Biloxi Marsh Lands Corporation

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March 18, 2011

To the Shareholders of Biloxi Marsh Lands Corporation:

We are pleased to report that 2010 was the fifteenth consecutive profitable year for your Company. Total revenue for the year ending December 31, 2010 was $7,069,909 compared to total revenue of $23,008,898 in 2009. The annual revenue breakdown is as follows: 2010 revenue from oil and gas activity was $7,030,933 compared to revenue of $22,041,872 in 2009. $5,205,463 in revenue categorized as *Settlement Proceeds* emanate from the settlement of all cases involving disputed ownership of water-bottoms between the Company and the State of Louisiana. It should be noted that revenues received as the result of the settlements are onetime, non-recurring revenue items. The non-recurring settlement revenues were $5,205,463 in 2010 compared to $23,949,171 in 2009. During 2010, total revenues included a $764,018 loss emanating from the *Gain (Loss) from Investment in Partnership* category which represents the Company's investment in B&L Exploration, LLC (B&L). This compares to a loss of $2,615,703 in the same category for the prior year. B&L was able to expense Depreciation, Depletion, and Amortization. BLMC's share of these expenses was $733,934 for 2010 and $855,599 for 2009. Dividend and interest income for 2010 was $327,475, compared to $362,442 for 2009. In 2010, we realized a cumulative gain from the sale of investment securities of $218,149 compared to a cumulative gain in the amount of $122,461 in 2009. Meanwhile, expenses for the year totaled $1,649,451 compared to $2,139,318 for the prior year. Expenses during 2010 included $116,236 for Consultants and $212,948 for Legal fees. A significant portion of the Consultants costs were related to monitoring the property for oil contamination from the BP – Deep Water Horizon oil spill. Meanwhile, the Legal fees were mostly related to the dispute with the State of Louisiana which was settled during 2010. For the year, net earnings were $3,934,262 or $1.44 per share compared to $13,722,625 or $5.00 per share in 2009.

The Company previously announced that all cases involving disputed water-bottoms between the Company and the State of Louisiana had reached an amicable settlement. The settlement does not involve resolving the issue of ownership of the disputed water-bottoms, it simply involves the sharing of past and future revenues emanating from each production unit which contained disputed water-bottoms. The Company maintains its claim to all of its titled acreage including any and all water-bottoms in dispute and will take all legal actions to protect its title. These settlement agreements have resulted in the dismissal of all litigation between the settling parties. In accordance with the settlement agreements, the Company received a onetime non-recurring settlement payment of $5,205,463. Also, under the terms and provisions of the settlement the Company and the State will share future revenues from production emanating from the production units which were the subject of the litigation.

The Meridian Resource Exploration, LLC recompleted the Biloxi Marsh Lands 1-2 well which returned to production during July of 2010. This well is located on the Company's property. Meanwhile, B&L had three new wells placed on production during the year. The SL 19061 #1 well located in St. Bernard Parish, Louisiana and operated by B&L, was placed on production in January of 2010. B&L has a 41.875% working interest in the SL 19061 #1. The Delacroix #41ST and the SL 1212 #1 wells located in Point A La Hache Field in Plaquemines Parish, Louisiana in which B&L has non-operated working interests were placed on production during 2010. B&L has a 25% working interest in each of these wells with the Delacroix #41ST being placed on production during February and the SL 1212 #1 being placed on production during June of 2010.

As of December 31, 2010 the combined gross daily production rate from 5 wells operated by the Company's mineral Lessees was approximately 11.0 million cubic feet (mmcf) of natural gas with net daily production accruing to the Company of approximately 1.6 mmcf. As of December 31, 2010, B&L's net daily production was approximately 3.0 million cubic feet of natural gas equivalents (mmcfge) (15:1 oil to gas ratio) compared to approximately .782 mmcfge per day on December 31, 2009. Combining this daily production with the Company's proportional share of the daily production from the B&L wells makes the total net daily production accruing to the Company as of December 31, 2010 approximately 4.02 mmcf per day compared to 1.3 mmcfge on December 31, 2009.

During the fourth quarter of 2010 B&L successfully drilled and completed the Gautreaux #1 well located in Vermillion Parish, Louisiana. This well was completed in the Planulina Reservoir "B" sand. On October 31, 2010 during a twenty-four (24) hour flow test, the well flowed at a sustained rate of approximately 3.1 mmcfg per day and approximately 20 bbls of oil per day with a flowing tube pressure averaging approximately 3,425 psi with little or no pressure draw down. B&L is the current Operator of this well. Production facilities are completed and flowlines constructed. We are awaiting tie into an existing El Paso/Tennessee Gas sales pipeline tap. We anticipate that this well should be placed on production by the end of April 2011. B&L has a 41.875% working interest in this well. Additionally, during the fourth quarter of 2010 B&L participated in a non-operated working interest basis in the LL&E #1 well located in Terrebonne Parish, Louisiana. On November 8, 2010 electric logs were run indicating apparent pay sands in 5 separate intervals. This well is operated by Gulf South Operators Inc. and is currently being completed and fully evaluated. We will provide updates on LL&E #1 well as they become available. According to the Operator this well should be place on production by June of 2011.

The Company commissioned T. J. Smith & Company, Inc., independent reservoir engineers, to complete a proved reserve study. This reserve study estimates that as of December 31, 2010 the BLMC's "Developed Producing" (PDP) reserves were 1.65 billion cubic feet (BCF) of natural gas and estimates that the "Developed Non-Producing" (PDNP) reserves were .642 BCF, totaling 2.29 BCF of estimated proved natural gas reserves. This represents an increase in our fee based land reserves of approximately .34 BCF. Additionally, this reserve study estimates that slightly more than 25% of the proved reserves will deplete by the end of 2011.

Please find the following table showing the Company's proved reserves as of December 31, 2010:

Proved Reserves as of December 31, 2010 (3)

	Developed Producing (PDP)	Developed Non-Producing (PDNP)		Total
	(Dollars in thousands)			
Net Proved Reserves (1):				
Natural Gas (BCF):	1.65	.642		2.29
Estimated Future Net Revenues (before income taxes) (2):......................			$	9,576 (4)
Estimated Discounted Future Net Revenues (before income taxes) (2):.......			$	7,559 (4)

(1) In general, our engineers based their estimates of economically recoverable oil and natural gas reserves and of the future net revenues therefrom on a number of variable factors and assumptions, such as historical production from the subject properties, the assumed effects of regulation by governmental agencies and assumptions concerning future oil and natural gas prices, all of which may vary considerably from actual results. Therefore, the actual production, revenues, and severance taxes with respect to reserves likely will vary from such estimates, and such variances could be material.

Estimates with respect to proved reserves that may be developed and produced in the future are often based on volumetric calculations and by analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history, and subsequent evaluation of the same reserves, based on production history, will result in variations, which may be substantial, in the estimated reserves.

In accordance with applicable requirements of the Commission, the estimated discounted future net revenues from estimated proved reserves are based on 12 month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12 month period prior. Actual future prices may be materially higher or lower. Actual future net revenues also will be affected by factors such as actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by natural gas purchasers, changes in governmental regulations or taxation and the impact of inflation o costs.

