

KL Energy Corporation

Disclosure Committee Charter

This Disclosure Committee Charter (the "Charter") has been adopted by the Chairman of the Board, Chief Executive Officer and Chief Financial Officer (the "Senior Officers") of KL Energy Corporation (the "Company"). The Disclosure Committee (the "Committee") shall review and reassess this Charter annually and recommend any proposed changes to the Senior Officers for approval.

I. Purpose

It is the Company's policy that all disclosures made by the Company to its security holders or the investment community should be accurate and complete and fairly present the Company's financial condition and results of operations in all material respects, and should be made on a timely basis as required by applicable laws and stock exchange requirements.

II. Responsibilities

The Committee shall assist the Senior Officers in fulfilling their responsibility for oversight of the accuracy and timeliness of the disclosures made by the Company by being responsible for the following tasks, in each case subject to the supervision and oversight of the Senior Officers:

- Design and establish controls and procedures (which may include procedures currently used by the Company) that are designed to ensure that:
 - (1) information required by the Company to be disclosed to the Securities and Exchange Commission ("SEC") and other written information that the Company will disclose to the investment community is recorded, processed, summarized and reported accurately and on a timely basis, and
 - (2) information is accumulated and communicated to management, including the Senior Officers, as appropriate to allow timely decisions regarding such required disclosure ("Disclosure Controls and Procedures").
- Monitor the integrity and effectiveness of the Company's Disclosure Controls and Procedures.
- Receive information from throughout the Company that may be material and determine the need for, and timing of, disclosure. The Committee should serve as a central point to which material information should be directed and a resource when people have questions regarding materiality and need for disclosure.
- Review and monitor the preparation of the Company's:
 - (i) periodic and current reports, proxy statements, information statements, registration statements and any other information filed with the SEC,
 - (ii) press releases containing financial information, earnings guidance, information about material acquisitions or dispositions or other information material to the Company's security holders, and
 - (iii) correspondence containing financial information broadly disseminated to shareholders (collectively, the "Disclosure Statements") and review financial information displayed on the Company's corporate/investor relations website.
- Evaluate the effectiveness of the Company's Disclosure Controls and Procedures as of the end of the period covered by the Company's Annual Report on Form 10-K and each Quarterly Report on Form 10-Q (collectively, the "periodic reports").
- Provide a certification to the Senior Officers prior to the filing of each annual and quarterly report as to the Committee's conclusions resulting from its evaluation of the effectiveness of the Company's Disclosures Controls and Procedures.

- Discuss with the Senior Officers all relevant information with respect to the Committee's proceedings, the preparation of the Disclosure Statements and the Committee's evaluation of the effectiveness of the Company's Disclosures Controls and Procedures.
- Review any significant disagreements among management and the outside auditor, internal auditors or employees in connection with the preparation of periodic reports or the disclosure of material information and ensure that any such disagreements are presented to the Audit Committee.

In discharging its duties, the Committee shall have full access to all Company books, records, facilities, and personnel, including the internal auditors. The Committee shall promptly evaluate each of the following:

- The Company's acquisition or disposition of a significant amount of assets outside the ordinary course of business
- A change in the Company's certifying accountant
- The resignation of a Company director (or a director declining to stand for reelection)
- The appointment, resignation or termination of any Company executive officer
- Entry into, or amendment or termination of, a material agreement not made in the ordinary course of business
- Termination or reduction of a business relationship with, or financial difficulty of, any material customer or third parties
- Creation of a direct or contingent financial obligation (including any guarantee) that is material to the Company
- Events triggering a direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation
- The use of off-balance sheet financing or special purpose vehicles
- The impact on the Company's financial condition or performance of affiliated or associated entities
- The management discussion and analysis section of the report, with particular attention to (i) critical accounting policies and trends which would, if altered, have a significant impact on the reported financial condition or performance (especially, in many cases, revenue recognition policies and accounting reserves), and (ii) liquidity and capital resources
- The propriety of any characterization of costs as a capital expense
- Loans to or other transactions with directors, officers or significant shareholders
- Activities including material write-offs and restructuring charges
- Any material goodwill or asset impairment;
- Any change in, or withdrawal of, a rating agency rating of the Company (or refusal to provide one upon request), issuance of a credit watch or change in the Company's outlook
- Internal controls
- Derivative transactions
- Tax reduction strategies
- Any amendment to the Company's charter or by-laws
- Any unregistered sales of equity securities by the Company
- Any material modifications to rights of holders of the Company's securities
- Any other event or development outside the ordinary course of business that is material to the Company's results of operations, financial condition or prospects or is believed to be of importance to the Company's shareholders.

III. Disclosure Control Considerations

The Committee shall base the review and revision of the Disclosure Controls and Procedures on the following factors:

- **Control Environment**: The directives of the Board and Audit Committee; the integrity and ethical values of the Company's officers and employees, including the "tone at the top"; the Company's Code of Conduct; and the philosophy and operating style of management, including how employees are organized and how authority is delegated.
- **Risk Assessment**: The identification and analysis of relevant risks to achieving the goal of accurate and timely disclosure, forming a basis for determining how the risks should be managed.
- **Control Activities**: The procedures to ensure that necessary actions are taken to address and handle risks to achievement of objectives.
- **Information and Communication**: The accumulation, delivery and communication of financial information throughout (i.e., up, down and across) the organization.
- **Monitoring**: The assessment of the quality of the financial reporting systems over time through ongoing monitoring and separate evaluations, including through regular management supervision and reporting of deficiencies upstream.

IV. Organization

The membership of the Committee shall initially consist of the Company's Chairman of the Board, Chief Executive Officer and Chief Financial Officer. Such members may be replaced, or new members added, at any time and from time to time by the Senior Officers. Notwithstanding the foregoing, the Senior Officers at their option may at any time assume any or all of the responsibilities of the Disclosure Committee identified in this Charter, including, for example, approving Disclosure Statements when time does not permit the full Committee to meet. The Committee may designate two or more officers, at least one of whom shall be an attorney knowledgeable about SEC rules and regulations with respect to disclosure and at least one of whom shall be knowledgeable about financial reporting, who can, acting together, approve Disclosure Statements (other than periodic reports) when time does not permit the full Committee to meet.

One member of the Committee shall be appointed by the Senior Officers as chair. The chair shall be responsible for scheduling and presiding over meetings and preparing agendas. Any question of interpretation of this charter or the Committee's procedures shall be determined by any Senior Officer or, in their absence from any meeting, the chair.

The Committee shall meet with the Senior Officers from time to time and submit for their approval an initial set of Disclosure Controls and Procedures, including policies and procedures of this Committee, as well as policies and procedures to test the effectiveness of the Disclosure Controls. The Committee shall meet as frequently as circumstances dictate to (i) ensure the accuracy and completeness of the Disclosure Statements and (ii) evaluate the Disclosure Controls and Procedures and determine whether any changes to the Disclosure Controls and Procedures are necessary or advisable in connection with the preparation of the Company's upcoming periodic reports or other Disclosure Statements, taking into account developments since the most recent meeting, including changes in the Company's organization and business lines and any change in economic or industry conditions.

V. Other Responsibilities

The Committee shall also have such other responsibilities as the Senior Officers may assign to it from time to time.