

KEWEENAW

LAND ASSOCIATION, LIMITED



Third Quarter Report For the Period Ending September 30, 2005 Issue Date October 31, 2005

Highlights

- Third Quarter 2005 Net Income of \$1.13 Per Share

To our Share Holders:

Keweenaw Land Association, Limited announces a third quarter 2005 net income of \$1.13 per share compared to a net income of \$.72 for the same period in 2004. Net income (loss) per share is derived from the following sources:

	After Tax	
	Earnings Per Share	
	3rd Qtr 05	3rd Qtr 04
Timber Operations Income	\$ 0.99	\$ 0.70
Capital Gains-Sale of Land	0.09	0.06
Capital Gains-Investments	0.08	0.02
Other Income	0.09	0.05
Other Expenses	(0.12)	(0.11)
	<u>\$ 1.13</u>	<u>\$ 0.72</u>

A generally dry summer provided excellent logging conditions for the third quarter. The Company produced 25,096 cord equivalents (cd-eq) compared to 23,025 cd-eq last year, up 9%. 95% of total production occurred on Keweenaw timberlands, with only 5% from Federal timber contracts. 2,904 thousand board feet (mbf) of sawtimber and 18,707 cords of pulpwood were harvested. The company recorded log sales for the third quarter amounting to \$3,312,902, up from \$2,771,789 last year, and 20% more than 2003. In addition to the increased production volume, pulpwood and sawbolt prices were well in excess of those experienced in 2004. Continued escalation in diesel fuel prices was a primary factor in the rise of production costs, which increased approximately 11%. Total production costs amounted to \$1,918,817 or \$76 per cd-eq. This compares to \$1,731,636 or \$75 per cd-eq last year. The resulting gross margin from timber operations was \$1,394,084 vs. \$1,040,153 last year, a 34% increase. Per cd-eq, gross margin was \$56 compared to \$45 per cd-eq last year.

Strong demand for Keweenaw logs continued throughout the summer despite the increased production by most regional producers. Veneer markets have been very stable with added interest in some of the minor species. Hard maple continues to be the favored specie. Sawmills generally continue to operate on low log inventories. This is due in part to emphasis on pulpwood production due to

currently high pulpwood prices. Inventories at regional pulp mills are at or near capacity, resulting in some enforcement of delivery quotas. The rapidly escalating diesel fuel prices have impacted all segments of Keweenaw's customer base.

Income from sources other than timber also contributed to KLA's rise in earnings during the quarter. In particular, royalties from the sale of sand and gravel were up significantly due to increased road maintenance and paving in the region. In addition, profits from the sale of securities in the company's investment portfolio were recognized, as well as gains on the sale of several parcels of land.

Keweenaw's common stock traded in a very narrow range during the quarter, between \$155 and \$160 per share. The quarter closing price was \$157. 18,879 shares traded during the quarter, 2.9% of the outstanding shares. This compares to 22,353 shares in the third quarter last year. Year to date, 83,837 shares have traded. As with any investment, past performance is not a guarantee of future results. Keweenaw's shares trade in the pink sheets using the symbol KEWL.

It is with great sadness that Keweenaw announces the recent death of Mr. Malcolm P. Ripley, a former officer and director of the company. Mr. Ripley was a member of the Board of Directors from 1966 until 1995, also serving as Treasurer of the company from 1989 to 1995. Mr. Ripley's insight and forward thinking contributed greatly to Keweenaw's transition to an active timber operating company in the early 90's. He will be greatly missed by all who knew and worked with him.

To contact Keweenaw dial (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 are posted on the company's web page www.keweenaw.com.

Sincerely,

David Ayer, Chairman

KEWEENAW LAND ASSOCIATION, LIMITED

CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2005		2004	
	3rd Qtr	YTD	3rd Qtr	YTD
Receipts	\$3,597	\$8,317	\$2,924	\$6,680
Net Income (Loss)	726	1,166	462	682
Comprehensive Income	807	1,175	454	705
Capital Employed	12,714	12,714	12,350	12,350

