

Biloxi Marsh Lands Corporation

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March 31, 2022

To the Shareholders of Biloxi Marsh Lands Corporation:

The following is a discussion of the results of the Company's operations for the year ending December 31, 2021. The Company's annual revenue breakdown is as follows: 2021 revenue from oil and gas production for its fee lands was \$13,942 compared to revenue of \$11,736 in 2020. The flow-through losses from the Company's membership interests in limited liability companies was \$698,936 in 2021 compared to \$2,174,183 in 2020. Dividend and interest income for 2021 was \$49,595, compared to \$53,330 for 2020. In 2021, the Company realized a cumulative gain from the sale of investment securities of \$179,441 compared to a cumulative loss in the amount of \$124,341 in 2020. Fee land revenues from surface activities unrelated to oil and gas were \$79,467 for 2021 compared to \$75,527 for 2020. Expenses for the year totaled \$503,479 compared to prior year expenses of \$616,368. For the year, the Company had a net loss of \$609,136 or \$.24 per share compared to a net loss of \$988,189 or \$.39 per share in 2020.

The Company continues its efforts to help State and Federal government agencies understand that the Biloxi Marsh Complex (BMC) has a sufficiently stable geological platform to allow its long-term sustainability. These efforts resulted in peer reviewed papers being published in scientific journals. These articles have been presented to Louisiana's Coastal Protection and Restoration Authority ("CPRA") and are available on the Company's website: <https://www.biloximarshlandscorp.com/biloxi-marsh-coastal-restoration/>. The efforts are also aimed at having additional coastal restoration projects completed in the BMC which will help sustain the Company's property. The Company just entered into an agreement with CPRA to permit construction of the Bayou LaLoutre Ridge Restoration and Marsh Creation Project – PO-0178.

As previously reported, on June 15, 2012, the Company filed a claim (*Biloxi Marsh Lands Corp., et al. v. United States; Case No. 12-382L*) in the U.S. Court of Federal Claims against the U.S. Army Corps of Engineers (The Biloxi Case) seeking monetary damages for property damage and losses caused by the Mississippi River Gulf Outlet (MR-GO). As reported in last year's President's letter, the U.S. Department of Justice filed a motion for summary judgment on the issue of statute of limitations, and our attorneys filed a cross motion on the same issue. On January 19, 2021 the Court issued an Opinion and Order on the cross motions in which the Court granted-in-part and denied-in-part the government's motion for summary judgment and denied the plaintiff's cross-motion for summary judgment. It is the Court's intention to fully settle the issue of statute of limitations during the trial. Since last year's ruling the case has been focused on additional discovery related to the issue of statute of limitations. The discovery period was extended due to interruptions caused by Hurricane Ida. Our legal counsel advises that he is hopeful that the discovery period will be concluded by the middle of 2022 and a trial set for late this year. With thousands of pages of documents provided and

depositions forthcoming, it is difficult to accurately forecast the timing of the trial. Our legal counsel is hopeful that the timing will become more apparent toward the middle of 2022. As continually stated, the Company cannot predict the timing of resolution or the outcome of this litigation process, but it is anticipated that this litigation process will continue to take time.

During 2021 the Company began negotiations with Denbury Carbon Solutions, LLC the carbon capture, utilization, and storage (“CCUS”) business subsidiary of Denbury, Inc. (NYSE: DEN). These negotiations resulted in the Company entering into a long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC effective March 9, 2022. This agreement grants Denbury Carbon Solutions, LLC the sole, exclusive and limited right to inject and sequester CO₂ in pore space beneath a portion of the Company’s property located in St. Bernard Parish, Louisiana. Under the terms and conditions of the Injection Agreement the commercial terms must be kept confidential. We encourage our shareholders to research CCUS and related topics on the internet. On April 6, 2022, the Company will pay a dividend of \$.30 per share of outstanding common stock to its shareholders of record at the close of business on April 1, 2022. This represents a total cash dividend payment of \$751,508 or \$.30 per share. Since 2002, the Company has paid approximately \$57,233,000 in total dividends.

