

18 September 2009

Cove Energy plc

Proposed Acquisition of E&P Assets in Mozambique and Tanzania from Artumas

Placing of 210,000,000 New Ordinary Shares of 1 pence each at 20 pence per Ordinary Share and Re-admission to trading on AIM

Cove Energy plc (AIM: COV), the AIM quoted upstream oil and gas company, announces that the Company has entered into conditional farm-in agreements with Maurel & Prom ('M&P) and the Artumas Group to farm in to 3 contiguous oil and gas interests Area 1 Rovuma Offshore, the Rovuma Onshore Block in Mozambique and the Mnasi Bay Production Sharing concession in Tanzania, for an aggregate total consideration of US\$10,980,031 of which US\$3,294,009 is payable by Cove Energy and US\$7,686,021 by M&P.

It is also announced today that, Cenkos Securities Plc, on behalf of the Company has raised £42 million (before expenses) (equivalent to approximately US\$68.2 million) by the issue of 210,000,000 New Ordinary Shares at a price of 20 pence per Ordinary Shares. Pursuant to the Placing, the New Ordinary Shares have been conditionally placed at the Placing Price with institutional and other investors. It is anticipated that the New Ordinary Shares will be admitted to AIM on 6 October 2009.

Highlights

- Placing of 210,000,000 New Ordinary Shares at a price of 20 pence per Ordinary Share raising (before expenses) £42 million;
- Acquisition of Artumas Group's Mozambique Assets and Tanzania Assets for an aggregate consideration of US\$10,980,031 (of which US\$3,294,009 is payable by Cove Energy and US\$7,686,021 by M&P);
- It is anticipated that the Company's shares will be reinstated to trading on AIM on Monday 21 September 2009 and the New Ordinary Shares are expected to be admitted to AIM on Tuesday 6 October 2009;
- Supplemental PGS Agreement and associated £2 million subscription in the Placing;
- Proceeds of Placing to fund Cove's share of 5 exploration wells, including 4 deepwater wells, operated by Anadarko;
- Partnered with M&P, €1.5 billion market capitalisation, CAC-listed oil and gas business with extensive experience operating in Africa.

Assets

- *Mozambique, Rovuma Tertiary Delta Basin*
 - Cove Energy has acquired a 8.5% interest in the Mozambique Offshore Asset and a 10% interest in the Mozambique Onshore Asset;
 - Anadarko (NYSE-listed, approximately US\$31 billion market capitalisation) is operator of both Rovuma blocks
 - \$160m invested on seismic and related exploration expenditure
 - Significant exploration potential and drill ready prospects already identified from recently acquired 2D and 3D seismic;
 - Committing to projected expenditure of approximately \$53(Cove share) million (principally on the five well Mozambique drill programme, associated Mozambique EPCs' obligations and geophysics and geology work in respect of the Mozambique Assets over the course of the period to 31 December 2010.
- *Tanzania, Mnazi Bay*
 - Cove Energy has acquired a 16.38% interest in the producing and a 20.475% interest in the exploration operations;
 - Proven gas resources with Contingent Resources (net to Cove Energy) of 124 bcf (*source: RPS Energy*);
 - M&P will assume operatorship of all petroleum operations under the PSA;
 - Committing to projected net expenditure of approximately £1.75 million (principally on development and operating expenditure) in respect of the Tanzania Assets over the course of the period to 31 December 2010. A 600km² 3D seismic acquisition programme is planned and 2 further appraisal wells are scheduled to be drilled during the course of 2011.
- *Exploration drilling programme in place*

- o 4 deep water well drill programme scheduled to commence on Mozambique Offshore Asset on or around the end of 2009 and Mozambique Onshore Asset to be drilled with a single well in October 2009; and
- o Anadarko have secured the Belford Dolphin rig for the 4 well Mozambique offshore drilling campaign, the rig is due to arrive in Mozambique from Cote d'Ivoire during the course of November 2009.

Cove Energy has been advised by Cenkos Securities and Gazprombank Invest MENA on the transaction.

The transaction constitutes a reverse takeover under the AIM Rules for Companies and an EGM has been convened for 5 October 2009 to approve the transaction. An AIM Admission Document providing full details of the transaction has been published and will be posted to Shareholders later today and will be available shortly on the Company's web site at www.cove-energy.com.

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

"We are delighted to announce the acquisition of these assets in Tanzania and Mozambique and the successful placing of 210 million new shares resulting in the fund raising of approximately US\$70 million. This transaction gives us exploration assets in a high potential emerging hydrocarbon province in Mozambique and proven gas resources in Tanzania. The funding provides the financial capacity for Cove Energy to fund its share of a four well deepwater drilling programme and one onshore well with a world renowned, highly successful operator. Furthermore the transactions provide shareholders with immediate access to drill bit value particularly as the Anadarko operated Belford Dolphin drill ship is scheduled to commence drilling operations on the Rovuma offshore block in late 2009 / early 2010.

We welcome our new shareholders who have participated in the placing which is an endorsement of the transaction, quality of assets and the management and advisory teams we have assembled in Cove Energy."

-Ends-

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Transaction:

The Board announces that it has conditionally acquired each of the Mozambique Assets and Tanzania Assets from Artumas Group. As announced, the Company has entered into conditional agreements with M&P and the Artumas Group to acquire the Mozambique Assets and Tanzania Assets, for an aggregate total consideration of US\$10,980,031 of which US\$3,294,009 is payable by Cove Energy and US\$7,686,022 by M&P.

The Acquisitions constitute a reverse takeover of the Company under the AIM Rules for Companies and this will require the prior approval of Existing Shareholders at the EGM. Irrevocable Undertakings to vote in favour of the Resolution at the EGM have been obtained from Existing Shareholders in respect of shareholdings amounting in aggregate to 38,245,164 Ordinary Shares representing 65.5 per cent. of the Existing Ordinary Shares.

In order to provide sufficient working capital for the Group upon Admission, it was also announced today that the Company has raised £42 million (before expenses) (equivalent to approximately US\$68.2 million) by the issue of 210,000,000 New Ordinary Shares at a price of 20 pence per Ordinary Share. Pursuant to the Placing, the New Ordinary Shares are being conditionally placed at the Placing Price with institutional and other investors. The Company also announced today that it has entered into the Supplemental PGS Agreement.

Related Party Transaction

PGS Venture is a substantial shareholder in the Company and accordingly the entering into of the Supplemental PGS Agreement and PGS Venture's participation in the Placing is classified as a related party transaction under the AIM Rules for Companies. PGS Ventures currently has an interest in Ordinary Shares in the Company, representing 14.28 per cent. of the current issued share capital. Following PGS Venture's subscription for 10,000,000 New Ordinary Shares, PGS Ventures will, immediately following completion of the Placing, retain a total holding of 6.83 per cent. of the Enlarged Issued Share Capital of Cove Energy and on that basis, will no longer be a substantial shareholder (as defined under the AIM Rules for Companies) in the Company.

The Directors consider, having consulted with the Company's nominated adviser, that the terms of each of the Supplemental PGS Agreement and the subscription are fair and reasonable insofar as Shareholders are concerned.

Background to and reasons for the Acquisitions

Transaction

On Completion of the Acquisitions, Cove Energy's interests in the Mozambique Assets and the Tanzania Assets, will be as follows:

Tanzania, Mnazi Bay/Msimbati Gas Fields

- Tanzania Producing Asset (16.38 per cent. participating interest); and
- Tanzania Exploration Asset (20.475 per cent. participating interest).

Mozambique, Rovuma Offshore Area 1/Rovuma Onshore

- Mozambique Onshore Asset (10 per cent. participating interest); and
- Mozambique Offshore Asset (8.5 per cent. participating interest).

The Directors believe the Acquisitions are attractive for the following reasons and characteristics:

- Artumas has announced it has already spent approximately US\$200 million on the Assets;
- Mnazi Bay/Msimbati Gas Fields are proven gas resources which the Directors believe, has potential for near term development and additional reserves;
- Anadarko (NYSE-listed with approximately US\$31 billion market capitalisation) is the operator of the Mozambique Assets;
- significant exploration potential in the Mozambique Assets with the Rovuma emerging tertiary delta basin prospects already defined by newly acquired 2D and 3D seismic;
- the parties to the Mozambique JOAs and Mozambique EPCs have collectively spent over US\$160 million to date on the Mozambique Assets (including acquiring 3D seismic) and the acreage is now ready to be drilled;
- in the Mozambique Offshore Asset, the 1st of 4 deep water wells is currently scheduled to be drilled around the end of 2009; one additional onshore well is currently scheduled to be drilled in October 2009;
- the Belford Dolphin rig is currently moving from Sierra Leone to Cote d'Ivoire, and then on to Mozambique;
- the Board intends to pursue further appraisal and development options in Tanzania with M&P (CAC-listed with approximately €1.5 billion market capitalisation); and

The Acquisitions and the Placing represent an important first step in the development of the Company's previously announced strategy of identifying and acquiring oil and gas assets in the early phase of the

upstream life-cycle and maturing them into marketable opportunities for the medium and larger oil and utility companies. The Directors believe that the Acquisitions and the Placing offer Cove Energy the opportunity to secure a significant oil and gas resource base the cost for which, in the Directors' opinion, represents a large discount to the potential underlying value of the Assets.

