



Fourth Quarter Report

For the Period Ending December 31, 2016
Issue Date January 24, 2017

Highlights

Keweenaw Closes \$30 Million Debt Facility with MetLife
Company Reaches Agreement with Cornwall Capital
Jan Loeb Appointed to KLA Board of Directors
Fourth Quarter Earnings of \$0.18 Per Share

Fourth Quarter Results:

Keweenaw Land Association, Limited announces Fourth Quarter 2016 Net Income of \$0.18 per share compared to \$0.25 for the same period in 2015. Net Income (loss) per share, shown in the adjacent table, is in the EBITDA format (Earnings Before Interest, Taxes, Depreciation, and Amortization).

| | Earnings p/Share (EBITDA) | |
|----------------------------|---------------------------|----------------|
| | 4th Qtr 16 | 4th Qtr 15 |
| Timber Operations Income | \$ 0.37 | \$ 0.65 |
| Capital Gains-Sale of Land | 0.03 | 0.03 |
| Capital Gains-Investments | - | - |
| Other Income | 0.19 | 0.08 |
| Other Expenses | (0.23) | (0.26) |
| Interest & Depreciation | (0.11) | (0.10) |
| Income Taxes | (0.07) | (0.15) |
| | <u>\$ 0.18</u> | <u>\$ 0.25</u> |

In the final three months of 2016, a total of 24,966 cd-eq were harvested compared to 21,423 cd-eq produced in the same period last year. Lower temperatures at the start of the winter logging season allowed for the early freezing-in of primary and secondary roads for the transportation of heavy logging equipment and trucks. The product mix in the fourth quarter contained 27% sawtimber and 73% pulpwood, compared to 29% sawtimber and 71% pulpwood in 2015.

| 4 th Qtr Production Statistics | 2016 | Mix% | 2015 | Mix% |
|---|--------|-------|--------|-------|
| Total Harvest Volume (cd-eq) | 24,966 | 100.0 | 21,423 | 100.0 |
| Sawtimber (mbf) | 3,111 | 27.4 | 2,821 | 29.0 |
| Pulpwood (cords) | 18,122 | 72.6 | 15,216 | 71.0 |

Keweenaw's quarterly production statistics for 2016 and 2015 are illustrated in the following table covering both volume and product mix. The planned harvest units on the production schedule for the last quarter contained less sawtimber and more pulpwood.

In the final three months of 2016, the company sold logs totaling \$3,153,097 compared to \$3,088,864 in the same period in 2015. This represented a 2% increase in timber sales. However,

sawtimber realization for the quarter was \$434 per mbf compared to \$465 in 2015, primarily driven by species mix and lower pricing. Also, pulpwood realization was lower

| 4 th Qtr Gross Margin EBITDA | 2016 | % | 2015 | % |
|---|-------------|-------|-------------|-------|
| Log Sales | \$3,153,097 | 100.0 | \$3,088,864 | 100.0 |
| Expenses (COGS) | (2,104,416) | 66.7 | (1,817,560) | 58.8 |
| Timber Opns Gross Margin | 1,048,681 | 33.3 | 1,271,304 | 41.2 |

averaging \$99 per cd-eq versus \$116 in the fourth quarter last year. Using a full year-to-date comparison, the overall sawtimber realization for 2016 and 2015 was \$435 and \$445 per mbf respectively.

Keweenaw realized a 33% gross margin during the quarter compared to 41% realized in the same period in 2015 when pulpwood pricing was more favorable. Gross Margin on a per cd-eq basis (EBITDA) was \$42 per cd-eq, a 28% decrease from the \$58 per cd-eq realized in the same period last year. A \$17 drop in the price of pulpwood over last year is the main cause. Cost of Goods Sold was \$84 per unit compared to \$85 per unit last year. Demand for pulpwood is expected to remain soft in the first half of 2017.

| 4 th Qtr Sales (p/cd-eq) EBITDA | 2016 | 2015 |
|--|-------|-------|
| Average Price Realization | \$126 | \$143 |
| Less: Cost of Goods Sold | (84) | (85) |
| Gross Margin | 42 | 58 |

In the fourth quarter, Timber Operations Income on an EBITDA basis was \$482,616, a 43% decrease from the \$841,386 realized in 2015.

