



TAGLICHBROTHERS

The Standard of Excellence in the Microcap Market

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Research Report – Update

Investors should consider this report as only a single factor in making their investment decision.

Littlefield Corporation

Rating: Speculative Buy

Luis Martins

April 9, 2008

LTFD \$1.13 (OTC BB)

	FY2004A	FY2005A	FY2006A	FY2007A	FY2008E
Revenues (Thousands)	\$9,927	\$11,331	\$13,401	\$13,428	14,389
Earnings (loss) per share	\$(0.13)	\$0.10	\$0.07	\$0.03	\$0.05

52-Week Range	\$1.50 – 0.94	Fiscal Year Ends	December
Shares Outstanding	16.6 million	Revs/Share (TTM)	\$1.17
Approximate Float	5.7 million	Price/Sales(TTM)	1.0X
Market Capitalization	\$19 million	Price/Sales(2008)E	1.2X
Tangible Book Value/Share	\$0.40	Price/Earnings(TTM)	37.7X
Price/Tangible book	2.8X	Price/Earnings(2008)E	22.6X

Littlefield Corporation (OTC BB: LTFD) engages in the development, ownership, and operation of charitable bingo halls in the United States. LTFD also engages in the party rental and catering business. Its operations are primarily conducted in two segments, Littlefield Entertainment and Littlefield Hospitality.

Key Investment Considerations:

We are maintaining coverage of Littlefield Corporation (OTC BB: LTFD) with a Speculative Buy; however, we are reducing our 12-month price target to \$1.60 per share from \$2.30 per share.

On March 19, 2008, LTFD announced that it received \$7 million from funds affiliated with Value Fund Advisors in exchange for 5.191 million shares. As of February 27, 2008, Value Fund Advisors and its affiliates owned over 2.3 million shares. Based on our calculations (after the offering), LTFD had pro-forma cash of \$9 million or \$0.54 per share and a tangible book value of \$11.6 million or \$0.70 per share.

On March 12, 2008, LTFD announced that it entered into a definitive contract to sell its Word of Mouth, its custom catering company. The sale is expected to close in April 2008.

On March 6, 2008, LTFD reported fourth quarter net revenues of \$3.3 million and a net loss of \$0.299 million or \$(0.03) per share. In the year ago period, LTFD reported revenues of \$4.0 million and a net loss of \$0.035 million or \$(0.00) per share.

Our revised 2008 projections call for revenues of \$14.4 million and net income of \$0.8 million or \$0.05 per diluted share. Our prior projections called for revenues of \$15.8 million and net income of \$1.2 million or \$0.10 per diluted share. Given the \$7 million in proceeds and \$4 million in available debt to fund acquisitions, it may possible for the Company to aggressively grow its bingo operations from the approximately 31 units currently in the Company's portfolio. While we have not forecasted an aggressive build out, we will monitor the ramp up in growth and adjust our models as events warrant.

** Please view our disclaimer located on page 14.*

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Company Overview

Littlefield Corporation (OTC BB: LTFD), based in Austin, Texas and incorporated in Delaware in 1994, develops, owns, and operates charitable bingo halls, and owns and operates a party rental company, as well as a catering company. Through its Entertainment division, LTFD operates over 30 charitable bingo halls in Texas, Alabama, South Carolina, and Florida. Through its Hospitality division, it operates Premiere Events and Rental, a party and tent rental company, and Word of Mouth Catering, a custom catering company.

In 1999, Jeffrey Minch, an investor in the Company, took control of LTFD, first via his Directorship and later as CEO. Under Mr. Minch, the Company underwent a major reorganization, an overhaul of management, a change in industry focus, and downsizing of non-critical staff. In June 2000, to reflect this change in philosophy and leadership, the name of the Company was changed to Littlefield Corporation. Subsequently a strategic acquisition program was implemented, using Mr. Minch's philosophy of "Adventure-less Capital."

Company Operations

The Company's operations are primarily conducted via two divisions, which are discussed below:

Entertainment Division

Through this division, LTFD contracts with a real estate landlord via a long-term real estate lease, to rent premises suitable for a bingo hall. The Company develops the physical plant for a bingo hall and attracts the requisite number of charities, depending on regulatory demands, for the use of the premises and the services provided to support the charities' conducting bingo operations. Depending on the regulatory statute, the Company either collects rents (up to an allowable maximum) and/or pays a tax to the State for partial remittance to a charity. Under the agreements, the charities are generally responsible for all aspects of running the bingo game; Littlefield Entertainment is responsible only for the upkeep, maintenance, and physical hall location.

The Company typically invests \$0.1 million to \$0.4 million in a new start up bingo hall, and recovers its entire investment within one to two years after the attainment of a stable and predictable operating environment (typically 6-12 months after the initiation of operations with a full contingent of charities).

The Company's strategy calls for Management to do the following with respect to the Entertainment division:

- Transform bingo halls into an entertainment destination
- Grow existing markets via acquisitions and start ups
- Expand into new markets
- Drive business analytics
- Develop a platform of excellence via best practices
- Develop a customer affinity program
- Improve each halls operations, sales & marketing, and physical plant

Hospitality Division

The Company's operations also consist of Premiere Tents and Events and Word Of Mouth. In March 2008, LTFD entered into an agreement to sell Word of Mouth (see Recent Developments).

The companies, which operate in and around central Texas and Austin, Texas, engage in the party rental business, catering, and installation of tents for events, parties, weddings, festivals, as well as event planning (music, flowers, catering, etc.).

Recent Developments

On March 12, 2008, Littlefield announced that it entered into a definitive contract to sell its Word of Mouth business unit. The asset sale is subject to a 30-day due diligence period and a 10-day closing period. It is anticipated that the sale will close in April. In addition, a second back up offer evidenced by a signed letter of intent has been executed.

