



Third Quarter Report

For the Period Ending September 30, 2016
Issue Date October 14, 2016

Highlights

Net Income of \$0.18 Per Share

Area Storms Cause Considerable Damage in Gogebic County

Keweenaw Land Association, Limited announces Third Quarter 2016 Net Income of \$0.18 per share compared to net income of \$0.44 for the same period in 2015. Net Income (loss) per share, which is shown in the adjacent table, is in the EBITDA format (Earnings Before Interest, Taxes, Depreciation, and Amortization).

Third Quarter Results:

A violent storm on July 11, 2016, hit the Gogebic Range/Northern Wisconsin.

Nearly a foot of rain came down in less than five hours, coupled with a tornado that downed many trees and left portions of Gogebic County without power for days. Many roads were completely washed out, and disaster areas were declared by both of the governors of Michigan and Wisconsin. There were also four related deaths due to the storms. Keweenaw had logging crews operating in the areas of the storm near Lake Superior. Because of the large amount of rain in a short period of time, there were many culverts that were washed out, and there was damage to some of the company's main logging roads in the Jarvi area (Gogebic County) near Lake Superior. Our forestry staff and contractors worked tirelessly to repair some of the damage. The company worked in conjunction with the Michigan Department of Environmental Quality (MDEQ) on permits for replacing lost culverts and to repair the damage to our capital roads. The movement of logs and pulpwood was also a challenge as traffic was rerouted on several main highways due to washouts and unsafe bridges. Government officials have estimated the damage to area roads and infrastructure to be in the millions. As far as the impact on Keweenaw, approximately \$39,000 was spent on the repair of both primary and secondary roads in the quarter. Additional costs will be recognized in the fourth quarter as Keweenaw summarizes the storm's impact on its forest road system in Gogebic County.

In addition to the major storm in July, Keweenaw experienced one of the wettest summers on record, which limited harvest production during the third quarter.

| | Earnings p/Share (EBITDA) | |
|----------------------------|---------------------------|----------------|
| | 3rd Qtr 16 | 3rd Qtr 15 |
| Timber Operations Income | \$ 0.35 | \$ 0.79 |
| Capital Gains-Sale of Land | - | 0.04 |
| Capital Gains-Investments | | (0.01) |
| Other Income | 0.11 | 0.11 |
| Other Expenses | (0.11) | (0.10) |
| Interest & Depreciation | (0.10) | (0.12) |
| Income Taxes | (0.07) | (0.27) |
| | <u>\$ 0.18</u> | <u>\$ 0.44</u> |

In the third quarter, a total of 21,278 cd-eq were harvested, down 16% from the 25,373 cd-eq in 2015. The product mix contained 25% sawtimber and 75% pulpwood compared to 29% sawtimber and 71% pulpwood in the same period of 2015.

| 3rd Qtr Production Statistics | 2016 | Mix% | 2015 | Mix% |
|-------------------------------------|--------|-------|--------|-------|
| Total Harvest Volume (cd-eq) | 21,278 | 100.0 | 25,373 | 100.0 |
| Sawtimber (mbf) | 2,464 | 25.5 | 3,356 | 29.1 |
| Pulpwood (cords) | 15,858 | 74.5 | 17,990 | 70.9 |

The company sold logs totaling \$2,767,240 compared to \$3,607,626 in 2015, a 23% decrease. Gross margin was also lower, falling to 32% compared to 40% in 2015.

Pricing for both sawtimber and pulpwood continue to be lower due to higher mill inventory

| 3rd Qtr Gross Margin EBITDA | 2016 | % | 2015 | % |
|---------------------------------|-------------|-------|-------------|-------|
| Log Sales | \$2,767,240 | 100.0 | \$3,607,626 | 100.0 |
| Expenses (COGS) | (1,888,181) | 68.2 | (2,159,713) | 59.9 |
| Timber Opns Gross Margin | 879,059 | 31.8 | 1,447,913 | 40.1 |

leading to less demand. Sawtimber realization for the quarter was \$450 per mbf compared to \$463 in 2015, down 3%. Pulpwood pricing was \$103 per cd-eq, down approximately 10% from the \$115 per cord realized in the third quarter last year. On a year-to-date comparison, the overall sawtimber realization was \$436 per mbf, approximately the same as the \$437 per mbf in 2015.