History

On 22 July 2009, Cove Energy announced that it had, jointly with M&P, entered into the Call Option Agreement with Artumas. Under the terms of the Call Option Agreement, Cove Energy and M&P were granted a call option to purchase certain interests in Mnazi Bay, Tanzania as well as the Mozambique Rovuma Offshore Area 1 and Mozambique Rovuma Onshore. Further details of the Call Option Agreement were set out in the announcement made by the Company on 22 July 2009.

Subsequently, on 18 August 2009, the Company, together with M&P, announced that it had negotiated an extension to the Call Option Agreement pursuant to which the Company's and M&P's call option period and exclusivity period was extended until and including 18 September 2009 in order to allow continuing legal, financial and technical due diligence investigation of the Mozambique Assets and Tanzania Assets. Further details of the extension to the Call Option Agreement were set out in the announcement made by the Company on 18 August 2009.

Following the Company's due diligence review at that date and subsequent negotiation of the structure of the transaction, the Company was deemed to be in contemplation of a transaction which would constitute a reverse takeover of the Company under the AIM Rules for Companies. On 18 August 2009, the quotation of Cove Energy's Ordinary Shares from trading on AIM was temporarily suspended, pending publication by the Company of the Admission Document.

Cove Energy and M&P have now exercised their rights under the Call Option Agreement.

Information on the Mozambique Assets and Tanzania Assets

The Board instructed R&A to undertake an independent geoscience and engineering review of the Mozambique Assets and the Tanzania Exploration Asset and further requested a resource assessment from RPS Energy in respect of the Tanzania Producing Asset. Accordingly, competent persons' reports have been produced concerning the following:

1. onshore tertiary and onshore cretaceous plays of the Rovuma Basin, Mozambique;
2. offshore shallow water tertiary and offshore deep water tertiary plays of the Rovuma Basin, Mozambique;
3. portfolio analysis of the exploration potential of the Mnazi Bay concession of Tanzania; and
4. resource assessment of the Mnazi Bay/Msimbati Gas Fields, Tanzania.

The R&A Reports, relating to 1-3 above, summarise play analyses of the chance of economic success, the potential range of economic resources, the value of the Mozambique Assets, portfolio analysis of the chance of economic success and potential range of economic resources for the Tanzania Exploration Asset based on the latest interpretations of the most recent seismic data. The R&A Reports are updates to previous analyses written for Artumas in May, June and October 2008. All hydrocarbon volumes reported in the R&A Reports are for undiscovered prospective resources since no wells have been drilled to prove the existence of the reported hydrocarbons or to confirm the probabilistic ranges of volumes. There is a possibility that no potential resources or economically recoverable volumes exist in each of the Mozambique Assets and the Tanzania Exploration Asset.

The Board also instructed RPS Energy to undertake an independent resource assessment of the natural gas resources for the Mnazi Bay/Msimbati Gas Fields in the Mtwara region of southern Tanzania. The RPS Report, which relates to 4 above, is an update of previous assessments of the same property conducted on behalf of Artumas in May 2006, December 2006 and September 2007 and upon observations during a site visit in January 2008. This assessment utilises the seismic and well data available in September 2007 and incorporates the well test data from all four initial wells. The RPS Report does not include any assessment of development plans or scenarios, nor does it consider the economic cash flow value of the potential reserves. The Directors intend that reserve evaluations will be prepared upon conclusion of more substantial commercial arrangements and further definition of development plans for the monetisation of the gas

resources.

Following their own detailed assessment of each of the R&A Reports and the RPS Report, the Directors consider that there is substantial potential upside should the Assets be successfully exploited. Shareholders and prospective investors should be aware that there are substantial inherent risks involved in the Acquisitions but the Directors believe that this is more than reflected in the purchase price being paid for the Assets.

Mozambique Assets

In Mozambique, the Directors are committing the Group, as part of the existing work obligations under the Mozambique JOAs, to an 8 well drilling campaign to be conducted during the course of 2009, 2010 and 2011 (1 onshore well and 7 offshore wells). The Board are aware that the Mozambique Offshore JOA operator, Anadarko, has mobilised the Belford Dolphin rig, a dynamic positioning drillship, which is currently on its way to the region and is expected to arrive during the course of November 2009. It is expected that the 1st well, (being in the Mozambique Rovuma Onshore) will be drilled during October 2009; and the 2nd well in the Mozambique Rovuma Offshore Area 1 (being the 1st of 4 deep water wells in 2009 and 2010) will be drilled on or around the end of 2009. In addition, certain obligations relating to the Mozambique EPCs and supplementary geophysics and geology work and activities will also be undertaken during the period to 31 December 2010.

In addition to the consideration payable in respect of the Mozambique Assets of approximately £0.36 million, Cove Energy is committing to projected expenditure of approximately £32.3 million (principally on the 5 well programme described above but also including associated Mozambique EPCs' obligations and geophysics and geology work) in respect of the Mozambique Assets over the course of the period to 31 December 2010. The 3 additional shallow offshore wells are currently scheduled to be drilled during the course of 2011. Shareholders should be aware that the costs associated with the 3 additional shallow offshore wells are not covered within the net proceeds of the Placing.

Mozambique EPCs and Mozambique JOAs

Mozambique Onshore EPC

Pursuant to the terms of the Mozambique Onshore EPC, which was entered into on 18 April 2007, Artumas holds a 49.3 per cent. participating interest in the Mozambique Onshore Asset. Under the Mozambique Onshore EPC, the Concessionaires have an exclusive right to conduct petroleum operations to produce petroleum from the EPC Area and (save where an existing oil/gas pipeline is available on reasonable commercial terms) a right to construct and operate an oil/gas pipeline system for transporting petroleum and gas hydrocarbons.

Under the Mozambique Onshore EPC, Artumas originally held an 85 per cent. participating interest and ENH held a 15 per cent. participating interest. On 1 May 2007, Artumas assigned 35.7 per cent. of its participating interest to Anadarko.

The Mozambique Onshore EPC sets out the work commitment of the Concessionaires to the Mozambique Onshore EPC for the initial 36 month exploration period commencing on 18 April 2007. In the case of non-performance of any part of the exploration work commitment of the Concessionaires the maximum amount of any guarantee to be provided or the maximum amount to be paid by the Concessionaires (jointly and severally) shall be US\$20 million. The agreement provides that each of the Concessionaires is required to provide an unconditional and irrevocable bank guarantee in favour of the Government of Mozambique in respect of its participating interest in the Mozambique Onshore Asset. Notwithstanding this requirement, Artumas has given a bank guarantee pursuant to which HSBC Bank unconditionally and irrevocably guaranteed, in favour of the Government of Mozambique, the payment of all sums due and unpaid by all Concessionaires in respect of the Concessionaires' failure to fulfil the exploration commitment in the initial exploration period up to a maximum of US\$20 million. The work commitments over the 36 months following the initial 36 month exploration period require a maximum bank guarantee of US\$21.5 million and, for the following 24 months thereafter, there is a further maximum bank guarantee of US\$16 million. The agreement also provides that the operator of the Mozambique Onshore Asset shall provide the Government of Mozambique with an unconditional and irrevocable parent company guarantee in respect of all its obligations under the agreement beyond the scope of the minimum expenditure guarantee.

Artumas has advised that, to date, the work program for Mozambique Rovuma Onshore is on schedule, the onshore 2D seismic obligation has been fulfilled and the 1 well obligation is expected to be fulfilled in the last

quarter of 2009. It is envisaged by Artumas that all onshore work commitments will be fulfilled before expiry of the initial exploration period.

Artumas and Anadarko are obliged to pay for the Mozambican Government's share of the minimum expenditure for the initial 36 month exploration period on a pro-rata basis to their respective participating interests. Under the Mozambique Onshore EPC, the Concessionaires bear all costs in carrying out the petroleum operations and shall be able to recover costs and be remunerated (by means of an entitlement to quantities of petroleum) pursuant to the terms of the Mozambique Onshore EPC. In addition, Concessionaires shall pay all costs properly incurred under the Mozambique Onshore EPC in relation to the carry of the government's share of costs and to the extent any 3rd party has acquired a participating interest from the Concessionaire, such 3rd party shall be obliged to take over a proportionate share of such carry based on a percentage of the Concessionaire's proportionate share of the interest.

