 2008

	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	\$ 2,250,000	\$ 854,000	\$ 20,000	\$ 3,124,000
Depreciation and Amortization	132,000	69,000	32,000	233,000
Segment profit (loss)	692,000	(230,000)	(803,000)	(341,000)
Segment Assets	29,137,000	1,187,000	(8,011,000)	22,313,000

March 31, 2007

	Entertainment	Hospitality	Adjustment	Consolidated
Revenue	\$ 2,334,000	\$ 1,143,000	\$ 12,000	\$ 3,489,000
Depreciation and Amortization	98,000	58,000	29,000	185,000
Segment profit (loss)	1,244,000	(141,000)	(745,000)	358,000
Segment Assets	25,793,000	1,360,000	(10,653,000)	16,500,000

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

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balances.

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

	2008	2007
Gross profit - other revenue	\$ 20,000	\$ 12,000
General and administrative expense	(735,000)	(622,000)
Other income and expenses	(66,000)	(115,000)
Provision for income taxes	(22,000)	(20,000)
Total "Adjustment"	\$ (803,000)	\$ (745,000)

NOTE 13 - RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS.

Recent Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") 48, Accounting for Uncertainty in Income Taxes - an interpretation of Statement of Financial Accounting Standards ("SFAS") 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109, Accounting for Income Taxes . It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation was effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 on January 1, 2007, as required. The adoption of FIN 48 did not have a significant impact on our financial position or results of operations.

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Littlefield Corporation

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

March 31, 2008

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. We adopted SFAS 157 on January 1, 2008, as required. The adoption of SFAS 157 did not have a significant impact on our 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

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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.

NOTE 14 - SUBSEQUENT EVENTS.

On April 15, 2008, the Company sold its Word of Mouth custom catering business unit reflecting the Company's focus on its charitable bingo business in Texas, South Carolina, Alabama and Florida. A final determination of the expected gain on sale will be determined within ninety days of the closing in accordance with the terms of the asset purchase agreement. Assets purchased, excluding goodwill, were approximately \$125,000 consisting mainly of catering equipment and inventory.

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

First quarter 2008 results were impacted by 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 32 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 is open and operating while the Corpus Christi bingo hall will open in early May.

The Q1 2008 earnings include the effect of approximately \$573,000 of notable items: \$416,000 from the effects of renovations and openings at several halls in Texas, and \$143,000 of legal expenses and \$14,000 for non cash expenses for compensation expense related to stock options. The legal expenses were mainly from 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.

The Q1 2007 earnings include approximately \$97,000 of notable items: \$83,000 from legal expenses related to South Carolina, Texas and our attempts to expand into Arkansas, and \$14,000 for non cash expenses for compensation expense related to stock options.

Revenues

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The following table sets forth the Company's revenues by segment for the three months ended March 31, 2008 and 2007:

	2008	2007	Change	% Change
Total Revenues	\$ 3,124,000	\$ 3,489,000	\$ (365,000)	(10%)
Entertainment	2,250,000	2,334,000	(84,000)	(4%)
Texas	1,260,000	1,379,000	(119,000)	(9%)
South Carolina	510,000	499,000	11,000	2%
Alabama / Florida	480,000	456,000	24,000	5%
Hospitality	854,000	1,143,000	(289,000)	(25%)
Other	\$ 20,000	\$ 12,000	\$ 8,000	NM

During the first three months of 2008, total revenues for the Company decreased 10% 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 of hall renovations and re-openings. 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 Entertainment portfolio continued an upward trend with revenue increasing approximately three percent. The Entertainment segment accounted for 72% of total revenues compared with 67% of total revenues in 2007. By state, Entertainment revenues for Texas, South Carolina and Alabama were 56%, 23% and 21% of total Entertainment revenue respectively compared to 59%, 21% and 20% in 2007. Hospitality revenue decreased 25% from the prior year reflecting lower event activity. Hospitality accounted for 27% of total revenues in 2008, compared to 33% of total revenues in 2007. Other revenue includes other ancillary services and miscellaneous revenue not reported as segment revenue.

Costs and Expenses

Cost of services increased 11% over the comparable three-month prior year period mainly as a result of the costs associated with renovations, re-openings and the opening 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 15.4% from 31.9% in 2007. The table below summarizes gross profit by segment for the three months ended March 31, 2008 and 2007:

	2008	2007	Change	% Change
Total Gross Profit	\$ 482,000	\$ 1,115,000	\$ (633,000)	(57%)
Entertainment	692,000	1,244,000	(552,000)	(44%)
Hospitality	(230,000)	(141,000)	(89,000)	NM
Other	\$ 20,000	\$ 12,000	\$ (8,000)	NM

The decrease in gross profit was mainly attributed to the effects of renovations and openings at several halls in Texas (\$416,000), higher Texas administrative expenses added to manage the new bingo centers and renovation activity and lower hospitality revenue.

Direct salaries and other compensation were 3% below the prior year. This reduction represented reduced staffing costs in the Hospitality segment in response to lower Hospitality revenues and were partially offset by additions in Texas to manage the new hall and renovation activity.