Timber Operations Income

| Timber Operations Income (EBITDA) | 4 th Qtr 2016 | YTD 2016 | 4 th Qtr 2015 | YTD 2015 |
|-----------------------------------|--------------------------|--------------|--------------------------|--------------|
| Log Sales | \$3,153,097 | \$10,911,462 | \$3,088,864 | \$11,283,793 |
| Total Expenses | (2,670,481) | (9,182,223) | (2,247,478) | (8,597,406) |
| Timber Operations Income | \$482,616 | \$1,729,239 | \$841,386 | \$2,686,387 |

for the full year was \$1,729,239, compared to \$2,686,387 realized in 2015, down approximately \$957,000 or 36%.

Demand for sawtimber and pulpwood decreased considerably during 2016, which was a continuation of a trend that began in late 2015. As Keweenaw moves into the first quarter of 2017, prices are expected to remain lower until higher inventories by the mills are brought under control. Many mills continue to impose strict inventory-control quotas. The quotas have only had a nominal effect, and the company was able to sell all of its production for the quarter and throughout 2016 without disrupting its normal operations. Over the last twenty-plus years, KLA continues to utilize a long-term strategy based on the diversification of its customer base allowing it to remain a consistent and dependable supplier of raw forest products to the market.

MetLife Debt Facility:

On December 12, 2016, Keweenaw Land Association, Limited announced the closing of a \$30 million debt facility with Metropolitan Life Insurance Company (NYSE: MET), a New York Corporation. The facility has been split into two components, a \$5 million, 10-year interest-only term loan ("Term Loan") and a \$25 million revolving line of credit. Proceeds from the term loan are expected to be used to refinance existing debt with Wells Fargo Bank, N.A. at a lower interest rate. "We are pleased to announce the closing of a debt financing with MetLife, one of the nation's largest lenders," said Brian Glodowski, President and Chief Executive Officer of Keweenaw Land Association. "The new financing provides us with greater financial flexibility and also allows us to continue to invest in our pipeline, putting capital to work towards new opportunities that we believe will drive attractive returns for our shareholders." The new facility is part of Keweenaw's strategy of acquiring quality timberland properties in the Lake States Region for long-term growth and capital appreciation. When using the new debt facility, the company will continue to employ careful steps of due diligence to ensure the timberlands meet its long-term goals and provide an attractive return on investment.

Land Transactions:

During the quarter, the company purchased two separate parcels of private ownership, 40 and 80-acre tracts, in Iron County, Michigan for a total transaction cost of \$109,067, or an average of \$908 an acre. These parcels are well-stocked with hardwood timber that is ready for harvest and provide

improved access to our present ownership in the area.

Keweenaw also purchased 670 acres in Gogebic County, Michigan from GMO Threshold Timber for a total cost of \$605,783, or \$904 an acre. This larger land transaction in Gogebic County contains mature hardwood timber that is ready to harvest. This land acquisition blocks in well with our existing ownership.

Also, Keweenaw recognized the sale of a 40-acre parcel of non-strategic land in Bayfield County, Wisconsin resulting in a capital gain of \$43,384 after expenses.

Minerals:

On December 2, 2016, Highland Copper Company Inc. (TSXV: HI) announced that the Copper Range Company ("CRC") and Highland have agreed to extend the period to complete the acquisition of the White Pine project to February 28, 2017. The final closing of the acquisition is subject to releasing CRC from certain environmental obligations associated with the remediation and closure of the historical White Pine Mine site in a manner that is acceptable to all parties involved, including applicable governmental authorities, and replacing the related environmental bond posted by CRC.

During the quarter, there was no additional news concerning the Copperwood Project. Any additional information and prior press releases can be found on Highland's website, www.highlandcopper.com.

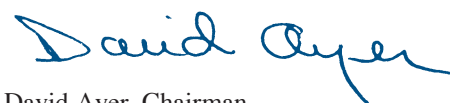
Shareholder Relations & Administrative:

On December 27, 2016, Keweenaw Land Association, Limited announced that it had reached an agreement with Cornwall Capital Management LP ("Cornwall"), to engage in a review of strategic alternatives for Keweenaw. Pursuant to the agreement, the company's Board of Directors has appointed Jan Loeb as a director. Loeb currently serves as the President and Founder of Leap Tide Capital Management Inc., a capital investment firm, and as the Chief Executive Officer of Acorn Energy Inc., a publicly-traded holding company. With the addition of Loeb, the Keweenaw Board of Directors will be comprised of eight directors.