Competitive Overview

Bingo

According to Gametech, a public company that designs, develops, and markets interactive electronic bingo player terminals and systems, bingo is a legal enterprise in 47 states (excluding Arkansas, Hawaii, and Utah) and the District of Columbia. According to research, \$10 billion are wagered annually on bingo in 50,000 bingo halls throughout North America. The game is primarily staged by churches or charity organizations. The legality and stakes of bingo varies by state regulation. In some states, bingo halls are rented out to sponsoring organizations, and these halls often run games almost every day. Games are usually played for modest stakes. Commercial bingo games in the U.S. are primarily offered by Nevada casinos and by Native American bingo halls (often played in Native American casinos). In Nevada, bingo is usually offered only by casinos that cater to local gamblers.

The charitable bingo market is fragmented with no one dominant competitor. In Texas, alone there are over a thousand licensed organizations (according to the National Association of Fundraising Ticket Manufacturers - NAFTM, a trade association of companies that manufacture pull tabs, bingo paper, and related supplies for the North American charitable gaming industry) and in South Carolina there are over one hundred. Charitable bingo competes with other forms of charitable gaming such as pull tabs, raffles, and casino nights. Competition for customers occurs on the basis of the quality of the facilities, customer loyalty through various marketing efforts, and other promotional programs to stimulate interest in the game of bingo and number of visits to halls. The Company's competitive advantage lies with its industry knowledge which gives LTFD an edge when negotiating with the various charities to use its facilities for their operations.

According to NAFTM, total gross receipts for the 35 states it tracks amounted to \$7.170 billion in 2006, as compared to \$7.031 billion in 2005. A 2% increase. Total gross receipts include bingo, pull-tab, raffle, and other. NAFTM defines gross receipts as the total amount of money spent on a charity game by game participants. In a bingo game, it is the total amount wagered through the purchase of bingo cards. Pull-tab games use the term to describe the total amount of money wagered through the purchase of all the pull-tabs in a game.

Below are the top ten states by gross receipts (according to NAFTM):

State	Gross Receipt (\$ millions)
Minnesota	1,228
Washington	787
Texas	662
Kentucky	527
Indiana	526
Michigan	413
New York	353
Alaska	349
Virginia	321
North Dakota	261

Gaming Industry

Due to the gaming nature of bingo, the Company may also compete directly and indirectly with established commercial and Native America casinos. According to the American Gaming Association, charitable bingo is a component of charitable gaming, which in turn is one of the five types of legal gaming in the United States.

According to the American Gaming Association (AGA), gross gaming revenues of commercial casinos continued the steady growth exhibited in past years and total \$32.42 billion in 2006, a 6.8% increase over 2005. Gross gaming revenues increased in every state in 2006. Overall growth was attributed to the continued expansion of the industry in existing commercial gaming states, the ongoing revitalization of the industry on the Gulf Coast after Hurricanes Katrina and Rita, and renovations and enhancements at existing properties in several key commercial gaming markets.

In total, the AGA believes that there are 460 commercial and native casinos in 11 states, including one in Texas, three in Alabama, as well as racetrack casinos and Native American casinos in Florida.

According to the Casino Journal (CJ), total consumer spending on all forms of gaming (exclusive of Internet gaming) in 2006 was \$90 billion, an increase of 7.7%, as compared the \$84.4 billion in 2005. However, CJ noted spending declines on pari-mutuel sports, Nevada horse books, charitable bingo, and charitable gaming. Charitable bingo and gaming saw single digit revenue declines. It is believed that charitable bingo is facing stiffer competition from commercial and Native American casinos. However, a pocket of strength in charitable gaming, according to the NAFTM, is Texas. Gross receipts in 2006 increased for the fourth straight year to \$657.7 million, an increase of 3.7% from 2005. The increase was attributed to sales of pull tabs.

Of note, the Company's bingo operations are conducted in niche markets with relatively complex regulatory constraints which insulate the operations from much direct competition from casino operations. Also, the Company's charitable bingo facilities are ideally situated outside of a 3 hour drive from casino competitors.

Entertainment Sector

Through its bingo and hospitality offerings, LTFD operates in the event and entertainment markets. As such it is dependent on the overall health of consumers and their propensity to spend entertainment dollars at Company related events and facilities. As a result of the entertainment angle of the Company's operations, it may compete for entertainment dollars, either directly or indirectly, with public and private companies that have entertainment operations or promote and market entertainment events.

Economic Outlook

Additionally, the Company's operations will likely be impacted by the direction of GDP. In March 2008, the government announced that GDP advanced 0.6% in the fourth quarter of 2007. GDP increased 2.2% in 2007, as compared with an increase of 2.9% in 2006. These gains followed an increase of 3.2% in GDP for 2005.

Going forward, the National Association of Business Economics (NABE) indicated in February 2008 that 2008 and 2009 economic growth will likely be 1.8% and 2.9%, respectively, primarily due to a sluggish housing market and financial market turmoil. However, growth in the first half of 2008 is expected to be negligible, averaging just 0.75%.

In March 2008, The Conference Board (CB), an independent membership organization that conducts research, convenes conferences, makes forecasts, assesses trends, publishes information and analysis, and brings executives together to learn from one another, announced that the January U.S. leading economic index (LEI) showed a decrease of 0.3%. According to the CB, the LEI declined for the fifth straight month in February and fell 1.5% (an annual decline of 3%) from August to February.

In April 2008, the International Monetary Fund slashed its forecast for U.S. economic growth in 2008 to 0.5% from 1.5% and forecasted only 0.6% growth in 2009.

