



(TSX: CBM)

PRESS RELEASE

### **Mahalo Announces Receipt of Notice of Event of Default**

**CALGARY, ALBERTA – March 5, 2009** – Mahalo Energy Ltd. (“Mahalo” or the “Company”) today announced that it has received a reservation of rights letter from Ableco Finance LLC and Wells Fargo Foothill, LLC (the “Lenders”) notifying the Company that it is in default under its loan agreement for failure to comply with certain covenants relating to obtaining a letter of intent (“LOI”) for the sale or recapitalization of the Company by March 1, 2009. As a result of the default, the Lenders have advised that until resolved, future loans will be made in the sole discretion of the Lenders. To date, the Lenders have not exercised their default-related rights under their loan agreements or demanded repayment of the loan.

Mahalo has received several proposals from qualified parties with respect to the previously announced process to seek strategic or refinancing alternatives. The Company continues to discuss these proposals but has not reached the point of executing an LOI with any party.

Mahalo is a junior, unconventional natural gas producer focusing on the development and production of coal bed methane and shale gas prospects in the United States. For additional information on Mahalo please go to the Company’s profile on SEDAR or website at [www.mahaloenergy.com](http://www.mahaloenergy.com).

#### **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.***

**For more information, please contact:**

Mahalo Energy Ltd.  
540, 734 – 7th Avenue SW  
Calgary, Alberta T2P 3P8  
(403) 451-3500 / Fax: (403) 451-3501

James Burns, President & CEO  
Direct: (403) 716-3110  
Fax: (403) 451-3501

***The Toronto Stock Exchange has not reviewed and does not accept responsibility for the adequacy or accuracy of this press release.***

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