



Fourth Quarter Report
For the Period Ending December 31, 2017
Issue Date February 6, 2018

Highlights

Keweenaw Explores REIT Conversion In 2018
Fourth Quarter Earnings of \$0.71 Per Share
Full-year Earnings of \$0.44 Per Share

We continued to make solid progress in our business this year. 2017 was a record year for the Company in terms of timber harvest levels. In addition, utilizing a third-party appraiser, we completed a comprehensive timber cruise, the first in the history of our business, indicating that we have substantially higher standing timber volumes than previously estimated. As a result, we are well-positioned to materially increase future annual harvests. While macroeconomic factors drive pricing, we drive volumes.

In addition, and very importantly, the Special Committee and the Board completed its strategic review process, determining that the Company should command a higher price than reflected in the indications from the parties engaged in the sale process. Accordingly, we have directed our advisor to suspend the sale process. We are now deeply engaged in strategic initiatives that are designed to increase cash flows and better position the Company for the future.

Ultimately, we are confident that we have in place an attractive asset base and a robust strategic plan that should generate positive real growth and long-term shareholder value.

Fourth Quarter Results:

Keweenaw Land Association, Limited announces Fourth Quarter 2017 Net Income of \$0.71 per share compared to \$0.18 for the same period in 2016.

In the final three months of 2017, a total of 26,447 cd-eq were harvested compared to 24,966 cd-eq produced in the same period last year. The product mix in the fourth

| | Earnings per Share | |
|----------------------------|--------------------|----------------|
| | 4th Qtr 17 | 4th Qtr 16 |
| Timber Operations Income | \$ 0.31 | \$ 0.37 |
| Capital Gains-Sale of Land | 0.04 | 0.03 |
| Capital Gains-Investments | 0.61 | 0.10 |
| Other Income | 0.17 | 0.09 |
| Other Expenses | (0.39) | (0.23) |
| Interest & Depreciation | (0.17) | (0.11) |
| Income Taxes | 0.14 | (0.07) |
| | <u>\$ 0.71</u> | <u>\$ 0.18</u> |

quarter contained 29% sawtimber and 71% pulpwood compared to 27% sawtimber and 73% pulpwood in 2016. The winter logging season began with mixed signals from nature with significant snowfall

| 4 th Qtr Production Statistics | 2017 | Mix% | 2016 | Mix% |
|---|--------|-------|--------|-------|
| Total Harvest Volume (cd-eq) | 26,447 | 100.0 | 24,966 | 100.0 |
| Sawtimber (mbf) | 3,479 | 28.9 | 3,111 | 27.4 |
| Pulpwood (cords) | 18,794 | 71.1 | 18,122 | 72.6 |

in October followed by warmer weather in the first half of November. By December, the area experienced some of the coldest temperatures in many years allowing for early freeze-in of primary and secondary roads to transport heavy logging equipment and trucks.

In the final three months of 2017, the Company sold logs totaling \$3,375,908 compared to \$3,153,097 in the same period in 2016. This represented a 7% increase in timber sales. However, sawtimber realization for the quarter was lower, \$405 per mbf compared to \$434 in 2016, due to a higher concentration of boltwood.

| 4 th Qtr Gross Margin EBITDA | 2017 | % | 2016 | % |
|---|-------------|-------|-------------|-------|
| Log Sales | \$3,375,908 | 100.0 | \$3,153,097 | 100.0 |
| Expenses (COGS) | (2,309,886) | 68.5 | (2,104,416) | 66.7 |
| Timber Opns Gross Margin | 1,066,022 | 31.5 | 1,048,681 | 33.3 |

Pulpwood realization was up 5% averaging \$104 per cd-eq versus \$99 in the fourth quarter last year. On a full year-to-date comparison, the overall sawtimber realization for 2017 and 2016 was \$391 and \$435 per mbf respectively.

Keweenaw realized a 32% gross margin during the quarter, comparable to the 33% realized in the same period in 2016. Gross Margin on a per cd-eq basis (EBITDA) was \$40 per cd-eq, a 5% decrease from the \$42 per cd-eq realized in the same period last year due in part to longer destinations,

| 4 th Qtr Sales (p/cd-eq) EBITDA | 2017 | 2016 |
|--|-------|-------|
| Average Price Realization | \$127 | \$126 |
| Less: Cost of Goods Sold | (87) | (84) |
| Gross Margin | 40 | 42 |

which increased freight costs by \$2 per cd-eq. Cost of Goods Sold was \$87 per unit compared to \$84 per unit last year.

