

KEWEENAW

LAND ASSOCIATION, LIMITED



Fourth Quarter Report For the Period Ending December 31, 2011 Issue Date January 31, 2012

Highlights

Record Timber Sales and Production in the Fourth Quarter
Net Income of \$0.18 Per Share

To Our Shareholders:

Keweenaw Land Association, Limited announces Fourth Quarter 2011 net income of \$0.18 per share compared to \$0.20 for the same period in 2010. Net income (loss) per share arose from the following sources:

	Earnings Per Share	
	4th Qtr 11	4th Qtr 10
Timber Operations Income	\$ 0.49	\$ (0.01)
Capital Gains-Sale of Land	0.10	0.02
Capital Gains-Investments	—	0.34
Other Income	0.05	0.03
Other Expenses	(0.12)	(0.13)
Deferred Tax Asset Reversal	(0.14)	
Income Taxes	(0.20)	(0.06)
	<u>\$ 0.18</u>	<u>\$ 0.20</u>

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

The mining industry is showing renewed exploration interest in the Lake States as a result of higher mineral prices. Additionally, the Company has launched an effort to develop a timberland management business. Further detail is provided below.

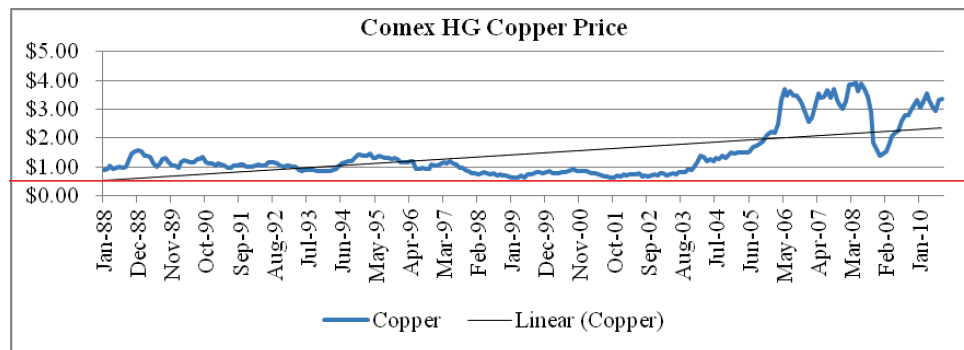
Keweenaw owns over 400,000 acres of mineral rights in Michigan, 118,000 acres of which are located under Company owned timberlands, and the balance of 287,000 acres are “severed” mineral rights under lands we do not own. Historically, the Company earned significant royalty payments under a number of agreements, the last of which was the White Pine copper mine that closed in 1996. The graph on page 2 is a 23-year history of copper prices and illustrates that until 2006-07, copper prices had been flat to declining since the White Pine mine closed.

Developing a mine requires four primary ingredients:

- Access to a mining ore resource that is of sufficient quality (yield), sufficient quantity (scale) and having that ore located reasonably close to the surface for competitive mining costs.
- A long-term pricing environment that provides a potential mine operator with a projected profit over the 20-year operating life of a typical mine.
- An exploration and development company prepared to pay for a lease, expend funds for exploration and if financially feasible, spend the time, effort and funding required to obtain the necessary environmental permits that would allow a mine to be developed and financed.
- A location that can be permitted under existing State and Federal law and one that the local community will support.

Keweenaw has signed four exploration leases in the past eight years, three after copper prices began to increase in 2006-07, and two of the three within the past year. The Orvana lease is a good illustration of the process for developing a mine as shown by the following timeline:

Orvana Lease Timeline	
April 2008	Initial contact with Keweenaw
September 2008	Mining Lease is signed
September 2008-September 2011	Pre-application environmental monitoring conducted Exploration and pre-feasibility studies begun
September 2011	Initial permit application (1 of 13 required) is submitted
2014	Orvana's current estimate on mine startup
2034	20-year commercial life of mine ends



As part of its growth strategy, Keweenaw has launched an effort to develop a timberland management business. This business would leverage Keweenaw's sustainable forestry operational expertise, local Lake States timber owner relationships, and timberland acquisition experience by working with institutional investors to acquire and manage separate timberland properties. The institutional investors would own these separate timberland properties. Keweenaw's timberland management operation would be a separate business line where Keweenaw would provide timberland management services and be paid fees for the acquisition, management, and eventual sale of timberlands. Third

party management activities would leverage the Company's management talent and provide a new stream of revenue for Keweenaw.