Previously, shares of Biloxi Marsh Lands Corporation traded on the over-the-counter market under the symbol “BLMC” and the shares were quoted on the Pink Sheets®. After September 28, 2021 and the implementation of amended Rule 15c2-11, the SEC prohibited broker-dealers from quoting companies like Biloxi Marsh Lands Corporation, who do not provide financial statements that are prepared according to Generally Accepted Accounting Principles (“GAAP”). We will continue our long-time practice of issuing current annual audited financial statements on the income tax basis of reporting and an annual President’s Letter along with quarterly and special press releases. All this information has been and will be available on the Company’s website: www.biloximarshlandscorp.com. Meeting the requirements of the amended SEC rule, which includes the conversion and maintenance of GAAP financial statements, would have significantly increased costs to the Company, both in financial consideration paid to third parties and increased internal administrative expenses.

Effective February 22, 2022, the Biloxi Marsh Lands Corporation Bulletin Board (“BLMCBB”) became active. This link (<https://www.biloximarshlandscorp.com/blmc-bulletin-board/>) on our website will take someone directly to the Biloxi Marsh Lands Corporation – BLMCBB’s home page on BancList.com where the BLMCBB is located. This bulletin board was created to give our shareholders more liquidity through a passive electronic stock-trading bulletin board which doesn’t charge the user any fees. Using the bulletin board, shareholders and investors are able to post notices of intent to buy or sell the Company’s common stock and to browse those posts for possible purchases or sales. Shareholders and investors can then directly communicate with each other to arrange the purchase or sale of the shares. The Company will not act as a broker and participants will have to arrange for the delivery of payment and of shares themselves. Our goal with the bulletin board is to set up a 24/7 internet platform that will give our shareholders a forum to buy and sell the Company’s shares of common stock. We are excited about providing this electronic bulletin board for existing shareholders and those interested in purchasing stock of the Company. Biloxi Marsh Lands Corporation is not a registered national securities exchange, information processor, broker, dealer, or investment adviser.

We encourage you to visit our website to obtain general information about the Company, its efforts in the coastal restoration arena, as well as historical annual audit reports and all press releases. We strongly recommend that all interested parties become familiar with the information available on the Company's website: www.biloximarshlandscorp.com.

B&L Exploration, LLC ("BLX"), of which the Company owns a 75% membership interest, is contractually entitled to a 1.5% of 8/8ths overriding royalty interest (ORRI) in the mineral leases comprising the 9,000 acre - EOC-TUSC BL UDS SUA production unit from which the Highlander well is producing. This production unit is located in St. Martin Parish, Louisiana. Information reported by the Highlander well's operator to LDNR is available on LDNR's Strategic Online Natural Resources Information System (SONRIS – www.sonris.com). From the day of first production in February of 2015 through February of 2022, the operator has reported to SONRIS that the Jeanerette Minerals No. 1 cumulative production has been 104,242,661 MCF.

As reported last year, during 2019 B&L Resources, LLC ("BLR") was formed of which the Company owns a 50% membership interest. Due to the severe decline in oil prices in March of 2020, BLR was able to add 3,073.71 acres to its lease position in Heyser field making BLR's total lease position 3,636.01 acres. The April of 2020 acquisition included leasehold improvements, infrastructure, production facilities and producing horizontal wells. This project's goal is to recover residual oil and gas using horizontal well technology in the historically prolific Heyser Field. After this acquisition, BLR sold a portion of its working interest on a promoted basis to help finance additional leasehold improvements and drill its first horizontal well. As of the date of this letter, BLR has drilled and placed on production its Welder 29H well, 64H well and its recently completed 62H well. These wells are producing oil and natural gas from two sand intervals within Heyser Field. The success of the Welder 62H well which was drilled and completed in a separate sand interval is significantly additive to BLR's reserves. BLR now has five producing wells, two saltwater injection wells, five Proved Undeveloped ("PUD") locations and two Probable locations within its 3,636.01 acre lease position in Heyser Field.

Last year due to staffing and other issues related to COVID 19, B&L Exploration, LLC, in which the Company has a 75% membership interest, and B&L Resources, LLC, in which the Company has a 50% membership interest, delayed the completion of proved reserves studies until March 31, 2021. For the sake of continuity, this year's reserve reports estimate the net reserve volumes in various properties as of March 31, 2022.