In the fourth quarter, Timber Operations Income on an EBITDA basis was \$396,773, an 18% decrease from the \$482,616 realized in 2016. Timber Operations

| Timber Operations Income (EBITDA) | 4 th Qtr 2017 | Full Year 2017 | 4 th Qtr 2016 | Full Year 2016 |
|-----------------------------------|--------------------------|----------------|--------------------------|----------------|
| Log Sales | \$3,375,908 | \$11,488,785 | \$3,153,097 | \$10,911,462 |
| Total Expenses | (2,979,135) | (10,209,673) | (2,670,481) | (9,182,223) |
| Timber Operations Income | \$396,773 | \$1,279,112 | \$482,616 | \$1,729,239 |

Income for the full year was \$1,279,112, compared to \$1,729,239 realized in 2016, down approximately \$450,000, a decrease of 26%.

During 2017, overall demand for sawtimber and pulpwood stabilized after experiencing price decreases, which began in late 2015 and carried into early 2017. As the Company pushes ahead into the first quarter of 2018, demand for pulpwood is expected to rise slightly, and prices for pulpwood are expected to stabilize as the economy continues to improve. Inventory levels at the pulp mills remain a factor to consider and can quickly change based on harvest production. Keweenaw is able to minimize the effect of strict inventory quotas by maintaining a diversified customer base and positioning itself as a dependable supplier of raw forest products to the market.

Timberfund:

In the current quarter, the Company recognized a write-off of \$297,226 related to expenses incurred in investigating the feasibility of establishing a timberland investment fund. The expenses were incurred from August of 2010 to December 2012 and were primarily consulting and investment advisor fees.

Land Transactions/Other Income:

During the quarter, Keweenaw purchased 2,784 acres in Gogebic County from GMO for \$2.23 million, or approximately \$800 per acre. The property consists of 96% productive timberland that will provide immediate timber income over the next five years. In addition, the property provides legal and insurable access to approximately 5,000 acres of KLA timberland and improves practical access to 2,000 acres of Company land. This acquisition was financed through \$1 million of borrowing and the balance of existing cash. Also, Keweenaw recognized the sale of a 37-acre parcel of non-strategic land in Dickinson County resulting in a capital gain of \$49,291 after expenses.

In addition, the Company realized a total of \$796,222 in capital gains on the sale of securities from its investment portfolio. As of December 31, 2017, there was approximately \$1.45 million in unrealized gains.

Minerals:

Highland Copper Company Inc. (TSXV: HI) issued seven press releases during the quarter providing updates on the Copperwood Project and the acquisition of the White Pine Project scheduled to close on February 28, 2018. In addition, a feasibility study on Copperwood is expected to be completed in the second quarter of 2018. Any additional information and prior press releases can be found on Highland's website, www.highlandcopper.com.

Strategic Review Process:

On October 19, 2017, the Company provided an update to the shareholders regarding the results of a strategic review process. As indicated in the press release, the Special Committee hired Stifel, a highly-qualified investment bank, to seek proposals for the sale of the Company. After careful considerations, the Special Committee and the Board determined that the proposals received did not reflect the true value of the Company.

Accordingly, the Company directed Stifel to suspend the sales process and commenced implementation of additional elements of its strategic plan designed to create long-term

shareholder value. This included taking steps to convert to a REIT effective for the 2018 tax year, reviewing the Company's cost structure, identifying land for potential conservation easements, and monetizing non-core assets. No assurance can be made as to whether some or all of these initiatives will be successful.

The Company completed a comprehensive timber cruise using Compass Land Consulting LLC, which indicated higher standing volumes than previously estimated. Excluding acquisitions, total standing timber volume was approximately 25% higher than current internal forest growth and yield models were projecting. One of the primary factors behind this difference is the comparison of two entirely different forest inventory methodologies designed to be used. The recent cruise was designed to provide a summary of volume at the property level for a specific point in time, while the internal inventory model was used primarily as a planning tool to estimate timber growth net of harvest and mortality at the stand level over long periods of time. As such, any direct comparisons are limited to the impact forest management activities have on growth rates. In this case, the new cruise appears to indicate higher growth rates than forecast, which is clearly good news for the Company.

