

Keweenaw Land Reports Third Quarter Results

IRONWOOD, Mich., Nov. 21, 2018 (GLOBE NEWSWIRE) -- Keweenaw Land Association, Limited (KEWL: OTC US) today reported financial and operating results for the three months ended September 30, 2018. Revenue from all sources increased by 57% year over year from \$3.7 million in the third quarter of 2017 to \$5.8 million in 2018. Results were bolstered by higher timber sales revenue and a land sale to the US Forest Service, which resulted in the company realizing a net gain of \$1.0 million. Including the land sale, EBITDA was \$1.6 million compared to \$0.4 million for the same period in 2017. Net Income for the quarter was \$1.2 million compared to \$0.1 million for the same period in 2017.

Timber operations

Revenue from timber operations was \$4.6 million compared to \$3.5 million in third quarter of 2017, a 31% increase from last year. Timber sales volume was 34 thousand cord equivalent units ("cd-eq") in the third quarter compared to 29 thousand cd-eq in the same period of 2017, a 17% increase. The percentage of timber sold as sawtimber also increased to 25% compared to 22% in the third quarter of 2017. Sales realization for the quarter was \$133 compared to \$122 per cd-eq for the same period in 2017, an increase of 9%. Favorable product mix and pricing for sawbolts were the primary drivers of the improved timber sales revenue.

Cost of goods sold, which includes logging, freight, road building, sort yard allocation costs, and depletion totaled \$96 per cd-eq compared to \$90 per cd-eq for the third quarter of 2017. Nearly the entire increase was attributable to higher freight costs due to construction delays along a major highway that required trucks to detour up to 30 miles to make deliveries to the Keweenaw Log Yard in Ironwood. This route was recently reopened in October and normal trucking has resumed. Despite higher costs, gross profit contribution from timber operations improved to \$37 per cd-eq compared to \$32 cd-eq for the third quarter in 2017. Gross profit for the period increased by 33% to \$1.4 million.

Other income

Other income including mineral royalties, lease and rental income, investment earnings and land sales were \$1.2 million in the third quarter of 2018, up from \$0.2 million in the third quarter of 2017. On September 27, 2018, the Company closed on the sale of 1,811 acres of land to the USDA-Forest Service in Gogebic County, Michigan for approximately \$1.4 million. The property was located in a remote area with limited access and was considered non-strategic to the Company's core operations. The net gain realized on the sale after expenses which included Commercial Forest Act withdrawal penalties and the timber basis was \$1.0 million, as highlighted in the "Land Sales" line of the income statement.

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

The Company continued to move forward with the previously announced 14,352-acre conservation easement sale per the terms of an Option agreement dated July 24th, 2018 between Keweenaw and the State of Wisconsin, Department of Natural Resources, including a price of \$5.7 million dollars, with \$0.4 million of the proceeds to be set aside in an endowment to assist in covering annual costs of repairs and maintenance on specific access roads on the property. The project is proceeding through the review process led by the Wisconsin Department of Natural Resources before submission to the Wisconsin Natural Resource Board which is anticipated to occur in December. 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 Management and Board Matters

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 longer-term objectives, the Board has identified as its first-order priorities overhauling the Company's corporate governance structure- to empower shareholders and facilitate improved capital allocation decisions- and increasing cash flows without compromising long-term harvest sustainability. Over the near-term, the Board is also actively addressing the management continuity challenges.

The Board has continued to address the way the Board and Committees operate putting in place new committee charters which will be available on the Company's website. The Board, with the Nominating and Governance Committee, is also working on proposals for amendments to the Articles of Incorporation and bylaws 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). We expect there to be considerable progress on this front by the 2019 Annual Meeting.

As previously disclosed, Brian Glodowski will leave the Company on December 1 when his settlement contract expires. Brian will remain available in a consulting capacity to assist on transition issues as they arise. On behalf of the shareholders, the Board would like to thank Brian for his 25 years of service to the Company.

On October 15, the Board promoted Mark Sherman from Operations Manager to Chief Operating Officer. He will also become President on December 1 when Brian departs. Mark is an experienced production forester who has managed the Company's timber operations since 2015. Prior to joining the Company, Mark worked at Plum Creek where his responsibilities as Operations Manager included all aspects of production and sales for over 500,000 acres in the Lake States. Mark's expanded role will include oversight of the Company's real estate efforts, which he managed prior to 2015 for the Company.

The Executive Search Committee continues with the process of finding a new CFO for the Company. In the meantime, former CFO James J. Simmons Jr. is serving as the Company's interim Treasurer in place of Bonita Estola, who has resigned. The Company has also retained a respected industry consultant, American Forest Management, to help increase productivity by streamlining the Company's accounting-related workflows and improving functionality provided by the Company's log accounting and general ledger systems.

