



Shareholder Update

Elko Energy Inc. ('Elko') is pleased to provide this further business development update.

Business Update

Denmark

Elko announced on February 1 2011, that the 02/05 license group had been awarded a new license offshore Denmark 01/11, immediately to the west of the original 02/05 license area. The 02/05 license group relinquished 3645 square km of the existing 02/05 license whilst retaining some 1727 square km of the license. The combined area of both licenses is 3638 square km.

The 01/11 partners also announced that they intend to drill the 'Luna' well in 2011 through which the partners intend to test the overall Rotliegendes play concept, having already selected the specific well location on the 01/11 license area.

Elko commissioned TRACS International to update the previous version of the Danish acreage Competent Persons Report (CPR) to reflect the new combined 01/011 and 02/05 license area. This update has now been completed and has been posted on the Elko Energy website under the news section, (www.elkoenergy.com).

Précised Extract from CPR Section 3.1 Lead A (Rotliegendes) Prospect

The CPR reported Gross Oil Prospective Resources range in both licenses for Lead A, in the oil case scenario, is 642 mmbbls to 4996 mmbbls (see table 3.3 on CPR). The CPR reported Gross Gas Prospective Resources range in both licenses for Lead A, in the gas case scenario, is 1988 bcf to 15338 bcf (see table 3.4 on CPR). (Elko has a net 33% working interest in license 01/11 and in 02/05). The overall probability of success on the Lead A prospect of confirming the presence of Source, Seal, Reservoir and Trap is evaluated by TRACS at 4.6% (see Table 3.5 of CPR). The probability of oil vs gas is 50/50.

Précised Extract from CPR Section 3.2 Luna (Rotliegendes) Prospect

The Luna prospect is a combination pinch-out and faulted Rotliegendes defining the trap. It is located in a small half graben with the pinch out edge to the south east of the structure. The Rotliegendes reservoir is thought to have a high probability of being present at this location (see Fig 2.7 of CPR) based on the seismic interpretation. Uncertainty still exists however on which seismic event represents the top reservoir and where the pinch out occurs.

In addition to the uncertainty on the pinch out position, there is a possibility that the Rotliegendes does not, in fact pinch out but continues up dip into Lead A (see Fig 3.1 of CPR). It is therefore possible that Luna and Lead A are connected and represent one feature. The current well location which targets the Luna prospect was picked in order to maximize the information gathered by the well and is designed to address this uncertainty.

There are a number of outcomes of a well drilled on the Luna prospect (see table 3.6 of CPR), all of which will provide information that will allow decisions to be made on future activity. There are a number of outcomes which can be described as technically successful in that they prove the presence of reservoir and source. If these are added together there will be a 28% chance of

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.



getting a positive result in terms of hydrocarbon presence when the Luna prospect is drilled. The existence of shows would be encouraging as it would indicate that migration had been successful and it could be interpreted that hydrocarbons have migrated through the location and are potentially trapped up dip in Lead A.

For the purpose of this (CPR) evaluation and in order to define the prospectivity of the Luna feature, it has been assumed that Luna is a separate structure. The range of hydrocarbons in place therefore reflects the possible range of volumes for Luna and does not include the possible upside of being part of Lead A. The CPR reported Gross Oil Prospective Resources range for Luna, in the oil case scenario, is 107 mmbbls to 464 mmbbls (see table 3.9 on CPR). The CPR reported Gross Gas Prospective Resources range for Luna, in the gas case scenario, is 430 bcf to 1908 bcf (see table 3.8 on CPR). (Elko has a net 33% working interest in license 01/11 and in 02/05).

The overall probability of success on the Luna prospect of confirming the presence of Source, Seal, Reservoir and Trap is evaluated by TRACS at 9.8% (see Table 3.10 of CPR). The probability of oil vs gas is 50/50.

A small area of 3D seismic data is available covering the northern part of the Luna prospect (see fig 3.5 of CPR). This was made available (to TRACS) after the interpretation of the 2D had been completed. On inspecting the 3D data, there is no evidence to suggest that the interpretation would be significantly altered or would significantly impact the volumetric estimates. The 3D dataset has been used to identify any potential shallow drilling hazards close to the proposed well location.

Précised Extract from CPR Section 3.3 Chalk Channel Prospect

The CPR reported Gross Oil Prospective Resources range in license for the Chalk Channel, in the oil case scenario, is 109 mmbbls to 1074 mmbbls (see table 3.12 on CPR). (Elko has a net 33% working interest in license 01/11 and in 02/05). The overall probability of achieving commercial success on the Chalk Channel prospect of confirming the presence of Source, Seal, Reservoir and Trap is evaluated by TRACS at 5.4% (see Table 3.13 of CPR).

Précised Extract from CPR Section 5 Conclusions

As a result of the evaluation TRACS can report the following volumetric estimates for the Rotliegendes Lead A, the (Rotliegendes) Luna prospect and the Chalk Channel.

Prospective Resources (Oil)

	Net Attributable to Elko MMbbls		
	Low Est.	Best Est.	High Est.
Rotliegendes Lead A within license	212	552	1649
Luna	35	81	153
Chalk Channel	36	115	354
Total	283	747	2156

Prospective Resources (Gas)

	Net Attributable to Elko BCF		
	Low Est.	Best Est.	High Est.
Rotliegendes Lead A within license	656	1711	5062
Luna	142	332	630
Total	798	2044	5691



Elko Energy Management Comment

At the time of signing the farm in agreement between Noreco and Elko in May 2010, the 02/05 Joint Venture (JV) partners including the Danish North Sea Fund were aligned in their belief that the optimum location for the first exploration well was in the area to the immediate west of the original 02/05 license. The frontier play concept is focused on the Rotliegendes sandstone which embraces both the Lead A and Luna prospects which may constitute one large geologically coherent entity. The JV has focused on this Rotliegendes play by applying for and being awarded the new 01/11 license whilst relinquishing part of the original 02/05 license.

The June 2010 CPR reported Elko Energy's net attributable resources at the pre farm out Elko 80% 02/05 license working interest (as the farm out had not been fully completed at the date of that CPR issue). The combined impact of being awarded the new license area and relinquishing part of the 02/05 license is that the net attributable, best estimate, oil case, prospective resource to Elko, as reported in the latest CPR, is unchanged at circa 550 mmbbls in the Rotliegendes Lead A (Table 5.3 of CPR). This effectively is because we have relinquished low probability reservoir areas in license 02/05 in exchange for medium to high probability Lead A areas of sandstones in license 01/11 (as illustrated in Fig 2.7 of the new CPR). In addition the Luna prospect has been acquired.

The Luna prospect benefits from being in an area classified in the TRACS report as having high probability of reservoir (Fig 2.7 of CPR). The Luna well has been located to test the overall Rotliegendes play and is estimated by TRACS to have a 28% probability of getting positive results.

Further updates regarding the drilling of this well will be provided as appropriate.

Peter Moir
President, February 21 2011