In respect of production sharing, the allocation of Profit Petroleum shall be as follows:

| R-Factor | Government's Portion | Concessionaire's Portion |
|---|-----------------------------|---------------------------------|
| Less than one | 10% | 90% |
| Equal to or greater than one and less than two | 20% | 80% |
| Equal to or greater than two and less than three | 30% | 70% |
| Equal to or greater than three and less than four | 50% | 50% |
| Equal to or greater than four | 60% | 40% |

Where 'R-Factor' is a number determined by a reference to a formula set out in the Mozambique Onshore EPC in respect of the profitability of the profit petroleum on a scale whereby a formula calculation giving a result of less than one is the most profitable position for the Concessionaires rising to a formula calculation of equal to or greater than 4 which is the least profitable position for the Concessionaires.

Under the Mozambique Onshore EPC, the Concessionaires must use reasonable endeavours to employ local staff. In addition, the Concessionaires agree to pay US\$150,000 annually in respect of "institutional support" for the government; US\$100,000 annually in respect of "training programmes" within the government; and US\$100,000 annually in respect of "social support projects" for the government.

In relation to assignment, a Concessionaire may not assign its rights without the consent of MIREM unless the assignor is not in material breach of any of the terms and conditions of the Mozambique Onshore EPC either as a result of an assignment notice (served on a defaulting participant) or in relation to the default procedures under the Mozambique Onshore JOA concluded in relation to the Petroleum Operations. Accordingly, in the event that the consent of MIREM is not received, Cove Energy will not be able to complete the Acquisition of the Mozambique Onshore Asset. Although completion of the Acquisition of the Mozambique Onshore Asset is conditional on completion of the Mozambique Offshore Asset, Cove Mozambique Onshore has a right to waive such condition.

Mozambique Offshore EPC

Pursuant to the terms of the Mozambique Offshore EPC, which was entered into on 20 December 2007, Artumas holds an 8.5 per cent. participating interest in the Mozambique Offshore Asset. Under the Mozambique Offshore EPC, the Concessionaires have an exclusive right to conduct petroleum operations to produce petroleum from the EPC Area and (save where an existing oil/gas pipeline is available on reasonable commercial terms) a right to construct and operate an oil/gas pipeline system for transporting petroleum.

Under the EPC, Anadarko originally held an 85 per cent. and ENH held a 15 per cent. participating interest. Pursuant to various assignments by Anadarko of its participating interest, Artumas now holds an 8.5 per cent. participating interest, Anadarko holds a 36.5 per cent. participating interest, Mitsui holds a 20 per cent. participating interest, Bharat Petroleum holds a 10 per cent. participating interest and Videocon holds a 10 per cent. participating interest.

The Mozambique Offshore EPC sets out the work commitment of the Concessionaires to the EPC for the initial 60 month period commencing on 20 December 2007. In the case of non-performance of any part of the exploration work commitment of the Concessionaires the maximum amount of any guarantee to be provided or the maximum amount to be paid by the Concessionaires (jointly and severally) shall be US\$268 million. The Agreement provides that each of the Concessionaires is required to provide an unconditional and irrevocable bank guarantee in favour of the Government of Mozambique in respect of its participating

interest in the Mozambique Offshore Asset. Notwithstanding this requirement Anadarko has given a bank guarantee pursuant to which its funding banks unconditionally and irrevocably guaranteed in favour of the Government of Mozambique the payment of all sums due and unpaid by all the Concessionaires in respect of the Concessionaires' failure to fulfil the exploration commitment in the initial 60 month exploration period up to a maximum of US\$233 million. The work commitments over the 36 months following the initial 60 month exploration period require a maximum bank guarantee of US\$197 million. The agreement also provides that the operator of the Mozambique Offshore Asset shall provide the Government of Mozambique with an unconditional and irrevocable parent company guarantee in respect of all its obligations under the agreement beyond the scope of the minimum expenditure guarantee.

Artumas has advised that the minimum work commitments have all been completed save as to the commitment in relation to 1,000 km² of 2D seismic data surveys, which is currently under way and although no drilling has occurred, the Belford Dolphin, a deep water drill ship, is scheduled to begin drilling on or around the end of 2009.

Artumas and Anadarko are obliged to pay the Mozambican Government's share of the minimum expenditure for the initial 60 month exploration period on a pro-rata basis to their respective participating interests. Under the Mozambique Offshore EPC, the Concessionaires bear all costs in carrying out the petroleum operations and shall be able to recover costs and be remunerated (by means of an entitlement to quantities of petroleum) pursuant to the terms of the Mozambique Offshore EPC. In addition, the Concessionaires shall pay all costs properly incurred under the Mozambique Offshore EPC in relation to the carry of the government's share of costs and to the extent any third party has acquired a participating interest from a Concessionaire, such third party shall be obliged to take over a proportionate share of such carry based on a percentage of the Concessionaire's proportionate share of the interest. In respect of Artumas' participating interest this means that in respect of its 8.5 per cent. share it bears 10 per cent. of the cost of the total Mozambique Offshore Rovuma Area 1.

In respect of production sharing, the allocation of Profit Petroleum shall be as follows:

| R-Factor | Government's Portion | Concessionaire's Portion |
|---|-----------------------------|---------------------------------|
| Less than one | 10% | 90% |
| Equal to or greater than one and less than two | 20% | 80% |
| Equal to or greater than two and less than three | 30% | 70% |
| Equal to or greater than three and less than four | 50% | 50% |
| Equal to or greater than four | 60% | 40% |

Where 'R-Factor' is a number determined by a reference to a formula set out in the Mozambique Offshore EPC in respect of the profitability of the profit petroleum on a scale whereby a formula calculation giving a result of less than one is the most profitable position for the Concessionaires rising to a formula calculation of equal to or greater than 4 which is the least profitable position for the Concessionaires.

Under the Mozambique Offshore EPC, Anadarko must use reasonable endeavours to employ local staff. In addition, the Concessionaires agree to provide funding each year for each of the following "constitutional support" for the Mozambican Government of US\$2 million; funding for training support programmes of US\$1 million; and "social support projects" within the area where petroleum operations take place of US\$1 million. Artumas has advised that these payments have been made to date.

In relation to assignment, a Concessionaire may not assign its rights without the consent of MIREM if the assignor is not in material breach of any of the terms and conditions of the Mozambique Offshore EPC either as a result of an assignment notice (served on a defaulting participant) or in relation to the default procedures under the Mozambique Offshore JOA concluded in relation to the Petroleum Operations. Accordingly, in the event that the consent of MIREM is not received Cove Energy will not be able to complete the Acquisition of the Mozambique Offshore Asset.

Although Completion of the acquisition of the Mozambique Offshore Asset is conditional upon Completion of the Mozambique Onshore Asset, Cove Mozambique Offshore has a right to waive such condition. If the Placing has become unconditional and consent in respect of the Mozambique Offshore Asset is subsequently refused, then the Company will have raised proceeds in the Placing that may not subsequently be used for the purpose of the acquisition of the Mozambique Offshore Asset and any cash call commitments relating to the same. In such circumstances the Company is obliged to consult with both Cenkos and its Significant Shareholders as to how the proceeds of the Placing which are not used for the Acquisition or are not required for working capital purposes should be applied.

Mozambique Onshore JOA and Mozambique Offshore JOA

Under the JOAs i) dated 18 April 2007 between Artumas and ENH in respect of the Mozambique Rovuma Onshore and ii) dated 20 December 2006 between Artumas and ENH in respect of the Mozambique Rovuma Offshore Area 1, the Concessionaires agreed to establish rights and obligations of the concessionaires with regard to the Petroleum Operations under the relevant EPC. Under the JOAs each of the Concessionaires benefits in proportion to their respective participating interests. It also provides that each Concessionaire shall share in the liabilities and expenses incurred in relation to the joint petroleum operations charged to the joint account.

Under the JOAs, the operator of Mozambique Rovuma Onshore and the operator of Mozambique Rovuma Offshore Area 1 as appointed under the relevant Exploration and Production Contract is required to provide a parent company guarantee to the Government of Mozambique and accordingly seek a cross-indemnification from any other Concessionaires. The obligation of each of the Concessionaires to provide a bank guarantee pursuant to the Exploration and Petroleum Contracts is reiterated in the JOA. Under the JOAs, an operating committee shall make a decision in relation to joint operations and shall be made up of one representative of each Concessionaire. All decisions shall be decided by the vote of 2 or more concessionaires holding collectively at least 61 per cent. of the participating interests. The work programmes and budgets are prepared in accordance with the provisions of the JOAs.