(2) The Estimated Discounted Future Net Revenues represents the Estimated Future Net Revenues before income taxes discounted at 10%. For calculating The Estimated Future Net Revenues and the Estimated Discounted Future Net Revenues, we used the base product price based on the 12 month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12 month period prior to December 31, 2010. The oil price of $79.43 per barrel is based on the West Texas Intermediate (WTI), Cushing, Oklahoma spot prices. The natural gas price of $4.376 per MMBtu is based on the Henry Hub gas daily prices.

(3) The Meridian Resource and Exploration, LLC (now owned by Alta Mesa Holdings, LP) and Manti Jamba, Ltd. separately operate the various producing wells. The Company has no control over operations and maintains only a landowner's mineral royalty interest. *Please see footnote (i) following the final paragraph of this letter for a warning concerning forward-looking information.*

(4) The value of the proved reserves "*Undiscounted, M$*" and "*Discounted at 10%, M$*" includes a minimal amount of *Oil and Condensate* as well as *Natural Gas Liquids*.

A second proved reserve study completed by T. J. Smith & Company, Inc. for B&L estimates reserves as of December 31, 2010 of 2.3 billion cubic feet (BCF) of natural gas and 25 thousand barrels of oil (MBBL) which equates to "Estimated Future Net Revenues" of $8.72mm with an "Estimated Discounted Future Net Revenues" of $7.6mm (see note 2 above) compared to 2.2 BCF and 27 thousand barrels of oil (MBBL) at the end of 2009. The following note is included in T. J. Smith & Company's Report: "*The recently drilled LL&E No. 1 well located in Lapeyrouse field in Terrebonne Parish, Louisiana has not yet been completed and no tests have been performed. The well encountered several pay zones, some of which are considered PDNP based on log and core data. Other zones encountered by the well are potentially productive and may have significant value. Due to the poorer reservoir characteristics, these zones are not analogous to the proven zones seen by the well and until tests showing the zones to be commercially productive are conducted, we do not consider them proved and consequentially are not included them herein.*" The reason this note is included in this President's Report to Shareholders is to make investors aware that there is a probability that the LL&E No. 1 well may have significant reserves that are not included on T. J. Smith & Company Inc.'s Proved Reserve Report. While there is a probability of additional reserves, until each zone with *"poorer reservoir characteristics"* is successfully tested each zone cannot be classified as "proved" reserves, and while there is a probability of significant value in these zones, some or all of the zones may never be classified as proved reserves.

Combining the Company's portion of the proved reserves in both studies makes the estimated proved reserves accruing to the Company to approximately 3.7 BCF of natural gas and 22.5 MBBL of oil, equating to approximately 4.01 BCFE or natural gas equivalents (15:1 ratio). This compares to total proved reserves allocated to the Company as December 31, 2009 of approximately 4.08 BCFE (15:1 ratio). Please see the note concerning the LL&E No. 1 Well in the foregoing paragraph.

During 2008 the Company, through its subsidiary B&L, entered into negotiations with the Whitney National Bank to affect a line of credit to be used for general corporate purposes. As a result B&L currently has available to it a line of credit in the amount of $5mm. As of December 31, 2009 and 2010, B&L utilized $1,400,000 and $0.00 of the credit line respectively.

On October 1, 2008 we announced our plans to repurchase up to 27,500 shares of our common stock. As of December 31, 2010 we have been successful in purchasing a total of 13,000 shares of common stock. As of this time, we plan to continue to repurchase our common stock until we fulfill our goal of acquiring 27,500 shares.

B&L was organized as a limited liability Company (LLC) under the laws of Louisiana in July of 2006. B&L's Class A members are BLMC and Lake Eugenie Land & Development, Inc. (LKEU), which have membership percentages of 75% and 25% respectively. The Operating Agreement was amended on November 16, 2009 to create a Class B membership to allow for certain future projects at the discretion of the board of managers to be participated by either Class A or Class B members or a combination of the respective Classes. B&L's Class B members are BLMC and LKEU, which have membership percentages of 90% and 10% respectfully.

Four years ago, the Company returned to its custom of paying one dividend per calendar year. During its meeting held on December 14, 2010, the Board of Directors declared a $1.25 per share dividend payable on Thursday, December 30, 2010 to shareholders of record as of the close of business on Friday, December 24, 2010. This represents a total cash dividend payment of $3,426,785 or $1.25 per share. Since 2002, the Company has paid slightly more than $50,000,000 in total dividends. With our fee land based production depleting and no new wells being drilling on our fee lands as of this time, it will be difficult to maintain the level of dividends paid since 2002, but with $9.6mm in undiscounted proved reserves an appropriate level of dividend can be expected until these reserves deplete (see paragraph 6 and accompanying table above) or new discoveries are made. With this said, using 3D seismic data in our possession, we are constantly working on developing the minerals located below our fee lands. Meanwhile, we are focusing on developing reserves outside of our fee acreage position through our investment in B&L. B&L in its current infancy stage as a startup exploration Company should not be viewed as a dividend producing entity.

In the past we have reported that the Company developed *The Biloxi Marsh Stabilization and Restoration Plan*. After Hurricane Katrina we extended the scope of this project and retained additional technical experts to assist in formulating *The Biloxi Marsh Stabilization and Restoration Plan*. To enhance the surface of our property management is working closely with local, state and federal officials in an attempt to influence any restoration projects that may take place on or near the Company's property. Our efforts have resulted in bringing the need to stabilize and restore the marshes of St. Bernard Parish, Louisiana the forefront of the coastal restoration debate. This is evidenced by restoration projects such as the closure of the Mississippi River Gulf Outlet (MRGO) and the Violet - Mississippi River diversion, as well as my appointment to the Governor's Advisory Commission on Coastal Protection, Restoration and Conservation. A complete copy of *The Biloxi Marsh Stabilization and Restoration Plan* is available on our website www.biloximarshlandscorp.com .

In regards to the Deep Water Horizon drilling rig explosion and resulting BP oil spill.

We are thankful that the spill has been stopped and the company's property is no longer threatened by a continued oil leak. As of the date of this Report, it appears little, if any, of BLMC's property was contaminated with oil from the spill. It should be noted the Company expended significant time and money monitoring the property for oil contamination. We have filed a claim against BP for recovery of these costs as well as other related claims for damages and plan to file suit if we are not paid in short order.

Please remember to visit our website, www.biloximarshlandscorp.com to obtain general information about the Company as well as recent historical annual reports and all historical press releases. We strongly recommend that all interested parties become familiar with the information available on the Company's website: www.biloximarshlandscorp.com .

We are pleased with the fact that our fee based land reserves increase slightly from 1.951 BCFG as of December 31, 2009 to 2.29 BCFG as of December 31, 2010[1]. Our increased daily production and accompanying increased revenues are of particular importance. We are more pleased with the results of B&L's drilling program. With three new wells placed on production during 2010 and two new discovery wells awaiting placement on production, last year represented a good year for B&L. We plan to continue B&L's drilling program and have three additional wells scheduled to be drilled during 2011 and are evaluating additional prospects. Meanwhile, we continue to work on developing both shallow and deep prospects on the Company's property. We are particularly focused on our deep Tuscaloosa Project. Using 3D seismic data in our possession, our technical team has identified several massive structures that could yield significant natural gas and condensate reserves. There is no guarantee that we will be successful in developing our Tuscaloosa Project or if Tuscaloosa wells will ever be drilled resulting in discoveries, but we are fully committed and will

[1] Proved Reserves increased despite no new discoveries on our property for two reasons: 1) The TMR – BML 1-2 Well was re-drilled and placed on production during 2010. When returned to production the Flowing Tubing Pressure (FTP) was higher than anticipated thus indicating higher Proved Reserves; 2) The TMR-BML 6-2 Well continues to perform better than anticipated.

continue our efforts to attract partners interested in this Project. Management is committed to explore every avenue to create value for our shareholders. We have been successful over the past fifteen years and we will work diligently and aggressively to continue our success.

