



### First Quarter Report For the Period Ending March 31, 2018 Issue Date April 30, 2018

#### *Highlights*

Company Has Record Winter Production in the First Quarter  
Net Income of \$0.09 per Share

#### First Quarter Results

Keweenaw Land Association, Limited announces First Quarter 2018 net income of \$0.09 per share compared to a net loss of \$0.13 for the same period in 2017. Net income (loss) per share arose from the following sources in the table below:

Favorable logging conditions throughout the winter season allowed the company to produce a record harvest generating nearly 12,500 cd-eq more than the same period last year. The company harvested a total of 38,290 cd-eq, including 543 cd-eq from procured sales, during the first

	Earnings Per Share	
	1st Qtr 18	1st Qtr 17
Timber Operations Income	\$ 0.47	\$ 0.24
Capital Gains-Sale of Land	-	-
Capital Gains-Investments	-	-
Other Income	0.17	0.07
Other Expenses	(0.29)	(0.28)
Interest & Depreciation	(0.27)	(0.14)
Income Taxes	0.01	(0.02)
	<u>\$ 0.09</u>	<u>\$ (0.13)</u>

three months of 2018. This compares to the 25,796 cd-eq, which includes 2,181 cd-eq from procured sales, produced during the same period in 2017. During the quarter, Keweenaw harvest volume included the following:

During the first quarter, the company sold logs

1st Qtr Production Statistics	2018	Mix %	2017	Mix %
Total Harvest Volume (cd-eq)	38,290	100.0	25,796	100.0
Sawtimber (mbf)	3,607	20.7	2,751	23.5
Pulpwood (cords)	30,355	79.3	19,743	76.5

totaling \$4,174,440, compared to \$2,945,609 in 2017, up nearly 42%. The increase in log sales was primarily driven by approximately 48% more production and by slightly higher market prices than in the first quarter of 2017. Total cost of goods sold increased from \$2,129,504 in 2017 to \$2,863,405 in 2018. On a per unit basis, expenditures

dropped by \$1 per cd-eq, coupled with gross margin up by \$5 a cord. The net result was an increase in timber operations income by 93% over the same period in 2017. Harvest production in the first quarter contained more pulpwood and less sawtimber, which resulted in a lower product mix from last year. The winter logging season was extended due to cold weather even though most seasonal road restrictions were implemented the first week of March. It is anticipated that logging operations will resume sometime in late-May or early-June. Year-to-date timber operations income results are listed in the following table:

Timber Operations Income EBITDA	2018	%	2017	%
Log Sales	\$4,174,440	100.0	\$2,945,609	100.0
Expenses (COGS)	(2,863,405)	68.6	(2,129,504)	72.3
Gross Margin	1,311,035	31.4	816,105	27.7
Forestry/Management Exp	(700,386)		(500,374)	
Timber Operations Income	\$610,649		\$315,731	

Overall sales realization for the first quarter was up approximately \$4 per cd-eq due to better market conditions than those experienced in the same period in 2017. In addition, a reduction in freight cost due to destination changes lowered the cost of goods sold by \$1 per cd-eq from 2017 as described in the table below.

Sales realization by product line was higher across all categories except veneer due to increased pricing. Veneer realization was \$904 per mbf compared to \$916 in 2017, a 1% decrease primarily due to a higher concentration of ash logs. Sawlog realization was \$488 per mbf versus \$456 per mbf in the same period in 2017, a 7% increase. Boltwood realization was \$144 per cd-eq, up almost 13% from \$128 per cd-eq in 2017. Pulpwood realization for the quarter was \$100 per cd-eq compared to \$97 in 2017, a 3% increase over the same period last year. Market demand for pulpwood has stabilized and pricing has

1st Qtr Sales Statistics (per unit)	2018	2017
Average Price Realization	\$118	\$114
Cost of Goods Sold	(81)	(82)
Gross Margin (EBITDA)	37	32

slightly increased over the first quarter of 2017. During the winter logging season, the planned harvest units usually contain more lower-quality logs and other minor species compared to summer logging when more higher-quality products are produced. The 2018 First Quarter sales realization by product is listed in the table above. The company continues to remain focused on maximizing sales revenue while maintaining long-term business relationships with our customers.

