Keweenaw Land Association, Limited
(a Michigan Corporation)

Annual Report for the fiscal year ended December 31, 2020

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

Number of shares outstanding of common stock as of March 26, 2021: 1,294,677

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TIMBER
LAND
MINERALS

KEWEENAW
LAND ASSOCIATION, LIMITED

& IRONWOOD MINES CORPORATION
a subsidiary of Keweenaw Land Association, Limited

To the Stockholders of Keweenaw Land Association, Limited:

I am pleased to report that Keweenaw's financial and operational performance in 2020 was strong, thanks to its dedicated employees who delivered steady results throughout a very difficult year. We achieved all the goals outlined in last year's letter: further strengthening our balance sheet, improving cash flows in our timber business, capitalizing on easement opportunities, eliminating non-recurring expenses, further exploring opportunities for our mineral assets, and monetizing non-contiguous property.

While some industries and companies have been positively impacted by COVID and others have been negatively impacted, the effect of COVID on Keweenaw's results has been mixed. Despite the closure of two regional paper mills, Keweenaw was able to maintain market share resulting in record harvest volume of 120 thousand cords and timber sales of $17.2 million. While the full market impact of the mill closures on pulp markets is yet to be determined, we expect that pricing will remain challenging for timber producers at least through 2021. However, we are currently seeing price increases for our higher value sawtimber and veneer products, which are benefitting from increased hardwood lumber demand. While hardwood lumber price increases have been modest relative to softwood lumber, which has skyrocketed, it is worth noting that hardwood lumber feedstock prices (the unprocessed logs Keweenaw sells to mills) are improving concurrently. In contrast, softwood lumber producers do not appear to be passing on higher prices to their suppliers[1].

In 2020, reduced forestry and land management expense and elimination of non-recurring costs enhanced profitability by $500 thousand. Combined with land sales which netted over $1.5 million, a recreational trail easement with the Michigan Department of Natural Resources, and other recurring streams including lease payments, company-wide EBITDA exceeded $5.6 million for 2020.

One positive surprise resulting from the COVID lockdowns has been a surge in demand for recreational land, which drove HBU ("Higher and Better Use") sales to record levels in 2020. There also appears to be continued momentum amongst smaller timberland buyers into 2021, and as the spring breakup gets underway we are watching closely for signs of renewed activity in the purchase and sale market for larger timberland tracts.

On March 26, 2021, we closed on a Purchase Agreement for the sale of 2,067 acres of our non-contiguous Big Bay property for proceeds of $2.53 million or $1,232 per acre. This is the largest land disposition by Keweenaw in recent memory, and the first involving high quality hardwood timberland rather than lower productivity acreage or land already designated as having HBU potential. We are examining various possibilities to reduce or defer tax leakage given KLA's very low tax basis, including investing in qualifying real property other than timber assets (which is commonly known as a 1031 exchange). While Keweenaw has not made any large land purchases since 2018, we watch the market closely and would welcome the opportunity to acquire land at the right price.

During the past few years, as markets for carbon credits have evolved, we have explored opportunities to participate in both compliance and voluntary markets. In October 2020, we executed our first carbon offset agreement with BP on a 14-thousand-acre tract of land in Wisconsin. We are taking a cautious approach as we evaluate nascent markets like carbon credits and chose this particular tract because it is already encumbered by a conservation easement which we sold to the State of Wisconsin in late 2019. We expect to receive the first payment from BP in late 2021. We will continue to expand our pipeline of conservation easements and explore additional sales of carbon assets as these markets continue to mature.

While the status of our project with Highland Copper remains unclear, we have increased our focus on developing additional

[1] There is an article from the Wall Street Journal, dated February 24, 2021, titled "Lumber Prices Are Soaring. Why Are Tree Growers Miserable?" that provides a good overview of the current counterintuitive relationship between softwood log prices and lumber futures prices. As mentioned above, Keweenaw is experiencing modest price increases which is consistent with our view that the Lake States hardwood markets are more balanced than softwood markets in the southeast.

opportunities on Keweenaw's properties. In 2020, the company spent around $250,000, which included limited drilling to replicate core sample results found in the Michigan Department of Environment, Great Lakes, and Energy's repository and professional service expenses to conduct a full mineral ownership compilation update. This update included organizing a computer database containing regional geology, mineral and surface ownership of Keweenaw and other mineral owners, historic mines, drill holes as well as other pertinent information. The preliminary results of this phase of the project are encouraging, and we expect that costs will continue to increase in 2021 as we move to the next stage.

In terms of thinking about the monetization of our mineral assets over the longer term, we are reminded of the old adage, "It's not what you make but what you keep." For this reason, over the next year, we will begin to explore the most tax efficient way to structure the mineral assets longer term – which might include separating the mineral assets from our timber operations possibly through a spinoff, although we will explore any and all possible alternatives.

Another significant achievement in 2020 was in capital allocation. We continued to strengthen the balance sheet by reducing net debt by over $3 million to $4.5 million in 2020 (in 2018, net debt was $13.4 million). We also repurchased over $863 thousand of stock during the first half of the year. Our share repurchase program has certain limits on price, and since the stock traded above those limits during the third and fourth quarters, no repurchases were made. As of the writing of this letter, $1 million remains open on the plan which is set to expire on May 31, 2021.

At the annual meeting, we are proposing a slight change to the board of directors. We plan to reduce the size of the board from six to five and are excited to announce the nomination of a long-time shareholder – Eric Speron as a new member of the board. In addition to his job as a portfolio manager at First Foundation, Inc, Eric is on the board of Vidler Water Resources (formerly PICO Holdings) a public water resources company.

Keweenaw's annual meeting will be held Monday, May 10, 2021. Due to the ongoing situation with COVID-19, we plan to hold the meeting virtually via live webcast. Additional details are available in the proxy statement.

Kind Regards,

James A. Mai, Chairman

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GLOSSARY OF TERMS

The following abbreviations, acronyms, or terms may be used in this document and shall have the adjacent meanings set forth below:

Board Foot (BF)	A measurement of solid lumber 12 inches x 12 inches x 1 inch. When used in conjunction with sawtimber or logs, it is a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs when the measurement system was developed in the 1800's. Sawmill technology has changed since the scale was originally created and the actual output of lumber from Board Feet of Logs varies from mill to mill, depending on their technology but it is the standard unit of measurement for buying and selling logs.
MBF	A thousand board feet.
Cord	A measurement of piled logs measuring 4'X 4'X 8' equaling 128 cubic feet**.** The number of cubic feet of solid wood per cord is not constant but varies based on characteristics of the wood and method of piling. The actual cubic foot volume of solid wood ranges from 64 to 91 cubic feet per cord. Due to this variability the conversion of cord to board foot measurement also varies. Keweenaw uses the conversion of 2.2 cords per 1,000 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, fiberboard, or other wood fiber products.
REIT	Real Estate Investment Trust
Sawbolts	A lower grade or smaller size sawtimber 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.
TRS	Taxable REIT Subsidiary
Veneer	A category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture, and cabinetry veneer.
Strata Timber Inventory	A methodology of grouping forest stands of similar species, stocking, and relative age for estimating timber volumes and other metrics. It allows for developing strong statistical standards and forest volumes estimates at the total property and species level.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this 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 anticipating delivery of income, value and long-term returns through sustainable harvests, opportunistic asset sales, and selective acquisitions. 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; change in depletion rates; change in merchantable timber book value and standing timber inventory volume. Any deviation from these assumptions may lead to fluctuations in future net income (loss).

Any such forward-looking statements are based on a number of 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.

Section 1. BUSINESS

Company History

Keweenaw traces its origins to 1865, when Congress granted 400,000 acres of public land to finance the construction of a shipping canal across the base of the Keweenaw Peninsula in Northern Michigan. The same year, Michigan's legislature authorized the Portage Lake & Lake Superior Ship-Canal Company to build the canal. Keweenaw's direct lineage traces to 1891, when a successor entity to the Portage Lake Company sold the completed canal to the United States government and contributed its other assets (primarily 400,000 acres of land and mineral rights) to the Keweenaw Association, Limited. That Company was reorganized in 1908, and Keweenaw Land Association, Limited came into existence as a Michigan partnership association. Keweenaw was reorganized again in 1999 as a Michigan corporation.

Until the early 1950's, Keweenaw was managed with the primary objective of monetizing its assets through liquidating timber, exploiting mineral assets and selling property. During this period, the Company reduced its surface rights from 400,000 acres to 120,000 acres, through a combination of land sales and intentional land forfeitures to extinguish tax liabilities. After clear-cutting most of its harvestable timber acreage in World War II, the Company decided in 1951 to modify its land management strategy. The Company chose to cease land dispositions and allow for the forest to fully regenerate. At the time, the Company expected that the forest would reach maturity by 2010. The Company operated in this mode for the next 40 years, with its primary sources of income being mineral royalties, and stumpage income from selective harvests as the timber assets matured.

In the early 1990's the Company began investing in resources to allow for active management of its forestry operations. Since then, the Company has increased its ownership of timberland by over 50%. Keweenaw employs a team of production and field foresters, to plan and oversee the Company's timber harvesting operations. Harvest methods vary from single-tree selection in our better hardwood forests to even-aged management of our conifer and aspen stand types. Keweenaw markets the majority of its harvested timber directly to regional customers. However, Keweenaw does sell a growing percentage of its standing timber as stumpage to various buyers. In 1995, Keweenaw constructed a log merchandising yard in Ironwood, Michigan. The log yard generates income through value-added merchandising of veneer and grade sawlogs and providing log storage capacity for certain customers.

GENERAL

Keweenaw Land Association, Limited is headquartered in Ironwood, Michigan with timberland assets located in the western Upper Peninsula of Michigan and northern Wisconsin. As of December 31, 2020, the Company owned 182,399 acres of surface land and 401,532 acres of subsurface mineral rights. We derive the majority of our revenue from the sale of timber harvested from Company forestlands. Keweenaw also generates other non-timber revenue from real estate sales, recreational leases, mineral rights leases, sale of sand and gravel, and providing wood scaling and inventory management services for various customers.

For the years ended December 31, 2020, 2019 and 2018 respectively, income from timber sales, real estate and certain other non-timber related sources are set forth in the table below:

	2020	2019	2018
Timber Sales	$ 17,285,907	$ 15,743,168	$ 14,211,739
Mineral Royalties	38,685	33,838	19,233
Lease Income	209,238	218,901	215,991
Investments	-	9,093	72,979
Securities Sales	-	1,494,133	-
Real Estate	2,092,634	1,315,600	1,510,000
Conservation Easement	859,415	3,941,000	-
Service Fees	221,324	202,381	160,857
Total	$20,707,203	$22,958,114	$16,190,799

Timberland Assets

As of December 31, 2020, Keweenaw owned 182,399 acres of high-quality industrial timberlands that are managed for sustainable timber production. The ownership includes 166,597 acres in Upper Michigan and another 15,802 acres in Northern Wisconsin. Our timberland is comprised of approximately 70% hardwood stands, 10% aspen stands, 15% conifer stands, and 5% non-productive land.