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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 FASB 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 26% over the prior year, mainly due to costs such as advertising, 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. License expense was down approximately \$3,000.

Depreciation and amortization expense totaled approximately \$233,000 (\$201,000 Cost of Services plus \$32,000 G&A) in 2008 versus \$185,000 in the prior year.

General and administrative expenses, excluding related depreciation expense, the noted legal fees and stock-based compensation totaled approximately \$547,000 in 2008, compared to approximately \$496,000 in 2007, an increase of about \$51,000. The increase mainly related to planned staff, compensation and travel related increases.

Other income and expense was an expense of approximately \$66,000 for 2008, compared to approximately \$114,000 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 \$22,000 compared to \$20,000 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 three months of 2008, we realized a net loss of 341,000; \$(0.03) per basic share and \$(0.03) per fully diluted share. Net income for the first three months of 2007 was \$358,000; \$0.03 per basic share and \$0.03 per fully diluted share. The weighted average number of basic Common Stock shares outstanding totaled 11,738,662 in 2008 compared to 10,955,719 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 three months of 2008 was \$231,000 and basic earnings per share were \$0.02 per share in 2008 versus an adjusted net income of \$455,000 and basic earnings per share of \$0.04 last year.

Liquidity and Capital Resources

Cash and cash equivalents at March 31, 2008, totaled approximately \$7,720,000 and represented 35% of total assets of approximately \$22,313,000. Current assets totaled approximately \$8,646,000. Current liabilities totaled \$1,626,000.

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Working capital was approximately \$7,020,000 with a current ratio of 5.3 to 1 compared to approximately 1.8 to 1 in December 2007.

Cash used by operating activities for the three months ended March 31, 2008 totaled approximately \$7,000 compared to cash provided of \$405,000 during 2007. Cash flows from operating activities in 2008 were decreased by a net loss of approximately \$341,000 and provided by non-cash depreciation expense of approximately \$233,000, stock based compensation of approximately \$14,000 and by other net changes in asset and liability accounts of \$87,000.

Net cash used in investing activities totaled approximately \$1,164,000 for capital expenditures mainly for bingo hall renovations, leasehold improvements, the acquisition of the Florida hall and additional licenses during the three months ended March 31, 2008. This compared to net cash used in investing activities of approximately \$126,000 in 2007 for the purchase of capital assets.

Cash provided by financing activities in 2008 totaled approximately \$6,926,000, compared to net cash provided by financing activities in 2007 of approximately \$369,000. During the first three months of 2008, approximately \$7,000,000 of cash proceeds were obtained through the sale of common stock, approximately \$27,000 was provided by exercised options and \$101,000 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 \$107,000 was used for the payment of notes payable and legal settlements.

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At March 31, 2008, we had approximately \$22,313,000 in total assets with total liabilities of approximately \$5,385,000 and approximately \$16,928,000 of shareholders' equity. Total assets include approximately \$7,720,000 in cash, \$614,000 of net accounts receivable, other current assets of \$312,000, \$7,482,000 of net property and equipment, \$5,980,000 of intangible assets, and \$205,000 of other assets. Total liabilities primarily consist of accounts payable of approximately \$384,000 and notes payable obligations of approximately \$3,594,000, legal settlement obligations of \$539,000 and accrued and related-party liabilities of \$868,000.

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 March 31, 2008 or 2007.

Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation ("FIN") 48, Accounting for Uncertainty in Income Taxes - an interpretation of Statement of Financial Accounting Standards ("SFAS") 109. This interpretation clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements in accordance with SFAS 109,

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Accounting for Income Taxes . It prescribes a recognition threshold and measurement attribute for financial statement disclosure of tax positions taken or expected to be taken on a tax return. This interpretation was effective for fiscal years beginning after December 15, 2006. We adopted FIN 48 on January 1, 2007, as required. The adoption of FIN 48 did not have a significant impact on our financial position or results of operations.

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. We adopted SFAS 157 on January 1, 2008, as required. The adoption of SFAS 157 did not have a significant impact on our 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.

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

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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 March 31, 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.

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 6. Exhibits

Exhibit	Description
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- | | |
|-----|--|
| 3.1 | Certificate of Incorporation of the Company dated September 8, 1994, as amended October 17, 1994, and further amended July 31, 1997 and August 13, 1998, and September 22, 1999 (incorporated by reference to Exhibit 3.1 of the Quarterly Report on Form 10-QSB filed by the Company on November 15, 1999, for the quarter ended September 30, 1999). |
|-----|--|

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- 3.2 Amended and Restated Bylaws of the Company (incorporated by reference to Exhibit 3.2 of the Quarterly Report on Form 10-QSB filed by the Company on November 15, 1999, for the quarter ended September 30, 1999).
- 10.1* 2002 Stock Option Plan (incorporated by reference to Exhibit of the Definitive Proxy Statement Schedule 14A, filed with the SEC on March 22, 2002).

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- 10.2* 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit of the Definitive Proxy Statement Schedule 14A, filed with the SEC on March 22, 2002).

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

May 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

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