1 <sup>st</sup> Qtr Sales Realization	2018	2017
Veneer (mbf)	\$904	\$916
Sawlog (mbf)	488	456
Boltwood (cord)	144	128
Pulpwood (cord)	100	97
Overall Realization (cd-eq)	\$118	\$114

## **Land Purchases/Sales**

During the period, there were no land sales (including lot development) or purchases by Keweenaw. All land transactions are made to improve and consolidate the company's timberland assets while disposing of non-core properties.

## **Shareholder Relations & Administrative**

Keweenaw's common shares traded in a range of \$95.21 to \$104.99 per share during the first quarter with an ending price of \$100.75. 25,375 KLA shares were traded, approximately 2% of the outstanding shares. This compares to 16,671 shares traded last year. As with any investment, past performance is not a guarantee of future results. Keweenaw's shares trade in the pink sheets using the symbol KEWL.

The 2018 Annual Meeting of Keweenaw Shareholders was held at 9:00 am CDT on Thursday, April 12, 2018, in Ironwood, MI. Cornwall Capital nominees Ian Haft, Paul Sonkin, and Steve Winch were elected to the Board of Directors.

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.

Sincerely,



David Ayer, Chairman



Brian D. Glodowski, President/CEO

KEWEENAW LAND ASSOCIATION, LIMITED  
**EBITDA** Consolidated Statement of Income and Expense (Unaudited)  
 March 31, 2018

INCOME	1 <sup>st</sup> Quarter		
	2018	2017	% Chg
<b>Timber Operations</b>			
Timber Sales	\$4,174,440	\$2,945,609	
Cost of Sales	2,863,405	2,129,504	
<b>Gross Margin on Timber Sales</b>	<b>1,311,035</b>	<b>816,105</b>	<b>61%</b>
<b>Timber Operations Expense</b>			
Forestry, Management & General Admin	700,386	500,374	
<b>Timber Operations Income (EBITDA)</b>	<b>610,649</b>	<b>315,731</b>	<b>93%</b>
<b>Real Estate Development</b>			
Developed Lot Sales	0	0	
Development Costs	0	0	
<b>Gross Margin on Developed Lot Sales</b>	<b>0</b>	<b>0</b>	
<b>Total Operations Income</b>	<b>610,649</b>	<b>315,731</b>	<b>93%</b>
<b>Other Income</b>			
Mineral Royalties	3,000	4,110	
Lease and Rental Income	95,882	17,216	
Investment Earnings	8,647	7,449	
Profit (Loss) on Security Sales	0	0	
Land Sales	0	0	
Other	118,363	68,521	
<b>Total Other Income</b>	<b>225,592</b>	<b>97,296</b>	<b>132%</b>
Other Land & Board Expense	381,969	359,742	
<b>EBITDA</b>	<b>454,272</b>	<b>53,285</b>	<b>753%</b>
Interest Expense	144,894	71,736	
<b>Depletion, Depreciation &amp; Amortization</b>	<b>204,046</b>	<b>114,366</b>	
<b>Earnings Before Income Taxes</b>	<b>105,332</b>	<b>(132,817)</b>	<b>**%</b>
Provision for Federal and State Income Taxes	(6,534)	31,720	
<b>Net Income (Loss)</b>	<b>111,866</b>	<b>(164,537)</b>	<b>**%</b>
<b>Other Comprehensive Income, Net of Tax</b>			
<b>Unrealized Gains (Losses) on Securities</b>			
<b>Unrealized Holding Gains Arising</b>			
During the Period	(164,995)	101,992	
<b>Less: Reclassification Adj For Gains</b>			
Included in Net Income	0	0	
<b>Other Comprehensive Income</b>	<b>(164,995)</b>	<b>101,992</b>	
<b>Comprehensive Income</b>	<b>(\$53,129)</b>	<b>(\$62,545)</b>	<b>**%</b>
Per Share Net Income	0.09	(0.13)	
Per Share Comprehensive Income	(0.04)	(0.05)	
<b>Based on Weighted Avg Shares Outstanding</b>			

