

KEWEENAW

LAND ASSOCIATION, LIMITED



Second Quarter Report For the Period Ending June 30, 2017 Issue Date July 25, 2017

Highlights

Ayer and Hoffman Re-elected to the KLA Board of Directors
Net Loss of \$0.21 Per Share

Second Quarter Results:

Keweenaw Land Association, Limited announces Second Quarter 2017 Net Loss of \$0.21 per share compared to net loss of \$0.01 for the same period in 2016. Net Income (loss) per share, which is shown in the adjacent table, is in the EBITDA format (Earnings Before Interest, Taxes, Depreciation, and Amortization). Typically, lower earnings occur in the second quarter due to “spring break-up,” which limits log production.

Seasonal weight restrictions were lifted in mid May, and the company resumed logging operations. Even though the area experienced a higher level of rainfall in June, production was up nearly 4% over the same period of 2016.

In the second quarter, a total of 14,353 cd-eq were harvested. The product mix contained 31% sawtimber and 69% pulpwood

compared to 30% sawtimber and 70% pulpwood the same period last year.

The company sold logs totaling \$1,671,018 compared to \$1,777,995 in 2016, a 6% decrease from last year. Keweenaw realized a lower gross margin of 28%

compared to 32% in 2016. Lower pricing in both sawtimber and pulpwood due to reduced demand

contributed to a reduction in Gross Margin compared to the same period in 2016.

	Earnings p/Share (EBITDA)	
	2nd Qtr 17	2nd Qtr 16
Timber Operations Income	\$ 0.01	\$ 0.11
Capital Gains-Sale of Land	0.09	0.02
Capital Gains-Investments	-	-
Other Income	0.08	0.09
Other Expenses	(0.17)	(0.14)
Interest & Depreciation	(0.19)	(0.09)
Income Taxes	(0.03)	-
	<u>\$ (0.21)</u>	<u>\$ (0.01)</u>

2 nd Qtr Production Statistics	2017	Mix%	2016	Mix%
Total Harvest Volume (cd-eq)	14,353	100.0	13,809	100.0
Sawtimber (mbf)	2,004	30.7	1,883	30.0
Pulpwood (cords)	9,944	69.3	9,666	70.0

2 nd Qtr Gross Margin	2017	%	2016	%
EBITDA				
Log Sales	\$1,671,018	100.0	\$1,777,995	100.0
Expenses (COGS)	1,200,290	71.9	1,203,438	67.7
Timber Opns Gross Margin	470,728	28.1	574,557	32.3

Sawtimber realization for the quarter was \$362 per mbf compared to \$416 in 2016, primarily driven by lower pricing and a higher concentration of sawbolt material. Pulpwood pricing was \$97 per cd-eq, down approximately 7% from the \$104 per cord realized in the second quarter last year. On a year-to-date comparison, the overall sawtimber realization was \$365 per mbf compared to \$429 per mbf in 2016.

Gross Margin in EBITDA format was \$35 per cd-eq for the quarter, down \$7 per unit, compared to \$42 per cd-eq the same period last year. Lower pricing in both sawtimber and pulpwood

contributed to a \$10 per cd-eq drop in price realization. Cost of Goods Sold for the period was \$84 per unit compared to \$87 last year. The reduction in cost was mainly attributed to a reduction in contracted logging rates. As summer logging moves ahead, a higher value product mix with more sawtimber is expected.

2 nd Qtr Sales (p/cd-eq) EBITDA	2017	2016
Average Price Realization	\$119	\$129
Cost of Goods Sold	84	87
Gross Margin	35	42

As the company moves into the second half of 2017, markets for veneer and sawlogs are expected to hold steady. We also expect pricing for pulpwood to remain constant as mills experienced a reduction in inventory due to wet weather during the month of June.

Land Purchases/Sales:

During the second quarter, Keweenaw purchased 160 acres of well-stocked timberland in Houghton County for \$176,000, or \$1,100 per acre. This property is located near our existing ownership and has merchantable timber ready for immediate harvest.

In June, the company sold 37 acres of non-strategic property in Gogebic County for \$115,000 resulting in a capital gain of \$112,153. There were no residential lot sales during the quarter.

Minerals:

Highland Copper Company Inc. (TSXV: HI) (the "company") announced that on April 6, 2017, drilling at the Copperwood Project was suspended due to an early onset of thawing and deteriorating ground conditions alongside County Road 519 in Gogebic County. At this site, drilling caused ground erosion, which is being restored by the company supported by reputable environmental consultants. At the time that drilling was suspended, 22 drill holes and 4,600 meters had been completed, with one hole temporarily abandoned. All of the drilling at the western section of the Copperwood deposit was completed. Assay samples have been sent to Activation Laboratories in Thunder Bay, Ontario, for analysis and results will be released in due course. All samples for geotechnical testing have been shipped to specialized laboratories. The company expects to complete the suspended drilling program once ground conditions improve and it receives all required permits from the Michigan Department of Environmental Quality.