Gross Margin on a per cd-eq basis (EBITDA) was \$41 per cd-eq for the quarter, down \$16 per unit, compared to \$57 per cd-eq in the same period last year. Cost of Goods Sold for the period was at \$88 per unit compared to \$86 last year, primarily driven by increased production costs associated with the wet weather and the storms affecting the western Upper Peninsula of Michigan and Northern Wisconsin.

| 3rd Qtr Sales (p/cd-eq) EBITDA | 2016 | 2015 |
|----------------------------------|-------|-------|
| Average Price Realization | \$129 | \$143 |
| Cost of Goods Sold | (88) | (86) |
| Gross Margin | 41 | 57 |

For the quarter, Timber Operations Income was \$458,502 compared to \$1,029,378 in 2015, down 55%. Year-to-date Timber Operations Income was \$1,246,623, down 32% from the

\$1,845,001 recorded in the third quarter of 2015. As the company moves into the final quarter of the year, there

| Timber Operations Income (EBITDA) | 3 rd Qtr 2016 | YTD 2016 | 3 rd Qtr 2015 | YTD 2015 |
|-----------------------------------|--------------------------|-------------|--------------------------|-------------|
| Log Sales | \$2,767,240 | \$7,758,365 | \$3,607,626 | \$8,194,929 |
| Total Expenses | (2,308,738) | (6,511,742) | (2,578,248) | (6,349,928) |
| Timber Operations Income | \$458,502 | \$1,246,623 | \$1,029,378 | \$1,845,001 |

are concerns by the sawmills about high inventory levels, which may lead to further price reductions for sawlogs. However, the market for veneer is expected to remain steady in the final quarter. Softwood pulpwood inventories remain well above optimal levels, which may lead to the strict enforcement of delivery quotas. Demand for hardwood pulpwood is also expected to drop slightly in the fourth quarter.

Land/Lot Sales:

In the third quarter, Keweenaw conducted a Section 1031 Like-kind Exchange of 80 acres of non-strategic land in Houghton County, Michigan for another 80-acre parcel in the same county, resulting in a capital loss of \$974 after expenses.

There were no residential lot sales during the period.

Minerals:

In the third quarter, there were no new developments from Highland Copper Company Inc. (TSXV: HI) concerning the Copperwood Project. At the end of September, the price for copper was \$2.20 (Comex spot price \$ per pound) which remains well below the target price in Highland's most recent feasibility study. Highland Copper is currently in the process of acquiring the White Pine Project from the Copper Range Company with a projected closing date of December 2, 2016.

Additional information concerning the Copperwood Project can be found on Highland's website, www.highlandcopper.com.

Investor Presentation:

An updated investor presentation is now available on our website detailing our recent strategic review and our plans to position Keweenaw for future growth in our timberland base. The presentation can be found on our website, www.keweenaw.com.

Shareholder Relations & Administrative:

Keweenaw's common shares traded in a range of \$85.50 to \$93.40 per share during the third quarter with an ending price of \$89.51. A total of 18,001 shares were traded representing approximately 1% of outstanding shares. This compares to 13,472 KLA shares traded during the same period in 2015, around 1% of outstanding shares. 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 Balance Sheet (Unaudited)
September 30, 2016

