

Action No. 0901-07221

**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.

**TENTH REPORT OF THE MONITOR
ALGER & ASSOCIATES INC.**

SEPTEMBER 15, 2010

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EXHIBITS

- A. Minutes of September 15, 2010 CCAA Creditor's Meeting

INTRODUCTION

1. On May 21, 2009, Mahalo Energy Ltd. (“Mahalo” or the “Company”) filed a petition pursuant to the provisions of the *Companies’ Creditors Arrangement Act* (“CCAA”) in the Court of Queen’s Bench of Alberta (the “Court”). On May 22, 2009 the Court granted an order (the “CCAA Initial Order”), which, amongst other things, appointed Alger & Associates Inc. (“Alger”) as Monitor (“Monitor”) of Mahalo.
2. The Monitor’s previous reports provided this Honourable Court with information on Mahalo’s affairs, sale of the Company’s assets, updates on Mahalo’s restructuring efforts and applications for extensions of the stay period to October 15, 2010.
3. Copies of certain relevant information related to these proceedings, including the Initial Order, the Petition, the supporting affidavits, the Stay Extension Orders and the Sale Approval and Vesting Order, may be obtained from the Monitor’s website (www.alger.ca/engagements.htm).
4. All defined terms from the Monitor’s previous reports are applicable to this report.
5. The purpose of the Monitor’s Tenth Report is to provide this Honourable Court with:
 - a. Updated information on Mahalo’s operations since the filing of the Monitor’s Ninth Report; and
 - b. Results of the September 15, 2010 Meeting of Creditors held to vote on Mahalo’s CCAA Plan; and
 - c. The Monitor’s recommendations regarding Mahalo’s seeking of a Sanction Order with this Honourable Court.

Limitations of Report

6. The information contained in this report has been obtained from the records of Mahalo and is based upon discussions with and representations made by management.

POST CCAA OPERATIONS

Remaining Assets

Deposits

7. The current remaining deposit balance is approximately \$218,000, comprised of an ERCB deposit of \$29,000 and an Alberta Crown Royalty deposit of \$189,000.
8. The Company is uncertain whether it will receive the anticipated refunds of its remaining deposits before the October 15, 2010 expiry of the CCAA stay extension, but believes it will be able to fund operations until the closing of the subscription for shares by Alpine as contemplated in CCAA Plan. The Monitor considers this assessment reasonable. Any remaining deposit balances owed by the above-noted authorities are to be assigned to the Lenders under the CCAA Plan.

GORR

9. The GORR retained by the Company from the sale of the remaining Canadian properties will remain with the Company under the CCAA Plan.

Creditor Matters

Pre-CCAA Creditors

10. Various pre-CCAA creditors have contacted the Monitor. All such creditors have been informed of the terms of CCAA Initial Order.
11. Additional creditors that were not included in Mahalo's vendor listings have contacted the Monitor and have been provided with the required information and have also been included in the CCAA claims process.

Post-CCAA Creditors

12. Mahalo has paid all of its operating expenses on a current basis.

CCAA PLAN OF ARRANGEMENT

Dissemination of Creditor Meeting Materials

13. In accordance with the terms of Creditors Meeting Order, on August 24, 2010 the Monitor distributed the Creditors Meeting Materials to Mahalo's 87 unsecured creditors by mail and to the Lenders by e-mail.
14. Since the mail-out, the Monitor has answered creditor's questions on the CCAA Plan.

