

Elko Energy Inc – Danish Assets Report on Resources Data

10th June 2010

To the board of directors of Elko Energy Inc. (the "Company"):

1. In response to your request, TRACS International Consultancy Limited ("TRACS") has conducted an independent assessment of the potential in-place volumes, prospective resources, risks and values of a portfolio of prospects in the Company's Danish offshore acreage, comprising Exploration Block 02/05. This has been reported to you in a Competent Person's Report, dated 8th June 2010.
2. The resources data are the responsibility of the Company's management. Our responsibility is to express an opinion on the resources data based on our evaluation. We carried out our evaluation in accordance with standards set out in the Canadian Oil and Gas Evaluation Handbook (the "COGE Handbook"), which requires that we plan and perform an evaluation to obtain reasonable assurance as to whether the resources data are free of material misstatement.
3. In addition to volumetric assessments, TRACS has performed a risk evaluation of each of the identified leads, based on a four-component assessment of favourable Source, Seal, Reservoir and Trap conditions, to arrive at an overall Probability of Success (PoS). We have also developed simple economic models for six of the principal leads, based on forecast cost estimates and prices, and have used these to derive Expected Monetary Values (EMV).
4. Following this evaluation TRACS can report that the Danish acreage contains a substantial number of high risk leads (hydrocarbon presence risk – PoS - ranging from 0.012 to 0.086), which could be charged by either oil or gas. These are shown in Figure 1. Eight leads have been assessed as potentially gas bearing with total Net Attributable Prospective Resources of **8,623 Bscf**, under a gas scenario (see Table 1). Six leads could potentially be oil-bearing, with total Net Attributable Prospective Resources of **2,268 MMbbl**, under an oil scenario (see Table 2). In case of a discovery in the Danish prospects the Danish State is entitled to claim a 20% paying interest, thereby reducing Elko's Net share to 80% of the Gross volumes quoted. Note that a farm-out of part of Elko's equity interest in block 02/05 is in progress, thus the attributable volumes to Elko quoted in this note will need to be adjusted accordingly.

Prospective Resources (Gas)	Gross BCF			Net Attributable BCF			Risk
	Operator : Elko	Low Est.	Best Est.	High Est.	Low Est.	Best Est.	High Est.
A ¹ within licence ²	1587	4877	14875	1270	3902	11900	0.023
B ¹	626	1966	6156	501	1573	4925	0.035
C ¹	390	1179	3419	312	943	2735	0.043
PP1a	156	462	1348	125	370	1078	0.018
PP1b	98	412	1658	78	330	1326	0.018
PP2	162	444	1185	130	355	948	0.012
PP3	210	490	1197	168	392	958	0.012
PP4 within licence	458	949	1916	366	759	1533	0.012
TOTAL	3687	10779	31754	2950	8623	25403	

Table 1: TRACS Estimates of Unrisked Gross and Net Attributable Gas Volumes to Elko Energy

Prospective Resources (Oil)	Gross MMbbls			Net Attributable MMbbls			Risk
	Operator : Elko	Low Est.	Best Est.	High Est.	Low Est.	Best Est.	High Est.
A ¹ within licence ²	533	1669	5119	426	1335	4095	0.023
B ¹	110	352	1109	88	282	887	0.015
C ¹	107	331	961	86	265	769	0.043
Chalk Channel	109	348	1074	87	278	859	0.054
A Chalk N	12	26	54	10	21	43	0.076
A Chalk C	37	88	208	30	70	166	0.076
A Chalk S	6	21	75	5	17	60	0.054
TOTAL	914	2835	8600	731	2268	6880	

Table 2: TRACS Estimates of Unrisked Gross and Net Attributable Oil Volumes to Elko Energy

NOTE 1 : Prospective resource volumes for Leads A, B and C appear in both Tables 1 and 2 as they may be charged by either gas or oil, but not by both.

NOTE 2 : Lead A extends into an adjacent licence block. Based on the low, best and high estimates of the prospect, 4.5%, 5.25% and 11.9% respectively of the prospect lies outside the Elko controlled 02/05 licence which is reflected in the Net Attributable volumes above.

5. The identified leads are as follows, and are shown in Figure 1:

- Three large to very large closures covering a significant part of the block, with potential Permian aged reservoirs of the Rotliegendes Formation., known as Lead A, Lead B and Lead C. These high risk leads are thought to be prospective for oil or for gas.
- Three related structural closures at Cretaceous level along the east side of the block, where the Chalk is thought to be prospective for oil. These occur in the

region of (Rotliegendes) Lead A, and are known as Lead A Chalk North, Central and South.

- Following the reprocessing of the DK2 2D seismic data in 2009, an assessment of the reservoir potential within the Chalk sequence was carried out, resulting in a new play concept consisting of a slump and channel system stretching from the north east corner of the licence to beyond the south west corner (Fig. 1).
- A total of five leads in the poorly defined Pre-Permian section in the south of the block, where Carboniferous sands may be prospective for gas. They are all, however, very high risk.

