

**INSTRUCTION LETTER FOR THE CLAIMS PROCEDURE OF MAHALO ENERGY LTD.**

**(a) CLAIMS PROCEDURE**

By Court Order dated May 22, 2009 under the *Companies' Creditors Arrangement Act* (the "CCAA") Mahalo Energy Ltd. ("Mahalo") has been authorized to conduct a claims procedure (the "Claims Procedure") under the CCAA. The Claims Procedure, a copy of which is enclosed, shall govern the valuation of all claims against Mahalo, notwithstanding any of the instructions contained herein.

**This letter provides instructions for responding to or completing the Proof of Claim form, Notice of Revision or Disallowance and/or Dispute Notice.**

The claims procedure is intended for any Person with any claim of any kind or nature whatsoever, whether unliquidated, contingent, or otherwise, against Mahalo as of May 22, 2009 ("Claim") as more particularly defined in the Claims Procedure, or any claim arising from the termination, repudiation or cancellation by Mahalo of any contract, lease or other agreement on or after May 22, 2009 ("Interim Period Claim") as more particularly defined in the Claims Procedure.

If you have any questions regarding the Claims Procedure, please contact Mahalo's legal counsel at the address provided below:

**Burnet, Duckworth & Palmer LLP**  
1400, 350 7<sup>th</sup> Ave. S.W.  
Calgary, Alberta  
T2P 3N9

Telephone: (403) 260-0263  
Fax: (403) 260-0332

Attention: Trevor Batty

**(b) FOR CREDITORS SUBMITTING A PROOF OF CLAIM**

If you believe that you have a Claim against Mahalo you must file a Proof of Claim with the Monitor at the following address:

**Alger & Associates Inc.**  
#400, 602 11<sup>th</sup> Ave. S.W.  
Calgary, Alberta  
T2R 1J8

Telephone: (403) 296-2985  
Fax: (403) 296-2988

Attention: Kiu Lau

**The Proof of Claim must be received by the Monitor by 5:00 pm (Calgary Time) February 5, 2010, the Claims Bar Date**, unless Mahalo and the Monitor agree in writing or the Court orders that the Proof of Claim be accepted after that date.

If Mahalo and the Monitor disagree with the value or status that you have ascribed to your Claim or the validity of your claim as set out in your Proof of Claim and such disagreement can not be resolved consensually, you will receive a Notice of Revision or Disallowance from the Monitor (see section D below for details).

**(c) GENERAL INSTRUCTIONS FOR COMPLETING THE PROOF OF CLAIM**

The Proof of Claim must be completed by an individual, or an individual acting on behalf of a corporation. The individual acting for a corporation or other person must state the capacity in which he/she is acting, such as "Credit Manager", "Treasurer", "Authorized Agent", etc. The individual completing the Proof of Claim must have knowledge of the circumstances connected with the Claim. All Proofs of Claim must be signed, dated and witnessed.

The full legal name of the Creditor must be filled out in its entirety. Creditors who file a Proof of Claim by a division, or who file several Proofs of Claim by divisions, may have their Proof of Claim disallowed. **Only one Proof of Claim may be filed per legal entity** notwithstanding that separate divisions or operating units of a Creditor may supply and bill Mahalo separately.

A Statement of Account containing full details of the Claim must be attached to the Proof of Claim. The Proof of Claim should include all amounts owing to you for any goods or services provided to Mahalo before May 22, 2009. Claims shall be reduced by the amount of any subsequent payment thereon, the application of any volume or other discounts in respect thereof and any other subsequent credits that are properly applicable against the Claim.

If the Creditor holds security for the indebtedness, a statement of the value and nature of the security must accompany the Proof of Claim.

If the Creditor holds a contingent or unliquidated Claim, the details and reasons for the Claim must be provided in addition to the basis upon which the Claim has been valued.

**(d) FOR CREDITORS RECEIVING A NOTICE OF REVISION OR DISALLOWANCE**

If you have sent a Proof of Claim, Mahalo and the Monitor are entitled to challenge the valuation, status or validity of your Claim by sending you a Notice of Revision or Disallowance no later than thirty (30) calendar days prior to the date of any Meeting of the Creditors or pursuant to a further Order of the Court. If a Notice of Revision or Disallowance is not sent by such date, Mahalo shall be deemed to have accepted your Proof of Claim for voting purposes.

**(e) FOR CREDITORS SUBMITTING A DISPUTE NOTICE**

If you are sent a Notice of Revision or Disallowance, you are entitled to dispute the revision or disallowance of your Claim, by sending by personal service, facsimile or courier, a Dispute Notice to the Monitor, which must be received within seven (7) calendar days of the date of the Notice of Revision or Disallowance is. If Monitor does not receive a Dispute Notice by this time, your Claim will be finalized on the basis set out in the Notice of Revision or Disallowance.

Upon delivering the Dispute Notice you must, within seven (7) days, file a Notice of Motion for determination of your Claim, such motion to be returnable within five (5) days of the filing of the motion.

**Subject to the direction of the Court, failure to deliver a Dispute Notice or file a Notice of Motion within the time frames described in the Claims Procedure will result in the Notice of Revision or Disallowance becoming binding on you.**

**(f) CLAIMS ORDER**

While this instruction letter, along with its accompanying forms, are provided to assist you in the Claims Procedure, you must comply with the terms of the Claims Procedure approved in the Order dated January 13, 2010 and enclosed in this package.