Under the terms of the JOAs any Concessionaire that fails to pay when due its share of joint account expenses or obtain and maintain any security required by the terms of the relevant JOA shall be in default. The default period begins 5 days from the date upon which the operator under the relevant JOA issues the default notice. If any Concessionaire is in default there is a prohibition, inter alia, on that party from transferring its participating interest during the default period. Where a default is not remedied within 30 days of service of a default notice by any party, then the non-defaulting parties can require the defaulting party to completely withdraw from the relevant JOA and EPC, the rights to interest may be surrendered and a claim for damages brought against the defaulting party by the non-defaulting parties.

On a transfer of interest, the provisions of the relevant JOA must be followed, most notably that:

- a transferor must not hold a participating interest of less than 10 per cent. (post-transfer);
- both the transferee and the transferring party shall be liable to the other parties for the transferring party's participating interest share of any obligations which have vested, matured or accrued under the provisions of the EPC; and
- each party has consented in writing to the transfer.

There is also a right of pre-emption on all transfers of the participating interest in each of the JOAs and such process needs to be followed prior to the transfer of an interest being permitted.

R&A Reports

The analyses contained in the R&A Reports, can be summarised as follows:

| | Positive Net | Success Case Mean Net |
|---|--------------------------------|--------------------------------|
| Base Case at US\$70/barrel Oil Price | EMV₁₀ (US\$) | NPV₁₀ (US\$) |
| Shallow Water Offshore Tertiary Play | 73 million | 257 million |
| Deep Water Offshore Tertiary Play | 131 million | 427 million |
| Onshore Tertiary Play | 13 million | 71 million |
| Onshore Cretaceous Play | – | – |

EMV is the forecast value (discounted at 10 per cent.) of the opportunity for the combined success and failure cases taking into account the field size distribution, chance of success, full cycle costs, tax and royalty regime, discount rate and sundry other economic factors. The positive Net Present Value (NPV) figures quoted above (discounted at 10 per cent.) are calculated where the play is economically successful, where success is defined as one or more discoveries in excess of the defined minimum economic field size resource in the initial pilot well programme).

In the base case US\$70 oil price, all of the plays result in a positive EMV¹⁰, with the exception of the onshore cretaceous play, for all modelled sensitivities due primarily to a high probability of an active hydrocarbon system, the potential for large accumulations, the large number of potential traps mapped on seismic, and the potentially high success case value based on economic analyses for development scenarios.

All play analyses above assume a US\$70 oil price which equates to a US\$2.11/mcf net-back gas price. Unfortunately, this results in a very modest success case value and a negative EMV project for the onshore cretaceous play (unless significant quantities of gas are discovered in other play types nearby). In a low oil price environment, it is likely that the onshore cretaceous play would not be pursued by the Group. However, a higher commodity price environment results in a very attractive positive success case NPV and a chance-weighted EMV project. Therefore, the onshore cretaceous play is viewed as an option to be pursued only with higher commodity prices. For instance, at a US\$90 oil price, the onshore Cretaceous play produces an EMV¹⁰ of US\$8 million and a NPV¹⁰ of US\$79 million.

Tanzania Assets

In addition to the consideration payable in respect of the Tanzania Assets of approximately £1.85 million, Cove Energy is committing to projected net expenditure of approximately £1.75 million (principally on development and operating expenditure) in respect of the Tanzania Assets over the course of the period to 31 December 2010. A 600km² 3D seismic acquisition programme is planned and 2 further appraisal wells are scheduled to be drilled during the course of 2011. Shareholders should be aware that the costs associated with these additional activities are not covered within the net proceeds of the Placing.

Mnazi Bay/Msimbati Gas Fields

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, who 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. After testing, 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 held discussions with the Government of Tanzania with the objective of implementing a GTP project as a means of exploiting the potential gas resources. The GTP project was conceptualised as having several components: development of the gas reservoir, by drilling and tie-in of sufficient production wells, a gas pipeline, a gas fired power plant and an upgraded power transmission system for local power distribution. In 2004, the PSA was executed, clearing the way for implementation of the project. In October 2006, the Government of Tanzania issued a development licence with a term of twenty-five years over the licence area. The PSA is also supported by several additional related agreements with the Government of Tanzania to implement the other aspects of the GTP project. In 2005, Artumas initiated a programme of field development and appraisal activities. The original AGIP well was re-entered and a further 3 wells were drilled, logged and tested; the original 2D seismic was reprocessed and re-interpreted and additional 2D seismic was obtained and has been added into the seismic interpretation. In concert with field appraisal activities, Artumas has constructed field production facilities and a gas pipeline to Mtwara. The production facilities and pipeline are tied in to an associated electric power generation facility located at Mtwara. The power facility first generated electricity in December 2006, fuelled by gas production from the Mnazi Bay/Msimbati Gas Fields. As at March 2007, the commissioning of the Mnazi Bay gas processing facility and tie-in connection to the Mtwara area power generating facility was complete. In respect of the Acquisition, Cove Energy is not acquiring any of the business or assets relating to the GTP project and its associated infrastructure.

Tanzania PSA and Tanzania JOA

PSA

Pursuant to the terms of the PSA, which was entered into on 18 May 2004, Artumas holds a 100 per cent. participating interest in the exploration operations of the 756km² Tanzania Mnazi Bay Concession and an 80 per cent. participating interest in the Mnazi Bay/Msimbati Gas Fields. TPDC holds the remaining 20 per cent. of the participating interest in the Mnazi Bay/Msimbati Gas Fields.

TPDC was granted an exploration licence in June 2004 and, pursuant to the terms of the PSA, TPDC granted Artumas the exclusive right to conduct petroleum operations in respect of the Mnazi Bay/ Msimbati Gas Fields. The PSA requires that the drilling of at least 1 exploration well should be completed prior to the 4th anniversary of the licence and upon the successful completion of the drilling of such exploration well a

development licence was granted to TPDC on 31 October 2006, to be exploited by Artumas. The development licence has a term of up to 25 years.

Under the joint operation provisions of the PSA, Artumas is required to bear and pay all contract expenses incurred in carrying out Petroleum Operations under the PSA. TPDC may elect to contribute in specified proportions, and has done so, under the JOA for 20 per cent. of the Petroleum Operations. Artumas is obliged to reimburse TPDC in respect of pre-determined amounts set out in the PSA (US\$4 per square kilometre for the initial exploration period (which expired in June 2008) and subsequently up to US\$16 per square kilometre). There is also an annual charge of US\$128 per square kilometre (to be adjusted by an inflation mechanism) in respect of the development licence granted to TPDC.

Contract expenses incurred by Artumas (and by TPDC if incurred in relation to the JOA as summarised below) are recoverable from a volume of Petroleum Produced and retained from the defined area (not to exceed, in any calendar year, 60 per cent. of the total petroleum production from the contract area). TPDC has approved and affirmed the schedule of expenditures and receipts for the period 2004 - 2008, which sets out the basis for cost recovery purposes.

In respect of production sharing, the allocation of Profit Petroleum shall be as follows:

Increments of Daily Production

Natural Gas (MMcf/day)

| | TPDC Share | Concessionaire's Portion |
|------------|----------------------------|---------------------------------|
| 0-2.5 | 50% less Adjustment Factor | 50% plus Adjustment Factor |
| 2.5-5.0 | 60% less Adjustment Factor | 40% plus Adjustment Factor |
| 5.0-10.0 | 65% less Adjustment Factor | 35% plus Adjustment Factor |
| Above 10.0 | 70% less Adjustment Factor | 30% plus Adjustment Factor |

Where 'Adjustment Factor' is a calculation provided for in the PSA which represents a sum to fully pay and discharge all liabilities of Artumas Gas relating to the payment of statutory taxes in Tanzania

To the extent that any of Profit Petroleum is derived from joint operations with TPDC, TPDC's share of profit petroleum shall be increased by 20 per cent.

Under the PSA, Artumas may not assign or transfer to any party, in whole or in part, any of its rights and/ or obligations under the PSA without the prior written consent of the Tanzanian Government. In providing the written consent, the assignee will provide an unconditional undertaking to the Tanzanian Government to assume all obligations of Artumas' under the PSA. In the event that the Tanzanian Government does not give its consent, Cove Energy will not be able to complete the Acquisition of the Tanzanian Assets. If the Placing has become unconditional prior to such consent being refused then the Company may have received proceeds in the Placing that may not subsequently be used for the purpose of the Acquisition. In such circumstances the Company is obliged to consult with both Cenkos and its Significant Shareholders as to how the proceeds of the Placing which are not used for the Acquisition or are not required for working capital purposes should be applied.

Tanzania JOA

Under a JOA dated 20 February 2006 between Artumas Gas and TPDC in respect of the Tanzania Assets the Concessionaires agreed to establish rights and obligations of the Concessionaires with regard to the petroleum operations under the PSA.