In remarks to Congress in April 2008, Ben Bernanke, the Chairman of the Federal Reserve, stated “it now appears likely that real GDP will not grow much, if at all, over the first half of 2008 and could even contract slightly. We expect economic activity to strengthen in the second half of the year.” He also said “a recession is possible.”

Recent Results

On March 6, 2008, LTFD reported results for its fourth quarter, ended December 31, 2007. The Company reported net revenues of \$3.3 million and a net loss of \$0.299 million or \$(0.03) per share. In the year ago period, LTFD reported revenues of \$4.0 million and a net loss of \$0.035 million or \$(0.00) per share.

In comparison, Taglich Brothers’ expectations called for revenues of \$4.0 million and net income of \$0.284 million or \$0.02 per share.

Revenues decreased at both the Entertainment and Hospitality divisions. The decrease in Hospitality division mainly reflected lower levels of sub rental sales and customer events. The following tables depict some key components of revenues for the fourth quarter of 2006 and 2007:

Revenues (\$ 000's)	4Q2006A	4Q2007A
Entertainment	1,918	1,879
Hospitality	2,095	1,367

Entertainment Revenues (\$ 000's)	4Q2006A	4Q2007A
Texas	1,247	1,261
South Carolina	315	301
Alabama	356	318

Although revenues in Texas were up, revenues were adversely affected by the hall renovation and reopening in Abilene, Texas.

On an operating basis, LTFD reported an operating loss of \$0.222 million, as compared to income of \$0.456 million in the year ago period. EBITDA decreased to \$0.016 million from \$0.663 million in the year ago period.

The Company also reported that as compared to the year ago period:

- Gross profit decreased to \$0.515 million (or 15.8% of revenues) from \$0.956 million (or 24.3% of revenues);
- Total operating expenses, on a dollar basis, increased to \$0.737 million from \$0.520 million. Operating expenses, as a percentage of revenues, increased to approximately 22.6% of revenues, as compared to 12.9%;
- Non-operating expenses decreased to approximately \$0.053 million from \$0.459 million;
- Income tax expense decreased to \$0.025 million from \$0.032 million; and

- Weighted average shares outstanding-fully diluted were 11.4 million as compared to 10.8 million.

Investors should note that fourth quarter 2007 results included \$0.545 million of notable items, including:

- \$0.430 million from renovating and reopening a hall in Texas and lower revenue from a major Hospitality customer,
- \$0.101 million of legal expenses primarily due to expansion plans and operations in South Carolina, announced Florida acquisition, and ongoing litigation with the Furtney estate seeking recovery of prior settlements and other damages; and
- \$0.014 million for non-cash expenses for compensation expense related to stock options.

In the year ago period, Management highlighted \$0.265 million of notable items: \$0.238 million from legal settlements and expenses, \$0.014 million for non cash expenses for compensation expense related to stock options, and \$0.013 million for a loss on asset disposals.

Balance Sheet

At the end of fourth quarter of 2007, the Company had cash and cash equivalents of \$2.0 million, working capital of approximately \$1.3 million, total assets of \$15.8 million, total liabilities of \$5.6 million, and stockholders' equity of \$10.2 million.

On March 19, 2008, LTFD announced that it agreed to sell 5.191 million shares to funds affiliated with Value Fund Advisors, LLC of Tulsa, Oklahoma. As of February 27, 2008, Value Fund Advisors and its affiliates owned over 2.3 million shares of the Company. The Company received \$7 million from the transaction, which was priced at a 10% premium to the 5 day average closing price or \$1.3486 per share.

Based on our calculations (after the offering), LTFD had pro-forma cash of \$9 million or \$0.54 per share (48% of the stock price) and a tangible book value of \$11.6 million or \$0.70 per share (62% of the stock price).

As per the Agreement:

- Littlefield Corporation will expand its Board of Directors from five members to six members and Value Fund Advisors may nominate two of the directors annually through December 31, 2012.
- Value Fund Advisors will not sell any of its common stock holdings before December 31, 2012.
- Value Fund Advisors will vote its shares in support of all propositions recommended by the Board to the Company's shareholders in Annual Meeting proxy materials through December 31, 2012.

The funds from this offering are earmarked for general corporate purposes and to fund its growth plans in Texas, South Carolina, and Florida. This funding together with cash on hand, proceeds from anticipated dispositions, operating cash flow and an anticipated \$4 million acquisition line of credit will provide over \$12 million for the Company to fund its growth. Therefore, we believe, based on our current estimates, that the Company will have sufficient cash to fund operations and its growth plans through fiscal 2008.

Projections

We are adjusting our estimates for fiscal 2008 based on recent operating trends and Management's comments on the Company's fourth quarter conference call and 2007 10K filing.

Our revised projections for fiscal 2008 call for revenues of \$14.4 million and net income of \$0.8 million or \$0.05 per diluted share. Our prior projections for fiscal 2008 called for revenues of \$15.8 million and net income of \$1.2 million or \$0.10 per diluted share.

Our current estimates call for increased revenues during the fiscal year based on historical trends, recent developments, demand for the Company's bingo offerings, and the opening of additional halls. We have not factored much improvement from its hospitality business (our current estimates call for a revenue decline of 8%, versus a revenue decline of 10% in 2007) stemming from recent lackluster performance and the notion that these operations may not be part of the Company in the long run. We believe that the recent announcement regarding the sale of Word of Mouth will be finalized in the near future and the Company will provide further details relative to the financial details of the operations and sale of the assets. As this occurs, we will make the appropriate adjustments.