\*\* 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)  
March 31, 2018

ASSETS	Mar 31, 2018	Mar 31, 2017	% Chg
<b>Current Assets</b>			
Cash & Cash Equivalents	\$2,938,493	\$3,010,808	-2%
Accounts Receivable	466,309	270,954	
Investments in Government Obligations	0	0	
Other Current Assets	714,958	535,660	
<b>Total Current Assets</b>	<b>4,119,759</b>	<b>3,817,422</b>	<b>8%</b>
Investments in Marketable Securities	2,349,312	3,099,742	-24%
Other Non-Current Assets	0	526,066	
Equipment	1,256,454	1,238,320	1%
Properties	32,541,313	30,571,771	6%
<b>TOTAL ASSETS</b>	<b>\$40,266,838</b>	<b>\$39,253,321</b>	<b>3%</b>
<b>LIABILITIES &amp; CAPITAL</b>			
<b>Current Liabilities</b>			
Accounts & Deposits Payable	\$52,460	\$39,684	
Commercial Lines of Credit/Other Debt	0	0	
Other Accrued Liabilities	530,977	392,620	
<b>Total Current Liabilities</b>	<b>583,437</b>	<b>432,304</b>	<b>35%</b>
<b>Non-Current Liabilities</b>			
Long Term Debt	18,495,345	17,700,000	
Deferred Federal Income Tax Liability	531,460	965,171	
<b>Total Non-Current Liabilities</b>	<b>19,026,805</b>	<b>18,665,171</b>	
<b>Total Liabilities</b>	<b>19,610,241</b>	<b>19,097,475</b>	<b>3%</b>
<b>Capital</b>			
Common Stock Issued <sup>(1)</sup>	85,111	85,021	
Accum. Other Comprehensive Income	982,618	1,274,922	
Retained Earnings	19,588,868	18,795,903	
<b>Total Capital</b>	<b>20,656,597</b>	<b>20,155,846</b>	<b>2%</b>
<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>\$40,266,838</b>	<b>\$39,253,321</b>	<b>3%</b>
Capital Per Common Share	\$15.87	\$15.50	

<sup>(1)</sup> 1,301,550 no par value common shares are issued and outstanding on Mar. 31, 2018. 1,300,174 shares were outstanding on Mar. 31, 2017. 10,000,000 shares are authorized.

KEWEENAW LAND ASSOCIATION, LIMITED

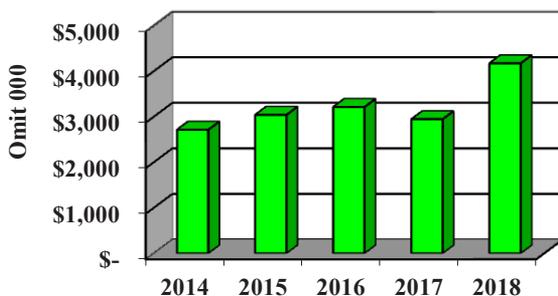
Consolidated Statement of Cash Flows Ending March 31, 2018