In the past 20 years, many of the integrated forest products companies have divested their timberlands to either Real Estate Investment Trusts (REITs) or Timber Investment Management Organizations (TIMOs), who in turn have been funded by insurance companies, pension funds, and high net worth individual investors. Currently, more than 37 million acres are owned and managed by REITs and TIMOs in the US, with both organizational styles active in the Lake States. TIMOs have purchased more than 1.4 million acres of timberland in the Lake States since 2000. TIMOs and REITs have concentrated their efforts historically on transactions of \$50 million dollars and up and are not typically operators of the timberlands, contracting with other timberland management organizations for operational management. Keweenaw would concentrate its efforts in properties smaller than \$50 million in value.

Keweenaw's revenue from its timberland management services is expected to be a combination of fees from completing timberland acquisitions, annual management fees, and a carried interest fee paid when the timberland is sold. The Company has commenced initial discussions with a number of institutional investors. While Keweenaw has received positive feedback to date from potential institutional investors, there can be no assurance that Keweenaw will be successful in implementing this new timberland management strategy in 2012.

Fourth Quarter Results:

While the U.S. housing markets along with new housing starts continue to be at historically low levels, Keweenaw was able to sell all of its sawtimber at margins greater than in 2010. In the final three months of 2011, Keweenaw Land produced record harvest volume of 27,901 cord equivalents (cd-eq) compared to 22,707 cd-eq in 2010, a 23% increase. This is the first time production has exceeded 27,000 cd-eq in a fourth quarter. Usually in the months of November and December, there is a transition from summer to winter logging, resulting in lower production as winter roads are frozen in. This year, perfect weather conditions resulted in a seamless transition between the two logging seasons. During the quarter, production on Company timberlands was 94% of total volume and 6% from purchased timber contracts, compared to 92% on Company lands and 8% purchased timber in 2010. A total of 3,473 thousand board feet (mbf) of sawtimber and 20,261 cords of pulpwood were harvested, or a product mix of 27% sawlogs and 73% pulpwood, compared to the same period in 2010 when the product mix contained 18% sawlogs and 82% pulpwood. Keweenaw recorded log sales of \$3,250,697, up significantly from \$2,182,666 last year, an increase of 49%. Per unit of production, log sales were \$117 per cd-eq compared to \$96 per cd-eq in 2010, an increase of 22%. Historically, this is the first time Keweenaw has exceeded \$3 million in timber sales during the final three calendar months in a year.

The cost of goods sold in the fourth quarter was \$2,157,136 compared to \$1,696,058 last year, up 27%. Increased production volume and destination were factors leading to higher costs. Production costs amounted to \$77 per cd-eq vs. \$75 per cd-eq in 2010. Gross margin from timber operations was \$1,093,561 compared to \$486,608 last year, up 125%. Per cd-eq, KLA achieved a gross margin of \$39 vs. \$21 last year.

During the quarter, Keweenaw did not have any sales of its investment portfolio compared to capital gains of \$438,022 on the sale of common stock from its investment portfolio last year. Portfolio income increased during the quarter with the Company earning \$18,893 on its investments compared to \$9,872 during the same period last year. Final investment earnings for 2011 totaled \$109,161 compared to \$78,833 in 2010, an increase of 38%. Gravel royalties in the fourth quarter were \$26,431 compared to \$15,891 last year. Overall for 2011, gravel sales were down \$15,576 over last year because of less construction and road improvement projects. Lease and rental income for the fourth quarter was \$24,027 compared to \$20,336 last year. As a whole, lease and rental income increased from \$118,671 in 2010 to \$153,595 in 2011.