Sincerely,

William B. Rudolf
President and Chief Executive Officer
Metairie, Louisiana
Email: wrbiloxi@bellsouth.net[i]

[i] This letter contains forward-looking statements regarding oil and gas discoveries, oil and gas exploration, development and production activities and reserves. Accuracy of the forward-looking statements depends on assumptions about events that change over time and is thus susceptible to periodic change based on actual experience and new developments. The Company cautions readers that it assumes no obligation to update or publicly release any revisions to the forward-looking statements in this report. Important factors that might cause future results to differ from these forward-looking statements include: variations in the market prices of oil and natural gas; drilling results; unanticipated fluctuations in flow rates of producing wells; oil and natural gas reserves expectations; the ability to satisfy future cash obligations and environmental costs; additional drilling, and general exploration and development risks and hazards. Readers are cautioned not to place undue reliance on forward-looking statements made by or on behalf of the Company. Each such statement speaks only as of the day it was made. The factors described above cannot be controlled by the Company. When used in this report, the words "hopeful", "believes", "estimates", "plans", "expects", "should", "outlook", and "anticipates" and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements.

KPMG

BILOXI MARSH LANDS CORPORATION

Financial Statements and Schedule – Income Tax Basis

December 31, 2010 and 2009

(With Independent Auditors' Report Thereon)

BILOXI MARSH LANDS CORPORATION

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KPMG

KPMG LLP
Suite 2900
909 Poydras Street
New Orleans, LA 70112

Independent Auditors' Report

The Board of Directors
Biloxi Marsh Lands Corporation:

We have audited the accompanying statements of assets, liabilities, and stockholders' equity – income tax basis of Biloxi Marsh Lands Corporation (the Company) as of December 31, 2010 and 2009, and the related statements of revenues and expenses – income tax basis, stockholders' equity – income tax basis, and cash flows – income tax basis for the years then ended. These financial statements – income tax basis are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements – income tax basis based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements – income tax basis are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements – income tax basis. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in note 1(b), these financial statements – income tax basis were prepared on the basis of accounting the Company uses for income tax purposes, which is a comprehensive basis of accounting other than generally accepted accounting principles.

Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, the amounts reported in the accompanying financial statements – income tax basis may be subject to change at a later date upon final determination by the taxing authorities.

In our opinion, the financial statements – income tax basis referred to above present fairly, in all material respects, the assets, liabilities, and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 2010 and 2009, and its revenues and expenses, changes in stockholders' equity, and cash flows for the years then ended, on the basis of accounting described in note 1(b).

Our audits were made for the purpose of forming an opinion on the basic financial statements – income tax basis taken as a whole. The supplementary information included in schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements – income tax basis. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements – income tax basis and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements – income tax basis taken as a whole.

KPMG LLP

New Orleans, Louisiana
March 18, 2011

BILOXI MARSH LANDS CORPORATION

Statements of Assets, Liabilities, and Stockholders' Equity – Income Tax Basis

December 31, 2010 and 2009

Assets		**2010**	**2009**
Current assets:			
Cash and cash equivalents	$	4,470,636	6,611,227
Accounts receivable		207,286	148,996
Settlement funds receivable		1,730,389	—
Accrued interest receivable		38,893	69,571
Prepaid expenses		39,144	37,327
Due from related party		27,647	—
Federal income taxes receivable		—	244,918
State income taxes receivable		—	80,803
Other assets		3,830	3,830
Total current assets		6,517,825	7,196,672
Investment in partnership		4,758,899	2,822,918
Marketable debt and equity securities – at cost		8,043,450	7,679,804
Land		234,939	234,939
Levees and office furniture and equipment		277,679	251,332
Accumulated depreciation		(277,679)	(251,332)
Total assets	$	19,555,113	17,934,333
Liabilities and Stockholders' Equity			
Current liabilities:			
Income taxes payable	$	1,088,754	—
Accrued expenses		44,856	21,747
Other current liabilities		3,960	2,520
Total current liabilities		1,137,570	24,267
Stockholders' equity:			
Common stock, $0.001 par value. Authorized 20,000,000 shares; issued 2,851,196 shares; outstanding 2,741,428 shares in 2010 and 2009		47,520	47,520
Retained earnings		18,553,088	18,045,611
Treasury stock, 109,768 shares in 2010 and 2009, respectively, at cost		(183,065)	(183,065)
Total stockholders' equity		18,417,543	17,910,066
Total liabilities and stockholders' equity	$	19,555,113	17,934,333

See accompanying notes to financial statements – income tax basis.

BILOXI MARSH LANDS CORPORATION

Statements of Revenues and Expenses – Income Tax Basis

Years ended December 31, 2010 and 2009

		2010	2009
Revenues:			
Oil and gas royalties	$	1,833,661	1,341,856
Oil and gas royalties settlement		5,205,463	21,460,469
Severance taxes		(88,191)	(810,453)
Oil and gas royalties, net		6,950,933	21,991,872
Surface rentals		80,000	50,000
Total oil and gas revenues		7,030,933	22,041,872
Other income (loss):			
Loss from investment in partnership		(764,018)	(2,615,703)
Dividends and interest income		327,475	362,442
Interest income on oil and gas royalties settlement		—	2,754,707
Gain on sale of securities		218,149	122,461
Surface rentals		18,714	16,125
Other		238,656	326,994
Total other income		38,976	967,026
Total revenues and income		7,069,909	23,008,898
Expenses:			
Salaries		202,000	202,000
Bonuses		287,500	397,500
Payroll taxes		16,350	17,441
Employee benefits		71,353	74,000
Association dues		6,650	6,650
Accounting and auditing		93,094	181,095
Gas marketing fees		8,889	6,030
Consultants		116,236	49,187
Depreciation		26,347	63,360
Directors' fees		178,500	261,000
Franchise taxes		130,900	60,339
Insurance		96,994	91,162
Land management fees		14,212	41,726
Legal fees		212,948	515,598
Other		82,715	61,515
Portfolio services		59,121	45,242
Property taxes		17,139	16,740
Rent		28,503	21,437
Charitable contributions		—	27,296
Total expenses		1,649,451	2,139,318
Net income before income taxes		5,420,458	20,869,580
Income tax expense		1,486,196	7,146,955
Net income	$	3,934,262	13,722,625
Net income per share	$	1.44	5.00

See accompanying notes to financial statements – income tax basis.

