

IN THE COURT OF QUEEN'S BENCH OF ALBERTA
JUDICIAL DISTRICT OF CALGARY

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, as amended

AND IN THE MATTER OF
MAHALO ENERGY LTD.

AFFIDAVIT

I, DAVID BURTON, of the City of Calgary, in the Province of Alberta, Businessman,
MAKE OATH AND SAY AS FOLLOWS:

BACKGROUND

1. I am the President and Chief Executive Officer of Mahalo Energy Ltd. ("Mahalo") and as such I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, in which case I believe the same to be true.
2. Mahalo entered into CCAA proceedings on May 22, 2009, pursuant to an Order of this Honourable Court (the "Initial Order"), and pursuant to its most recent stay extension order the Stay Period has been extended to October 15, 2010.

INTERPRETATION

3. Capitalized terms not otherwise defined herein shall be given the meaning ascribed to them in Mahalo's Plan of Arrangement, dated August 18, 2010 (the "Plan").

RECENT DEVELOPMENTS

4. Recently, Mahalo has made significant progress in completing its restructuring. The following important events have occurred since August 18, 2010:

- (a) Mahalo obtained a Creditors' Meeting Order on August 23, 2010, pursuant to which the Monitor was authorized to provide Affected Creditors with the Creditors' Meeting Materials (as defined in the Creditors' Meeting Order), consisting of the Plan and related information;
- (b) The Monitor disseminated the Creditors' Meeting Materials on or prior to August 25, 2010, in accordance with the terms of the Creditors' Meeting Order. The full particulars of this will be further described in the Monitor's Tenth Report, to be filed;
- (c) As further detailed in my Affidavits sworn July 27, 2010 and August 18, 2010, Mahalo has been served with Cease Trade Orders by the regulatory authorities in the Provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec (the "CTO's" and the "Regulatory Authorities"). Mahalo has applied to the Regulatory Authorities for cease to be reporting issuer orders and has also applied for full revocations of the CTO's. Mahalo anticipates that the Regulatory Authorities will grant these orders in conjunction with the closing of the Investment Agreement; and
- (d) Mahalo held the Creditors' Meeting on September 15, 2010, in accordance with the Creditors' Meeting Order. At that meeting, Eligible Voting Affected Creditors voted in favour of the Plan in the requisite majorities. The full details of the vote will be described in the Tenth Report of the Monitor, to be filed.

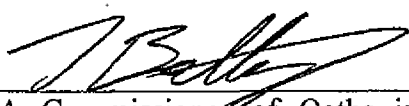
PLAN OF IMPLEMENTATION

- 5. Subject to the Sanction Order being granted and the fulfillment or waiver of the conditions precedent contained in Article 6 of the Plan and at Schedule H of the Plan, Mahalo will implement the Plan in accordance with its terms.

RELIEF SOUGHT


6. I make this Affidavit in support of an application by Mahalo for the granting of the Sanction Order in the form attached to the Notice of Motion filed herewith.

SWORN BEFORE ME at the City of Calgary,)
in the Province of Alberta this 15th day of)
September, 2010.)



A Commissioner of Oaths in and for the
Province of Alberta

Trevor A. Batty
Barrister and Solicitor



DAVID BURTON

Action No. 0901-07221

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**Affidavit of David Burton
Sworn September 15, 2010**

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