As of December 31, 2020, our timber inventory consisted of an estimated 3.73 million cord equivalents of merchantable volume with the following species group and product breakdown:

	Merchantable Timber Inventory (1)	
	2020	2019
Pulpwood (2)		
Hardwood	2,034,191	2,043,623
Softwood	793,535	808,398
Aspen	145,310	139,546
Sawtimber		
Hard Maple	369,644	359,867
Other Hardwood	322,608	321,498
Softwood/Pine	61,822	61,096
Total Cords	3,727,110	3,734,028

(1) Merchantable timber inventory reflects the total volume estimated from the strata level inventory less harvests and land sales plus growth.
(2) Includes sawbolt material.

In 2019 we migrated our method of timber inventory estimation methodology from a stand-level approach to a strata-level approach. We use this methodology for estimating overall Company forest products volumes and operational needs. The strata level approach uses average volumes per acre by timber type to calculate the overall timber inventory. During 2020, we continued to utilize the previously disclosed Company-wide timber cruise data completed by Compass Land Consultants in 2017 as the baseline for timber averages in computing our strata inventory.

In addition to the wholly owned timberland assets, Keweenaw generates additional income by purchasing and harvesting stumpage from federal, state, county, and private parties. These procured stumpage contracts enable us during normal operating seasons to harvest timber from these sites and sell it to our customers. The 2020 harvest volume from procured stumpage sources totaled 7,945 cords which represent a modest increase over the prior three years.

Forest Management

Keweenaw's timberlands consist of a diverse mix of forest types requiring different forest management approaches. Timber harvests vary from single tree selection in the higher quality, upland hardwood stands, to over-story removal and clearcutting in the lowland hardwood, aspen and conifer forests. The Company relies predominantly on natural regeneration for post-harvest reforestation but has a modest planting program to ensure adequate stocking on certain sites.

Annual allowable harvests are set by balancing growth, as calculated from Keweenaw's forest inventory, with harvest levels. The 2020 annual allowable harvest was set at 131,000 cords (314,000 tons).

Timber Marketing

Keweenaw markets the majority of its timber direct to consuming mills. The products sold include pulpwood, pallet sawbolts, sawtimber and veneer. The Company does sell modest volumes of timber stumpage for the purposes of securing enough production capacity to meet harvest goals and to benchmark direct sales. The vast majority of the Company's harvesting and timber hauling is done by third-party contractors. We work diligently and pro-actively with our trained contractors to ensure proper log merchandising and sorting to maximize log profitability.

Our higher value products, such as hardwood veneer, are sold from the Company's sort yard facility in Ironwood, Michigan. We believe that, marketing these higher value, non-commodity products from a centralized location provides customers greater volume and quality control of purchased product. Veneer logs are sold by the piece and have a wide range of values based on species, size, and quality.

Customer Base

Our land lies within a diverse and competitive wood basket encompassing pulp and paper mills, OSB plants, sawmills, and veneer manufacturing facilities. Our business relies heavily on the pulp and paper industry, which accounted for 48% of sales revenue and 56% of volume during 2020. The following table illustrates the depth and diversity of markets that Keweenaw sold into in 2020.

2020 Sales by Business Sector

Business Sector	# of Mills	Located	% 2020 sales	% 2020 volume
Pulp and Paper Mills	7	MI, WI, MN	48%	56%
Hardwood Grade & Veneer Sawmills	15	MI, WI	28%	12%
OSB/Plywood Mills	3	MI, WI	11%	16%
Hardwood Tie/Flooring/Pallet Mills	4	MI, WI	9%	10%
Softwood Sawtimber Mills	4	MI, WI	3%	4%
Stumpage	NA	MI	1%	2%

Sound Environmental Stewardship

Keweenaw remains committed to responsible environmental stewardship and sustainable forestry. Our Company's timberlands have been third-party certified under the Forest Stewardship Council® (FSC®) Certification (NC-FM/COC-000005, FSC®-C006729) standard for 27 years. The FSC standards promote sustainable forestry through rigorous management requirements for conserving wildlife habitat, water quality protection, biodiversity, and at-risk-species. Keweenaw has the distinction of being the oldest continuous certificate-holder for *Preferred by Nature* worldwide. In addition, the Company manages our timberlands to meet or exceed State and Federal regulations through implementation of best management practices and internal controls.

Mineral Assets

Keweenaw owns 401,532 acres of mineral rights in Upper Michigan. The majority of the mineral ownership dates back to our original post-civil war Federal land grant. Since 1891, when The Keweenaw Association, Limited was formed, the Company has received significant royalties from iron ore and copper mining activities on its properties. Between 1891 and 1995, when the White Pine copper mine ceased operations, the Company has estimated receiving cumulative royalties, adjusted for inflation, exceeding $500 million.

Over the last decade, Upper Michigan has seen a renewed interest in mineral exploration and mining development. The Company currently leases mineral rights encompassing a combined total of 6,121 acres to Highland Copper Company Inc. (TSXV: HI) ("Highland") pursuant to three mineral and exploration leases. Two of the leases (encompassing 3,063 aces of mineral rights) relate to Highland's Copperwood project in Gogebic County. These leases have been in place since 2008 and the lease amounts escalate each year resulting in higher annual rental payments. Total mineral lease income in 2020 to the Company was $168,877. When the Copperwood project enters into production, the mineral leases will convert to a royalty-based arrangement pursuant to which the amount of copper produced from the mine annually will provide a passive income stream to the Company over the life of mine.

During the course of 2020, mineral commodity prices experienced a sustained increase across base and precious metals. In response, Keweenaw conducted a systematic review and compilation of its mineral resources, which included a limited amount of exploration and evaluation work. This work has been completed and is currently under review. Based on positive initial results, Keweenaw is conducting a preliminary review of business development opportunities. We are considering all options, from further development to divesture, in order to ensure that we secure the highest value to the Company and shareholders. Some alternative arrangements may include entering into additional mineral leases, royalty arrangements and/or joint venture partnerships. We have not yet determined how we will proceed and caution that, while we anticipate these opportunities may ultimately benefit Keweenaw and its shareholders, they are still at a preliminary stage and we can make no assurance at the present time that we will realize the full value, or any value, as a result of these opportunities.

Real Estate Assets

Keweenaw's real estate program focuses on divesting of non-core timberlands, which we believe are more valuable for development, recreation, and conservation purposes. Keweenaw also sells real estate opportunistically when it believes that an unsolicited offer is greater than the current and the long-term timber value associated with such parcel. Proceeds from land sales are used in a variety of ways that include paying down debt, and other working capital and business purposes.

Keweenaw continues to execute on a comprehensive real estate plan developed in 2003 and revised in 2013. The plan identifies non-core properties available for disposition and covers numerous unique, Higher and Best Use (HBU) tracts, water frontage and recreational tracts.

The Company's wholly owned subsidiary, Keweenaw Properties, LLC, was organized in 2002 to develop and sell rural residential lots. Keweenaw began marketing a total of eight developments with sixty-one lots in 2002. Lot sales were initially very successful, but with the onset of the economic downturn in 2008 and 2009, marketing rural development property became challenging and sales decreased. We experienced a renewed interest in our development properties during 2020 in which we sold 11 lots totaling $443,400. From these sales, the Company was able to write down $238,774 of pre-paid development assets associated with these properties. There are currently 3 developments with a total of 12 lots among them remaining to sell.

Keweenaw also sold 1,033 acres of non-developed forest land in 2020 totaling $1,649,234. The Company did not acquire any property in 2020.

Competition

We compete with various private and industrial timberland owners as well as governmental agencies who are either selling stumpage and/or are selling direct to mills. Factors affecting the level of competition in our industry include price, species, grade, quality, proximity of the mill customer, and our reliability and consistency as a supplier. We also compete with those that are selling direct to market for logging and hauling contract services. The key factor influencing contractor competition is price, but other important variables include terms and reliability of payment, seasonality of logging, and impacts on overall productivity such as timber quality and road access.

Seasonality

Our harvest operations are affected by weather conditions. Unseasonably wet weather, deep snow and bitterly cold winter weather can both reduce harvest volume and increase prices. Wet weather and deep snow hinder the ability to operate harvesting equipment and transporting wood. However, unseasonably dry weather and favorable frozen winter conditions can both increase supply and decrease prices.

Employees

As of December 31, 2020, Keweenaw had seventeen full-time, non-union employees.

Section 1A. RISK FACTORS

The following risk factors could affect our business, financial condition, or results of operations. These risk factors should be considered in connection with evaluating the forward-looking statements contained in this 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 described below. The risk factors that are highlighted below are not the only ones we face. If any of the adverse matters referred to in any of the risk factors actually occur, our business, financial condition, or operations could be materially adversely affected. In that case, the trading price of our common stock could decline, and you may lose all or part of your investment.

<u>Risks Related to Our Industry and Our Business</u>

Adverse changes in economic conditions may negatively affect our earnings, capital, and liquidity.

The financial performance and results of operations for natural resource companies, including ours, may be materially and adversely affected by changes in regional and national economic conditions, including declines in real estate market activity and the related declines in the demand for certain forest products. We may also be affected by fluctuation in the financial markets, such as rapid increases or decreases in interest rates as well as changes in the monetary and fiscal policies of the federal government. Most of these factors are outside of our control. While we believe that we have positioned Keweenaw to mitigate these types of events in the most efficient way possible, we cannot make any assurances that economic conditions and market forces will not adversely impact our financial performance and result of operations.

Both domestic and international macroeconomic factors impact our business.

Certain products of our product lines depend upon markets for publishing grades of paper in the United States and in other countries. Our geographic concentration in the northern Michigan/Upper Midwest region increases our exposure to short- and long-term demand of publishing papers. Factors affecting demand and production of these products will have a disproportionate impact on our business and may be difficult or impossible to predict or estimate accurately.

Decline in domestic and world-wide demand for publishing paper, driven by the shift in consumer preference to electronic media, pose a significant risk to the long-term viability of paper manufacturers and reduce the demand for pulpwood.

We derive a significant amount of revenue from the sale of pulpwood, which is used in the manufacturing of white, publishing papers. Internationally and regionally there has been a reduction in production capacity through machine and mill closures. Continued reduction in publishing paper demand may lead to additional mill closures which would adversely impact price and demand for our pulpwood.

Our industry sector is highly competitive, and larger competitors may have better resources than we do to withstand negative economic and market forces and to operate efficiently.

We compete against larger companies in our industry sector, and these companies often have greater resources, better capital access, and other operational advantages over our Company. These advantages can allow our competitors to better withstand certain problems, including price fluctuations, changing market trends, economic downturns, and other similar issues. If the larger companies are able to leverage their advantages effectively, they may be able in certain instances, to out-perform us and we may subsequently fail to keep existing customers or fail to earn new customers, which in turn may materially and adversely impact our business.

