

Biloxi Marsh Lands Corporation

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March 31, 2025

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, 2024. The Company's annual revenue breakdown is as follows: in 2024 there was no revenue from oil and gas production for its fee lands compared to revenue of \$1,376 in 2023. In 2024 the flow-through income to the Company from its membership interests in limited liability companies engaged in operating and owning oil and gas properties was \$122,660 compared to flow-through losses of \$421,989 in 2023. Dividend and interest income for 2024 was \$178,080, compared to \$170,458 for 2023. In 2024, the Company realized a cumulative gain from the sale of investment securities of \$197,075 compared to a cumulative gain in the amount of \$190,989 in 2023. Fee land revenues were \$81,642 for 2024 compared to \$718,116 for 2023. Other income totaled \$333,504 in 2024 compared to \$24,610 in 2023. Expenses for the year totaled \$799,808 compared to prior year expenses of \$634,047. For the year, the Company had net income of \$104,512 or \$.04 per share compared to net income of \$31,156 or \$.01 per share in 2023.

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). During 2024, our legal counsel and the U.S. Department of Justice submitted written cross-motions for summary judgments on the plaintiffs' taking and contract claims. Legal counsel advises that oral arguments related to the written cross-motions are awaiting scheduling. The Company cannot predict the timing of resolution nor the outcome of this litigation process.

Over seven years ago during 2017, the Company filed suit in Louisiana State District Court (34th Judicial District Court, Division D in St. Bernard Parish, LA) against Alta Mesa Holdings, LP, et al seeking damages for failure to clean up and remediate the Company's property. After two judgments in favor of the Company, on September 11, 2019, one of the parties, Alta Mesa Holdings, LP, filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. Subsequently, on January 24, 2020 High Mesa Holdings, LP and The Meridian Resource and Exploration, LLC filed Chapter 7 bankruptcy. The Company previously reported that it believed that any monetary recovery was highly unlikely. Nonetheless, the Company continued to pursue recovery for damages. In March of 2020, the Company recovered monetary damages from some of the defendants. Meanwhile, the Company's legal counsel filed briefs seeking recovery in the bankruptcy proceedings. In late 2024 the bankruptcy court approved the bankruptcies Trustee's final report resulting in the Company recovering \$294,634. This recent monetary recovery received from the bankruptcy court in 2024 concludes this matter and brings the total amount recovered by the Company to approximately \$445,000.

As previously reported the Company entered into a long-term CO₂ Injection Agreement with Denbury Carbon Solutions, LLC effective March 9, 2022. On November 2, 2023

ExxonMobil announced that it completed its acquisition of Denbury. During 2024, the Company received written notice of termination of the CO₂ Injection Agreement from Denbury Carbon Solutions. LLC. There is a dispute over payment owed to the Company. This dispute is currently pending AAA arbitration.

On January 17, 2025, the Company paid a dividend of \$.125 per share of outstanding common stock to its shareholders of record at the close of business on January 3, 2025 representing a cash dividend payment of \$313,129. Since 2002, the Company has paid approximately \$58,110,000 in total dividends.

We strongly recommend that all interested parties become familiar with the information available on the Company's website: www.biloximarshlandscorp.com. Visiting our website allows interested parties to obtain general information about the Company, its efforts in the coastal restoration arena, as well as historical annual audit reports and press releases. Management continues its efforts to work with the Louisiana Coastal Protection and Restoration Authority ("CPRA") and other government agencies to restore the Company's marsh lands property.

As reported last year, during 2019 B&L Resources, LLC ("BLR") was formed of which the Company owns a 50% membership interest. As of the date of this letter, BLR has multiple horizontal wells producing and accompanying significant Proved Developed Producing ("PDP") reserves. In addition to these producing reserves BLR has additional locations to drill which is evidenced by the Proved Undeveloped ("PUD") component of the proved reserves (see Table 1). The timing of BLR's development of Heyser Field will be governed by the relative costs of services versus commodity prices.