Meeting of Creditors

15. On September 15, 2010 a representative of the Monitor presided as Chair at Mahalo's Creditors' Meeting held at the offices of the Company's legal counsel.
16. The required quorum was present at the meeting:
 - a. 36, or 41.4%, of Mahalo's 87 unsecured creditors attended the meeting either in person or by proxy ("Eligible Affected Creditors").
 - b. The 36 Eligible Affected Creditors in attendance represented \$2,782,491, or 68.2% of the \$4,079,577 in proven claims for Mahalo's 87 unsecured creditors.
 - c. The one secured creditor attended the meeting by proxy.
17. A resolution to approve the Plan was put to the Creditors' Meeting. The results of the vote was as follows:
 - a. 36, or 100% of the 36 Eligible Affected Creditors voted for the CCAA Plan and zero, or 0%, of the Eligible Affected Creditors voted against the CCAA Plan. This 100% affirmative vote exceeded the 50% threshold required in the Creditors Meeting Order.
 - b. In dollar terms, \$2,782,491, or 100% of the \$2,782,491 in Eligible Affected Creditors voted for the CCAA Plan and \$0, or 0% of the Eligible Affected Creditors voted against the CCAA Plan. This 100% affirmative vote exceeded the 66-²/₃% threshold required in the Creditors Meeting Order.
 - c. The one secured creditor voted for the CCAA Plan.

18. The Minutes of the CCAA Creditors Meeting are attached as Exhibit "A".
19. As a result of the foregoing, the Monitor believes the Creditors' Meeting was duly convened and the required majority of Affected Creditors voted in favour of the Plan.

Sanction Order

20. Given the approval of the CCAA Plan by the requisite majorities of Affected Creditors, Mahalo will be seeking a Sanction Order substantially in the form set out as Schedule "G" to the Plan that, among other terms, will confirm:
 - a. the CCAA Plan has been approved by the requisite majorities of the Affected Creditors in conformity with the Creditors Meeting Order;
 - b. subject to any remaining conditions precedent, the Plan may be implemented.

Plan of Implementation

21. Subject to the Sanction Order being granted by this Honourable Court and the fulfillment or waiver of the conditions precedent contained in Article 6 and Schedule H of the CCAA Plan, Mahalo will implement the CCAA Plan in accordance with its terms.

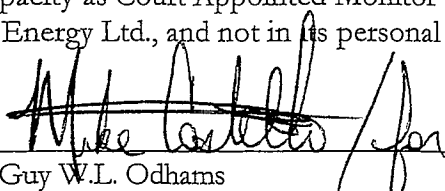
Recommendation

22. The Monitor recommends to this Honourable Court that the requested Sanction Order be granted.

Respectfully submitted on this 15th day of September, 2010.

Alger & Associates Inc.

In its capacity as Court Appointed Monitor of
Mahalo Energy Ltd., and not in its personal capacity.

Per: 
Senior-Vice President

Court of Queen's Bench of Alberta
Minutes of the CCAA Creditors' Meeting

In the Matter of the CCAA Plan of
Mahalo Energy Ltd.

Province of Alberta
District #2, Calgary
Action No.: 0901-07221

Monitor appointed by the Court:

Alger & Associates Inc.

Chairman of meeting:

Guy W.L. Odhams

Location of meeting:
Burnet, Duckworth & Palmner LLP
1400, 350 – 7th Avenue SW
Calgary, Alberta T2P 3N9

Date of meeting: Sept. 15, 2010
Time of meeting: 10:00 AM

I. Present

- See attached attendance list.

II. The Monitor acted as Chairman, pursuant to Court Order, dated August 23, 2010, and called the meeting to order.

III. The following documents were tabled:

- Plan of Arrangement and Reorganization for Mahalo Energy Ltd.
- August 23, 2010 Court Order
- Proofs of Claim
- Proxy Letters

IV. Quorum

- The Chairman reviewed:
 - Proof of Notice of the meeting
 - Proofs of Claim; and
 - Proxies.
- The Chairman concluded that the meeting was duly convened and there was a legally constituted quorum.

V. Question/ Discussion Period

- There was one question during question period regarding the Class B shares from the Plan of Arrangement which was answered by the Chairman

VI. Voting

- A Resolution was put forward to vote on the Plan of Arrangement and Reorganization for Mahalo Energy Ltd.