BILOXI MARSH LANDS CORPORATION

Statements of Stockholders' Equity – Income Tax Basis

Years ended December 31, 2010 and 2009

	Common stock		Treasury stock		Retained	
	Shares	Amount	Shares	Amount	earnings	Total
Balance, December 31, 2008	2,851,196	$ 47,520	(101,768)	$ (117,065)	12,547,270	12,477,725
Net income	—	—	—	—	13,722,625	13,722,625
Purchase of treasury shares	—	—	(8,000)	(66,000)	—	(66,000)
Dividends	—	—	—	—	(8,224,284)	(8,224,284)
Balance, December 31, 2009	2,851,196	47,520	(109,768)	(183,065)	18,045,611	17,910,066
Net income	—	—	—	—	3,934,262	3,934,262
Purchase of treasury shares	—	—	—	—	—	—
Dividends	—	—	—	—	(3,426,785)	(3,426,785)
Balance, December 31, 2010	2,851,196	$ 47,520	(109,768)	$ (183,065)	18,553,088	18,417,543

See accompanying notes to financial statements – income tax basis.

BILOXI MARSH LANDS CORPORATION

Statements of Cash Flows – Income Tax Basis

Years ended December 31, 2010 and 2009

		2010	2009
Cash flows provided by operating activities:			
Net income	$	3,934,262	13,722,625
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation		26,347	63,360
Gain on sale of securities		(218,149)	(122,461)
Loss from investment in partnership		764,018	2,615,703
Change in operating assets and liabilities:			
Accounts and interest receivables		(27,612)	110,031
Settlement funds receivable		(1,730,389)	—
Due from related party		(27,647)	—
Prepaid expenses		(1,817)	(4,231)
Income taxes receivables and payables		1,414,475	59,588
Accrued expenses		23,109	(21,031)
Payroll taxes and other liabilities		1,441	2,068
Net cash provided by operating activities		4,158,038	16,425,652
Cash flows used in investing activities:			
Proceeds from maturing investments		—	350,000
Proceeds from the sale of securities		2,575,631	256,661
Investment in partnership		(2,700,000)	(4,500,000)
Purchase of securities		(2,721,128)	(2,817,032)
Purchase of office furniture and equipment		(26,347)	(63,360)
Net cash used in investing activities		(2,871,844)	(6,773,731)
Cash flows from financing activities:			
Treasury stock purchased		—	(66,000)
Dividends paid		(3,426,785)	(8,224,284)
Net cash used in financing activities		(3,426,785)	(8,290,284)
Net (decrease) increase in cash		(2,140,591)	1,361,637
Cash and cash equivalents, beginning of year		6,611,227	5,249,590
Cash and cash equivalents, end of year	$	4,470,636	6,611,227
Supplemental cash flow information:			
Cash paid for income taxes	$	71,721	7,087,367

See accompanying notes to financial statements – income tax basis.

(1) Summary of Significant Accounting Policies

(a) Nature of Operations

Biloxi Marsh Lands Corporation (the Company) is a Delaware corporation whose principal assets are surface and mineral rights to approximately 90,000 acres of marsh land in St. Bernard Parish, Louisiana, which generates revenues primarily from mineral activities including lease bonuses, delay rentals, and royalties on oil and natural gas production. A study by an independent reservoir engineering firm estimates that the Company has proved reserves in natural gas associated with a portion of this property. These proved reserve estimates are not included in these financial statements – income tax basis.

As discussed in note 3, the Company owns an interest in B&L Exploration L.L.C. (B&L). B&L is engaged principally in the exploration for and development of petroleum natural resources through various ownership interests in oil and natural gas properties located in the state of Louisiana.

(b) Basis of Accounting

The accompanying financial statements are presented in accordance with the accrual method of tax accounting used for federal income tax reporting purposes. Under this method of accounting, revenues are generally recorded when earned, and expenses are recognized when incurred. The accompanying financial statements – income tax basis are not intended to present the financial position and results of operation of the Company in conformity with accounting principles generally accepted in the United States of America.

Because many types of transactions are susceptible to varying interpretations under federal and state income tax laws and regulations, the amounts reported in the financial statements – income tax basis may be subject to change at a later date upon final determination by the taxing authorities.

(c) Use of Estimates

The process of preparing financial statements – income tax basis requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to accrued amounts as of the date of the financial statements – income tax basis. Accordingly, upon settlement, actual results may differ from estimated amounts.

(d) Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents include $3,543,271 and $2,470,430 of money market funds with an initial term of less than three months at December 31, 2010 and 2009, respectively.

(e) Accounts Receivable

Accounts receivable are recorded at invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash provided by operating activities in the statements of cash flows – income tax basis. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is remote. The Company does not have any off-balance-sheet exposure related to its customers.

(f) Investment Securities

Investment securities at December 31, 2010 and 2009 consist of corporate debt and equity securities. The Company has the ability and intent to hold its investments in corporate bonds until maturity. The Company's investments in equity securities are available for sale. The Company does not buy and hold investment securities principally for the purpose of selling them in the near term.

Under the income tax basis of accounting, investment securities are recorded at cost in the statements of assets, liabilities, and stockholders' equity – income tax basis. Unrealized gains and losses are excluded from earnings until realized. Realized gains and losses from the sale of equity securities are determined on a specific-identification basis. Dividend income is recognized when received. Interest income is recognized when earned.

(g) Land and Equipment

Land and equipment are stated at cost. The Company had depreciation expense of $26,347 and $63,360 in 2010 and 2009, respectively. Repair and maintenance costs are expensed when incurred.

(h) Revenue Recognition

Under the accrual method of tax accounting, the Company recognizes revenue in the period in which all events have occurred that fix the right to receive the revenue, and the amount can be determined with reasonable accuracy. Severance tax is remitted to the State of Louisiana and is reported as a reduction of oil and natural gas royalties in the statements of revenues and expenses – income tax basis.

(i) Depreciation

Depreciation of property is provided for in amounts sufficient to recognize their cost over their estimated service lives using the Modified Accelerated Cost Recovery System (MACRS) rates as indicated for federal income tax purposes. Assets purchased totaling $26,347 and $63,360 in 2010 and 2009, respectively, were depreciated in full in the year the asset was put in service in accordance with Section 179 of the Internal Revenue Code (IRC).

(j) Treasury Stock

The Company follows the cost method of accounting for treasury stock transactions.

(k) Income Taxes

Under the income tax basis of accounting, income taxes are accounted for based on an estimate of current federal and state income tax expense. Deferred tax assets and liabilities are not recognized. The Company has no net operating loss or tax credit carryforwards at December 31, 2010 and 2009.

Under the income tax basis of accounting, the Company does not recognize a liability for uncertain tax positions until agreement and settlement is reached with the taxing authority.

(Continued)

(l) Net Income Per Share

Net income per share is calculated by dividing net income by the weighted average number of common stock outstanding during the period.

(m) Commitments and Contingencies

Under the income tax basis of accounting, liabilities for loss contingencies, including environmental remediation costs, arising from claims, assessments, litigation, fines, and penalties and other sources, are not recorded until paid. Commitments and contingencies, if material, are disclosed even if not paid as of the financial reporting date.