Based upon a reserve study by an independent reservoir engineering firm covering Heyser Field in Calhoun County, Texas, the different categories of reserves for BLR as of December 31, 2024 are tabulated in the following Table 1:

Table 1 - December 31, 2024 Reserves
B&L Resources LLC

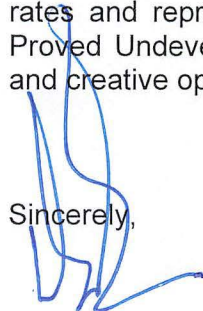
<u>Category</u>	<u>Net Reserves</u>		
	<u>Oil</u>	<u>Gas</u>	<u>NGL</u>
	<u>(MBBL)</u>	<u>(MMCF)</u>	<u>(MBBL)</u>
Proved Developed Producing ("PDP")	784.2	5,849.8	23.4
Proved Developed Non-Producing ("PDNP")	-	-	-
Proved Undeveloped ("PUD")	567.8	9,750.0	39.0
Total Proved	1,352.0	15,599.7	62.4
Probable	234.2	4,643.5	18.6
Possible	-	-	-

Totals may not add because of rounding.

Note: The table represents the estimates believed to be accurate as determined by independent reservoir engineers, 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 on our website: <https://biloximarshlandscorp.com/wp-content/uploads/2024/03/SPE-Petroleum-Resources-Management-System-2018.pdf>

With the recent increase in natural gas exports accompanied by slightly higher natural gas pricing, management is refocusing its efforts to proactively identify opportunities on our fee lands in St. Bernard Parish, Louisiana. As previously reported, several large structural closures within the Tuscaloosa sand interval have been identified on 3D seismic data. The identification of these structures combined with well data from ARCO's Tuscaloosa exploration program dating back to the 1980s gives our technical team a wide range of data to demonstrate the probability of success from the drilling of a new Tuscaloosa sand test well. Our technical team is continuing to analyze and refine this data to seek industry participants or others that may have an interest in investing in the drilling of a new Tuscaloosa test well in St. Bernard Parish, Louisiana. Unfortunately, Louisiana's Coastal Zone continues to be a challenging area to entice investment due to the ongoing Parish-Coastal lawsuits against various oil companies. Meanwhile in South Texas, Heyser Field's production has demonstrated remarkable low decline rates and represents significant value due to the volume of Proved Producing ("PDP") and Proved Undeveloped ("PUD") reserves. Management will continue efforts to seek out diverse and creative opportunities to increase shareholder value.

Sincerely,



William B. Rudolf
President and Chief Executive Officer
Metairie, Louisiana
Email: wrudolf@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.

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BILOXI MARSH LANDS CORPORATION
FINANCIAL STATEMENTS – INCOME TAX BASIS
DECEMBER 31, 2024
(WITH INDEPENDENT AUDITORS' REPORT THEREON)



BILOXI MARSH LANDS CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors for
Biloxi Marsh Lands Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2024 and 2023, and the related statements of revenue and expenses – income tax basis, changes in stockholders' equity – income tax basis, and cash flows – income tax basis for each of the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities and stockholders' equity of Biloxi Marsh Lands Corporation as of December 31, 2024 and 2023, and its revenue and expenses, changes in stockholders' equity and its cash flows for each of the years then ended in accordance with the basis of accounting the Company uses for income tax purposes described in Note 1.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS"). 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 the Company 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.

Emphasis of Matter - 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 this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting Biloxi Marsh Lands Corporation uses for income tax purposes, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 auditors' 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 GAAS 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 GAAS, 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 the Company'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 the Company'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.

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.

The logo for EisnerAmper LLP, featuring the company name in a stylized, cursive script.