In addition, the company engaged G Mining Services Inc. as lead consultant for the preparation of an update to the Feasibility Study ("FS Update") on the Copperwood Project that had been completed in 2012. Other professional services firms will be engaged over time for their expertise in specified areas. The objectives of the FS Update are to incorporate additional resources and reserves not included in the 2012 Copperwood feasibility study prepared by the previous owner, to explore alternative mining methods to determine the method that will generate the most value for the project (including the Caterpillar continuous mining Rock Straight System), to update the infrastructure engineering, and to produce an optimized flowsheet to maximize ore recoveries. The FS Update, which is the company's main priority, is expected to be completed by the end of June 2018. Investors can find additional information on Highland's website, www.highlandcopper.com.

Michigan Wood Product Exports to Canada:

Much attention has been given to the decision by the U.S. Commerce Department in April to impose countervailing tariffs on Canadian softwood lumber exports to the U.S. However, Canada remains a vital export market for the U.S. with regards to wood products. For Michigan, they are by far the largest international export destination for value-added wood and paper products.

Recently published trade data illustrates the importance of our trading partner to the north in terms of total value of exports. In 2016, 53% of Michigan's wood products were exported to Canada. Contrast that with China where exports of Michigan's wood products amount to only 12%.

Value of Michigan Exports by Country - 2016 (\$ in millions)		
Country	Paper NAICS 322	Wood Products NAICS 321
World	\$321.9	\$161.4
Canada	\$180.6	\$74.2
Mexico	\$57.2	\$5.0
China	\$26.8	\$32.3

The attention the softwood lumber trade dispute receives tends to overshadow the importance trade with Canada has on Michigan's forest products industry.

Source: Foreign Trade Division, U.S. Census Bureau

Shareholder Relations & Administrative:

At the Annual Meeting of Keweenaw Shareholders held Monday, May 8, 2017, in Ironwood, Michigan, David Ayer and Donald J. Hoffman were re-elected to the Board of Directors for three-year terms. Keweenaw shareholders also approved Anderson, Tackman & Company as the company's auditors for 2017. No other proposals were brought to the shareholders for consideration this year. Over 85% of outstanding shares were represented in this year's voting.

The company, through the direction of a special committee (chaired by Jan Loeb) with the assistance of Stifel, continues to consider strategic alternatives and explore ways to create value for all of its shareholders. This comprehensive review began in December 2016 and has no stated timeframe for completion. As of June 30, 2017, approximately \$212,000 in related expenses to the strategic process has been paid. The Board remains committed to exploring all opportunities and will provide updates on this process in the event of any material developments.

Keweenaw's common shares traded in a range from \$97.26 to \$109.48 per share during the second quarter with an ending price of \$105.00. A total of 28,527 shares were traded representing approximately 2% of outstanding shares. This compares to 12,212 shares traded during the same period in 2016, around 1% of outstanding shares. Keweenaw's shares trade in the OTC Pink using the symbol KEWL.

To contact Keweenaw, call (906) 932-3410 or use our toll-free line (877) 539-3362. You may also reach us by e-mail at investors@keweenaw.com. Keweenaw's quarterly letters and latest annual report, along with archived reports from previous years, are posted on the company's web page.

Sincerely,



David Ayer, Chairman



Brian D. Glodowski, President/CEO

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
June 30, 2017

ASSETS	Jun 30, 2017	Jun 30, 2016	% Chg
Current Assets			
Cash & Cash Equivalents	\$2,696,264	\$2,768,758	-3%
Accounts Receivable	357,221	600,054	
Investments in Government Obligations	0	0	
Other Current Assets	557,163	563,952	
Total Current Assets	3,610,648	3,932,764	-8%
Investments in Marketable Securities	3,351,794	3,055,227	10%
Other Non-Current Assets	520,019	449,091	
Equipment	1,206,911	973,663	24%
Properties	30,664,446	17,102,357	79%
TOTAL ASSETS	\$39,353,818	\$25,513,102	54%
LIABILITIES & CAPITAL			
Current Liabilities			
Accounts & Deposits Payable	\$53,278	\$101,983	
Commercial Lines of Credit/Other Debt	0	240,000	
Other Accrued Liabilities	469,876	377,690	
Total Current Liabilities	523,154	719,673	-27%
Non-Current Liabilities			
Long-Term Debt	17,700,000	4,080,000	
Deferred Federal Income Tax Liability	1,082,424	932,263	
Total Non-Current Liabilities	18,782,424	5,012,263	
Total Liabilities	19,305,578	5,731,936	237%
Capital			
Common Stock Issued ⁽¹⁾	85,021	84,916	
Accum. Other Comprehensive Income	1,441,276	1,353,429	
Retained Earnings	18,521,943	18,342,821	
Total Capital	20,048,240	19,781,166	1%
TOTAL LIABILITIES & CAPITAL	\$39,353,818	\$25,513,102	54%
Capital Per Common Share	\$15.42	\$15.23	