Under the JOA each of the Concessionaires benefits in proportion to their respective participating interests. It also provides that each Concessionaire shall share in the liabilities and expenses incurred in relation to the joint Petroleum Operations charged to the joint account. The operator of the JOA is required to provide a bank guarantee to the Government of Tanzania and accordingly seeks a cross- indemnification from any other Concessionaires. An operating committee shall make decisions in relation to joint operations and shall be made up of one representative of each Concessionaire. All decisions shall be decided by the vote of 2 or more Concessionaires holding collectively at least 61 per cent. of the participating interests.

The work programmes and budgets are prepared in accordance with the provisions of the JOA. Under the terms of the JOA any Concessionaire that fails to pay when due its share of joint account expenses or obtain and maintain any security required by the terms of the relevant JOA shall be in default. The default period begins 5 days from the date upon which the operator of the JOA issues the default notice. If any concessionaire is in default there is a prohibition, inter alia, on that party from transferring its participating

interest during the default period. Where a default is not remedied within 30 days of service of a default notice by any party, then the non-defaulting party can require the defaulting party to completely withdraw from the JOA and PSA, the rights to interest may be surrendered and a claim for damages brought against the defaulting party by the non-defaulting parties.

On a transfer of interest, the provisions of the JOA must be followed, most notably that:

- a transferor must not hold a participating interest of less than 10 per cent. (post-transfer);
- both the transferee and the transferring party shall be liable to the other parties for the transferring party's participating interest share of any obligations which have vested, matured or accrued under the provisions of the EPC; and
- each party has consented in writing to the transfer.

R&A Reports

The R&A Reports on the undrilled tertiary/cretaceous base case portfolio analysis on the undrilled prospects of the 756km² Tanzania Mnazi Bay concession is favourable with a high chance of commercial success and significant success case resources for all modelled sensitivities. The possible substantial value for the exploration prospects is due primarily to the certainty of an active gas system related to the proximity to the Mnazi Bay/Msimbati Gas Fields, the potential for large accumulations on exploration prospects, the large number of traps mapped on seismic and a moderate commercial threshold. Using the base case commercial threshold scenario (100 bcfe for dry gas and mixed phase oil and gas using US\$7/mcf and US\$90/barrel price forecasts), the portfolio probability of commercial success is 63.6 per cent. that is, there is about a 2 in 3 chance of one or more commercial discoveries in excess of the defined minimum commercial field size in the initial pilot well program. If the play is commercially successful, the aggregate success case mean EUR is 1,256 bcfe (at 100 per cent.) and 257 bcfe (net to Cove Energy at 20.475 per cent.).

RPS Report

The technically recoverable resource volumes were determined using probabilistic analysis and are summarised in the RPS Report as follows:

| Mnazi Bay/Msimbati Gas Fields Resource Assessment (bscf) | P90 | P 50 | Mean | P 10 |
|---|------------|-------------|-------------|-------------|
| Gas Originally in Place (gross) | 380 | 940 | 1,190 | 2,290 |
| Gas Originally in Place (Cove Energy 16.38% working interest) | 62 | 154 | 195 | 375 |
| Technically Recoverable | 280 | 700 | 890 | 1,730 |
| Technically Recoverable (Cove Energy 16.38% working interest) | 46 | 115 | 146 | 283 |
| Contingent Resources | 238 | 595 | 757 | 1,471 |
| Contingent Resources (Cove Energy 16.38% working interest) | 39 | 97 | 124 | 241 |

The existing nature of the arrangements and associated contractual obligations relating to the Mnazi Bay/Msimbati Gas Fields means that these operations, net to Cove Energy, currently generate revenues of approximately £12,000 per month but operate on a net loss making basis of approximately £97,000 per month. Following the Acquisitions, the Directors have assumed that revenues will continue to be earned at the rate included in the revised Artumas budget dated July 2009, being US\$1,442,000 on an annualised basis. Following the Acquisitions, Cove Energy and M&P intend to renegotiate and restructure a number of the existing agreements and arrangements and to operate the Mnazi Bay/ Msimbati Gas Fields on a cash neutral, break-even basis. The Directors intend to continue to appraise the field activities and formulate a business plan to optimise the marketing and monetisation of the potential reserves. Such development scenarios and their economic evaluation will be the subject of future resource updates and assessments and are not contained within the RPS Report.

Principal terms and conditions of the Acquisitions

Tanzania Farm-in Agreement

Cove Tanzania has, together with M&P, entered into a conditional agreement with Artumas and Artumas Gas pursuant to which Cove Tanzania will acquire the Tanzania Assets for an aggregate consideration of US\$9 million (Cove Energy's share being US\$2.7 million). Cove Tanzania has also agreed pursuant to the terms of this agreement, together with M&P, to use reasonable endeavours to undertake a work programme of approximately 200 km² of 3D seismic survey and to drill one exploration well, the cost of which shall be

borne by each of the JOA Parties in proportion to the size of their respective participating interests and, in this regard, Cove Tanzania and M&P shall bear the cost relating to 100 per cent. of Artumas Gas' participating interest. The parties shall be liable for their respective share of any other Joint Account Costs in respect of all operations and M&P shall become the operator of the Tanzania Assets.

The agreement provides that Artumas Gas may elect to require Cove Tanzania and M&P to pay Artumas Gas' share of either of the first 2 appraisal wells drilled. If Artumas Gas makes such an election it shall transfer a 5 per cent. participating interest to Cove Tanzania and M&P (in aggregate, in respect of each well). The agreement requires that, between the date of the agreement and the date of Completion of the agreement, Artumas Gas will consult with and/or obtain the consent of Cove Tanzania and M&P in relation to any material matters which affect the Tanzania Assets. In addition, Artumas Gas has given warranties in favour of Cove Energy and M&P in respect of certain key matters relating to the title to Tanzania Assets.

Under the agreement, the JOA Parties agree that they shall negotiate in good faith in relation to formalising the terms of the Interim Gas Sale Agreement and to novate the gas sales agreement, described below, to M&P who will sell gas as the authorised representative of the JOA Parties. The agreement also provides for a pledge over the bank account into which monies are paid pursuant to the sale of gas under the Interim Gas Sales Agreement and gas sales agreement, described below.

The agreement is conditional upon various conditions being satisfied, including receipt of consent from each of the Government of Tanzania, the Bondholders, the Shareholders and each of the JOA Parties, as detailed in the paragraphs under the heading "Third Party Consents, Pre-emption and Cash Calls" below. The agreement has a long-stop date of 31 December 2009, after which the agreement shall automatically terminate. If the Placing has become unconditional prior to the long stop date and the Tanzania Farm-In Agreement has not become unconditional at that time, the Company may find it has raised proceeds in the Placing that may not be subsequently used for the purpose of the Acquisition. In such circumstances the Directors will consult with both Cenkos and the Significant Shareholders as to how the proceeds of the Placing which are either not used by the Company in relation to the Acquisition or are not required for working capital purposes should be applied.

Gas Sales Agreement

Under a gas sales agreement dated 12 December 2008 and made between Artumas Gas, Artumas Power and TPDC, Artumas Gas sells gas to Artumas Power on behalf of the JOA Parties. Artumas Gas' obligation to sell gas to Artumas Power is limited to an amount over the term of the agreement, which in turn is limited to annual and daily amounts. The Seller is liable for non-supply but this is limited to an annual limit of 2.03 billion SCF of gas and a total contractual limit of 41 billion SCF of gas. The term of the agreement is 20 years.

Mozambique Offshore Farm-in Agreement

Cove Mozambique Offshore has entered into a conditional acquisition agreement with Artumas and Artumas Mozambique pursuant to which Cove Mozambique Offshore will acquire Artumas Mozambique's entire 8.5 per cent. share of the operations relating to the Mozambique Offshore Assets in consideration of the grant of a royalty payment by Cove Mozambique Offshore to Artumas Mozambique pursuant to the Royalty Agreement.

Under the terms of the agreement and the Royalty Agreement, Cove Mozambique Offshore and M&P agrees to grant Artumas Mauritius a royalty in respect of Cove Mozambique Offshore's rights to profit petroleum in respect of the Mozambique Offshore Asset. The agreement requires that, between the date of the agreement and the date of completion of the agreement, Artumas Mozambique will consult with and/or obtain the consent of Cove Mozambique Offshore in relation to any material matters which affect the Mozambique Assets. In addition, Artumas Mozambique has given warranties in favour of Cove Mozambique Offshore and M&P in respect of certain key matters relating to the title to the Mozambique Offshore Assets.