During 2011, the Michigan Legislature repealed the 2007 Michigan Business Tax (MBT), replacing it with the Michigan Corporate Income Tax (MCT) at a flat 6% tax rate effective January 1, 2012. Under the 2007 MBT, Keweenaw was subject to a two-part taxation including a Gross Receipt Tax and a Business Income Tax. Many businesses in Michigan, including Keweenaw, were hit hard by the tax changes under the MBT, which began in 2007. To help offset this harsh result under the MBT, there was a provision for the establishment of Michigan Deferred Tax Asset to be written off over ten years beginning in 2014. The consolidated deferred tax asset on January 1, 2007 was valued at \$174,871. Because there were no provisions made by the Michigan Legislature to retain the deferred tax asset under the new MCT after December 31, 2011, the entire asset needed to be removed from the accounting records by the end of 2011. Removing this deferred tax asset, while a non-cash item, resulted in a one-time lowering of net income for 2011 from \$695,691 to \$520,820.

Demand for pulpwood remained strong during 2011, and Keweenaw was able to sell all of its pulpwood at prices nearly 11% higher than last year. We expect this trend to continue into the first few months of the New Year. The Company expects to recognize a greater return for its harvest production as the demand increases and the overall economy improves.

In the fall, the Forest Stewardship Council (FSC) conducted an annual forest management audit on Company lands and KLA was recertified for another year. Keweenaw has taken pride in being one of the earliest land and timber management companies to establish and retain uninterrupted certification since 1994.

Keweenaw's common stock traded in a range of \$70.50 to \$87.00 per share on narrow trading volume in the fourth quarter. The quarter and year ending price per share was \$76.50. Over the three-month period, 21,687 KLA shares were traded, under 2% of outstanding shares. This compares to 19,676 (split-adjusted) shares traded in the final quarter last year. 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.

Orvana Resources US Corp. (Orvana), a wholly owned subsidiary of Orvana Minerals Corp. (TSX symbol: ORV) of Toronto, Ontario, completed its 82-hole, 13,000-meter drill program in October. Additional information about the Copperwood Project can be found on Orvana's website, www.orvana.com.

As most of you know, Alan Steege retired at the end of the year. Alan was Operations Manager for 16 years and added great value to the Company through his expertise in managing and marketing KLA's timber and mineral resources. He was instrumental in

negotiating a number of mineral leases as well as upgrading the Company's productive lands and timber. He was an excellent manager of both the assets and the personnel. We thank him and wish him and his wife, Terry, the best. Brian Glodowski has taken his place as Operations Manager and brings over 20 years of experience to the job. He has held the position of Log Sales Representative and Real Estate Specialist during his tenure with Keweenaw. He will do an excellent job for the shareholders.

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 Statement of Income and Expense (Unaudited)
December 31, 2011**

