

KEWEENAW LAND ASSOCIATION, LIMITED



Fourth Quarter Report For the Period Ending December 31, 2013 Issue Date January 24, 2014

Highlights

Purchased 4,979 Acres of Timberland From MWF Ned Lake, LLC
Fourth Quarter Net Income of \$0.23 Per Share

Keweenaw Land Association, Limited announces a Fourth Quarter 2013 net income of \$0.23 per share compared to \$0.32 for the same period in 2012. Sources of net income (loss) per share are listed in the Earnings Per Share Table:

Fourth Quarter Results:

In the final three months of 2013, Keweenaw Land produced 19,587 cord equivalents (cd-eq) compared to 22,498 cd-eq in 2012, a 13% decrease. During the quarter, all

production occurred on Company lands, compared to 88% on Company lands and 12% purchased timber in 2012. A total of 2,184 thousand board feet (mbf) of sawtimber and 14,782 cords of pulpwood were harvested, or a product mix of 25% sawlogs and 75% pulpwood, compared to the same period in 2012 when the product mix contained 21% sawlogs and 79% pulpwood.

During the fourth quarter, Keweenaw harvest was comprised of the following volume:

| | Earnings Per Share | |
|----------------------------|--------------------|----------------|
| | 4th Qtr 13 | 4th Qtr 12 |
| Timber Operations Income | \$ 0.27 | \$ 0.38 |
| Capital Gains-Sale of Land | 0.11 | 0.19 |
| Capital Gains-Investments | 0.04 | - |
| Other Income | 0.07 | 0.09 |
| Other Expenses | (0.12) | (0.13) |
| Income Taxes | (0.14) | (0.21) |
| | <u>\$ 0.23</u> | <u>\$ 0.32</u> |

| 4th Qtr Production Statistics | 2013 | Mix% | 2012 | Mix% |
|-------------------------------------|--------|-------|--------|-------|
| Total Harvest Volume (cd-eq) | 19,587 | 100.0 | 22,498 | 100.0 |
| Sawtimber (mbf) | 2,184 | 24.5 | 2,179 | 21.3 |
| Pulpwood (cords) | 14,782 | 75.5 | 17,705 | 78.7 |

The Company sold logs in the fourth quarter totaling \$2,339,020, compared to \$2,716,919 over the same period in 2012. At year-end, we continue to see a favorable trend in pricing for both our major and minor species of sawtimber. The cost of goods sold (COGS) in the fourth quarter was \$1,533,789 compared to \$1,817,475 last year. Decreased production volume led to lower sales. Gross margin from timber operations was \$805,231 compared to \$899,444 last year. Sales results for the quarter are listed in the following table.

| 4th Qtr Gross Margin | 2013 | % | 2012 | % |
|---------------------------------|-------------|-------|-------------|-------|
| Log Sales | \$2,339,020 | 100.0 | \$2,716,919 | 100.0 |
| Expenses (COGS) | 1,533,789 | 65.6 | 1,817,475 | 66.9 |
| Timber Opns Gross Margin | 805,231 | 34.4 | 899,444 | 33.1 |

On a per-unit basis, production costs amounted to \$78 per cd-eq vs. \$81 per cd-eq in 2012, primarily driven by product destination. Per cd-eq, KLA achieved a gross margin of \$41 vs. \$40 last year.

| 4th Qtr Sales Statistics (per unit) | 2013 | 2012 |
|-------------------------------------|-------|-------|
| Average Price Realization | \$119 | \$121 |
| Cost of Goods Sold | 78 | 81 |
| Gross Margin | 41 | 40 |

Keweenaw was able to sell its sawtimber and pulpwood during the quarter, albeit at lower prices primarily due to a higher minor species mix in the harvest units. Veneer realization was \$1,085 per mbf, compared to \$1,331, an 18% decrease. Sawtimber realization was \$459 per mbf versus \$483 per mbf in the same period in 2012, a 5% decrease. Pulpwood realization for the quarter was \$90 per cd-eq compared to \$94 in 2012, approximately a 4% decrease.

| 4th Qtr Sales Statistics | 2013 | 2012 |
|------------------------------|---------|---------|
| Veneer Realization (mbf) | \$1,085 | \$1,331 |
| Sawtimber Realization (mbf) | 459 | 483 |
| Pulpwood Realization (cords) | 90 | 94 |

On an annual basis, the Company harvested a total of 71,148 cd-eq compared to 82,457 in 2012, a reduction of 14%. Extremely poor logging conditions persisted the entire year and limited our ability to operate in some areas. Year-to-date timber operations results are listed in the accompanying table.