Three reserve studies by separate independent reservoir engineering firms covering different properties have been completed. The different categories of reserves for both BLX and BLR as of March 31, 2022 are tabulated in the following Table 1:

	B&L Exploration LLC		B&L Resources LLC		All Properties	
	Net Reserves		Net Reserves		Net Reserves	
	Oil	Gas	Oil	Gas	Oil	Gas
Category	(MBSL)	(MMCF)	(MBSL)	(MMCF)	(MBSL)	(MMCF)
Proved Developed Producing ("PDP")	25.2	542.7	271.9	2,692.5	297.1	3,235.2
Proved Developed Non-Producing ("PDNP")	35.3	-	-	-	35.3	-
Proved Undeveloped ("PUD")	-	-	496.2	1,156.9	496.2	1,156.9
Total Proved	60.5	542.7	768.2	3,849.4	828.7	4,392.1
Probable	-	624.4	194.6	136.2	194.6	760.6
Possible	-	483.9	-	-	-	483.9

Totals may not add because of rounding.

Note: The table represents the estimates believed to be accurate as determined by independent reservoir engineers, Netherland, Sewell & Associates, Inc., and Lonquist & Co. LLC. The table does not include any revenue or cost information and does not include definitions that are an integral part of the complete reserve report. General Information on reserve definitions are available at the following website: https://netherlandsewell.com/wp-content/uploads/2018/12/SPE_Petroleum_Resources_Management_System_2018.pdf

As stated in several of the past annual President's letters, attracting third parties interested in exploring for and developing the minerals beneath our fee lands in St. Bernard Parish, Louisiana has proved difficult. Entering into the long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC effective March 9, 2022 illustrates our management team's ability to adapt to changing circumstances and take advantage of opportunities. Meanwhile, the results of the development of Heyser field combined with recent increase in commodity prices are encouraging. Last year, we advised that we were focused on a strategy of diversification to position the Company in a positive manner over the long term. We believe that 2021 was the beginning of the success of this diversification strategy.

Sincerely,

William B. Rudolf
 President and Chief Executive Officer
 Metairie, Louisiana
 Email: w Rudolf@blexp.net¹

¹ 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", "could", "should", "outlook", "possibly" and "anticipates" and similar expressions as they relate to the Company or its management are intended to identify forward-looking statements.

BILOXI MARSH LANDS CORPORATION
FINANCIAL STATEMENTS – INCOME TAX BASIS
DECEMBER 31, 2021
(WITH INDEPENDENT AUDITORS' REPORT THEREON)

BILOXI MARSH LANDS CORPORATION
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BILOXI MARSHLANDS CORPORATION

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INDEPENDENT AUDITORS' REPORT

The Board of Directors for
Biloxi Marsh Lands Corporation:

Opinion

We have audited the accompanying financial statements of Biloxi Marsh Lands Corporation (the Company), which comprise the statements of assets, liabilities and stockholders' equity – income tax basis as of December 31, 2021 and 2020, and the related statements of revenues and expenses – income tax basis, changes in stockholders' equity – income tax basis, and cash flows – income tax basis for the years then ended, and the related notes to the financial statements – income tax basis.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 2021 and 2020, its revenues and expenses, changes in stockholders' equity and its cash flows for the years then ended in accordance with the basis of accounting the Company uses for income tax purposes, as described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Biloxi Marsh Lands Corporation and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the basis of accounting the Company uses for income tax purposes, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the basis of accounting that Biloxi Marsh Lands Corporation uses for income tax purposes as described in Note 1; this includes determining that the income tax basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Biloxi Marsh Lands Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Biloxi Marsh Lands Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements basis as a whole. The Schedules of Marketable Securities as of December 31, 2021 and 2020 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Information Included in the President's Letter to Shareholders

Management is responsible for the other information included in the President's Letter to Shareholders (the Other Information). The Other Information comprises the President's Letter to Shareholders but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the Other Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the Other Information and consider whether a material inconsistency exists between the Other Information and the financial statements, or the Other Information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the Other Information exists, we are required to describe it in our report.