Pandemics often have adverse effects on economic growth and overall supply chain efficiencies that could impact our business.

Pandemics, like the 1918 Spanish flu, 2009 influenza H1N1 and the on-going COVID-19 pandemic, can have a significant impact on economic growth and the functioning of the global supply chain. A shutdown of mills in our geographic area could reduce our customer base and our ability to get our products to market. In addition, many of our supplier and customer contracts contain force majeure provisions that, if exercised, could impact our ability to source materials and sell our products. As such, economic recessions and supply chain interruptions associated with pandemics may impact our business directly, and indirectly through our relationships with our suppliers and customers, all of which may result in a negative impact on the results of our operations.

The novel coronavirus disease (COVID-19) pandemic has impacted and is expected to continue to impact our business, financial condition, and results of operations.

For over a year, the COVID-19 pandemic has impacted local, regional, national, and international economies in which Keweenaw operates, affecting our operations and financial results. Keweenaw's business model meets an exemption that has allowed us to continue to operate despite broad-based shutdowns over the course of the pandemic. Our financial results, along with all those of all market participants, have inevitably been affected. We have experienced, for example, continued reductions in demand due to depressed activity in residential and other construction projects involving wood supplies in the Michigan market. While these and other market disruptions occurred during most of 2020, we believe some of the direct impact to the Company may have been muted or deferred, and that we will continue to be impacted as related sawtimber and pulp supplies continue to work their way through the supply chain. We expect the pandemic to continue for the foreseeable future, and, while we continue to monitor and attempt to mitigate the impacts of COVID-19 on our business, we can make no assurances that our efforts will continue to be successful.

Downturns in house-building activity and other lumber-heavy activities could adversely impact us.

The housing markets strongly impact both our timberland operations and our real estate operations. Much of the higher value wood we produce is used in housebuilding and house-renovation activities, and any downturns in such markets (*e.g.*, a drop in real estate activity regionally or nationally, depending on economic conditions), can impact the demand for our wood products and, in turn, potentially materially adversely affect our operations.

Our markets are also affected by demand for furniture, molding/millwork, cabinets, wood flooring, and industrial/pallet lumber markets. Should demand decline for any of these market segments, so would the demand for our timber. For pallet lumber, there is also the risk of substitution away from hardwoods which is our primary product to softwood or other non-wood substitutes such as plastic.

Access to active credit markets is essential for our operations and our customers.

If access to active credit markets is limited or diminished, this can prevent mills, log brokers, and other companies from doing business with us, and lack of access to credit can also lead to a downturn in customer spending generally, which can reduce our sales and cash flows and materially adversely affect our business. Our holding and disposition of real property is similarly affected by access to active credit markets, such that activity on the real property side of our business may also suffer if customers cannot finance the acquisition of real property due to poor credit markets.

Our business is substantially affected by market seasonality/cyclicality.

The activity and sales levels of our business are influenced significantly by the seasonality and cyclicality in the market, with demands for our products (and our ability to meet those demands) varying substantially throughout the year. We have historically incurred losses in the first and second quarters, while revenue and operating income generally peak in the third quarter of the calendar year. Extreme or severe weather conditions and events, including excessively low or high temperatures, can negatively impact our productivity and operational efforts, which in turn can materially adversely impact our business.

Our sales volume and cash flow may be diminished if any of our major customers experience financial struggles, and this can have a materially adverse impact on our business.

While our customer base is diverse, we rely on several large customer accounts to generate a majority of our sales volume. Should any of these larger customers experience financial difficulties, including but not limited to bankruptcy, they may no longer be able to buy our products, and we may not efficiently, if ever, find reliable replacement customers for these customers. All of this can materially and adversely affect our business.

Harvesting timber is subject to several potential limitations and problems that can affect our profitability and the performance of our business.

Our timber harvest levels may be affected by acquisitions of additional timberlands, sales of existing timberlands and shifts in harvest from various timber types within our ownership. Our timberland resources are subject to several potential limitations and problems, including adverse weather conditions, vandalism, access issues, plant disease, insect infestations, and other related problems. These problems can make harvesting timber complex, difficult, or impossible at times, and can increase our costs, which in turn can hurt our profits and materially and adversely impact our business.

Our estimates of timber inventories and growth rates may be inaccurate and include risks inherent in calculating such estimates, which may impair our ability to realize expected revenues.

Whether in connection with managing our existing timberland portfolio or assessing potential timberland acquisitions, we make and rely on important estimates of merchantable timber inventories. These include estimates of timber inventories that may be lawfully and economically harvested, timber growth rates and end-product yields. Timber growth rates and yield estimates are developed internally and with other experts using statistical measurements of tree samples on given property. These estimates are central to forecasting our anticipated timber harvests, revenues and expected cash flows. While the Company has confidence in its timber inventory processes and the professionals in the field who administer it, growth and yield estimates are inherently inexact and uncertain. If these estimates are inaccurate, our ability to manage our timberlands in a sustainable or profitable manner may be compromised, which may cause our results of operations and our stock price to be adversely affected.

In 2019, we migrated our timber inventory estimate methodology from stand level to strata level for operational needs and for estimating overall Company forest product volumes. The strata level approach uses average volumes per acre by like timber types to calculate the overall timber inventory. During 2020, we continued to utilize the previously disclosed 2017 Compass Land Consultants Company-wide timber cruise as the baseline for timber averages in computing our strata inventory. While we believe that the strata level methodology will benefit our operations and improve our estimates, we can make no assurances that we will realize such benefits.

Our operating results and cash flows will be materially affected by supply and demand for timber.

Timber prices are affected by changes in timber availability at the local, national, and international level. Increases in timber prices often result in substantial increases in harvesting on private timberlands, while any substantial increase in timber harvesting from publicly owned land could significantly depress timber prices. On a local level, timber supplies can fluctuate depending on factors such as changes in weather conditions and harvest strategies of local timberland owners as well as occasionally high timber salvage efforts due to events such as pest infestations, windstorms, or other natural disasters.

Some of our core products, including wood and wood products, are used in the manufacture of commodities and are available from a wide range of providers.

Our products are the raw material inputs used in the manufacture of certain commodities and are widely available in the market, so long as supply remains strong and there are several producers. This wide availability of identical raw materials leads to increased levels of competition and makes it more difficult for our business to distinguish itself in the market. Any failure to effectively compete with our peers or to distinguish our business may lead to a downturn in our sales and revenues, which would have a material adverse impact on our business.

Our mineral exploration activities may not result in a significant economic benefit to us.

Keweenaw owns 401,532 acres of mineral rights in Upper Michigan. During the course of 2020, mineral commodity prices experienced a sustained increase across base and precious metals. In response, we conducted a systematic review and compilation of our mineral resources, which included a limited amount of exploration and evaluation work. This work has been completed and is currently under review. Based on positive initial results, we are conducting a preliminary review of business development opportunities. We are considering all options, from further development to divesture, in order to ensure that we secure the highest value to the Company and shareholders. We have also considered alternative arrangements, including entering into additional mineral leases, royalty arrangements and/or joint venture partnerships. We have not yet determined how we will proceed and caution that, while we anticipate these opportunities may ultimately benefit Keweenaw and its shareholders, they are still at a preliminary stage and we can make no assurance at the present time that we will realize the full value, or any value, as a result of these opportunities.

We largely cannot predict natural disasters, and if they occur, we may incur losses as a result of any resulting damage to our properties and we do not carry fire insurance.

Forests can be negatively impacted by several types of natural disasters and other problems, including wildfires, thunderstorms, invasive species, and the destruction they can cause, diseases affecting plant life, floods, and other such issues. Our business, financial condition and result of operations may be affected by changes to climate or weather patterns over time, and severe weather of any kind can and often does cause damage to our properties, and can also reduce our productivity, development, and harvesting of timber. At this time, we have elected not to carry fire insurance to insure against loss of our standing timber due to forest fires, although our offices and equipment are insured.

We have had a long history of mining activity with some of our properties, and such activity can lead to hazards on our properties, and subsequently can lead to liabilities for our business.

Mining activity can cause subsidence, which is the gradual caving in or sinking of an area of land. Since mining activity has occurred under some of our properties, over long periods of time, this might cause subsidence in the future, which can lead to accidents and other liabilities that can materially and adversely impact our business, including, for instance, the loss of our standing timber and damage to our land. We monitor any sites facing such risks of which we are aware and such sites are analyzed annually to minimize loss due to subsidence.

Our operations are geographically concentrated, and we may face greater impacts from localized events than would more geographically diverse timber companies.

Located primarily in the western upper peninsula of Michigan and in northern Wisconsin, events and complexities affecting specific locales in the northern Michigan/Wisconsin region may impact us more significantly (and potentially negatively) than they would affect a comparable company with more diverse geographical operations. For example, disease and insect infestations tend to be local or regional in scope, and because our businesses are geographically concentrated, events of this nature may significantly affect our timber operations. Similarly, because the vast majority of our real estate operations are limited to northern Michigan, regional impacts such as growth patterns, weather patterns, and natural disasters, as well as socio-political events such as environmental and land use initiatives, may disproportionately affect that segment more significantly than a company whose operations are less concentrated.

Our log prices may be driven down by the consolidation of veneer and sawmills and pulpwood consuming mills in our geographic operating areas, which in turn may adversely affect our business.

Sawmills and pulpwood consuming mills along with other wood products manufacturing facilities in the area in which we operate have been consolidated in the past, and may be further consolidated in the future, for a variety of reasons, including cost savings. Such consolidation can drive up our costs by making it more expensive to transport our logs, and may also diminish competition for our logs, both of which can negatively impact our prices and profits, and, subsequently, our business.

Experienced independent contract loggers and truck drivers are often in short supply and these individuals may prefer to work for companies that can offer more consistent workflow than our Company may be able to offer, as well as potentially better benefits and pay.

We depend on independent contract loggers and truck drivers to produce and transport our products. These individuals are generally in high demand and, while we believe we offer a competitive advantage for such individuals, they may show preference for other work opportunities if such opportunities are available on more consistent or long-term basis. Available drivers and drivers who presently contract for us may also select or move onto other opportunities if such opportunities promise better benefits and pay than we can provide. If we fail to locate and retain an adequate number of contract loggers or truck drivers, particularly during higher-demand times of the year, then the efficiency of our operations will be negatively affected, which, in turn, can have a materially adverse impact on our business.

Rising diesel fuel prices can negatively impact our logging and hauling costs and, in turn, materially and adversely affect our business.

The price of diesel fuel has a significant impact on the profitability of our logging and wood hauling contractors. Increasing diesel prices, particularly increases that persist over a long period of time, can increase our operating expenses and cause them to fluctuate unpredictably. If we are unable to pass on these increased costs to our customers, then our margins will be reduced, and this can materially adversely impact our business.

Any damage to our reputation is likely, to hurt our business operations.

