

**KEWEENAW LAND ASSOCIATION, LIMITED
(A MICHIGAN CORPORATION)**



**SEMI-ANNUAL REPORT FOR THE PERIOD ENDED
JUNE 30, 2022**

**1801 East Cloverland Drive, PO Box 188
Ironwood, MI 49938**
(Address of principal executive offices)

Issuer's telephone number: (906) 932-3410

Number of shares outstanding of common stock as of June 30, 2022: 1,296,173

KEWEENAW LAND ASSOCIATION, LIMITED

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this Semi-Annual Report of Keweenaw Land Association, Limited and subsidiaries (“Keweenaw Land Association”, “Keweenaw”, “KLA”, “the Company”, “we”, “our”, or “us”) may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). In addition, Keweenaw Land Association, or the executive officers on Keweenaw Land Association’s behalf, may from time to time make forward-looking statements in reports and other documents or in connection with written or oral statements made to the press, potential investors, or others. Keweenaw intends for all such forward-looking statements to be covered by the applicable safe harbor provisions for forward-looking statements contained in the Securities Act and the Exchange Act.

Forward-looking statements can generally be identified by our use of forward-looking terminology such as “may,” “will,” “expect,” “intend,” “anticipate,” “estimate,” “believe,” “continue,” or other similar words. However, the absence of these or similar words or expressions does not mean that a statement is not forward-looking. Forward-looking statements are not guarantees of performance and are based on certain assumptions. Forward looking statements discuss future expectations, describe plans and strategies, contain projections of results of operations or of financial condition or state other forward-looking information. Forward-looking statements in this report include statements regarding estimates of contingent liabilities, future payment of dividends and development of the Copperwood project or our other mineral assets. Expected future net income (loss) depends on many factors including, among others, expected uses of cash generated from operations; expected sources and adequacy of capital resources and liquidity; copper, gold and other commodity prices, development of the Copperwood project and discovery and development of other mineral assets. Any deviation from these assumptions may lead to fluctuations in future net income (loss).

Any such forward-looking statements are based on several assumptions involving judgments and are subject to risks, uncertainties, and other factors that could cause actual results to differ materially from our historical experience and our present expectations. See Section 1A *Risk Factors* in this Annual Report. With respect to our ongoing business, these risks and uncertainties include, but are not limited to, the risks discussed in Section 1A herein. Accordingly, readers are cautioned not to place undue reliance on our forward-looking statements, which speak only as of the date of this report. Keweenaw makes no representations or warranties (express or implied) about the accuracy of any such forward-looking statements contained in this report, and Keweenaw does not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

Issuer Information

Ticker Symbol	KEWL
Title and class of security:	Common Shares (no par value)
Transfer Agent:	EQ Shareowner Services 1110 Centre Point Curve Suite 101 Mendota Heights, MN 55120
Chief Executive Officer:	Timothy G. Lynott
Board of Directors:	James A. Mai Eric H. Speron Mark A. Sherman

Section 1. FINANCIAL INFORMATION

The information furnished in the accompanying unaudited consolidated balance sheets and related consolidated statements of income, stockholders' equity, and statement of cash flows reflect all adjustments, consisting solely of normal and recurring adjustments that are, in management's opinion, necessary for a fair and consistent presentation of the aforementioned financial statements. These results of operations for the six months ended June 30, 2022, are not necessarily indicative of the operating results expected for the full year.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Income
(Unaudited)

Six Months Ended
June 30, 2022

Revenues	
Lease Income	\$ 158,500
Expenses	
Cost of Sales	9,711
Gross Profit (Loss)	148,789
Selling, General & Administration Expenses	354,487
Income (Loss) Before Income Taxes	(205,698)
Income Tax Benefit - Continuing Operations	43,846
Income (Loss) from Continuing Operations	(161,852)
Discontinued Operations (Note 13)	
Earnings (Loss) from Discontinued Operations	(348,559)
Income Tax Benefit - Discontinued Operations	90,625
Income (Loss) from Discontinued Operations	(257,934)
Net Income (Loss)	\$ (419,786)
Net Income Per Share:	
Basic and Dilutive - Continuing Operations	\$ (0.12)
Basic and Dilutive - Discontinued Operations	\$ (0.20)
Weighted Average Shares Outstanding:	
Basic and Diluted	1,296,173

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet
(Unaudited)

