

# Corporate Update

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Dear Shareholder,

In this issue, our fourth Corporate Update, we feature an interview with Neil Gambow, President of Kelso's wholly-owned subsidiary Kelso Technologies (U.S.A.) Inc.

All Corporate Updates will be announced via a news release and the actual Corporate Update will be placed on Kelso's website in the "News" section at [www.kelsotech.com](http://www.kelsotech.com). We look forward to your comments and suggestions for content.

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## **An Interview with Neil E. Gambow**

Q: What was the main reason you chose to join the Kelso Team?

***I was seeking a new challenge and the thought of helping build a company into a world leader in a market with which I am intimately familiar addressed that challenge. Kelso is such a company and I thought I could offer a great deal to it.***

Q: What do you bring to Kelso?

***Kelso was in need of a credible person with deep industry contacts and solid reputation within the industry to move the company and technology forward as quickly as possible. My experience, contacts and industry reputation bring a lot of credibility to Kelso in the eyes of the tank car market which opens many doors to opportunities.***

Q: Did Kelso Management influence your decision to join Kelso and why?

***I was aware of Kelso as a competitor to the company that I used to be with. When I first saw the Kelso pressure relief valve design four years ago I recognized it as cutting edge technology and a formidable competitive product. Having spoken to the people at Kelso, I got to know John Carswell and his team very well and would say that they definitely influenced my decision. They offered me a scenario whereby I would be given the support and resources needed to build this company into an industry leader. Its been a real pleasure so far working with John, Andrew Male, Barry LaCroix as well as the rest of the Board.***

Q: What was your last position and with what Company?

***My last position was President of Midland Manufacturing, an enterprise that has been in the rail tank car valve business for 57 years.***

Q: Prior to Midland Manufacturing, what companies did you work for?

***My entire career has been with technical product companies serving a variety of industries. After graduation with a degree in mechanical engineering from the University of Dayton, I started my career with BF Goodrich's aerospace business rising to Vice President followed by a stint as President of Ellis & Watts, a \$40 million company in the defense contracting and nuclear engineering business followed by 11 years as President of Post Glover Resistors, a \$20 million UK-owned company manufacturing heavy duty power resistors for the electrical power and light-rail people mover industries.***

Q: What impact did you have at Midland Manufacturing?

***When I joined Midland the tank car industry was at a low point. Over the next 5 years, we grew Midland by nearly 100% and began to expand its reach to foreign markets.***

Q: What is the difference between Kelso Technologies (U.S.A.) Inc. and its parent Company Kelso Technologies Inc.?

***The difference between these companies is that Kelso Technologies Inc. is the publicly listed parent company and this is the company that trades on the TSX Venture Exchange under the symbol of "KLS", Kelso Technologies (USA) is a wholly owned operating subsidiary headquartered in Chicago, Illinois.***

Q: What is your main focus now that you are heading up Kelso USA?

***The main focus is to initially increase product awareness, make product presentations and exploit the relationships that Kelso and I already enjoy in North America. With the success of these actions, we will certainly see sales - and that is what the end objective is.***

Q: How soon do you think sales of a significant dollar value can commence?

***Sales will be an ever-growing and constant process. It is my hope and objective to drive sales to a measurable increase this year, 2008. The exact amount is hard to say at this stage, but suffice it to say that we will be keen to see how the next few quarters unfold.***

Q: What revenue potential do you think Kelso has for 2008?

***Kelso is presently filling the sales pipeline with a range of jobs and opportunities for our valves. The challenge is to determine how fast customers will be placing orders with us. Once we have received the first few orders, we will be in a better position to firm up our expected sales figures.***

Q: What do you see are the major hurdles facing you in your new position?

***Converting the existing users of Pressure Relief Valves into users of the Kelso PRV. This is a very cautious, slow moving industry and as a result it takes time to make the conversions to a new technology. Once the conversion gains acceptance, the technology becomes an enduring part of the industry and a steady, long-term source of revenue. It has taken Kelso quite some time so far to gain this market acceptance through its regulatory approvals resulting from successful field service trials and through initial key customer applications. During this time, the team at Kelso laid a foundation through its marketing and sales efforts giving Kelso the necessary initial market traction which is what I am***

**building on now. We are now looking to exploit those certifications, key customer applications and new market credibility to the benefit of Kelso.**

Q: What do you see as the major benefits of Kelso as you look forward?

**Kelso is an agile company with the ability to adapt to the needs of its client base, as well as being able to improve upon the technology. It must be remembered that due to the lengthy field service trial requirements the industry regulatory bodies have imposed, Kelso has almost a 3 year advantage on any other company at this stage. To our knowledge, there is no other company at this time that has applied for a field service trial of new PRV designs. This is a very significant benefit.**

Q: Since Kelso is an early stage company and has faced a long development curve, will it require more financing to accomplish your goals?

**Yes. Kelso has used the capital raised so far to accomplish the development and survive the lengthy field service trials. This includes getting the valves into the market place and at this time the company needs to move into its corporate stage. This will entail the seeking of sufficient capital to survive until the sales of the company are sufficient to put the company into a cash flow positive mode. We anticipate that we will be able to determine when this will be during the next 6 months. The reason for this is that we will see the success of certain sales initiatives by then and will be able to extrapolate the results somewhat better.**

Q: What is the real and accessible market for Kelso and its valves for 2008?

