

17 May 2010

COVE ENERGY PLC
FINAL RESULTS FOR THE TWELVE MONTHS ENDED 31 DECEMBER 2009

Cove Energy plc (“Cove”, the “Company” or the “Group” formerly Lapp Plats plc) the independent oil & gas exploration company, today announces its final results for the 12 month period ended 31 December 2009.

2009 – An Exceptional Year

New oil and gas focus

- Cove Energy plc – new name
- AIM re-admission

New Board, including Chairman and CEO, in place

- Extensive industry experience and relevant contact base
- Technical, commercial and financial skill sets
- New oil & gas strategy implemented

Acquisition of East African oil & gas portfolio from Artumas Group Inc.

- Proven gas resources in Tanzania
- High impact drilling in Rovuma Basin, Mozambique, operated by Anadarko
- Offshore deepwater rig secured to 2013
- Fit for purpose industry partners

Strong Balance Sheet

- Raised £46.2 million (US\$74 million) new equity capital during the year
- Institutional shareholder base
- Improved liquidity

Value Creation – Exploration Success Following Equity Funding

Windjammer Discovery

- Multi TCF potential
- First for East Africa
- First in multi well Rovuma offshore programme
- Significantly de-risks other prospects

2010 Drilling Campaign Continuing into 2011

- Collier suspended above objective due to pressure problems
- Drilling Ironclad oil prospect – Spudded on 4 May 2010
- Barquentine (near Windjammer) “top setted” at approx. 2,300m, to be drilled following Ironclad
- Drill two further wells in current programme

Balance Sheet Strengthened

- £25.7 million (US\$38m) equity funding March 2010
- Fully funded for Rovuma offshore drilling programme

Opportunity Pipeline

- East Africa / Mediterranean Focus
- Reviewing various new projects in pipeline
- Gas sales in Tanzania

Market Capitalisation

- Over £160 million May 2010 (*January 2009 less than £2 million*)

Michael Blaha, Chairman of Cove commented:

“2009 was an exceptional year for the management and shareholders of Cove. Securing, financing and executing the transformational Artumas transactions in less than six months was simply a fantastic achievement. The acquisition of proven gas reserves in Mnazi Bay within those assets brought tangible value to the Company; furthermore the success of Windjammer has supported management’s confidence in the hydrocarbon prospectivity of the frontier basin offshore Mozambique.

Cove has quickly established itself as a unique exploration and production company, with a fully funded drilling programme active throughout 2010 and beyond. The Company has, over a short period of time, established all the necessary elements and a team to mature and deliver exciting near term opportunities in the coming months ahead.”

For further information, please contact:

Cove Energy plc

John Craven, CEO c/o Billy Clegg

Tel: +44 (0)20 7831 3113

Cenkos Securities

Jon Fitzpatrick

Tel: +44 (0)20 7397 8900

Joe Nally

Ken Fleming

Tel: +44 (0)131 220 6939

Financial Dynamics

Billy Clegg / Edward Westropp

Tel: +44 (0)20 7831 3113

John Craven, Chief Executive Officer of Cove, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange, has reviewed and approved the technical information contained in this announcement. Mr Craven is a petroleum geologist with over 35 years’ experience.

Chairman and Chief Executive's Statement

Transformation and Success

2009 was a transformational and highly successful year for Cove Energy plc ("Cove"). The Company, formerly called Lapp Plats plc, emerged in July 2009 following Board changes, a placing of £4.2 million and a change of name to Cove Energy plc reflecting a new oil and gas strategy. Our mission to utilise our expertise to focus on geologically attractive opportunities led to the identification of and decision to acquire interests in a number of oil and gas assets from Artumas Group Inc. ("Artumas") in October 2009.

The completion of the Artumas Transaction has propelled the Company forward through the acquisition of proven gas resources in Tanzania and an active high impact deepwater drilling campaign offshore Mozambique.

Our confidence and enthusiasm for the latent value in these assets was supported by a wide range of institutional and private investors, resulting in a £42 million placing of new equity in October 2009. This fund raising not only financed the acquisition costs but also provided sufficient working capital for the respective joint venture partnerships through to the end of 2010 and in particular, the deepwater drilling programme planned for Rovuma Offshore Area 1, Mozambique. The potential of this asset was confirmed with the discovery of more than 555ft of natural gas pay in Windjammer, the first well to be drilled in the Rovuma Offshore Area 1 concession and the first of a planned minimum four-well programme for 2010 being drilled by the Belford Dolphin drill ship.

