

Cove Energy plc ("Cove" or the "Company")

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4 November 2010

Cove Energy plc

Placing to raise £110 million and Operational Update

Highlights:

Placing

- Placing of 144,736,843 new Ordinary Shares at a price of 76 pence per new Ordinary Share, a 4.1% discount to the closing mid-market price of 79.25 pence on 3 November 2010, to raise £110 million (gross). The new Ordinary Shares are expected to be admitted to trading on AIM on 23 November 2010;
- The net proceeds of the Placing, together with the Company's existing cash balances, will be used to fund its share of anticipated costs relating to its existing assets in Mozambique, Tanzania and Kenya and potential new opportunities, in particular:
 - an anticipated increase in the pace of exploration and appraisal drilling and seismic activity in the Mozambique Rovuma Offshore Area 1, resulting from the recent Barquentine and Windjammer gas discoveries;
 - the acceleration of a new 3D seismic programme offshore Kenya in 2011, followed by possible exploration drilling in 2012; and
 - new ventures and business development, in terms of acquiring strategically relevant projects and further licence interests.
- Cenkos Securities plc is Cove Energy's financial adviser, nominated adviser and broker and is acting as sole book runner to the Placing.

Operations

- Drilling operations have commenced at Lagosta 1, the 5th well in the current Mozambique Rovuma Offshore Area 1 drilling programme. Lagosta 1 is located 16 miles south of the recently announced Barquentine discovery.

Commenting on the Placing, John Craven, CEO of Cove Energy, said:

"I am very pleased to announce this successful conditional placing with institutional and other investors. The new funds will ensure that Cove is adequately financed allowing the Company to continue the successful high impact exploration and appraisal deepwater drilling programme with its joint venture partners in offshore Mozambique where, following the Barquentine success, gas commercialisation options are now being actively considered.

Part of the proceeds from the Placing will also be used to bring forward the acquisition of new 3D seismic data over our recently acquired Kenyan acreage, in order to firm up future drilling prospects.

Our ability to attract such significant new equity is testament to the strategy implemented by the Board which has yielded a portfolio of quality assets that now contain major gas discoveries at Windjammer and Barquentine and the first oil encountered, offshore East Africa, at the Ironclad well.

As part of our ongoing deepwater drilling campaign, operations have now commenced on the Lagosta 1 well in the central area of the Mozambique Rovuma Offshore Area 1 block.

We warmly welcome our new institutional shareholders and, at the same time, I would like to thank our existing shareholders for their continued support at what promises to be an exciting time ahead."

For further information, please contact:

Cove Energy plc

c/o FD

John Craven, CEO

Tel: +44 (0)20 7831 3113

Cenkos Securities plc

Jon Fitzpatrick

Tel: +44 (0)20 7397 8900

Joe Nally

Ken Fleming

Tel: +44 (0)131 220 6939

FD

Billy Clegg

Edward Westropp

Tel: +44 (0)20 7831 3113

Introduction

Cove Energy plc ("the Company" or "Cove", AIM:COV), the AIM quoted upstream oil and gas company, is pleased to announce that the Company has conditionally raised £110 million (before expenses) by the issue of 144,736,843 new Ordinary Shares at a price of 76 pence per Placing Share. Pursuant to the Placing, the new Ordinary Shares have been conditionally placed at the Placing Price with institutional and other investors and it is anticipated that the new Ordinary Shares will be admitted to trading on AIM on 23 November 2010.

The Placing is conditional on the Directors obtaining approval from Shareholders to issue securities for cash and consequently, the Company is now seeking shareholder authority to grant the Directors the authority to allot the Placing Shares and to disapply the statutory pre-emption rights under the 2006 Act by way of a shareholder resolution in relation to the Placing. In addition, the Company is also seeking shareholder authority for: (i) an increase in the Director's authority to allot securities up to a nominal aggregate amount of £1,636,001 representing approximately 33 per cent. of the enlarged issued share capital on completion of the Placing (assuming no new Ordinary Shares are issued by the Company between the date of this document and completion of the Placing); and (ii) a disapplication of the statutory pre-emption rights under the 2006 Act to allow the Directors to allot Ordinary Shares for cash on a *pro rata* basis, subject to exclusions or arrangements to avoid logistical, regulatory or legal issues. The Placing, which has been arranged by Cenkos with institutional and other investors in the UK pursuant to the terms of the Placing Agreement, is also conditional upon Admission.

