

**KL Energy Corporation
Board of Directors
Compensation Committee Charter**

Purpose

The Compensation Committee (the “Committee”) is appointed by the KL Energy Corporation (the “Company”) Board of Directors (the “Board”) in order to:

1. Review and approve on an annual basis the evaluation process and compensation structure for the Company's officers. The committee shall evaluate the performance of the Company's senior executive officers and shall approve the annual compensation, including salary, bonus and equity and non-equity incentive compensation, for such senior executive officers, based on initial recommendations from the chief executive officer (“CEO”). The committee shall also provide oversight of management's decisions concerning the performance and compensation of other Company officers;
2. Review and approve on an annual basis the corporate goals and objectives with respect to compensation for the CEO. The committee shall evaluate at least once a year the CEO's performance in light of these established goals and objectives and based upon these evaluations shall set the CEO's annual compensation, including salary, bonus and equity and non-equity incentive compensation;
3. Assist the Board in developing and evaluating potential candidates for executive positions, including the chief executive officer and chief financial officer, and to oversee the development of executive succession plans;
4. Review, approve, and recommend to the Board the aggregate number of incentive awards to be granted to employees and directors;
5. Review general policy matters relating to compensation and benefits of employees and directors;
6. Review and recommend to the Board certain portions of the Company’s annual proxy statement and annual report regarding executive compensation and provide any report required by the Securities and Exchange Commission.

Committee Membership

Committee members are appointed by the Board and may be replaced by the Board. The Committee shall consist of at least three (3) Members of the Board. The Board shall select one member of the Committee as its Chairperson.

Meetings

The Committee shall meet at least once every fiscal year, or more frequently as circumstances dictate.

Responsibilities and Processes

The Committee shall have authority to retain such compensation consultants, outside counsel and other advisors as the Committee may deem appropriate in its sole discretion. The Committee shall have sole authority to approve related fees and retention terms.

The Committee is charged with the following responsibilities:

1. Reviewing and approving corporate goals and objectives relevant to compensation and benefits for the CEO and all other executive officers, evaluating the CEO's and all other executive officer's performances in light of those goals and objectives, and recommending to the Board the level of compensation of the CEO and all other executive officers based on such evaluations.
2. Administering the Company's incentive plans, if any, including the review and approval of all incentive awards to executive officers, non-employee directors, and consultants/advisors, and the aggregate number of incentive awards to be granted to employees.
3. Reviewing, commenting on, and recommending to the Board executive compensation plans, programs, and policies of the Company or that the Company proposes to adopt.
4. Periodically reviewing and making recommendations to the Board with respect to annual compensation for the Company's directors.
5. Periodically reviewing the results of the Company's executive compensation and perquisite programs to ensure that payments and benefits are reasonably related executive performance.
6. Periodically reviewing the Company's policies with regard to employee compensation and benefits generally, reviewing and assessing the effectiveness of the Company's implementation of such policies, and making recommendations to the Board regarding compensation generally, including with respect to the adoption, amendment and termination of stock option, retirement, deferred compensation and incentive compensation plans.
7. If required, producing an annual report on executive compensation for inclusion in the Company's annual meeting proxy statement in accordance with applicable rules and regulations.
8. Reviewing and reassessing the adequacy of this Charter as needed, but at least annually, and recommending to the Board any proposed changes to this Charter.
9. Performing an annual self-evaluation of Committee member performance.

10. Performing any other activities consistent with this Charter, the Company's Articles of Incorporation and By-laws and applicable law and as specifically requested by the Board.

11. Periodically reporting to the Board on the significant results of the foregoing activities.

In fulfilling his or her responsibility, each member of the Committee is entitled to rely in good faith upon the Company's records and upon information, opinions, reports, or statements presented by any of the Company's officers or employees, or by any other person as to matters the member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Company. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.