Income	4th Quarter			Year to Date		
	2011	2010	% Chg	2011	2010	% Chg
Timber Operations						
TIMBER SALES	\$3,250,697	\$2,182,666		\$9,736,841	\$8,239,174	
COST OF SALES	2,157,136	1,696,058		6,776,399	6,270,098	
GROSS MARGIN ON TIMBER SALES	1,093,561	486,608	125%	2,960,442	1,969,076	50%
TIMBER OPERATIONS EXPENSES						
FORESTRY EXPENSES	184,482	176,501		720,406	706,389	
MANAGEMENT AND GENERAL ADMINISTRATION	277,487	317,609		1,064,878	1,173,819	
TOTAL OPERATIONS EXPENSES	461,969	494,110		1,785,284	1,880,208	
TIMBER OPERATIONS INCOME	631,592	(7,502)	8519%	1,175,158	88,868	1222%
Real Estate Development						
DEVELOPED LOT SALES	0	20,000		0	20,000	
DEVELOPMENT COSTS	0	21,142		0	21,142	
GROSS MARGIN ON DEVELOPED LOT SALES	0	(1,142)		0	(1,142)	
TOTAL OPERATIONS INCOME	631,592	(8,644)	7407%	1,175,158	87,726	1240%
Other Income						
MINERAL ROYALTIES	26,431	15,891		39,839	55,415	
LEASE AND RENTAL INCOME	24,027	20,336		153,595	118,671	
INVESTMENT EARNINGS	18,893	9,872		109,161	78,833	
PROFIT (LOSS) ON SECURITY SALES	0	438,022		213,498	428,587	
LAND SALES	126,577	35,296		126,577	229,625	
OTHER	994	(347)		10,266	7,625	
TOTAL OTHER INCOME	196,922	519,070	-62%	652,936	918,756	-29%
Other Expenses						
LAND MANAGEMENT EXPENSES	119,429	136,634		483,212	478,604	
BOARD OF DIRECTORS EXPENSES	38,881	34,844		253,154	252,593	
TOTAL OTHER EXPENSES	158,310	171,478	-8%	736,366	731,197	1%
INCOME BEFORE INCOME TAXES	670,204	338,948	98%	1,091,728	275,285	297%
Provision for State and Federal Income Taxes	435,687*	86,940		570,908*	111,103	
NET INCOME	234,517	252,008	-7%	520,820	164,182	217%
Other Comprehensive Income, Net of Tax						
UNREALIZED GAINS (LOSSES) ON SECURITIES						
UNREALIZED HOLDING GAINS ARISING During the Period	122,262	147,601		(6,813)	315,081	
Less: Reclassification Adj. For Gains Included in Net Income	0	(289,094)		(140,909)	(282,867)	
OTHER COMPREHENSIVE INCOME	122,262	(141,493)		(147,722)	32,214	
COMPREHENSIVE INCOME	\$356,779	\$110,515	223%	\$373,098	\$196,396	90%
Per Share Net Income	\$0.18	\$0.20		\$0.40	\$0.13	
Per Share Comprehensive Income	\$0.28	\$0.09		\$0.29	\$0.15	
Dividends Per Share	\$0.00	\$0.00		\$0.00	\$0.00	

Based on Weighted Average Shares Outstanding

*Includes a 4th Quarter net effect of a Michigan Deferred Income Tax change effective 12/31/11.

ASSETS

	Note	Dec. 31, 2011	Dec. 31, 2010	% Chg
Current Assets				
CASH & CASH EQUIVALENTS		\$894,398	\$1,025,882	-13%
ACCOUNTS RECEIVABLE		616,423	209,723	
INVESTMENTS IN GOVERNMENT OBLIGATIONS		0	0	
OTHER CURRENT ASSETS		209,509	323,604	
TOTAL CURRENT ASSETS		1,720,330	1,559,209	10%
Investments in Marketable Securities		3,410,912	3,142,484	9%
Other Non-Current Assets		19,061	197,799	
Equipment		556,543	544,090	2%
Properties		11,535,787	11,684,839	-1%
TOTAL ASSETS		\$17,242,633	\$17,128,421	1%

LIABILITIES & CAPITAL

	Note	Dec. 31, 2011	Dec. 31, 2010	% Chg
Current Liabilities				
ACCOUNTS & DEPOSITS PAYABLE		\$117,907	\$67,394	
COMMERCIAL LINES OF CREDIT & OTHER DEBT		100,191	333,531	
OTHER ACCRUED LIABILITIES		502,274	483,072	
TOTAL CURRENT LIABILITIES		720,372	883,997	-19%
Non-Current Liabilities				
LONG TERM DEBT		766,483	866,674	
DEFERRED FEDERAL INCOME TAX LIABILITY		784,109	868,807	
NON-CURRENT LIABILITIES		1,550,592	1,735,481	
Total Liabilities		2,270,964	2,619,478	-13%
Capital				
COMMON STOCK ISSUES	(1)	84,478	84,414	
ACCUMULATED OTHER COMPREHENSIVE INCOME		1,095,062	1,242,784	
RETAINED EARNINGS		13,792,129	13,181,745	
Total Capital		14,971,669	14,508,943	3%
TOTAL LIABILITIES & CAPITAL		\$17,242,633	\$17,128,421	1%
Capital Per Common Share		\$11.59	\$11.24	