*Dollar amounts in thousands

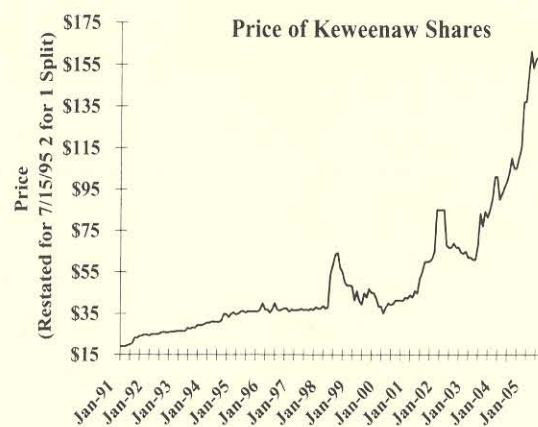
Per Common Share

Net Income	\$1.13	\$1.82	\$0.72	\$1.06
Comprehensive Income	1.26	1.83	0.71	1.10
Dividends Paid	0.20	0.60	0.20	0.60

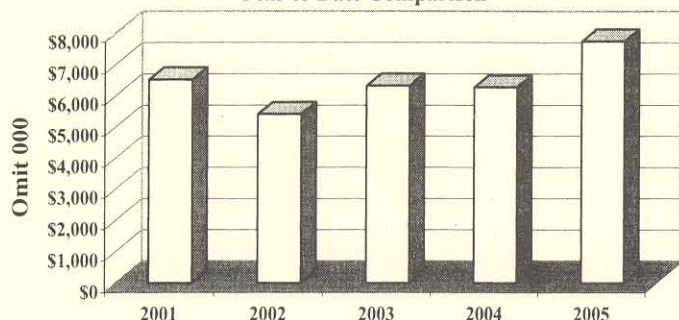
*Based on weighted average shares outstanding

Statistics

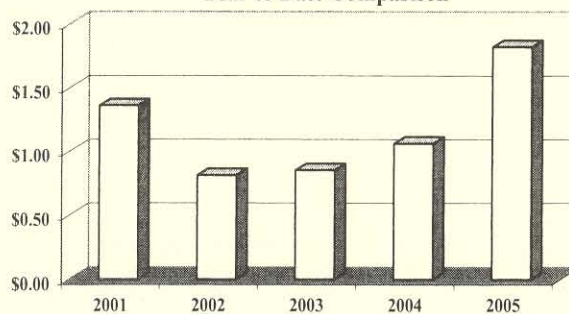
Return on Capital Emp.	22.8%	12.2%	15.0%	7.4%
Dividend Payout Ratio	17.7%	33.0%	27.8%	56.6%
Avg Shares Outstanding	642,658	642,528	642,153	642,153
Curr Shares Outstanding	642,689	642,689	642,153	642,153



**Keweenaw Log Sales
Year to Date Comparison**



**Keweenaw Earnings Per Share
Year to Date Comparison**



SHAREHOLDER INFORMATION

Third Quarter 2005 Highlights:

High: \$160.00, Low: \$155.50, Last: \$157.00

Source: Real Tick-Townsend Analytics, Ltd.

Stock Exchange Information:

Keweenaw's common stock is traded in the Pink Sheets under the symbol "KEWL".

SEE Keweenaw web page for market maker information.

Dividend Disbursing Agent:

Keweenaw Land Association, Limited

1801 E Cloverland Dr, PO Box 188

Ironwood MI 49938

Phone: (906) 932-3410 or

Toll Free: (877) 539-3362

Fax: (906) 932-5823

Email: investors@keweenaw.com

Web Page: [HTTP://www.keweenaw.com](http://www.keweenaw.com)

Transfer Agent:

Wells Fargo Shareowner Services

161 N. Concord Exchange, PO Box 64854

South St Paul MN 55164-9440

(800) 468-9716 or (651) 450-4002

Third Quarter Dividend Information:

Dividend Rate: \$0.20 per share

Payable Date: December 15, 2005

Record Date: November 15, 2005

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, fiberboard, or 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.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Balance Sheet (Unaudited)
September 30, 2005

