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## KL Energy Approved for First 2nd Generation Biomass Production Facility Under BCAP

November 19, 2009: 08:30 AM ET



KL Energy Corp. (OTCBB: KLEG) today announced that the Upton, Wyoming cellulosic ethanol facility owned and operated by the company has been approved by the USDA as a biomass production facility under the Biomass Crop Assistance Program (BCAP). The approval, which was announced by Senator John Thune, is believed by the company to be the first BCAP approval for a cellulosic ethanol facility.

KL Energy is a leader in the development and commercialization of second-generation cellulose based ethanol. The company has the first industrial size plant operating in the US and is currently working with its strategic partners and licensees to commence the construction of additional cellulosic based ethanol facilities in the US as well as in Europe and South America.

BCAP, a program administered by the USDA's Farm Service Agency, will provide KL Energy with funding to offset the feedstock cost associated with their demonstration biorefinery in Upton, Wyoming that produces cellulosic ethanol and other high value energy products from wood chips. BCAP offers a matching per-ton payment for the collection, harvest, storage and transportation of renewable biomass delivered and sold to a local biomass conversion facility such as the Upton facility. Senator Thune authored BCAP, which was included in the 2008 Farm Bill.

"Renewable fuel production has the capability to make forestry byproducts from the Black Hills a valuable resource," said Senator Thune. "Biofuels and other forms of renewable energy will play an important role in reducing our overdependence on imported energy sources. The implementation of BCAP is a major step toward incorporating more of our nation's resources into our energy strategy."

Steve Corcoran, KL Energy's CEO, said, "We are grateful for the continuing support provided by Senator Thune for this emerging and important industry. At KLE we have already proven the commercial and technical viability of our process at Upton and we believe that BCAP is an important incentive to potential partners and project developers to support even better ROI on new projects."

About KL Energy Corp.

KL Energy Corp. (OTCBB: KLEG) is 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 environmentally 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](http://www.klenergycorp.com).

**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

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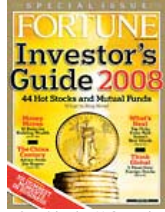
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