Background to and reasons for the Placing

The Directors are pleased to report that the Company has continued to progress since the issue of its Interim Report, for the six month period ended 30 June 2010, to shareholders on 24 September 2010.

Mozambique Rovuma Offshore Area 1

On 19 October 2010, the Company was pleased to make an announcement of a significant natural gas discovery at the Barquentine exploration well, the fourth well in the offshore drilling programme operated by Anadarko in the frontier Mozambique Rovuma Offshore Area 1 (in which the Company's net interest is 8.5 per cent.). This follows on from the successful Windjammer natural gas discovery announced by the Company in February 2010. In the Directors' view, the Barquentine natural gas discovery demonstrates the value of the Company's acreage in Mozambique Rovuma Offshore Area 1 and its other assets in the emerging East African offshore hydrocarbon province. Like Windjammer, the Barquentine well encountered substantial natural gas pay in excellent quality reservoirs. It is the Directors' view that the Windjammer/Barquentine discoveries have found a substantial multi-TCF natural gas resource. The Barquentine discovery is a large gently dipping structure where the occurrence of hydrocarbons was predicted using seismic techniques which can be used to de-risk other prospects in this high potential block.

As noted in the Interim Report, in August 2010 the Company also announced that the Ironclad well had encountered oil and gas saturated sandstones, the first documented occurrence of liquid hydrocarbons to be found in deepwater offshore East Africa. Future geological analysis of the Ironclad fans will focus on delineating areas predicted to have good reservoir parameters in terms of porosity and permeability necessary to support commercial exploitation.

The Company now looks forward to further continuous exploration and appraisal drilling on into 2011 whilst at the same time evaluating potential commercialisation options.

Following completion of the Barquentine well the Belford Dolphin drill ship moved location and on 26 October 2010 drilling operations commenced at Lagosta 1, the fifth well in the Mozambique Rovuma Offshore Area 1 drilling programme.

Kenya Offshore

On 13 October 2010, the Company released an announcement that, following the receipt of the relevant consents in Kenya, all necessary permissions and approvals had been granted for the acquisition by the Company of a 15 per cent. participating interest in production sharing contracts covering 5 contiguous deepwater blocks L5, L7, L11a, L11b and L12, offshore Kenya from DEPCO. The acquisition is now unconditional and the transfer of the relevant interests by a subsidiary of DEPCO to the Company's wholly owned affiliate, Cove Energy Kenya Limited, has been completed.

The Directors believe that there is a diversity of hydrocarbon play types within the blocks that have not yet been tested before in Kenya and which are similar to those that have been successfully explored by the Company and its partners in Mozambique Rovuma Offshore Area 1 including Upper Cretaceous and Tertiary deepwater fan systems. Following the recently acquired 5,000 kilometre 2D seismic survey and in light of the success in Mozambique, the Operator, Anadarko Kenya Company, is proposing to accelerate activity on Kenya Offshore with a 3D seismic survey in 2011 followed by potential drilling in 2012.

Tanzania Mnazi Bay

Earlier in the year, the Mnazi Bay Operator, Maurel & Prom, prepared an updated technical assessment which reaffirmed the significant gas resource potential of the licence. Subsequently the focus has been on identifying suitable commercial market outlets for the gas including discussions with the sponsors of a potential cement plant and a new gas fired power station, both to be located in the Mtwara area. Also, on 26 July 2010 Mnazi Bay partner Artumas Group Inc. completed its merger with Wentworth Resources Inc., a company established to investigate the viability of a methanol and urea project for utilising greater volumes of the Mnazi Bay gas resources, drawing on a board and management team with experience of successfully developing a similar project in Qatar. Subject to progress on commercialisation studies, a further work programme comprising 3D seismic and two wells is anticipated. Under the terms of the Farm In Agreement dated 17 September 2009, the Company and Maurel & Prom would carry the costs of 200 square kilometres of 3D seismic and one well.