Six Months Ended
June 30, 2022

ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 3,572,743
Cash Held in Escrow	9,276,460
Accounts Receivable	41,664
Prepaid Assets	71,424
Federal Income Tax Receivable	29,297
Total Current Assets	12,991,588
Non-Current Assets	
Mineral Rights	5,142,517
Property, Plant, and Equipment, Net of Depreciation	22,277
Exploration and Evaluation	306,420
Total Non-Current Assets	5,471,214
Total Assets	\$ 18,462,802
Liabilities and Stockholders' Equity	
Current Liabilities	
Accounts Payable	46,794
Other Accrued Liabilities	25,482
Total Current Liabilities	72,276
Non-Current Liabilities	
Non-Current State and Federal Deferred Income Tax Liability	409,835
Total Liabilities	482,111
Stockholders' Equity	
Common Stock (10,000,000 shares authorized, no par value, 1,296,173 shares issued and outstanding)	84,760
Retained earnings	17,895,931
Total Stockholders' Equity	17,980,691
Total Liabilities and Stockholders Equity	\$ 18,462,802

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Stockholders' Equity
As of June 30, 2022
(Unaudited)

	Common Stock Issued	Amount	Retained Earnings	Total Stockholders' Equity
Balance, January 1, 2022	1,296,173	\$ 84,760	\$ 18,315,717	\$ 18,400,477
Net Income (Loss)	-	-	(419,786)	(419,786)
Balance, June 30, 2022	1,296,173	\$ 84,760	\$ 17,895,931	\$ 17,980,691

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Cash Flows
(Unaudited)

**Six Months Ended
June 30, 2022**

Cash Flows from Operating Activities	
Net Income (Loss) from Continuing Operations	\$ (161,852)
Depletion, Depreciation and Amortization	768
Decrease (Increase) in Accounts Receivable	498,653
Decrease (Increase) in Prepaid Assets	(11,333)
Decrease (Increase) in Federal Income Tax Receivable	185,949
Increase (Decrease) in Accounts Payable	(81,065)
Increase (Decrease) in Other Accrued Liabilities	(344,793)
Increase (Decrease) in State and Federal Deferred Income Taxes	(134,471)
Net Cash Used by Operating Activities - Continuing Operations	(48,144)
Net Income (Loss) from Discontinued Operations	(257,934)
Decrease (Increase) in Log Inventory	72,484
Increase (Decrease) in Other Accrued Liabilities	(39,046,593)
Net Cash Used by Operating Activities - Discontinued Operations	(39,232,043)
Net Cash Flow Used by Operating Activities	(39,280,187)
Net Cash Flow From Investing Activities	-
Net Cash Flow From Financing Activities	-
Change in Cash and Cash Equivalents and Cash Held in Escrow	\$ (39,280,187)
Cash and Cash Equivalents and Cash Held in Escrow, beginning of period	52,129,390
Cash and Cash Equivalents and Cash Held in Escrow, end of period	\$ 12,849,203
Restricted Cash Held in Escrow	
Cash and Cash Equivalents	\$ 3,572,743
Restricted Cash Held in Escrow	9,276,460
Cash Paid (Received) during the year for:	
Interest Paid	\$ -
Federal and State Income Taxes Paid	38,323,093

KEWEENAW LAND ASSOCIATION, LIMITED
Notes to Consolidated Financial Statements

1. Revenue Recognition – Lease Income

The Company currently leases real estate consisting of commercial properties and mineral assets which are accounted for in accordance with ASC Topic 606, *Revenues from Contracts with Customers*. Should the Company enter into a new lease agreement, this agreement will be evaluated against both ASC Topic 842, *Lease Accounting* and ASC Topic 606, *Revenue from Contracts with Customers* to correctly determine the scope under which the agreement falls. Lease contracts related to mining and mineral exploration typically contain provisions for increasing rents to incent project advancement.

The Company reviews the collectability of charges under its current leases on a regular basis taking into consideration changes in factors such as tenant payment history, financial condition, business conditions of the industry, and economic conditions of the area. In the event collectability from lease charges becomes unlikely, the Company will recognize an adjustment to lease income.

The following table summarizes the Company’s current leases under contract:

	2022	2023	2024	2025	2026	2027	Thereafter	Total
Future Lease Payments	\$ 111,025	\$ 271,025	\$ 354,700	\$ 354,700	\$ 354,700	\$ 354,700	\$ 2,664,700	\$ 4,354,525

Cost of Sales

The Company recognizes costs related to its mineral operations that could not be capitalized under the Company’s Exploration and Evaluation Policy as Cost of Sales.

2. Mineral Rights

On September 21, 2021, Keweenaw Land Association, Ltd. closed on a transaction to acquire 29,071 acres of minerals rights from Sage Minerals Inc. for \$5,142,517 in an all-cash purchase. The acquisition included 2,500 acres that are currently under a lease, option, and royalty agreement. The aggregate fair value of the mineral rights acquisition was allocated and is reflected in the consolidated financial statements in accordance with accounting guidance for asset acquisitions. At the time of acquisition, these assets were considered Level 3 fair value measurements. The resulting allocation was \$4,011,163 to mineral assets in which the Company holds a lease, option, and royalty agreement, and the remaining \$1,131,354 to remaining mineral interests.

