

**Mahalo Energy Ltd. (“Mahalo”)
Request for Proposal (“RFP”) by Monitor – January 15, 2010
RFP Terms for Engaging a Consultant to Manage a Corporate Transaction Process
(With Tax Pools being the primary asset)**

A Background

1. On May 22, 2009 Mahalo obtained from the Court of Queen’s Bench of Alberta, protection under the Companies’ Creditors Arrangement Act (“CCAA”). At this application, Alger & Associates Inc. (“Alger”) was appointed Monitor. A copy of the Court Order and other relevant Court-filed information on this matter is available on the Monitor’s web-site at www.alger.ca/engagements.htm.
2. Over the course of the past 7-1/2 months under CCAA protection, Mahalo has disposed of its remaining oil and gas assets, and now wishes to pursue a corporate transaction to realize upon the following assets:
 - Tax pools aggregating over \$70 million as at December 31, 2009 as outlined in Schedule A attached (2008 tax return just filed; 2009 pending);
 - Seismic library (restricted corporate transfer rights);
 - TSXV NEX Board listed: CBM.H (in compliance with reporting requirements);
 - Gross Overriding Royalty (“GORR”) on certain Canadian oil & gas properties (although saleable on stand-alone basis, the GORR has been retained by Mahalo for its potential benefit in facilitating a corporate transaction).
3. On January 13, 2010, the Court directed Mahalo and the Monitor to conduct an RFP process to secure a qualified consultant to help manage the sale of the above assets (“Corporate Transaction”). This Corporate Transaction will have to be approved by the creditors and the Court under the current CCAA proceedings.
4. If you are in receipt of this RFP you have been included as a potential consultant in the Monitor’s RFP process to secure a consultant to help manage the Corporate Transaction process.

B Deadline for receipt of RFP’s

- January 29, 2010

C Monitor’s and Mahalo’s decision

- February 12, 2010

D Scope of Consultant’s Role

The scope of the Consultant’s role will include the following:

1. Compiling and evaluating the information required to properly underwrite and market the above assets, including liaison with Monitor and Mahalo officials.
2. Preparing and providing all marketing materials, including a non-confidential teaser sheet for distribution to potential corporate transaction parties (“prospects”).
3. Identifying prospects and marketing to the consultant’s list of prospects.

4. Assisting with the drafting of a confidentiality agreement (CA) and oversight of the CA process for prospects to execute before gaining access to data room et al.
5. Establishing of data room and assisting prospects in the due diligence process.
6. Qualifying prospects from a financial perspective.
7. Assisting in the structuring and evaluation of prospective corporate transactions.
8. Assisting in the court application to approve the transaction in accordance with the requirements of the CCAA application.
9. Assisting in the actual closing process.

E Required Proposal Content

The Proposal must contain the following:

1. Work Plan – Proposers shall provide a detailed work plan explaining how services outlined in scope of services section of this proposal will be delivered and timing thereof.
2. Firm’s History, Staff Experience & Resumes – Proposers shall provide a brief history of the firm including staff’s experience and resumes and accomplishments that are relevant to the scope of work stated in this proposal.
3. References – Proposers shall include the name, address and telephone numbers of clients of relevance to this engagement.
4. Compensation Structure – Proposals shall indicate the proposed compensation structure, including work fees, success fees and proposed engagement letter template outlining key terms of the engagement (e.g. exclusivity, indemnity etc.).
5. Conflict of Interest Statement – Proposers shall disclose any professional or personal financial interests which could be a possible conflict of interest. In addition, Proposers shall further disclose any arrangements to derive additional compensation aside from this engagement.

F Evaluation Factors

The factors the Proposer will be evaluated on include the following:

1. Suitability of the Proposer’s plan.
2. Demonstrated ability to satisfy scope of services.
3. Professional qualifications of individuals to be assigned to the project.
4. Previous experience and references on same.
5. Innovation of proposal and preliminary recommendations.
6. Compensation Structure.

SCHEDULE A

**Mahalo Energy Ltd.
Tax Pool Summary - From 12/31/08 Income Tax Return**

<u>UCC</u>	<u>Class:</u>	<u>Tax return ref.</u>		
41		Schedule 8	\$13,278,368	
8		Schedule 8	200,797	
10		Schedule 8	31,485	
13		Schedule 8	34,099	\$13,544,749
<u>Non-Capital Losses</u>				
	<u>Year of</u>			
	<u>Origin</u>			
	2005	Schedule 4 - Part 6 supplement	5,381,552	
	2006	Schedule 4 - Part 6 supplement	12,999,639	
	2008	Schedule 4 - Part 6 supplement	8,246,106	26,627,297
Sub-total before:				40,172,046
 <u>Resource Pools</u>				
			<u>Regular</u>	<u>Successor</u>
CEE	Schedule 12		6,539,629	3,545,871
CDE	Schedule 12		<u>17,012,871</u>	-
			23,552,500	3,545,871
				27,098,371
CEC	Schedule 10			3,688
Share Issue Exp.	Co. schedule			<u>1,050,645</u>
Total Pools				<u>\$68,324,749</u>

NOTE

Sale of remaining assets in 2009 will result in terminal loss for amount of remaining UCC. 2009 operating loss before terminal loss/resource pool deductions estimated at ~\$3.5 million. In addition, the Company has over \$50 million in investments in and advances to its US subsidiary estimated to realize at maximum \$200,000 in the US Chapter 11 proceedings. As a result, a capital loss of over \$50 million will be occurring in 2010.

Debt position re: potential forgiveness of debt considerations per 12/31/09 trial balance:
Accounts payable & accrued liabilities \$2,051,608