Mozambique Rovuma Onshore

On 9 August 2010, the Company made an announcement that the Government of Mozambique had approved a six-month extension to the initial exploration period ("Phase 1") for the Mozambique Rovuma Onshore license to 1 March 2011 without further commitments. A notice to enter the second exploration period ("Phase 2") is now due on or about 30 January 2011. In Q4 2009 the partners drilled the Mecupa-1 well which encountered excellent reservoir sands and indications of hydrocarbons, encouraging further exploration of Mozambique Rovuma Onshore.

The licence extension allows the partners to combine the data from the Mecupa-1 well with all exploration data available from seismic work in the block and related data from adjoining blocks to help formulate a comprehensive Phase 2 work programme. Subject to partner election to progress to Phase 2 in January 2011, this work programme is expected to involve 2D seismic and drilling one well.

The Placing and use of Proceeds

As noted above, the Company has announced that it has conditionally raised £110 million (before expenses) by way of a placing of 144,736,843 new Ordinary Shares at a placing price of 76 pence per Placing Share. The Directors intend that the new funds available to the Company will enable it to continue the fast rate of progress evidenced over the past 17 months which has seen the Company grow from a start-up to obtaining 4 oil and gas interests in East Africa, one of which, Mozambique Rovuma Offshore Area 1, has already had significant drilling success.

The Board now anticipates that the pace of exploration and appraisal activity will accelerate and that by raising these new funds the Company will be able to maintain its ability to fund, on a timely basis, its share of anticipated costs relating to its existing assets. In addition, part of the proceeds from the conditional placing have been set aside for new business development which provides the framework for the Company to continue to bolt on accretive and strategically relevant new projects and acquire further licence interests.

The net proceeds of the Placing, taken together with the existing cash balances of approximately £30.1 million held by the Company, are currently expected to be utilised approximately as follows:

	£(MM)
Mozambique Rovuma Offshore Area 1	70.6
Kenya Offshore	16.6
Tanzania Mnazi Bay	11.2

Mozambique Rovuma Onshore	7.6
Business Development	24.3
General Overhead & Insurances	4.3
Total	134.6

Mozambique Rovuma Offshore Area 1

- Continued exploration drilling utilising the Belford Dolphin drill ship with the next two wells locations, Lagosta 1 and Tubarao 1, already identified (as noted above, drilling of Lagosta 1 has now commenced), followed, at least, by an additional 2 wells in 2011.
- A new 3D seismic survey has been approved for the 2011 budget and work programme to cover both north and south of the present 3D Seismic Area. The 2011 budget also contains provision to support all in-country operations and operator overheads.
- The Company also envisages that exploration will continue at a fast pace into 2012 with further drilling anticipated, and in this regard the Directors are cognisant that the Company's partners in Mozambique Rovuma Offshore Area 1 may wish to significantly increase the pace of appraisal and development of this project following the successful discoveries at Windjammer and Barquentine. In order to be able to respond to a rapid up-scaling of this project the Directors believe that the financial strength provided by the Placing will enable the Company to fulfil currently foreseeable financial commitments.

Kenya Offshore

- Given the positive developments in Mozambique Rovuma Offshore Area 1, Anadarko, the Operator, is proposing the acceleration of a 3D seismic programme in 2011 followed by possible drilling in 2012. The front-ending of this 3D Seismic programme (expenditure which is not required under the terms of the production sharing contract to be actioned until 2012) is further evidence of the confidence that the Kenya Offshore partnership hold in the prospectivity of Kenya Offshore and the de-risking being provided by the work in Mozambique Rovuma Offshore Area 1.

Tanzania Mnazi Bay

- Increasing gas supply to the Mtwara power plant, infrastructural improvements, gas monetisation studies and negotiations.
- The funds raised may also support a possible 3D seismic acquisition and a two well drilling programme in the Mnazi Bay block.

Mozambique Rovuma Onshore

- Funds directed towards the Phase 2 exploration budget, which will include 2D seismic acquisition and a one well drill commitment, and which will also support in country operations and operator overheads.

