

LITTLEFIELD CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2013 and 2012
(unaudited)

LITTLEFIELD CORPORATION

DECEMBER 31, 2013

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

FINANCIAL STATEMENTS:

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LITTLEFIELD CORPORATION
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

| | December 31, 2013 | December 31, 2012 |
|--|----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 736,793 | \$ 444,042 |
| Accounts receivable, net of allowance for doubtful accounts of \$22,200 and \$22,200, respectively | 352,207 | 581,232 |
| Other current assets | 44,339 | 254,705 |
| Note receivable - current portion | 437,609 | 75,000 |
| Total Current Assets | 1,570,948 | 1,354,979 |
| Property, plant and equipment, net | 5,166,633 | 6,845,835 |
| Other assets: | | |
| Goodwill | 3,195,433 | 3,195,433 |
| Intangible assets, net | 1,018,715 | 1,243,393 |
| Note receivable - net of current portion, net of allowance of \$115,407 and \$90,000, respectively | 1,268,831 | 58,108 |
| Other non-current assets | 114,052 | 189,448 |
| | 5,597,031 | 4,686,382 |
| Total Assets | \$ 12,334,612 | \$ 12,887,196 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts payable | \$ 103,185 | \$ 147,494 |
| Accrued expenses | 324,607 | 1,121,059 |
| Current portion of long term debt | 2,112,592 | 2,450,816 |
| Total Current Liabilities | 2,540,384 | 3,719,369 |
| Long-term Liabilities: | | |
| Long term debt, net of current portion | 719,536 | 989,323 |
| Total Long-term Liabilities | 719,536 | 989,323 |
| Total Liabilities | 3,259,920 | 4,708,692 |
| Stockholders' Equity: | | |
| Common stock, par value \$0.001; (40,000,000 shares authorized, 18,817,406 shares issued, 17,285,737 and 17,399,727 shares outstanding, respectively) | 18,818 | 18,818 |
| Additional paid-in capital | 31,364,466 | 31,359,359 |
| Treasury Stock; 1,531,669 and 1,417,679 shares, at cost | (1,385,028) | (1,350,831) |
| Accumulated deficit | (20,923,564) | (21,848,842) |
| Total Stockholders' Equity | 9,074,692 | 8,178,504 |
| Total Liabilities and Stockholders' Equity | \$ 12,334,612 | \$ 12,887,196 |

LITTLEFIELD CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS

**FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|--|-------------------|------------------------|
| REVENUE | | |
| Entertainment | \$ 6,276,531 | \$ 8,148,247 |
| Other | <u>121,918</u> | <u>106,226</u> |
| Total Revenues | 6,398,449 | 8,254,473 |
| OPERATING EXPENSES | | |
| Salaries and other compensation | 513,233 | 1,051,588 |
| Rent and utilities | 2,094,701 | 2,866,627 |
| Other direct operating expenses | 1,213,737 | 1,983,563 |
| Depreciation and amortization | 673,960 | 1,002,301 |
| License expense | <u>49,950</u> | <u>85,112</u> |
| Total Operating Expenses | <u>4,545,581</u> | <u>6,989,191</u> |
| GROSS PROFIT | <u>1,852,868</u> | <u>1,265,282</u> |
| GENERAL AND ADMINISTRATIVE EXPENSES | | |
| Salaries and other compensation | 773,575 | 1,137,028 |
| Legal and accounting fees | 182,498 | 462,372 |
| Depreciation and amortization | 50,728 | 77,020 |
| Stock-based compensation expense | 5,107 | 80,663 |
| Other general and administrative | <u>379,333</u> | <u>588,202</u> |
| Total General and Administrative Expenses | 1,391,241 | 2,345,285 |
| SALES OF BUSINESSES | 584,193 | - |
| TERMINATION COSTS | - | (309,565) |
| IMPAIRMENT CHARGES | <u>-</u> | <u>(2,726,457)</u> |
| INCOME (LOSS) FROM OPERATIONS | 1,045,820 | (4,116,025) |
| OTHER INCOME (EXPENSE) | | |
| Interest income | 11,061 | 5,069 |
| Interest expense | (138,029) | (145,795) |
| Other, net | <u>43,926</u> | <u>(12,343)</u> |
| Total Other Income (Expense) | <u>(83,042)</u> | <u>(153,069)</u> |
| INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES | 962,778 | (4,269,094) |
| PROVISION FOR INCOME TAXES | <u>37,500</u> | <u>36,650</u> |
| NET INCOME (LOSS) | <u>\$ 925,278</u> | <u>\$ (4,305,744)</u> |