⁽¹⁾1,300,174 no par value common shares are issued and outstanding on Jun. 30, 2017. 1,298,568 shares were outstanding on Jun. 30, 2016. 10,000,000 shares are authorized.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Cash Flows Ending June 30, 2017

	Jun 30, 2017	Dec 31, 2016
Net Income	(\$438,497)	\$698,682
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depletion and Depreciation	222,878	360,422
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	10,453	57,072
Decrease (Increase) in Prepaid Expenses	31,697	(164,268)
Decrease (Increase) in Inventory	(830)	(30,947)
Increase (Decrease) in Deposits/Accts Pybl	(6,100)	30,524
Increase (Decrease) in Deferred/Income Taxes	63,276	69,970
Increase (Decrease) in Accrued Liabilities	(100,239)	18,427
(Gain) Loss on Sale of Securities	0	(132,062)
(Gain) Loss on Sale/Retirement of Equipment	0	(3,485)
(Gain) Loss on Sale of Land	(112,153)	(93,175)
Net Cash Flows Provided by Operating Activities	(329,515)	811,160
Net Purchases of Property and Equipment	(348,772)	(111,766)
Purchases of Securities	0	(175,976)
Proceeds from Sale of Securities	0	144,572
Road Construction	(1,877)	(176,272)
Purchases of Land	(12,977,180)	(714,850)
Proceeds from Land Sales	114,450	68,959
Lot Development	0	40,738
Net Cash Flows Provided by (Used for) Investing Activities	(13,213,379)	(924,595)
Issuance (Purchase) of Stock	121,080	125,045
Commercial Installment Loan Borrowing	12,700,000	5,000,000
Commercial Installment Loan Payments	0	(4,320,000)
Net Cash Flows Provided by (Used for) Financing Activities	12,821,080	805,045
NET CASH FLOW	(721,814)	691,610
Beginning Cash and Cash Equivalents	3,418,078	2,726,468
ENDING CASH AND CASH EQUIVALENTS	\$2,696,264	\$3,418,078

KEWEENAW LAND ASSOCIATION, LIMITED
EBITDA Consolidated Statement of Income and Expense (Unaudited)
June 30, 2017

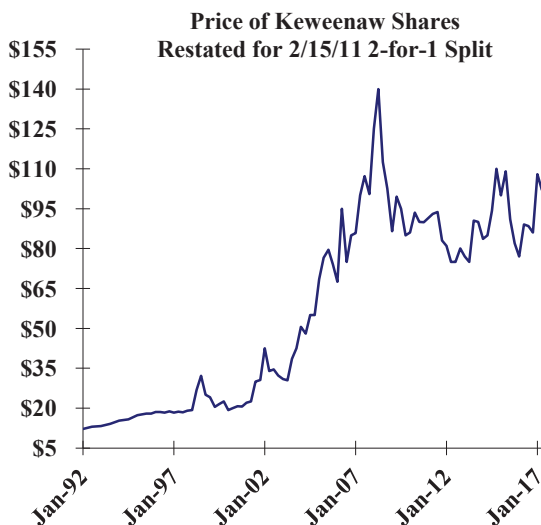
INCOME	2nd Quarter			Year-to-Date		
	2017	2016	% Chg	2017	2016	% Chg
Timber Operations:						
Timber Sales	\$1,671,018	\$1,777,995		\$4,616,627	\$4,991,125	
Cost of Sales	1,200,290	1,203,438		3,329,794	3,299,197	
Gross Margin on Timber Sales	470,728	574,557	-18%	1,286,833	1,691,928	-24%
Forestry, Management & General Administration	456,080	434,191		956,454	903,807	
Timber Operations Income (EBITDA)	14,648	140,366	-90%	330,379	788,121	-58%
Real Estate Development						
Developed Lot Sales	0	0		0	45,000	
Development Costs	0	0		0	41,696	
Gross Margin on Developed Lot Sales	0	0		0	3,304	
Total Operations Income	14,648	140,366	-90%	330,379	791,425	-58%
Other Income						
Mineral Royalties	511	3,018		4,621	3,074	
Lease and Rental Income	28,161	37,531		45,377	46,310	
Investment Earnings	57,335	61,349		64,784	67,516	
Profit (Loss) on Security Sales	0	0		0	0	
Land Sales	112,153	23,933		112,153	47,461	
Other	21,235	20,874		89,756	67,609	
Total Other Income	219,395	146,705	50%	316,691	231,970	37%
Other Land & Board Expense	227,353	179,110	27%	587,095	423,076	39%
EBITDA	6,690	107,961	-94%	59,975	600,319	-90%
Interest Expense	120,741	43,680		192,477	87,840	
Depletion, Depreciation, and Amortization	120,814	72,319		235,180	169,704	
Earnings Before Income Taxes	(234,865)	(8,038)	**	(367,682)	342,775	**
Provision for Federal & State Income Taxes	39,095	5,015		70,815	105,196	
Net Income (Loss)	(273,960)	(13,053)	**	(438,497)	237,579	**
Other Comprehensive Income, Net of Tax						
Unrealized Gains (Losses) on Securities						
During the Period	166,354	79,853		268,346	124,989	
Less: Reclassification Adj For Gains						
Included in Net Income	0	0		0	0	
Other Comprehensive Income	166,354	79,853		268,346	124,989	
Comprehensive Income	(\$107,606)	\$66,800	**	(\$170,151)	\$362,568	**
Per Share Net Income	(\$0.21)	(\$0.01)		(\$0.34)	\$0.18	
Per Share Comprehensive Income	(\$0.08)	\$0.05		(\$0.13)	\$0.28	