Anadarko Petroleum Corporation ("Anadarko"), the operator of the Rovuma Offshore Area 1 concession commented on the Windjammer Discovery that it was "true rank wildcat exploration and that to have the first deepwater exploration well result in a discovery was an excellent indication of the potential of the basin". Anadarko also suggested that the Windjammer Discovery had de-risked a substantial portion of approximately 50 leads and prospects that are identified across the 2.5 million acre position in this Rovuma Offshore Area 1 concession.

Having suspended the Windjammer well the Belford Dolphin drilling rig was moved to the Collier prospect. Due to high pore pressures, Collier was suspended in April 2010 for safety reasons, pending further evaluation of the conditions and well design, to return and achieve the drilling objectives at a later date.

Cove Strategy

The new Board has implemented a strategy focussing on opportunities in young geological basins with evidence of a working petroleum system with at least some of the following criteria:

- Seismic de-risked prospects
- Emerging basin preference that offer better terms, bigger prospects

- Joint Ventures with good operators
- Material prospects
- Running Room

Rovuma Offshore Area 1, Mozambique fulfils all these attributes. It is a frontier petroleum province as no deepwater wells have been drilled off East Africa, let alone Mozambique. In Anadarko we have a highly regarded and expert operator and partner; the partnership is also enhanced with Bharat Petroleum and Videocon from India and Mitsui from Japan. These latter partners have long-term ambitions to discover and monetise hydrocarbon production into their home markets.

The first well in the Rovuma Onshore block, Mecupa 1 was drilled in Q4 2009. Although the well has been abandoned it did encounter significant gas shows and excellent quality sandstone reservoirs and is therefore encouraging for future onshore exploration.

Both licence blocks in Mozambique are extensive, with the Rovuma Onshore concession covering 3.7 million acres and the Rovuma Offshore Area 1 concession totalling 2.5 million acres. These large licence footprints allow the respective partnerships “running room” to expand exploration activities outboard of discoveries and to derive the benefit of these large licence areas.

Results for Year

We report a pre-tax loss of US\$1,648,025 (2008: loss US\$546,923) for the year ended 31 December 2009. The Company is well funded and in a strong financial position to finance its obligations in 2010. In addition, the Company raised additional capital in March 2010 totalling £25.7 million, before expenses, which provides additional working capital to sustain all current obligations into calendar year 2011.

Management

We set out an objective to run Cove as an efficient, cost effective entity and to date, the day to day management of the Company and our efforts in executing the detailed transactional work which was involved in the Artumas deal, along with the related corporate events, have been achieved by a small dedicated and focussed management group.

It is the Company’s intention to maintain this lean structure and to contract-in expertise over the various disciplines from the experienced pool of professionals we work with.

Corporate Governance

The Board of Cove is constantly aware of the importance of sound corporate governance and it has established structures, so far as is practicable, given the Company’s size, to comply with the

best practice principles of the Combined Code, as modified by the recommendations of the Quoted Companies Alliance.

The Directors have established an Audit Committee to receive and review reports from management and from the auditors relating to the interim and annual accounts and to the system of internal financial controls. The Directors have also established a Remuneration Committee which determines the terms and conditions of service of Executive Directors and is responsible for reviewing their performance and for determining the payment of any bonuses or the grant of any share options. As the Board has increased in size over the past five months all these committees are moving to a situation where they will comprise only Non-executive Directors.

The Directors are required to comply with Rule 21 of the AIM Rules, relating to Directors' and applicable employees' dealings in the Company's securities and to this end the Company has adopted an appropriate share dealing code.

The appointment of Frank Moxon last December and of Dr Steve Staley in February 2010, as Non-Executive Directors has greatly assisted the development of our governance process.

Future Plans and Prospects

In early May 2010, in Rovuma Offshore Area 1, the Belford Dolphin set top casing on the Barquentine prospect, near the Windjammer discovery. It has now commenced drilling operations on the Ironclad prospect, located in the southern section of the 3D seismic area. Following the completion of Ironclad, the drillship will return and complete the drilling on Barquentine.