A "Special Committee" will consider all strategic options available to the company, including a possible equity recapitalization or sale of the company. Stifel has been engaged to act as financial advisor to the Special Committee. No assurance can be given as to the outcome or timing of this process. "We are pleased to welcome Jan to the Board," stated Brian Glodowski, President and Chief Executive Officer of Keweenaw. "We always welcome constructive input from our shareholders, and are glad that we have been able to work collaboratively with Cornwall to reach this agreement." James Mai of Cornwall, a present director of the company, commented, "We are pleased to have reached a constructive agreement with Keweenaw, which we believe is in the best interest of all shareholders. Our engagement with the management team and the Board highlights our shared commitment to maximize the value of the business." Pursuant to the agreement, Cornwall has agreed to customary standstill and voting provisions.

Keweenaw's common shares traded in a range of \$84.00 to \$100.00 per share during the fourth quarter with an ending price of \$98.50. A total of 32,793 shares traded representing less than 3% of outstanding shares. This compares to 22,718 shares traded during the same period in 2015, or less than 2% of outstanding shares. Keweenaw's shares trade in the OTC Pink using the symbol KEWL.

Sincerely,



David Ayer, Chairman

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
December 31, 2016

| ASSETS | Dec 31, 2016 | Dec 31, 2015 | % Chg |
|---------------------------------------|---------------------|---------------------|-------------|
| Current Assets | | | |
| Cash & Cash Equivalents | \$3,418,078 | \$2,726,468 | 25% |
| Accounts Receivable | 367,674 | 424,746 | |
| Investments in Government Obligations | 0 | 0 | |
| Other Current Assets | 575,728 | 462,013 | |
| Total Current Assets | 4,361,480 | 3,613,227 | 21% |
| Investments in Marketable Securities | 2,945,210 | 2,865,848 | 3% |
| Other Non-Current Assets | 532,321 | 450,822 | |
| Equipment | 921,303 | 909,997 | 1% |
| Properties | 17,847,399 | 17,229,275 | 4% |
| TOTAL ASSETS | \$26,607,713 | \$25,069,169 | 6% |
| LIABILITIES & CAPITAL | | | |
| Current Liabilities | | | |
| Accounts & Deposits Payable | \$59,378 | \$28,854 | |
| Lines of Credit/Other Short-term Debt | 0 | 240,000 | |
| Other Accrued Liabilities | 570,114 | 560,512 | |
| Total Current Liabilities | 629,492 | 829,366 | -24% |
| Non-Current Liabilities | | | |
| Long Term Debt | 5,000,000 | 4,080,000 | |
| Deferred Federal Income Tax Liability | 880,910 | 830,711 | |
| Total Non-Current Liabilities | 5,880,910 | 4,910,711 | |
| Total Liabilities | 6,510,402 | 5,740,077 | 13% |
| Capital | | | |
| Common Stock Issued ⁽¹⁾ | 84,943 | 84,839 | |
| Accum. Other Comprehensive Income | 1,172,930 | 1,228,440 | |
| Retained Earnings | 18,839,438 | 18,015,813 | |
| Total Capital | 20,097,311 | 19,329,092 | 4% |
| TOTAL LIABILITES & CAPITAL | \$26,607,713 | \$25,069,169 | 6% |
| Capital Per Common Share | \$15.47 | \$14.90 | |

⁽¹⁾1,298,974 no par value common shares are issued and outstanding on Dec. 31, 2016. 1,297,398 shares were outstanding on Dec. 31, 2015. 10,000,000 shares are authorized.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Cash Flows Ending December 31, 2016