EISNERAMPER LLP
Metairie, Louisiana
March 31, 2025



BILOXI MARSH LANDS CORPORATION**STATEMENTS OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY**
INCOME TAX BASIS
DECEMBER 31, 2024 AND 2023**ASSETS**

	<u>2024</u>	<u>2023</u>
Current assets:		
Cash and cash equivalents	\$ 2,579,896	\$ 2,420,255
Accounts receivable	2,148	13,393
Accrued interest receivable	9,580	11,132
Income tax receivable	70,258	92,170
Prepaid expenses	35,298	48,684
Other assets	3,830	3,830
	<u>2,701,010</u>	<u>2,589,464</u>
Membership interest in limited liability companies	678,673	537,825
Marketable debt and equity securities - at cost	4,285,453	4,773,424
Land - at cost	234,939	234,939
Levees and office furniture and equipment	267,141	267,141
Less: accumulated depreciation	<u>(266,473)</u>	<u>(266,027)</u>
	<u>\$ 7,900,743</u>	<u>\$ 8,136,766</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accrued expenses and other current liabilities	\$ 38,050	\$ 83,644
Membership interest in limited liability companies	<u>957,159</u>	<u>938,971</u>
	<u>995,209</u>	<u>1,022,615</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 2024 and 2023	47,520	47,520
Retained earnings	9,935,039	10,143,656
Treasury stock, 346,168 shares in 2024 and 2023, at cost	<u>(3,077,025)</u>	<u>(3,077,025)</u>
	<u>6,905,534</u>	<u>7,114,151</u>
	<u>\$ 7,900,743</u>	<u>\$ 8,136,766</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
Revenues:		
Oil and gas	\$ -	\$ 1,376
Total oil and gas revenues	<u>-</u>	<u>1,376</u>
Other income (loss):		
Gain (loss) from membership interest in limited liability companies	122,660	(421,989)
Dividends and interest income	178,080	170,458
Gain on sale of securities	197,075	190,989
Other	333,504	24,610
Fee land income	<u>81,642</u>	<u>718,116</u>
Total other income	<u>912,961</u>	<u>682,184</u>
Total revenues and other income	<u>912,961</u>	<u>683,560</u>
Expenses:		
Compensation and salaries	214,215	192,490
Association dues	3,791	5,000
Professional fees	208,289	87,219
Consultants	55,368	2,750
Depreciation	445	5,846
Directors' fees	34,500	28,500
Insurance	83,889	90,291
Surface patrolling and oversight	20,543	6,413
Other	25,921	43,501
Portfolio management	27,927	27,184
Taxes and licenses	84,753	96,518
Rent	26,628	36,445
Shareholder relations	<u>13,539</u>	<u>11,890</u>
Total expenses	<u>799,808</u>	<u>634,047</u>
Income tax expense	<u>8,641</u>	<u>18,357</u>
Net income - income tax basis	<u>\$ 104,512</u>	<u>\$ 31,156</u>
Net income per share - income tax basis	\$ 0.04	\$ 0.01

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, 2024 AND 2023**

	<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, 2022	2,851,196	\$ 47,520	(346,168)	\$ (3,077,025)	\$ 10,363,003	\$ 7,333,498
Net income - income tax basis	-	-	-	-	31,156	31,156
Dividends	-	-	-	-	(250,503)	(250,503)
Balance, December 31, 2023	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 10,143,656</u>	<u>\$ 7,114,151</u>
Net income - income tax basis	-	-	-	-	104,512	104,512
Dividends	-	-	-	-	(313,129)	(313,129)
Balance, December 31, 2024	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 9,935,039</u>	<u>\$ 6,905,534</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, 2024 AND 2023**

	<u>2024</u>	<u>2023</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net income - income tax basis	\$ 104,512	\$ 31,156
Adjustments to reconcile net income - income tax basis net cash (used in) provided by operating activities:		
Depreciation	445	5,846
Gain on sale of securities	(197,075)	(190,989)
Gain (loss) from membership interest in limited liability companies	(122,660)	421,989
Change in operating assets and liabilities:		
Accounts and interest receivable	12,797	158,137
Prepaid expenses	13,386	(2,509)
Income taxes receivable	21,912	12,698
Accrued expenses	(45,594)	53,430
Net cash (used in) provided by operating activities	<u>(212,277)</u>	<u>489,758</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from the sale of securities	3,058,459	2,785,281
Purchase of securities	(2,373,412)	(2,267,006)
Contributions to B&L Exploration & B&L Resources	-	(1,000,000)
Purchase of furniture and equipment	-	(6,960)
Net cash provided by (used in) investing activities	<u>685,047</u>	<u>(488,685)</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	<u>(313,129)</u>	<u>(250,503)</u>
Net cash used in financing activities	<u>(313,129)</u>	<u>(250,503)</u>
Net change in cash and cash equivalents	159,641	(249,430)
Cash and cash equivalents, beginning of year	<u>2,420,255</u>	<u>2,669,685</u>
Cash and cash equivalents, end of year	<u>\$ 2,579,896</u>	<u>\$ 2,420,255</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>		
Cash paid for income taxes	<u>\$ 2,832</u>	<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 \$2,292,383 and \$2,234,485 of investment money market funds with an initial term of less than three months at December 31, 2024 and 2023, respectively.