Over our extended period of operations, we have strived to build a strong reputation for our Company, including with regard to the quality of our products and the trust we have built with customers. Any damage to our reputation can hurt our ability to operate or grow our business, and this in turn can materially and adversely impact the results of our operations.

Risks Related to Regulatory and Legal Matters

There are statutory and regulatory restrictions, as well as social factors (e.g., the media), that may negatively impact, or limit, our ability to generate income and cash flow.

Certain of our core activities, including growing and harvesting timber, are subject to laws, regulations, and court orders that can limit or prevent us from pursuing such activities. Environmental protection initiatives and groups may impose obstacles to our business, including by lobbying for changes to existing laws and regulations that can affect our business negatively and by campaigning against companies with operations like ours in the media.

Changes in forest tax laws in the States we operate in may have a negative impact on our business.

Both Michigan and Wisconsin have forest tax laws to which our business is subject that provide significant financial incentives to manage timberlands sustainably and for the production of forest products. Changes to these tax laws that would significantly increase the tax rate structure on our timberlands may have a detrimental impact on our profitability and overall value of the Company.

Certain activists, including environmentalists, may pursue campaigns against companies in our industry and are likely to do so in the future, and such campaigns may have an adverse impact on the value of our assets or on our ability to generate revenues from our timberlands.

Environmentalist and other activist groups, political organizations, Native American tribes, and other parties in the legislative, administrative, and judicial spheres may seek the imposition of more stringent regulations on our business, including with regard to any properties we have that may be in need of environmental remediation. The efforts of activist groups opposed to businesses like ours are not unlikely to abate in the foreseeable future, and in some instances their campaigns may have a material impact upon the revenues we can generate from our properties or upon the costs of generating those revenues.

From time to time, we may be involved in lawsuits that cost significant time and money.

We cannot predict whether we may sue or be sued from time to time, but any litigation in which we become involved would likely cost us a significant amount of money and can distract management, which in turn can materially adversely affect our business.

Risks Related to Our Common Stock

Our common stock is not registered with the Securities and Exchange Commission and is not listed on, or subject to the regulations of, any stock exchange. Consequently, the Company has not been required to file periodic reports or provide updated information to the market.

Our common stock is traded on the Over-The Counter (OTC) bulletin board, commonly called the "Pink Sheets". It is not registered with the Securities and Exchange Commission, and the shares are not listed on any stock exchange or other regulated trading platform. Consequently, the Company has not been required to make periodic filings of financial and other information, or to publicize material developments in its business. The Company anticipates becoming more transparent in its publicity and to begin preparing and distributing regular financial reports, but there can be no assurance that the information provided would be sufficient to satisfy the disclosure requirements of any regulatory authorities.

We have witnessed relatively low historic trading volumes of our common stock and have limited market capitalization, and, as a result, the trading prices of our common stock may be more volatile than would an investment in a more liquid security.

Our common stock is thinly traded, and we have a small public float. Many brokers are restricted from trading in our stock due to lack of sufficient public information, restrictions on pink sheet securities or other factors. These factors can make trading our stock more volatile than trading in a more heavily traded security, or a security in a larger, more well-established company. This prospective volatility increases the risk of investing in our common stock and can drive down the price of our common stock and reduce opportunities for investors to buy or sell our common stock.

The preceding risk factors could affect our business, financial condition, or results of operations. These risk factors should be read together with the forward-looking statements contained in this 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 described above. The risk factors that are highlighted here 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. In that case, the price of our common stock could decline, and you may lose all or part of your investment.

Section 2. 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.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Keweenaw Land Association, Limited and Subsidiaries

Opinion on the financial statements
We have audited the accompanying consolidated balance sheets of Keweenaw Land Association, Limited and Subsidiaries (a Michigan corporation) (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for opinion
These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the auditing standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Grant Thornton

Critical audit matter
The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Depletion of Timber
As described further in Notes 1 and 2 to the financial statements, for the year ended December 31, 2020, the Company recognized $548,000 in depletion expense and the Timber and Timberlands balance, net of depletion and road depreciation, was $26.4 million at December 31, 2020. The Company establishes an annual depletion rate for each particular district. Depletion charges are based on recorded values of timber and timberland holdings as well as the properties' merchantable timber inventory. Merchantable timber inventory reflects the total estimated standing merchantable inventory volume less harvests and land sales plus an estimated growth rate. We identified the depletion of timber as a critical audit matter.

The principal consideration for our determination that the depletion of timber is a critical audit matter is that the annual depletion charges are complex due to the estimation uncertainty in determining the standing merchantable inventory volume used in the calculation of the depletion rate. In particular, estimating the standing merchantable inventory volume involves statistical sampling and growth modeling using inputs such as growth estimates and harvest information.

Our audit procedures related to the depletion of timber included the following, among others. We obtained an understanding of management's process to estimate depletion rates and standing merchantable inventory volume, and tested the completeness and accuracy of the underlying data used by the Company. We evaluated current year changes to harvestability, analyzed the change in depletion as a percentage of sales, and utilized published industry growth rates to assess the increase in timber volume growth. Our assessment included sensitivity analysis over depletion rates, and we considered whether assumptions utilized in management's estimate were consistent with evidence obtained in other areas of the audit.

Grant Thornton LLP

We have served as the Company's auditor since 2019

Chicago, Illinois
March 29, 2021

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statements of Income and Comprehensive Income
For the Years Ended December 31,

	2020	2019
Revenues		
Timber Sales	$ 17,285,907	$ 15,743,168
Real Estate Sales	2,952,049	5,256,600
Lease Income, Mineral Royalties and Service Fees	469,247	455,120
Total Revenues	**20,707,203**	**21,454,888**
Cost of Sales		
Timber Cost of Sales	12,299,389	11,644,164
Real Estate Cost of Sales	463,433	4,338,573
Timber Operations Forestry Expense	702,452	745,499
Land Management Costs	367,974	435,007
Total Cost of Sales	**13,833,248**	**17,163,243**
Gross Profit	**6,873,955**	**4,291,645**
Selling, General & Administration Expenses	1,956,974	1,925,442
Nonrecurring Expenses	-	418,450
Operating Income	4,916,981	1,947,753
Other Income	-	1,503,226
Other Expense		
Interest Expense	(370,429)	(614,420)
Earnings Before Income Taxes	**4,546,552**	**2,836,559**
Provisions for State and Federal Income Taxes	1,135,787	700,125
Net Income	**3,410,765**	**2,136,434**
Other Comprehensive Income (Loss), Net of Tax		
Unrealized Gains (Losses) on Securities		
Unrealized Holding Gain/(Loss) Arising During the Period	-	206,110
Less: Reclassification for Gain Included in Net Income	-	(1,180,365)
Other Comprehensive Income (Loss)	-	(974,255)
Comprehensive Income	**$ 3,410,765**	**$ 1,162,179**
Net Income Per Share:		
Basic	$ 2.64	$ 1.64
Diluted	$ 2.63	$ 1.64
Weighted Average Shares Outstanding:		
Basic	1,293,727	1,305,929
Diluted	1,294,677	1,306,279

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheets
For the Years Ended December 31,

	2020	2019
ASSETS		
Current Assets		
Cash and Cash Equivalents	$ 1,357,404	$ 2,433,989
Cash Held in Escrow	78,671	141,844
Accounts Receivable, Net of Allowances for Doubtful Accounts of $27,312 and $19,147, respectively	1,807,096	807,810
Prepaid Assets	167,421	267,032
Log Inventory	551,495	144,542
Federal Income Tax Receivable	215,246	264,653
Other Current Assets	36,999	36,999
Total Current Assets	**4,214,332**	**4,096,869**
Non-Current Assets		
Timber and Timberlands, Net of Depletion	26,429,508	26,965,969
Prepaid Developed Lot Costs	141,035	379,808
Property, Plant and Equipment, Net of Depreciation	1,124,569	1,211,205
Exploration and Evaluation	184,421	-
Other Non-Current Assets	49,600	30,700
Total Non-Current Assets	**27,929,133**	**28,587,682**
TOTAL ASSETS	**$ 32,143,465**	**$ 32,684,551**
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts Payable	$ 186,353	$ 288,513
Other Accrued Liabilities	1,112,189	660,115
Current Portion of Long Term Debt, net	2,460,681	-
Total Current Liabilities	**3,759,223**	**948,628**
Non-Current Liabilities		
Long Term Debt, net	3,976,409	10,036,827
Non-Current State and Federal Deferred Income Tax Liability	150,199	115,411
Total Non-Current Liabilities	**4,126,608**	**10,152,238**
Total Liabilities	**7,885,831**	**11,100,866**
Stockholders' Equity		
Common Stock (10,000,000 shares authorized, no par value, 1,293,727 and 1,305,929 shares issued and outstanding, respectively)	84,599	85,397
Accumulated Other Comprehensive Income	-	-
Retained Earnings	24,173,035	21,498,288
Total Stockholders' Equity	**24,257,634**	**21,583,685**
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	**$ 32,143,465**	**$ 32,684,551**

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31,

	Common Stock Issued	Amount	Accumulated Other Comprehensive Income	Retained Earnings	Total Stockholders' Equity
December 31, 2018 Balance	**1,301,550**	**$ 85,111**	**$ 974,255**	**$ 19,035,089**	**$ 20,094,455**
Changes during 2019:					
Comprehensive Income:					
Net Income	-	-	-	2,136,434	2,136,434
Other Comprehensive Income:					
Unrealized Loss on Securities,					
Net of Tax Expense	-	-	206,110	-	206,110
Less: Reclassification for Gain Included in Net Income	-	-	(1,180,365)	-	(1,180,365)
Shares Issued to Directors & Officers	5,196	340	-	384,050	384,390
Shares Purchased	(817)	(54)	-	(57,285)	(57,339)
December 31, 2019 Balance	**1,305,929**	**$ 85,397**	**$ -**	**$ 21,498,288**	**$ 21,583,685**
Changes during the period ended December 31, 2020:					
Comprehensive Income:					
Net Income	-	-	-	3,410,765	3,410,765
Shares Issued to Directors & Officers	1,879	122	-	127,058	127,180
Shares Purchased	(14,081)	(920)		(863,076)	(863,996)
December 31, 2020 Balance	**1,293,727**	**$ 84,599**	**$ -**	**$ 24,173,035**	**$ 24,257,634**

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statements of Cash Flows
For the Years Ended December 31,