The agreement is conditional upon various conditions being satisfied, including receipt of consent from each of the Government of Mozambique, the Bondholders, the Shareholders and each of the JOA Parties to the Mozambique Offshore Farm-in Agreement, as detailed in the paragraphs under the heading "Third Party Consents, Pre-emption and Cash Calls" below. The agreement is also conditional on completion of the Mozambique Onshore Farm-in Agreement although this condition may be waived at any time by Cove Energy.

The agreement provides that if the JOA Parties (other than Artumas) have a right of pre-emption and they

exercise such right, Artumas shall reimburse to Cove Mozambique Offshore all cash call amounts paid by Cove Mozambique Offshore. The agreement has a long-stop date of 28 February 2010 after which time the agreement shall automatically terminate.

Mozambique Onshore Farm-in Agreement

Cove Mozambique Onshore has, together with M&P, entered into a conditional acquisition agreement with Artumas and Artumas Mozambique pursuant to which Cove Mozambique Onshore will acquire a 10 per cent. share of the operations relating to the Mozambique Onshore Assets for a consideration of US\$549,002. Cove Mozambique Onshore has also agreed pursuant to the terms of this agreement to execute and deliver a parent company guarantee in favour of Artumas. The agreement provides that each of the parties shall be liable for their respective share of Joint Account Costs in respect of all operations although there is no contractual obligation on Cove Mozambique Onshore or M&P to meet any cash call payments prior to Completion.

Under the terms of the agreement Cove Mozambique Onshore and M&P agree to carry Artumas Mozambique for all costs directly related to the first well completion payable by Artumas Mozambique in respect of its 15.3 per cent. Participating Interest. The agreement requires that, between the date of the agreement and the date of Completion of the agreement, Artumas Mozambique will consult with and/or obtain the consent of Cove Mozambique Onshore and M&P in relation to any material matters which affect the Mozambique Assets. In addition, Artumas Mozambique has given warranties in favour of Cove Mozambique Onshore and M&P in respect of certain key matters relating to the title to the Mozambique Assets.

Under the agreement, Artumas Mozambique may request that its cash call commitments prior to Completion are funded by Cove Mozambique Onshore and M&P and if Cove Mozambique Onshore and M&P elect to fund such cash calls, for every US\$1 million funded, Artumas Mozambique shall transfer 1 per cent. of its participating interest to Cove Mozambique Onshore and M&P (in aggregate and on the basis of a 70/30 pro rata split between M&P and Cove Mozambique Offshore, respectively), subject to Artumas Mozambique's participating interest not being reduced below 10 per cent. However, if Completion occurs within 30 business days of payment of any particular cash call, such payment shall not reduce Artumas Mozambique's participating interest.

The agreement is conditional upon various conditions being satisfied, including receipt of consent from each of the Government of Mozambique, the Bondholders, the Shareholders and each of the JOA Parties to the Mozambique Onshore Farm-in Agreement, as detailed in the paragraphs under the heading "*Third Party Consents, Pre-emption and Cash Calls*" below. The agreement is also conditional on completion of the Mozambique Offshore Farm-in Agreement although this condition may be waived at any time by Cove Mozambique Onshore. The agreement has a long-stop date of 28 February 2010, after which the agreement shall automatically terminate.

Third Party Consents, Pre-emption and Cash Calls

The Acquisition Agreements are conditional upon certain third party consents being obtained. Firstly, pursuant to the terms of the JOAs, the consent of each of the JOA Parties is required to be obtained in relation to the transfer of the relevant Assets in which they hold a participating interest. Secondly, Artumas has granted the Bondholders security over the Assets. Accordingly, the consent of the Bondholders is required to be obtained in relation to the terms of the Acquisitions in order that the Assets can be released from this security. Thirdly, the consents of the relevant government authorities of Mozambique and Tanzania are required to be obtained in relation to the transfer of the relevant Assets. All of the aforementioned consents are in the process of being obtained although, to date, they remain outstanding. Fourthly, FMO owns approximately 13 per cent. of Artumas Tanzania. Artumas Tanzania owns 100 per cent. of Artumas Gas Jersey which in turn is the 100 per cent. shareholder of Artumas Gas. Artumas Gas is the current holder of the participating interest in the Tanzania Assets being transferred to Cove Tanzania pursuant to the Tanzania Farm-in Agreement. FMO has a veto right pursuant to the shareholders' agreement of Artumas Tanzania and has confirmed in writing that it will agree to consent to the sale of the Tanzania Asset by Artumas Gas on the condition that FMO receives 13 per cent. of the cash consideration payable by Cove Tanzania and M&P pursuant to the terms of the Tanzania Farm-in Agreement. Details of the process for achieving this and formal confirmation from FMO that upon satisfaction of this condition their consent will be granted, is awaited.

The Completion of the Mozambique Acquisition Agreements are conditional on there having been no attempt by the JOA Parties to pre-empt the acquisition of the Mozambique Assets. Any such attempted pre-

emption would require the JOA Parties to deliver a notice of pre-emption within 30 days of the date upon which Artumas has notified each of the JOA Parties of the Mozambique Acquisition Agreements being agreed. In the event that no such notification is made by any of the JOA Parties within the requisite period then any possible pre-emption rights fall away.

In respect of the Mozambique Assets, the nature of the agreed work programme and the expenditure relating to it means that significant cash calls may be made in respect of those assets before the conditions of the Acquisition Agreements are satisfied. In the event that Artumas does not pay these cash calls, the Board of the Company may find itself compelled to satisfy the cash calls prior to the completion of the Acquisitions. Accordingly, the Board has taken various contractual steps which may, in part, mitigate some of the inherent risks in the transaction structure. Nevertheless, should the Acquisitions fail to complete, the Company would be unable to recover such expenditures and may have significantly depleted its cash balances at that time. In any event, should it fail to complete any of the Acquisitions, the Company is obliged to consult with both Cenkos and the Significant Shareholders as to how the proceeds of the Placing which are not used in relation to any part or parts of the Acquisitions or are not required for working capital purposes should be applied.

The Company has had recent discussions with Anadarko with a view to facilitating and accelerating the process of obtaining the necessary consents of the JOA Parties in respect of the Mozambique Assets. Anadarko, as operator of both the Mozambique Onshore Asset and Mozambique Offshore Asset has agreed to provide the relevant Group entity with conditional consents in respect of the Mozambique Assets, such consent to be given on the basis of the following conditions and chronology:

Mozambique Onshore Asset

1. As soon as possible after the date of the Admission Document, Artumas will request the signature by each of the relevant JOA Parties to a form of consent (the form of which is to be mutually agreed), containing a provision whereby the relevant JOA Parties grant consent to the transfer of Artumas' interest to Cove Energy in respect of the relevant proportion of the Mozambique Onshore Asset;
2. Anadarko will (subject to any change in the Group's status quo) execute this document granting consent, conditional upon the payment of the cash call relating to the Mozambique Onshore Asset which becomes due on 3 October 2009;
3. Upon the proposed form of consent (referred to at 1 above) being signed by Anadarko, Artumas and Cove Mozambique Onshore, the cash call (referred to at 2 above) will be paid; and
3. Anadarko's consent will, upon receipt of payment, become irrevocable (notwithstanding that the consent of ENH and the Government of Mozambique may still be outstanding at such time).

Once all necessary consents have been obtained, the transfer of the relevant proportion of Artumas Mozambique's participating interest in the Mozambique Onshore Asset can formally take effect.

Mozambique Offshore Asset

1. As soon as possible after the date of this document, Artumas will request the signature by each of the relevant JOA Parties to a form of consent (the form of which is to be mutually agreed), containing a provision whereby the relevant JOA Parties grant consent to the transfer of Artumas' interest to Cove Mozambique Offshore in respect of the relevant proportion of the Mozambique Offshore Asset;
2. Anadarko will (subject to any change in the Group's status quo) execute this document granting consent, conditional upon Cove Energy establishing an escrow account, in which a sum of US\$40.6 million shall be held, by 18th October 2009. The escrow account shall contain terms specifying that in the event the necessary consents are not received from the other JOA Parties, ENH and the Government of Mozambique by a certain longstop date, the escrow account agreement will terminate and the funds held in escrow shall all be returned to the Group;
3. Upon the proposed form of consent (referred to at 1 above) being signed by Anadarko, Artumas and Cove Mozambique Onshore, the escrow account (referred to at 2 above) will be created; and
4. Anadarko's consent will, upon creation of the escrow account, become irrevocable (notwithstanding that the consent of the other JOA Parties and the Government of Mozambique may still be outstanding at such time).

Once all necessary consents have been obtained, the transfer of the relevant proportion of Artumas Mozambique's participating interest in the Mozambique Offshore Asset can formally take effect. Prospective investors should be aware that, following Admission, the Directors intend to proceed to pay a currently forecast cash call of approximately £4 million relating to the Mozambique Onshore Asset, immediately following Admission. Anadarko intends to drill an exploratory well on the Mozambique Onshore Asset in mid-October 2009 and there is the possibility that the Company may not have received the consent of ENH and the Government of Mozambique prior to such cash call having been paid to Anadarko.