LITTLEFIELD CORPORATION

CONSOLIDATED STATEMENT OF OPERATIONS
(continued)

FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| EARNINGS (LOSS) PER SHARE: | <u>2013</u> | <u>2012</u> |
|---|----------------|------------------|
| Basic earnings (loss) per share | <u>\$ 0.05</u> | <u>\$ (0.25)</u> |
| Diluted earnings (loss) per share | <u>\$ 0.05</u> | <u>\$ (0.25)</u> |
| Weighted average shares outstanding - basic | 17,398,165 | 17,354,118 |
| Weighted average shares outstanding - diluted | 17,398,421 | 17,354,118 |

LITTLEFIELD CORPORATION
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | Common Stock | | Additional Paid-in Capital | Treasury Stock | Accumulated Deficit | Stockholders' Equity |
|--|---------------------|------------------|----------------------------------|-----------------------|------------------------|-------------------------|
| | Number of Shares | Amount | | | | |
| BALANCE, DECEMBER 31, 2011 | 17,337,901 | \$ 18,818 | \$ 31,310,859 | \$ (1,409,566) | \$(17,543,098) | \$ 12,377,013 |
| Stock-based compensation | - | - | 80,663 | - | - | 80,663 |
| Issuance of treasury stock pursuant to employee stock purchase plan and employee 401(k) deferrals | 61,826 | - | (32,163) | 58,735 | - | 26,572 |
| Net income (loss) | - | - | - | - | (4,305,744) | (4,305,744) |
| BALANCE, DECEMBER 31, 2012 | 17,399,727 | 18,818 | 31,359,359 | (1,350,831) | (21,848,842) | 8,178,504 |
| Stock-based compensation | - | - | 5,107 | - | - | 5,107 |
| Repurchase of treasury stock | (113,990) | - | - | (34,197) | - | (34,197) |
| Issuance of treasury stock pursuant to employee stock purchase plan and employee 401(k) deferrals | - | - | - | - | - | - |
| Net income (loss) | - | - | - | - | 925,278 | 925,278 |
| BALANCE, DECEMBER 31, 2013 | <u>17,285,737</u> | <u>\$ 18,818</u> | <u>\$ 31,364,466</u> | <u>\$ (1,385,028)</u> | <u>\$(20,923,564)</u> | <u>\$ 9,074,692</u> |

LITTLEFIELD CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED
DECEMBER 31, 2013 AND 2012

| | 2013 | 2012 |
|---|--------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income (loss) | \$ 925,278 | \$(4,305,744) |
| Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation and amortization | 724,688 | 1,079,321 |
| Stock-based compensation expense | 5,107 | 80,663 |
| Impairment | - | 2,726,457 |
| (Gain) loss on sales of businesses | (584,193) | - |
| (Gain) loss on sale of equipment | (3,365) | 12,343 |
| Increase (decrease) in cash flows as a result in changes in operating assets and liabilities: | | |
| Accounts receivable, net | 240,130 | (32,894) |
| Other assets | 270,343 | (49,388) |
| Trade accounts payable | (44,308) | (103,399) |
| Accrued expenses and other liabilities | (833,504) | 126,122 |
| Net Cash Provided (Used) by Operating Activities | 700,176 | (466,519) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property and equipment | (175,907) | (490,809) |
| Proceeds from disposal of equipment | 4,483 | - |
| Proceeds from sales of businesses | (1,516) | - |
| Proceeds from repayment of notes receivable, net | 105,181 | 105,182 |
| Net Cash Provided (Used) by Investing Activities | (67,759) | (385,627) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Payments on notes payable | (339,666) | (502,574) |
| Proceeds from notes payable | - | 2,200,000 |
| Payoff of refinanced notes payable | - | (2,051,872) |
| Net Cash Provided (Used) by Financing Activities | (339,666) | (354,446) |
| NET INCREASE (DECREASE) IN CASH | 292,751 | (1,206,592) |
| CASH, BEGINNING OF YEAR | 444,042 | 1,650,634 |
| CASH, END OF YEAR | 736,793 | 444,042 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION | | |
| Cash paid during the year for interest | 138,030 | 145,795 |
| Cash paid during the year for income taxes | \$ 33,849 | \$ 37,913 |
| SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES: | | |
| Issuance of treasury stock under deferred compensation plan | \$ - | \$ 20,718 |
| Issuance of treasury stock under employee stock purchase plan | \$ - | \$ 5,854 |
| Sale of business in exchange for note receivable, net of assumed debt | \$ 1,703,921 | \$ - |