(2) Investments in Investment Securities

The cost basis, unrecorded gross unrealized gains, unrecorded gross unrealized losses, and fair value of corporate bonds and equity securities as of December 31, 2010 and 2009 were as follows:

		Cost basis	Gross unrealized gains	Gross unrealized losses	Fair value
At December 31, 2010:					
Corporate bonds	$	3,130,215	241,615	—	3,371,830
Equity securities		4,913,235	1,836,285	—	6,749,520
	$	8,043,450	2,077,900	—	10,121,350
At December 31, 2009:					
Corporate bonds	$	4,870,620	279,778	(34,161)	5,116,237
Equity securities		2,809,184	682,404	(57,505)	3,434,083
	$	7,679,804	962,182	(91,666)	8,550,320

Maturities of corporate bonds were as follows at December 31, 2010:

		Cost basis	Fair value
Due after one through five years	$	2,387,665	2,563,133
Due after five years through ten years		742,550	808,697
	$	3,130,215	3,371,830

Cash proceeds from the sale of investment securities were $2,575,631 and $256,661 in 2010 and 2009, respectively. Realized cash gains from the sale of investment securities were $218,149 and $122,461 in 2010 and 2009, respectively. The Company had no investment securities with other-than-temporary declines in fair value at December 31, 2010.

(3) Investment in Partnership

The Company owns an interest in B&L Exploration, L.L.C., (B&L) an oil and gas exploration business. According to the operating agreement dated August 23, 2006, the Company owns a 75% interest in Class A membership of B&L. The remaining 25% interest in B&L is owned by Lake Eugenie Land & Development, Inc., a related party of the Company. B&L has commissioned a reserve study, which was completed by an independent reservoir engineering firm. This reserve study estimates that B&L has proved reserves in natural gas and oil attributable to its mineral properties. The proved reserve estimates are not included in the table below summarizing financial information – income tax basis of B&L. The operating agreement was amended on November 16, 2009 to create a Class B membership to allow for certain future projects at the discretion of the board of managers to be participated by members of either Class A, Class B, or a combination of the respective Classes. The Company owns a 90% interest in Class B membership of B&L. The remaining 10% of Class B membership percentage is owned by Lake Eugenie Land & Development, Inc.

Under the income tax method of accounting, the Company accounts for its membership percentage on the equity method whereby the Company recognizes its share of income and losses of the investment. The Company recognized $764,018 and $2,615,703 of losses in 2010 and 2009, respectively.

The carrying amount of the investment in B&L was $4,758,899 and $2,822,918 at December 31, 2010 and 2009, respectively. Summary financial information – income tax basis of B&L as of and for the years ended December 31, 2010 and 2009 (on the income tax basis of accounting) follows:

		2010	2009
Financial position – income tax basis:			
Current assets	$	4,460,120	3,276,317
Mineral properties and equipment, net		1,854,968	1,947,890
Total assets	$	6,315,088	5,224,207
Current liabilities	$	910,054	731,399
Revolving line of credit		—	1,400,000
Total current liabilities		910,054	2,131,399
Members' equity		5,405,034	3,092,808
Total liabilities and members' equity	$	6,315,088	5,224,207
Results of operations – income tax basis:			
Revenues, net	$	4,401,700	2,065,078
Net loss		(687,774)	(3,109,003)

The Company has provided a guarantee of a $5,000,000 revolving line of credit with a bank held by B&L. The guarantee is allocated to the members based upon membership Class percentage, which can be identified to certain projects for which the borrowings were utilized. As of December 31, 2010, the Company's guarantee is 75% of $5,000,000, or $3,750,000, which is consistent with its Class A membership percentage, as all borrowings are identified with Class A membership projects. The line of

(Continued)

credit expires November 1, 2011. Outstanding borrowings by B&L under the revolving line of credit were $0 and $1,400,000 as of December 31, 2010 and 2009, respectively. Under the income tax basis of accounting, the estimated fair value of the Company's guarantee of B&L's revolving line of credit is not required to be recognized. As of December 31, 2010, there are no indications that the Company will be required to perform under the terms of the guarantee.

(4) Income Taxes

Components of income tax expense (benefit) are as follows:

		2010	2009
Current:			
Federal	$	1,327,636	6,502,010
State		158,560	644,945
Total current income tax expense	$	1,486,196	7,146,955

In 2005, the Company was required to change its tax accounting method from the cash receipts and disbursements method to the tax accrual method. The Company was allowed to recognize a certain portion of taxable income as a result of the change over a four-year period pursuant to IRC Section 481(a). In 2008, the Company recognized the remaining tax effects of the accounting change.

The reconciliation of U.S. federal statutory and effective income tax rates is shown below:

	2010	2009
Statutory rate	35.0%	35.0%
Percentage depletion	(8.4)	(2.9)
State taxes provided	1.9	2.0
Effect of graduated rates	(0.7)	—
Other (net)	(0.4)	0.1
Effective tax rate	27.4%	34.2%

(5) Stockholders' Equity

(a) Common Stock

Holders of common stock are entitled to one vote per share, to receive dividends, and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders.

(b) Rights Plan

On November 6, 2003, the board of directors of the Company adopted a shareholder rights plan. Pursuant to the rights plan by and between the Company and the Company (as Rights Agent), authorized and declared a dividend of one preferred share purchase right for each outstanding share of common shares of the Company on November 20, 2003, payable November 21, 2003. Each right entitles the holder to purchase from the Company one one-hundredth of a share of Series A Junior.

Participating Preferred Stock, with a par value of $0.001, at a price of $90.00 per one one-hundredth of a share. The rights, however, will not become exercisable unless and until, among other things, any person acquires 15% or more of the outstanding common shares of the Company. If a person acquires 15% or more of the outstanding common shares (subject to certain conditions and exceptions more fully described in the Rights Agreement), each right will entitle the holder (other than the person who acquired 15% or more of the outstanding common shares) to purchase preferred stock of the Company at a favorable price. The rights have no voting power, and unless the rights are redeemed, exchanged, or terminated earlier, they will expire on October 31, 2013.

(c) Repurchase Plan

On September 26, 2008, the board of directors authorized the purchase of up to 27,500 shares of its outstanding common stock. The purchases will be made from time to time on the open market at the sole discretion of the Company. All shares purchased will be held as treasury stock. For the period ended December 31, 2010 and 2009, the Company acquired shares of 0 and 8,000, respectively, to arrive at total cumulative shares as of December 31, 2010 and 2009 of 13,000 under this plan. The authorization to purchase shares expires upon completion of targeted goal.

(d) Dividends

The Company paid cash dividends on common stock of $3,426,785 and $8,224,284 in 2010 and 2009, respectively.

(6) Commitments and Contingencies

Effective July 1, 2009, settlement agreements were reached binding all of the parties to the litigation pending since 2001 in the Louisiana State Court in St. Bernard Parish to determine the ownership of Sections 1, 2, and 3, Township 13 South, Range 16 East. These settlement agreements resulted in the dismissal of all litigation between the settling parties. In accordance with the settlement agreements, the Company received a onetime nonrecurring settlement payment of $23,949,171 during 2009. Also, under the terms and provisions of the settlement, in addition to receiving the settlement funds, the Company will remain the sole owner of the property and has the exclusive right to enter into oil, gas and mineral leases.