	Mar 31, 2018	Dec 31, 2017
<b>Net Income</b>	<b>\$111,866</b>	\$567,619
<b>Adjustments to Reconcile Net Income to Net Cash</b>		
<b>Provided by Operating Activities:</b>		
Depletion and Depreciation	<b>204,046</b>	493,269
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	<b>251,173</b>	(349,808)
Decrease (Increase) in Prepaid Expenses	<b>(44,961)</b>	710,099
Decrease (Increase) in Inventory	<b>(242,118)</b>	(29,928)
Increase (Decrease) in Deposits/Accts Pybl	<b>1,283</b>	(8,200)
Increase (Decrease) in Deferred/Income Taxes	<b>(63,930)</b>	(125,544)
Increase (Decrease) in Accrued Liabilities	<b>(311,610)</b>	266,683
(Gain) Loss on Sale of Securities	<b>0</b>	(796,221)
(Gain) Loss on Sale/Retirement of Equipment	<b>0</b>	0
(Gain) Loss on Sale of Land	<b>0</b>	(161,444)
<b>Net Cash Flows Provided by Operating Activities</b>	<b>(94,251)</b>	566,525
Net Sales (Purchases) of Property and Equipment	<b>0</b>	(497,082)
Purchases of Securities	<b>0</b>	0
Proceeds from Sale of Securities	<b>0</b>	858,772
Road Construction	<b>0</b>	(19,120)
Purchases of Land	<b>0</b>	(15,214,114)
Proceeds from Land Sales	<b>0</b>	165,379
Lot Development	<b>0</b>	0
<b>Net Cash Flows Provided by (Used for) Investing Activities</b>	<b>0</b>	(14,706,165)
Issuance (Purchase) of Stock	<b>120,000</b>	138,961
Commercial Installment Loan Borrowing	<b>0</b>	13,700,000
Commercial Installment Loan Payments	<b>6,046</b>	(210,701)
<b>Net Cash Flows Provided by (Used for) Financing Activities</b>	<b>126,046</b>	13,628,260
<b>NET CASH FLOW</b>	<b>31,795</b>	(511,380)
Beginning Cash and Cash Equivalents	<b>2,906,698</b>	3,418,078
<b>ENDING CASH AND CASH EQUIVALENTS</b>	<b>\$2,938,493</b>	\$2,906,698

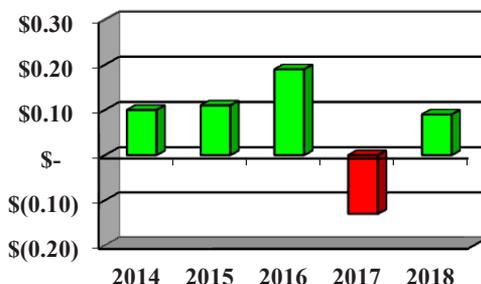
# CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2018		2017	
	1st Qtr	YTD	1st Qtr	YTD
Receipts	\$4,400	\$4,400	\$3,043	\$3,043
Net Income (Loss)	112	112	(165)	(165)
Comprehensive Income	(53)	(53)	(63)	(63)
Capital Employed	39,152	39,152	37,856	37,856
*Dollar amounts in thousands				
<b>Per Common Share</b>				
Net Income	\$0.09	\$0.09	(\$0.13)	(\$0.13)
Comprehensive Income	(0.04)	(0.04)	(0.05)	(0.05)
<b>Statistics</b>				
Return on Capital Emp	1.1%	1.1%	-1.7%	-1.7%
Avg Shares Outstanding	1,301,550	1,301,550	1,300,174	1,300,174
Curr Shares Outstanding	1,301,550	1,301,550	1,300,174	1,300,174

**Keweenaw Log Sales  
Year-to-Date Comparison**



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



# SHAREHOLDER INFORMATION

## **First Quarter 2018 Highlights:**

High: \$104.99, Low: \$95.21, Last: \$100.75

Source: OTC Markets Group, Inc.

## **Keweenaw Contact Information:**

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Toll Free: (877) 539-3362

Fax: (906) 932-5823

Email: [investors@keweenaw.com](mailto:investors@keweenaw.com)

Web Page: [www.keweenaw.com](http://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:**

EQ Shareowner Services (formerly Wells Fargo)

PO Box 64874

St. Paul, MN 55164-0874

(800) 401-1957

## **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.