The original drilling commitment for Rovuma Offshore was to drill 4 deepwater and 3 shallow water wells. Following the success at Windjammer the offshore partners requested the Mozambique authorities to change the drilling commitment to 6 deepwater wells. This request has been granted. Drilling of these 6 deepwater wells will continue in 2010 through to 2011 and will be followed by an appraisal programme.

In Tanzania we are working with our partners to commercialise the full gas production potential of the Mnazi Bay gas fields. Proposals in this regard have been circulated and in the coming months plans will be developed by the partners to further exploit the proven gas reserves.

The efforts of the Board and management of Cove are focussed on delivering value from our existing portfolio of proven hydrocarbon assets and exploration activities. In addition, we are devoting significant management resources to secure new licence and acquisition opportunities.

Conclusion

Reviewing 2009, we are very pleased with the speed and execution of our planned strategy. Our initial fund raising in July 2009, gave Cove the structure and funding to negotiate and participate in the Artumas transaction. Our ability to fund our share of the option payments to Artumas in July and August 2009 was key to enabling us to secure direct participations in the Tanzanian and Mozambique licences and to provide the platform from which we are now growing. That this was achieved in less than nine months is a testament to the abilities of the Board and to the professionals in our team.

We are pleased to have brought the Company from concept to a genuine oil and gas explorer in a very short period and to be giving our shareholders direct exposure to a dynamic, and already successful, continuing drilling campaign in East Africa.

We would like to thank all those that have made this possible.

Michael Blaha
Executive Chairman

John Craven
Chief Executive

14 May 2010

Operational Review

Mozambique

Rovuma Offshore Area 1 Cove (8.5% net interest)

Cove farmed-in directly to an 8.5% participating interest into the Exploration and Production Concession Contracts ("EPCC") of the Mozambique Offshore Area 1 ("Rovuma Offshore Area 1"), which has an area of 2.5 million acres, was entered into on 20 December 2007 with Anadarko as operator. Under the EPCC, the Concessionaires have an exclusive right to conduct petroleum operations to produce petroleum from the EPCC area.

Prior to the Cove farm-in, the partnership in Rovuma Offshore Area 1 had completed a 3,300 sq km 3D seismic acquisition data assessment and interpretation programme which commenced in January 2008. The 3D program was complemented by the acquisition of over 5,000 km of 2D seismic. The seismic data indicated approx. 50 prospects and leads in separate petroleum provinces. The presence of three toe thrust zones from north towards south at Palma, Lunique and Massala has also been indicated by the data.

Windjammer Discovery Well

Drilling of the first deepwater well, Windjammer, commenced in December 2009. On 18 February 2010 the Company announced that Windjammer had reached an intermediate casing point and encountered more than 480 net feet of natural gas pay in high quality reservoir sands, with a gross column of more than 1,200 feet.

This was confirmed by the operator of Rovuma Offshore Area 1, Anadarko, they describing the Windjammer discovery as a true rank wildcat exploration and with more than 480 net feet of pay as an excellent indication of the potential of the basin. Anadarko also commented that the discovery had de-risked a substantial portion of approximately 50 leads and prospects that they had identified across the 2.5 million acre position. On 22 March 2010 the Company announced that Windjammer had reached total depth of approximately 16,930 feet and encountered an additional 76 net feet of natural gas pay. This additional pay intersected in a deeper objective brought the total net feet of natural gas pay in Windjammer to over 555 feet. Windjammer is located about 30 miles east of the Mozambique coastline in approximately 4,800 feet of water.

Collier Well

In April 2010 the Company announced that for safety reasons drilling operations had ceased on the Collier 1 well. Drilling was suspended just above the primary target objective at approximately 3,200 m. Collier-1 is the second well in the Offshore Area 1 drilling programme.

Higher pore pressures than expected were encountered above the predicted reservoir objective, as a result the operator deemed it unsafe to continue drilling. The Collier 1 well did not penetrate or fully evaluate the predicted objective section. For these reasons the Rovuma

Offshore Area 1 partners agreed to suspend the Collier 1 well in a manner which would allow re-entry of the well bore at a later date pending analysis of all relevant well data.