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.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(1) Summary of Significant Accounting Policies (continued)

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 depreciation expense of \$445 and \$5,846 in 2024 or 2023, 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. The carrying amount of the Company's membership interest in B&L Exploration was a liability of \$957,159 and \$938,971 at December 31, 2024 and 2023, 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 \$18,188 and \$673,721 flowed through to the Company in 2024 and 2023, respectively. The losses included net additions in costs of \$0 and \$116,777 in 2024 and 2023 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 \$0 and \$0 in 2024 and 2023, respectively.

The Company also owns a 50% membership interest in B&L Resources L.L.C., an oil and gas exploration business. 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 an asset of \$678,673 and \$537,825 at December 31, 2024 and 2023, 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)

Net income of \$140,849 and \$251,731 flowed through to the Company in 2024 and 2023, respectively. The Company made capital contributions of \$0 and \$1,000,000 in 2024 and 2023, 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.

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 Income Per Share

Net income per share – income tax basis is calculated by dividing net income – 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. The Company has committed to continue funding the operations of its equity investees, as needed, for a period of at least one-year from issuance date of these financial statements.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(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, 2024 and 2023 were as follows:

	<u>Cost basis</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
At December 31, 2024:				
Corporate bonds	\$ 926,193	\$ 4,100	\$ (10,530)	\$ 919,763
Equity securities	<u>3,359,260</u>	<u>54,815</u>	<u>(522,022)</u>	<u>2,892,053</u>
	<u>\$ 4,285,453</u>	<u>\$ 58,915</u>	<u>\$ (532,552)</u>	<u>\$ 3,811,816</u>
At December 31, 2023:				
Corporate bonds	\$ 1,073,206	\$ 3,889	\$ (15,748)	\$ 1,061,347
Equity securities	<u>3,700,218</u>	<u>94,984</u>	<u>(445,238)</u>	<u>3,349,964</u>
	<u>\$ 4,773,424</u>	<u>\$ 98,873</u>	<u>\$ (460,986)</u>	<u>\$ 4,411,311</u>

Maturities of corporate bonds were as follows at December 31, 2024:

	<u>Cost basis</u>	<u>Fair value</u>
Due within one year	\$ 99,975	\$ 99,831
Due after one through six years	<u>826,218</u>	<u>819,932</u>
	<u>\$ 926,193</u>	<u>\$ 919,763</u>

(3) Investments in Limited Liability Companies

Summary financial information – income tax basis of B&L Exploration, L.L.C. as of and for the years ended December 31, 2024 and 2023 (on the income tax basis of accounting) is as follows:

	<u>2024</u>	<u>2023</u>
Financial position – income tax basis:		
Current assets	\$ 314,545	\$ 615,633
Other assets	-	13,596
Mineral properties and equipment, net	<u>1,190</u>	<u>29,898</u>
Total assets	<u>\$ 315,735</u>	<u>\$ 659,127</u>
Total liabilities	\$ 58,284	\$ 377,426
Members' equity	<u>257,451</u>	<u>281,701</u>
Total liabilities and members' equity	<u>\$ 315,735</u>	<u>\$ 659,127</u>
Results of operations – income tax basis		
Revenues	\$ 1,200,000	\$ 951,395
Net loss	\$ (24,250)	\$ (742,590)

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(3) Investments in Limited Liability Companies (continued)

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 December 1, 2025. B&L Exploration had outstanding borrowings of \$0 and \$0 under the revolving line of credit as of December 31, 2024 and 2023. As of December 31, 2024, there are no indications that the Company will be required to perform under the terms of the guarantee.