3. Exploration and Evaluation

The Company is an owner of 428,789 acres of mineral rights in Michigan and northern Wisconsin. Recently, the Company has advanced activities to systematically review these mineral assets using modern techniques. The Company considers its activities to be early-stage exploration conducive to project generation activities that could lead to developing prospective properties into desirable projects attracting additional investment from market participants.

The Company capitalizes exploration and evaluation expenditures consistent with the full cost method where costs are specifically attributable to identifiable, prospective properties until a determination can be deduced as to the existence of an ore deposit. Phase 1 exploration work may include acquisition rights, prospecting, geophysics, sampling, mapping, drilling, assaying and other work associated with finding ore deposits. No additive capitalized costs that meet these criteria were incurred as of June 30, 2022. The balance of capitalized costs related to exploration and evaluation was \$306,420 as of June 30, 2022.

The Company may determine at a point in time that costs accumulated for activities related to specific identifiable properties may be impaired and be required to be written off. Impairment of the asset may be attributed to:

- The right to explore in an area has or will expire soon without renewal
- No further exploration is planned or budgeted
- A decision to discontinue exploration and evaluation based on lack of minerals
- Sufficient data exists that indicates the book value is not recoverable

The Company did not recognize any impairment on its exploration and evaluation assets during the three months ended June 30, 2022.

4. Income Taxes

During the six months ended June 30, 2022, the Company recorded an income tax benefit of \$134,471 associated with its net operating loss to be used against future earnings. This benefit was recorded as a deferred tax asset, currently offsetting the Company's deferred tax liability on the balance sheet.

During the 6 months ended June 30, 2022, the Company was required to pay income taxes largely related to the sale of the timberland assets. This payment was a significant cash outflow for the Company in 2022 and is recorded in the Increase (Decrease) in Other Accrued Liabilities line of the Consolidated Statement of Cash Flows. The company classified these payments under the Discontinued Operations Category. A summary of the tax payments made during the six months ended June 30, 2022, and other accrued liabilities is below:

Increase (Decrease) in Other Accrued Liabilities	Six Months Ended June 30, 2022
State of Wisconsin Taxes	\$ 1,210,000
State of Michigan Taxes	8,012,593
Federal Income Taxes	29,100,500
Contingent Liability	723,500
Other Accrued Liabilities - from Discontinued Operations	39,046,593
Other Accrued Liabilities - from Continuing Operations	344,793
Total	\$ 39,391,386

5. Cash Held in Escrow

As part of the timberland asset sale, the Company and the purchaser agreed to set aside \$10,000,000 of the purchase proceeds to be held in escrow for purposes of contingent liabilities that could potentially arise between the closing date and December 22, 2022, upon which, the funds will be released to the seller. The balance of Cash Held in Escrow is \$9,276,460.

6. Contingent Liabilities

As of December 31, 2021, the Company identified conditions in a contract that could no longer be fulfilled after the sale of the timberland assets. Prior to issuing the financial statements, the Company agreed in principle to settle with the contracted party for \$723,500. This liability was evaluated in accordance with ASC 450 *Contingencies and* was accrued on the balance sheet under Other Accrued Liabilities. This liability was paid from the funds held in escrow for contingent liabilities related to the timberland transaction during the second quarter of 2022. The Company will continue to monitor its liabilities and evaluate them against ASC 405, should they arise from the timberland sale in 2021.

7. Discontinued Operations

During the six months ended June 30, 2022, the Company incurred transactions that it considers to be unusual or infrequent and do not relate to the continuing operations of the organization. These expenses have primarily been incurred due to the timberland asset sale. Severance and benefit costs relate to workforce reductions that occurred at the end of 2021 and in the first half of 2022. Professional service costs relate to legal and accounting items related to the Timberland transaction that extended into 2022. A summary of these items below:

Earnings (Loss) from Discontinued Operations	Six Months Ended	
	June 30, 2022	
Other Income - Timber	\$	168,444
Other Income - Interest		8,753
Other Expense - Timber		(195,371)
Severance and Benefits		(157,951)
Professional Services		(170,799)
Other Miscellaneous		(1,635)
Other Income (Loss)	\$	(348,559)

Section 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with Keweenaw’s accompanying consolidated financial statements and notes thereto contained in Section 1 of this Semi-Annual Report. See also “Cautionary Note Regarding Forward-Looking Statements” preceding Section I of this Semi-Annual Report.

Overview

As of June 30, 2022, Keweenaw owned 428,789 acres of subsurface mineral rights in the western Upper Peninsula of Michigan and northern Wisconsin. Keweenaw historically earned the majority of its net income from the sale of logs harvested from its forestlands, and from the sale of selected real estate parcels.