Continuation of the 2010 Drilling Programme – Ironclad and Barquentine prospects

The Belford Dolphin deepwater drillship continues drilling in Rovuma Offshore Area 1 commencing with the Ironclad Palaeocene/Cretaceous oil prospect in the southern part of the 3D seismic area, as the third well in the deepwater drilling programme. This well was spudded on 4 May 2010, and drilling is anticipated to take up to 90 days.

Once Ironclad is completed it is intended that the Belford Dolphin will complete drilling the Barquentine prospect (well No. 4). This is an independent prospect near the Windjammer discovery well where surface casing has already been set.

Rovuma Onshore

Cove (10.0% net interest)

Cove farmed-in directly to a 10.0% participating interest of the EPCC covering the Mozambique Rovuma Onshore block ("Rovuma Onshore), which was entered into on 18 April 2007. Under the EPCC, the Concessionaires have an exclusive right to conduct petroleum operations to produce petroleum from the EPCC area of over 3.7 million acres.

Prior to the Cove farm-in, the partnership in Rovuma Onshore had completed a 640 km 2D seismic acquisition programme, data assessment and interpretation programme in 2008.

Mecupa-1 Well

Whilst the Company was finalising its entry onto the Mozambique EPCCs a drilling programme had commenced on Rovuma Onshore. Mecupa-1, the first exploration well on this concession, commenced drilling on October 11, 2009 and reached the total depth of 2,898m in mid-November.

This first drilling location was selected based on the seismic data acquired in 2008. After a necessary side track because of pressure issues the well was plugged and abandoned on 28 November 2009. While the well is not fit for production, the results are encouraging. The well encountered excellent reservoir quality sands and good gas shows were encountered. The Mecupa-1 well has demonstrated the presence of an effective hydrocarbon system in the Mozambique Rovuma Basin.

It has now been established that the basin has both potential reservoir quality sands and source rock that has generated hydrocarbons. This well is therefore judged to have been a technical success. The results of this well will provide very important data and guidance with respect to the placement of future exploration wells and assist with risk mitigation associated with exploration for hydrocarbons in the Rovuma Onshore Block Mozambique. The drilling and logging results of the Mecupa-1 well, and other play types of Cretaceous and Jurassic, are under

evaluation in the near term to determine the forward exploration plan which will be proposed by the operator, Anadarko.

The drilling of Mecupa-1 has satisfied the commitments made to secure the concession rights thereby removing any further financial demands from Rovuma Onshore license in the near term.

Tanzania

Mnazi Bay Production Sharing Contract (“Mnazi Bay PSC”)

Exploration: Cove (20.475% net interest)

Production: Cove (16.38% net interest)

As part of the Artumas transaction, Cove farmed-in directly to a 20.475% interest in the exploration activities and a 16.38% interest in the gas production activities of the Mnazi Bay PSC.

The Mnazi Bay/Msimbati Gas Fields are located in the Mtwara region of south-eastern Tanzania, bordering on Mozambique. The resource was discovered by AGIP, which drilled the discovery well on a seismic defined structure in 1982. The well was evaluated as having oil and gas in several potential reservoir zones and was drill stem tested over two zones.

These tests demonstrated the commercial potential of the discovery, although the well was suspended by AGIP due to lack of gas markets at the time. The concession was subsequently relinquished by AGIP and ultimately acquired by Artumas.

In 2003, Artumas initiated discussions with the Government of Tanzania with the objective of implementing a “Gas to Power” (GTP) project as a means of exploiting the potential gas resources. This involved exporting the produced gas via pipeline to a nearby gas fired power plant coupled to the local power transmission system for local power distribution. In 2004, the Mnazi Bay Production Sharing Contract (“Mnazi Bay PSC”) was executed, with the development licence being granted in 2006 clearing the way for implementation of the project. In October 2006, the Government of Tanzania issued a 25 year development license. In 2005, Artumas initiated development of the field and GTP project, with first electricity generated in 2006, and project completion in 2007. Cove Energy has not acquired any of the business or assets relating to the power generation or transmission elements of the GTP project but does however sell its equity gas to the GTP project.

Maurel & Prom has taken over operatorship from Artumas and is currently evaluating all options for further exploration in the concession area including an assessment of potential hydrocarbon resources. It is also looking at all options to further commercialise the proven gas reserves.