| Timber Opns Results (YTD) | 2013 | 2012 |
|---------------------------|-------------|-------------|
| Log Sales | \$8,345,020 | \$9,668,988 |
| Total Expenses | 7,395,204 | 8,230,831 |
| Timber Operations Income | 949,816 | 1,438,157 |

Demand for veneer and sawlogs remained strong for the entire year and early indicators paint a good picture going forward into 2014. Log prices are expected to increase in the upcoming year and demand for pulpwood should remain strong as pulp mills work to rebuild inventory that was depleted from the lack of steady production due to wet weather in the latter half of 2013. The Company continues to optimize the value from its harvested timber while also exploring other markets to maintain a diverse and stable customer base.

Land:

In November, Keweenaw purchased 4,979 acres of timberland in the western Upper Peninsula of Michigan for \$5.487 million, using approximately \$0.7 million from the Company's investment portfolio/cash reserves and a \$4.8 million loan from Wells Fargo. The property is comprised of high-quality northern hardwoods that have been well-managed and is located in a very strong timber market. The property also includes a significant volume of high-quality merchantable timber, which can be harvested over the next few years. The acquisition is part of the Company's strategy of acquiring and managing quality timberland properties in the Lake States Region for long-term growth and capital appreciation. With this acquisition, Keweenaw now owns and manages over 167,000 acres in the western Upper Peninsula of Michigan and northern Wisconsin.

In smaller transactions during the quarter, Keweenaw sold 119 acres in Dickinson and Iron County, netting \$142,276. The Company also purchased 40 acres in Houghton County for \$35,000. The properties sold were considered non-strategic to our timberland program.

Other Income:

Portfolio income decreased slightly during the quarter with the Company earning \$15,444 on its investments compared to \$18,096 during the same period in 2012, primarily due to the reduction of its portfolio to facilitate the MWF Ned Lake, LLC land purchase in November 2013. Final investment earnings for 2013 totaled \$109,076 compared to \$103,865 in 2012, an increase of 5%. During the quarter, Keweenaw had proceeds of \$50,148 from the sale of securities. Gravel royalties in the fourth quarter were \$30,632 compared to \$40,000 last year. Overall for 2013, gravel sales were down \$13,307 over last year because of decreased construction and road improvement projects in the area. Lease and rental income for the fourth quarter was \$48,562, compared to the \$52,362 received in the fourth quarter last year. For 2013 as a whole, lease and rental income totaled \$180,961 compared to \$172,479 in 2012, an increase of 5%.

Forest Stewardship Council (FSC) Certification:

Keweenaw received its Forest Stewardship Council (FSC) Certification in conformance with FSC and Rainforest Alliance requirements for the 20th straight year. Each year, the Rainforest Alliance performs an annual forest management audit on Company lands based on FSC guidelines. KLA believes that its sustained-yield management approach in growing its timber assets not only results in value for our shareholders, but provides a long-term supply of forest products to the region which stimulates the local economy. Because of the record precipitation during 2013, the Company found it necessary to take extra precautions to limit the environmental impact when conducting logging operations. This often meant foregoing production in planned harvest units, in favor of grounds that would support logging on a limited scale. Keweenaw has always taken pride in its leadership role of being a good steward of the environment.

Minerals:

As of December 2013, Orvana Resources US Corp. (Orvana), a wholly-owned subsidiary of Orvana Minerals Corp. (TSX symbol: ORV) of Toronto, Ontario, had all of the necessary permits from the Michigan Department of Environmental Quality (MDEQ) for the Copperwood Project to advance, and continues to investigate a variety of possible options and financing alternatives to bring the project to fruition. Additional information can be found on Orvana's website, www.orvana.com.

Shareholder Relations & Administrative:

Keweenaw's common stock traded in a range of \$86.75 to \$92.00 per share in the fourth quarter. The quarter and year ending price per share was \$87.00. Over the three-month period, 14,473 KLA shares were traded, approximately 1% of outstanding shares. This compares to 78,316 shares traded in the final quarter last year. As with any investment, past performance is not a guarantee of future results. Keweenaw's shares trade in the OTC Pinks using the symbol KEWL.