Shareholder Relations & Administrative:

Keweenaw's common shares traded in a range of \$91.60 to \$102.00 per share during the fourth quarter with an ending price of \$99.00. A total of 37,555 shares traded representing less than 3% of outstanding shares. This compares to 32,793 shares traded during the same period in 2016, also less than 3% of outstanding shares. Keweenaw's shares trade in the OTC Pink using the symbol KEWL.

A change in Generally Accepted Accounting Principles (GAAP) will no longer allow for loan acquisitions fees to be presented as an asset. Instead, they are to be shown as a contra account to the debt. Each year instead of amortization expense, the amount recognized should be considered interest expense and not amortization expenses. This does not change net income, but instead reduces amortization expense and increases interest expense. A total of \$210,701 was removed as an asset and applied as a debit to the loan-term loan payable. Amortization expense was reduced by \$24,394 and interest expense increased by the same amount.

Another GAAP adjustment for the quarter came as a result of the "Tax Cut and Jobs Act" of 2017, reducing the corporate tax rate from 35 percent to 21 percent. The Company recorded \$279,972 of income tax benefit in the Fourth Quarter. The Balance Sheet is shown to reflect the early adoption of the Federal Accounting Standards Board (FASB) one-time reclassification from Retained Earnings to Accumulated Other Comprehensive Income due to the Act. The amount reclassified was \$188,848.

This report contains some forward-looking statements. These forward-looking statements are subject to a number of risks and should not be relied upon as predictions of future events or promises of a given course of action. A number of factors such as land use, environmental and other governmental regulations, risk of loss from fires, floods and windstorms, and other natural disasters could cause actual results to differ materially from those described in the forward-looking statements. As with any investment, past performance is not a guarantee of future results.

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,

Handwritten signature of David Ayer in cursive script.

David Ayer, Chairman

Handwritten signature of Brian D. Glodowski in cursive script.

Brian D. Glodowski, President/CEO

KEWEENAW LAND ASSOCIATION, LIMITED
EBITDA Consolidated Statement of Income and Expense (Unaudited)
December 31, 2017

| INCOME | 4th Quarter | | | Year-to-Date | | |
|---|------------------|------------------|--------------|------------------|------------------|-------------|
| | 2017 | 2016 | % Chg | 2017 | 2016 | % Chg |
| Timber Operations: | | | | | | |
| Timber Sales | \$3,375,908 | \$3,153,097 | | 11,488,785 | \$10,911,462 | |
| Cost of Sales | 2,309,886 | 2,104,416 | | 8,056,172 | 7,291,794 | |
| Gross Margin on Timber Sales | 1,066,022 | 1,048,681 | 2% | 3,432,613 | 3,619,668 | -5% |
| Forestry, Management & General Administration | 669,249 | 566,065 | | 2,153,501 | 1,890,429 | |
| Timber Operations Income (EBITDA) | 396,773 | 482,616 | -18% | 1,279,112 | 1,729,239 | -26% |
| 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 | 396,773 | 482,616 | -18% | 1,279,112 | 1,732,543 | -26% |
| Other Income | | | | | | |
| Mineral Royalties | 110,306 | 6,259 | | 120,308 | 21,011 | |
| Lease and Rental Income | 31,253 | 30,000 | | 167,657 | 145,170 | |
| Investment Earnings | 21,883 | 11,605 | | 98,011 | 88,999 | |
| Profit (Loss) on Security Sales | 796,222 | 132,062 | | 796,222 | 132,062 | |
| Land Sales | 49,291 | 43,384 | | 161,444 | 89,872 | |
| Other | 56,222 | 70,636 | | 202,563 | 194,198 | |
| Total Other Income | 1,065,177 | 293,946 | 262% | 1,546,205 | 671,312 | 130% |
| Other Land & Board Expense | 500,930 | 304,276 | 65% | 1,374,531 | 871,671 | 58% |
| EBITDA | 961,020 | 472,286 | 103% | 1,450,786 | 1,532,184 | -5% |
| Interest Expense | 157,275 | 43,685 | | 475,541 | 175,685 | |
| Depletion, Depreciation, and Amortization | 65,169 | 103,825 | | 493,269 | 364,834 | |
| Earnings Before Income Taxes | 738,576 | 324,776 | 127% | 481,976 | 991,665 | -51% |
| Provision for Federal & State Income Taxes | (187,847) | 95,291 | | (85,643) | 292,983 | |
| Net Income (Loss) | \$926,423 | \$229,485 | 304% | \$567,619 | \$698,682 | -19% |
| Other Comprehensive Income, Net of Tax | | | | | | |
| Unrealized Gains (Losses) on Securities | | | | | | |
| During the Period | 57,503 | (130,390) | | 311,341 | 31,652 | |
| Less: Reclassification Adj For Gains | | | | | | |
| Included in Net Income | (525,507) | (87,161) | | (525,507) | (87,161) | |
| Other Comprehensive Income | (468,004) | (217,551) | | (214,166) | (55,509) | |
| Comprehensive Income | \$458,419 | \$11,934 | 3741% | \$353,453 | \$643,173 | -45% |
| Per Share Net Income | \$0.71 | \$0.18 | | \$0.44 | \$0.54 | |
| Per Share Comprehensive Income | \$0.35 | \$0.01 | | \$0.27 | \$0.50 | |

