



(TSX: CBM)

PRESS RELEASE

Mahalo Announces Third Quarter 2008 Results

CALGARY, ALBERTA – November 14, 2008 - Mahalo Energy Ltd. (“Mahalo” or the “Company”) announces its results for the three and nine months ended September 30, 2008.

Summary of Results	Three Months Ended		Nine Months Ended	
	Sept 30 2008	Sept 30 2007	Sept 30 2008	Sept 30 2007
		<i>(Restated) (2)</i>		<i>(Restated) (2)</i>
Financial (\$000's except per share) (1)				
Continuing operations:				
Petroleum and natural gas revenue	9,477	7,410	26,470	21,880
Operating netback	4,527	3,870	13,809	12,025
Net loss from continuing operations	(2,501)	(929)	(3,779)	(691)
Per share - basic & diluted	(0.04)	(0.02)	(0.06)	(0.01)
Net loss	(18,303)	(1,813)	(50,301)	(3,020)
Per share - basic & diluted	(0.31)	(0.03)	(0.85)	(0.05)
Funds from continuing operations	2,539	2,332	8,453	8,111
Per share - basic	0.05	0.04	0.14	0.14
Funds from operations	3,420	3,333	15,160	10,372
Per share - basic	0.06	0.06	0.26	0.18
Capital expenditures (net)				
Continuing operations	18,739	7,390	34,506	23,467
Discontinued operations	(16,882)	4,139	(10,506)	(3,728)
Net debt, end of period	69,260	61,796	69,260	61,796
Operational (1)				
Average daily sales volumes (boe)				
Continuing operations	2,191	2,107	2,090	1,939
Discontinued operations	870	1,300	1,158	1,009
Total	3,061	3,407	3,248	2,948
Continuing operations:				
Average selling price (\$/boe)	47.01	38.23	46.23	41.33
Operating netback (\$/boe)	22.46	19.97	24.12	22.71

(1) Refer to special advisories regarding use of non-GAAP financial measures and barrel of oil equivalent (“boe”) measures.

(2) Comparative periods have been restated to reflect “discontinued operations” accounting.

Q3 2008 Highlights

- Increased sales revenues from continuing operations by 28% over third quarter 2007.
- Increased operating netback from continuing operations by 17% over third quarter 2007.
- Realized an increase in per unit operating netback from continuing operations of 12% over third quarter 2007.
- Drilled 35 (16.4 net) successful coal bed methane wells in the United States.
- Realized net proceeds of \$16.9 million from sale of Canadian resource assets.

Financial

Mahalo has committed to dispose of all of its Canadian resource assets. Since the assets encompass Mahalo's entire Canadian resource cost centre, the Company has applied "discontinued operations accounting" as required under Canadian GAAP. Financial information for prior periods has been restated to reflect this change.

During the quarter, the Company generated funds from continuing operations of \$2.5 million on related sales revenues of \$9.5 million. During this same period, the Company recorded a loss from continuing operations of \$2.5 million. During the nine months ended September 30, 2008, the Company generated funds from continuing operations of \$8.5 million on related sales revenues of \$26.5 million and recorded a loss from continuing operations of \$3.8 million.

Funds from operations amounted to \$3.4 million and \$15.2 million for the three and nine months ended September 30, 2008, respectively. This compared with funds from operations of \$3.3 million and \$10.4 million in the same periods of 2007. During the three and nine months ended September 30, 2008, the Company recorded Canadian property and equipment write-downs of \$16.3 million and \$48.6 million, respectively. The write-downs related to discontinued operations, were non-cash in nature and did not impact funds from operations.

As at September 30, 2008, the Company was in breach of certain covenants under its bank credit agreement. The Company is currently working with its lenders to rectify this issue. If an acceptable solution is not achieved and the debt is called, the Company will require additional capital to continue its activities and discharge its obligations.

Operations

Mahalo continues to enjoy success in its core operation of drilling and producing Hartshorne CBM wells in eastern Oklahoma. With the previously announced sale of Canadian resource assets, the Company is now solely focused on its Hartshorne CBM and underlying Caney and Woodford shale gas assets.

