

KEWEENAW LAND ASSOCIATION, LIMITED



Second Quarter Report For the Period Ending June 30, 2013 Issue Date July 22, 2013

Highlights

Net Loss of \$0.26 Per Share

Earhart and Nesbitt Re-elected to the KLA Board of Directors

Keweenaw Land Association, Limited announces a Second Quarter 2013 net loss of \$0.26 per share compared to net income of \$0.12 for the same period in 2012. Net income (loss) per share arose from the following sources:

	Earnings Per Share	
	<u>2nd Qtr 13</u>	<u>2nd Qtr 12</u>
Timber Operations Income	\$ (0.20)	\$ 0.04
Capital Gains-Sale of Land	-	0.19
Capital Gains-Investments	-	-
Other Income	0.08	0.08
Other Expenses	(0.17)	(0.12)
Income Taxes	0.03	(0.07)
	<u>\$ (0.26)</u>	<u>\$ 0.12</u>

Risk of Physical Loss in Hardwood Timberlands

One of the risks associated with owning and investing in timberland is physical risk from loss of value due to fire, wind, or insect and disease. One recent example here in the Lakes States was the fire in northwestern Wisconsin that burned over 8,700 acres of industrial timberland in May of this year. Over 47 structures were destroyed which included 17 homes. While dramatic, incidents such as these are rare in the Lake States region. The property that burned was mostly red and jack pine plantations on dry, sandy soils which are very different from Keweenaw's predominantly northern hardwood forests. Overall, hardwood forests are very fire resistant and loss from fire is extremely rare. Only four fires occurred on Keweenaw ownership over the past 20 years with the largest being just less than 100 acres burned. There was no physical loss of timber value from these fires.

In Michigan and Wisconsin, there is a concern regarding threat of loss from the emerald ash borer which kills white and black ash trees. Ash is a small component of Keweenaw's forest but it is still a concern, as this tree species can be found in pure stands. The insect has not been found on Keweenaw ownership, but we are proactively managing these forested areas to minimize the threat of loss should an infestation occur.

Damage from wind events in the Lake States typically occur as a result of a straight-line wind from a thunderstorm. Occurrence of these events is also rare and the extent of damage is usually limited to less than five acres. Physical loss of timber value is minimized by salvage harvesting these areas once discovered.

Second Quarter 2013 Results:

Record snowfall, including two snowstorms in May, prevented the startup of harvest operations until the middle of June, approximately four weeks behind our normal production schedule. As a result, Keweenaw was able to produce only half of its projected volumes. In addition, unseasonably cold and wet weather kept the annual springtime hauling weight restrictions in effect until late May and early June.

During the quarter, Keweenaw harvest included the following:

2nd Qtr Production Statistics	2013	%	2012	%
Total Harvest Volume (cd-eq)	5,177		11,588	
Sawtimber (mbf)	908	38.6	1,378	26.2
Pulpwood (cords)	3,180	61.4	8,558	73.8

All of second quarter harvest volume of 5,177 cd-eq came from company land. The product mix was 39% sawtimber, containing mostly softwood bolts, and 61% pulpwood, a higher mix compared to the same period in 2012.

The company sold logs totaling \$638,882, compared to \$1,412,862 in 2012. Most sawtimber sold in the quarter, primarily softwood bolts, was residual production left over from the middle of March. Softwood sawtimber has a lower price realization than our higher valued species, mainly hard maple. The sawtimber realization was \$329 per mbf compared to \$408 in 2012. Pulpwood pricing was \$96 per cd-eq versus \$99 in the second quarter last year.

However, on a year-to-date comparison, our overall sawtimber realization was \$383 per mbf compared to \$368 per mbf in 2012. Veneer and sawlog prices are slowly returning to pre-recession levels, and the company is experiencing a steady upward trend in price realization and expects this trend to continue throughout 2013.

For the second quarter 2013, per unit overall realization is identified in the table below.

2nd Qtr Sales Statistics (per unit)	2013	2012
Average Price Realization	\$117	\$122
Cost of Goods Sold	86	81
Gross Margin	31	41

Timber operations gross margin decreased in the second quarter compared to the same period last year as demonstrated in the table below:

2nd Qtr Gross Margin	2013	%	2012	%
Log Sales	\$638,882	100.0	\$1,412,862	100.0
Expenses (COGS)	470,824	73.7	943,587	66.8
Timber Opns Gross Margin	168,058	26.3	469,275	33.2

Timber operations gross margin decreased by 21%. On limited production, fixed costs weigh-in more heavily as part of the cost of goods sold. Diesel fuel prices fell in the second quarter, resulting in a slight decrease in combined logging and freight costs.

With the exception of limited production during the past quarter, there are encouraging signs in the market as we move into the second half of 2013. Because of the prolonged breakup, most of the area sawmills have seen a dramatic drop in their existing inventory levels. Reduced log availability at the sawmills is expected to result in higher prices for veneer and sawlogs. This coupled with strengthening demand for lumber and other forest products, as a result of steady improvement in new housing starts and home remodeling, should further solidify markets for Keweenaw's logs. The company continues to capitalize on marketing opportunities to get the highest value for its timber products.

Land:

During the quarter, Keweenaw sold 145 acres of land in Iron and Dickinson Counties, with an additional 40 acres scheduled to close in early July. The gross proceeds of approximately \$221,000 are designated to be used for Section 1031 Like-kind Exchange to close in the third quarter. The properties sold were considered non-strategic to our timberland program.

Minerals:

Orvana Resources US Corp. (Orvana), a wholly-owned subsidiary of Orvana Minerals Corp. (TSX symbol: ORV) of Toronto, Ontario, reported in a June 17, 2013, press release that the company was in receipt of the Safe Dams Permit Draft for the Copperwood Project. With most of the significant permitting complete, optimization work continues in respect to the feasibility study and additional focus on metallurgical testing and mine design. Additional information concerning the Copperwood Project can be found on Orvana's website, www.orvana.com.

Shareholder Relations & Administrative:

Keweenaw's common shares traded in a range from \$70.05 to \$83.00 per share during the second quarter with an ending price of \$82.00. 40,578 KLA shares were traded, around 3% of outstanding shares. This compares to 35,459 shares traded during the same period last year. Keweenaw's shares trade in the OTC Pink using the symbol KEWL.

At the Annual Meeting of Keweenaw shareholders held on Monday, May 20, 2013, in Ironwood, MI, John E. Earhart and Marjorie E. Nesbitt were re-elected to the Board of Directors for three-year terms. For the fifth time since 2008, Ronald Gutstein was soundly defeated. As in the last contested election, Mr. Gutstein did not attend the Annual Meeting. Keweenaw shareholders also approved Anderson, Tackman & Company as the company's auditors for 2013. No other proposals were brought to the shareholders for consideration this year.

To contact Keweenaw, call (906) 932-3410 or use our toll free line (877) 539-3362. You may also reach us by e-mail at investors@keweenaw.com. Keweenaw's quarterly letters and latest annual report, along with archived reports from previous years, are posted on the company's web page.

Sincerely,



David Ayer, Chairman

INCOME	2nd Quarter			Year to Date		
	2013	2012	% Chg	2013	2012	% Chg
Timber Operations						
TIMBER SALES	\$638,882	\$1,412,862		\$3,308,877	\$4,308,030	
COST OF SALES	470,824	943,587		2,395,321	2,989,561	
GROSS MARGIN ON TIMBER SALES	168,058	469,275	-64%	913,556	1,318,469	-31%
TIMBER OPERATIONS EXPENSES						
FORESTRY EXPENSES	155,313	171,148		314,696	343,482	
MANAGEMENT AND GENERAL ADMINISTRATION	271,166	249,014		542,199	522,675	
TOTAL OPERATIONS EXPENSES	426,479	420,162		856,895	866,157	
Timber Operations Income	(258,421)	49,113	**	56,661	452,312	-87%
Real Estate Development						
DEVELOPED LOT SALES	0	0		0	0	
DEVELOPMENT COSTS	0	0		0	0	
GROSS MARGIN ON DEVELOPED LOT SALES	0	0		0	0	
TOTAL OPERATIONS INCOME	(258,421)	49,113	**	56,661	452,312	-87%
Other Income						
MINERAL ROYALTIES	3,293	5,182		5,845	7,285	
LEASE AND RENTAL INCOME	27,616	26,036		77,393	79,025	
INVESTMENT EARNINGS	70,259	74,030		76,441	79,521	
PROFIT (LOSS) ON SECURITY SALES	0	0		0	0	
LAND SALES	0	250,036		58,831	250,036	
OTHER	976	801		13,477	1,899	
Total Other Income	102,144	356,085	-71%	231,987	417,766	-44%
Other Expenses						
LAND MANAGEMENT EXPENSES	124,240	88,715		244,443	177,061	
BOARD OF DIRECTORS EXPENSES	97,570	60,672		220,445	146,493	
TOTAL OTHER EXPENSES	221,810	149,387	48%	464,888	323,554	44%
INCOME BEFORE INCOME TAXES	(378,087)	255,811	**	(176,240)	546,524	**
Provision for State and Federal Income Taxes	(45,373)	94,081		31,528	181,824	
NET INCOME (LOSS)	(332,714)	161,730	**	(207,768)	364,700	**
Other Comprehensive Income, Net of Tax						
UNREALIZED GAINS (LOSSES) ON SECURITIES						
UNREALIZED HOLDING GAINS ARISING DURING THE PERIOD	(188,066)	(136,772)		(34,248)	77,029	
LESS: RECLASSIFICATION ADJ. FOR GAINS INCLUDED IN NET INCOME	0	0		0	0	
OTHER COMPREHENSIVE INCOME	(188,066)	(136,772)		(34,248)	77,029	
COMPREHENSIVE INCOME	(\$520,780)	\$24,958	**	(\$242,016)	\$441,729	**
Per Share Net Income	(\$0.26)	\$0.12		(\$0.16)	\$0.28	
Per Share Comprehensive Income	(\$0.40)	\$0.02		(\$0.19)	\$0.34	
Dividends Per Share	\$0.00	\$0.00		\$0.00	\$0.00	

Based on Weighted Average Shares Outstanding

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

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
June 30, 2013

ASSETS

Note	Jun. 30, 2013	Jun. 30, 2012	% Chg
Current Assets			
CASH & CASH EQUIVALENTS	\$1,118,967	\$1,046,067	7%
ACCOUNTS RECEIVABLE	238,666	241,313	
INVESTMENTS IN GOVERNMENT OBLIGATIONS	0	0	
OTHER CURRENT ASSETS	329,520	260,371	
TOTAL CURRENT ASSETS	1,687,153	1,547,751	9%
Investments in Marketable Securities	3,899,897	3,527,622	11%
Other Non-Current Assets	310,488	244,355	
Equipment	573,002	530,490	8%
Properties	11,720,608	11,643,911	1%
TOTAL ASSETS	\$18,191,148	\$17,494,129	4%

LIABILITIES & CAPITAL

Current Liabilities			
ACCOUNTS & DEPOSITS PAYABLE	\$88,583	\$102,208	
COMMERCIAL LINES OF CREDIT & OTHER DEBT	100,191	100,191	
OTHER ACCRUED LIABILITIES	331,569	322,391	
TOTAL CURRENT LIABILITIES	520,343	524,790	-1%
Non-Current Liabilities			
LONG TERM DEBT	616,196	716,387	
DEFERRED FEDERAL INCOME TAX LIABILITY	875,681	781,554	
Non-CURRENT LIABILITIES	1,491,877	1,497,941	
Total Liabilities	2,012,220	2,022,731	-1%
Capital			
COMMON STOCK ISSUED	(1) 84,625	84,530	
ACCUMULATED OTHER COMPREHENSIVE INCOME	1,301,331	1,172,091	
RETAINED EARNINGS	14,792,972	14,214,777	
Total Capital	16,178,928	15,471,398	5%
TOTAL LIABILITIES & CAPITAL	\$18,191,148	\$17,494,129	4%
Capital Per Common Share	\$12.50	\$11.97	

Notes:

(1) 1,294,118 no par value common shares are issued and outstanding on Jun. 30, 2013. 1,292,665 shares were outstanding on Jun. 30, 2012. 10,000,000 shares are authorized.

CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2013		2012	
	2nd Qtr	YTD	2nd Qtr	YTD
Receipts	\$741	\$3,541	\$1,769	\$4,726
Net Income (Loss)	(333)	(208)	162	365
Comprehensive Income	(521)	(242)	25	442
Capital Employed	16,895	16,895	16,288	16,288

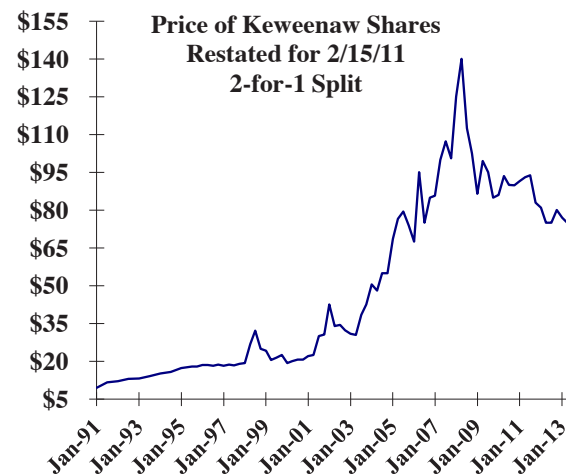
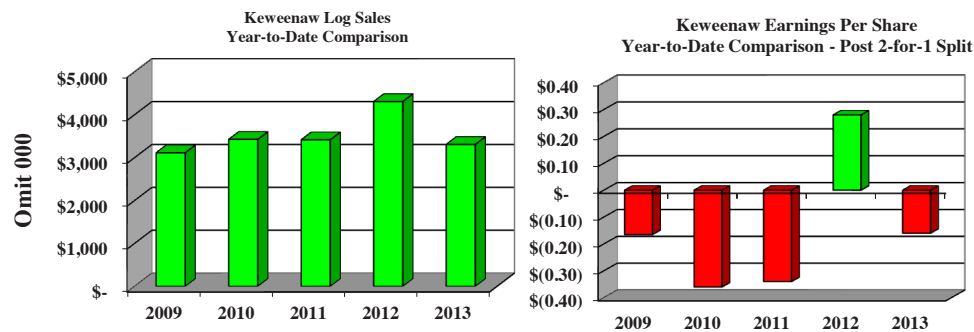
*Dollar amounts in thousands

Per Common Share

Net Income	(\$0.26)	(\$0.16)	\$0.12	\$0.28
Comprehensive Income	(0.40)	(0.19)	0.02	0.34
Dividends Paid	0.00	0.00	0.00	0.00

Statistics

Return on Capital Emp.	-7.9%	-2.5%	4.0%	4.5%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%
Avg Shares Outstanding	1,294,118	1,294,118	1,292,665	1,292,665
Curr Shares Outstanding	1,294,118	1,294,118	1,292,665	1,292,665



SHAREHOLDER INFORMATION

Second Quarter 2013 Highlights:

High: \$83.00, Low: \$70.05, Last: \$82.00

Source: Real Tick-Townsend Analytics, Ltd.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

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South St. Paul, MN 55164-0854

(800) 689-8788 or (651) 450-4002

Stock Exchange Information:

Keweenaw's common stock trades under "KEWL" in the Pink Sheets.

GLOSSARY:

Board Foot (BF) - a measurement of sawtimber 12 inches x 12 inches x one inch. When used in conjunction with sawtimber or logs, a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs.

Cord Equivalent - a measurement of logs in cords including logs converted in measurement from other measurement methods. For example, one thousand board feet (MBF) equals approximately 2.2 cords.

Cord - a measurement of logs containing 128 cubic feet.

MBF - a thousand board feet.

Production Mix - the ratio of a category of production to total production.

Pulpwood - logs cut primarily to be converted to wood pulp for the manufacture of paper and other wood fiber products.

Sawbolt - a lower grade or smaller size sawlog typically sawn for the manufacture of pallets or other coarse wood products.

Sawlogs - a higher grade or larger size sawtimber sawn for the manufacture of furniture grade lumber, flooring lumber, or other high quality wood products.

Sawtimber - a category of logs suitable for veneer, sawlogs, or sawbolts.

Veneer - a category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture and cabinetry veneer.