Postlethwaite & Netterville

Metairie, Louisiana
March 30, 2022

BILOXI MARSH LANDS CORPORATION

STATEMENTS OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY
INCOME TAX BASIS
DECEMBER 31, 2021 AND 2020

ASSETS

	<u>2021</u>	<u>2020</u>
Current assets:		
Cash and cash equivalents	\$ 1,162,360	\$ 1,977,605
Accounts receivable	5,548	1,257
Accrued interest receivable	3,111	3,111
Income taxes receivable	2,977	16,000
Prepaid expenses	38,237	37,403
Other assets	<u>3,830</u>	<u>3,830</u>
Total current assets	<u>1,216,063</u>	<u>2,039,206</u>
Membership interest in limited liability companies	498,761	34,355
Marketable debt and equity securities - at cost	2,501,788	3,039,983
Land - at cost	234,939	234,939
Levees and office furniture and equipment	308,607	308,607
Accumulated depreciation	<u>(308,607)</u>	<u>(308,607)</u>
Total assets	<u>\$ 4,451,551</u>	<u>\$ 5,348,483</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accrued expenses and other current liabilities	\$ 36,419	\$ 37,054
Membership interest in limited liability companies	<u>784,224</u>	<u>820,882</u>
Total current liabilities	<u>820,643</u>	<u>857,936</u>
Stockholders' equity		
Common stock, \$0.001 par value. Authorized, 20,000,000 shares; issued, 2,851,196 shares; outstanding, 2,505,028 shares in 2021 and 2020	47,520	47,520
Retained earnings	6,660,413	7,520,052
Treasury Stock, 346,168 shares in 2021 and 2020, at cost	<u>(3,077,025)</u>	<u>(3,077,025)</u>
Total stockholders' equity	<u>3,630,908</u>	<u>4,490,547</u>
Total liabilities and stockholders' equity	<u>\$ 4,451,551</u>	<u>\$ 5,348,483</u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION
STATEMENTS OF REVENUES AND EXPENSES
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Revenues:		
Oil and gas	\$ 13,942	\$ 11,736
Total oil and gas revenues	<u>13,942</u>	<u>11,736</u>
Other income (loss):		
Loss from membership interest in limited liability companies	(698,936)	(2,174,183)
Dividends and interest income	49,595	53,330
Gain on settlements	-	1,761,510
Gain (loss) on sale of securities	179,441	(124,341)
Other	36,600	24,600
Paycheck protection program loan forgiveness	55,699	-
Fee land income	<u>79,467</u>	<u>75,527</u>
Total other loss	<u>(298,134)</u>	<u>(383,557)</u>
Total revenues and other loss	<u>(284,192)</u>	<u>(371,821)</u>
Expenses:		
Compensation and salaries	156,338	211,333
Association dues	8,450	8,400
Professional fees	76,045	68,792
Consultants	12,250	8,001
Directors' fees	26,500	57,500
Insurance	72,535	79,963
Surface patrolling and oversight	7,185	29,050
Other	21,211	22,949
Portfolio management	20,303	20,526
Taxes and licenses	62,482	69,375
Rent	33,259	30,391
Shareholder relations	<u>6,921</u>	<u>10,088</u>
Total expenses	<u>503,479</u>	<u>616,368</u>
Income tax benefit	(178,535)	-
Net loss - income tax basis	<u>\$ (609,136)</u>	<u>\$ (988,189)</u>
Net loss per share - income tax basis	\$ (0.24)	\$ (0.39)

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>Common stock</u>		<u>Treasury stock</u>		<u>Retained earnings</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>		
Balance, December 31, 2019	2,851,196	\$ 47,520	(346,168)	\$ (3,077,025)	\$ 8,758,744	\$ 5,729,239
Net loss - income tax basis	-	-	-	-	(988,189)	(988,189)
Dividends	-	-	-	-	(250,503)	(250,503)
Balance, December 31, 2020	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 7,520,052</u>	<u>\$ 4,490,547</u>
Net loss - income tax basis	-	-	-	-	(609,136)	(609,136)
Dividends	-	-	-	-	(250,503)	(250,503)
Balance, December 31, 2021	<u><u>2,851,196</u></u>	<u><u>\$ 47,520</u></u>	<u><u>(346,168)</u></u>	<u><u>\$ (3,077,025)</u></u>	<u><u>\$ 6,660,413</u></u>	<u><u>\$ 3,630,908</u></u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION

STATEMENTS OF CASH FLOWS
INCOME TAX BASIS
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net loss - income tax basis	\$ (609,136)	\$ (988,189)
Adjustments to reconcile net loss - income tax basis to net cash provided by (used in) operating activities:		
Loss on sale of securities	(179,441)	124,341
Loss from membership interest in limited liability companies	698,936	2,174,183
Deferred income tax expense	-	10,579
Change in operating assets and liabilities:		
Accounts and interest receivable	(4,291)	2,717
Prepaid expenses	(834)	7,584
Income taxes receivable	13,023	(4,277)
Accrued expenses and other current liabilities	(635)	(25,463)
Net cash provided by (used in) operating activities	<u>(82,378)</u>	<u>1,301,475</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from the sale of securities	1,588,876	2,092,536
Purchase of securities	(871,240)	(431,780)
Membership interests - limited liability companies	<u>(1,200,000)</u>	<u>(1,550,000)</u>
Net cash provided by (used in) investing activities	<u>(482,364)</u>	<u>110,756</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	<u>(250,503)</u>	<u>(250,503)</u>
Net cash used in financing activities	<u>(250,503)</u>	<u>(250,503)</u>
Net change in cash and cash equivalents	(815,245)	1,161,728
Cash and cash equivalents, beginning of year	<u>1,977,605</u>	<u>815,877</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,162,360</u></u>	<u><u>\$ 1,977,605</u></u>

The accompanying notes are an integral part of these financial statements.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies

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 from time to time generates revenues from mineral activities including lease bonuses, delay rentals, royalties on oil and natural gas production, and fee land income unrelated to oil and gas activities.

The Company owns a membership interest in B&L Exploration L.L.C. (B&L Exploration), and B&L Resources L.L.C (B&L Resources). B&L Exploration and B&L Resources are engaged principally in the exploration for and development of oil and natural gas resources through various ownership interests in oil and natural gas properties located in Louisiana and Texas.

Basis of Accounting

The accompanying financial statements – income tax basis 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.

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.

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 \$1,087,139 and \$1,914,953 of investment money market funds with an initial term of less than three months at December 31, 2021 and 2020, respectively.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable are recorded at invoiced amount and do not bear interest. Amounts collected on accounts receivable are included in net cash used in 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.

Investment Securities

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.

Land and Equipment

Land and equipment are stated at cost. The Company had no depreciation expense in either 2021 or 2020, respectively. Repair and maintenance costs are expensed when incurred.

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. Capitalized geological and geophysical costs are amortized over a 24-month period.

Membership Interests in Limited Liability Companies

The Company owns a 75% interest in B&L Exploration, L.L.C., an oil and gas exploration business. B&L Exploration has commissioned reserve studies, which were completed by independent reservoir engineering firms. These reserve studies estimate that B&L Exploration has proved reserves in natural gas and oil attributable to its mineral properties. Additionally, B&L Exploration has various ownership interests in oil and gas properties on which wells may be drilled and completed that are not included within the proved reserve estimates. The proved reserve estimates are not included in the table below summarizing financial information - income tax basis of B&L Exploration.

The carrying amount of the Company's membership interest in B&L Exploration was \$(784,224) and \$(820,882) at December 31, 2021 and 2020, respectively.

Under the income tax method of accounting, the Company accounts for its membership interest on the equity method whereby the Company recognizes its flow through portion of income and losses. Net losses of \$788,342 and \$1,402,538 flowed through to the Company in 2021 and 2020, respectively. The losses included net additions in costs of \$613,123 and \$736,125 in 2021 and 2020 respectively, representing intangible drilling costs that the Company elected to capitalize and the amortization of those costs. The capitalized costs will be amortized over a period of 60 months. The Company made capital contributions of \$825,000 and \$975,000 in 2021 and 2020, respectively.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

Membership Interests in Limited Liability Companies (continued)

The Company also owns a 50% membership interest in B&L Resources L.L.C. (B&L Resources) which was formed during 2019. B&L Resources is pursuing opportunities whose focus is the recovery of residual oil and natural gas by using horizontal well technology. B&L Resources has commissioned reserve studies, which were completed by independent reservoir engineering firms. These reserve studies estimate that B&L Resources 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 Resources.

The carrying amount of the Company's membership interest in B&L Resources was \$498,761 and \$34,355 at December 31, 2021 and 2020, respectively.

Net income of \$89,406 and a net loss of \$771,645 flowed through to the Company in 2021 and 2020, respectively. The losses included net reductions in costs of \$1,049,533 and \$0 in 2021 and 2020 respectively, representing intangible drilling costs that the Company elected to capitalize and the amortization of those costs. The capitalized costs will be amortized over a period of 60 months. The Company made capital contributions of \$375,000 and \$575,000 in 2021 and 2020, respectively.

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.

Treasury Stock

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

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. Income tax (benefit) expense includes federal and state taxes currently (receivable) payable as well as deferred taxes.