We are forecasting revenues to increase by 7% in fiscal 2008. The following table illustrates various revenue mix items:

<i>Sales (\$ 000's)</i>	FY2006A	FY2007A	FY2008E Previous	FY2008E Revised
Entertainment	7,909	8,525	8,525	9,867
Hospitality	5,419	4,853	4,853	4,447

We believe Entertainment revenues will increase 16% in 2008 driven by strong gains in Texas and South Carolina, steady performance in Alabama, as well as incremental contribution from Florida. We believe growth in Texas may be achieved from gains at existing halls, as well as new halls. On the fourth quarter conference call, Management highlighted 4 opportunities in Texas (including the Let It Ride Bingo hall in San Angelo, which opened in March 2008). In South Carolina, the possible addition of 6 new halls could be a major boost to the Company, increasing its base of halls by 60% in South Carolina. Additionally, the Company may use a combination of bank financing, seller financing, treasury stock, and cash on hand for acquisitions when favorable terms can be obtained. Management also plans to continue to use cash generated from operations to make leasehold improvements and renovations in its entertainment (bingo) operations in an effort to position the halls as entertainment destinations.

Our cost structure estimates (see table below) for 2008 reflects recent expense trends:

<i>% of Sales</i>	FY2006A	FY2007A	FY2008E Previous	FY2008E Revised
Gross Margins	25.18%	25.00%	28.52%	25.08%
Operating Margins	10.30%	5.24%	11.14%	5.97%
Pre-tax Margins	6.58%	2.86%	8.34%	5.97%
Net Margins	5.87%	2.23%	7.55%	5.49%

Our estimates indicate that the Company's EPS may rise by 95% between 2007 and 2008 to \$0.05 per share from \$0.03 per share. This growth, if achieved, will be achieved despite the average share count increasing to 15.5 million from 11.5 million stemming from the March 2008 offering of 5.19 million shares for \$7 million. Given the proceeds and \$4 million in available debt, it may be possible for the Company to aggressively grow its entertainment (bingo) operations from the approximately 31 units

currently in the Company's portfolio. While we have not forecasted a very aggressive build out, we will monitor the ramp up in growth and adjust our models as events warrants.

Of note, 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 \$6.7 million at December 31, 2007, that begin expiring in the year 2015.

Risks

Regulation

The Company's bingo operations are subject to varying regulations on a state by state basis (Texas, Alabama, and South Carolina). Each state in which it operates regulates bingo operations differently. A summary of some of the regulations follows:

- In Texas, the Texas Lottery Commission regulates bingo and its rules are uniform throughout the State. In general, a bingo hall can contain up to seven charities and can operate seven days per week and conduct as many as fourteen bingo sessions per week. The Commission's Web site is www.txbingo.org.
- In South Carolina, the South Carolina Department of Revenue is the principal regulator for bingo. Its rules are uniform throughout the State. In general, a bingo hall can contain a single charity and can only operate five sessions per week with a Class B license or everyday with a Class C license. In general, a Class C hall is permitted to play more often, but is required to pay out less money than a Class B hall. The Department's Web site is www.sctax.org.
- In Alabama, bingo can only be played in counties that have a "local bill" authorizing bingo that has been passed by the state legislature. The local county sheriff is the principal regulator of bingo and regulations vary from county to county. In general, a bingo hall can contain up to ten charities and can operate seven days per week and conduct up to twenty-one bingo sessions per week.

Legislative or regulatory proposals may be introduced or revised that affect the Company's operations and business plans, its financial results, and equity value.

Recently, the South Carolina Department of Revenue issued an administrative bingo violation against LTFD alleging that the Company has an unlawful number of bingo promoter licenses. The matter is entitled "South Carolina Department of Revenue v. Littlefield Corporation, Midlands Promotions, Inc., Low Country Promotions, Inc., and Gamecock Promotions, Inc., 05- ALJ-17-0413-CC".

According to the Company's 2007 10K:

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

Additionally the 10K stated: *"a subsidiary of the Corporation licensed by the Texas Lottery commission as a commercial lessor pursuant to the Bingo Enabling Act, received a Notice of Opportunity to Show Compliance from the Commission's Charitable Bingo Division dated July 27, 2007. The Notice indicated that the Division had reason to believe that Texas Charities, Inc. had violated the Act by improperly*

extending credit. Texas Charities, Inc. disputes the Division's interpretation and intends to exercise its opportunity to show compliance. However, if the matter cannot be settled with the Division, it may be referred to the State Office of Administrative hearings for a hearing on the matter.” On January 16, 2008, the Division amended the Notice to indicate that 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. disputes the Division's interpretation of the Act and, if necessary, intends to exercise its opportunity to show compliance. However, if the matters cannot be settled with the Division, they may be referred to the State Office of the Administrative Hearings for a hearing.

Competition-Bingo Market

The charitable bingo market is fragmented, with no dominant competitor. From region to region, there may be a dominant player in their immediate markets. Competition is further subdivided by the time of day or night that a bingo hall operates. An individual bingo hall competes within a trade area of approximately fifteen miles against other bingo halls operating at the same time. Within a larger market (e.g. Charleston, South Carolina) the presence of a number of bingo halls may not give rise to significant competition.

Limited Population

LTFD believes that approximately 1% to 1.5% of the population in a city of more than 100,000 are meaningful and consistent bingo players.

Competition - Catering/Event Market

The hospitality industry is a \$3.5 trillion dollar service sector within the global economy. The hospitality industry is very diverse and cyclical, business fluctuations occur with an economic growth. The catering, party rental, tent installation, and event coordination market is very fragmented, especially in the local Austin area. There are numerous catering and party rental companies in the Austin area.

Growth Management

As the Company becomes increasingly successful, it must meet the challenges associated with growth. If the Company is not successful in meeting these challenges, its business or financial results will be adversely impacted. Growth will require the Company to continue to implement and improve financial, accounting, and management information systems and to hire, train, motivate, and manage additional employees. A failure to manage growth effectively would have a material adverse effect on business, financial condition, and results of operations, and on its ability to execute its business strategy successfully.