On September 27, 2010, the Company entered into a settlement agreement of all cases involving disputed waterbottoms between the Company and the State of Louisiana. The settlement involved proportionately sharing the funds with the State of Louisiana that were previously deposited in various concursus accounts. On October 13, 2010, the Mineral and Energy Board approved the settlement agreements and the funds were disbursed to the Company in December 2010 and January 2011. The Company's share of the settlement was $5,205,463, which was recognized in 2010 as revenues and income in the accompanying statements of revenues and expenses – income tax basis. As of December 31, 2010, $1,730,389 of the settlement was not collected and is recorded in settlement funds receivable. All outstanding amounts were collected in January 2011.

(7) Related Parties

The Company is related to a series of entities partially owned and managed by the same persons. Transactions with related entities and persons are recorded at amounts agreed to by the parties, which may not be representative of amounts that would be received or charged by unrelated parties. Reimbursements of expenses from related parties are reported net in the statements of revenues and expenses – income tax basis.

(8) Subsequent Events

The Company has evaluated subsequent events from the balance sheet date through March 18, 2011, the date of which the financial statements – income tax basis were available to be issued, and determined there are no other items to disclose.

BILOXI MARSH LANDS CORPORATION

Schedule of Marketable Securities

December 31, 2010 and 2009

Company description	2010 Shares/ face value	2010 Cost	2010 Fair value	2010 Unrealized gains	2009 Shares/ face value	2009 Cost	2009 Fair value	2009 Unrealized gains (losses)
Common stock:								
3 D Systems Corp.	25,000	$ 330,202	787,250	457,048	16,500	$ 205,024	186,450	(18,574)
Abbott Labs	7,800	372,602	373,698	1,096	4,000	171,813	215,960	44,147
American Vanguard Corp.	—	—	—	—	15,000	89,682	124,500	34,818
Bank of America Corporation	22,000	277,102	293,480	16,378	15,000	171,727	225,900	54,173
Carter's Inc.	13,000	301,483	383,630	82,147	8,800	191,946	231,000	39,054
Cleco Corporation	7,800	168,372	239,928	71,556	7,800	168,372	213,174	44,802
Cullen Frost Bankers Inc.	6,700	336,906	409,504	72,598	4,000	197,048	200,000	2,952
EPIQ Systems Inc.	27,400	338,272	376,202	37,930	18,000	208,659	251,820	43,161
FedEx Corp.	4,200	327,410	390,642	63,232	—	—	—	—
H&R Block, Inc.	—	—	—	—	10,000	182,035	226,200	44,165
Iberia Bank Corp.	7,100	356,819	419,823	63,004	—	—	—	—
Ion Geophysical Corp.	12,000	95,661	101,760	6,099	12,000	95,661	71,040	(24,621)
Luminex Corp.	23,000	282,882	420,440	137,558	12,000	104,187	179,160	74,973
Marcus Corporation	—	—	—	—	11,000	181,027	141,020	(40,007)
McDonald's	5,000	334,047	383,800	49,753	3,000	175,660	187,320	11,660
O' Reilly Automotive Inc.	8,800	183,905	533,632	349,727	8,000	153,136	304,960	151,824
PHI Inc.	—	—	—	—	6,100	143,264	128,954	(14,310)
Pool Corporation	18,000	393,356	405,720	12,364	—	—	—	—
Smucker JM Co.	6,300	298,774	413,595	114,821	4,300	173,180	265,525	92,345
Varian Medical System Inc.	6,000	196,763	415,680	218,917	6,000	196,763	281,100	84,337
Verizon Communications	11,200	318,679	400,736	82,057	—	—	—	—
Total common stock		4,913,235	6,749,520	1,836,285		2,809,184	3,434,083	624,899
Corporate bonds:								
Abbott Laboratories	300,000	300,025	302,135	2,110	300,000	300,025	309,567	9,542
Wells Fargo & Co.	300,000	301,525	321,729	20,204	300,000	301,525	320,784	19,259
PHI Inc.	—	—	—	—	300,000	281,650	291,375	9,725
General Electric Capital Corp.	300,000	291,448	320,971	29,523	300,000	291,448	314,276	22,828
JPMorgan Chase & Co.	300,000	295,525	320,949	25,424	300,000	295,525	316,634	21,109
Caterpillar Fin Serv Corp	300,000	300,330	326,457	26,127	300,000	300,330	318,777	18,447
Dupont EI Nemour	300,000	297,775	327,323	29,548	300,000	297,775	320,797	23,022
Wal-Mart Stores Inc.	300,000	300,262	313,600	13,338	300,000	300,262	304,836	4,574
Merck & Co Inc.	300,000	300,775	329,969	29,194	300,000	300,775	323,930	23,155
United Technologies Corp.	—	—	—	—	300,000	294,925	324,327	29,402
Goldman Sachs Group Inc.	—	—	—	—	300,000	287,125	311,992	24,867
General Electric Capital Corp.	300,000	300,025	328,197	28,172	300,000	300,025	295,889	(4,136)
Whitney National Bank Sub NO	500,000	442,525	480,500	37,975	500,000	442,525	412,500	(30,025)
AT&T Inc.	—	—	—	—	300,000	297,058	315,276	18,218
Eli Lilly & Co.	—	—	—	—	300,000	279,925	301,148	21,223
Pfizer Inc.	—	—	—	—	300,000	299,722	334,129	34,407
Total corporate bonds		3,130,215	3,371,830	241,615		4,870,620	5,116,237	245,617
Total marketable securities		$ 8,043,450	10,121,350	2,077,900		$ 7,679,804	8,550,320	870,516

See accompanying independent auditors' report.

Biloxi Marsh Lands Corporation

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March 18, 2011

To the Shareholders of Biloxi Marsh Lands Corporation:

We are pleased to report that 2010 was the fifteenth consecutive profitable year for your Company. Total revenue for the year ending December 31, 2010 was $7,069,909 compared to total revenue of $23,008,898 in 2009. The annual revenue breakdown is as follows: 2010 revenue from oil and gas activity was $7,030,933 compared to revenue of $22,041,872 in 2009. $5,205,463 in revenue categorized as *Settlement Proceeds* emanate from the settlement of all cases involving disputed ownership of water-bottoms between the Company and the State of Louisiana. It should be noted that revenues received as the result of the settlements are onetime, non-recurring revenue items. The non-recurring settlement revenues were $5,205,463 in 2010 compared to $23,949,171 in 2009. During 2010, total revenues included a $764,018 loss emanating from the *Gain (Loss) from Investment in Partnership* category which represents the Company's investment in B&L Exploration, LLC (B&L). This compares to a loss of $2,615,703 in the same category for the prior year. B&L was able to expense Depreciation, Depletion, and Amortization. BLMC's share of these expenses was $733,934 for 2010 and $855,599 for 2009. Dividend and interest income for 2010 was $327,475, compared to $362,442 for 2009. In 2010, we realized a cumulative gain from the sale of investment securities of $218,149 compared to a cumulative gain in the amount of $122,461 in 2009. Meanwhile, expenses for the year totaled $1,649,451 compared to $2,139,318 for the prior year. Expenses during 2010 included $116,236 for Consultants and $212,948 for Legal fees. A significant portion of the Consultants costs were related to monitoring the property for oil contamination from the BP – Deep Water Horizon oil spill. Meanwhile, the Legal fees were mostly related to the dispute with the State of Louisiana which was settled during 2010. For the year, net earnings were $3,934,262 or $1.44 per share compared to $13,722,625 or $5.00 per share in 2009.