Business Development

- The pursuit of additional new business opportunities both in East Africa and other areas where the geology fits the Company's strategy.

General Overheads and Insurance

- Insurance costs of the Company's policies to cover the dynamic exploration drilling programme, principally in Mozambique Rovuma Offshore Area 1 and Cove's tangible gas production and transmission pipeline assets in Tanzania Mnazi Bay.

Director's authorities to issue securities and disapply pre-emption rights

The Company currently does not have sufficient authority in place under sections 551 or 570 of the 2006 Act to undertake the Placing. Therefore, the Directors are seeking a specific authority under section 551 of the 2006 Act and a specific disapplication of statutory pre-emption rights under 561 of the 2006 Act each in connection with the issue of up to 144,736,843 Placing Shares. In addition, the Directors are seeking additional authority to allot up to 163,600,100 Ordinary Shares (representing approximately 33 per cent. of the enlarged issued share capital of the Company post the Placing) together with a corresponding disapplication of pre-emption rights in respect of a *pro rata* allotment subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems relating to such an allotment.

Details of the proposed Placing

The Company is proposing to raise £110 million, before expenses, by way of a conditional placing of 144,736,843 Placing Shares at the Placing Price by Cenkos as agent for the Company. The Placing Shares

will represent approximately 29.5 per cent. of the enlarged issued share capital of the Company at Admission. The Placing Shares will, when issued, rank *pari passu* in all respects with the other Ordinary Shares then in issue, including all rights to all dividends and other distributions declared, made or paid following Admission. The Placing Shares have been conditionally placed by Cenkos as agent of the Company with institutional and other investors in the UK. John Craven, the Chief Executive Officer is participating in the Placing and will be subscribing for 131,579 Placing Shares at the Placing Price.

The Placing Agreement is conditional upon, *inter alia*, the passing of resolutions 1 and 3 at the General Meeting and Admission occurring on or before 23 November 2010 (or such later date as Cenkos may agree, not being later than 30 November 2010).

The Placing Agreement contains warranties from the Company in favour of Cenkos in relation to, *inter alia*, the Company and its business. In addition, the Company has agreed to indemnify Cenkos in relation to certain liabilities it may incur in undertaking the Placing. Cenkos has the right to terminate the Placing Agreement in certain circumstances prior to Admission, in particular, it may terminate in the event that there has been a material breach of any of the warranties or for *force majeure*.

Application will be made for the Placing Shares to be admitted to trading on AIM and it is expected that trading in the Placing Shares will commence on 23 November 2010.

Resolutions

The Placing is conditional on, *inter alia*, the passing of resolutions 1 and 3 to be proposed at the General Meeting which are set out in full in the Notice of General Meeting contained in the Circular. The General Meeting is to be held at the offices of Lawrence Graham LLP, 4 More London Riverside, London SE1 2AU at 12.00 noon on 22 November 2010.

A Circular including a Notice of General Meeting will be posted to Shareholders shortly and, in accordance with the AIM Rules, copies will be available on the Company's website, www.cove-energy.com free of charge.

DEFINITIONS

"2006 Act"	the Companies Act 2006
"Admission"	admission of the Placing Shares to AIM
"AIM"	the market of that name operated by London Stock Exchange plc
"AIM Rules"	the AIM Rules for Companies, which sets out the rules and responsibilities for companies listed on AIM, as amended from time to time
"Anadarko"	means Anadarko Petroleum Corporation, a company registered in Delaware with its principal offices at 1210 Lake Robbins Drive, The Woodlands, TX, 77380-1046 and its subsidiaries and affiliates
"Board" or "Directors"	the board of directors of the Company
"Cenkos"	Cenkos Securities plc, a public limited company incorporated in England & Wales under company number 05210733 with its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS
"Company"	Cove Energy plc, a public limited company incorporated in England & Wales under company number 04994974 with its registered office at 4 More London Riverside, London SE1 2AU