Based on Weighted Average Shares Outstanding

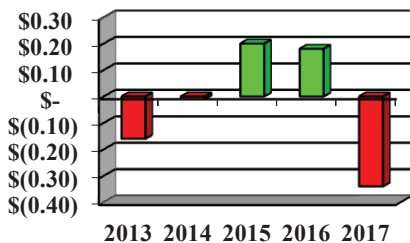
** Percentage Change is not provided if either the latest period or year-ago period contains a net loss.

CONSOLIDATED FINANCIAL HIGHLIGHTS

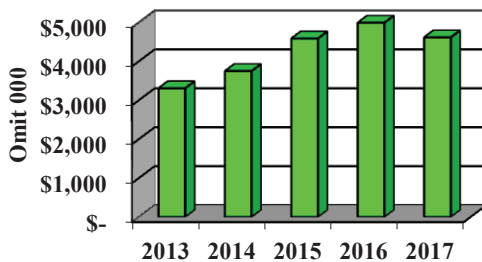
For the Quarter	2017		2016	
	2nd Qtr	YTD	2nd Qtr	YTD
Receipts	\$1,890	\$4,933	\$1,925	\$5,244
Net Income (Loss)	(274)	(438)	(13)	238
Comprehensive Income	(108)	(170)	67	363
Capital Employed	37,748	37,748	24,101	24,101
*Dollar amounts in thousands				
Per Common Share				
Net Income (Loss)	(\$0.21)	(\$0.34)	(\$0.01)	\$0.18
Comprehensive Income	(0.08)	(0.13)	0.05	0.28
Statistics				
Return on Capital Emp	-2.9%	-2.3%	-0.2%	2.0%
Avg Shares Outstanding	1,300,174	1,300,174	1,298,568	1,298,568
Curr Shares Outstanding	1,300,174	1,300,174	1,298,568	1,298,568



Keweenaw Earnings Per Share
Year-to-Date Comparison
Post 2-for-1 Split



Keweenaw Log Sales
Year-to-Date Comparison



SHAREHOLDER INFORMATION

Second Quarter 2017 Highlights:

High: \$109.48, Low: \$97.26, Last: \$105.00

Source: OTC Markets Group, Inc.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

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Keweenaw's quarterly reports and latest annual report, along with archived reports from previous years, are posted on the company's web page.

Transfer Agent:

Wells Fargo Shareowner Services

PO Box 64854

South St Paul MN 55164-0854

(800) 689-8788 or (651) 450-4002

Stock Exchange Information:

Keweenaw's common stock trades under "KEWL" in the Pink Sheets.

Glossary:

Board Foot (BF) – a measurement of sawtimber 12 inches x 12 inches x one inch. When used in conjunction with sawtimber or logs, a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs. **Cord Equivalent** – a measurement of logs in cords including logs converted in measurement from other measurement methods. For example, one thousand board feet (MBF) equals approximately 2.2 cords. **Cord** – a measurement of logs containing 128 cubic feet. **MBF** – a thousand board feet. **Production Mix** – the ratio of a category of production to total production. **Pulpwood**- logs cut primarily to be converted to wood pulp for the manufacture of paper and other wood fiber products. **Sawbolt** – a lower grade or smaller size sawlog typically sawn for the manufacture of pallets or other coarse wood products. **Sawlogs** - a higher grade or larger size sawtimber sawn for the manufacture of furniture grade lumber, flooring lumber, or other high quality wood products. **Sawtimber** – a category of logs suitable for veneer, sawlogs, or sawbolts. **Veneer** – a category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture, and cabinetry veneer.