



(TSX: CBM)

PRESS RELEASE

Mahalo Announces Resignation of Director and Update on Corporate Transaction Process

CALGARY, ALBERTA – January 19, 2009 – Mahalo Energy Ltd. (“Mahalo” or the “Company”) regrets to announce the resignation of Jeff Lawson from its Board of Directors. Mr Lawson has accepted employment that requires he resign from all Boards of Directors of public companies. The Board and Management of Mahalo thank him for his years of service and contribution to the Company and wish him well in his future endeavours.

The Company also wishes to announce that in connection with the corporate transaction process announced on December 1, 2008 the Company has completed a confidential information memorandum (“CIM”), has opened an online virtual data room (“VDR”) and will be opening a physical data room at its Tulsa, Oklahoma offices the week of January 19, 2009.

A reserve report effective December 31, 2008 prepared by Netherland, Sewell & Associates, Inc. is expected to be completed by the end of January 2009.

The Company has retained GMP Securities L.P. as a financial advisor to assist in the process and any party interested in receiving further information should contact either Dan Tsubouchi (403-543-3037 or email dsubouchi@gmpsecurities.com) or Daryl Rudichuk (403-543-3658 or email drudichuk@gmpsecurities.com).

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.

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.

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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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