GROUP STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 US\$	2008 <i>(Restated)</i> US\$
Administrative expenses		(1,731,126)	(280,630)
Impairment of exploration and evaluation assets		<u>(134,843)</u>	<u>(355,279)</u>
Group operating loss	2	(1,865,969)	(635,909)
Finance revenue		<u>217,944</u>	<u>88,986</u>
Loss on ordinary activities before taxation		(1,648,025)	(546,923)
Income tax charge	3	<u>-</u>	<u>-</u>
Loss for the year		(1,648,025)	(546,923)
Other comprehensive income		<u>5,935</u>	<u>32,643</u>
Total comprehensive income for the year attributable to the equity holders of the parent		<u>(1,642,090)</u>	<u>(514,280)</u>

Continuing operations

None of the Group's activities were discontinued during the current or previous years.

		<i>Cents</i>	<i>Cents</i>
Net loss per share from continuing operations			
Basic	4	(1.83)	(2.31)
Diluted	4	(1.83)	(2.31)

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2009

	Notes	2009 US\$	2008 (Restated) US\$
Assets			
Non-current assets			
Intangible fixed assets	5	19,376,228	142,047
		<u>19,376,228</u>	<u>142,047</u>
Current assets			
Trade and other receivables		1,209,463	89,167
Cash and cash equivalents	6	51,240,570	1,812,978
		<u>52,450,033</u>	<u>1,902,145</u>
Total assets		<u>71,826,261</u>	<u>2,044,192</u>
Equity and liabilities			
Equity attributable to owners of the parent			
Called up share capital		4,315,508	356,122
Share premium account		66,336,986	2,400,165
Share based payment reserve		1,012,050	15,988
Foreign currency translation reserve		(17,405)	(11,470)
Accumulated losses		<u>(2,415,670)</u>	<u>(773,580)</u>
Attributable to equity shareholders		<u>69,231,469</u>	<u>1,987,225</u>
Liabilities			
Current liabilities			
Trade and other payables		<u>2,594,792</u>	<u>56,967</u>
Total liabilities		<u>2,594,792</u>	<u>56,967</u>
Total equity and liabilities		<u>71,826,261</u>	<u>2,044,192</u>

GROUP STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital US\$	Share premium US\$	Share based payment reserve US\$	Foreign exchange reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2008 <i>(restated)</i>	356,122	2,400,165	15,988	21,173	(259,300)	2,534,148
Total comprehensive income for the year	-	-	-	-	(514,280)	(514,280)
Foreign exchange translation reserve	-	-	-	(32,643)	-	(32,643)
Balance at 31 December 2008 <i>(restated)</i>	<u>356,122</u>	<u>2,400,165</u>	<u>15,988</u>	<u>(11,470)</u>	<u>(773,580)</u>	<u>1,987,225</u>
Balance at 1 January 2009	356,122	2,400,165	15,988	(11,470)	(773,580)	1,987,225
Total comprehensive income for the year	-	-	-	-	(1,642,090)	(1,642,090)
Issue of share capital	3,959,386	69,567,382	-	-	-	73,526,768
Share issue costs	-	(5,630,561)	-	-	-	(5,630,561)
Issue of share options	-	-	924,714	-	-	924,714
Foreign exchange translation reserve	-	-	71,348	(5,935)	-	65,413
Balance at 31 December 2009	<u>4,315,508</u>	<u>66,336,986</u>	<u>1,012,050</u>	<u>(17,405)</u>	<u>(2,415,670)</u>	<u>69,231,469</u>

GROUP CASHFLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
	US\$	(Restated)
		US\$
Cashflows from operating activities		
Group operating loss	(1,865,969)	(635,909)
Adjustment for:		
Gain on foreign exchange	(689,719)	(16,113)
Share-based payments	996,062	-
Write down of development costs	134,843	355,279
(Increase) / decrease in debtors	(1,120,296)	4,447
Increase in creditors	2,537,825	37,085
Loss on disposal of property, plant and equipment	-	1,065
Net cash used in operating activities	<u>(7,254)</u>	<u>(254,146)</u>
Cashflows from investing activities		
Expenditure on exploration activities	(19,355,537)	-
Interest received	217,944	88,986
Net cash (used in) / generated from investing activities	<u>(19,137,593)</u>	<u>88,986</u>
Cashflows from financing activities		
Net proceeds from issue of share capital	67,896,207	-
Net cash from financing activities	<u>67,896,207</u>	<u>-</u>
Net increase / (decrease) in cash and cash equivalents	48,751,360	(165,160)
Cash and cash equivalents at beginning of year	1,812,978	1,978,138
Effect of foreign exchange on cash and cash equivalents	676,232	-
Cash and cash equivalents at end of year	<u><u>51,240,570</u></u>	<u><u>1,812,978</u></u>