| | 2015 YTD | 2016 YTD |
|---|--------------------|--------------------|
| Net Income | \$1,155,839 | \$698,682 |
| Adjustments to Reconcile Net Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Depletion and Depreciation | 335,824 | 360,422 |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (Increase) in Accounts Receivable | 67,482 | 57,072 |
| Decrease (Increase) in Prepaid Expenses | (283,289) | (164,268) |
| Decrease (Increase) in Inventory | 24,832 | (30,947) |
| Increase (Decrease) in Deposits/Accts Pybl | (61,727) | 30,524 |
| Increase (Decrease) in Deferred/Income Taxes | (53,240) | 69,970 |
| Increase (Decrease) in Accrued Liabilities | 20,707 | 18,427 |
| (Gain) Loss on Sale of Securities | 13,983 | (132,062) |
| (Gain) Loss on Sale/Retirement of Equipment | 0 | (3,485) |
| (Gain) Loss on Sale of Land | (210,858) | (93,175) |
| Net Cash Flows Provided by Operating Activities | 1,009,553 | 811,160 |
| Net Cash Flows Provided by (Used for) Investing Activities | | |
| Net Purchases of Property and Equipment | (319,476) | (111,766) |
| Purchases of Securities | (101,715) | (175,976) |
| Proceeds from Sale of Securities | 36,375 | 144,572 |
| Road Construction | (35,408) | (176,272) |
| Purchases of Land | (85,790) | (714,850) |
| Proceeds from Land Sales | 193,643 | 68,959 |
| Lot Development | 57,668 | 40,738 |
| Net Cash Flows Provided by (Used for) Financing Activities | (254,503) | (924,595) |
| Issuance (Purchase) of Stock | 160,921 | 125,045 |
| Commercial Installment Loan Borrowing | 0 | 5,000,000 |
| Commercial Installment Loan Payments | (240,000) | (4,320,000) |
| Net Cash Flows Provided by (Used for) Financing Activities | (79,079) | 805,045 |
| NET CASH FLOW | 675,972 | 691,610 |
| Beginning Cash and Cash Equivalents | 2,050,496 | 2,726,468 |
| ENDING CASH AND CASH EQUIVALENTS | \$2,726,468 | \$3,418,078 |

KEWEENAW LAND ASSOCIATION, LIMITED
EBITDA Consolidated Statement of Income and Expense (Unaudited)
December 31, 2016