In respect of the Mozambique Offshore Asset, despite the steps taken above in respect of the escrow arrangement, it is possible that cash calls are made under the Mozambique Offshore JOA and Mozambique Offshore EPC in circumstances where the Company has not obtained all of the necessary consents. The next such cash call will be made on or around 15 October 2009 and is currently forecast to be approximately £3.7 million. Pursuant to the Placing Agreement (with the exception of any expenditure the Group elects to or is required to spend in respect of the Mozambique Onshore Asset which is currently forecast to be approximately £4.6 million to 31 December 2010 (including the exploratory well referred to above)), in the event that the Company is required to meet its share of ongoing cash calls pursuant to the Mozambique Offshore JOA and Mozambique Offshore EPC, the Company shall first consult with Cenkos and, if required by Cenkos, consult with its Significant Shareholders. Furthermore, should Cenkos request it, the Company shall be obliged to put to Shareholders any such proposals regarding the Company's strategic options as Cenkos considers to be appropriate.

Limitations of warranties

The Company has received certain representations, warranties or other indemnities in connection with the Acquisitions. Artumas currently has liquidity issues which resulted in a qualification to the going concern statement in its interim accounts for the 6 months ended 30 June 2009. In the event that Artumas is unable to resolve its financial issues, the Company will acquire the Assets pursuant to the Acquisitions, together with any potential risks and liabilities associated with them, with limited recourse against any person for defects in title to those Assets or for any undiscovered liabilities or obligations connected with such Assets.

Shareholder Consent

The Acquisitions constitute a reverse takeover under the AIM Rules for Companies and accordingly Shareholder consent at the EGM is required for the Acquisitions to complete. In addition, the net proceeds of the Placing are required to provide additional working capital for the Company in the event that the Acquisitions are approved. If the Acquisitions are not approved by Shareholders, the working capital will not be required. Accordingly, the Placing is conditional upon the Acquisitions being approved.

Use of Placing Proceeds

The Placing has raised approximately £39.05 million (net of expenses) and these new funds are required to meet the Company's contribution with regard to the Acquisitions and to provide the working capital to fund the work programme commitments contained in the Mozambique JOAs, Mozambique EPCs, PSA and Tanzania JOAs in respect of the Assets during the period until 31 December 2010. In particular, the net proceeds of the Placing, together with the Company's existing cash resources, will be utilised to fund, inter alia:

- approximately £2 million being the Company's share of the consideration payable for the Assets;
- approximately £4.6 million to fund, inter alia, fulfilling the obligations of the Mozambique Onshore EPC, drilling one onshore well under the Mozambique Onshore JOA work obligations, all in respect of the Mozambique Assets;
- approximately £27.7 million to fund, inter alia, fulfilling the obligations of the Mozambique Offshore EPC, certain geophysics and geology work, rig mobilisation and the costs associated with drilling four wells under the Mozambique Offshore JOA work obligations, all in respect of the Mozambique Assets; and
- approximately £1.8 million to fund, inter alia, developing and operating expenditure in respect of the Tanzania Assets.

The Company will use the remaining balance of the net proceeds of the Placing for general working capital

purposes and to continue to develop its oil and gas strategy by seeking out and appraising further business opportunities as appropriate. Shareholders should be aware that the Assets are all at various stages of development. To provide the necessary working capital to fund the Group's participating interests and work commitments contained in the Mozambique JOAs, Mozambique EPCs, PSA and Tanzania JOA in respect of the Assets in the period beyond the end of 2010, the Company will require additional capital. The Directors will consider the most appropriate funding mechanism at the relevant time which could include the issue of further equity, sale of projects or farm-out of certain of the Assets.

Information on Cove Energy

Cove Energy was incorporated in 2003 and commenced trading in early 2004 as Lapp Plats plc, exploring for platinum group elements in Scandanvia. The Company raised external capital of approximately £0.4 million in early 2004 to fund operations. The Company was admitted to trading on OFEX in February 2004 and operated an extensive field based exploration programme in Sweden during the 2004 Field Season resulting in the staking of a number of properties in August 2004 from the Swedish minerals licensing authority.

The Company was admitted to AIM in May 2005 as a resource business targeting both its Scandinavian mineral interests but with an added mandate to seek and commercialise opportunities in the oil and gas sector. During the period 2005 to 2007 the Swedish licences were maintained with a number of licences relinquished in August 2007 at the conclusion of their first 3 year period. As at today's date, the Group holds one licence in Sweden. In September 2006, a placing of new shares raised approximately £1.26 million in working capital for the Company. In December 2007, the Company contracted with a third party to devise, formulate and propose an oil and gas strategy for the Company and working capital towards this goal was provided by the Company. Notwithstanding some significant project proposals to the then board, these were not adopted and the third party contract was cancelled in December 2008.

Subsequently, the Board continued its search for oil and gas projects independently through to 2009. Since being admitted to AIM in May 2005, the Company's stated intention has been to formalise an oil and gas division, and following dedicated work by the Board during the course of the past 18 months, Cove Energy announced on 27 May 2009 that Michael Blaha, currently country chairman for Shell in Algeria, had joined the Board as Non-Executive Chairman and John Craven, founder and, until recently, chief executive officer of Petroceltic International plc, had joined as Chief Executive Officer.

On the 27 May 2009, Cove Energy also announced its revised strategy to identify and acquire oil and gas assets in the early phase of the upstream life-cycle and mature them into marketable opportunities for the medium and larger oil and utility companies, with an initial focus on Africa and the Mediterranean. The Company continues to be "opportunity driven" - the objective is to target assets in areas where larger oil companies are not yet active or have overlooked opportunities. Cove Energy's strategy also includes seeking out assets owned by companies in distress as a result, for instance, of the current global economic climate. The strategy is being implemented and driven jointly by John Craven and Michael Blaha.

On 29 June 2009, the Company announced a placing of 35,000,000 Ordinary Shares with institutional and other investors at a price of 12 pence per Ordinary Share, raising £4.2 million (before expenses). The net proceeds of the placing of approximately £3.9 million are being used primarily to fund the Company's business development requirements and to enable the Company to progress its renewed strategy to identify and acquire oil and gas assets in the early phase of the upstream life - cycle and mature them into marketable opportunities for the medium and larger oil and utility companies.

On the same date, the Company also announced that it had entered into a memorandum of understanding with Quantic Group, a private investment group operating in certain areas of the oil and gas sector and merchant banking across Africa and the Middle East, to form a joint venture company, Cedar Resources, of which Quantic Group would hold 80 per cent. and the Company 20 per cent. of the voting rights. The purpose of this arrangement is to facilitate access to finance and asset opportunities in the Lebanon and Cyprus. Under the terms of the memorandum of understanding it was agreed between the parties that on incorporation of Cedar Resources, Quantic Group would be granted warrants to subscribe for Ordinary Shares in the Company. The Company announced on 11 September 2009 that Cedar Resources has now been incorporated and accordingly Quantic Group has been granted the Quantic Warrants which consists of 3,000,000 warrants to subscribe for 3,000,000 Ordinary Shares at an exercise price of 1 pence per Ordinary Share and a further 6,000,000 warrants to subscribe for 6,000,000 Ordinary Shares at an exercise price of 22 pence per Ordinary Share. The Quantic Warrants are exercisable at any time up to 18 months from the date of grant. Any Ordinary Shares issued as a result of the exercise of the Quantic Warrants will, from the

date of issue, be subject to a 12 month lock- in agreement between the Company, Quantic Group and Cenkos. In addition, Quantic Group's principal management subscribed for 3,000,000 placing shares in the placing, as announced on 29 June 2009.

Quantic Group owns 70 per cent. of Gazprombank Invest (MENA) in Beirut, Lebanon, with the balance of 30 per cent. owned by OAO Gazprom. Quantic Group is a group comprising various companies created with the intention of forming the core of an oil organisation active in all levels of activities traditionally associated with companies present in this sector – production, trading, refining, distribution and financing (further details are contained at www.quanticoil.com). OAO Gazprom is the world's largest gas company focused on geological exploration, production, transmission, storage, processing and marketing of gas and other hydrocarbons (further details are contained at www.gazprom.com).

The Board believes that the relationship and arrangement referred to above could provide Cove Energy with access to potential additional funding routes and exposure to asset deals, both of which are planned to assist the Company to realise its strategy in the Mediterranean (including the Lebanon and Cyprus) and in Africa.