Moved by: Monitor as proxy for ConocoPhillips (BRC) Canada Partnership

Seconded by: Gus Krueger

- The results of the voting are summarized in the table below:

| UNSECURED CREDITORS | | | | |
|---------------------|-----------|--------------------|----------|------------|
| | FOR | | AGAINST | |
| | Number | \$ | Number | \$ |
| Proxy | 35 | \$2,780,238 | 0 | \$0 |
| Present | 1 | \$2,253 | 0 | \$0 |
| Total | 36 | \$2,782,491 | 0 | \$0 |
| % | 100% | 100% | 0% | 0% |

| THE LENDERS (SECURED CREDITORS) | | | | |
|---------------------------------|----------|--------------------|----------|------------|
| | FOR | | AGAINST | |
| | Number | \$ | Number | \$ |
| Proxy | 1 | \$2,300,000 | 0 | \$0 |
| Present | | | | |
| Total | 1 | \$2,300,000 | 0 | \$0 |
| % | 100% | 100% | 0% | 0% |

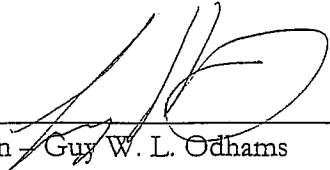
- The Plan was approved by both classes of Creditors present and by proxy. The approval of both classes of creditors meets the statutory requirement both in value and in number.

VII. Meeting Summary

- There being nothing further on the agenda, the meeting was adjourned.

VIII. Appendices

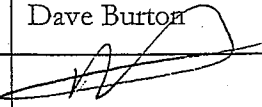
- Attendance List

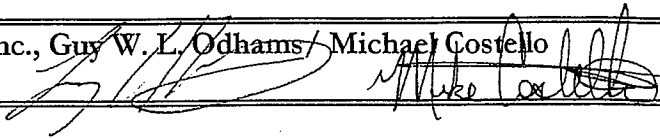

Chairman / Guy W. L. Odhams

September 15, 2010
Dated

Attendance List

| | |
|--------------------------|--|
| Date: September 15, 2010 | |
| Time: 10:00 AM | |

| | |
|----------------------------|--|
| Debtor: Mahalo Energy Ltd. | Dave Burton |
| Signature: |  |
| Action No.: 0901-07221 | |

| | |
|--|--|
| Alger & Associates Inc., Guy W. L. Odhams / Michael Costello |  |
| Signature: | |

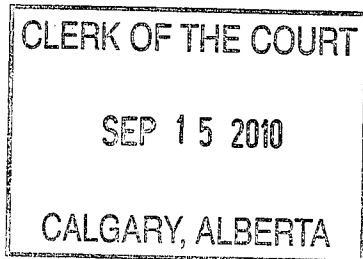
| Creditors Present or Represented: | | |
|-----------------------------------|--|------------------------|
| Name | Representing | Amount of Proven Claim |
| Alger & Associates Inc. | JED Production Inc. (aka Steen River Oil & Gas Ltd.), by Proxy | \$10,318.12 |
| Alger & Associates Inc. | Lohr Oil Service (1984) Ltd. by Proxy | \$ 2,891.70 |
| Alger & Associates Inc. | Avenir Trading Corp. by Proxy | \$8,548.39 |
| Alger & Associates Inc. | Purolator Courier Ltd. by Proxy | \$125.45 |
| Alger & Associates Inc. | Harvest Operations Corp. | \$1,531.00 |
| Alger & Associates Inc. | ConocoPhillips Canada (BRC) Partnership | \$44,296.30 |
| Alger & Associates Inc. | ConocoPhillips Canada Energy Partnership | \$25,870.59 |
| Trevor Batty (BDP) | Mahalo Energy Ltd. - legal counsel | N/A |
| Ken Lenz (Bennett Jones) | Monitor's legal counsel | N/A |
| Gus Krueger | Krueger biological. | \$ 2,252.79 |
| Stuart King | Mahalo | \$ |
| David Rain | Alpine Capital | \$ |
| Kelly Bourassa | Aldero Finance | \$ 2.3MM. |
| | | \$ |
| | | \$ |
| | | \$ |
| | | \$ |

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ALGER & ASSOCIATES INC.
SEPTEMBER 15, 2010

Bennett Jones LLP
Barristers and Solicitors
4500, 855 – 2 Street SW
Calgary, Alberta T2P 4K7

Ken Lenz
Telephone no.: (403) 298-3317
Fax no.: (403) 265-7219
Our file no.: 51602-4