The Company previously announced that all cases involving disputed water-bottoms between the Company and the State of Louisiana had reached an amicable settlement. The settlement does not involve resolving the issue of ownership of the disputed water-bottoms, it simply involves the sharing of past and future revenues emanating from each production unit which contained disputed water-bottoms. The Company maintains its claim to all of its titled acreage including any and all water-bottoms in dispute and will take all legal actions to protect its title. These settlement agreements have resulted in the dismissal of all litigation between the settling parties. In accordance with the settlement agreements, the Company received a onetime non-recurring settlement payment of $5,205,463. Also, under the terms and provisions of the settlement the Company and the State will share future revenues from production emanating from the production units which were the subject of the litigation.

The Meridian Resource Exploration, LLC recompleted the Biloxi Marsh Lands 1-2 well which returned to production during July of 2010. This well is located on the Company's property. Meanwhile, B&L had three new wells placed on production during the year. The SL 19061 #1 well located in St. Bernard Parish, Louisiana and operated by B&L, was placed on production in January of 2010. B&L has a 41.875% working interest in the SL 19061 #1. The Delacroix #41ST and the SL 1212 #1 wells located in Point A La Hache Field in Plaquemines Parish, Louisiana in which B&L has non-operated working interests were placed on production during 2010. B&L has a 25% working interest in each of these wells with the Delacroix #41ST being placed on production during February and the SL 1212 #1 being placed on production during June of 2010.

As of December 31, 2010 the combined gross daily production rate from 5 wells operated by the Company's mineral Lessees was approximately 11.0 million cubic feet (mmcf) of natural gas with net daily production accruing to the Company of approximately 1.6 mmcf. As of December 31, 2010, B&L's net daily production was approximately 3.0 million cubic feet of natural gas equivalents (mmcfge) (15:1 oil to gas ratio) compared to approximately .782 mmcfge per day on December 31, 2009. Combining this daily production with the Company's proportional share of the daily production from the B&L wells makes the total net daily production accruing to the Company as of December 31, 2010 approximately 4.02 mmcf per day compared to 1.3 mmcfge on December 31, 2009.

During the fourth quarter of 2010 B&L successfully drilled and completed the Gautreaux #1 well located in Vermillion Parish, Louisiana. This well was completed in the Planulina Reservoir "B" sand. On October 31, 2010 during a twenty-four (24) hour flow test, the well flowed at a sustained rate of approximately 3.1 mmcfg per day and approximately 20 bbls of oil per day with a flowing tube pressure averaging approximately 3,425 psi with little or no pressure draw down. B&L is the current Operator of this well. Production facilities are completed and flowlines constructed. We are awaiting tie into an existing El Paso/Tennessee Gas sales pipeline tap. We anticipate that this well should be placed on production by the end of April 2011. B&L has a 41.875% working interest in this well. Additionally, during the fourth quarter of 2010 B&L participated in a non-operated working interest basis in the LL&E #1 well located in Terrebonne Parish, Louisiana. On November 8, 2010 electric logs were run indicating apparent pay sands in 5 separate intervals. This well is operated by Gulf South Operators Inc. and is currently being completed and fully evaluated. We will provide updates on LL&E #1 well as they become available. According to the Operator this well should be place on production by June of 2011.

The Company commissioned T. J. Smith & Company, Inc., independent reservoir engineers, to complete a proved reserve study. This reserve study estimates that as of December 31, 2010 the BLMC's "Developed Producing" (PDP) reserves were 1.65 billion cubic feet (BCF) of natural gas and estimates that the "Developed Non-Producing" (PDNP) reserves were .642 BCF, totaling 2.29 BCF of estimated proved natural gas reserves. This represents an increase in our fee based land reserves of approximately .34 BCF. Additionally, this reserve study estimates that slightly more than 25% of the proved reserves will deplete by the end of 2011.

Please find the following table showing the Company's proved reserves as of December 31, 2010:

Proved Reserves as of December 31, 2010 (3)

	Developed Producing (PDP)	Developed Non-Producing (PDNP)		Total
	(Dollars in thousands)			
Net Proved Reserves (1):				
Natural Gas (BCF):	1.65	.642		2.29
Estimated Future Net Revenues (before income taxes) (2):......................			$	9,576 (4)
Estimated Discounted Future Net Revenues (before income taxes) (2):........			$	7,559 (4)

(1) In general, our engineers based their estimates of economically recoverable oil and natural gas reserves and of the future net revenues therefrom on a number of variable factors and assumptions, such as historical production from the subject properties, the assumed effects of regulation by governmental agencies and assumptions concerning future oil and natural gas prices, all of which may vary considerably from actual results. Therefore, the actual production, revenues, and severance taxes with respect to reserves likely will vary from such estimates, and such variances could be material.

Estimates with respect to proved reserves that may be developed and produced in the future are often based on volumetric calculations and by analogy to similar types of reserves rather than actual production history. Estimates based on these methods are generally less reliable than those based on actual production history, and subsequent evaluation of the same reserves, based on production history, will result in variations, which may be substantial, in the estimated reserves.

In accordance with applicable requirements of the Commission, the estimated discounted future net revenues from estimated proved reserves are based on 12 month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12 month period prior. Actual future prices may be materially higher or lower. Actual future net revenues also will be affected by factors such as actual production, supply and demand for oil and natural gas, curtailments or increases in consumption by natural gas purchasers, changes in governmental regulations or taxation and the impact of inflation o costs.

(2) The Estimated Discounted Future Net Revenues represents the Estimated Future Net Revenues before income taxes discounted at 10%. For calculating The Estimated Future Net Revenues and the Estimated Discounted Future Net Revenues, we used the base product price based on the 12 month average price calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12 month period prior to December 31, 2010. The oil price of $79.43 per barrel is based on the West Texas Intermediate (WTI), Cushing, Oklahoma spot prices. The natural gas price of $4.376 per MMBtu is based on the Henry Hub gas daily prices.

(3) The Meridian Resource and Exploration, LLC (now owned by Alta Mesa Holdings, LP) and Manti Jamba, Ltd. separately operate the various producing wells. The Company has no control over operations and maintains only a landowner's mineral royalty interest. *Please see footnote (i) following the final paragraph of this letter for a warning concerning forward-looking information.*

(4) The value of the proved reserves "*Undiscounted, M$*" and "*Discounted at 10%, M$*" includes a minimal amount of *Oil and Condensate* as well as *Natural Gas Liquids*.

A second proved reserve study completed by T. J. Smith & Company, Inc. for B&L estimates reserves as of December 31, 2010 of 2.3 billion cubic feet (BCF) of natural gas and 25 thousand barrels of oil (MBBL) which equates to "Estimated Future Net Revenues" of $8.72mm with an "Estimated Discounted Future Net Revenues" of $7.6mm (see note 2 above) compared to 2.2 BCF and 27 thousand barrels of oil (MBBL) at the end of 2009. The following note is included in T. J. Smith & Company's Report: "*The recently drilled LL&E No. 1 well located in Lapeyrouse field in Terrebonne Parish, Louisiana has not yet been completed and no tests have been performed. The well encountered several pay zones, some of which are considered PDNP based on log and core data. Other zones encountered by the well are potentially productive and may have significant value. Due to the poorer reservoir characteristics, these zones are not analogous to the proven zones seen by the well and until tests showing the zones to be commercially productive are conducted, we do not consider them proved and consequentially are not included them herein.*" The reason this note is included in this President's Report to Shareholders is to make investors aware that there is a probability that the LL&E No. 1 well may have significant reserves that are not included on T. J. Smith & Company Inc.'s Proved Reserve Report. While there is a probability of additional reserves, until each zone with *"poorer reservoir characteristics"* is successfully tested each zone cannot be classified as "proved" reserves, and while there is a probability of significant value in these zones, some or all of the zones may never be classified as proved reserves.