Sincerely,



David Ayer, Chairman

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Income and Expense (Unaudited)
December 31, 2013

| INCOME | 4 th Quarter | | | Year to Date | | |
|---|-------------------------|----------------|-------------|------------------|------------------|-------------|
| | 2013 | 2012 | % Chg | 2013 | 2012 | % Chg |
| Timber Operations | | | | | | |
| Timber Sales | \$2,339,020 | \$2,716,919 | | \$8,345,020 | \$9,668,988 | |
| Cost of Sales | 1,533,789 | 1,817,475 | | 5,628,124 | 6,567,931 | |
| Gross Margin on Timber Sales | 805,231 | 899,444 | -10% | 2,716,896 | 3,101,057 | -12% |
| Timber Operations Expense | | | | | | |
| Forestry Expenses | 167,817 | 150,166 | | 644,402 | 644,622 | |
| Management and General Administration | 290,154 | 252,893 | | 1,122,678 | 1,018,278 | |
| Total Operations Expenses | 457,971 | 403,059 | | 1,767,080 | 1,662,900 | |
| Timber Operations Income | 347,260 | 496,385 | -30% | 949,816 | 1,438,157 | -34% |
| Real Estate Development | | | | | | |
| Developed Lot Sales | 0 | 0 | | 0 | 0 | |
| Development Costs | 0 | 0 | | 0 | 0 | |
| Gross Margin on Developed Lot Sales | 0 | 0 | | 0 | 0 | |
| Total Operations Income | 347,260 | 496,385 | -30% | 949,816 | 1,438,157 | -34% |
| Other Income | | | | | | |
| Mineral Royalties | 30,632 | 40,000 | | 37,759 | 51,066 | |
| Lease and Rental Income | 48,562 | 52,362 | | 180,961 | 172,479 | |
| Investment Earnings | 15,444 | 18,096 | | 109,076 | 103,865 | |
| Profit (Loss) on Security Sales | 50,148 | 0 | | 410,869 | 0 | |
| Land Sales | 142,276 | 246,983 | | 201,107 | 497,019 | |
| Other | 750 | 3,170 | | 25,228 | 15,778 | |
| Total Other Income | 287,812 | 360,611 | -20% | 965,000 | 840,207 | 15% |
| Other Expenses | | | | | | |
| Land Management Expenses | 113,999 | 135,042 | | 480,665 | 404,592 | |
| Board of Directors Expenses | 46,311 | 39,139 | | 304,050 | 213,577 | |
| Total Other Expenses | 160,310 | 174,181 | -8% | 784,715 | 618,169 | 27% |
| Income Before Income Taxes | 474,762 | 682,815 | -30% | 1,130,101 | 1,660,195 | -32% |
| Provision for State and Federal Income Taxes | 182,309 | 271,722 | | 423,959 | 619,099 | |
| Net Income (Loss) | 292,453 | 411,093 | -29% | 706,142 | 1,041,096 | -32% |
| Other Comprehensive Income, Net of Tax | | | | | | |
| Unrealized Gains (Losses) on Securities | | | | | | |
| Unrealized Holding Gains Arising | | | | | | |
| During the Period | 95,448 | 100,462 | | 148,558 | 240,517 | |
| Less: Reclassification Adj For Gains | | | | | | |
| Included in Net Income | (33,097) | 0 | | (271,173) | 0 | |
| Other Comprehensive Income | 62,351 | 100,462 | | (122,615) | 240,517 | |
| Comprehensive Income | 354,804 | 511,555 | -31% | 583,527 | 1,281,613 | -54% |
| Per Share Net Income | 0.23 | 0.32 | | 0.55 | 0.81 | |
| Per Share Comprehensive Income | 0.27 | 0.40 | | 0.45 | 0.99 | |
| Based on Weighted Average Shares Outstanding | | | | | | |

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

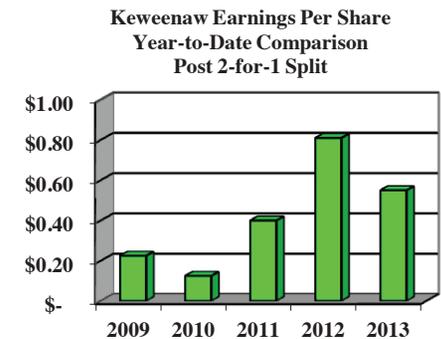
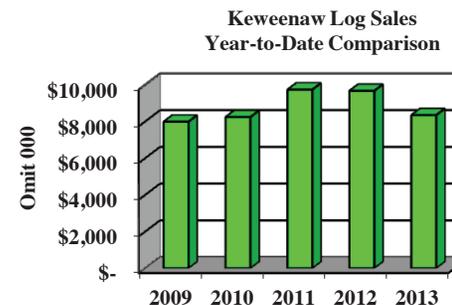
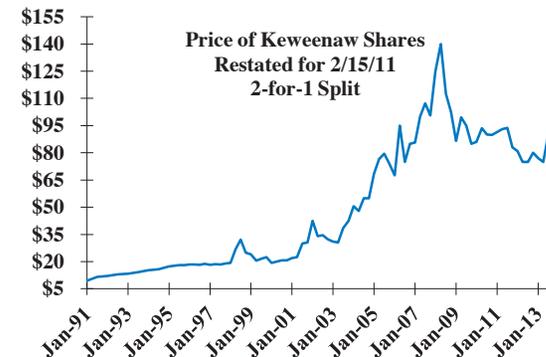
KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
December 31, 2013