Executive Summary

As of June 30, 2022, Keweenaw has completed a number of activities related to right sizing and organizing the business since completing the Timberland transaction at the end of 2021. These activities include selecting a new auditor to replace Grant Thornton, amending the Plan of Partial Liquidation, and reducing operating costs. Grant Thornton was a very capable and professional auditor, however, for the size of company that is now Keweenaw, the cost structure did not fit. As a result, Keweenaw has returned to our former auditor Anderson Tackman & Co. PLC for the 2022 operating year. We plan to amend the Plan of Partial Liquidation at our annual meeting on July 15, 2022, and replace the dividend originally intended to be completed at the end of 2022, with a modified “Dutch” Tender. The timing and pricing will be determined by the board of directors upon approval. Lastly, significant cost reductions have been the focus of 2022 and over the first six months include reductions to legal, accounting, employee workforce, office costs, and insurances. Keweenaw continues to manage these costs and monitor opportunities for further reductions.

Additional work has been conducted over the first six months of 2022 to organize business development opportunities. These activities include marketing a specific exploration property to advance partner paid exploration, identifying other areas of interest in our mineral portfolio, and participating in discussions on complementary business opportunities that could add value to Keweenaw’s minerals. Information will be released through our website and the OTC Markets announcing any type of deal or arrangement when our efforts on these business development endeavors are successful.

Liquidity and Capital Resources

Keweenaw’s cash flow from operations as of June 30, 2022, was (\$39,280,187). The primary driver in this cash reduction was the payment of state and federal income taxes of \$38,323,093 in 2022 from the timberland asset sale which closed on December 27, 2021. This reduction in cash flow is recorded in the Other Accrued Liabilities line of the Consolidated Statement of Cash flows and is further described in note 7. This tax liability is largely due to the limited tax basis in the land-grant properties that were sold by the Company in 2021. During 2022, the Company generated a modest amount of cash flow from the sale of timber inventory as well as completed a procured timber sale that remained with the Company prior to the close of fiscal year 2021. This activity is recorded in the Discontinued Operations sections of the financial statements.

The company currently holds a total of \$12,849,203 in operating cash of which \$9,276,460 is held in escrow contingent with the closing terms of the timberland asset sale.

The Company maintains a Letter of Credit with Associated Bank, N.A. in the amount of \$30,000 in relation to our state mineral leases.

Discontinued Operations

A primary focus of Management and the Board of Directors in 2022 has been the evaluation and overall reduction Sales, General, and Administrative Costs. A number of costs have been incurred that relate to legacy Keweenaw operations or as a result of the Timberland transaction in 2021. The Company has made significant progress to reduce and eliminate these costs during 2022. Management and the Board does not expect these costs to continue beyond 2022 and therefore classifies them under the guidance of ASC 205 *Discontinued Operations*.

Section 3. OTHER MANAGEMENT DISCUSSIONS

Section 4. LEGAL PROCEEDINGS

From time to time, we are party to legal proceedings, which arise in the ordinary course of our business. We are not currently involved in any legal proceedings of which the outcome is reasonably likely to have a material effect on our results of operations or financial condition, nor are we aware of any such legal proceedings contemplated by governmental authorities

Section 5. RISK FACTORS

The forward-looking statements contained in this Semi-Annual Report should be read in conjunction with the risk factors contained in our 2021 Annual Report because they could cause the actual results and conditions to differ materially from those projected in forward-looking statements. Before you invest in our common stock, you should know that owning our common stock involves risks, including the risks incorporated from the 2021 Annual Report. The risk factors that are incorporated from the 2021 Annual Report are not the only ones Keweenaw faces. If the adverse matters referred to in any of the risk factors actually occur, our business, financial condition, or operations could be adversely affected, and funds may not be available for either the Tender Offer or the second special distribution. In that case, the price of our common stock could decline, and you may lose all or part of your investment. The following risk factors has been updated from our Annual Report:

Our ability to generate cash revenues is limited and dependent to a substantial extent on the Copperwood Project.

The Company currently generates negative cash-flow. Most of our revenue from continuing operations is generated as lease revenue from a single customer, Highland Copper Company, Inc., whose going-concern value is directly connected to progressing the Copperwood project from its current development status to the next phase which is construction. The Company is not involved in planning, design, implementation or management of the Copperwood project. In addition to the lease revenue, we are passive owners of an uncertain future royalty stream. Highland Copper has failed to meet operational milestones according to its forecasts, including the publication of an updated feasibility study which was expected in June of 2022. It is uncertain, when, if ever, we can expect to receive this royalty stream. Moreover, should Highland Copper experience financial difficulties, including but not limited to bankruptcy, they may no longer be able to provide us with lease revenue, and we may not efficiently, if ever, find reliable replacement customers for this customer. All of this can materially and adversely affect our business.

Section 6. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

None

Section 7. OTHER INFORMATION

None

SIGNATURES

KEWEENAW LAND ASSOCIATION, LIMITED

Date: August 15, 2022

By: Timothy Lynott