

Biloxi Marsh Lands Corporation

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March 31, 2026

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, 2025. Dividend and interest income for 2025 was \$153,362, compared to \$178,080 for 2024. In 2025, the Company realized a cumulative loss from the sale of investment securities of \$355,549 compared to a cumulative gain in the amount of \$197,075 in 2024. Fee simple land revenues were \$75,499 for 2025 compared to \$81,642 for 2024. Other income totaled \$24,600 in 2025 compared to \$333,504 in 2024. In 2025 the flow-through losses to the Company from its membership interests in limited liability companies engaged in operating and owning oil and gas properties was \$1,343,166 compared to flow-through losses of \$122,660 in 2024. This 2025 flow through loss is mainly attributed to costs associated with the drilling and successful completion of the Welder 28H well in Heyser Field by BLR (see details below). Expenses for the year totaled \$901,591 compared to prior year expenses of \$799,808. For the year, the Company had a net loss of \$2,346,845 or \$.94 per share compared to net income of \$104,512 or \$.04 per share in 2024.

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). Near the end of 2025, the Court held oral arguments on the cross-motions for summary judgments on the plaintiffs' taking and contract claims. Legal counsel advises that the Court should issue a decision on the cross-motions for summary judgment in the upcoming months. The Company cannot predict the timing of resolution nor the outcome of this litigation process.

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 was a dispute over payment owed to the Company. AAA arbitration concluded in 2025 with no further payments due to the Company.

On January 21, 2026, the Company paid a dividend of \$.10 per share of outstanding common stock to its shareholders of record at the close of business on January 2, 2026 representing a cash dividend payment of \$250,503. Since 2002, the Company has paid approximately \$58,360,000 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. BLR continues its development of its Heyser Field project in Calhoun County, Texas. BLR spud its Welder 28H development well during the third quarter of 2025 and placed the well on production in late December. This is the 5th horizontal development well drilled by BLR in Heyser Field. 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, 2025 are tabulated in the following Table 1:

Table 1 - December 31, 2025 Reserves
B&L Resources LLC

<u>Category</u>	<u>Net Reserves</u>		
	<u>Oil</u>	<u>Gas</u>	<u>NGL</u>
	<u>(MBSL)</u>	<u>(MMCF)</u>	<u>(MBSL)</u>
Proved Developed Producing ("PDP")	764.8	2,999.9	14.9
Proved Developed Non-Producing ("PDNP")	-	-	-
Proved Undeveloped ("PUD")	994.1	1,520.8	7.6
Total Proved	1,759.0	4,520.6	22.5
Probable	234.2	4,643.5	23.1
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>

As reported previously, B&L Exploration, LLC ("BLX"), of which the Company owns a 75% membership interest, is due a 1.5% of 8/8ths overriding royalty interest (ORRI) in the mineral leases acquired by McMoRan Oil and Gas, LLC ("McMoRan") and its successors including all extensions, renewals, and new leases obtained within the Highlander Area located in Assumption, Iberia, Iberville, St. Martin and St. Mary Parishes, Louisiana. While we are still awaiting assignment of ORRIs in the new leases, Highlander Oil and Gas Assets, LLC ("HOGA") has confirmed in writing that the contractual required ORRIs will be assigned.

BLX was solely responsible for generating, securing the initial mineral rights from Jeanerette Minerals, L.L.C. and placing the Highlander Ultra-Deep Tuscaloosa project with McMoRan in 2010. Subsequently, McMoRan and its partners drilled and completed its Jeanerette Minerals No. 1 Well that produced over 116 BCFG at an average rate of over ~40,000 MCFG per day prior to this initial Highlander discovery well encountering operational issues, then being shut-

in effective March 31, 2023. The working interest of the current owner and Operator, HOGA, emanates from McMoRan as a successor in title. HOGA has drilled and is now attempting the completion of the second Highlander well. This Highlander North Well was drilled as a “lease well” located on state of Louisiana water bottoms and located in the same production unit as the discovery well and was ultimately permitted to a Total Depth (“TD”) of 31,000 feet.