Based on Weighted Average Shares Outstanding

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

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited) - December 31, 2017

| | <u>Dec 31, 2017</u> | <u>Dec 31, 2016</u> | <u>% Chg</u> |
|---------------------------------------|---------------------|---------------------|--------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & Cash Equivalents | \$2,906,698 | \$3,418,078 | -15% |
| Accounts Receivable | 717,482 | 367,674 | |
| Investments in Government Obligations | 0 | 0 | |
| Other Current Assets | 427,878 | 575,728 | |
| Total Current Assets | 4,052,058 | 4,361,480 | -7% |
| Investments in Marketable Securities | 2,558,166 | 2,945,210 | -13% |
| Other Non-Current Assets | 0 | 532,321 | |
| Equipment | 1,288,141 | 921,303 | 40% |
| Properties | 32,713,672 | 17,847,399 | 83% |
| TOTAL ASSETS | \$40,612,037 | \$26,607,713 | 53% |
| LIABILITIES & CAPITAL | | | |
| Current Liabilities | | | |
| Accounts & Deposits Payable | \$51,177 | \$59,378 | |
| Lines of Credit/Other Short-term Debt | 0 | 0 | |
| Other Accrued Liabilities | 892,109 | 570,114 | |
| Total Current Liabilities | 943,286 | 629,492 | 50% |
| Non-Current Liabilities | | | |
| Long Term Debt | 18,489,299 | 5,000,000 | |
| Deferred Federal Income Tax Liability | 589,727 | 880,910 | |
| Total Non-Current Liabilities | 19,079,026 | 5,880,910 | |
| Total Liabilities | 20,022,312 | 6,510,402 | 208% |
| Capital | | | |
| Common Stock Issued ⁽¹⁾ | 85,032 | 84,943 | |
| Accum. Other Comprehensive Income | 1,147,613 | 1,172,930 | |
| Retained Earnings | 19,357,080 | 18,839,438 | |
| Total Capital | 20,589,725 | 20,097,311 | 2% |
| TOTAL LIABILITES & CAPITAL | \$40,612,037 | \$26,607,713 | 53% |
| Capital Per Common Share | \$15.83 | \$15.47 | |

⁽¹⁾1,300,350 no par value common shares are issued and outstanding on Dec. 31, 2017. 1,298,974 shares were outstanding on Dec. 31, 2016. 10,000,000 shares are authorized.