Seasonality

Investors should note that the Company's revenues and operating results for any particular quarter may not be indicative of its performance in future quarters. The Company's financial results may be subject to seasonality. The impact of which will depend on numerous factors, including holiday seasons, consumer demand, and economic conditions.

Acquisitions

The Company's business strategy calls for potential strategic acquisitions and/or mergers. Issues that may come up in the integration process include, differing corporate cultures, customer relationships, and management styles. These issues may cause a clash resulting in a lack of synergies and the inability to execute stated goals and financial objectives. There is no assurance that the Company may be able to identify suitable acquisition candidates or on acceptable terms. Its acquisition strategy relies on the Company's ability to identify and acquire target businesses that fit within its general acquisition criteria.

Corporate Governance/ Sarbanes-Oxley Act of 2002

Over the past few years, Wall Street has increased its focus on corporate governance and placed increased emphasis on the accountability of Management and Directors to shareholders. These events have brought

about the passage of the Sarbanes-Oxley Act of 2002. Corporate governance and Sarbanes-Oxley issues may be facing the Company in light of new rules and regulations being issued by government regulatory agencies. This could mean that the Company will eventually be required to hire additional personnel in order to diversify various operational, management, and compliance functions, as well as spend monies to comply with the various aspects of the Act.

Shareholder Control

A few investors own a substantial stake in LTFD (including Jeffrey Minch, the Company's CEO). Due to the recent stock offering, Value Funds and its affiliates now control close to 7.5 million shares or 45% of the Company's stock. The offering agreement calls for:

- Littlefield Corporation to expand its Board of Directors from five members to six members; and
- Value Fund Advisors to nominate two of the directors annually through December 31, 2012.

Small investors should be aware that investors with significant stakes can control the outcome of certain shareholder votes. These outcomes may not be in the best interests of all shareholders. If a sizable stake is liquidated in the open market, there could be substantial selling pressure on the shares.

Reliance on Third Parties

One of the components of the Company's strategy to build its business is to leverage its relationship with its corporate partners (i.e. charities). If these corporate partners are unsuccessful in its efforts or obligations, it could have a material adverse effect on the Company's business, results of operations, financial position, and equity value.

Customer and Seasonality Mix

The Company's hospitality unit has a few large customers. Spending trends of these customers may materially negatively/positively impact the Company's financial results in any given period. Additionally, the unit typically experiences a seasonal high in revenues in the fourth quarter.

Legal Matters

The Company is involved in a number of legal matters. A number of legacy matters were recently settled. Ongoing legal matters may distract the Company's Management's from key operating matters. One notable outstanding matter is Littlefield Corporation v. Philip Furtney, Case No.: 2001 CA 4000, Circuit Court of the Twelfth Judicial Circuit in and for Manatee County, Florida.

Microcap Concerns

Shares of LTFD have risks common to those of the microcap segment of the market. Often these risks cause microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume and can lead to large spreads and high volatility in stock price. The Company has approximately 5.7 million shares in the float. On average, approximately 15,000 shares are traded daily.

Investors should note that shares of LTFD trade on the OTC bulletin board. This market is relatively thinly traded as compared to the NASDAQ, AMEX, and NYSE. This may present increased risk and liquidity concerns to shareholders.

Miscellaneous Risks

The Company's financial results and equity values are subject to other risks and uncertainties known and unknown, including but not limited to competition, operations, financial markets, regulatory risk, and/or other events. These risks may cause actual results to differ from expected results.

Valuation & Conclusion

We are maintaining coverage of Littlefield Corporation (OTC BB: LTFD) with a Speculative Buy; however, we are reducing our 12-month price target to \$1.60 from \$2.30 per share stemming from a higher share count (due to the recent offering of over 5.1 million shares) and reduced estimates.

Our rating is based on:

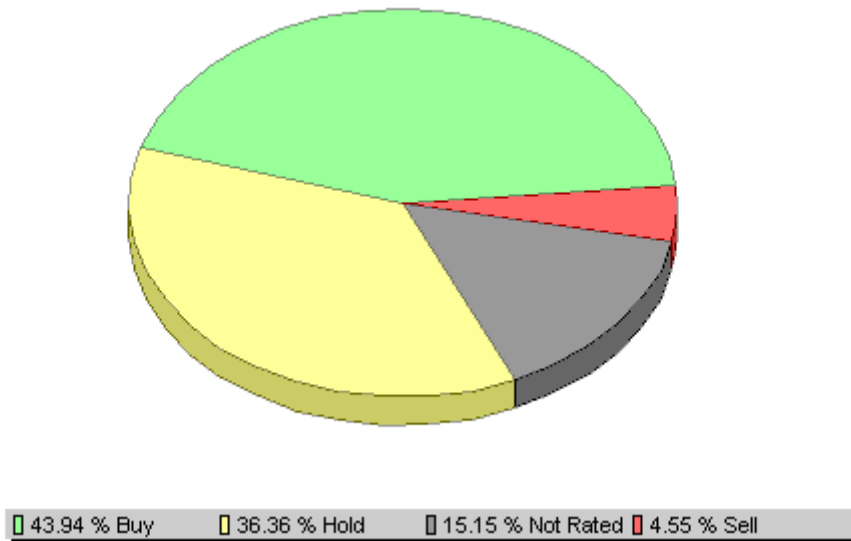
- The Company's strategy for growth and recent track record;
- Attractive niche bingo markets;
- Solid balance sheet with \$7 million in cash and a tangible book value of \$11.6 million;
- Our estimates through fiscal 2008; and
- Attractive valuation versus growth potential.

