

I hereby certify this to be a true copy of the original
Dated this 13 day of Jan 2010
for Clerk of the Court

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.

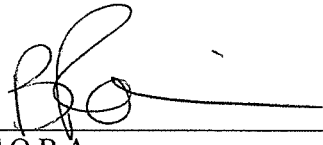
BEFORE THE HONOURABLE)
MADAM JUSTICE B.E. ROMAINE)
IN CHAMBERS)
AT THE CALGARY COURTS CENTRE IN
THE CITY OF CALGARY, IN THE
PROVINCE OF ALBERTA, ON THE 13TH
DAY OF JANUARY, 2010.

ORDER

UPON the application of Mahalo Energy Ltd. ("Mahalo"), AND UPON having read the Notice of Motion and the Affidavit of David Burton, sworn January 7, 2010 filed; AND UPON reading the Fifth Monitor's Report, filed; AND UPON hearing counsel for Mahalo, counsel for Ableco Finance LLC and Wells Fargo Foothill, LLC (collectively, the "Lenders") and counsel for the Monitor; IT IS HEREBY ORDERED AND DECLARED THAT:

1. Service of notice of this application and supporting materials for this Order is hereby deemed good and sufficient;
2. The Stay Period, as defined in Paragraph 13 of the Initial Order granted herein on May 22, 2009, (the "Initial Order") is hereby extended to March 19, 2010;
3. The Monitor shall conduct a Request for Proposal ("RFP") process to identify an organization to oversee the sale of Mahalo and its remaining assets;
4. The RFP process shall proceed as follows:
 - (a) The Monitor shall provide the Lenders with a draft copy of the RFP, and a list of parties to whom the Monitor intends to distribute the RFP, on or before January 15, 2010;

- (b) Upon receiving confirmation that the RFP is acceptable to the Lenders, the Monitor shall send the RFP to the prospective parties and will post a copy of the RFP on the Monitor's website;
 - (c) The RFP shall specify that proposals are due by no later than January 29, 2010;
 - (d) The Monitor shall provide the Lenders with a comparison of the proposals it has received on or before February 3, 2010; and
 - (e) A final decision on the proposals will be made by the Monitor, in consultation with Mahalo and the Lenders, in the week of February 8, 2010.
5. Any of the dates and deadlines contained in Paragraph 4 of this Order may be modified with the consent of Mahalo, the Monitor and the Lenders; and
6. Paragraph 23 of the Initial Order is hereby amended in accordance with the form attached hereto as Schedule "A".



J.C.Q.B.A.

ENTERED this 13 day of January, 2010.

 K. MCAUSLAND 
Clerk of the Court

SCHEDULE "A"

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such obligations, until a compromise or arrangement in respect of the Applicant, if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

22. For so long as the Applicant is not in default under the DIP Credit Agreement, it shall indemnify its directors and officers from all claims, costs, charges and expenses relating to the failure of the Applicant, after the date hereof, to make payments of the nature referred to in subparagraphs 6(a), 7(a), 7(b) and 7(c) of this Order which they sustain or incur by reason of or in relation to its respective capacities as directors and/or officers of the Applicant except to the extent that, with respect to any officer or director, such officer or director has participated in the breach of any related fiduciary duties or has been grossly negligent or guilty of wilful misconduct.
23. To the extent that the Applicant does not expend the amount of cash anticipated to be expended in any given period pursuant to the cash flow statement attached as Exhibit "HB" to the ~~Burns Affidavit~~ Fifth Report of the Monitor, dated January 8, 2010 (the "Budget"), the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "Directors' Charge") on the Property, as security for the indemnity provided in paragraph 22 of this Order, which charge shall not exceed an aggregate amount of the positive difference, if any, between the Budget and the actual net cash expenditures of the Applicant (the "Positive Balance"). The Directors' Charge is limited to the Positive Balance, if any, at any given time throughout the pendency of these proceedings and shall have the priority set out in paragraphs 33 and 35 herein.
24. Notwithstanding any language in any applicable insurance policy to the contrary:
 - (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge; and

No: 0901-07221

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File No.: 60470-42