Rotliegendes Leads

6. These three related leads are very large, even by global standards, with combined potential STOIP of around 10 Billion bbl and prospective resources of over 2 Billion bbl (or 6 Tcf in the gas case). Any one of these features has the potential to be the largest discovery in the North Sea for many years. They are also very high risk, with overall PoS (Probability of Success) ranging from 8.6% (1 in 11) to 4.6% (1 in 23), with the main risk identified by TRACS being the uncertain presence of the Rotliegendes reservoir over the structure.
7. Nevertheless, the very large size and potential values in the success cases over-ride the exploration risks and costs in a decision tree analysis, and in each case a large positive EMV is calculated that is robust under differing hydrocarbon type, price scenarios and discount rates (Table 3). This implies that the prospects have value as they stand, and that the 'right' decision is to proceed with exploration drilling, even given the high chance of failure; that the very high value of a success makes exploration drilling a rational risk investment.
8. In our view, however, it ought to be possible to reduce the perceived risks prior to drilling. We believe that efforts should concentrate on the presence or absence of reservoir sands on the prospects.
 - The Company has carried out re-processing of a number of existing 2D seismic lines, focusing on the identification and suppression of multiples which obscure the base Rotliegendes seismic pick. The results indicated some improvement in data quality and resolution.
 - The Company has examined the possibilities of obtaining more direct indications of hydrocarbon (or sand) presence, either through application of seismic attribute techniques, or the acquisition of a Controlled Source Electro-Magnetic (resistivity) survey, but has concluded that rock petrophysics are not favourable in the Permian at this location.
9. Acquisition of new 2D or 3D data could lead to an increase in confidence around the *presence* of effective reservoir sands. The possibility of having Rotliegend reservoir in Lead A is currently estimated at 30%, thus an improvement to say 60% or 70% would also substantially enhance the overall POS of this lead (currently 4.6% probability of hydrocarbons, with 50/50 chance of oil vs gas). It should also be noted that a successful seismic acquisition campaign could also result in a revision of prospective resource volumes due to changes in thickness and distribution of the interpreted Rotliegendes interval.

EMV \$mIn PV 1.1.2010 at Oil / Gas Price	\$60 / \$6 Bbl / Mscf		\$70 / \$7 Bbl / Mscf		\$80 / \$8 Bbl / Mscf		\$100 / \$10 Bbl / Mscf	
	10%	20%	10%	20%	10%	20%	10%	20%
Disc. Rate	10%	20%	10%	20%	10%	20%	10%	20%
GAS CASES - ROTL. LEADS								
Lead A (Gas case)	51	-3	67	2	83	7	114	16
Lead B (Gas case)	21	-10	31	-7	41	-3	62	3
Lead C (Gas case)	2	-16	9	-14	16	-12	30	-8
OIL CASES - ROTL. LEADS								
Lead A (Oil case)	230	43	277	56	324	70	419	96
Lead B (Oil case)	24	-4	34	-4	42	2	60	8
Lead C (Oil case)	80	11	102	18	123	25	166	40
OIL CASES - CHALK LEADS								
Chalk A North	-11	-16	-8	-15	-6	-14	0	-12
Chalk A Central	18	-9	28	-5	38	-2	57	5
Chalk A South	-9	-16	-6	-15	-3	-14	2	-12

Table 3: Post tax EMV calculations net to EER with sensitivities to price and discount rate

Chalk Leads

10. The three related Chalk leads, A North, A Central and A South, have a much more modest potential with combined P50 STOIIIP of around 550 MMbbl, and individual resources potentials of 17 to 70 MMbbl (Table 2). The features are structurally linked and there is a high degree of risk dependency – a discovery on one feature would result in a high PoS on either of the other two – and in some ways the North and South features could be regarded as upsides to the larger Central lead. The individual sizes of these leads are fairly typical of the prospects currently being identified, drilled, and successfully developed elsewhere in the North Sea.
11. TRACS' assessment of PoS for the Central lead is 0.076 (1 in 13), with hydrocarbon charge and reservoir effectiveness being the principal concerns. Although high risk (and regarded by us as a Lead rather than a Prospect), decision tree analysis yields a positive EMV under most sensitivity scenarios (see Table 3); but again we believe that it may be possible to reduce the perceived risk before a well is drilled.
12. We believe that a successful outcome of these studies could result in significant risk reductions, with the potential to move the perceived PoS from the current 0.076 (1 in 13) to 1 in 8 or better. Barring the emergence of a clearly defined direct hydrocarbon indication, risks on the chalk leads are unlikely to be reduced much further due to migration concerns, but the combined chalk feature appears to have the size and volumetric upside to warrant drilling.

