

Keweenaw Land Reports Second Quarter Results

IRONWOOD, Mich., Aug. 24, 2018 (GLOBE NEWSWIRE) -- Keweenaw Land Association, Limited (KEWL: OTC Pink®) today reported financial and operating results for the three months ended June 30, 2018. Revenue from timber operations and real estate development increased by 14.3% year over year from \$1.671 million in the second quarter of 2017 to \$1.910 million in 2018. EBITDA before extraordinary expense decreased from essentially breakeven in the second quarter of 2017 to negative \$0.340 million in 2018. Comprehensive net loss of \$1.877 million in the quarter also included a nonrecurring charge of \$1.283 million related to severance agreements, retention payments, and legal fees. Please refer to the Company's press release on August 1, 2018 for more detail.

Timber operations

Revenue from timber operations in the second quarter of 2018 totaled \$1.883 million compared to \$1.671 million in the second quarter of 2017, a 12.7% increase from last year. EBITDA from timber operations was \$0.014 million in the second quarter of 2018 virtually unchanged compared to the second quarter of 2017. While revenue was up 12.7% in the quarter, total harvest volume was actually down 12.2% due to spring road restrictions being lifted later than normal and heavy rainstorms in early June which hampered logging and trucking. Freight expenses for deliveries in June were also higher as trucks were forced to detour around several main highways that were closed due to the June storm damage.

As the Company moves into the second half of the year, markets for veneer and sawlogs are expected to hold steady. We expect freight costs to remain elevated at least until the end of August which is when we expect the main highways will be reopened for normal truck traffic.

Other income

Other income including mineral royalties, lease and rental income, investment earnings and land sales were \$0.056 million in the second quarter of 2018, down from \$0.219 million in the second quarter of 2017. Income from these various sources is unpredictable in nature and can vary widely from quarter to quarter.

On June 15, 2018, Highland Copper Company Inc. (TSXV: HI) reported in their press release that they have recently completed a feasibility study of their Copperwood Project. The Copperwood Project encompasses approximately 3,062 acres of mineral rights held by the Company. Highland has indicated they are entering the capital raising phase of the project and finalizing certain permits that would allow mine construction beginning in 2019. The construction and commissioning of the mine is anticipated to require a minimum of three years. Investors can find additional information on Highland's website, www.highlandcopper.com.

Execution of Option Agreement for the sale of timberland to the USDA-Forest Service

On April 25, 2018, the Company entered into an Option Agreement for the sale of 1,811 acres of land to the USDA-Forest Service in Gogebic County, Michigan for approximately \$1.449 million. The land is being acquired by the Forest Service (assuming the option is exercised) as part of the Land and Water Conservation Fund which was approved as part of the 2016 appropriations for U.S. Department of Agricultural budget. The property is located in a remote area with limited access. In addition, much of the property lies along the Presque Isle River corridor which is a federally designated Wild and Scenic River. The parties have been working toward a closing of the sale in the third quarter of 2018. There can be no assurance that such closing will actually occur.

Execution of Option Agreement for the sale of conservation easement to State of Wisconsin

On July 24th, 2018, the Company entered into an Option Agreement with the State of Wisconsin, Department of Natural Resources for the sale of a conservation and access easement on 14,352 acres of Company timberland in Iron County, Wisconsin for \$5.741 million dollars. Of this amount, \$0.400 million will be set aside in an endowment to assist in covering annual costs of repairs and maintenance of specific access roads on the property. This agreement grants the State the option to purchase an easement which would eliminate future development and subdivision of the property but would specifically permit forest management activities and timber harvesting. The project is currently undergoing a review process by the Wisconsin Department of Natural Resources before submission to the Wisconsin Natural Resource Board for determination. While we expect the review and approval process to be routine, and a possible completion of the sale in the first quarter of 2019, regulatory processes are inherently unpredictable. There can be no assurance that such closing will actually occur.

Update on strategic and operational plan

The Board believes its over-arching goals are two-fold: To maximize the Company's intrinsic value and to address any gap that might exist between intrinsic value and the stock market price. In pursuit of these objectives it is essential for the Board to ensure that a clear and coherent strategic plan is in place, along with the capacity to oversee its implementation.

Since the annual meeting this April, the Board has focused on putting in place foundations that will enable the Company and new Board to fulfill this mandate - starting with changes in the way the Board operates. Committees have been reconstituted, are more active and are being tasked with evaluating and addressing specific issues for consideration by the Board. The Board also intends to address director accountability to shareholders and the Company's various corporate defenses, including the staggered board (which in many cases will require shareholder approval to change).

The Company's ability to measure its performance is limited. In order to improve the Company's ability to measure performance, the Company is seeking to hire an experienced CFO. The executive search committee is in the process of evaluating candidates, some of whom have the potential to become CEO.

As the Company's comprehensive strategic plan evolves, in conjunction with the transition in executive leadership, one concrete and crystal-clear goal for the Company is to demonstrate a sustainable increase in cash flows from timber operations. We believe this is the

case regardless of the ultimate path to value realization.¹ The Company is continuing to ramp up harvest levels. In 2018, the budgeted annual harvest is projected to increase to 110,000 cord equivalents, a 20% increase over 2017 levels. To put the current harvest levels in perspective, from 2006 to 2015 the average annual harvest was 74,000 cord equivalents.