	2020	2019
Cash Flows From Operating Activities		
Net Income	**$ 3,410,765**	**$ 2,136,434**
Adjustments to Reconcile Net Income to Net Cash Flow From Operating Activities:		
Depletion, Depreciation and Amortization	707,258	649,071
Amortization of Loan Costs	100,263	23,592
(Gain) on Sale of Securities	-	(1,494,133)
(Gain) on Sale of Land	(1,640,658)	(918,027)
Stock Based Compensation Expense	127,180	384,390
Changes in Operating Assets and Liabilities		
Decrease (Increase) in Accounts Receivable	(999,286)	(87,758)
Decrease (Increase) in Prepaid Assets	99,611	15,679
Decrease (Increase) in Log Inventory	(406,953)	22,882
Decrease (Increase) in Federal Income Tax Receivable	49,407	(214,948)
Decrease (Increase) in Other Current Assets	-	(2,394)
Decrease (Increase) in Other Non-Current Assets	(18,900)	(30,700)
Increase (Decrease) in Accounts Payable	(102,160)	252,117
Increase (Decrease) in Deferred State and Federal Income Tax	34,788	9,085
Increase (Decrease) in Other Accrued Liabilities	452,074	(54,159)
Net Cash Flow From Operating Activities	**1,813,389**	**691,131**
Cash Flow From Investing Activities:		
Purchases of Property and Equipment	(37,760)	(27,415)
Proceeds from Sale of Securities	-	2,599,625
Exploration and Evaluation Expenditures	(184,421)	-
Primary Road Construction Expenditures	(106,418)	(67,812)
Proceeds from Land & Developed Lot Sales, Net	1,939,448	5,197,653
Net Cash Flow From Investing Activities	**1,610,849**	**7,702,051**
Cash Flows From Financing Activities		
Payments on Long Term Debt	(3,700,000)	(8,500,000)
Repurchase of Common Stock	(863,996)	(57,339)
Net Cash Flow From Financing Activities	**(4,563,996)**	**(8,557,339)**
Change in Cash and Cash Equivalents and Cash Held in Escrow	(1,139,758)	**(164,157)**
Cash and Cash Equivalents and Cash Held in Escrow, beginning of period	**2,575,833**	**2,739,990**
Cash and Cash Equivalents and Cash Held in Escrow, end of period	**$ 1,436,075**	**$ 2,575,833**
Reconciliation of Cash, Cash Equivalents and Cash Held in Escrow		
Cash and Cash Equivalents	$ 1,357,404	$ 2,433,989
Restricted Cash Held in Escrow	78,671	141,844
Cash Paid (Received) during the year for:		
Interest Paid	$ 270,168	$ 649,387
Federal and State Income Taxes Paid	1,052,860	876,796

See accompanying notes to consolidated financial statements

KEWEENAW LAND ASSOCIATION, LIMITED
Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly owned subsidiaries. Significant inter-company accounts and transactions have been eliminated. The financial statements are prepared in accordance with Generally Accepted Accounting Principles ("GAAP") of the United States of America.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and to disclose contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the period.

Segment Reporting

The Company is primarily in the business of managing and harvesting timber which is considered to be one reporting segment. The Company has no other reportable segments.

Reclassification

Certain prior period amounts may have been reclassified to conform with the current period's financial statement presentation. Unless otherwise noted, any such reclassifications had no impact on net income or stockholders' equity as previously reported.

Cash and Equivalents and Cash Held in Escrow

Highly liquid investments with maturity of three months or less when purchased are generally considered to be cash equivalents. Cash held in escrow represents amounts being held by a third-party brokerage for the purposes of facilitating the Company's share repurchase program.

Accounts Receivables and Bad Debts

The Company extends unsecured credit to some of its customers and uses the allowance method for accounting for bad debts. Management evaluates all accounts receivables at the balance sheet date to determine the allowance.

Investment in Marketable Securities

Management determines the appropriate classification of its investments in marketable securities at the time of purchase and re-evaluates such determination at each balance sheet date. Marketable securities are classified as available for sale and are carried at fair market value, with the unrealized gains and losses, net of state and federal income taxes, reported as accumulated other comprehensive income in a separate component of stockholders' equity. The Company sold all marketable securities it held during the first quarter of 2019 and has not purchased any marketable securities since that time.

Log Inventory

Log inventory is valued at the lower of cost or net realizable value using the average cost method.

Timber and Timberlands

Timber and Timberlands consist of the recorded costs of holdings. Timber depletion charges are based on these recorded values and the properties' merchantable timber inventory, utilizing the pooling method. In addition, permanent logging road construction costs incurred net of related depreciation have been capitalized and included in timber and timberlands.

Road Building Costs

The Company has an accounting policy to identify, classify, and depreciate or capitalize road-building costs consistent with GAAP. Logging roads constructed under the policy are classified as either permanent or secondary logging roads. Permanent logging roads are those roads, culverts, bridges, and other improvements constructed to provide regional access to a series of timber stands and/or other logging roads, which are continuously maintained for an indefinite period. Secondary logging roads are those roads, culverts, bridges, and other improvements constructed for the sole purpose to provide access to particular, identifiable stands of timber for the purpose of harvest and transport of logs from those specific stands. The accounting treatment adopted is that costs expended on permanent roads are capitalized. Roadbed costs are treated as permanent costs of the land. Costs of road surfacing, culverts, bridges, and other improvements on permanent roads are capitalized and depreciated over 15 years. Expenditures for secondary roads are charged to prepaid expense and written off over the period of the scheduled, related timber stand harvest.

Prepaid Developed Lot Costs

Prepaid developed lot costs include the costs of those properties assigned for development, as well as all accumulated expenditures for lot development.

Assets Held for Sale

The Company reviews all land sales at the end of each accounting period to determine if they should be classified as held-for-sale based on specific criteria set out in ASC 360. As of December 31, 2020, there were no properties designated as held-for-sale.

Exploration and Evaluation Cost

Exploration and evaluation costs include those costs associated with mineral resource evaluation and are accumulated on prospective properties that may be advanced for future development.

Property, Plant, and Equipment

Assets are individually identified on the depreciation schedule. Assets are carried at cost and the provision for depreciation is generally computed using the straight-line method over the estimated useful lives of the assets among major asset classes from 3 to 40 years. Buildings are depreciated over 10-40 years, office furniture, machinery and equipment over 3 to 7 years, vehicles over 5 years, and land improvements over 15 years, all using the straight-line method. Salvage value is assigned to vehicles and other significant assets and for those assets, depreciation is used over the useful life until the salvage value is reached. Management reviews the salvage value of each of these assets at the end of each year to determine if the salvage value is reasonable. If the estimated fair market value is less than the salvage value, the asset is written down to the estimated fair market value.

Deferred Income Taxes

Deferred income taxes are determined utilizing a liability approach. This method gives consideration to the future tax consequences associated with the differences between the financial accounting and tax basis of assets and liabilities.

Common Stock

All Keweenaw common shares previously purchased are considered authorized but unissued shares. The cost basis for Keweenaw's common shares was determined to be $0.065392 per share. This is the amount credited to common stock when stock is issued. The excess of the issue price over cost is credited to retained earnings.

Fair Value Measurements

Management has reported all significant financial assets and liabilities at their fair value in note 14 to the financial statements. The Company's estimates of fair value of financial and non-financial assets and liabilities are based on the framework established in the fair value accounting guidance. The framework specifies hierarchy of valuation inputs which was established to increase consistency, clarity and comparability in fair value measurements and related disclosures. The guidance describes a fair value hierarchy based upon three levels of inputs that may be used to measure fair value, two of which are considered observable and one that is considered unobservable. The following describes the three levels:

Level 1 – Valuation is based upon quoted prices in active markets for identical assets or liabilities.

Level 2 – Valuation is based upon inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 – Valuation is generated from model-based techniques that use at least one significant assumption not observable in the market. These unobservable assumptions reflect estimates of assumptions that market participants would use in pricing the asset or liability. Valuation techniques include option pricing models, discounted cash flow models and similar techniques.

Recent Accounting Pronouncements:

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments – Credit Losses (Topic 326), which requires companies to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate the lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model applies to all financial assets, including trade receivables. ASU No. 2016-13 is effective for annual periods beginning after December 15, 2022. The Company is still evaluating the impact the guidance may have on the Company's Consolidated Financial Statements.

Adoption of ASC 842

The Company adopted Accounting Standards Update ("ASU") No. 2016-02, Leases (Topic 842), on January 1, 2020 and elected to apply the standard as of that day. ASC 842 establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on its balance sheet for all leases subject to certain scope exceptions. Leases are required to be classified as either finance or operating, with classification affecting the pattern of recognition on the income statement. The Company currently operates as both a lessor and lessee. See note 10 for additional disclosure regarding the implementation of ASC 842.

The company applied the following practical expedients in the transition to the new standard as allowed under ASC 842-10-65-1

1. Reassessment of expired or existing contracts – The Company elected not to reassess, at the application date, whether any expired or existing contracts contained leases, the lease classification for any expired or existing leases, and the accounting for initial direct costs for any existing leases.
2. Use of hindsight – The company elected to use hindsight in determining the lease term (that is when considering options to extend or terminate the lease and to purchase the underlying asset) and in assessing

impairment of right-of use assets.

3. Reassessment of existing or expired land easements – The company elected not to evaluate existing land easements that were not previously accounted for as leases under ASC 840 as allowed under the transition practical expedient. Going forward, new or modified land easements will be evaluated under ASU No. 2016-02

ASC 606 Revenue from Contracts with Customers

In May 2014, the FASB issued guidance on the recognition of revenue from contracts with customers. The core principle of the guidance is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. Revenue from contracts with customers is outlined below.

Timber Sales

The Company recognizes revenue when control of promised goods or services ("performance obligations") is transferred to a customer in an amount that reflects the consideration expected in exchange for those goods or services ("transaction price").

The Company generally satisfies performance obligations within a year of entering into a contract, and therefore has applied the disclosure exemption found under ASC 606-10-50-14. There were no unsatisfied performance obligations as of December 31, 2020 or December 31, 2019. The Company generally collects payment within a year of satisfying performance obligations, and therefore has elected not to adjust revenues for a financing component.

The Company maintains master contracts or purchase agreements with each of its timber customers. Contract types include: Delivered wood and Stumpage (pay as cut). Specific price lists identify prices, terms and conditions for the transaction price and delivery point for each sale. Price lists are updated periodically to reflect market conditions.

Contract Type	Performance Obligation	Revenue Recognition	General Terms of Payment
Delivered Wood	Wood type delivered to customer	Upon Delivery (point-in-time)	Weekly or Net 15
Stumpage (pay as cut)	Harvest rights	Paid as Cut (point-in-time)	Weekly or Net 15

Real Estate Sales

Revenue from sale of real estate (Higher and Best Use ("HBU") or Non-core timberland) is recognized upon closing when title passes to the buyer.

Non-Timber revenue

Non-timber revenue generally comprises gravel royalties and lease income from hunting, recreational and mineral leases. This income is generally recognized according to the contractual terms which renew on an annual basis.

