

August 23, 2010

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.

To the Creditors of MAHALO ENERGY LTD. ("MAHALO")

Attached are the following documents:

- Notice of the Meeting of Creditors to be held on September 15, 2010.
- Proxy for voting on the Plan of Arrangement ("Plan") at the meeting.

These and the following documents can be found on our website at <http://alger.ca/mahalo/index.html>:

- Court Order of August 23, 2010;
- Plan dated August 18, 2010;
- Monitor's Ninth Report dated August 18, 2010 commenting on the Plan and containing the Monitor's recommendations; and
- the Plan Summary.

A meeting of creditors has been scheduled for:
10:00AM on September 15, 2010
at
Burnet Duckworth & Palmer LLP
1400, 350 – 7th Avenue S.W.,
Calgary, Alberta, T2P 3N9

The purpose of the meeting will be to consider the Plan and, if thought advisable, to accept the Plan. If you are unable to attend the meeting, you can vote by using the attached Proxy form.

For the Plan to be accepted, two-thirds in dollar value and over 50 percent in number of ordinary unsecured creditors must vote in favour of the Plan. The vote is based on the number of creditors present and voting at the meeting either in person, by proxy, by mail or by fax.

If the Required Majority of Creditors vote to accept the Plan, then on the Plan Implementation Date each holder of a Proven Unsecured Claim shall receive in full satisfaction, settlement, release and discharge of and in exchange for such Proven Unsecured Claim:

- (i) a cash payment equal to 100% of the amount of their Unsecured Claim up to the first \$1,500 thereof;
- (ii) where an Unsecured Creditor has an Unsecured Claim in excess of \$1,500, an additional 6% of their Proven Unsecured Claim in excess of \$1,500; and
- (iii) to the Eligible Unsecured Creditors, as defined in the Plan, Class B Common Shares with a nominal value, in each case allocated among them on a pro rata basis based upon the dollar amount of their respective Proven Unsecured Claims;

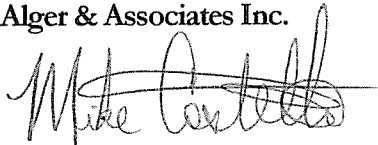
in accordance with the provisions of the Plan.

The Plan must also be sanctioned by a final order of the Court.

Additional details on all of the above are contained within the Plan.

Should you require further information, please contact the undersigned or Guy Odhams (403-296-3143 or godhams@alger.ca).

Yours very truly,
Alger & Associates Inc.



Michael Costello, CA•CBV
Direct Line: (403) 296-3087
Email: mcostello@alger.ca

Enclosures