In addition to volume growth, the Company has already identified multiple opportunities for study, including possible margin expansion through pricing initiatives, selective cost cutting, and certain capital investments. The Company is also conducting a review of the Company's core functions, some of which are currently outsourced. It is possible that the Company will decide to migrate certain functions in either direction.

Another important initiative requiring further evaluation is the Company's decision in 2017 to convert to a REIT in 2018. Much of the work has been done, in preparation for a final election which must happen before 2018 taxes are filed in early 2019 in order to have the REIT effective for the 2018 tax year. Keweenaw has created a taxable REIT subsidiary (TRS) to house non-REIT assets, and systems for intercompany transfer pricing which is essential for a conforming REIT.

However, as the Board has delved deeper into the benefits and disadvantages of becoming a REIT, alternatives have been raised involving structuring, sequencing and timing that were not previously considered. The Board is working with legal and tax counsel to explore these issues further to determine whether to convert to a REIT for the 2018 tax year, defer the election until next year, or abandon the conversion entirely.

Stock incentive plan

The Board believes it is critical to have management and employees' interests aligned with shareholders and think like owners. Equity stock ownership and incentives help accomplish this goal. On August 13, 2018, the Board unanimously approved a stock incentive plan enabling Keweenaw to grant equity-related awards to employees. While this plan will better align the interests of current employees with those of shareholders, it will also help us to attract high quality candidates to senior executive positions at the Company. While stock incentive plans such as this plan are commonly adopted by public companies in the United States, this plan represents a new approach to compensation for Keweenaw.

Chairman James Mai commented, "We have completed a tremendous amount in the short time since the annual meeting and while we still have quite a bit of work to do, I feel that we are moving in the right direction."

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¹The board believes that if a gap exists where the stock price is significantly below the intrinsic value, there are several paths to address that gap including the facilitation of a more efficient secondary trading market or by pursuing various corporate actions to potentially unlock value- e.g. the monetization of some or all of the Company's assets.

About Keweenaw Land Association, Limited: Keweenaw is a forest products and land management company located in Ironwood, Michigan. Keweenaw has land holdings of approximately 185,750 surface acres and over 400,000 acres of mineral rights, located predominantly in the western Upper Peninsula of Michigan and northern Wisconsin. Additional information is available on the Company's website at www.keweenaw.com.

Forward-Looking Statements: This letter contains forward-looking statements. These forward-looking statements are subject to a number of risks and uncertainties 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 changing economic conditions, price fluctuations, land use, environmental and other governmental regulations, and risk of loss from 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. The Company is currently not subject to the filing requirements of the Securities Exchange Act of 1934, as amended. The Company is categorized as "not current" under the OTC Pink Sheets.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
June 30, 2018

ASSETS	Jun. 30, 2018	Jun. 30, 2017
Current Assets		
Cash & Cash Equivalents	\$ 2,430,166	\$ 2,696,264
Accounts Receivable	609,591	357,221
Investments in Marketable Securities	2,350,284	3,351,794
Other Current Assets	564,914	557,163
Total Current Assets	5,954,955	6,962,442
Other Non-Current Assets	-	520,019
Equipment	1,313,880	1,206,911
Properties	32,520,015	30,664,446
TOTAL ASSETS	39,788,850	39,353,818
LIABILITIES & CAPITAL		
Current Liabilities		

Accounts & Deposits Payable	\$	160,840	\$	53,278
Commercial Lines of Credit & Other Debt		-		-
Other Accrued Liabilities		1,821,930		469,876
Total Current Liabilities		1,982,770		523,154
Non-Current Liabilities				
Long Term Debt		18,501,391		17,700,000
Deferred Federal Income Tax Liability		524,476		1,082,424
Non-Current Liabilities		19,025,867		18,782,424
Total Liabilities		21,008,637		19,305,578
Capital				
Common Stock Issued		85,111		85,021
Accumulated Other Comprehensive Income		983,386		1,441,276
Retained Earnings		17,711,716		18,521,943
Total Capital		18,780,213		20,048,240
TOTAL LIABILITIES & CAPITAL		39,788,850		39,353,818

KEWEENAW LAND ASSOCIATION, LIMITED
EBITDA Consolidated Statement of Income and Expense (Unaudited)
June 30, 2018