Our price target is based on applying a P/E multiple of 31.3X our estimated 2008 EPS of \$0.05 per share. We arrived at this multiple by applying a deep discount of 67% to the Company's 2008 EPS growth rate of 95%. Although we believe that shares LTFD are a compelling investment opportunity for investors seeking equity with exposure to a micro cap gaming equity, investors should be cognizant of such risks and concerns as:

- Competition;
- Industry concerns;
- Economic growth;
- Expansion and growth management;
- Shareholder control concerns; and
- Legal matters;
- Seasonality of quarterly financial results;
- Corporate governance; and
- Microcap risk.



Taglich Brothers' Current Rating Distribution



Investment Banking Services for Companies Covered in the Past 12 Months

Rating	#	%
Buy	0	0%
Hold	2	9.52%
Sell	0	0%
Not Rated	0	0%

Meaning of Ratings

Buy

We believe the Company is undervalued relative to its market and peers. We believe its risk reward ratio strongly advocates purchase of the stock relative to other stocks in the marketplace. Remember, with all equities there is always downside risk.

Speculative Buy

We believe that the long run prospects of the Company are positive. We believe its risk reward ratio advocates purchase of the stock. We feel the investment risk is higher than our typical “buy” recommendation. In the short run, the stock may be subject to high volatility and continue to trade at a discount to its market.

Neutral

We will remain neutral pending certain developments.

Underperform

We believe that the Company may be fairly valued based on its current status. Upside potential is limited relative to investment risk.

Sell

We believe that the Company is significantly overvalued based on its current status. The future of the Company's operations may be questionable and there is an extreme level of investment risk relative to reward.

Some notable Risks within the Microcap Market

Stocks in the Microcap segment of the market have many risks that are not as prevalent in Large-cap, Blue Chips or even Small-cap stocks. Often it is these risks that cause Microcap stocks to trade at discounts to their peers. The most common of these risks is liquidity risk, which is typically caused by small trading floats and very low trading volume which can lead to large spreads and high volatility in stock price. In addition, Microcaps tend to have significant company specific risks that contribute to lower valuations. Investors need to be aware of the higher probability of financial default and higher degree of financial distress inherent in the microcap segment of the market.

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I, Luis Martins, the research analyst of this report, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities and issuers; and that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this report.

Littlefield Corporation
Annual Income Statement Model
For Year Ended December 31
(in thousands)

	<u>F12/2004A</u>	<u>F12/2005A</u>	<u>F12/2006A</u>	<u>FY2007A</u>	<u>FY2008E</u>
Total Revenues	\$ 9,927	\$ 11,331	\$ 13,401	13,428	\$ 14,389
Direct salaries & comp	2,390	2,600	3,006	3,147	3,315
Rent & utilities	2,163	2,302	2,514	2,605	2,845
Other direct operating costs	2,388	3,208	3,750	3,544	3,700
D&A	821	788	645	676	780
License expense	55	65	111	100	140
Total Direct Costs	<u>7,818</u>	<u>8,963</u>	<u>10,026</u>	<u>10,072</u>	<u>10,780</u>
Gross Profit	2,109	2,368	3,375	3,357	3,609
<i>Gross Margins</i>	<i>21.25%</i>	<i>20.90%</i>	<i>25.18%</i>	<i>25.00%</i>	<i>25.08%</i>
Salaries and other Comp	533	543	884	1,241	1,350
Legal & Accounting	377	1,051	310	540	450
D&A	107	94	111	116	150
Stock based comp	-	67	110	57	80
Other G&A	403	380	580	700	720
Total Operating Expenses	<u>1,420</u>	<u>2,135</u>	<u>1,995</u>	<u>2,654</u>	<u>2,750</u>
Operating Income	689	233	1,380	703	859
<i>Operating Margin</i>	<i>6.94%</i>	<i>2.06%</i>	<i>10.30%</i>	<i>5.24%</i>	<i>5.97%</i>
Reserve for legal settlement	(1,500)	(462)	(358)		
Gain on Disposition of Assets	3	996	(3)	23	-
Interest and invest income	10	40	114	104	100
interest exp	(285)	(254)	(289)	(446)	(100)
Other	45	559	38	(4)	-
Pre-Tax Income	(1,038)	1,113	882	384	859
<i>Pre-Tax Margins</i>	<i>-10.46%</i>	<i>9.82%</i>	<i>6.58%</i>	<i>2.86%</i>	<i>5.97%</i>
Taxes (Benefit)	60	77	96	79	70
<i>Tax Rate</i>	<i>-5.78%</i>	<i>6.92%</i>	<i>10.88%</i>	<i>20.57%</i>	<i>8.15%</i>
Net Income	\$ (1,098)	\$ 1,037	\$ 786	\$ 300	\$ 789
EPS-fully diluted	\$ (0.13)	\$ 0.10	\$ 0.07	\$ 0.03	\$ 0.05
Avg Shares Out-fully diluted	<u>8,475</u>	<u>10,426</u>	<u>10,836</u>	<u>11,485</u>	<u>15,498</u>
<u>Percent of Revenue</u>					
SG&A	14.30%	18.84%	14.89%	19.76%	19.11%
Net Margin	-11.06%	9.15%	5.87%	2.23%	5.49%
<u>YEAR / YEAR GROWTH</u>					
Entertainment		7%	14%	8%	16%
Hospitality		27%	25%	-10%	-8%
Revenues	-0.44%	14.14%	18.27%	0.20%	7.16%

Littlefield Corporation
Quarterly Income Statement Model
For Year Ended December 31, 2006
(in thousands)

