

**FOR IMMEDIATE RELEASE**

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**KL ENERGY CORPORATION ANNOUNCES \$4 MILLION REINVESTMENT**

***Second Generation Cellulosic Ethanol Leader and Biofuel Developer Receives Fresh Capital Infusion from Original and New Investments Groups***

**(RAPID CITY, SD) KL Energy Corp. (OTC BB: KLEG)** today announced that it has received \$4 million of additional capital. The funds will further strengthen the company's position as a leader in the commercialization of second generation cellulose based ethanol (CBE). The funding round was led by previous investors Niton Capital and The Green Fund, who together originally invested \$6.1 million in October 2008, and Warcoing Sucre S.A and Pierre de Boeck.

The new funds bring the total invested in KL Energy Corp. common stock since October last year to \$10.1 million, and will be devoted to optimizing the company's proprietary processes at the Company's commercial scale second generation CBE plant in Upton, Wyoming. The Upton plant, designed and built by KL Energy was, and to the company's knowledge still is, the first commercial scale CBE plant to open the USA, and has been in operation since January 2008 using wood waste as a feedstock. KL Energy continues to work on CBE as an alternative energy source, developing processes that utilize waste and biomass materials as an alternative to traditional food sourced grain and sugar based for the production of fuel ethanol.

In addition, KL Energy has appointed Steve Corcoran to serve as the Company's Chief Executive Officer. Mr. Corcoran previously served as the Company's Vice President of Operations overseeing management of daily operations. Mr. Corcoran's principle areas of experience are project management, logistics, business development, and continuous process improvement. He developed feasibility studies and business plans for several ethanol projects and served as on-site Coordinator and Project Manager. Prior to joining KL Energy Corp., he served as Program Manager and Senior Analyst for the US Government. Mr. Corcoran also served 20 years in the U.S. Army in a variety of executive positions and retired as a Lieutenant Colonel. He holds a Masters Degree in Business from Central Michigan University.

CEO Steve Corcoran commented, "In spite of the current economic environment we were able to secure additional capital to continue our growth initiatives. This capital infusion is verification that KL Energy Corp. is positioned to be at the forefront of commercializing second generation cellulosic ethanol production. While some are looking to build demonstration plants, we are on the way to building our next commercial facility. The investors also bring to KLE a substantial international network, and we are already benefiting from their relations as potential projects in South America, Europe and Scandinavia have requested proposals for our technology. I personally am very pleased to have been entrusted with the Chief Executive's position and will work diligently with the committed and innovative team we have at KL Energy Corp. to ensure that we lead the push for cellulosic ethanol as a viable energy alternative to conventional carbon based fuels."

***About KL Energy Corp.***

KL Energy Corp. (OTCBB:KLEG) is a leader in second generation cellulosic ethanol production, a hugely anticipated global opportunity for energy production from waste materials and biomass, through their advanced engineering skills and knowledge in petrochemical process design. Besides cellulose based ethanol production, KLE provides design-build operations services for biofuels facilities with an emphasis on efficient construction, process optimization, and industry leading energy-efficiencies along with ethanol marketing services. Additional information is available at the Company's website at [www.klenergycorp.com](http://www.klenergycorp.com).

#### **FORWARD-LOOKING STATEMENTS**

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 Current Report filed on Form 8-K, which risk factors will also be included with or prior to the filing of the Company's next Quarterly or Annual Report. 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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