

PLAN SUMMARY
MAHALO ENERGY LTD.

Introduction

The following is a summary of certain information contained in the Plan of Arrangement, dated August 18, 2010 (the "Plan"). The capitalized terms used in this summary are as defined in the Plan. This summary is qualified in its entirety by the more detailed information appearing or referred to elsewhere in the Plan. You are urged to read the Plan and not to rely on this summary. All dollar amounts referred to herein are expressed in Canadian dollars unless otherwise stated.

Creditors' Meeting

The Creditors' Meeting will be held on Wednesday, September 15, 2010 at the offices of Burnet, Duckworth & Palmer LLP, 1400 – 350 7th Avenue S.W., Calgary Alberta at 10:00 a.m. The purpose of the Creditors' Meeting is to consider and, if thought advisable, to approve the Plan.

Purpose of the Plan

The purpose of the Plan is to effect a compromise of the liabilities of the Mahalo and effect its corporate reorganization. The ultimate purpose of the Plan is to enable Mahalo to continue as a going concern. Mahalo believes that Creditors affected by the Plan will derive greater benefit from the continued operation of Mahalo than they would recover in a liquidation of Mahalo. Accordingly, the Plan is designed to provide a fair recovery to the Lenders and Unsecured Creditors and to provide Mahalo with the corporate structure necessary to continue its business operations from and after the Plan Implementation Date.

Creditors' Classes

The classification of Claims for purposes of voting and distribution are based on a commonality of interest of such Claims such that Creditors with essentially similar rights against Mahalo and who are receiving essentially similar treatment have been grouped together in two classes: Lenders and Unsecured Creditors.

Treatment of Unsecured Creditors

If the Required Majority of Creditors vote to accept the Plan, then on the Plan Implementation Date or, in the case of a Disputed Unsecured Claim, as soon as reasonably practicable after the date any such Disputed Unsecured Claim becomes a Proven Unsecured Claim, but in no case earlier than 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 proportionate distribution of the remainder of the Cash Pool calculated with reference to the amounts of their respective Unsecured Claims; and

- (iii) distribute the Class B Common Shares to the Eligible Unsecured Creditors, being the largest 30 unsecured creditors as defined in the Plan, in each case allocated among them on a pro rata basis based upon the dollar amount of their respective Unsecured Claims;

in accordance with the provisions of the Plan.

Treatment of Lenders

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

- (i) the Residual Funds, net of any amount paid or reasonably anticipated as required for Unaffected Claims; and
- (ii) if Mahalo receives all or any portion of the Outstanding Deposits or Accounts Receivable after the Closing Time, as defined in the Investment Agreement, Mahalo will remit all amounts received directly to the Lenders;

in accordance with the provisions of the Plan.

Approval of the Plan

To become effective with respect to a particular Class, the Plan must be approved by a majority in number of Creditors in each Class having aggregate claims representing not less than two-thirds in value of all Proven Claims in each Class who are present and voting at the particular Creditors' Meeting, either in person or by proxy.

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

Reporting Issuer/Cease Trade Order Background

Mahalo is currently a reporting issuer in the provinces of Alberta, British Columbia, Manitoba, Ontario and Quebec. As a reporting issuer, Mahalo is subject to statutory obligations that generally apply to public companies, including, without limitation, obligations to make on-going disclosure of its business and affairs including, without limitation, disclosure of financial statements on a quarterly and audited annual basis and immediate disclosure of material changes in its business, operations or capital.

Each of the securities commissions of Alberta, British Columbia, Manitoba, Ontario and Quebec, have issued the cease trade orders attached to this Summary as Schedule "A" (collectively, the "**Cease Trade Orders**"), directing that all trading in securities of Mahalo cease. These orders were issued because Mahalo failed to meet certain of its disclosure obligations involving the filing of financial statements and related filings after CCAA proceedings had been commenced and it had been determined that the existing shares of Mahalo had no value because there were insufficient funds to pay creditors in full. Pursuant to further orders attached to this Summary as Schedule "B" (collectively, the "**Partial Revocation Orders**") issued by each of these securities commissions, the Cease Trade Orders have been varied to the limited extent necessary to permit the transactions contemplated by the Plan including the issuance of the Class A Shares to Alpine and the Other Investors and the Class B Shares to the Eligible Unsecured Creditors. The Cease Trade Orders will continue to apply to the Class A Shares and Class B Shares issued pursuant to the Plan, unless the Cease Trade Orders are fully revoked.

Mahalo has sought an order of each of the securities commissions in which it is a reporting issuer, that Mahalo cease to be a reporting issuer. If Mahalo is successful in obtaining such orders, it will no longer be subject to many of the statutory obligations that typically apply to public companies including, without limitation, any statutory requirement to make on-going disclosure of its business and affairs.

In addition, Mahalo has sought orders from the relevant securities commissions to fully revoke the Cease Trade Orders.

There can be no assurance that Mahalo will be successful in obtaining any of the foregoing orders or that it will be successful in ceasing to be a reporting issuer or successful in having the Cease Trade Orders fully revoked.

Pursuant to the Plan and the Order, each of the Eligible Unsecured Creditors will have notice and will be deemed to acknowledge and consent: (a) that all of the shares and other securities in the capital of Mahalo, including the Class A Shares and the Class B Shares to be issued in connection with the implementation of the Plan, will remain subject to the Cease Trade Orders, (b) that the granting of the Partial Revocation Orders does not guarantee the issuance of a full revocation of the cease trade orders in the future, and (c) that Mahalo has sought orders from the relevant Canadian securities commissions asking those securities commissions to grant orders that permit Mahalo to cease to be a reporting issuer in all provinces of Canada in which it is currently a reporting issuer.

Timing of Implementation

Mahalo intends, if possible, to implement the Plan in accordance with the following timetable:

September 15, 2010 - Creditors' Meetings to approve the Plan

September 16, 2010 - Application to Court for the Sanction Order

October 6, 2010 – Appeal period for Sanction Order expires

October 15, 2010 – Plan Implementation Deadline

For clarity, Mahalo intends to commence implementation of the Plan immediately following the granting of the Sanction Order and not to wait for the expiry of the appeal period. Certain of these deadlines can be extended or abridged with the consent of the parties.

Conditions

There are certain conditions that must be satisfied following approval of the Plan before the Plan will become effective. These conditions are described in more detail in the Plan.

Dated: August 18, 2010