| ASSETS | Sep 30, 2016 | Sep 30, 2015 | % Chg |
|--|---------------------|---------------------|-------------|
| Current Assets | | | |
| Cash & Cash Equivalents | \$3,285,374 | \$2,734,771 | 20% |
| Accounts Receivable | 353,982 | 595,235 | |
| Investments in Government Obligations | 0 | 0 | |
| Other Current Assets | 624,797 | 320,417 | |
| Total Current Assets | 4,264,153 | 3,650,423 | 17% |
| Investments in Marketable Securities | 3,111,367 | 2,888,923 | 8% |
| Other Non-Current Assets | 448,733 | 537,823 | |
| Equipment | 949,026 | 907,629 | 5% |
| Properties | 17,081,863 | 17,198,837 | -1% |
| TOTAL ASSETS | \$25,855,142 | \$25,183,635 | 3% |
| LIABILITIES & CAPITAL | | | |
| Current Liabilities | | | |
| Accounts & Deposits Payable | \$62,822 | \$272,980 | |
| Commercial Lines of Credit/Other Debt | 240,000 | 240,000 | |
| Other Accrued Liabilities | 437,295 | 504,757 | |
| Total Current Liabilities | 740,117 | 1,017,737 | -27% |
| Non-Current Liabilities | | | |
| Long-Term Debt | 4,080,000 | 4,320,000 | |
| Deferred Federal Income Tax Liability | 985,189 | 839,830 | |
| Total Non-Current Liabilities | 5,065,189 | 5,159,830 | |
| Total Liabilities | 5,805,306 | 6,177,567 | -6% |
| Capital | | | |
| Common Stock Issued ⁽¹⁾ | 84,916 | 84,827 | |
| Accum. Other Comprehensive Income | 1,390,482 | 1,243,669 | |
| Retained Earnings | 18,574,438 | 17,677,572 | |
| Total Capital | 20,049,836 | 19,006,068 | 5% |
| TOTAL LIABILITIES & CAPITAL | \$25,855,142 | \$25,183,635 | 3% |
| Capital Per Common Share | \$15.44 | \$14.65 | |

⁽¹⁾1,298,568 no par value common shares are issued and outstanding on Sep. 30, 2016. 1,297,206 shares were outstanding on Sep. 30, 2015. 10,000,000 shares are authorized.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Cash Flows Ending September 30, 2016

| | Dec 31, 2015 | 2016 YTD |
|---|--------------------|--------------------|
| Net Income | \$1,155,839 | \$469,197 |
| Adjustments to Reconcile Net Income to Net Cash | | |
| Provided by Operating Activities: | | |
| Depletion and Depreciation | 335,824 | 258,920 |
| Changes in Operating Assets and Liabilities: | | |
| Decrease (Increase) in Accounts Receivable | 67,482 | 70,763 |
| Decrease (Increase) in Prepaid Expenses | (283,289) | (119,093) |
| Decrease (Increase) in Inventory | 24,832 | (41,603) |
| Increase (Decrease) in Deposits/Accts Pybl | (61,727) | 33,968 |
| Increase (Decrease) in Deferred/Income Taxes | (53,240) | 62,176 |
| Increase (Decrease) in Accrued Liabilities | 20,707 | (114,392) |
| (Gain) Loss on Sale of Securities | 13,983 | 0 |
| (Gain) Loss on Sale/Retirement of Equipment | 0 | (3,485) |
| (Gain) Loss on Sale of Land | (210,858) | (49,791) |
| Net Cash Flows Provided by Operating Activities | 1,009,553 | 566,662 |
| Net Cash Flows Provided by (Used for) Investing Activities | | |
| Net Purchases of Property and Equipment | (319,476) | (113,766) |
| Purchases of Securities | (101,715) | 0 |
| Proceeds from Sale of Securities | 36,575 | 0 |
| Road Construction | (35,408) | (47,192) |
| Purchases of Land | (85,790) | 0 |
| Proceeds from Land Sales | 193,643 | 22,959 |
| Lot Development | 57,668 | 40,738 |
| Net Cash Flows Provided by (Used for) Investing Activities | (254,503) | (97,261) |
| Net Cash Flows Provided by (Used for) Financing Activities | | |
| Issuance (Purchase) of Stock | 160,921 | 89,505 |
| Commercial Installment Loan Borrowing | 0 | 0 |
| Commercial Installment Loan Payments | (240,000) | 0 |
| Net Cash Flows Provided by (Used for) Financing Activities | (79,079) | 89,505 |
| NET CASH FLOW | 675,972 | 558,906 |
| Beginning Cash and Cash Equivalents | 2,050,496 | 2,726,468 |
| ENDING CASH AND CASH EQUIVALENTS | \$2,726,468 | \$3,285,374 |

KEWEENAW LAND ASSOCIATION, LIMITED
EBITDA Consolidated Statement of Income and Expense (Unaudited)
September 30, 2016