Pre-Permian Leads

13. Given the very high risks assessed for these features (PoS of 0.012 to 0.018, or less than 1 in 50) we have not taken our evaluation any further.

14. In our opinion, the resources data evaluated by us have, in all material respects, been determined and are in accordance with the COGE Handbook. We express no opinion on any resources data that we did not audit or evaluate.

15. We have no responsibility to update our reports for events and circumstances occurring after their respective preparation dates.

16. As the resources data are based on judgments regarding future events, actual results will vary and the variations may be material. However, any variations should be consistent with the fact that the resources are categorized according to the probability of their recovery.

Executed as to our report referred to above:

A handwritten signature in black ink, appearing to read "Mark Graham", followed by a horizontal line extending to the right.

Mark Graham
TRACS International Ltd

Date: 10th June 2010

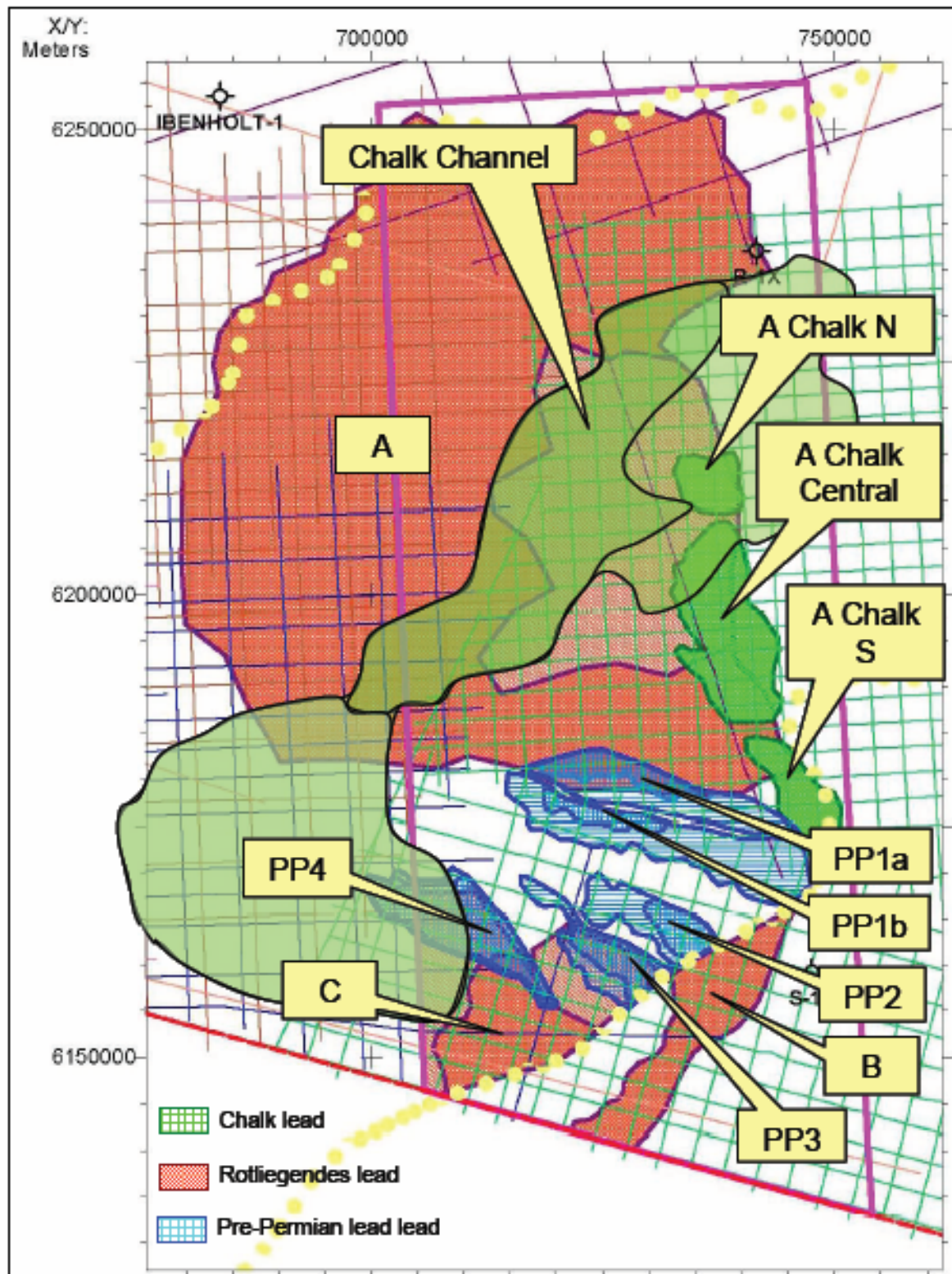


Figure 1: Location map showing leads in Danish licence 02/05
(CPR Figure 3.1)