

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

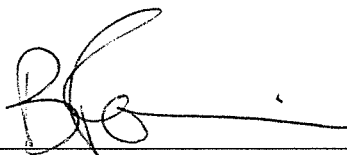
AND IN THE MATTER OF
MAHALO ENERGY LTD.

BEFORE THE HONOURABLE)	AT THE CALGARY COURTS CENTRE IN
)	THE CITY OF CALGARY, IN THE
MADAM JUSTICE B.E. ROMAINE)	PROVINCE OF ALBERTA, ON THE 7 TH DAY
)	OF OCTOBER, 2009.
IN CHAMBERS)	

ORDER

UPON the application of Mahalo Energy Ltd. (the "Applicant"), AND UPON having read the Notice of Motion and the Affidavit of David Burton, sworn October 1, 2009 filed; AND UPON reading the Fourth Monitor's Report, filed; AND UPON hearing counsel for the Applicant, the Lenders and 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 January 15, 2010; and
3. Paragraphs 23 and 26(b) of the Initial Order are hereby amended in accordance with the form attached hereto as Schedule "A".



 J.C.Q.B.A.

ENTERED this 7 day of October, 2009.

 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 of David Burton sworn October 1, 2009 (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

- (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 22 of this Order.

APPOINTMENT OF MONITOR

- 25. Alger & Associates is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the Property and the Applicant's conduct of the Business with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations.
- 26. The Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:
 - (a) monitor the Applicant's receipts and disbursements, Business and dealings with the Property;
 - (b) review the Applicant's expenditure reports on a weekly basis and immediately report to the Lenders ~~and this Court~~ when, on an historical rolling three-week period, any of the line items therefor in the Budget have been exceeded by more than 115% of the amount set forth for such line item in the Budget or, on a cumulative basis, any of the line items therefor in the Budget have been exceeded by more than 110% of the amount set forth for each such line item in the Budget;
 - (c) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein and immediately report to the Court if in the opinion of the Monitor there is a material adverse change in the financial circumstances of the Applicant;

No: 0901-07221

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ORDER

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