ASSETS	Note	Sep. 30, 2005	Sep. 30, 2004	% Chg
Current Assets				
Cash & Cash Equivalents	(4)	\$1,379,449	\$93,361	1378%
Accounts Receivable		305,273	352,667	
Investments in Government Obligations		495,895	822,510	
Other Current Assets		215,512	426,644	
Total Current Assets		2,396,129	1,695,182	41%
Investments in Marketable Securities		2,694,155	2,791,171	-3%
Equipment		800,417	797,382	0%
Properties		7,954,468	8,014,403	-1%
TOTAL ASSETS		\$13,845,169	\$13,298,138	4%
LIABILITIES & CAPITAL				
Current Liabilities				
Accounts & Deposits Payable		\$104,121	\$64,227	
Commercial Lines of Credit & Other Debt	(4)	0	738,803	
Other Accrued Liabilities		407,046	348,531	
Total Current Liabilities		511,167	1,151,561	-56%
Non-Current Liabilities				
Long Term Debt		0	0	
Deferred Federal Income Tax Liability		619,908	535,515	
Non-Current Liabilities		619,908	535,515	
Total Liabilities		1,131,075	1,687,076	-33%
Capital				
Common Stock Issued	(1)	40,000	40,000	
Capital Surplus		39,902	(2,651)	
Accumulated Other Comprehensive Income	(2)	971,141	840,285	
Retained Earnings		18,356,871	17,462,760	
Less: Purchased Shares	(3)	(6,693,820)	(6,729,332)	
Total Capital		12,714,094	11,611,062	9%
TOTAL LIABILITIES & CAPITAL		\$13,845,169	\$13,298,138	4%
Capital Per Common Share		\$19.78	\$18.08	

Notes:

- (1) 800,000 no par value common shares are issued of 2,500,000 shares authorized.
- (2) Accumulated Other Comprehensive Income reflects unrealized gains (losses) on investments, net of tax per FASB Statement No. 130, "Reporting Comprehensive Income".
- (3) 157,311 purchased common shares are held at cost on September 30, 2005. 157,847 common shares were held on September 30, 2004.
- (4) Certain prior year values have been restated for comparability to the current year.

KEWEENAW LAND ASSOCIATION, LIMITED
Consolidated Statement of Income and Expense (Unaudited)
September 30, 2005

	3rd Quarter			Year to Date		
	2005	2004	% Chg	2005	2004	% Chg
INCOME						
Timber Operations						
Timber Sales	\$3,312,901	\$2,771,789		\$7,727,713	\$6,252,695	
Cost of Sales	1,918,817	1,731,636		4,774,906	4,127,893	
Gross Margin on Timber Sales	1,394,084	1,040,153	34%	2,952,807	2,124,802	39%
Timber Operations Expenses						
Forestry Expenses	166,335	154,527		462,584	444,866	
Management and General Administration	231,067	232,446		767,245	744,704	
Total Operations Expenses	397,402	386,973		1,229,829	1,189,570	
Timber Operations Income	996,682	653,180	53%	1,722,978	935,232	84%
Real Estate Development						
Developed Lot Sales	67,000	100,000		124,300	129,500	
Development Costs	42,955	44,336		100,282	65,424	
Gross Margin on Developed Lot Sales	24,045	55,664		24,018	64,076	
Total Operations Income	1,020,727	708,844	44%	1,746,996	999,308	75%
Other Income						
Mineral Royalties	68,960	22,785		177,086	66,226	
Lease and Rental Income	916	19,876		73,527	97,125	
Investment Earnings	19,934	20,427		92,319	84,506	
Profit (Loss) on Security Sales	75,713	0		74,949	40,711	
Land Sales	66,139	47		71,083	26,683	
Other	1,658	2,603		8,062	4,206	
Total Other Income	233,320	65,738	255%	497,026	319,457	56%
Other Expenses						
Land Management Expenses	93,283	80,597		310,312	242,909	
Board of Directors Expenses	24,320	22,482		130,111	101,779	
Total Other Expenses	117,603	103,079	14%	440,423	344,688	28%
Net Income Before Federal Income Taxes	1,136,444	671,503	69%	1,803,599	974,077	85%
Provision for Federal Income Taxes	410,882	209,136		637,282	291,949	
Net Income	725,562	462,367	57%	1,166,317	682,128	71%
Other Comprehensive Income, Net of Tax						
Unrealized Gains (Losses) on Securities						
Unrealized Holding Gains Arising						
During the Period	131,198	(8,128)		58,223	49,913	
Less: Reclassification Adj. For Gains	(49,970)	0		(49,466)	(26,869)	
Included in Net Income	(49,970)	0		(49,466)	(26,869)	
Other Comprehensive Income	81,228	(8,128)		8,757	23,044	
Comprehensive Income	\$806,790	\$454,239	78%	\$1,175,074	\$705,172	67%
Per Share Net Income	\$1.13	\$0.72		\$1.82	\$1.06	
Per Share Comprehensive Income	\$1.26	\$0.71		\$1.83	\$1.10	
Dividends Per Share	\$0.20	\$0.20		\$0.60	\$0.60	
Based on Weighted Average Shares Outstanding						