The third quarter of 2008 has been period of change and transition for Mahalo in a deteriorating business environment. In early July, the price for West Texas Intermediate crude oil on the New York Mercantile Exchange (NYMEX) peaked at over US \$147 and then fell to about US \$100 by the close of the quarter. Oil prices have continued to decline rapidly since. More importantly for Mahalo, natural gas prices at the Henry Hub peaked at over US \$13 per Mcf in early July before dropping to less than US \$8 per Mcf by the end of September. In the midcontinent region, where Mahalo sells its US natural gas production, the realized gas price is typically about US \$1 below the Henry Hub price. A third party operated interstate pipeline rupture in early September resulted in this differential increasing dramatically such that realized prices dropped to the range of US \$3 to US \$4 per Mcf and occasionally much lower. Mahalo put hedges in place in July 2008 which has protected the Company to some degree from this dramatic price erosion. It is anticipated that this pipeline rupture will be repaired and normal service will be restored in November. This should result in a return to normal gas price differentials.

During the third quarter, the Company sold Canadian resource assets for net proceeds of approximately Cdn \$16.9 million, net of adjustments. The proceeds were applied against debt. The remaining Canadian resource assets held for sale include one further transaction expected to close in November 2008; the remainder of the resource assets are being evaluated by several potential purchasers. The assets expected to be sold in November are the Canadian CBM assets that we had previously intended to retain. With low gas prices, it is economically more attractive to monetize these assets in favor of Hartshorne CBM drilling in Oklahoma.

With the previous, although short-lived, improvement in gas prices, an expanded credit facility and anticipated proceeds from the sale of Canadian assets, Mahalo embarked on an aggressive capital expenditure program in the third quarter. Of a total capital expenditure of \$18.7 million, \$12.6 million was invested on United States Hartshorne CBM drilling, completions and tie-ins. A total of 35 (16.4 net) CBM wells were drilled with a 100 per cent success rate. The Company also spent \$1.0 million to drill a 100 per cent working interest Caney shale gas well which has not yet been completed and \$3.1 million on land acquisition and leasing in Oklahoma. A total of \$2.0 million was invested in other projects, the most significant of which is a commercial salt water disposal facility which will provide additional revenue commencing in the fourth quarter of 2008.

Previous quarter production issues related to high ambient temperatures moderated during the third quarter; this, along with improvements to gathering system performance, resulted in a stabilization of base production. The aggressive and successful Hartshorne CBM drilling program during the third quarter saw gross Company interest (before royalty) average daily natural gas production from Oklahoma operations climb through the third quarter from approximately 2,000 boe per day to over 2,300 boe per day with not all wells drilled during the quarter contributing by quarter's end. Current production from the area is approximately 2,500 boe per day.

Outlook

Mahalo has seen dramatic changes in the operating environment with the steep drop in North American natural gas prices, the effects of the midcontinent pipeline rupture and its further negative impact on natural gas prices, and uncertainty created by the current global financial crisis. In response to these changes, Mahalo will, for the foreseeable future, restrict its activity to the Hartshorne CBM assets that provide the Company with strong economic results in the current environment and will restrict capital spending to less than available cash flow. Full cycle economics for Hartshorne CBM drilling based on results to date indicate a break even natural gas price still well below current prices. The Company is also protected in this current environment by hedges put in place earlier in the year.

The Company expects to exit fiscal 2008 with sales volume from continuing (United States) operations of approximately 2,600 boe per day. The sales volume from Canadian resource assets remaining to be sold is currently about 225 boe per day; the Company expects to complete the sale of all or substantially all of these remaining properties in the fourth quarter. Total funds from operations for 2008 is expected to be lower than the \$21 million previously anticipated, principally as a result of operational and pricing uncertainties discussed above. During the nine months to September 30, 2008, the Company generated funds from continuing and discontinued operations combined of \$15.2 million.