NOTES

1 Basis of Preparation

The Group Financial Statements consolidate those of the Company and its subsidiaries (together referred to as the "Group"). The financial information included in the results announcement has been extracted from the Group Financial Statements for the year ended 31 December 2009 - the accounting policies used are set out therein.

Statement of Compliance

As permitted by the European Union ("EU") and in accordance with AIM Rules, the Group Financial Statements have been prepared in accordance with IFRS and their interpretations issued by the IASB as adopted by the EU. The individual Financial Statements of the Company ("Company Financial Statements") have been prepared in accordance with Section 408 of the Companies Act 2006, which permits a company, that publishes its company's and group's financial statements together, to take advantage of the exemption from presenting to its members its company income statement and related notes that form part of the approved Company Financial Statements.

The IFRS adopted by the EU as applied by the Company and the Group in the preparation of the Financial Statements are those that were effective at 31 December 2009.

Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

As referred to below the Group has changed its presentational currency from £ to US\$.

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 January 2009;

- IFRS 7 "Financial Instruments: Disclosures" effective 1 January 2009;
- IFRS 8 "Operating Segments" effective 1 January 2009;
- IAS 1 "Presentation of Financial Statements" effective 1 January 2009;
- Improvements to IFRSs (May 2008), other than the amendment to IFRS 5 which is effective for periods commencing on or after 1 July 2009; and
- Improvements to IFRSs (April 2009), early adoption other than those relating to IFRS 3 (Revised), IFRIC 9 and IFRIC 16 which are effective for periods commencing on or after 1 July 2009.

When the adoption of the standard or interpretation is deemed to have an impact on the Financial Statements or performance of the Group, its impact is described below:

IFRS 7 "Financial Instruments: Disclosures"

The amended standard requires additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using three level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition reconciliation between the beginning and ending balance for level 3 fair value measurements is now required as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management.

IFRS 8 “Operating Segments”

IFRS 8 replaced IAS 14 “Segment Reporting” upon its effective date. The Group concluded that the operating segments determined in accordance with IFRS 8 are the same as the business segments previously identified under IAS 14.

IAS 1 “Presentation of Financial Statements”

The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present one single statement.

Improvements to IFRSs

In May 2008 and April 2009, the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. Cove Energy plc has adopted all amendments in both improvements project with effect from 1 January 2009, other than those specifically identified below. The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

— IAS 36 “Impairment of Assets”: When discounted cashflows are used to estimate “fair value less cost to sell”, additional disclosure is required about the discount rate, consistent with disclosures required when the discounted cashflows are used to estimate “value in use”. This amendment had no immediate impact on the Consolidated Financial Statements of the Group because the recoverable amount of its cash-generating units is currently estimated using “value in use”. The amendment clarified that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Group as the annual impairment test is performed before aggregation.

All other amendments resulting from Improvements to IFRSs which were adopted did not have any material impact on the accounting policies, financial position or performance of the Group.

The amendments still to be adopted are:

2009 Annual Improvements Project

- IFRS 2: “Scope of IFRS 2 and IFRS 3”;
- IAS 38: “Consequential Amendments Arising from IFRS 3”;
- IAS 38: “Measuring Fair Value”; and
- IFRIC 9: “Scope of IFRIC 9 and IFRS 3”.

All these amendments are dependent on the adoption of IFRS 3 (revised 2008) and are only effective for annual reporting periods starting on or after 1 July 2009.

Farm-in Arrangements

The Group is part of a number of farm-in arrangements, whereby it contributes towards its share of the underlying operations exploration and evaluation expenditure. The Group accounts for its expenditure under farm-in arrangements in the same way as directly incurred exploration and evaluation expenditure, included in intangible assets.