	2nd Quarter		Year to Date	
	2018	2017	2018	2017
INCOME				
Timber Operations				
Timber Sales	\$ 1,883,902	\$ 1,671,018	\$ 6,058,342	\$ 4,616,627
Cost of Sales	1,382,316	1,200,290	4,245,721	3,329,794
Gross Margin on Timber Sales	501,586	470,728	1,812,621	1,286,833
Forestry, Management & General Admin	486,775	456,080	1,187,161	956,454
Timber Operations Income (EBITDA)	14,811	14,648	625,460	330,379
Real Estate Development				
Developed Lot Sales	26,000	-	26,000	-
Development Costs	25,191	-	25,191	-
Gross Margin on Developed Lot Sales	809	-	809	-
Total Operations Income	15,620	14,648	626,269	330,379
Other Income				
Mineral Royalties	1,748	511	4,748	4,621
Lease and Rental Income	30,108	28,161	125,990	45,377
Investment Earnings	37,711	57,335	46,058	64,784
Profit (Loss) on Security Sales	-	-	-	-
Land Sales	11,073	112,153	11,073	112,153
Other	(24,802)	21,235	93,561	89,756
Total Other Income	55,838	219,395	281,430	316,691
Other Land And Board Expense	411,342	227,353	793,311	587,095
EBITDA	(339,884)	6,690	114,388	59,975
Depletion, Depreciation, and Amortization	92,620	120,814	296,666	222,878
EBIT	(432,504)	(114,124)	(182,278)	(162,903)
Interest Expense	172,066	120,741	316,960	204,779
Change of Control Agreements	1,283,293	-	1,283,293	-
Earnings Before Income Taxes	(1,887,863)	(234,865)	(1,782,531)	(367,682)
Provision for State and Federal Income Taxes	(10,711)	39,095	(17,245)	70,815
Net Income (Loss)	(1,877,152)	(273,960)	(1,765,286)	(438,497)
Other Comprehensive Income, Net of Tax				

Unrealized Gains (Losses) on Securities				
Unrealized Holding Gains Arising				
During the Period	769	166,354	(164,226)	268,346
Less: Reclassification Adj. For Gains				
Included in Net Income	-	-	-	-
Other Comprehensive Income	<u>769</u>	<u>166,354</u>	<u>(164,226)</u>	<u>268,346</u>
Comprehensive Income	<u>(1,876,383)</u>	<u>(107,606)</u>	<u>(1,929,512)</u>	<u>(170,151)</u>
Net Loss Per Share:				
Basic	\$ (1.44)	\$ (0.21)	\$ (1.36)	\$ (0.34)
Diluted	\$ (1.44)	\$ (0.21)	\$ (1.36)	\$ (0.34)
Comprehensive Net Loss Per Share:				
Basic	\$ (1.44)	\$ (0.08)	\$ (1.48)	\$ (0.13)
Diluted	\$ (1.44)	\$ (0.08)	\$ (1.48)	\$ (0.13)
Weighted Average Shares Outstanding:				
Basic	1,301,550	1,300,174	1,301,550	1,300,174
Diluted				

KEWEENAW LAND ASSOCIATION, LIMITED AND SUBSIDIARIES

Cash Flow Statement (Unaudited)

For the Six Months Ended June 30, 2018 and 2017

	2018	2017
Cash Flows Provided by Operating Activities:		
Net Income	\$ (1,765,286)	\$ (438,497)
Adjustments to Reconcile Net Income to Net Cash		
Provided by Operating Activities:		
Depletion, Depreciation, and Amortization	296,666	222,878
Loan Amortization	12,092	-
Changes in Operating Assets and Liabilities:		
Decrease (Increase) in Accounts Receivable	107,892	10,453
Decrease (Increase) in Prepaid Expenses	(75,240)	31,697
Increase (Decrease) in Deposits and		
Accounts Payable	109,663	(6,100)
Increase (Decrease) in Accrued Income Taxes	(11,656)	-
Increase (Decrease) in Deferred Income Taxes	(65,251)	63,276
Increase (Decrease) in Other Accrued Liabilities	985,133	(100,239)
Decrease (Increase) in Inventory	(61,797)	(830)
(Gain) Loss on Sale of Securities	-	-
Gain on Sale/Retirement of Assets	-	-
(Gain) Loss on Sale of Land	(11,882)	(112,153)
Net Cash Flow Provided by Operating Activities	<u>(479,666)</u>	<u>(329,515)</u>
Cash Flows Provided by (Used for) Investing Activities:		
Net Sales (Purchases) of Property and Equipment	(139,402)	(348,772)
Purchases of Securities	-	-
Proceeds from Sale of Securities	-	-
Primary Road Construction	(1,195)	(1,877)
Purchases of Land	-	(12,977,180)
Proceeds (Expenditures) from Land Sales/Development	23,731	114,450
Net Cash Flow Provided by (Used for) Investing Activities	<u>(116,866)</u>	<u>(13,213,379)</u>
Cash Flows Used for Financing Activities:		
Payment of Dividends	-	-
Operating \$1.0MM Commercial Line of Credit Borrowing	-	-
Operating \$1.0MM Commercial Line of Credit Repayment	-	-

Term Loan Borrowing	-	12,700,000
Term Loan Repayment	-	-
Stock Buy Back	-	-
Issuance of Common Stock	120,000	121,080
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Net Cash Flow Used for Financing Activities	120,000	12,821,080
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Net Cash Flows	(476,532)	(721,814)
Beginning Cash and Cash Equivalents	2,906,698	3,418,078
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Ending Cash and Cash Equivalents	2,430,166	2,696,264
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