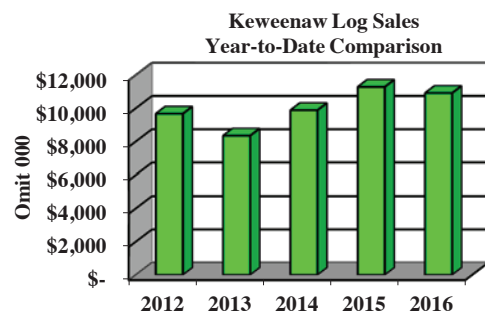
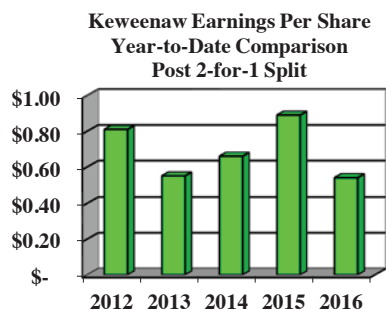
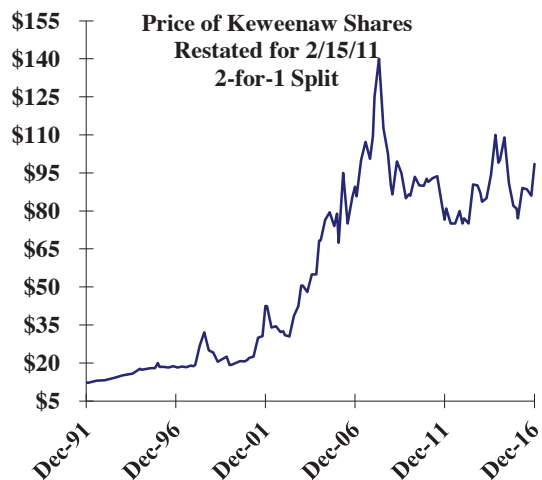
| INCOME | 4th Quarter | | | Year-to-Date | | |
|--|------------------|------------------|-------------|------------------|--------------------|-------------|
| | 2016 | 2015 | % Chg | 2016 | 2015 | % Chg |
| Timber Operations: | | | | | | |
| Timber Sales | \$3,153,097 | \$3,088,864 | | \$10,911,462 | \$11,283,793 | |
| Cost of Sales | 2,104,416 | 1,817,560 | | 7,291,794 | 6,846,794 | |
| Gross Margin on Timber Sales | 1,048,681 | 1,271,304 | -18% | 3,619,668 | 4,436,999 | -18% |
| Forestry, Management & General Administration | 566,065 | 429,918 | | 1,890,429 | 1,750,612 | |
| Timber Operations Income (EBITDA) | 482,616 | 841,386 | -43% | 1,729,239 | 2,686,387 | -36% |
| Real Estate Development | | | | | | |
| Developed Lot Sales | 0 | 0 | | 45,000 | 64,500 | |
| Development Costs | 0 | 0 | | 41,696 | 60,561 | |
| Gross Margin on Developed Lot Sales | 0 | 0 | | 3,304 | 3,939 | |
| Total Operations Income | 482,616 | 841,386 | -43% | 1,732,543 | 2,690,326 | -36% |
| Other Income | | | | | | |
| Mineral Royalties | 6,259 | 28,810 | | 21,011 | 74,989 | |
| Lease and Rental Income | 30,000 | 38,341 | | 145,170 | 138,432 | |
| Investment Earnings | 11,605 | 10,433 | | 88,999 | 86,906 | |
| Profit (Loss) on Security Sales | 132,062 | 0 | | 132,062 | (13,983) | |
| Land Sales | 43,384 | 40,130 | | 89,872 | 206,919 | |
| Other | 70,636 | 29,439 | | 194,198 | 109,041 | |
| Total Other Income | 293,946 | 147,153 | 100% | 671,312 | 602,304 | 11% |
| Other Land & Board Expense | 304,276 | 337,698 | -10% | 871,671 | 900,698 | -3% |
| EBITDA | 472,286 | 650,841 | -27% | 1,532,184 | 2,391,932 | -36% |
| Interest Expense | 43,685 | 45,094 | | 175,685 | 184,176 | |
| Depletion, Depreciation, and Amortization | 103,825 | 92,654 | | 364,834 | 339,690 | |
| Earnings Before Income Taxes | 324,776 | 513,093 | -37% | 991,665 | 1,868,066 | -47% |
| Provision for Federal & State Income Taxes | 95,291 | 192,570 | | 292,983 | 712,227 | |
| Net Income (Loss) | \$229,485 | \$320,523 | -28% | \$698,682 | \$1,155,839 | -40% |
| Other Comprehensive Income, Net of Tax | | | | | | |
| Unrealized Gains (Losses) on Securities | | | | | | |
| During the Period | (130,390) | (24,458) | | 31,652 | (46,616) | |
| Less: Reclassification Adj For Gains | | | | | | |
| Included in Net Income | (87,161) | 0 | | (87,161) | 9,229 | |
| Other Comprehensive Income | (217,551) | (24,458) | | (55,509) | (37,387) | |
| Comprehensive Income | \$11,934 | \$296,065 | -96% | \$643,173 | \$1,118,452 | -42% |
| Per Share Net Income | \$0.18 | \$0.25 | | \$0.54 | \$0.89 | |
| Per Share Comprehensive Income | \$0.01 | \$0.23 | | \$0.50 | \$0.86 | |

Based on Weighted Average Shares Outstanding

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

CONSOLIDATED FINANCIAL HIGHLIGHTS

| For the Quarter | 2016 | | 2015 | |
|------------------------------|-----------|-----------|-----------|-----------|
| | 4th Qtr | YTD | 4th Qtr | YTD |
| Receipts | \$3,447 | \$11,604 | \$3,236 | \$11,927 |
| Net Income (Loss) | 229 | 699 | 321 | 1,156 |
| Comprehensive Income | 12 | 643 | 305 | 1,118 |
| Capital Employed | 25,097 | 25,097 | 23,649 | 23,649 |
| *Dollar amounts in thousands | | | | |
| Per Common Share | | | | |
| Net Income (Loss) | \$0.18 | \$0.54 | \$0.25 | \$0.89 |
| Comprehensive Income | 0.01 | 0.50 | 0.23 | 0.86 |
| Statistics | | | | |
| Return on Capital Emp | 3.6% | 2.8% | 5.4% | 4.9% |
| Avg Shares Outstanding | 1,298,703 | 1,298,602 | 1,297,270 | 1,297,222 |
| Curr Shares Outstanding | 1,298,974 | 1,298,974 | 1,297,398 | 1,297,398 |



SHAREHOLDER INFORMATION

Fourth Quarter 2016 Highlights:

High: \$100.00, Low: \$84.00, Last: \$98.50

Source: OTC Markets Group, Inc.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

Keweenaw Land Association, Limited

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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 (bd ft) – 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.