Functional and Presentation Currency

Effective 1 October 2009, the Company changed its functional currency from Pounds Sterling (“£”) to United States Dollars (“US\$”). The Directors considered that a change in functional currency was appropriate due to the Group’s change in focus to oil and gas exploration. Consequently, the Financial Statements are stated in US\$ and the financial information for the year ended 31 December 2008 has been restated and presented in US\$.

In accordance with International Accounting Standard (“IAS”) 21 “The Effects of Changes in Foreign Exchange Rates”, the change in functional currency has been accounted for by translating all £ amounts into US\$ at the exchange rate prevailing on the 1 October 2009 being US\$1=£0.6253.

2 Operating Loss

	2009	2008
	US\$	(Restated) US\$
Operating loss is stated after charging / (crediting):		
Profit on foreign currencies	(689,719)	(72,359)
Fees payable to the Company's auditor for audit of the Parent Company and the Consolidated Financial Statements		
- current auditors	43,661	-
- former auditors	(5,226)	29,356
Write down of deferred exploration costs	134,843	355,279
Loss on disposal of tangible fixed assets	-	1,065

The Group and the Company have no employees and therefore no staff costs are reported.

Auditors’ remuneration for corporate finance services amounting to US\$133,397 (2008: US\$nil) has been debited to the share premium account.

3 Tax on Loss on Ordinary Activities

No charge to taxation arises in the year ended 31 December 2009 or 31 December 2008 as there were no taxable profits in either year.

Tax reconciliation

	2009	2008
	US\$	(Restated) US\$
Loss before tax	(1,642,090)	(514,280)
Effective tax charge at 28% (2008: 28%)	(459,785)	(143,998)
Effect of:		
- Non taxation income/(non-deductible expenses)	296,627	111,945
- Tax effect of unrecognised deferred tax assets	163,158	32,053
Effective tax rate	-	-

4 Loss Per Share

The basic and weighted average number of Ordinary Shares used in the calculation of basic earnings per share is as follows:

	2009 US\$	2008 (Restated) US\$
Loss after tax for the year attributable to equity holders of the parent	(1,642,090)	(514,280)
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	89,901,320	22,268,334
Basic loss per Ordinary Share (in US\$ cents)	(1.83)	(2.31)

Where a loss has occurred, basic and diluted earnings per share are the same because the outstanding share options are anti-dilutive. Accordingly diluted earnings per share equal the basic earnings per share.

5 Intangible Fixed Assets

	Exploration Costs 2009 US\$	Total 2009 US\$	Exploration Costs 2008 (Restated) US\$	Total 2008 (Restated) US\$
Cost				
At 1 January	142,047	142,047	592,096	592,096
Foreign exchange differences	13,487	13,487	1,000	1,000
Impairment	(134,843)	(134,843)	-	-
Additions	19,355,537	19,355,537	-	-
Disposals	-	-	(451,049)	(451,049)
At 31 December	<u>19,376,228</u>	<u>19,376,228</u>	<u>142,047</u>	<u>142,047</u>
Net book value at 31 December	<u>19,376,228</u>	<u>19,376,228</u>	<u>142,047</u>	<u>142,047</u>

Expenditure on exploration activities is deferred on areas of interest until a reasonable assessment can be determined of the existence or otherwise of economically recoverable reserves. No amortisation has been charged in the period. The Directors have reviewed the carrying values of deferred exploration expenditure and consider it to be fairly stated and impaired at 31 December 2009. Recoverability of the intangible assets is dependent upon the successful development or disposal of the oil, gas and mineral interests held.

6 Cash and cash equivalents

The Group is a partner in a consortium that is committed to onshore and offshore exploration programmes in East Africa and has lodged US\$35,113,448 (2008: US\$nil) to a bank escrow account that is allocated exclusively to meet the Group's share of its commitments.

7 Board Approval and 2009 Annual Report and Financial Statements

The financial information included in this report has been extracted from the Group Financial Statements for the year ended 31 December 2009 which were approved by the Board of Directors on 14 May 2010. The auditors have reported on the 2008 and 2009 Financial Statements, their report is unqualified. The information included does not constitute the Company's statutory accounts within the meaning of the Companies (Amendment) Act, 1986. The statutory accounts will be delivered to the Registrar of Companies following the Company's Annual General Meeting.

The 2009 Annual Report and financial statements will be posted to shareholders shortly. Copies will be available from the Company's registered office and on our website at www.cove-energy.com.