	<u>Q1(3/06)A</u>	<u>Q2(6/06)A</u>	<u>Q3(9/06)A</u>	<u>Q4(12/06)A</u>	<u>F12/2006A</u>
Total Revenues	\$ 2,919	\$ 3,615	\$ 2,857	\$ 4,010	\$ 13,401
Direct salaries & comp	569	786	690	961	3,006
Rent & utilities	614	626	642	632	2,514
Other direct operating costs	658	925	894	1,273	3,750
D&A	164	166	153	162	645
License expense	40	31	35	5	111
Total Direct Costs	<u>2,045</u>	<u>2,534</u>	<u>2,414</u>	<u>3,033</u>	<u>10,026</u>
Gross Profit	875	1,080	444	976	3,375
<i>Gross Margins</i>	<i>29.98%</i>	<i>29.88%</i>	<i>15.54%</i>	<i>24.34%</i>	<i>25.18%</i>
Salaries and other Comp	148	143	203	390	884
Legal & Accounting	15	63	317	(85)	310
D&A	24	26	31	30	111
Stock based comp	25	56	14	15	110
Other G&A	111	129	169	171	580
Total Operating Expensess	<u>324</u>	<u>417</u>	<u>734</u>	<u>520</u>	<u>1,995</u>
Operating Income	551	663	(290)	456	1,380
<i>Operating Margin</i>	<i>18.88%</i>	<i>18.34%</i>	<i>-10.15%</i>	<i>11.37%</i>	<i>10.30%</i>
Reserve for legal settlement	0	0	0	(358)	(358)
Gain on Disposition of Assets	37	4	6	(50)	(3)
Interest and invest income	32	12	51	20	114
interest exp	(56)	(52)	(73)	(109)	(289)
Other	-	-	-	38	38
Pre-Tax Income	564	628	(307)	(3)	882
<i>Pre-Tax Margins</i>	<i>19.32%</i>	<i>17.37%</i>	<i>-10.75%</i>	<i>-0.07%</i>	<i>6.58%</i>
Taxes (Benefit)	<u>15</u>	<u>16</u>	<u>33</u>	<u>32</u>	<u>96</u>
<i>Tax Rate</i>	<i>2.66%</i>	<i>2.55%</i>	<i>-10.75%</i>	<i>-1066.67%</i>	<i>10.88%</i>
Net Income	\$ 549	\$ 612	\$ (341)	(34)	\$ 786
EPS-fully diluted	\$ 0.05	\$ 0.06	\$ (0.03)	\$ (0.00)	\$ 0.07
Avg Shares Out-fully diluted	<u>10,638</u>	<u>11,049</u>	<u>10,833</u>	<u>10,836</u>	<u>10,836</u>
<u>Percent of Revenue</u>					
SG&A	11.10%	11.54%	25.69%	12.97%	14.89%
Net Margin	18.81%	16.93%	-11.94%	-0.85%	5.87%
<u>YEAR / YEAR GROWTH</u>					
Entertainment	21%	18%	12%	7%	14%
Hospitality	10%	25%	8%	44%	25%
Revenues	17%	21%	11%	23%	18%

Littlefield Corporation
Quarterly Income Statement Model
For Year Ended December 31, 2007
(in thousands)

	<u>Q1(3/07)A</u>	<u>Q2(6/07)A</u>	<u>Q3(9/07)A</u>	<u>Q4(12/07)A</u>	<u>F2007A</u>
Total Revenues	\$ 3,489	\$ 3,668	\$ 3,013	\$ 3,258	13,428
Direct salaries & comp	769	805	703	870	3,147
Rent & utilities	617	643	667	678	2,605
Other direct operating costs	802	922	823	997	3,544
D&A	156	158	168	194	676
License expense	31	30	35	4	100
Total Direct Costs	<u>2,375</u>	<u>2,558</u>	<u>2,396</u>	<u>2,743</u>	<u>10,072</u>
Gross Profit	1,115	1,110	617	515	3,357
<i>Gross Margins</i>	<i>31.96%</i>	<i>30.26%</i>	<i>20.48%</i>	<i>15.81%</i>	<i>25.00%</i>
Salaries and other Comp	273	281	302	385	1,241
Legal & Accounting	110	111	183	136	540
D&A	29	29	29	29	116
Stock based comp	14	14	14	15	57
Other G&A	195	165	168	172	700
Total Operating Expenses	<u>621</u>	<u>600</u>	<u>696</u>	<u>737</u>	<u>2,654</u>
Operating Income	493	510	(79)	(222)	703
<i>Operating Margin</i>	<i>14.13%</i>	<i>13.90%</i>	<i>-2.62%</i>	<i>-6.81%</i>	<i>5.24%</i>
Gain on Disposition of Assets	-	12	11	-	23
Interest and invest income	15	17	24	48	104
interest exp	(130)	(122)	(93)	(101)	(446)
Other	-	(4)	-	-	(4)
Pre-Tax Income	378	412	(137)	(275)	384
<i>Pre-Tax Margins</i>	<i>10.83%</i>	<i>11.23%</i>	<i>-4.55%</i>	<i>-8.44%</i>	<i>2.86%</i>
Taxes (Benefit)	<u>20</u>	<u>30</u>	<u>4</u>	<u>25</u>	<u>79</u>
<i>Tax Rate</i>	<i>5.29%</i>	<i>7.28%</i>	<i>-2.92%</i>	<i>-9.09%</i>	<i>20.57%</i>
Net Income	\$ 358	\$ 382	\$ (141)	\$ (299)	\$ 300
EPS-fully diluted	\$ 0.03	\$ 0.03	\$ (0.01)	\$ (0.03)	\$ 0.03
Avg Shares Out-fully diluted	<u>11,179</u>	<u>11,529</u>	<u>11,325</u>	<u>11,350</u>	<u>11,485</u>
<u>Percent of Revenue</u>					
SG&A	17.80%	16.36%	23.10%	22.62%	19.76%
Net Margin	10.26%	10.41%	-4.68%	-9.21%	2.23%
<u>YEAR / YEAR GROWTH</u>					
Entertainment	7%	9%	17%	-2%	8%
Hospitality	63%	-9%	-13%	-35%	-10%
Revenues	19.53%	1.47%	5.46%	-18.75%	0.20%