Going forward, the Company will focus diligently on selective CBM drilling, production optimization, cost containment and debt reduction. It is unlikely that Mahalo will add a new, operated CBM core area in Oklahoma during first half 2009 as previously anticipated. Mahalo will also seek to monetize the value of its shale gas resource through alternate means such as a farm out or sale.

Additional Information

Mahalo's has filed its Unaudited Consolidated Financial Statements and related Managements' Discussion and Analysis for the three and nine months ended September 30, 2008 on SEDAR. The reports can be accessed electronically from the SEDAR system at www.sedar.com. For additional information on the Company, please go to the Company's profile on SEDAR or the Company's website at www.mahaloenergy.com

Mahalo is a junior, unconventional natural gas company, focusing on the development and production of coal bed methane and shale gas prospects in the United States.

ADVISORIES

Forward-looking statements

Except for historical financial information contained herein, the matters discussed in this document may be considered forward-looking statements. Such statements include declarations regarding management's intent, belief or current expectations. Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties; actual results could differ materially from those indicated by such forward-looking statements. Among the important factors that could cause actual results to differ materially from those indicated by such forward-looking statements are: (i) that the information is of a preliminary nature and may be subject to further adjustment, (ii) the possible unavailability of financing, (iii) risks related to the exploration and development of oil and gas properties, (iv) the impact of price fluctuations and the demand and pricing for oil and natural gas, (v) the seasonal nature of the business, (vi) start-up risks, (vii) general operating risks, (viii) dependence on third parties, (ix) changes in government

regulation, (x) the effects of competition, (xi) dependence on senior management, (xii) impact of economic conditions, and (xiii) fluctuations in currency exchange rates and interest rates. The forward-looking statements contained in this document are made as of the date hereof and are expressly qualified by this cautionary statement. Mahalo undertakes no obligation to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless so required by law.

Non-GAAP financial measures

The Company uses and makes reference to "funds from operations", "funds from operations per share", "operating netback" and "net debt". These terms do not have any standardized meaning, are not defined under Canadian Generally Accepted Accounting Principles ("GAAP") and are therefore referred to as non-GAAP financial measures. These non-GAAP measures should not be considered as an alternative to, or more meaningful than net earnings, cash provided by operating, financing and investing activities or other measures of financial performance or liquidity calculated in accordance with Canadian GAAP. The non-GAAP financial measures, as calculated and used by the Company, may not be comparable to similarly titled measures reported by other companies.

Funds from operations represent cash from operating activities before change in related non-cash working capital. Funds from operations per share are calculated using the weighted average shares outstanding, consistent with the calculation of earnings per share. These measures are used by Mahalo to assess its operating results and its ability to generate funds to finance future capital investments and service debt.

Operating netback presents a measure of net oil and gas revenue relative to realized commodity prices by deducting royalties and operating and transportation costs from oil and gas sales revenues. This non-GAAP measure is also used by the Company to assess comparability of petroleum sales and directly related costs between periods. There is no GAAP measure that is reasonably comparable to operating netback as calculated by the Company.

Net debt as calculated by the Company represents long-term debt, less working capital (excluding unrealized gain or loss on financial instruments) and is used by the Company to assess financial strength. There is no GAAP measure that is reasonable comparable to net debt as calculated by the Company.

Management considers these non-GAAP financial measures as useful supplemental measures to analyze operations, compare performance between periods and provide shareholders and potential investors with additional information. These non-GAAP measures are also used by certain research analysts to value and compare oil and gas exploration and production companies, and are frequently included in published research when providing investment recommendations.

Barrel of oil equivalent ("boe") volumetric measures

The oil and gas industry commonly expresses production, sales and reserves volumes on a barrel of oil equivalent ("boe") basis whereby natural gas volumes are converted at a ratio of six thousand cubic feet ("Mcf") to one barrel ("bbl") of crude oil. The boe measure is used by the Company to aggregate oil and gas volumes. The measure is also considered to be useful for comparisons with other industry participants. The conversion ratio is based on an approximate energy equivalency of these commodities at the burner tip and does not represent a value equivalency at the well head. This conversion may therefore be misleading, particularly if used in isolation.

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