



Shareholder Update

I am writing to you as the new Chairman of Elko Energy Inc. ("Elko" or the "Company"), having been appointed to the Board on December 12, 2008 and having been elected Chairman at a Board meeting held on December 16th.

A great deal has happened in the world since our Annual General Meeting which was held in Toronto on June 20, 2008 - investment conditions have deteriorated considerably as a result of the decline in oil prices and the tightening of credit. Whilst the assets of the Company remain potentially valuable, we will need to be more creative and adaptable in taking them forward within more constrained financial resources.

I am delighted to be able to inform you that following a further board meeting held on January 9, 2009, Mr. Peter Moir was elected to the Board. Peter will take up the position of President and CEO starting full-time on Monday, January 26th.

Together with our new colleagues on the board, Peter and I look forward to developing the assets and to bringing Elko to a liquidity event as soon as we can.

Recent Board Changes

At a Board meeting held on December 12th three independent non-executive directors of the company resigned (Messrs. Denis Clement, John Cullen and Adrian Jackson), together with the CEO, Rudolf Kleiber. John Conlon and I were appointed and Jeremy Kane agreed to remain as an independent non-executive director for a temporary period to continue to represent the interests of the minority shareholders. Andy Morrison, CEO of Xtract Energy Plc ("Xtract") also remained on the Board and became Acting CEO, pending the appointment of a full-time replacement.

At a further Board meeting held on January 9th, Peter Moir was appointed as director, President and CEO of the Company. He will be based at our UK offices and will commence full time employment on January 26, 2009. Originally qualified as a Petroleum Engineer, Peter has spent his whole career in the upstream energy business. His recent senior executive positions include Asset General Manager for the Central North Sea area for British Gas (BG Group Plc). From 2003 until joining Elko, Peter was a senior consultant to the Kashagan project to develop a 10 billion barrel oil field in the Caspian Sea. Peter brings a combination of technical, strategic and operational experience that will help guide the Company in the tough market conditions.

The changes to the Board were the outcome of a process initiated by Xtract and DM Bray Capital, LLC ("DM Bray"), the two largest shareholders of the Company on November 4, 2008. These two shareholders, representing approximately 48% of the voting interests in the Company called for the replacement of the Board with a new slate of directors. In their letter, Xtract and DM Bray expressed disappointment with the performance of the incumbent Board. The incumbent Board formed a special committee of independent non-executive directors to evaluate the proposal of the then dissident shareholders. Having gone through due process, the special committee negotiated and accepted the proposal and agreed to implement it voluntarily.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

We have made forward-looking statements in this President's Message that are subject to significant risks and uncertainties. These statements concern Elko's plans, expectations and objectives for future operations of Elko's licenses in the North Sea.



Business Update

Through its Danish subsidiary Elko Energy A/S the Company operates the largest exploration licence in Denmark with an area of 1.3 million acres offshore. The licence area offers P50 un-risked net prospective resources of 1.8 billion barrels oil or 8.4 Tcf of gas (independently evaluated by Tracs International, an independent reservoir engineer, in May 2008). The Company owns 80% of License 02/05, located offshore Denmark, with 20% held by a Danish government entity.

In the Netherlands sector of the North Sea, the Company operates two gas-bearing exploration blocks. Block P1 is located on the southern margin of Southern Permian Gas basin and covers approximately 209 km² (51,623 acres). Seven wells have been drilled by previous operators, of which five encountered gas on three separate structures. Block P2 is directly adjacent and east of Block P1. The Company is operator and holds a net 33% interest in the two licences. Partners are Oyster Energy BV ("Oyster") which owns a 27% working interest and Energie Beheer Nederland B.V. which owns a 40% working interest.

Progress on the Dutch assets has been hampered during 2008 by the lack of a joint operating agreement and the inability of Oyster to attract interest in the intended disposal of its holding. This situation has become more acute with the decline in oil and gas prices. At the time of writing, the new Board is in discussions with Oyster to resolve this situation satisfactorily and to enable the assets to be developed without further delay. Although the decline of gas prices is not helpful to the project economics, the assets continue to have significant strategic value and we believe can attract financing partners even in the current environment.

As you will be well aware, the Company did not meet its objective of making an Initial Public Offering and a listing on a recognized stock exchange within one year of the pre-IPO fund-raising completed in December 2007. Although much of the preparatory work was completed, it was not possible to get independent sign-off of the reserves in the required time frame and the Company's financial advisors, Cormark Securities Inc. and Jennings Capital Inc. suggested the IPO be delayed due to market volatility. Achieving reserve status for gas deposits requires commercialization paths to be more clearly articulated than they have been to date. With equity and debt markets now largely inaccessible to small-cap companies, we expect to find funding partners amongst strategic and industry participants.

The new Board intends to improve communication with shareholders and we will provide further updates from time to time.

Jack Bray
Chairman
January 13, 2009