The fact that BLX generated the concept of exploring for Ultra-Deep natural gas in the Highlander Area and placed the prospect with McMoRan in 2010 demonstrates the expertise and knowledge of its technical team. BLX's management hopes to leverage this knowledge and expertise to attract participants to drill for deep natural gas on the Company's fee simple lands in St. Bernard Parish where the Tuscaloosa and Washita Group objective sands are more than a mile shallower than these same sands in the Highlander Area. This significantly shallower depth of the objective sands should make exploration and development for deep natural gas in St. Bernard Parish less expensive and faster to develop. Meanwhile, BLX's technical team believes that the potential natural gas reserves beneath the Company's fee simple lands could be as prolific as in the Highlander Area.

With the evolving and growing natural gas export industry in south Louisiana near the Company's fee simple lands, management is proactively working to identify opportunities on our fee simple property 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 Developed Producing (“PDP”) reserves and potential future value in the 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, 2025

(WITH INDEPENDENT AUDITORS' REPORT THEREON)



BILOXI MARSH LANDS CORPORATION

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INDEPENDENT AUDITORS' REPORT

To the Board of Managers of
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, 2025 and 2024, 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, 2025 and 2024, 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 the Company 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.

EisnerAmper LLP

EISNERAMPER LLP
Metairie, Louisiana
March 31, 2026



BILOXI MARSH LANDS CORPORATION**STATEMENTS OF ASSETS, LIABILITIES, AND STOCKHOLDERS' EQUITY****INCOME TAX BASIS****DECEMBER 31, 2025 AND 2024****ASSETS**

	<u>2025</u>	<u>2024</u>
Current assets:		
Cash and cash equivalents	\$ 1,826,751	\$ 2,579,896
Accounts receivable	18,736	2,148
Accrued interest receivable	9,537	9,580
Income tax receivable	43,575	43,829
Prepaid expenses	35,040	35,298
State income taxes receivable	8,264	26,429
Marketable debt securities - at cost, current portion	338,136	-
Other assets	3,830	3,830
	<u>2,283,869</u>	<u>2,701,010</u>
Membership interest in limited liability companies	-	678,673
Marketable debt and equity securities - at cost, net of current portion	3,358,644	4,285,453
Land - at cost	234,939	234,939
Levees and office furniture and equipment	294,307	267,141
Less: accumulated depreciation	(293,906)	(266,473)
	<u>\$ 5,877,853</u>	<u>\$ 7,900,743</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accrued expenses and other current liabilities	\$ 10,641	\$ 38,050
Membership interest in limited liability companies	1,621,652	957,159
	<u>1,632,293</u>	<u>995,209</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 2025 and 2024	47,520	47,520
Retained earnings	7,275,065	9,935,039
Treasury stock, 346,168 shares in 2025 and 2024, at cost	(3,077,025)	(3,077,025)
	<u>4,245,560</u>	<u>6,905,534</u>
Total liabilities and stockholders' equity	<u>\$ 5,877,853</u>	<u>\$ 7,900,743</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
Revenues and other (loss) income:		
(Loss) income from membership interest in limited liability companies	\$ (1,343,166)	\$ 122,660
Dividends and interest income	153,362	178,080
(Loss) gain on sale of securities	(355,549)	197,075
Other	24,600	333,504
Fee land income	75,499	81,642
	<u>(1,445,254)</u>	<u>912,961</u>
Total revenues and other (loss) income		
Expenses:		
Compensation and salaries	212,742	214,215
Association dues	3,792	3,791
Professional fees	255,663	208,289
Consultants	69,441	55,368
Depreciation	27,433	445
Directors' fees	32,000	34,500
Insurance	79,975	83,889
Surface patrolling and oversight	43,985	20,543
Other	35,232	25,921
Portfolio management	10,809	27,927
Taxes and licenses	82,897	84,753
Rent	36,103	26,628
Shareholder relations	11,519	13,539
	<u>901,591</u>	<u>799,808</u>
Total expenses		
Income tax expense	<u>-</u>	<u>8,641</u>
Net (loss) income - income tax basis	<u>\$ (2,346,845)</u>	<u>\$ 104,512</u>
Net (loss) income per share - income tax basis	\$ (0.94)	\$ 0.04