The Audit Committee is in the late stages of a process to identify and retain a PCAOB-certified independent accounting firm to conduct the Company's 2018 financial audit. PCAOB certification is a pre-requisite to a listing on any exchange, and important for complying with Pink

Sheet/ OTC Markets information requirements that have created issues recently for some investors given transfer restrictions imposed by custodians. The Company is also working toward providing more robust financial information in its reports to shareholders, targeting its annual disclosure for 2018.

The Board has decided that the Company will not elect REIT status for 2018. While the Company has implemented the structural changes to do so, the Board concluded that the value of the expected tax benefits from converting in 2018 are insufficient to justify the reduction in balance sheet flexibility including the reduction in available cash that would result from the conversion. The Board intends to evaluate the benefits of becoming a REIT on an ongoing basis.

As we focus on 2019, with an enhanced corporate structure, and cash flow profile, we look forward to updating you on the progress of the Company.

Contact: Paula Aijala, Assistant Secretary, Keweenaw Land Association, Limited, investors@keweenaw.com

About Keweenaw Land Association, Limited: Keweenaw is a forest products and land management company located in Ironwood, Michigan. Keweenaw has land holdings of approximately 183,900 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)
September 30, 2018

| ASSETS | Sept. 30, 2018 | Sept. 30, 2017 |
|---|-----------------------|-----------------------|
| Current Assets | | |
| Cash & Cash Equivalents | \$ 2,929,803 | \$ 2,866,857 |
| Accounts Receivable | 870,693 | 530,274 |
| Investments in Marketable Securities | 2,619,201 | 3,329,814 |
| Other Current Assets | 496,964 | 457,094 |
| Total Current Assets | 6,916,661 | 7,184,039 |
| Other Non-Current Assets | 2,372 | 513,973 |
| Equipment | 1,286,087 | 1,279,894 |
| Properties | 32,196,921 | 30,518,302 |
| TOTAL ASSETS | 40,402,041 | 39,496,208 |
| LIABILITIES & CAPITAL | | |
| Current Liabilities | | |
| Accounts & Deposits Payable | \$ 177,260 | \$ 38,171 |
| Commercial Lines of Credit & Other Debt | - | - |
| Deferred Income Tax Liability | 393,564 | 821,473 |
| Other Accrued Liabilities | 909,111 | 538,637 |
| Total Current Liabilities | 1,479,935 | 1,398,281 |
| Non-Current Liabilities | | |
| Long Term Debt | 18,507,338 | 17,700,000 |
| Deferred Income Tax Liability | 203,981 | 284,502 |
| Total Non-Current Liabilities | 18,711,319 | 17,984,502 |
| Total Liabilities | 20,191,254 | 19,382,783 |
| Capital | | |
| Common Stock Issued | 85,111 | 85,021 |
| Accumulated Other Comprehensive Income | 1,195,830 | 1,426,769 |
| Retained Earnings | 18,929,846 | 18,601,635 |
| Total Capital | 20,210,787 | 20,113,425 |
| TOTAL LIABILITIES & CAPITAL | 40,402,041 | 39,496,208 |

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

| | 3rd Quarter | | Year to Date | |
|---|--------------|--------------|---------------|--------------|
| | 2018 | 2017 | 2018 | 2017 |
| INCOME | | | | |
| Timber Operations | | | | |
| Timber Sales | \$ 4,587,232 | \$ 3,496,250 | \$ 10,645,574 | \$ 8,112,877 |
| Cost of Sales | 3,149,315 | 2,416,492 | 7,395,036 | 5,746,286 |
| Gross Margin on Timber Sales | 1,437,917 | 1,079,758 | 3,250,538 | 2,366,591 |
| Forestry, Management & General Admin | 865,134 | 527,798 | 2,052,295 | 1,484,252 |
| Timber Operations Income (EBITDA) | 572,783 | 551,960 | 1,198,243 | 882,339 |
| Real Estate Development | | | | |
| Developed Lot Sales | 35,000 | - | 61,000 | - |
| Development Costs | 34,371 | - | 59,562 | - |
| Gross Margin on Developed Lot Sales | 629 | - | 1,438 | - |
| Total Operations Income | 573,412 | 551,960 | 1,199,681 | 882,339 |
| Other Income | | | | |
| Mineral Royalties | 10,407 | 5,381 | 15,155 | 10,002 |
| Lease and Rental Income | 61,095 | 91,027 | 187,085 | 136,404 |
| Investment Earnings | 13,095 | 11,344 | 59,153 | 76,128 |
| Profit (Loss) on Security Sales | - | - | - | - |
| Land Sales | 1,053,859 | - | 1,064,932 | 112,153 |
| Other | 27,073 | 56,585 | 120,634 | 146,341 |
| Total Other Income | 1,165,529 | 164,337 | 1,446,959 | 481,028 |
| Other Land And Board Expense | | | | |
| | 144,704 | 286,506 | 938,015 | 873,601 |
| EBITDA | | | | |
| | 1,594,237 | 429,791 | 1,708,625 | 489,766 |
| Depletion, Depreciation, and Amortization | | | | |
| | 182,958 | 192,920 | 479,624 | 428,100 |
| EBIT | | | | |
| | 1,411,279 | 236,871 | 1,229,001 | 61,666 |
| Interest Expense | | | | |
| | 178,592 | 125,789 | 495,552 | 318,266 |
| Change of Control Agreements | | | | |
| | (2,502) | - | 1,280,791 | - |
| Earnings Before Income Taxes | | | | |
| | 1,235,189 | 111,082 | (547,342) | (256,600) |
| Provision for State and Federal Income Taxes | | | | |
| | 17,058 | 31,389 | (187) | 102,204 |
| Net Income (Loss) | | | | |
| | 1,218,131 | 79,693 | (547,155) | (358,804) |
| Other Comprehensive Income, Net of Tax | | | | |
| Unrealized Gains (Losses) on Securities | | | | |
| Unrealized Holding Gains Arising | | | | |
| During the Period | | | | |
| | 212,444 | (14,508) | 48,217 | 253,838 |
| Less: Reclassification Adj. For Gains | | | | |
| Included in Net Income | | | | |
| | - | - | - | - |
| Other Comprehensive Income | | | | |
| | 212,444 | (14,508) | 48,217 | 253,838 |
| Comprehensive Income | | | | |
| | 1,430,575 | 65,185 | (498,938) | (104,966) |
| Net Gain (Loss) Per Share: | | | | |
| Basic | | | | |
| | \$ 0.94 | \$ 0.06 | (\$ 0.42) | (\$ 0.28) |
| Diluted | | | | |
| | \$ 0.94 | \$ 0.06 | (\$ 0.42) | (\$ 0.28) |
| Comprehensive Net Gain (Loss) Per Share: | | | | |
| Basic | | | | |
| | \$ 1.10 | \$ 0.05 | (\$ 0.38) | (\$ 0.08) |
| Diluted | | | | |
| | \$ 1.10 | \$ 0.05 | (\$ 0.38) | (\$ 0.08) |

