

THE SECURITIES ACT) Order No. 6184
)
Section 20(1) and 148(1)) August 13, 2010

MAHALO ENERGY LTD.

WHEREAS:

(A) Mahalo Energy Ltd. (the "Filer") has applied to The Manitoba Securities Commission (the "Commission") for an order pursuant to subsections 20(1) and 148(1) of *The Securities Act*, C.C.S.M. c.50 R.S.M. 1988, c.S50 (as amended) (the "Act") partially revoking Commission Order No. 6172 dated July 28, 2010 (the "Manitoba CTO") in connection with the following trades (the **Proposed Transaction**) pursuant to a Plan of Arrangement (the **Plan**) under the *Companies' Creditors Arrangement Act* (the **CCAA**):

(i) the conclusion of a formal investment agreement (the **Investment Agreement**) among the Filer, Alpine Capital Corp. (**Alpine**) and up to 13 investors identified by Alpine (the **New Investors**);

(ii) under the Investment Agreement, the subscription by Alpine and the New Investors for newly created class A shares (the **Class A Shares**) of the Filer for cash consideration;

(iii) the issuance to up to 35 unsecured creditors (the **Unsecured Creditors**) of the Filer of newly created class B shares (the **Class B Shares**) of the Filer, as part of the settlement of their claims and under section 2.14 of National Instrument 45-106 *Prospectus and Registration Exemptions (NI 45-106)*;

(iv) the redemption and cancellation of all of the Filer's issued and outstanding common shares (the **Common Shares**) for nil consideration; and

(v) the cancellation of all other securities of the Filer for no consideration.

(B) The Filer has represented to the Commission that:

1. The Filer was incorporated under the *Business Corporations Act* (Alberta) on April 21, 2004.

2. The Filer's head office is located in Calgary, Alberta.

3. The Filer is currently a reporting issuer in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario and Québec.

4. The authorized share capital of the Filer consists of an unlimited number of Common Shares and an unlimited number of preferred shares of which 59,298,030 Common Shares and nil preferred shares are issued and outstanding as of the date hereof.

5. On May 22, 2009 the Filer was granted protection from its creditors under the CCAA pursuant to an initial order granted by the Court of Queen's Bench of Alberta on May 22, 2009 which order has been extended several times (the **Initial Order**). Alger & Associates Inc. were appointed as monitor under the CCAA. All proceedings against the Filer were stayed pursuant to the Initial Order, the purpose of which is to allow the Filer time to solicit and implement a Court approved plan of arrangement.
6. On July 2, 2009, the Common Shares were delisted from trading on the TSX Venture Exchange (the **TSX-V**) for failure to meet minimum listing requirements and the Common Shares began trading on the NEX board of the TSX-V under the symbol "CBM".
7. The Manitoba CTO was issued due to the failure of the Filer to file its audited annual financial statements, related management's discussion and analysis and certifications for the year ended December 31, 2009 (the **Annual Filings**) and interim unaudited financial statements, management's discussion and analysis and certifications for the period ended March 31, 2010 (the **Interim Filings**).
8. The Filer is also subject to cease trade orders (the **Other Cease Trade Orders**) from each of Alberta, British Columbia, Ontario and Québec Securities Commissions for failure to file required filings under applicable securities laws. The Filer has applied for and expects to be granted concurrently with this partial revocation order, partial revocations of the Other Cease Trade Orders to permit the Proposed Transaction.
9. The Filer had, after a solicitation process, signed a letter of intent with Alpine to cancel its existing securities and issue new securities as part of a CCAA Plan of Arrangement. The Common Shares, and other securities in the capital of the Filer, had no value as a result of the Filer's insolvency.
10. The Filer wishes to conclude the Investment Agreement with Alpine and the New Investors. Alpine and the New Investors will rely on the accredited investor exemption under section 2.3 of NI 45-106 to complete the Investment Agreement. Alpine and the New Investors will sign acknowledgements that the Filer is currently subject to the Manitoba CTO and the Other Cease Trade Orders.
11. Alpine and 11 of the New Investors are at arms-length to the Filer. Two of the potential New Investors are currently directors of the Filer.
12. Alpine and the New Investors will, subject to certain conditions including the Filer being deemed to have ceased to be a reporting issuer and the revocation of the Manitoba CTO, subscribe for the Class A Shares for cash consideration, as part of a transaction to be implemented pursuant to the Plan.