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, 2025 AND 2024**

	<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, 2023	2,851,196	\$ 47,520	(346,168)	\$ (3,077,025)	\$ 10,143,656	\$ 7,114,151
Net income - income tax basis	-	-	-	-	104,512	104,512
Dividends	-	-	-	-	(313,129)	(313,129)
Balance, December 31, 2024	2,851,196	\$ 47,520	(346,168)	\$ (3,077,025)	\$ 9,935,039	\$ 6,905,534
Net loss- income tax basis	-	-	-	-	(2,346,845)	(2,346,845)
Dividends	-	-	-	-	(313,129)	(313,129)
Balance, December 31, 2025	<u>2,851,196</u>	<u>\$ 47,520</u>	<u>(346,168)</u>	<u>\$ (3,077,025)</u>	<u>\$ 7,275,065</u>	<u>\$ 4,245,560</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, 2025 AND 2024**

	<u>2025</u>	<u>2024</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES:</u>		
Net (loss) income - income tax basis	\$ (2,346,845)	\$ 104,512
Adjustments to reconcile net (loss) income - income tax basis		
net cash used in operating activities:		
Depreciation	27,433	445
Loss (gain) on sale of securities	355,549	(197,075)
Loss (gain) from membership interest in limited liability companies	1,343,166	(122,660)
Change in operating assets and liabilities:		
Accounts and interest receivable	(16,545)	12,797
Prepaid expenses	258	13,386
Income taxes receivable	18,419	21,912
Accrued expenses	(27,409)	(45,594)
Net cash used in operating activities	<u>(645,974)</u>	<u>(212,277)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES:</u>		
Proceeds from the sale of securities	3,485,670	3,058,459
Purchase of securities	(3,252,546)	(2,373,412)
Purchase of furniture and equipment	(27,166)	-
Net cash provided by investing activities	<u>205,958</u>	<u>685,047</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES:</u>		
Dividends paid	(313,129)	(313,129)
Net cash used in financing activities	<u>(313,129)</u>	<u>(313,129)</u>
Net change in cash and cash equivalents	(753,145)	159,641
Cash and cash equivalents, beginning of year	<u>2,579,896</u>	<u>2,420,255</u>
Cash and cash equivalents, end of year	<u>\$ 1,826,751</u>	<u>\$ 2,579,896</u>
<u>SUPPLEMENTAL CASH FLOW INFORMATION:</u>		
Cash paid for income taxes	<u>\$ -</u>	<u>\$ 2,832</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 \$1,726,115 and \$2,292,383 of investment money market funds with an initial term of less than three months at December 31, 2025 and 2024, 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 \$27,433 and \$445 in 2025 or 2024, 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, an oil and gas exploration business. The carrying amount of the Company's membership interest in B&L Exploration was a liability of \$971,878 and \$957,159 at December 31, 2025 and 2024, 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 \$14,719 and \$18,188 flowed through to the Company in 2025 and 2024, respectively. The Company made no capital contributions in 2025 and 2024.

The Company also owns a 50% membership interest in B&L Resources, 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 a liability of \$649,774 and an asset of \$678,673 at December 31, 2025 and 2024, 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)

A net loss of \$1,328,447 and net income of \$140,848 flowed through to the Company in 2025 and 2024, respectively. The Company made no capital contributions in 2025 and 2024.

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 tax expense (benefit) represents the Company's estimate of current federal and state income taxes payable or receivable for the period. Differences between amounts reflected in the financial statements and amounts reported on the Company's income tax returns arise from timing differences permitted under federal and state tax law. These timing differences relate to the recognition of income, expenses, and credits in different tax periods and may affect the amount of income taxes payable in future periods.

Timing differences that result in future reductions of income taxes are evaluated based on their expected utilization under applicable tax law. The effect of changes in enacted tax rates or tax laws on such timing differences is reflected in the period in which the change is enacted.

Under the income tax basis of accounting, the Company does not record liabilities for uncertain tax positions until the related matters are agreed to and settled 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, 2025 and 2024 were as follows:

	<u>Cost basis</u>	<u>Gross unrealized gains</u>	<u>Gross unrealized losses</u>	<u>Fair value</u>
At December 31, 2025:				
Corporate bonds	\$ 926,193	\$ 17,334	\$ (4,483)	\$ 939,069
Equity securities	<u>2,770,562</u>	<u>524,255</u>	<u>-</u>	<u>3,294,817</u>
	<u>\$ 3,696,780</u>	<u>\$ 541,589</u>	<u>\$ (4,483)</u>	<u>\$ 4,233,886</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>