Weighted Average Shares Outstanding:

| | | | | |
|---------|-----------|-----------|-----------|-----------|
| Basic | 1,301,550 | 1,300,174 | 1,301,550 | 1,300,174 |
| Diluted | 1,302,125 | 1,300,174 | 1,302,125 | 1,300,174 |

**In the Q3 2018 period, Keweenaw incurred \$0.3 million in Professional Service expenses, recorded a de minimis (\$2,502) credit for change of control expenses and had no expense related to proxy expenses or the previous Chairman's fee. September 2018 Year to date, Keweenaw incurred \$0.8 million in professional service expenses, \$1.3 million in change of control expenses, and \$0.4 million in proxy expenses and the previous chairman's fee. Proxy Expenses are included in "Other Land and Board Expense", while the Chairman's fee, Professional Service Expenses and Change of Control Payments are included in "Forestry, Management and General Administration."*

KEWEENAW LAND ASSOCIATION, LIMITED AND SUBSIDIARIES
Cash Flow Statement (Unaudited)
For the Nine Months Ended September 30, 2018 and 2017

| | 2018 | 2017 |
|--|--------------------|---------------------|
| Cash Flows Provided by Operating Activities: | | |
| Net Income | \$ (547,155) | \$ (358,804) |
| Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities: | | |
| Depletion and Depreciation | 479,624 | 428,100 |
| Amortization | 18,039 | - |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (Increase) in Accounts Receivable | (153,211) | (162,600) |
| Decrease (Increase) in Other Current Assets | (69,086) | 118,634 |
| Decrease (Increase) in Other Non-Current Assets | (2,372) | - |
| Increase (Decrease) in Deposits and Accounts Payable | 126,083 | (21,207) |
| Increase (Decrease) in Deferred Income Taxes | (5,000) | 94,299 |
| Increase (Decrease) in Other Accrued Liabilities | 17,002 | (31,477) |
| (Gain) Loss on Sale of Securities | - | - |
| Gain on Sale/Retirement of Assets | - | - |
| (Gain) Loss on Sale of Land | (1,066,370) | (112,153) |
| Net Cash Flow Provided by Operating Activities | (1,202,446) | (45,208) |
| Cash Flows Provided by (Used for) Investing Activities: | | |
| Net Sales (Purchases) of Property and Equipment | (145,102) | (454,614) |
| Purchases of Securities | - | - |
| Proceeds from Sale of Securities | - | - |
| Primary Road Construction | (24,145) | (9,749) |
| Purchases of Land | - | (12,977,180) |
| Proceeds (Expenditures) from Land Sales/Development | 1,274,798 | 114,450 |
| Net Cash Flow Provided by (Used for) Investing Activities | 1,105,551 | (13,327,093) |
| 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 |
| Net Cash Flow Used for Financing Activities | 120,000 | 12,821,080 |
| Net Cash Flows | 23,105 | (551,221) |
| Beginning Cash and Cash Equivalents | 2,906,698 | 3,418,078 |

Ending Cash and Cash Equivalents

2,929,803

2,866,857