



KL ENERGY AND FAIR ENERGY AGREE TO PROCEED WITH CELLULOSIC ETHANOL LONG-TERM OFF-TAKE AGREEMENT

KL Energy Corp. (OTC BB: KLEG) and Fair Energy have agreed to proceed with a long-term off-take agreement for their second generation cellulosic ethanol both in the United States and Europe. KL Energy operates the first commercial-size demonstration cellulosic ethanol plant in the country in Upton, WY.

Steve Corcoran, KL Energy Corp. Chief Executive Officer, said, "As the industry continues moving toward the goal of commercializing production of cellulosic ethanol, KL Energy is pleased to have Fair Energy as our partner. The commitment by Fair Energy will allow our company to complete its goal of being the first firm in North America to produce cellulosic ethanol on a constant, commercial scale for use. As other companies begin projects trying to realize industrial scale production, KL Energy will have successfully achieved that goal and become the first cellulosic ethanol plant operating under a 24-hour production schedule this year."

Unlike first generation ethanol, commonly derived from food products such as corn in North America, KL Energy has created a second-generation cellulosic ethanol that utilizes non-feedstock byproducts like wood-waste from the timber industry in their production process.

About KL Energy Corp.

KL Energy Corp. (OTCBB: KLEG), a leader in the development and commercialization of second generation cellulose-based energy products, including ethanol and high energy lignin pellets. KL's commercial demonstration facility in Wyoming is to the company's knowledge the first industrial-size facility of its type to produce cellulose-based ethanol and high energy lignin pellets from wood waste. The facility uses KL Energy's proprietary thermo-mechanical pretreatment and enzymatic hydrolysis process in what the company believes is one of the most environmental friendly processes in the sector which can be adapted for various non-food feedstock. In addition KL provides engineering, optimization and technical services for biofuels facilities.

Additional information is available at the Company's website at www.klenergycorp.com

About Fair Energy

Fair Energy is a global player in the oil and biofuel markets, sourcing, trading and supplying the full spectrum of both petroleum and biomass products from the raw material to the finished pure and blended products.

FORWARD-LOOKING STATEMENTS:

"Safe Harbor" Statement under the Private Securities Litigation Reform Act of 1995. This press release may contain forward-looking statements, as defined in the Securities Reform Act of 1995 (the "Reform Act"). Forward-looking statements can be identified by the use of words such as "expects," "plans," "will," "may," "anticipates," "believes," "should," "intends," "estimates," and other words of similar meaning. These statements are subject to risks and uncertainties that cannot be predicted or quantified and consequently, actual results may differ materially from those expressed or implied by such forward-

looking statements. The safe harbor for forward-looking statements provided to companies by the Reform Act does not apply to KL Energy Corp. (the "Company"). However, actual events or results may differ from the Company's expectations on a negative or positive basis and are subject to a number of known and unknown risks and uncertainties including, but not limited to, competition with larger companies, development of and demand for a new technology, risks associated with U.S. and international transactions, the impact of current, pending, or future legislation and regulation on the industry, general economic conditions, availability of funds for capital expenditure by customers, availability of timely financing, cash flow, timely delivery by suppliers, ability to maintain quality control, collection-related risks from U.S. and international transactions, or the Company's ability to manage growth. Other risk factors attributable to the Company's business may affect the actual results achieved by the Company including those that are found in the Company's most recent *Company's Annual Report on Form 10-K for the year ended December 31, 2008* and any updates contained in its subsequently filed quarterly reports on Form 10-Q. All forward-looking statements included in this release are made as of the date of this press release, and the Company assumes no obligation to update any such forward-looking statements.

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