Summary financial information – income tax basis of B&L Resources, L.L.C. as of and for the year ended December 31, 2024 and December 31, 2023 (on the income tax basis of accounting) is as follows:

	<u>2024</u>	<u>2023</u>
Financial position – income tax basis:		
Current assets	\$ 1,397,223	\$ 1,229,157
Mineral properties and equipment, net	<u>359,743</u>	<u>272,754</u>
Total assets	\$ <u>1,756,966</u>	\$ <u>1,501,911</u>
Total liabilities	\$ 399,618	\$ 426,260
Members' equity	<u>1,357,348</u>	<u>1,075,651</u>
Total liabilities and members' equity	\$ <u>1,756,966</u>	\$ <u>1,501,911</u>
Results of operations – income tax basis		
Revenues	\$ 2,997,672	\$ 3,494,229
Net Income	\$ 281,697	\$ 503,462

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 December 1, 2025. B&L Resources had outstanding borrowings of \$0 under the revolving line of credit as of December 31, 2024 and 2023. As of December 31, 2024, 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

(4) Income Taxes

Components of income tax expense are as follows:

	2024			2023		
	Current	Deferred	Total	Current	Deferred	Total
Federal	\$ 8,442	\$ -	\$ 8,442	\$ 15,724	\$ -	\$ 15,724
State	199	-	199	2,633	-	2,633
Total income tax expense	\$ <u>8,641</u>	\$ <u>-</u>	\$ <u>8,641</u>	\$ <u>18,357</u>	\$ <u>-</u>	\$ <u>18,357</u>

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:

	2024		2023	
Statutory rate	\$ 23,762	21.00 %	\$ 10,398	21.00 %
Percentage Depletion	(29,578)	(26.10) %	(50,924)	(102.80) %
State Taxes	157	0.10 %	2,080	4.20 %
Effect of NOLs	20,318	18.00 %	61,029	123.30 %
Other	(6,018)	(5.40) %	(4,226)	(8.50) %
Effective tax rate	\$ <u>8,641</u>	<u>7.60 %</u>	\$ <u>18,357</u>	<u>37.20 %</u>

Management has not recorded any deferred tax assets as of December 31, 2024 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. Because of 2024 operations, the Company was able to utilize net operating loss carry forwards of \$160,791 federal and \$14,650 state.

Net operating loss (NOL) carryforwards outstanding of \$3,308,958 federal and \$3,075,309 state as of December 31, 2024 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.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(5) Stockholders' Equity (continued)

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 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. On September 12, 2023, the Board of Directors of the Company reauthorized the shareholders right plan dated November 6, 2003 for another ten-year term. Unless reauthorized, the shareholder rights plan will expire on October 31, 2033.

Dividends

On December 21, 2022, the board of directors declared a dividend of \$.10 per outstanding share of common stock payable on January 12, 2023 to shareholders of record as of the close of business on December 30, 2022. On December 19, 2023, the board of directors declared a dividend of \$.125 per outstanding share of common stock payable on January 19, 2024 to the shareholders of record as of the close of the business on January 5, 2024. On December 18, 2024, the board of directors declared a dividend of \$.125 per outstanding share of common stock payable on January 17, 2025 to the shareholders of record as of the close of the business on January 3, 2025.

(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.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(9) Carbon Capture Agreement

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 Agreement, the commercial terms must be kept confidential. In 2023, Denbury Carbon Solutions, LLC was acquired and became a wholly owned subsidiary of ExxonMobil (NYSE:XOM). During 2024, the Company received written notice of termination of the CO₂ Injection Agreement from Denbury Carbon Solutions. There is a dispute over payment owed to the Company.

(10) Concentrations of Credit Risk

The Company has cash deposits in financial institutions, which may at times exceed amounts covered by insurance provided by the U.S. Federal Deposit Insurance Corporation (FDIC). The Company has not experienced any losses and does not believe that significant credit risk exists as a result of this practice.

(11) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 31, 2025, and determined that there were no additional items requiring disclosure. No other subsequent events occurring after this date have been evaluated for inclusion in these financial statements.