Operating loss and tax credit carryforwards are recognized as reductions to net deferred income tax liabilities, if it is likely that their benefit will be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

Income Taxes (continued)

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.

Net Loss Per Share

Net loss per share – income tax basis is calculated by dividing net loss – income tax basis by the weighted average common stock shares outstanding during the period.

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.

Gain on Settlements

During 2020, the Company received a settlement payment for its wetlands real property claim under the Halliburton Energy Services Inc. and Transocean Ltd. Settlement Program. The Company received \$1,607,715, net of the Company's \$282,714 legal fees.

Reclassifications

Certain amounts in the 2020 financial statements have been reclassified to conform to the 2021 financial statement presentation.

(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, 2021 and 2020 were as follows:

	<u>Cost basis</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
At December 31, 2021:				
Corporate bonds	\$ 296,213	\$ 19,457	\$ -	\$ 315,670
Equity securities	<u>2,205,575</u>	<u>464,749</u>	<u>(314,056)</u>	<u>2,356,268</u>
	<u>\$ 2,501,788</u>	<u>\$ 484,206</u>	<u>\$ (314,056)</u>	<u>\$ 2,671,938</u>
At December 31, 2020:				
Corporate bonds	\$ 296,213	\$ 29,263	\$ -	\$ 325,476
Equity securities	<u>2,743,770</u>	<u>483,293</u>	<u>(360,052)</u>	<u>2,867,010</u>
	<u>\$ 3,039,983</u>	<u>\$ 512,556</u>	<u>\$ (360,052)</u>	<u>\$ 3,192,486</u>

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(2) Investments in Investment Securities (continued)

Maturities of corporate bonds were as follows at December 31, 2021:

	<u>Cost basis</u>	<u>Fair value</u>
Due within one year	\$ -	\$ -
Due after one through six years	296,213	315,670
	<u>\$ 296,213</u>	<u>\$ 315,670</u>

(3) Investments in Limited Liability Companies

Summary financial information – income tax basis of B&L Exploration as of and for the years ended December 31, 2021 and 2020 (on the income tax basis of accounting) is as follows:

	<u>2021</u>	<u>2020</u>
Financial position – income tax basis:		
Current assets	\$ 2,301,094	\$ 1,014,656
Other assets	13,596	13,596
Mineral properties and equipment, net	1,414,777	1,583,129
Total assets	<u>\$ 3,729,467</u>	<u>\$ 2,611,381</u>
Total liabilities	\$ 3,969,211	\$ 3,717,499
Members' deficit	<u>(239,744)</u>	<u>(1,106,118)</u>
Total liabilities and members' deficit	<u>\$ 3,729,467</u>	<u>\$ 2,611,381</u>
Results of operations – income tax basis		
Revenues	\$ 1,710,316	\$ 1,237,546
Net loss	\$ (233,626)	\$ (888,551)

The Company is a co-guarantor of a \$3,000,000 revolving line of credit with a bank to be utilized by B&L Exploration. The Company has granted a security interest in its investment portfolio as collateral to back its guarantee. From time to time, B&L Exploration utilizes the credit facility during the ordinary course of its oil and gas operations, mainly to fund ongoing projects. The line of credit expires November 1, 2023. B&L Exploration had outstanding borrowings of \$1,650,000 and \$2,650,000 under the revolving line of credit as of December 31, 2021 and 2020. As of December 31, 2021, there are no indications that the Company will be required to perform under the terms of the guarantee.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(3) Investments in Limited Liability Companies (continued)

Summary financial information – income tax basis of B&L Resources as of and for the year ended December 31, 2021 (on the income tax basis of accounting) is as follows:

	<u>2021</u>
Financial position – income tax basis:	
Current assets	\$ 1,031,859
Mineral properties and equipment, net	<u>1,981,857</u>
Total assets	\$ <u>3,013,716</u>
Total liabilities	\$ 4,115,260
Members' deficit	<u>(1,101,544)</u>
Total liabilities and members' deficit	\$ <u>3,013,716</u>
Results of operations – income tax basis	
Revenues	\$ 2,348,488
Net loss	\$ (1,920,254)

