



KELSO
TECHNOLOGIES
INCORPORATED

TSXV:KLS

NEWS RELEASE

FOR IMMEDIATE RELEASE

KELSO TECHNOLOGIES ANNOUNCES AGM AND RESTRUCTURING PLAN

THURSDAY, JANUARY 7, 2010 - VANCOUVER, BC, CANADA – Kelso Technologies Inc. (TSXV:KLS) (Pink Sheets: KEOSF) (the "Company") is pleased to report on a number of significant efforts in better positioning the Company for successful financing of its growth plans. The Company has been in serious discussions with some potential investors and these efforts are designed to address issues that will favour a potential financing of up to \$2-million.

Background

It has been reported that the recent recession is the worst that North America has seen since the Depression. Through this recession, Kelso has, with the generous support of its shareholders, been able to ensure it continued to develop products and execute sales, albeit to a limited extent. Sales projections were dramatically impacted by the recession and did not meet forecasts as anticipated. By December 2009, the market for new tank-car builds was reported to have dropped to 10% of its 2007 volume.

With the inevitable new tank-car build rebound, which is being forecast to begin in the third quarter of 2010 and is expected to follow historical trends, Kelso is confident that new tank-car builders will resume ordering Kelso products for installation on these new cars. Kelso has proven its products' value to its customers and has positioned itself as an innovator with new and innovative products in the market and development pipeline.

According to the Association of American Railroads data, in the week ended December 19, 2009, the volume of chemical shipments by rail had increased, when compared with the same week in 2008, by 13.9%. Kelso's largest sales historically have been made to chemical rail shippers and the market is started to rebound.

Financial/Corporate Restructuring

Kelso seeks to raise up to \$2-million dollars in financing and has undertaken a number of changes to facilitate success with this financing. These include:

1. The addition of Neil E. Gambow to the Board of Directors of Kelso Technologies Inc.;
2. Recommending to shareholders the approval of a share consolidation to enable a major financing;
3. A voluntary reduction of salaries paid to the two key Management personnel, until further notice and effective December 1, 2009. This effectively reduces the Company's monthly "burn rate" by about \$22,000 per month;
4. A voluntary elimination of 80% of past debt (effective as of the outstanding date of November 30, 2009) held by three related parties. This has reduced the Company's debt to related parties by approximately \$437,000 and will be accounted for in the 2010 first quarter financial statements;
5. One Director and two Officers of the Company have voluntarily cancelled 2,428,625 stock options in order to facilitate a potential, major financing;
6. Two key Management personnel have voluntarily agreed to eliminate fixed salary and bonus amount references in their contracts and stated that all compensation will now be at the discretion of the Board of Directors; and,
7. In order not to encumber the Company with future fixed financial obligations as a result of the Management contracts, as disclosed in the Information Circular for the Company's upcoming Annual General and Special Meeting, the provisions in these contracts respecting termination without cause and financial liability relating to a change of control are being substantially amended. These two changes deliver potential savings of several hundred thousand dollars. In

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addition, future management contract terms may be renegotiated to enhance success in pursuit of a major financing.

Annual General & Special Meeting

The Company has convened an Annual General and Special Meeting of shareholders for February 5, 2010 in order to undertake additional changes in structure that will facilitate financing of the Company's future growth. Shareholders will be asked to vote in favour of the resolutions presented in the Proxy documents which were mailed yesterday. These include:

Re-election of the following Directors – John L. Carswell, Neil E. Gambow, Blair L. Qualey and William E. Troy. The Board will actively seek to bring on additional Board members that enhance the knowledge and contacts reach of the Board and that can also make significant contributions within the financial community and Kelso industry markets.

Approval of 2010 Stock Options Plan – the Company seeks to have the 2010 Incentive Stock Options Plan approved as required annually by TSX Venture Exchange policy as well as to ensure a workable plan that can be used to advance the Company's financing objectives and attraction of key Board members and other sales and engineering personnel to grow the Company's revenues and product base.

Approval of a Share Consolidation Plan – the Company is unable to continue raising private placement capital without excessive further dilution of its shares and also because the share price does not meet the minimum level for completing private placements.

To enhance our ability to attract new and adequate capital, and to attract qualified people to assist in building Kelso, Management and its Directors are recommending a share consolidation as described in the mailed Information Circular. The Board of Directors believes it to be critical to the success and survival of Kelso. If the Consolidation is not approved, the Board believes that the Company is unlikely to be able to finance itself and continue its business.

It is proposed that the Consolidation be done on the basis of between 5 and 10 old common shares of the Company for one new common share, with the Company's Board of Directors being charged with the responsibility and discretion of making a final determination as to the extent to which the shares should be consolidated. There are 86,484,083 common shares issued and outstanding before the Consolidation. This will be reduced to between 17,296,816 and 8,648,408 shares after the Consolidation. The Consolidation must be approved by not less than 66.67% of the votes cast at the Meeting or by Proxy and therefore all shareholders are encouraged to vote in favour of approving the Consolidation. The Consolidation must also be approved by the TSX Venture Exchange. The Company will not be changing its name.

In conclusion, Kelso's Board of Directors and Management have carefully addressed the issues to make financing more appealing and therefore urge shareholders to support the plan they have developed to ensure Kelso's continued growth and success.

Kelso is a customer-driven, product-solutions company. Its customers include, among others, such companies as American Railcar Industries, BASF Corporation, DuPont, Exxon-Mobil, Olin Chlor Alkali Products, Occidental Chemical Corporation, PotashCorp/GATX, Rescar Industries, Southwest Rail, Terra Nitrogen, Texana Tank Car, TrinityRail and Union Tank Car Company.

For further information about Kelso Technologies, please visit the Company's website at www.kelsotech.com or contact Corporate Communications at 1.866.535.7685 ext. 3 (604.878.7600 ext 3) (email: kelso@kelsotech.com).

*Issued on behalf of the Board of Directors of
Kelso Technologies Inc.,*

"John L. Carswell"

*John L. Carswell
President & CEO*

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