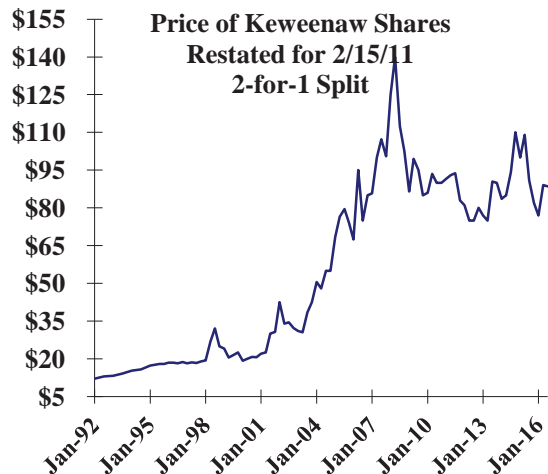
| INCOME | 3rd Quarter | | | Year-to-Date | | |
|---|------------------|------------------|-------------|------------------|------------------|-------------|
| | 2016 | 2015 | % Chg | 2016 | 2015 | % Chg |
| Timber Operations: | | | | | | |
| Timber Sales | \$2,767,240 | \$3,607,626 | | \$7,758,365 | \$8,194,929 | |
| Cost of Sales | 1,888,181 | 2,159,713 | | 5,187,378 | 5,029,234 | |
| Gross Margin on Timber Sales | 879,059 | 1,447,913 | -39% | 2,570,987 | 3,165,695 | -19% |
| Forestry, Management & General Administration | 420,557 | 418,535 | | 1,324,364 | 1,320,694 | |
| Timber Operations Income (EBITDA) | 458,502 | 1,029,378 | -55% | 1,246,623 | 1,845,001 | -32% |
| Real Estate Development | | | | | | |
| Developed Lot Sales | 0 | 0 | | 45,000 | 64,500 | |
| Development Costs | 0 | 0 | | 41,696 | 60,561 | |
| Gross Margin on Developed Lot Sales | 0 | 0 | | 3,304 | 3,939 | |
| Total Operations Income | 458,502 | 1,029,378 | -55% | 1,249,927 | 1,848,940 | -32% |
| Other Income | | | | | | |
| Mineral Royalties | 11,678 | 41,741 | | 14,752 | 46,179 | |
| Lease and Rental Income | 68,860 | 59,033 | | 115,170 | 100,091 | |
| Investment Earnings | 9,878 | 10,282 | | 77,394 | 76,473 | |
| Profit (Loss) on Security Sales | 0 | (13,983) | | 0 | (13,983) | |
| Land Sales | (973) | 55,450 | | 46,488 | 166,789 | |
| Other | 55,953 | 31,893 | | 123,562 | 79,602 | |
| Total Other Income | 145,396 | 184,416 | -21% | 377,366 | 455,151 | -17% |
| Other Land & Board Expense | 144,319 | 139,652 | 3% | 567,395 | 563,000 | 1% |
| EBITDA | 459,579 | 1,074,143 | -65% | 1,059,898 | 1,741,091 | -39% |
| Interest Expense | 44,160 | 46,650 | | 132,000 | 139,082 | |
| Depletion, Depreciation, and Amortization | 91,305 | 104,421 | | 261,009 | 247,036 | |
| Earnings Before Income Taxes | 324,114 | 923,072 | -65% | 666,889 | 1,354,973 | -51% |
| Provision for Federal & State Income Taxes | 92,496 | 352,026 | | 197,692 | 519,657 | |
| Net Income (Loss) | 231,618 | 571,046 | -59% | 469,197 | 835,316 | -44% |
| Other Comprehensive Income, Net of Tax | | | | | | |
| Unrealized Gains (Losses) on Securities | | | | | | |
| During the Period | 37,053 | 42,957 | | 162,042 | (22,158) | |
| Less: Reclassification Adj For Gains | | | | | | |
| Included in Net Income | 0 | 0 | | 0 | 0 | |
| Other Comprehensive Income | 37,053 | 42,957 | | 162,042 | (22,158) | |
| Comprehensive Income | \$268,671 | \$614,003 | -56% | \$631,239 | \$813,158 | -22% |
| Per Share Net Income | \$0.18 | \$0.44 | | \$0.36 | \$0.64 | |
| Per Share Comprehensive Income | \$0.21 | \$0.47 | | \$0.49 | \$0.63 | |

Based on Weighted Average Shares Outstanding

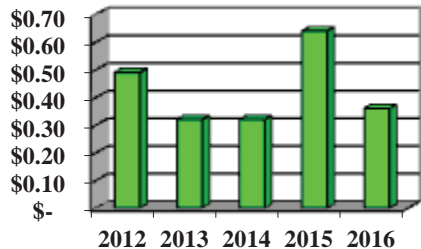
** Percentage Change is not provided if either the latest period or year-ago period contains a net loss.