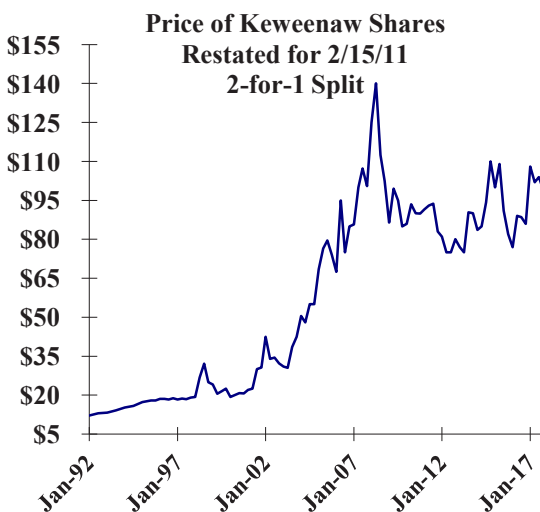
KEWEENAW LAND ASSOCIATION, LIMITED

Consolidated Statement of Cash Flows Ending December 31, 2017

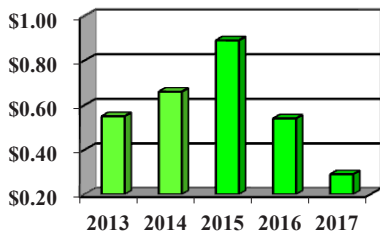
| | Dec 31, 2017 | Dec 31, 2016 |
|---|---------------------|--------------|
| Net Income | \$567,619 | \$698,682 |
| Adjustments to Reconcile Net Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Depletion and Depreciation | 493,269 | 360,422 |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (Increase) in Accounts Receivable | (349,808) | 57,072 |
| Decrease (Increase) in Prepaid Expenses | 710,099 | (164,268) |
| Decrease (Increase) in Inventory | (29,928) | (30,947) |
| Increase (Decrease) in Deposits/Accts Pybl | (8,200) | 30,524 |
| Increase (Decrease) in Deferred/Income | | |
| Taxes | (125,544) | 69,970 |
| Increase (Decrease) in Accrued Liabilities | 266,683 | 18,427 |
| (Gain) Loss on Sale of Securities | (796,221) | (132,062) |
| (Gain) Loss on Sale/Retirement of Equipment | 0 | (3,485) |
| (Gain) Loss on Sale of Land | (161,444) | (93,175) |
| Net Cash Flows Provided by Operating Activities | 566,525 | 811,160 |
| Net Purchases of Property and Equipment | (497,082) | (111,766) |
| Purchases of Securities | 0 | (175,976) |
| Proceeds from Sale of Securities | 858,772 | 144,572 |
| Road Construction | (19,120) | (176,272) |
| Purchases of Land | (15,214,114) | (714,850) |
| Proceeds from Land Sales | 165,379 | 68,959 |
| Lot Development | 0 | 40,738 |
| Net Cash Flows Provided by (Used for) Investing Activities | (14,706,165) | (924,595) |
| Issuance (Purchase) of Stock | 138,961 | 125,045 |
| Commercial Installment Loan Borrowing | 13,700,000 | 5,000,000 |
| Commercial Installment Loan Payments | (210,701) | (4,320,000) |
| Net Cash Flows Provided by (Used for) Financing Activities | 13,628,260 | 805,045 |
| NET CASH FLOW | (511,380) | 691,610 |
| Beginning Cash and Cash Equivalents | 3,418,078 | 2,726,468 |
| ENDING CASH AND CASH EQUIVALENTS | \$2,906,698 | \$3,418,078 |

CONSOLIDATED FINANCIAL HIGHLIGHTS

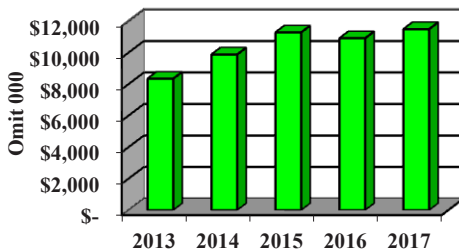
| For the Quarter | 2017 | | 2016 | |
|------------------------------|-----------|-----------|-----------|-----------|
| | 4th Qtr | YTD | 4th Qtr | YTD |
| Receipts | \$4,441 | \$13,035 | \$3,447 | \$11,604 |
| Net Income (Loss) | 926 | 568 | 229 | 699 |
| Comprehensive Income | 458 | 353 | 12 | 643 |
| Capital Employed | 39,079 | 39,079 | 25,097 | 25,097 |
| *Dollar amounts in thousands | | | | |
| Per Common Share | | | | |
| Net Income (Loss) | \$0.71 | \$0.44 | \$0.18 | \$0.54 |
| Comprehensive Income | 0.35 | 0.27 | 0.01 | 0.50 |
| Statistics | | | | |
| Return on Capital Emp | 9.5% | 1.5% | 3.6% | 2.8% |
| Avg Shares Outstanding | 1,300,233 | 1,300,189 | 1,298,703 | 1,298,602 |
| Curr Shares Outstanding | 1,300,350 | 1,300,350 | 1,298,974 | 1,298,974 |



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



Keweenaw Log Sales
Year-to-Date Comparison



SHAREHOLDER INFORMATION

Fourth Quarter 2017 Share Highlights:

High: \$102.00, Low: \$91.60, Last: \$99.00

Source: OTC Markets Group, Inc.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

Keweenaw Land Association, Limited

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Ironwood MI 49938

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Email: investors@keweenaw.com

Web Page: www.keweenaw.com

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 (bd ft) – 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.