Revenue from Contracts with Customers

The following tables present our revenue from contracts with customers disaggregated by product type:

Revenue From Contracts with Customers	2020	2019
Sawtimber	$ 7,399,263	$ 6,121,325
Pulpwood	9,886,644	9,621,843
Total Timber Revenue	**$ 17,285,907**	**$ 15,743,168**
Mineral Royalties	38,685	33,838
Service Contracts	221,324	202,381
Lease Income	168,877	218,901
Total Non-Timber Revenue	**$ 428,886**	**$ 455,120**
Non-strategic Timberland Sales	2,092,634	1,315,600
Total Real Estate Sales	**$ 2,092,634**	**$ 1,315,600**
Total Revenue from Contracts with Customers	**$ 19,807,427**	**$ 17,513,888**

The following tables present our timber revenue disaggregated by contract type:

Timber Revenue Disaggregated by Contract Type	2020	2019
Delivered Wood	$ 17,187,021	$ 15,497,015
Stumpage (Pay as Cut)	98,886	246,153
Total Timber Revenue	**$ 17,285,907**	**$ 15,743,168**

Contract Balances

The timing of revenue recognition, invoicing, and cash collections results in accounts receivable on the Consolidated Balance Sheets. Accounts receivable are recorded when the Company has an unconditional right to consideration for completed performance under the contract. There were no contract liabilities related to payments received in advance of performance under any contract as of December 31, 2020 or 2019.

2. Timber and Timberlands

The following is a summary of the timber and timberlands and permanent logging roads at cost, less accumulated depletion and road depreciation as of December 31, respectively:

	2020	2019
Land and Mineral Holdings	$ 9,728,437	$ 9,743,289
Timber	23,302,089	23,346,609
Permanent Logging Roads	1,203,602	1,097,184
Properties at Cost	34,234,128	34,187,082
Less: Accumulated Timber Depletion	(7,285,290)	(6,736,462)
Less: Accumulated Road Depreciation	(519,330)	(484,651)
Net Carrying Value	**$ 26,429,508**	**$ 26,965,969**

The timber depletion expense and depreciation expense for permanent logging roads is as follows:

	2020		2019	
Timber Depletion Expense	$	548,495	$	492,514
Depreciation Expense for Permanent Logging Roads	$	33,496	$	29,057

3. Prepaid Developed Lot Costs

The Company capitalizes the costs related to the development of land available for sale. These costs are presented on the balance sheet. There were 11 lot sales in 2020 and no lot sales in 2019. On December 31, 2020, there were 12 lots remaining for sale.

4. Exploration and Evaluation

The Company capitalizes the exploration and evaluation costs of mineral resources and these expenditures are shown on the balance sheet. During 2020, the Company expended $184,421 to explore prospective mineral properties within the Company's mineral portfolio.

5. Property, Plant, and Equipment

A summary of property, plant and equipment, at cost, less accumulated depreciation is as follows:

	2020		2019	
Buildings	$	415,862	$	415,862
Furniture, Equipment, and Accessories		1,088,238		1,102,949
Machinery and Vehicles		407,792		407,792
Land Improvements		884,816		847,056
Equipment at Cost		2,796,708		2,773,659
Less: Accumulated Depreciation		(1,672,139)		(1,562,454)
Equipment, Net of Depreciation		**1,124,569**	**$**	**1,211,205**

The Company recorded depreciation expense for property, plant and equipment as follows:

	2020		2019	
Depreciation Expense	$	125,580	$	127,500

6. Lines of Credit and Long-Term Debt

Keweenaw Land Association, Limited maintains banking relationships with Wells Fargo Bank, N.A., and Metropolitan Life (MetLife).

The Company has a combined unsecured line of credit with Wells Fargo Bank in the amount of $750,000 to be used as an operating line of credit, and also for the purpose of standby letter of credit availability at a variable interest rate equal to the Wells Fargo Bank index rate plus 1% for a one-year commitment and interest to be paid monthly. The Company renegotiated the terms of this line of credit in the fourth quarter of 2020 to reduce the principal amount from $1,000,000 down to $750,000. With the reduced amount, certain covenants were lifted regarding working capital and debt service requirements. The company was compliant with all covenants.

A ten-year interest-only loan with MetLife at 3.05% per annum, principal balance of $5,000,000, dated December 9, 2016, had a balance of $4,500,000 on December 31, 2019. According to the terms of the loan, up to 10% of the original principal balance can be repaid annually during the life of the loan without penalty. The maturity date on this loan is December 9, 2026. During the first quarter of 2020, $500,000 was paid down without penalty. As of December 31, 2020, balance outstanding is $4,000,000.

Keweenaw also maintains a five-year revolving line of credit in the amount of $25,000,000 with a maturity date of December 6, 2021, with MetLife which carries an interest rate of 3-month LIBOR plus 150 basis points and .0875% on the uncommitted funds if the average unused portion is more than 50% of the maximum draw. If the average unused portion is 50% or less of the maximum draw, interest of .0375% is charged. Once the facility is used, there is the option of terming out the amount borrowed at the existing 10-year Treasury note rate plus 150 basis points. In 2020, $3,200,000 was applied to the outstanding balance of the MetLife line of credit. A total of $2,500,000 remains drawn on this line of credit as of December 31, 2020 down from $5,700,000 as of December 31, 2019. A significant covenant of MetLife requires Keweenaw to not allow the outstanding principal balance of the loan to exceed 35% of the value of the timberlands owned by Keweenaw. As security for these loans, MetLife is a lienholder on 164,311 acres of Keweenaw's timberlands.

In addition to these financial covenants listed above, the debt agreements include customary covenants that limit the incurrence of debt and the disposition of assets, among others. As of December 31, 2020, Keweenaw was in compliance with all applicable covenants.

As of December 31, 2020, the Company had one standby letter of credit amounting to $10,000 for the purpose of backing a performance bond related to the Company's mineral lease with the State of Michigan. A second standby letter in the amount of $500,000 was not renewed during the quarter. No balance was owed on the $10,000 committed against the $750,000 line of credit as of December 31, 2020.

The following table summarizes the total outstanding debt of the Company on December 31, 2020, and December 31, 2019:

	2020	2019
Long-term Debt	$ 4,000,000	$ 4,500,000
Five-year Revolver	2,500,000	5,700,000
Less Unamortized Loan Costs	(62,910)	(163,173)
Total	**$ 6,437,090**	**$ 10,036,827**

The Company's total outstanding debt obligations are outlined below:

Facility Name	Maturity Date	Interest Rate	Commitment	Total Capacity	Balance [1]	Availability
MetLife Fixed Rate Loan	12/09/2026	FIXED 3.05%	-	$ 5,000,000	$ 4,000,000	$ -
MetLife Revolving Line of Credit	12/01/2021	LIBOR + 1.50%	0.0875%	25,000,000	2,500,000	22,500,000
Wells Fargo Line of Credit	11/03/2020	PRIME + 1.0%	-	750,000	-	750,000
				$ 30,750,000	$ 6,500,000	$ 23,250,000

[1]Unamortized loan costs associated with the Met Life credit facility are ($62,910) reducing long term debt reported on the Balance Sheet to $6,437,090

The Company's debt maturity is outlined below:

	Total	2021	2022	2023	2024	2025	Thereafter
Debt obligations	$ 6,500,000	$ 2,500,000	$ -	$ -	$ -	$ -	$ 4,000,000

7. Income Taxes

Keweenaw recorded federal and state income tax expenses. Income taxes consist of the following:

Current:	**2020**	**2019**
Federal	$ 830,703	$ 506,985
State	270,296	184,055
	1,100,999	691,040
Deferred and other:	**2020**	**2019**
Federal	$ 15,120	$ 78,897
State	19,668	(69,812)
	34,788	9,085
Total Tax Provisions (Expense)	**$ 1,135,787**	**$ 700,125**

The reconciliation between the effective tax rate on income and the statutory tax rate is as follows:

	2020	**2019**
Tax Provision computed at statutory rate	$ 954,775	$ 595,677
State Income taxes net of federal benefit	229,072	90,251
2018 Net operating loss carryback	(80,254)	
Other - Net	32,194	14,197
Income Tax expense	**$ 1,135,787**	**$ 700,125**

In 2020, the Company carried back it's 2018 Net Operating Loss of $617,344 due to the enactment of the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") that allowed this to be carried back. The income tax benefit recorded in 2020 is the excess of the income taxes recovered at 34% over the 21% benefit from previously carrying the Net Operating Loss Forward to 2019. The Company used $163,881 of tax credit carry forwards from prior year tax returns in 2020 in addition to a 2018 net operating loss carryback of $80,254. There are no outstanding net operating loss carryforwards or tax credits outstanding as of December 31, 2020.

Deferred tax liabilities and assets are determined based on the differences between the financial statement carrying amounts and the tax basis of assets and liabilities using enacted tax rates in effect the years in which differences are expected to reverse.

Significant components of the federal deferred tax liability are as follows:

Non-Current:	**2020**	**2019**
Equipment Depreciation	$ 144,917	$ 155,074
Logging Roads Depreciation	48,152	28,874
Offset for State Deferred Tax Liability	(7,352)	(3,225)
Other Deferred Liabilities	(70,529)	(80,652)
Total Non-Current	**$ 115,188**	**$ 100,071**
Total Federal Deferred Tax Liability	**$ 115,188**	**$ 100,071**

Non-Current:	**2020**	**2019**
Equipment Depreciation	$ 41,405	$ 25,596
Logging Roads Depreciation	13,757	8,250
Other Deferred Liabilities	(20,151)	(18,506)
Total Non-Current	**$ 35,011**	**$ 15,340**
Total State Deferred Tax Liability	**$ 35,011**	**$ 15,340**

There are no material uncertain tax positions requiring recognition in the Company's consolidated financial statements. Keweenaw Land Association Limited and its subsidiaries are subject to United States federal income tax and Michigan and Wisconsin corporate income tax.

8. Retirement Plans

The Company is the sponsor of a 401(k) deferred compensation plan. The Company makes matching contributions equal to 50 percent of employee elective deferrals, not to exceed 5 percent of compensation as defined in the plan. In addition, the Company makes discretionary contributions to the plan in the amount of 5 percent of base compensation. Expenses related to the Company's 401(k) plan were:

	2020	**2019**
Total 401(k) Expense	$ 94,888	$ 82,303

9. Concentration of Credit Risk

Keweenaw is located in Ironwood, Michigan. The Company grants credit without collateral to certain approved customers, most of whom are located in Wisconsin and Upper Michigan. The Company has not experienced any significant losses from uncollectible customer accounts. For the year ending December 31, 2020, four customers accounted for approximately 55% and 49% of the Company's consolidated net sales and receivables, respectively. For the year ending December 31, 2019, four customers accounted for approximately 56% and 60% of the Company's consolidated net sales and receivables.

Cash and cash equivalents consist of cash on hand and demand deposits in banks. The Company considers all highly liquid investments purchased with original maturities of three months or less to be cash and cash equivalents. The Company, at times throughout the year, may, in the ordinary course of business, maintain cash balances in excess of Federal Deposit Insurance Corporation ("FDIC") insurance coverage, and as a result, there is concentration of credit risk related to amounts on deposits in excess of FDIC insurance coverage. The Company had $744,026 and $2,021,518 in cash and cash equivalents and cash held in escrow as of December 31, 2020 and December 31, 2019, respectively, in excess of FDIC-insured limits.