CONSOLIDATED FINANCIAL HIGHLIGHTS

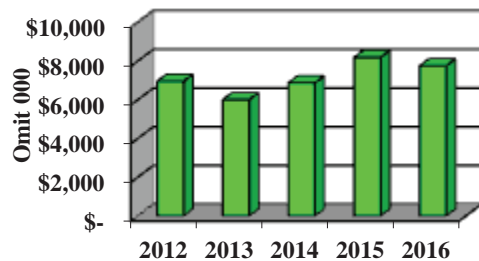
| For the Quarter | 2016 | | 2015 | |
|------------------------------|-----------|-----------|-----------|-----------|
| | 3rd Qtr | YTD | 3rd Qtr | YTD |
| Receipts | \$2,913 | \$8,157 | \$3,792 | \$8,691 |
| Net Income (Loss) | 232 | 469 | 571 | 835 |
| Comprehensive Income | 269 | 631 | 614 | 813 |
| Capital Employed | 24,370 | 24,370 | 23,566 | 23,566 |
| *Dollar amounts in thousands | | | | |
| Per Common Share | | | | |
| Net Income (Loss) | \$0.18 | \$0.36 | \$0.44 | \$0.64 |
| Comprehensive Income | 0.21 | 0.49 | 0.47 | 0.63 |
| Statistics | | | | |
| Return on Capital Emp | 3.8% | 2.6% | 9.7% | 4.7% |
| Avg Shares Outstanding | 1,298,568 | 1,298,568 | 1,297,206 | 1,297,206 |
| Curr Shares Outstanding | 1,298,568 | 1,298,568 | 1,297,206 | 1,297,206 |



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



Keweenaw Log Sales
Year-to-Date Comparison



SHAREHOLDER INFORMATION

Third Quarter 2016 Highlights:

High: \$93.40, Low: \$85.50, Last: \$89.51

Source: OTC Markets Group, Inc.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

Keweenaw Land Association, Limited

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Ironwood MI 49938

Phone: (906) 932-3410 or

Toll Free: (877) 539-3362

Fax: (906) 932-5823

Email: investors@keweenaw.com

Web Page: www.keweenaw.com

Keweenaw's quarterly reports and latest annual report, along with archived reports from previous years, are posted on the company's web page.

Transfer Agent:

Wells Fargo Shareowner Services

PO Box 64854

South St Paul MN 55164-0854

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

Stock Exchange Information:

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

Glossary:

Board Foot (BF) – a measurement of sawtimber 12 inches x 12 inches x one inch. When used in conjunction with sawtimber or logs, a measurement system to approximate the output of lumber that can be expected from a given quantity of sawtimber or logs. **Cord Equivalent** – a measurement of logs in cords including logs converted in measurement from other measurement methods. For example, one thousand board feet (MBF) equals approximately 2.2 cords. **Cord** – a measurement of logs containing 128 cubic feet. **MBF** – a thousand board feet. **Production Mix** – the ratio of a category of production to total production. **Pulpwood**- logs cut primarily to be converted to wood pulp for the manufacture of paper and other wood fiber products. **Sawbolt** – a lower grade or smaller size sawlog typically sawn for the manufacture of pallets or other coarse wood products. **Sawlogs** - a higher grade or larger size sawtimber sawn for the manufacture of furniture grade lumber, flooring lumber, or other high quality wood products. **Sawtimber** – a category of logs suitable for veneer, sawlogs, or sawbolts. **Veneer** – a category of sawtimber clear of defects suitable for manufacture as veneer paneling, furniture, and cabinetry veneer.