13. According to the Plan, certain secured creditors will settle their claims for a cash payment, unsecured creditors will settle their claims for a cash payment, up to 35 unsecured creditors will in addition be issued the Class B Shares as part of the settlement of their claims, the existing Common Shares will be redeemed for nil and cancelled, and all other securities of the Filer (other than the Class A Shares and Class B Shares) will be cancelled. Unsecured creditors will be issued securities under section 2.14 of NI45-106.

14. If the Plan is approved by 2/3 in value and 1/2 in number of creditors present in person or by proxy at a creditors' meeting, a sanction order (the **Sanction Order**) will be sought from the Court of Queen's Bench of Alberta, which will provide, among other terms that the Proposed Transaction, including the following trades, be completed as part of the Plan, subject to the conditions of the Investment Agreement and the Plan:

(a) the Filer will create two new classes of shares, being the Class A Shares and the Class B Shares;

(b) cash consideration for the Class A Shares will be received by the Monitor on the Filer's behalf;

(c) the Class A Shares will be issued by the Filer to the New Investors in consideration of such payment;

(d) the Class B Shares will be issued to up to 35 unsecured creditors in connection with the settlement of their claims, and upon such issuance, the Class A Shares and Class B Shares will be held by less than 50 holders; and

(e) the Filer will redeem all of its issued and outstanding Common Shares for nil consideration and cancel them and will cancel all other securities for no consideration.

15. As a result of the redemption of the existing Common Shares under the Sanction Order, there will no longer be any minority securityholders requiring protection under Multilateral Instrument 61-101 *Protection of Minority Securityholders in Special Transactions*.

16. The Filer's securities, including the Class A Shares and the Class B Shares issued under the Proposed Transaction as permitted by this partial revocation order, will remain subject to the Manitoba CTO and the Other Cease Trade Orders.

17. The Filer's SEDAR and SEDI profiles are up to date.

18. The Filer intends to subsequently apply for an order to cease to be a reporting issuer in all jurisdictions and a full revocation of the Manitoba CTO and the Other Cease Trade Orders.

(C) On the basis of the foregoing, I am of the opinion that it is in the public interest that trading in the securities of the Issuer should cease forthwith for a period of fifteen days and I am further of the opinion that the holding of a hearing would cause a delay which would be prejudicial to the public interest.

(D) I HEREBY ORDER pursuant to a delegation to me by the Commission under subsection 4(1) of the Act of the powers in that behalf

IT IS ORDERED, pursuant to section 144 of the Act, that the Manitoba CTO is partially revoked solely to permit trades in securities of the Filer (including, for greater certainty, acts in furtherance of trades in securities of the Filer) that are necessary for and are in connection with the Proposed Transaction, provided that:

(a) the Filer obtains the Sanction Order as described in representations 14 and 15, above.

(b) prior to the completion of the Proposed Transaction, each New Investor and each Unsecured Creditor

(i) receives a copy of the Manitoba CTO,

(ii) receives a copy of this Order, and

(iii) receives written notice from the Filer, and provides a written acknowledgement to the Filer, that all of the Filer's securities, including the Class A Shares and the Class B Shares issued in connection with the Proposed Transaction, will remain subject to the Ontario CTO until it is revoked, and that the granting of this partial revocation Order does not guarantee the issuance of a full revocation in the future;

(c) the Filer undertakes to make available copies of the written acknowledgements to staff of the Commission on request; and

(d) this Order will terminate on the earlier of:

(i) the completion of the Proposed Transaction; and

(ii) 120 days from the date hereof.

BY ORDER OF THE COMMISSION

Director