| ASSETS | Dec 31, 2013 | Dec 31, 2012 | % Chg |
|---|---------------------|---------------------|-------------|
| Current Assets | | | |
| Cash & Cash Equivalents | \$1,666,840 | \$1,899,402 | -12% |
| Accounts Receivable | 448,758 | 213,842 | |
| Investments in Government Obligations | 0 | 0 | |
| Other Current Assets | 384,164 | 247,947 | |
| Total Current Assets | 2,499,762 | 2,361,191 | 6% |
| Investments in Marketable Securities | 2,791,244 | 3,951,788 | -29% |
| Other Non-Current Assets | 308,555 | 302,422 | |
| Equipment | 547,432 | 491,807 | 11% |
| Properties | 17,203,486 | 11,572,872 | 49% |
| TOTAL ASSETS | \$23,350,479 | \$18,680,080 | 25% |
| LIABILITIES & CAPITAL | | | |
| Current Liabilities | | | |
| Accounts & Deposits Payable | \$182,053 | \$107,964 | |
| Commercial Lines of Credit & Other Debt | 240,000 | 100,191 | |
| Other Accrued Liabilities | 534,732 | 617,707 | |
| Total Current Liabilities | 956,785 | 825,862 | 16% |
| Non-Current Liabilities | | | |
| Long Term Debt | 4,560,000 | 666,291 | |
| Deferred Federal Income Tax Liability | 811,345 | 861,798 | |
| Non-Current Liabilities | 5,371,345 | 1,528,089 | |
| Total Liabilities | 6,328,130 | 2,353,951 | 169% |
| Capital | | | |
| Common Stock Issued ⁽¹⁾ | 84,639 | 84,543 | |
| Accumulated Other Comprehensive Income | 1,212,964 | 1,335,579 | |
| Retained Earnings | 15,724,746 | 14,906,007 | |
| Total Capital | 17,022,349 | 16,326,129 | 4% |
| TOTAL LIABILITES & CAPITAL | \$23,350,479 | \$18,680,080 | 25% |
| Capital Per Common Share | \$13.15 | \$12.63 | |

⁽¹⁾ 1,294,333 no par value common shares are issued and outstanding on Dec 31, 2013. 1,292,858 shares were outstanding on Dec 31, 2012. 10,000,000 shares are authorized.

CONSOLIDATED FINANCIAL HIGHLIGHTS

| For the Quarter | 2013 | | 2012 | |
|------------------------------|-----------|-----------|-----------|-----------|
| | 4th Qtr | YTD | 4th Qtr | YTD |
| Receipts | \$2,627 | \$9,310 | \$3,078 | \$10,509 |
| Net Income (Loss) | 292 | 706 | 411 | 1,041 |
| Comprehensive Income | 355 | 584 | 512 | 1,282 |
| Capital Employed | 21,822 | 21,822 | 17,093 | 17,093 |
| *Dollar amounts in thousands | | | | |
| Per Common Share | | | | |
| Net Income | \$0.23 | \$0.55 | \$0.32 | \$0.81 |
| Comprehensive Income | 0.27 | 0.45 | 0.40 | 0.99 |
| Statistics | | | | |
| Return on Capital Emp | 5.4% | 4.3% | 9.6% | 6.1% |
| Avg Shares Outstanding | 1,294,190 | 1,294,136 | 1,292,729 | 1,292,681 |
| Curr Shares Outstanding | 1,294,333 | 1,294,333 | 1,292,858 | 1,292,858 |



SHAREHOLDER INFORMATION

Fourth Quarter 2013 Highlights:

High: \$92.00, Low: \$86.75, Last: \$87.00

Source: Real Tick – Townsend Analytics, Ltd.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

Keweenaw Land Association, Limited

1801 E Cloverland Dr, PO Box 188

Ironwood MI 49938

Phone: (906) 932-3410 or

Toll Free: (877) 539-3362

Fax: (906) 932-5823

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 (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.