Littlefield Corporation
Quarterly Income Statement Model
For Year Ended December 31, 2008
(in thousands)

	<u>Q1(3/08)E</u>	<u>Q2(6/08)E</u>	<u>Q3(9/08)E</u>	<u>Q4(12/08)E</u>	<u>F2008E</u>
Total Revenues	\$ 3,365	\$ 3,736	\$ 3,355	\$ 3,933	\$ 14,389
Direct salaries & comp	800	825	800	890	3,315
Rent & utilities	675	720	700	750	2,845
Other direct operating costs	900	950	900	950	3,700
D&A	195	195	195	195	780
License expense	35	35	35	35	140
Total Direct Costs	<u>2,605</u>	<u>2,725</u>	<u>2,630</u>	<u>2,820</u>	<u>10,780</u>
Gross Profit	760	1,011	725	1,113	3,609
<i>Gross Margins</i>	22.59%	27.07%	21.61%	28.30%	25.08%
Salaries and other Comp	300	350	300	400	1,350
Legal & Accounting	100	150	100	100	450
D&A	30	35	40	45	150
Stock based comp	20	20	20	20	80
Other G&A	175	180	180	185	720
Total Operating Expenses	<u>625</u>	<u>735</u>	<u>640</u>	<u>750</u>	<u>2,750</u>
Operating Income	135	276	85	363	859
<i>Operating Margin</i>	4.02%	7.39%	2.53%	8.88%	5.97%
Interest and invest income	25	25	25	25	100
interest exp	(100)	-	-	-	(100)
Other	-	-	-	-	-
Pre-Tax Income	60	301	110	388	859
<i>Pre-Tax Margins</i>	1.79%	8.06%	3.28%	9.86%	5.97%
Taxes (Benefit)	-	30	10	30	70
<i>Tax Rate</i>	0.00%	9.96%	9.10%	7.73%	8.15%
Net Income	\$ 60	\$ 271	\$ 100	\$ 358	\$ 789
EPS-fully diluted	\$ 0.01	\$ 0.02	\$ 0.01	\$ 0.02	\$ 0.05
Avg Shares Out-fully diluted	<u>11,600</u>	<u>16,790</u>	<u>16,800</u>	<u>16,800</u>	<u>15,498</u>
<u>Percent of Revenue</u>					
SG&A	18.57%	19.67%	19.08%	19.07%	19.11%
Net Margin	1.79%	7.26%	2.98%	9.10%	5.49%
<u>YEAR / YEAR GROWTH</u>					
Entertainment	2%	10%	20%	36%	16%
Hospitality	-15%	-10%	-10%	0%	-8%
Revenues	-3.55%	1.86%	11.35%	20.72%	7.16%

Littlefield Corporation
Consolidated Balance Sheet
For Periods Ended
(in thousands)

	<u>F2006A</u>	<u>2007A</u>
Assets		
Current Assets		
Cash & Equivalents	\$ 2,550	\$ 1,966
Net Receivables	1,089	520
Equity securities	3	-
Note receivable	7	5
Restricted cash	434	-
Other assets	<u>184</u>	<u>549</u>
Total Current Assets	4,267	3,040
Plant, Property, & Equipment-net	6,057	6,927
Goodwill-net	4,905	4,905
Intangibles -net	624	699
Other	<u>201</u>	<u>218</u>
Total Assets	<u>\$ 16,054</u>	<u>\$ 15,788</u>
Liabilities & Shareholders' Equity		
Current Liabilities		
LTD -current portion	\$ 225	\$ 196
LTD -current portion legal	310	231
Trade accounts payable	265	232
Accrued expenses	919	1,063
Other	<u>386</u>	<u>-</u>
Total Current Liabilities	2,104	1,722
LTD	\$ 4,038	\$ 3,443
LTD - legal	611	363
Other	24	48
Total Shareholders' Equity	<u>9,276</u>	<u>10,212</u>
Total Liabilities & Equity	<u>\$ 16,054</u>	<u>\$ 15,788</u>
SHARES OUT	10,818	11,444

Littlefield Corporation
Consolidated Cash Flow Statement
For Periods Ended
(in thousands)

	<u>F2006A</u>	<u>F2007A</u>
<i>Cash Flows from Operating Activities</i>		
Net Income	\$ 786	\$ 300
Depreciation & Amortization	756	792
Other	210	57
Write-off aand disposals	17	(19)
	<u>1,769</u>	<u>1,130</u>
<i>Changes In:</i>		
Receivables	3	569
Inventories	-	-
Prepaid Expense	505	62
Accounts Payable	(161)	(32)
Accrued Expenses & Other	(320)	191
Net Changes in Working Capital	<u>27</u>	<u>790</u>
Net cash Provided by Operations	<u>1,796</u>	<u>1,920</u>
<i>Cash Flows from Investing Activities</i>		
Capital Expenditures	(454)	(1,648)
Goodwill purchase	-	(105)
Proceeds from Note receivable	1,177	2
Proceeds from sale	-	33
Net cash used in Investing	<u>723</u>	<u>(1,718)</u>
<i>Cash Flows from Financing Activities</i>		
Proceeds from stock	204	552
Proceeds from Borrowings	1,785	401
Payments of Long-term debt	(2,578)	(1,739)
Net cash provided by Financing	<u>(589)</u>	<u>(786)</u>
Net change in Cash	1,931	(584)
Cash Beginning of Period	<u>619</u>	<u>2,550</u>
Cash End of Period	<u>\$ 2,550</u>	<u>\$ 1,966</u>