Maturities of corporate bonds were as follows at December 31, 2025:

	<u>Cost basis</u>	<u>Fair value</u>
Due within one year	\$ 338,136	\$ 338,909
Due after one through six years	<u>558,082</u>	<u>600,160</u>
	<u>\$ 926,218</u>	<u>\$ 939,069</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, 2025 and 2024 (on the income tax basis of accounting) is as follows:

	<u>2025</u>	<u>2024</u>
Financial position – income tax basis:		
Current assets	\$ 979,828	\$ 314,545
Mineral properties and equipment, net	<u>-</u>	<u>1,190</u>
Total assets	<u>\$ 979,828</u>	<u>\$ 315,735</u>
Total liabilities	\$ 742,002	\$ 58,284
Members' equity	<u>237,826</u>	<u>257,451</u>
Total liabilities and members' equity	<u>\$ 979,828</u>	<u>\$ 315,735</u>
Results of operations – income tax basis		
Revenues	\$ 1,200,000	\$ 1,200,000
Net loss	\$ (19,625)	\$ (24,250)

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 10, 2027. B&L Exploration had no outstanding borrowings under the revolving line of credit as of December 31, 2025 and 2024. As of December 31, 2025, 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, 2025 and December 31, 2024 (on the income tax basis of accounting) is as follows:

	<u>2025</u>	<u>2024</u>
Financial position – income tax basis:		
Current assets	\$ 322,020	\$ 1,397,223
Mineral properties and equipment, net	<u>285,187</u>	<u>359,743</u>
Total assets	\$ <u>607,207</u>	\$ <u>1,756,966</u>
Total liabilities	\$ 1,906,753	\$ 399,618
Members' (deficit) equity	<u>(1,299,546)</u>	<u>1,357,348</u>
Total liabilities and members' (deficit) equity	\$ <u>607,207</u>	\$ <u>1,756,966</u>
Results of operations – income tax basis		
Revenues	\$ 2,395,095	\$ 2,997,672
Net (loss) income	\$ (2,656,894)	\$ 281,697

The Company is also 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 10, 2027. B&L Resources had outstanding borrowings of \$1,370,000 and \$0 under the revolving line of credit as of December 31, 2025 and 2024. As of December 31, 2025, there are no indications that the Company will be required to perform under the terms of the guarantee.

Due to cumulative tax-basis losses and the Company's obligations to fund or guarantee certain activities of its investees, the carrying value of certain membership interests has resulted in a net liability position.

BILOXI MARSH LANDS CORPORATION

NOTES TO FINANCIAL STATEMENTS

INCOME TAX BASIS

(4) Income Taxes

Components of income tax expense are as follows:

	<u>2025</u>	<u>2024</u>
Federal	\$ -	\$ 8,442
State	-	199
Total income tax expense	<u>\$ -</u>	<u>\$ 8,641</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:

	<u>2025</u>			<u>2024</u>		
Statutory rate	\$ (492,837)	21.00	%	\$ 23,762	21.00	%
Percentage Depletion	-	-	%	29,578)	(26.10)	%
State Taxes	-	-	%	157	0.10	%
Effect of NOLs	418,710	(17.80)	%	20,318	18.00	%
Other	74,127	(3.20)	%	(6,018)	(5.40)	%
Effective tax rate	<u>\$ -</u>	<u>-</u>	<u>%</u>	<u>\$ 8,641</u>	<u>7.60</u>	<u>%</u>

Under the income tax basis of accounting, the Company does not record assets related to net operating loss (NOL) carryforwards. NOLs give rise to timing differences between the periods in which losses are generated and the periods in which the related tax benefits may be realized under applicable tax law. During 2025, the Company did not utilize any NOL carryforwards for federal or state income tax purposes.

As of December 31, 2025, the Company had federal and state NOL carryforwards of approximately \$5,800,886 and \$5,743,999, respectively. These timing differences may result in future reductions of income taxes payable and may be carried forward indefinitely, subject to limitations imposed by applicable income tax laws.

(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 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. On December 17, 2025, the board of directors declared a dividend of \$.10 per outstanding share of common stock payable on January 21, 2026 to the shareholders of record as of the close of business on January 2, 2026.

(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) 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.

(10) Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, March 31, 2026, 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.