10. Leases

The Company's current lease environment consists of commercial, surface, recreational, mineral, gravel, and mining leases. The company evaluated current leases under contract and contracts that may contain a lease under the guidance of ASC 842 to determine the accounting treatment for each lease. After evaluation, the Company determined all commercial, surface, and recreational leases to be accounted for as operating leases under ASC 842. All leases determined to fall under the scope of ASC 842 as operating leases contained similar terms. Leases are typically long-term and do not contain a transfer of ownership, purchase option, or are available for an alternative use. Leases do not contain an option to extend and once the lease term has expired, a new lease agreement must be signed by the new or existing tenant. No leases in the Company's lease portfolio contain variable lease payment options.

All leases in which the Company is a lessee were separately evaluated using guidance from ASC 842 to determine proper accounting treatment. After evaluation, the Company found that the lease for the right to use office equipment was classified as an operating lease and fell under the scope of ASC 842. Leases in which the company is a lessee have been excluded due to materiality. During the years ending December 31, 2020 and December 31, 2019, lease expense was $148,592 and $203,652, respectively.

Revenue Recognition and Accounts Receivable

The Company leases real estate consisting of commercial, surface, and recreational property which are accounted for as operating leases. Under this method, lease income is recognized on a straight-line basis over the lease term. The Company also leases property for the purposes of mining, mineral exploration, and gravel extraction. Lease revenue related to mining, mineral, and gravel are excluded from the scope of ASC 842 and are recognized in accordance with ASC topic 606, *Revenues from Contracts with Customers.* Lease contracts related to mining and mineral exploration typically contain provisions for increasing rents to incent project advancement.

The balance of straight-line lease income receivable as of December 31, 2020 was $12,604. Lease income receivable from leases excluded from the scope of ASC 842 as of December 31, 2020 was $31,377. The Company reviews the collectability of charges under its current operating 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 tables include information regarding the Company's operating leases for which it is the lessor, for the year ended December 31, 2020.

	2020
Lease Income from Operating Leases	$ 40,361
Other Lease Income	168,877
Total Lease Income	$ 209,238

	2021	2022	2023	2024	2025	Thereafter	Total
Future Lease Payments	$ 30,659	$ 24,332	$ 26,986	$ 27,143	$ 25,581	$ 84,049	$ 218,749

11. Non-Recurring Expenses

The Company considers the expenses reflected in the tables below, which were incurred during the year ended December 31, 2019, to be unusual, infrequent, or non-recurring. Services related to the Company investigating the possibility of converting to a Real Estate Investment Trust ("REIT"), included legal, tax and accounting services in connection with the possible reorganization. The change of control costs were related to executive officer transitions. The Company did not incur any expenses that it considers to be non-recurring for the year ended December 31, 2020.

	2020	2019
REIT Services	-	27,151
Change of Control Agreements	-	319,249
Conservation Easement Costs	-	72,050
Total	$ -	$ 418,450

12. Stock Based Compensation

On August 27, 2018, the Company established the Stock Incentive Plan of 2018 for eligible employees (the "Incentive Plan"). The following tables contain shares issued, granted, and vested for the years ended December 31, 2020 and 2019.

Equity Compensation for Independent Directors

During the year ended December 31, 2020, the Company's 5 eligible independent directors received a total of 1,762 shares at a weighted-average value of $67.445 per share as determined by the average of the bid and ask price at close on the grant date. The shares granted are fully vested as of the grant date.

Below is a summary of independent director's stock-based compensation for the years ended December 31, 2020 and 2019:

	2020	2019
Fully-vested shares granted	1,762	4,624
Weighted-average grant date fair value per share	$ 67.445	$ 71.189
Grant date fair value of fully vested stock granted in period	$ 118,838	$ 329,176

Service-based Restricted Stock Grants to Employees

During 2019, the Company granted 387 shares of service-based and restricted stock to eligible employees and executive officers, approved by the Compensation Committee of the Board of Directors. For The 2019 service-based awards 37 shares vested immediately and 350 will vest in three equal installments in July of 2020, 2021, and 2022. During 2020, the Company granted 717 shares of service-based restricted stock to eligible officers. The fair value of the shares is determined as of the average of the bid and ask upon market close on the grant date. These shares were granted on December 28, 2020 and will vest on December 31, 2021.

Below is a summary of service-based restricted stock grants to the employees for the year ended December 31, 2020 and 2019:

	2020	2019
Shares granted	717	387
Grant date fair value per share	$ 69.75	$ 70.98
Grant date fair value of restricted stock	$ 50,011	$ 27,469
Shares vested	117	572
Shares unvested	950	350
Fair value of vested stock	$ 8,342	$ 55,214
Fair value of unvested stock	$ 66,624	$ 24,955

13. Earnings Per Share

The following table provides the details and calculations of the basic and diluted earnings per share:

	2020	2019
Net Income (Loss)	$ 3,410,765	$ 2,136,434
Shares used for basic earnings per common share	1,293,727	1,305,929
Restricted shares	950	350
Shares used for dilutive earnings per common share	1,294,677	1,306,279
Basic earnings per common share	$ 2.64	$ 1.64
Dilutive earnings per common share	$ 2.63	$ 1.64

14. Fair Value Measurements

The carrying value of cash and cash equivalents, receivables and account payable and accrued liabilities are reasonable estimates of their fair values because of the short maturity of these financial instruments.

The fair value of the revolving line of credit is estimated to be the carrying value of $2,460,681 as of December 31, 2020.

15. Subsequent Events

On March 26, 2021, Keweenaw closed on the sale of 2,067 acres of land (including, among other things, the timber thereon) and the mineral rights thereto for approximately $2,526,000 in gross proceeds.

Section 4. 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 3 of this Annual Report. See also "Cautionary Note Regarding Forward-Looking Statements" in the preceding Section II of this Annual Report for the year ended December 31, 2020.

Overview

As of December 31, 2020, Keweenaw, a land and timber management company, owned 182,399 acres of surface land and 401,532 acres of subsurface mineral rights in the western Upper Peninsula of Michigan and northern Wisconsin. Keweenaw derives the majority of its net income from the sale of logs harvested from its forestlands, and from the sale of timber harvested from public and private timber sources. Keweenaw also generates other revenue from recreational leases, mineral rights leases, sale of sand and gravel, and by providing wood scaling and inventory management services for various customers.

Results of Operations

Timber Sales & Operations

For the year ended December 31, 2020 Keweenaw's timber sales volume totaled 129,525 cords (310,860 tons). The

2020 sales volume increase was 4,233 cords (10,159 tons) or 3% higher than the prior year volume. The 2020 harvest included 121,580 cords from Company lands and 7,945 cords from procured stumpage, an increase of 3,905 cords and 398 cords over the prior year, respectively.

2020 gross timber revenues were up $1,542,739 to $17,285,907, an increase of 10% over the prior year gross timber revenues. Timber revenue from Company owned land was $16,192,334, an increase of 9% or $1,367,207 over the prior year and 2020 gross sales from procured stumpage increased by 19% or $175,532 to $1,093,573 versus the prior year.

Timber sales volumes, sales product mix and net sales prices as a year over year comparison are shown in the following tables.

	Year Ended December 31,		
	2020	**2019**	% Change
Timber Sales Volume (cords)			
Sawtimber [(1)]	37,780	30,837	22.5%
Pulpwood	91,745	94,455	-2.9%
Total	129,525	125,292	3.4%
Product Mix			
Sawtimber	29%	25%	
Pulpwood	71%	75%	
Gross Margin (per cord)			
Sawtimber	$ 90.39	$ 96.18	-6.0%
Pulpwood	$ 17.52	$ 13.82	26.8%
Weighted Average	$ 38.78	$ 34.09	13.8%

(1) Includes Veneer, Sawlogs and Sawbolts

The increase in 2020 timber revenues over the prior year was driven by volume and product mix changes year over year. Total sawtimber product volume increased by 22.5% driven in large part by the increase in pine sawtimber sales. Pine sawtimber is a lower margin product than hardwood sawtimber and consequently there was a net decrease in sawtimber margin year over year. The total pulpwood volume decreased by 2.9%, however, the net pulpwood margin increased year over year driven by an increase in aspen and dense hardwood sales. The total impact of those changes is reflected below:

	Year Ended December 31,		Changes Attributed to:	
Sales	2020	2019	Volume	Price/Mix
Sawtimber	$ 7,399,263	$ 6,121,325	22.5%	-1.6%
Pulpwood	9,886,644	9,621,843	-2.9%	5.6%
Total	$ 17,285,907	$ 15,743,168	3.4%	2.8%

Costs of Operations

Contract logging and freight costs represent the majority of the Company's log production expense. Total 2020 logging and freight costs increased by 10% to $10,697,332 versus prior year logging and freight costs. This increased cost is attributable to multiple factors that primarily include a 3% increase in harvest volume and a 22% increase in sawtimber product volume year over year. In addition, Keweenaw's contract logging rate is higher for sawtimber than pulpwood. As a result, product mix was also a factor in our increased logging costs year over year. Keweenaw also sold less stumpage in 2020 than the prior year which results in higher logging and freight costs per cord. On a per cord basis, 2020 logging and freight costs increased by $3.18 per cord to $80.97 versus the prior year's cost of $77.79 per cord. The per cord increase is due to the increase in sawtimber product mix and the decrease in stumpage sales year over year.

Costs associated with construction, maintenance and improvement of the Company's logging roads is another element of Keweenaw's production cost. 2020 road-building expenses of $820,340 were up 21% versus the prior year. The increase was driven in small part by the 3% increase in 2020 harvest volume. The most significant factor in the increased 2020 road expense, however, was the write-off of $111,569 of deferred road expenses in 2020, which we no longer deemed capitalizable. On a per cord basis, 2020 road costs went up $0.82 per cord to $6.21 per cord versus the prior year. However, the write-off of the deferred road expenses contributed $0.74 per cord to the increase in 2020.

Depletion and procured stumpage expenses increased to $828,714 for 2020 an increase of $142,411 or 20% from the prior year. On a per cord basis, 2020 depletion and procured stumpage expenses rose to $6.27 per cord versus the prior year expense of $5.44 per cord. The increase in depletion and stumpage expense was driven by a 4% increase in procured stumpage sales and an increase in the procured stumpage rate of $8.90 per cord year over year. The increase in the procured stumpage rate was driven by the 11% increase in sawtimber volume in 2020 over the prior year. Stumpage rates for sawtimber are higher than pulpwood.

Other operating expenses (Yard Costs) are associated with the costs of operating Keweenaw's merchandising woodyard. Those costs declined to $322,515 in 2020 approximately 6% lower than in the prior year.

The 2020 and 2019 logging/freight, road, depletion/stumpage, and other costs are listed below.

Production Costs	**2020**	**2019**
Logging & Freight	$ 10,697,732	$ 9,746,559
Roads	820,340	676,637
Depletion/Stumpage	828,714	686,303
Yard Costs	322,515	342,607

Production Cost Per Cord	**2020**	**2019**
Logging & Freight	$ 80.97	$ 77.79
Roads	6.21	5.40
Depletion/Stumpage	6.27	5.45
Yard Costs	2.44	2.74

Non-Timber Revenue and Real Estate Sales

In 2020 non-timber revenues and real estate sales decreased by $3,793,650 compared to the prior year. The decrease was primarily driven by the size and nature of easement sales. In 2020, the Company sold a motorized trail easement to the State of Michigan for $832,969 in addition to $26,446 in other easements, as compared to 2019 when the Company sold a conservation easement for a total of $3,941,000. There were also no securities sales in 2020 compared to $1,494,133 in the prior year. All other non-timber revenue sources remained relatively unchanged year over year.

Income from other sources is unpredictable in nature and can vary widely from year-to-year. The breakdown of non-timber revenue and real estate sales by category is reflected below.

	2020	2019
Lease Income, Mineral Royalties and Service Fees	$ 469,247	$ 455,120
Investments	-	9,093
Securities Sales	-	1,494,133
Easement Sales	859,415	3,941,000
Development Lot Sales	443,400	-
Real Estate	1,649,234	1,315,600
Total Non-timber Revenue and Real Estate Sales	$ 3,421,296	$ 7,214,946

	Non-Development Sales		Development Lot Sales	
Real Estate Sales	**2020**	**2019**	**2020**	**2019**
Acres Sold	1,033	513	56	-
Gross	$ 1,649,234	$ 1,315,600	$ 443,400	$ -
$ Acre/Gross	$ 1,597	$ 2,565	$ 7,869	$ -
Transactions	26	8	11	-

Liquidity and Capital Resources

Keweenaw's cash flow from operations in 2020 was $1,813,389 versus $691,131 in the prior year. Overall timber sale volume increased by 3% in 2020 over the prior year rising by over 4,233 cords. With the increase in sales volume, the timber income increased by $1,542,739 year over year.

Keweenaw sold 1,033 acres of forest land in 2020 for a gross total of $1,649,234 for a per acre gross value of $1,597 per acre. The real estate market across the Upper Peninsula of Michigan has seen an increase in activity since the COVID-19 pandemic started in early 2020, and Keweenaw has been able to realize value from being active in the market and identifying target opportunities.

Keweenaw also experienced renewed interest in its development properties and sold 11 lots in 2020 versus none in the prior year, which generated $443,400 in gross sales for a per acre gross value of $7,869 and a reduction in the prepaid development asset of $238,773.

Capital expenditures (net) totaled $328,599 in 2020 versus $95,227 in the prior year. Current year capital expenditures consisted of $106,418 for capitalized roads, $37,760 for a new log yard and $184,421 related to exploration and evaluation of company mineral assets. In the prior year, capital costs were associated with Company vehicles, tree planting, and Company roads.

In 2020, no dividends were paid to shareholders. Keweenaw issued 1,762 shares to the board of directors as part of the Board's annual compensation package, and 117 restricted shares vested, with a total cost amounting to $127,180. In addition, Keweenaw issued 717 restricted shares that will vest in December 2021. On December 31, 2020, Keweenaw had $1,436,075 in cash and cash equivalents and cash held in escrow compared to $2,575,833 at the end of the prior year.

The Company maintains a credit arrangement at Wells Fargo Bank Michigan N.A., which provides for a $750,000 operating line-of-credit availability to satisfy short-term operating cash needs and to also fund standby letters-of-credit in guarantee of performance on public bid timber stumpage contracts with the USDA Forest Service.

Keweenaw did not borrow on its short-term line of credit with Wells Fargo in 2020 or 2019. At the end of 2020, there was no outstanding balance on its short-term line of credit. If necessary, short-term borrowing and repayment would occur using the automatic balance transfer feature of Keweenaw's primary business checking account and its operating line of credit. On Keweenaw's $750,000 operating line of credit, one letter of credit totaling $10,000 was outstanding as of December 31, 2020, though no balance was owed.

In December 2016, the Company borrowed $5,000,000 from MetLife at an interest rate of 3.05% and paid off the principal balance of $4,320,000 remaining on its original loan with Wells Fargo. Keweenaw originally borrowed $4,800,000 in November 2013 to help finance a 4,979-acre land purchase. Terms of the new 10-year interest-only loan with MetLife include quarterly interest payments at 3.05%. Up to 10% of the principal balance may be paid annually without prepayment penalty. An installment payment of $500,000 was paid in 2020 reducing the principal balance to $4,000,000. The maturity date on the loan is December 9, 2026. Total interest paid in 2020 on this loan was $122,000.

Also, in December 2016 Keweenaw entered into a debt facility with MetLife in the form of a $25,000,000 revolver allowing the Company immediate access to cash for general and corporate purposes. In March 2017, the Company borrowed $12,700,000 against the revolver to fund the purchase of 14,356 acres of timberland in Iron County, Wisconsin. An additional $1,000,000 was borrowed to fund the purchase of 2,784 acres in Gogebic County, Michigan. The Company repaid all but $2,500,000 of those amounts, such that at the end of 2020, a total of $22,500,000 remained available for the strategic needs of the Company. Fees and interest associated with the revolver include quarterly payments on the unused facility of 0.0875%. Once the facility is used, there is an option to finance the amount borrowed at the existing 10-year Treasury note rate plus 150 basis points. One installment payment was applied to the principal in 2020 totaling $3,200,000 from the cash proceeds of land sales, and cash from operations. Interest paid in 2020 on this loan totaled $148,168.

Other Management Discussions

Carbon Offset Project with BP Products North America Inc.

On October 22, 2020 we announced that we had executed a carbon offset sale with BP Products North America Inc. Finite Carbon will serve as the project developer and will provide ongoing project monitoring and reporting. The voluntary forest carbon project is located on 12,658 acres of Keweenaw's Great Northern tract in Iron County, Wisconsin. In September 2019, the Company sold a conservation easement to the State of Wisconsin on this same tract of land. Keweenaw expects initial cash flow from this project to begin in the second half of 2021. While financial and other terms of the contract were not disclosed, revenue from the contract will be recognized when earned, and will be reflected in the Company's financial statements.

Recreational Trail Easement Sale to the Department of Natural Resources for the State of Michigan

On December 31, 2020, the Company closed on the sale of a permanent recreational trail easement to the Michigan Department of Natural Resources. Under the terms of the agreement the State paid Keweenaw $832,969 for a permanent easement on 53 miles of existing motorized trails in the Western Upper Peninsula. These trails have historically been used for snowmobiling under annual no-fee use agreements. The easement eliminates the annual use agreements and guarantees public trail access in perpetuity. Keweenaw retains the right to use the trails as needed for business purposes, including logging, and to re-route or temporarily close trails as needed for safety purposes. Due to timing differences between the closing date and receipt of proceeds, the closing price is reflected in the Company's Accounts Receivable line item in the Consolidated Financial Statements.

Debt Reduction

Keweenaw has maintained a focused approach to debt reduction as a key directive in 2020. Proceeds from land sales, and cash from operations were applied to the fixed and revolver portions of the Met Life loan. Payments were applied on the approved dates per the loan agreement. $500,000 was applied to the fixed loan in January 2020 reducing the outstanding balance to $4,000,000. $3,200,000 was applied to the revolver in December 2020 reducing the outstanding loan amount to $2,500,000 as of December 31, 2020.

	2020	2019
Long-term Debt	$ 4,000,000	$ 4,500,000
Five-year Revolver	2,500,000	5,700,000
Less Unamortized Loan Costs	(62,910)	(163,173)
Total	**$ 6,437,090**	**$ 10,036,827**

Share Repurchase

On December 21, 2019, Keweenaw initiated a stock repurchase program authorizing up to $1,000,000 in aggregate value of Common Stock to be repurchased. In connection with the repurchase program Keweenaw entered into a 10b5-1 plan during an open trading window while it was not in possession of material non-public information to facilitate the repurchase of its Common Stock. The actual timing, number and value of shares repurchased under the program will be determined by the plan broker and its discretion and will depend on a number of factors subject to the 10b5-1 trading plan. Under the initial stock repurchase program, the Company expended a total of $814,704 to purchase 12,909 shares at an average price of $63.11 per share.

On May 27, 2020 Keweenaw renewed its stock repurchase program and authorized an additional $1,000,000 in aggregate value of Common Stock to be repurchased. Under the renewed stock repurchase program the Company expended a total of $119,897 to purchase 1,989 shares at an average price of $60.28 per share. Due to a number of factors contained in the 10b5-1 trading plan there have been no share repurchases since the second quarter of 2020. The total number of shares repurchased in 2020 were 14,081 at an average price of $61.35 per share. In December 2020, the Company extended the share repurchase program until May 31, 2021.

Selling, General and Administrative Expenses

2020 Selling, General and Administrative expenses were $1,956,974 which was in line with $1,925,442 in the prior year. The Company settled into a new run rate beginning in 2019 and continuing in 2020. The legal and professional services associated with having our stock quoted on the OTC were relatively flat year over year. Incremental increases in salaries and benefits were behind the increase in administrative expense but largely offset by reduced board costs. Board costs were lower than the prior year due to a lack of board turnover in 2020, less travel related costs and more virtual board meetings due to the COVID-19 pandemic. The following table shows the composition of selling, general and administrative costs.

	2020	2019
Management, General and Administrative Expense	$ 1,655,753	$ 1,538,163
Board Expense	301,221	387,279
Total Selling, General, and Administrative Costs	$ 1,956,974	$ 1,925,442

Nonrecurring Expenses

Non-recurring expenses in 2020 were nil due to the Company assuming a new run rate for professional services related to operating as a company quoted on the OTC Market and the associated legal costs related to good corporate governance. The curtailment of non-recurring costs highlights the management changes implemented and the evolution of the operating team at Keweenaw to execute on value opportunities, cost reductions and business development pursuits. Nonrecurring cost in the prior year related to REIT services, change of control and the conservation easement legal, tax and consulting costs.

The breakdown of the nonrecurring expenses by category are reflected below.

	2020	2019
REIT Services	-	27,151
Change of Control Agreements	-	319,249
Conservation Easement Costs	-	72,050
Total	$ -	$ 418,450

Section 5. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISKS

As a result of our debt facilities, Keweenaw is exposed to interest rate changes. Keweenaw closely monitors interest rates and will continue to consider the sources and terms of its borrowing facilities to determine whether Keweenaw has appropriately guarded itself against the risk of increasing interest rates in future periods. Keweenaw does not enter into financial instruments for trading or speculative purposes.

A listing of Keweenaw's debt facilities can be found in Footnote 7 in the Notes to the Financial Statements.

Section 6. OTHER INFORMATION

SIGNATURES

KEWEENAW LAND ASSOCIATION, LIMITED

Date: March 29, 2021

By:____