**Kelso's access to the PRV marketplace is extensive. The Company has identified that the PRV marketplace in real market terms is some 150,000 units in North America alone. Kelso is looking to the rest of the worldwide marketplace as well and will be compiling those numbers as we progress through the effective saturation of the marketplace.**

**As for the year 2008, we hope that we will receive purchase orders or secure relationships that would realize about 1% of the market or 1500 units. Further projections will be forthcoming as we speak to more and more users of PRV's and ascertain what their corporate goals are. As you can imagine, many of the companies who use PRV's do not disclose their corporate objectives for privacy and competition issues.**

**Recently, Kelso has been asked to develop new products for the North American Tank Car market. This is a result of face-to-face customer contacts and the market's desire to solve persistent problems with new ideas. These opportunities represent new revenue stream possibilities in the next few years.**

Q: Kelso has a large number of shares issued and outstanding, how many shareholders does the company have and what is the share structure and makeup of the company?

**Kelso has approximately 60M shares outstanding and about 2,000 shareholders. Some of these shareholders have come to the company through private placements and others through large purchases in the stock market. As for the control blocks, or primary groups, Kelso does not have one specific group that controls the company. That is both good and bad in that it allows even small shareholders to effect a change or have their voice heard. At the same time corporate direction is controlled by the Board and the Board has been very "hands on" with Management to ensure that the directives of the company are consistently pursued.**

Q: Will you be involved in the Company's efforts surrounding its market and public listing?

***I intend to be involved with all aspects of Kelso, including the public market. At this time we have been doing some finance planning and structuring of the business for movement into the next stage. We expect that as we move into heavier sales, we will see more market activity.***

Q: Does the Company have any plans to help support its marketplace and improve the present stock price?

***At present the Company is working with a few broker groups that will be supporting the Company's stock market and bringing in new investor groups as well as added market purchases.***

Q: What further financing is required for the Company to become self sustaining?

***Kelso is presently refining the business plan and we have been working through the financial requirements for the next stage of the company's evolution. As we see things now we believe that with the present plan the Company will require a further \$2.0 million in financing. In seeking this financing we are reviewing the options and are considering a blend of debt and equity.***

Q: Does the Company have any plans to develop any further valves or related products?

***Yes. The Company has a very strong, ongoing commitment to R&D and therefore is always in a "product development" mode especially for those products that are in response to customer requests. We are currently working on other tank car industry products which we hope to announce relatively soon.***

***Kelso will be filling out its product line of valves as its customers identify their greatest needs.***

***As for related products, we hope that in the near future, we will be able to announce the development of a completely new product as well as the acquisition of a new patent and product for tank cars outside the pressure relief valve sphere. It is premature to disclose anything further at this time however.***

Q: Would the Company consider acquiring related technologies or companies?

***Yes, Kelso is very keen on acquiring new products and technologies. One of the benefits that Kelso has is its "public Company" structure. When it acquires technology or other complimentary companies it has a public market to work with in order to enable alternate methods of payment as well as to create synergistic relationships with those companies by the tying them into the Kelso public market.***

Q: Does the Company have plans to expand outside the North American marketplace?

***Kelso has a world class product in the pressure relief valve technology and it has international applications and markets. We intend to explore and exploit these markets as time and resources allow. To that note, we have made some very good headway in areas that would maybe not seem to be the natural next step. We intend to continue in building these international relationships and will keep everyone posted.***

***Another thing I would like to mention is that while we have developed this new pressure relief valve technology and started in the rail industry, which is a most difficult industry in which to commence business in due to the heavy regulation of the rail industry by the U.S. and North American governments. Rail is not the only business sector in which our valve technology has applications.***

***Other industries that the valves and valve technology are applicable in are the petrochemical, pipeline, stationary storage/standing tank, ISO tank, trucking and air transport. These other industries will be ones that Kelso move into once we have built a solid, volume and base in the North American rail sector. These industries can be very lucrative and Kelso will enjoy a strong benefit from going to these areas of business.***

Q: How fast will the international expansion occur?

***The international expansion is already underway. We have already started down this road and look forward to gaining some rapid access and expansion into these potential markets. We hope to report some international activity in the next year.***

Q: Will you be available to speak with shareholders as time progresses?

***Yes. I intend to participate in scheduled periodic conference calls to allow everyone to catch up with the activities of the Company. After these have been completed, we intend to have them posted on the website for anyone to go back and listen to prior calls.***

Q: Have you enjoyed the first three months with Kelso?

***The first three months have not only been good business but they have also been good fun. I strongly believe in the current product offering and we have made significant headway building broad product momentum in those three months. And I am thoroughly enjoying re-connecting with all the people in the rail industry and related sectors. In my previous job I was not out in the marketplace as much as I would have liked. This time I am hands on and that's the way I enjoy working. The daily interaction I have had with John Carswell and Andrew Male has been a real pleasure and very professional. The rest of the Board of Directors and Company Advisors are keenly interested in the progress and affairs of the daily operations of the Company as well, a great team overall!***