The Company is a co-guarantor of a \$5,000,000 revolving line of credit with a bank to be utilized by B&L Resources. The Company has granted a security interest in its investment portfolio as collateral to back its guarantee. From time to time, B&L Resources utilizes the credit facility during the ordinary course of its oil and gas operations, mainly to fund ongoing projects. The line of credit expires November 1, 2023. B&L Resources had outstanding borrowings of \$3,150,000 under the revolving line of credit as of December 31, 2021. As of December 31, 2021, 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:

	<u>2021</u>			<u>2020</u>		
	<u>Current</u>	<u>Deferred</u>	<u>Total</u>	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Federal	\$ (178,535)	\$ -	\$ (178,535)	\$ (10,579)	\$ 10,579	\$ -
State	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total income tax expense (benefit)	\$ <u>(178,535)</u>	\$ <u>-</u>	\$ <u>(178,535)</u>	\$ <u>(10,579)</u>	\$ <u>10,579</u>	\$ <u>-</u>

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(4) Income Taxes (continued)

Nontaxable revenues and nondeductible expenses may result in reporting net income for tax basis financial statements that differs from taxable income reported on the tax return. The reconciliation of U.S. federal statutory and effective income tax rates is shown below:

	<u>2021</u>			<u>2020</u>		
Statutory rate	\$ (165,411)	(21.00) %		\$ (207,520)	(21.00) %	
Capital losses	-	-	%	(40,200)	(4.10) %	
PPP loan forgiveness	(26,611)	(3.40) %		-	-	%
Effect of net operating losses carried back	(178,535)	(22.70) %		-	-	%
Effect of net operating losses carried forward	195,182	24.80 %		250,956	25.40 %	
Other (net)	<u>(3,160)</u>	<u>(0.40) %</u>		<u>(3,236)</u>	<u>(0.30) %</u>	
Effective tax rate	<u><u>\$ (178,535)</u></u>	<u><u>(22.70) %</u></u>		<u><u>\$ -</u></u>	<u><u>(0.00) %</u></u>	

The tax benefit included in 2021 related to the carryback of 2018 losses as result of provisions in The Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

Management has not recorded any deferred tax assets as of December 31, 2021 on net operating loss carry forwards due to the lack of certainty that it is more likely than not that the deferred tax assets will be realized through future operations.

Net operating loss (NOL) carryforwards outstanding of \$6,742,878 federal and \$8,424,975 state as of December 31, 2021, begin to expire in 2034 and 2035, respectively. NOL carryforwards arising after December 31, 2017 can be carried forward indefinitely subject to some limitations.

(5) Stockholders' Equity

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.

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. 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 an initial price of \$90.00 per one one-hundredth of a share. The purchase price shall be subject to adjustment from time to time as more fully described in the Rights Agreement. The rights, however, will not become exercisable unless and until, among other things, any person acquires 15% or

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(5) Stockholders' Equity (continued)

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. On April 24, 2013, the board of directors of the Company reauthorized the shareholder rights plan dated November 6, 2003 for another ten-year term. Unless reauthorized, the shareholder rights plan will expire on October 31, 2023.

Dividends

At its December 17, 2019 meeting, the board of directors declared a dividend of \$.10 per outstanding share of common stock payable on January 15, 2020 to shareholders of record as of the close of business on December 31, 2019. At its December 17, 2020 meeting, the board of directors declared a dividend of \$.10 per outstanding share of common stock payable on January 14, 2021 to shareholders of record as of the close of business on December 30, 2020.

(6) Commitments and Contingencies

From time to time, the Company is involved in legal actions to defend title to its property. In the opinion of management, these matters are necessary to protect the Company's interests and the ultimate disposition of these matters will not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

(7) Related Parties

A member of the board of directors is a partner in a law firm that represents the Company. From time to time, this firm provides legal counsel to the Company and is paid for services provided.

(8) Risks and Uncertainties

The Company invests in various investment securities which, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could be material.

(9) Paycheck Protection Program

During the year ended December 31, 2020, the Company applied for and was approved for a \$27,800 loan under the Paycheck Protection Program (PPP) administered by the Small Business Administration (SBA) as part of the relief efforts related to COVID-19. In January 2021, the Company was approved for a second PPP loan in the amount of \$27,899. The loans accrue interest at a fixed rate of 1.00% but payments are not required to begin for ten months following the borrower's covered period or loan forgiveness by the SBA. The Company is eligible for forgiveness of up to 100% of the loans, upon meeting certain requirements. The loans are uncollateralized and are fully guaranteed by the Federal Government. As of December 31, 2021 the Company applied for and was granted forgiveness of the PPP Loans. The loan forgiveness was recorded as of the time forgiveness in the statement of revenues and expenses – income tax basis in the year ended December 31, 2021. The income from the loan forgiveness is not taxable.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(10) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 30, 2022, and determined that there were no additional items requiring disclosure, except as noted below.