Notes:

(1) 1,291,865 no par value common shares are issued and outstanding on Dec. 31, 2011. 1,290,890 shares were outstanding on Dec. 31, 2010 (restated for stock split). 10,000,000 shares are authorized.

CONSOLIDATED FINANCIAL HIGHLIGHTS

For the Quarter	2011		2010	
	4th Qtr	YTD	4th Qtr	YTD
Receipts	\$3,448	\$10,390	\$2,713	\$9,170
Net Income (Loss)	235	521	252	164
Comprehensive Income	8	373	111	196
Capital Employed	15,838	15,838	15,709	15,709

*Dollar amounts in thousands

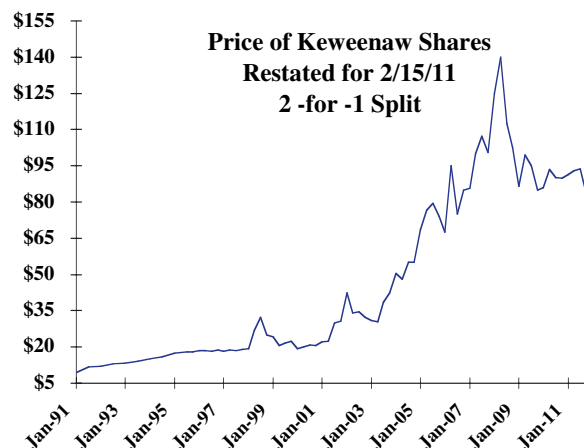
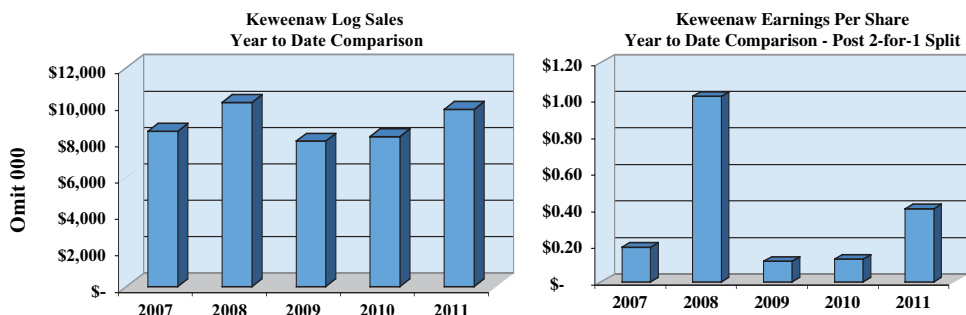
Per Common Share

Net Income	\$0.18	\$0.40	\$0.20	\$0.13
Comprehensive Income	0.01	0.29	0.09	0.15
Dividends Paid	0.00	0.00	0.00	0.00

*Based on weighted average shares outstanding. 2010 is restated for the 2/15/11 2-for-1 split

Statistics

Return on Capital Emp.	5.9%	3.3%	6.4%	1.0%
Dividend Payout Ratio	0.0%	0.0%	0.0%	0.0%
Avg Shares Outstanding	1,291,682	1,291,488	1,290,750	1,290,660
Curr Shares Outstanding	1,291,865	1,291,865	1,290,890	1,290,890



SHAREHOLDER INFORMATION

Fourth Quarter 2011 Highlights:

High: \$87.00, Low: \$70.50, Last: \$76.50

Source: Real Tick-Townsend Analytics, Ltd.

Dividend Information:

The Board of Directors eliminated shareholder dividends beginning in 2010.

Keweenaw Contact Information:

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: www.keweenaw.com

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.