"DEPCO"	Dynamic Energy Exploration & Petroleum Corporation, a corporation organised and existing under the laws of the British Virgin Islands with its registered office at Suite 150, One Briar Lake Plaza, 2000 West Sam Houston Parkway, Texas, 77042
"General Meeting"	the general meeting of the Company convened for 12.00 noon on 22 November 2010
"Interim Report"	the Company's report in respect of its results for the six month period ended 30 June 2010 as sent to shareholders on 24 September 2010
"Kenya Offshore"	the circa 30,000 km ² deepwater blocks L5, L7, L11a, L11b and L12 offshore, Kenya
"Mozambique Rovuma Offshore Area 1"	the circa 10,000 km ² Rovuma basin offshore area, Mozambique
"Mozambique Rovuma Onshore"	the circa 15,000 km ² Rovuma basin onshore area, Mozambique
"Ordinary Shares"	ordinary shares of 1 pence each in the capital of the Company
"Placing"	the proposed placing by the Company of new Ordinary Shares
"Placing Agreement"	the conditional agreement dated 4 November 2010 relating to the Placing, between the Company and Cenkos
"Placing Price"	76 pence per new Ordinary Share
"Placing Shares"	the 144,736,843 new Ordinary Shares to be issued pursuant to the Placing and each shall be a "Placing Share"
"Resolutions"	the resolutions set out in the Notice of General Meeting
"Shareholders"	the persons who are registered as the holders of Ordinary Shares at 12.00 noon on 18 November 2010
"Tanzania Mnazi Bay"	the circa 756 km ² Mnazi Bay concession in the Mtwara region, South-Eastern Tanzania
"TCF"	trillion cubic feet

-Ends-

Notes to Editors:

Cove has established a strong position in East Africa with exploration interests in Area 1 Offshore Mozambique, which contains the Windjammer/Barquentine gas and Ironclad oil discoveries and where drilling operations are planned to continue into 2011, and other exploration and production interests in Mozambique Onshore, Kenya Offshore and in the Mnazi Bay Gas Field in Tanzania.

Cove Energy has a strong management team with a wealth of experience in oil and gas operations. Michael Blaha, Non-Executive Chairman and formerly Country Chairman for Royal Dutch Shell Group in Algeria, is a Petroleum Engineer with twenty nine years industry experience, his entire career spent working at Shell. John Craven, Chief Executive Officer and formerly founder and CEO of Petroceltic International plc, is a

petroleum geologist with thirty five years experience in senior technical and commercial roles in upstream oil and gas exploration and production companies.

www.cove-energy.com

IMPORTANT NOTICES

This announcement includes "forward-looking statements" which include all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law or the AIM Rules for Companies.

This announcement is for information purposes only and shall not constitute an offer to buy, sell, issue, or subscribe for, or the solicitation of an offer to buy, sell, issue, or subscribe for any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This announcement has been issued by and is the sole responsibility of Cove Energy plc.

No representation or warranty, express or implied, is or will be made as to, or in relation to, and no responsibility or liability is or will be accepted by Cenkos Securities plc or by any of their respective affiliates or agents as to, or in relation to, the accuracy or completeness of this announcement or any other written or oral information made available to or publicly available to any interested party or its advisers, and any liability therefore is expressly disclaimed.

Cenkos Securities plc, which is authorised and regulated in the United Kingdom by the FSA, is acting for Cove Energy plc and for no-one else in connection with the Placing, and will not be responsible to anyone other than Cove Energy plc for providing the protections afforded to customers of Cenkos Securities plc nor for providing advice to any other person in relation to the Placing or any other matter referred to herein.

The distribution of this announcement and the offering of the Placing Shares in certain jurisdictions may be restricted by law. No action has been taken by the Company or Cenkos Securities plc that would permit an offering of such shares or possession or distribution of this Announcement or any other offering or publicity material relating to such shares in any jurisdiction where action for that purpose is required. Persons into whose possession this announcement comes are required by the Company and Cenkos Securities plc to inform themselves about, and to observe, such restrictions.

The Placing Shares to be issued pursuant to the Placing will not be admitted to trading on any stock exchange other than the AIM market operated by the London Stock Exchange. Neither the content of the Company's website nor any website accessible by hyperlinks on the Company's website is incorporated in, or forms part of, this announcement.