Combining the Company's portion of the proved reserves in both studies makes the estimated proved reserves accruing to the Company to approximately 3.7 BCF of natural gas and 22.5 MBBL of oil, equating to approximately 4.01 BCFE or natural gas equivalents (15:1 ratio). This compares to total proved reserves allocated to the Company as December 31, 2009 of approximately 4.08 BCFE (15:1 ratio). Please see the note concerning the LL&E No. 1 Well in the foregoing paragraph.

During 2008 the Company, through its subsidiary B&L, entered into negotiations with the Whitney National Bank to affect a line of credit to be used for general corporate purposes. As a result B&L currently has available to it a line of credit in the amount of $5mm. As of December 31, 2009 and 2010, B&L utilized $1,400,000 and $0.00 of the credit line respectively.

On October 1, 2008 we announced our plans to repurchase up to 27,500 shares of our common stock. As of December 31, 2010 we have been successful in purchasing a total of 13,000 shares of common stock. As of this time, we plan to continue to repurchase our common stock until we fulfill our goal of acquiring 27,500 shares.

B&L was organized as a limited liability Company (LLC) under the laws of Louisiana in July of 2006. B&L's Class A members are BLMC and Lake Eugenie Land & Development, Inc. (LKEU), which have membership percentages of 75% and 25% respectively. The Operating Agreement was amended on November 16, 2009 to create a Class B membership to allow for certain future projects at the discretion of the board of managers to be participated by either Class A or Class B members or a combination of the respective Classes. B&L's Class B members are BLMC and LKEU, which have membership percentages of 90% and 10% respectfully.

Four years ago, the Company returned to its custom of paying one dividend per calendar year. During its meeting held on December 14, 2010, the Board of Directors declared a $1.25 per share dividend payable on Thursday, December 30, 2010 to shareholders of record as of the close of business on Friday, December 24, 2010. This represents a total cash dividend payment of $3,426,785 or $1.25 per share. Since 2002, the Company has paid slightly more than $50,000,000 in total dividends. With our fee land based production depleting and no new wells being drilling on our fee lands as of this time, it will be difficult to maintain the level of dividends paid since 2002, but with $9.6mm in undiscounted proved reserves an appropriate level of dividend can be expected until these reserves deplete (see paragraph 6 and accompanying table above) or new discoveries are made. With this said, using 3D seismic data in our possession, we are constantly working on developing the minerals located below our fee lands. Meanwhile, we are focusing on developing reserves outside of our fee acreage position through our investment in B&L. B&L in its current infancy stage as a startup exploration Company should not be viewed as a dividend producing entity.

In the past we have reported that the Company developed *The Biloxi Marsh Stabilization and Restoration Plan*. After Hurricane Katrina we extended the scope of this project and retained additional technical experts to assist in formulating *The Biloxi Marsh Stabilization and Restoration Plan*. To enhance the surface of our property management is working closely with local, state and federal officials in an attempt to influence any restoration projects that may take place on or near the Company's property. Our efforts have resulted in bringing the need to stabilize and restore the marshes of St. Bernard Parish, Louisiana the forefront of the coastal restoration debate. This is evidenced by restoration projects such as the closure of the Mississippi River Gulf Outlet (MRGO) and the Violet - Mississippi River diversion, as well as my appointment to the Governor's Advisory Commission on Coastal Protection, Restoration and Conservation. A complete copy of *The Biloxi Marsh Stabilization and Restoration Plan* is available on our website www.biloximarshlandscorp.com .

In regards to the Deep Water Horizon drilling rig explosion and resulting BP oil spill.

We are thankful that the spill has been stopped and the company's property is no longer threatened by a continued oil leak. As of the date of this Report, it appears little, if any, of BLMC's property was contaminated with oil from the spill. It should be noted the Company expended significant time and money monitoring the property for oil contamination. We have filed a claim against BP for recovery of these costs as well as other related claims for damages and plan to file suit if we are not paid in short order.

Please remember to visit our website, www.biloximarshlandscorp.com to obtain general information about the Company as well as recent historical annual reports and all historical press releases. We strongly recommend that all interested parties become familiar with the information available on the Company's website: www.biloximarshlandscorp.com .

We are pleased with the fact that our fee based land reserves increase slightly from 1.951 BCFG as of December 31, 2009 to 2.29 BCFG as of December 31, 2010[1]. Our increased daily production and accompanying increased revenues are of particular importance. We are more pleased with the results of B&L's drilling program. With three new wells placed on production during 2010 and two new discovery wells awaiting placement on production, last year represented a good year for B&L. We plan to continue B&L's drilling program and have three additional wells scheduled to be drilled during 2011 and are evaluating additional prospects. Meanwhile, we continue to work on developing both shallow and deep prospects on the Company's property. We are particularly focused on our deep Tuscaloosa Project. Using 3D seismic data in our possession, our technical team has identified several massive structures that could yield significant natural gas and condensate reserves. There is no guarantee that we will be successful in developing our Tuscaloosa Project or if Tuscaloosa wells will ever be drilled resulting in discoveries, but we are fully committed and will

[1] Proved Reserves increased despite no new discoveries on our property for two reasons: 1) The TMR – BML 1-2 Well was re-drilled and placed on production during 2010. When returned to production the Flowing Tubing Pressure (FTP) was higher than anticipated thus indicating higher Proved Reserves; 2) The TMR-BML 6-2 Well continues to perform better than anticipated.

continue our efforts to attract partners interested in this Project. Management is committed to explore every avenue to create value for our shareholders. We have been successful over the past fifteen years and we will work diligently and aggressively to continue our success.

Sincerely,

William B. Rudolf
President and Chief Executive Officer
Metairie, Louisiana
Email: wrbiloxi@bellsouth.net[i]

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[i] This letter contains forward-looking statements regarding oil and gas discoveries, oil and gas exploration, development and production activities and reserves. Accuracy of the forward-looking statements depends on assumptions about events that change over time and is thus susceptible to periodic change based on actual experience and new developments. The Company cautions readers that it assumes no obligation to update or publicly release any revisions to the forward-looking statements in this report. Important factors that might cause future results to differ from these forward-looking statements include: variations in the market prices of oil and natural gas; drilling results; unanticipated fluctuations in flow rates of producing wells; oil and natural gas reserves expectations; the ability to satisfy future cash obligations and environmental costs; additional drilling, and general exploration and development risks and hazards. Readers are cautioned not to place undue reliance on forward-looking statements made by or on behalf of the Company. Each such statement speaks only as of the day it was made. The factors described above cannot be controlled by the Company. When used in this report, the words "hopeful", "believes", "estimates", "plans", "expects", "should", "outlook", and "anticipates" and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements.