

KEWEENAW

LAND ASSOCIATION, LIMITED



Third Quarter Report

For the Period Ending September 30, 2012
Issue Date October 16, 2012

Highlights

Net Income of \$0.21 Per Share
Continued Improvement in Sawtimber Realization

Keweenaw Land Association, Limited announces a Third Quarter 2012 net income of \$0.21 per share compared to \$0.56 for the same period in 2011. Net income (loss) per share arose from the following sources:

	Earnings Per Share	
	3rd Qtr 12	3rd Qtr 11
Timber Operations Income	\$ 0.38	\$.53
Capital Gains-Sale of Land	-	-
Capital Gains-Investments	-	0.17
Other Income	0.05	0.07
Other Expenses	(0.09)	(0.12)
Income Taxes	(0.13)	(0.09)
	<u>\$ 0.21</u>	<u>\$ 0.56</u>

A comprehensive review of the operating results will be shown later in this quarterly letter.

The Housing Market and Hardwood:

While there has been much discussion over the last few years about the depressed housing market and the sharp decline in new housing starts, there have been encouraging economic signs to support some optimism. The inventory of single-family units has reached an all-time low of 142,000 in July 2012, down from 563,000 units in May 2006. The total supply pipeline which includes single and multi-family units under construction decreased 67.4% from its peak. Coupled with low interest rates and limited supply, sales of both new and previously occupied homes rose 7.8% in August from July. That is the highest level since May 2010, when home sales were boosted by a federal home-buying tax credit. Confidence among builders rose in September to the highest level in more than six years according to the National Association of Home Builders/Wells Fargo.

Gains in the housing market are welcome news for the overall forest products industry. However, those gains may not necessarily lead to similar gains in hardwood lumber and log pricing. While there is some correlation between conditions in the existing housing market and hardwood log price realization, less than 10% of the building materials used in new construction is hardwood. Hardwood used in new homes comes in the form of molding, flooring, and cabinets. The price relationship between hardwood timber and

housing starts is further dampened by the fact that only 20% to 30% of the harvest from a typical Northern Hardwoods forest is of sawtimber quality. So while improvements in the housing market can be seen as a positive indicator for the hardwood lumber market, the direct effect is less when compared to overall lumber markets.

Third Quarter 2012 Results:

Keweenaw harvested 20,449 cd-eq on company land and 1,657 cd-eq from procured sales in the third quarter. The product mix was 23% sawtimber and 77% pulpwood, compared to 27% sawtimber and 73% pulpwood for the same period in 2011. As in previous quarters, Keweenaw continues to have a market for all of its production and experiences rapid turnover in sawtimber and pulpwood.

Even though the quarter's production resulted in less volume and sales dollars than in the same period last year, Keweenaw was able to sell its sawtimber and pulpwood at higher realizations on a per unit basis. Veneer realization was \$1,092 per mbf, compared to \$1,052, a 4% increase. Sawtimber realization was \$471 per mbf versus \$450 per mbf in the same period in 2011, nearly a 5% increase. Pulpwood realization for the quarter was \$92 per cd-eq compared to \$91 in 2011, approximately a 1% increase.

3rd Qtr Sales Statistics	2012	2011
Veneer Realization (mbf)	\$1,092	\$1,052
Sawtimber Realization (mbf)	471	450
Pulpwood Realization (cords)	92	91

During the quarter, Keweenaw harvest included the following volume:

3rd Qtr Production Statistics	2012	Mix %	2011	Mix %
Total Harvest Volume (cd-eq)	22,106		25,315	
Sawtimber (mbf)	2,312	23.0	3,066	26.6
Pulpwood (cords)	17,020	77.0	18,570	73.4

The company sold logs in the third quarter totaling \$2,644,039, compared to \$3,070,164 over the same period in 2011. We continue to see a favorable trend in pricing for our major species of wood products. Sales results for the quarter are listed in the table below:

3rd Qtr Gross Margin	2012	%	2011	%
Log Sales	\$2,644,039	100.0	\$3,070,164	100.0
Expenses (COGS)	1,760,895	66.6	1,963,717	64.0
Timber Opns Gross Margin	883,144	33.4	1,106,447	36.0

Timber operations income, on a year-to-date basis, continues to improve. Through the third quarter, timber operations income is up nearly \$400,000 year-to-date over 2011. The company was able to take advantage of favorable timber market and weather conditions to make the third quarter successful. Year-to-date timber operations results are listed in the table below:

Timber Operations Results (YTD)	2012	2011
Log Sales	\$6,952,069	\$6,486,144
Total Expenses	6,010,297	5,942,578
Timber Operations Income	941,772	543,566

Gross margins continue to do well. However, as discussed earlier, a higher concentration of pulpwood in the quarter caused the weighted average price realization to be slightly lower for the quarter compared to the same period in 2011 as demonstrated in the table below:

3rd Qtr Sales Statistics (per unit)	2012	2011
Average Price Realization	\$120	\$121
Cost of Goods Sold	80	78
Gross Margin	40	43

Into the summer months, diesel fuel prices increased to nearly \$4.25 a gallon, adding to the overall cost of production. However, pulpwood mills in the region pay a fuel bonus based on a price index helping offset increased costs. Fuel costs for production and product destination are a significant component affecting the cost of goods sold, as it is in the rest of the economy.

Because of the warm and dry summer, an overabundance of pulpwood hit the market in July, August, and early September creating downward pressure on pulpwood pricing in the Lake States. We expect slightly lower pricing for pulpwood until higher inventory levels return to normal. However, on a positive note, demand for veneer and sawlogs increased during the summer. This allowed Keweenaw to raise its prices for sawlogs and veneer and offset most of the effect of lower pulpwood pricing. The company continues to remain vigilant in monitoring market conditions.

Minerals:

Orvana Resources US Corp. (Orvana), a wholly-owned subsidiary of Orvana Minerals Corp. (TSX symbol: ORV) of Toronto, Ontario, continues to apply for the necessary permits from the Michigan Department of Environmental Quality (MDEQ) for the Copperwood Project to advance. Additional information can be found on Orvana's website, www.orvana.com.

Gogebic Taconite (GTAC) terminated its exploratory lease with Keweenaw on August 24, 2012. This lease covered 3,320 acres in Gogebic County. Stalled mining legislation in neighboring Iron County, Wisconsin spurred GTAC's decision to suspend exploration in Northern Wisconsin and Gogebic County.

Shareholder Relations & Administrative:

Keweenaw's common shares traded in a range from \$72.50 to \$88.75 per share during the third quarter with an ending price of \$79.90. 14,457 KLA shares were traded, around 1% of outstanding shares. This compares to 31,202 shares traded during the same period last year. Keweenaw's shares trade in the OTC Pink using the symbol KEWL.

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

KEWEENAW LAND ASSOCIATION, LIMITED
**Consolidated Statement of Income and Expense (Unaudited)
September 30, 2012**

Income	3rd Quarter			Year to Date		
	2012	2011	% Chg	2012	2011	% Chg
Timber Operations						
TIMBER SALES	\$2,644,039	\$3,070,164		\$6,952,069	\$6,486,144	
COST OF SALES	1,760,895	1,963,717		4,750,456	4,619,263	
GROSS MARGIN ON TIMBER SALES	883,144	1,106,447	-20%	2,201,613	1,866,881	18%
TIMBER OPERATIONS EXPENSES						
FORESTRY EXPENSES	150,974	187,713		494,456	535,924	
MANAGEMENT AND GENERAL ADMINISTRATION	242,710	237,419		765,385	787,391	
TOTAL OPERATIONS EXPENSES	393,684	425,132		1,259,841	1,323,315	
TIMBER OPERATIONS INCOME	489,460	681,315	-28%	941,772	543,566	73%
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	489,460	681,315	-28%	941,772	543,566	73%
Other Income						
MINERAL ROYALTIES	3,781	10,083		11,066	13,408	
LEASE AND RENTAL INCOME	41,092	71,094		120,117	129,568	
INVESTMENT EARNINGS	6,248	6,606		85,769	90,268	
PROFIT (LOSS) ON SECURITY SALES	0	213,498		0	213,498	
LAND SALES	0	0		250,036	0	
OTHER	10,709	1,451		12,608	9,272	
TOTAL OTHER INCOME	61,830	302,732	-80%	479,596	456,014	5%
Other Expenses						
LAND MANAGEMENT EXPENSES	92,489	120,080		269,550	363,783	
BOARD OF DIRECTORS EXPENSES	27,945	29,301		174,438	214,273	
TOTAL OTHER EXPENSES	120,434	149,381	-19%	443,988	578,056	-23%
INCOME BEFORE INCOME TAXES	430,856	834,666	-48%	977,380	421,524	132%
Provision for State and Federal Income Taxes	165,553	112,055		347,377	135,221	
NET INCOME	265,303	722,611	-63%	630,003	286,303	120%
Other Comprehensive Income, Net of Tax						
UNREALIZED GAINS (LOSSES) ON SECURITIES						
UNREALIZED HOLDING GAINS ARISING During the Period	63,026	(208,283)		140,055	(129,075)	
Less: Reclassification Adj. For Gains Included in Net Income	0	(140,909)		0	(140,909)	
OTHER COMPREHENSIVE INCOME	63,026	(349,192)		140,055	(269,984)	
COMPREHENSIVE INCOME	\$328,329	\$373,419	-12%	\$770,058	\$16,319	4619%
Per Share Net Income	\$0.21	\$0.56		\$0.49	\$0.22	
Per Share Comprehensive Income	\$0.25	\$0.29		\$0.60	\$0.01	
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)
September 30, 2012

ASSETS

	Note	Sep. 30, 2012	Sep. 30, 2011	% Chg
Current Assets				
CASH & CASH EQUIVALENTS		\$1,191,362	\$558,505	113%
ACCOUNTS RECEIVABLE		227,158	549,824	
INVESTMENTS IN GOVERNMENT OBLIGATIONS		0	0	
OTHER CURRENT ASSETS		264,416	290,762	
TOTAL CURRENT ASSETS		1,682,936	1,399,091	20%
Investments in Marketable Securities		3,761,724	3,225,666	17%
Other Non-Current Assets		273,388	194,899	
Equipment		510,003	560,638	-9%
Properties		11,611,913	11,570,395	0%
TOTAL ASSETS		\$17,839,964	\$16,950,689	5%

LIABILITIES & CAPITAL

Current Liabilities				
ACCOUNTS & DEPOSITS PAYABLE		\$78,064	\$98,437	
COMMERCIAL LINES OF CREDIT & OTHER DEBT		100,191	343,058	
OTHER ACCRUED LIABILITIES		359,433	423,134	
TOTAL CURRENT LIABILITIES		537,688	864,629	-38%
Non-Current Liabilities				
LONG TERM DEBT		691,339	791,530	
DEFERRED FEDERAL INCOME TAX LIABILITY		811,210	711,069	
NON-CURRENT LIABILITIES		1,502,549	1,502,599	
Total Liabilities		2,040,237	2,367,228	-14%
Capital				
COMMON STOCK ISSUED	(1)	84,530	84,453	
ACCUMULATED OTHER COMPREHENSIVE INCOME		1,235,117	972,800	
RETAINED EARNINGS		14,480,080	13,526,208	
Total Capital		15,799,727	14,583,461	8%
TOTAL LIABILITIES & CAPITAL		\$17,839,964	\$16,950,689	5%
Capital Per Common Share		\$12.22	\$11.29	

Notes:

(1) 1,292,665 no par value common shares are issued and outstanding on Sep. 30, 2012. 1,291,490 shares were outstanding on Sep. 30, 2011. 10,000,000 shares are authorized.

CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2012		2011	
	3rd Qtr	YTD	3rd Qtr	YTD
Receipts	\$2,706	\$7,432	\$3,373	\$6,942
Net Income (Loss)	265	630	723	286
Comprehensive Income	328	770	373	16
Capital Employed	16,591	16,288	15,718	15,718

*Dollar amounts in thousands

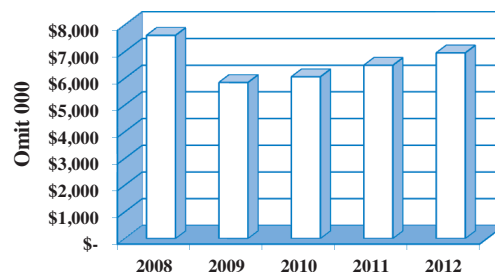
Per Common Share

Net Income	\$0.21	\$0.49	\$0.56	\$0.22
Comprehensive Income	0.25	0.60	0.29	0.01
Dividends Paid	0.00	0.00	0.00	0.00

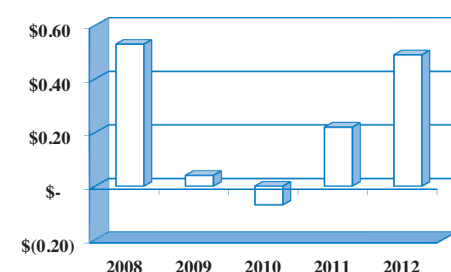
Statistics

Return on Capital Emp.	6.4%	5.2%	18.4%	2.4%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%
Avg Shares Outstanding	1,292,665	1,292,665	1,291,490	1,291,423
Curr Shares Outstanding	1,292,665	1,292,665	1,291,490	1,291,490

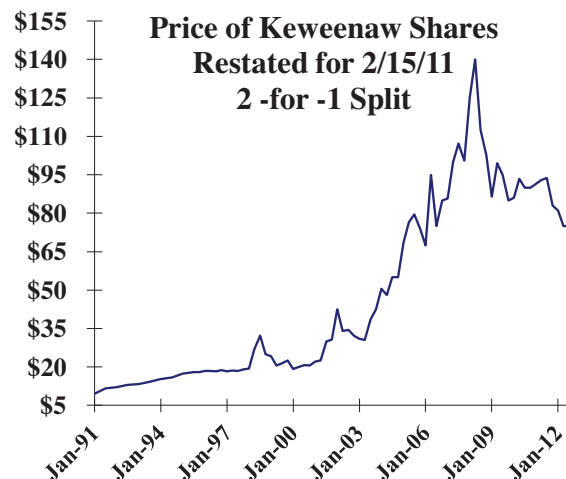
Keweenaw Log Sales
Year to Date Comparison



Keweenaw Earnings Per Share
Year to Date Comparison - Post 2-for-1 Split



Price of Keweenaw Shares
Restated for 2/15/11
2-for-1 Split



SHAREHOLDER INFORMATION

Third Quarter 2012 Highlights:

High: \$88.75, Low: \$72.50, Last: \$79.90

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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Transfer Agent:

Wells Fargo Shareowner Services

161 N. Concord Exch, POB 64854

South St. Paul, MN 55164-9440

(800) 468-9716 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.