Effective March 9, 2022, the Company entered into a long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC, the carbon capture, utilization, and storage (“CCUS”) business subsidiary of Denbury, Inc. This agreement allows the injection and sequestration of CO₂ beneath the Company’s property located in St. Bernard Parish, LA.

On March 22, 2022 the board of directors declared a dividend of \$.30 per outstanding share of common stock payable on April 6, 2022 to shareholders of record as of the close of business on April 1, 2022.

No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

BILOXI MARSH LANDS CORPORATION

**SCHEDULES OF MARKETABLE SECURITIES
DECEMBER 31, 2021 AND 2020**

Investment description	2021				2020			
	Shares/ face value	Cost	Fair value	Unrealized gains (losses)	Shares/ face value	Cost	Fair value	Unrealized gains (losses)
Common stock:								
Abbott Laboratories	1,230	99,900	173,110	73,210	1,230	99,900	134,673	34,773
Abiomed Inc.	-	-	-	-	510	116,804	165,342	48,538
Caesars Entmt. Inc.	1,380	83,016	129,071	46,055	3,280	197,313	243,606	46,293
EBIX Inc.	2,655	114,117	80,712	(33,405)	6,400	399,013	243,008	(156,005)
EHealth Inc.	-	-	-	-	1,730	138,802	122,155	(16,647)
Euronet Worldwide, Inc.	970	144,107	115,595	(28,512)	1,570	233,247	227,524	(5,723)
First Hawaiian Inc.	10,600	348,989	289,698	(59,291)	10,600	348,989	249,948	(99,041)
Freeport McMoran Inc.	3,905	128,396	162,956	34,560	-	-	-	-
J B Hunt Transport	310	27,900	63,364	35,464	310	27,900	42,361	14,461
Kearny Financial Corp.	11,980	170,449	158,735	(11,714)	22,100	314,434	233,376	(81,058)
On Semiconductor Corp	2,955	54,893	200,704	145,811	4,700	88,263	153,831	65,568
Open Lending Corp.	3,815	125,957	85,761	(40,196)	-	-	-	-
Palomar Hldgs Inc.	1,925	172,308	124,682	(47,626)	745	67,764	66,186	(1,578)
Paya Holdings Inc.	8,080	82,987	51,227	(31,760)	-	-	-	-
Pool Corporation	275	53,235	155,650	102,415	690	133,572	257,025	123,453
Porch Group Inc.	3,765	63,868	58,696	(5,172)	-	-	-	-
Progressive Co.	-	-	-	-	1,370	98,344	135,466	37,122
Steris PLC	-	-	-	-	690	101,363	130,783	29,420
Stryker Corp.	490	126,460	131,036	4,576	-	-	-	-
TTEC Holdings Inc.	655	61,834	59,310	(2,524)	-	-	-	-
Teleflex Inc.	330	117,684	108,398	(9,286)	330	117,684	135,818	18,134
ViacomCBS Inc.	3,000	135,110	90,540	(44,570)	-	-	-	-
Visa, Inc.	540	94,365	117,023	22,658	1,490	260,378	325,908	65,530
Total common stock		<u>2,205,575</u>	<u>2,356,268</u>	<u>150,693</u>		<u>2,743,770</u>	<u>2,867,010</u>	<u>123,240</u>
Corporate bonds:								
FMC Corp.	200,000	199,798	210,920	11,122	200,000	199,798	222,476	22,678
H.B. Fuller Co.	100,000	96,415	104,750	8,335	100,000	96,415	103,000	6,585
Total corporate bonds		<u>296,213</u>	<u>315,670</u>	<u>19,457</u>		<u>296,213</u>	<u>325,476</u>	<u>29,263</u>
Total marketable securities		<u>\$ 2,501,788</u>	<u>\$ 2,671,938</u>	<u>\$ 170,150</u>		<u>\$ 3,039,983</u>	<u>\$ 3,192,486</u>	<u>\$ 152,503</u>

See accompanying independent auditors' report.