Further, on 29 June 2009 the Company also announced that it had entered into the PGS Agreement with PGS Ventures, a 100 per cent. subsidiary of PGS, the focused geophysical company which provides a broad range of seismic and reservoir services, including acquisition, processing, interpretation, and field evaluation. PGS also possesses the world's most extensive multi-client data library. PGS operates on a worldwide basis with headquarters at Lysaker, Norway. PGS Ventures is the investment arm of PGS, with a remit to provide PGS data and services in return for equities and minority ownership positions in E&P assets (further details are contained at www.pgs.com).

Under the terms of this PGS Agreement, the Company has engaged the PGS Group for the provision of seismic data processing and interpretation services, with a minimum commitment of US\$3 million by 30 June 2011, on a take or pay basis. The Company has also agreed to purchase from the PGS Group certain seismic data, as well as providing the PGS Group with a right of first refusal, subject to applicable law and regulation, to provide the Company with all of its seismic acquisition, data processing and interpretation requirements going forwards. All data and services are to be provided on demonstrable standard PGS pricing terms, and otherwise on PGS Group terms and conditions. The PGS Agreement also provides that PGS Ventures will be offered the opportunity to contribute up to 50 per cent. of the costs of purchase of such data and services, by way of subscription for new Ordinary Shares or other securities in the Company, on terms to be agreed. Under the PGS Agreement, PGS Ventures also has the right to appoint a director to the board of the Company if its holding of Ordinary Shares at any time equals or exceeds 20 per cent. of the total Ordinary Shares in issue. The PGS Agreement may be terminated by either party giving notice to the other at any time after the 5th anniversary of the date of the agreement.

On 17 September 2009 the Company has today entered into the Supplemental PGS Agreement which varies certain provisions within the PGS Agreement. It has been agreed between the parties that in relation to the Tanzania Exploration Asset the Company will use its best efforts to procure the grant to PGS or its affiliates of a contract to undertake a 3D seismic survey of the Tanzania Exploration Asset. In the event that PGS is granted the seismic contract, PGS shall have the right and obligation to contribute an amount equal to 30 per cent. of the amount due to PGI under the seismic contract by way of subscription for new Ordinary Shares in the Company. This obligation replaces the provision set out in the PGS Agreement relating to the opportunity to subscribe for Ordinary Shares up to an amount equal to 50 per cent. of the cost of data and services. The Supplemental PGS Agreement also extends the date on which payment of the US\$1 million on minimum work and payment obligation due under the PGS Agreement from 30 June 2010 to a date to be determined in accordance with the provisions of the agreement being no later than 31 December 2012. However, in the event that the seismic contract is granted to PGS or its affiliates by 31 December 2011 the obligation to pay US\$1 million shall be deemed to have been satisfied.

In addition, PGS Ventures subscribed for 8,333,333 Ordinary Shares in the placing that was announced on 29 June 2009 and has also agreed to subscribe for an additional 10,000,000 New Ordinary Shares in the Placing at the Placing Price.

Related Party Transaction

PGS Venture is a substantial shareholder in the Company and accordingly the entering into of the Supplemental PGS Agreement and PGS Venture's participation in the Placing is classified as a related party transaction under the AIM Rules for Companies. PGS Ventures currently has an interest in Ordinary Shares

in the Company, representing 14.28 per cent. of the current issued share capital. Following PGS Venture's subscription for 10,000,000 New Ordinary Shares, PGS Ventures will, immediately following completion of the Placing, retain a total holding of 6.83 per cent. of the Enlarged Issued Share Capital of Cove Energy and on that basis, will no longer be a substantial shareholder (as defined under the AIM Rules for Companies) in the Company.

The Directors consider, having consulted with the Company's nominated adviser, that the terms of each of the Supplemental PGS Agreement and the subscription are fair and reasonable insofar as Shareholders are concerned.

Directors and consultants

Directors

The Board currently comprises 4 directors, brief biographies of each of whom are set out below:

Frantisek Michael Joseph Blaha, (Non-Executive Chairman), aged 55

Michael Blaha, is a Petroleum Engineer with twenty nine years industry experience, his entire career spent working in the Royal Dutch Shell Group. He is currently Country Chairman for Shell in Algeria, prior to which he held the positions of Director External Relations for EP Africa from 2003-2005, Vice President EP for Russia (Salym, Sakhalin) from 2001 to 2003 and Vice President Iran (Soroosh and Nowrooz) from 1998 to 2001. Earlier in his Shell career he worked at the Shell head offices in The Hague from where he developed business in China, Iran and Russia. He has also held senior roles in the Philippines, Syria, Thailand and the UK. Mr Blaha has an MSc in Chemistry from Universiteit van Amsterdam. Michael has recently resigned from Shell and is expected to be appointed as Executive Chairman shortly after Admission.

John Edward Craven, (Chief Executive Officer), aged 59

John Craven is a petroleum geologist with thirty five years experience in senior technical and commercial roles in upstream oil and gas exploration and production companies. Prior to joining the Company, he was founder and Chief Executive of AIM and IEX quoted, African and Mediterranean focussed, exploration company, Petroceltic International plc. Petroceltic grew under his direction and stewardship to a business with a diversified portfolio of exploration and appraisal projects in Italy, Algeria and Tunisia.

In addition to the above, John brings with him 35 years of delivery to shareholders. Mr Craven has an MSc in Petroleum Geology from the Royal School of Mines in London and an MBA from Queens University in Belfast. Prior to Petroceltic, he held senior management and director roles in a number of quoted and private oil companies including Gulf Oil, Dana Petroleum and Vanco Energy.

Michael Henry Nolan, (Finance Director), aged 47

Michael Nolan is a Chartered Accountant and has worked with Deloitte & Touche in Dublin. He is currently executive chairman of Vancouver-based, Rathdowney Resources Limited, a private natural resource company, operating in Ireland and supported by the Hunter Dickinson Group. He acted as chief executive officer of AIM-listed, mining company, Minmet Plc from 1999 to August 2007. He also serves on the board of several resource exploration and investment companies. Mr Nolan was re-appointed to the Board on 13 September 2009.

Ivan James Bowen Murphy, (Non-Executive Director), aged 36

Ivan Murphy is currently a senior executive with Gazprombank Invest, an investment bank owned by Gazprom and Quantic Group. He has a degree in Economics from University College Cork, Ireland and has 15 years experience in capital markets. He started his career at Aberdeen Asset Management PLC, the FTSE 250 listed global investment manager. He worked with Aberdeen in London, Miami and Singapore before returning to Ireland to become Managing Director of Aberdeen Asset Management Ireland Limited. In 2003 he left Aberdeen to work as a consultant to a number of Irish and UK public companies assisting them in the disposal of asset management and life insurance assets. In 2005 he was one of the founders of Fairfax PLC a London based investment bank that listed more than 12 investment companies on AIM and the Official List, raising more than US\$1 billion of equity from institutional clients. At Fairfax, he focussed on origination and developing the business in the Far East. After leaving Fairfax in 2008, he acted as a consultant to US and Ireland based property developer Shelbourne Developments negotiating with potential

partners in China and the Middle East on the financing and construction of the Chicago Spire project.

Mr Craven and Mr Nolan are required to devote sufficient time and attention to the Company's business as is required to fulfil their respective executive responsibilities. As mentioned above, Mr Blaha is soon to be appointed executive chairman of the Company after which appointment he will be required to devote sufficient time and attention to the Company's business to fulfil his responsibilities. Mr Murphy is required to attend each meeting of the Board and any committees of the Board to which he is appointed and otherwise devote such time as is appropriate from time to time or as the circumstances dictate.

At all times, the Directors will be responsible for considering investment or acquisition opportunities and for investigating, negotiating and completing any such acquisitions or investments.

It is anticipated that a management team commensurate with the escalating requirements of the business will be recruited. This management team will be supported by consultants who will be contracted specific to their areas of expertise. The Directors are committed to maintaining high standards of corporate governance and the Board has resolved to recruit at least one, independent, non-executive director. The process of recruitment is underway and several candidates have been identified; and the Company expects to make a suitable appointment within two months following Admission.

Consultants

The Company intends to operate with a minimum level of staffing but with a larger experienced "virtual" skills-pool from where it can draw on relevant experience on a case-by-case basis. The Company intends at the outset to partner and joint venture with investors and associates who will support the Company Energy with commercial skills and influence in areas where the Company intends to grow its business.

Current trading and future prospects

Since late 2006, the Company has maintained a core treasury of in excess of £1 million. The Company raised an additional £4.2 million in June 2009. As was reported in the Company's unaudited interim results to 30 June 2009 (on a pro forma basis), with a cash balance of approximately £5 million and no other significant assets or liabilities. The Company, through its Swedish subsidiary Lapp Plats AB, continues to hold a Swedish mineral licence, without significant financial obligations, and will look for opportunities to realise the value of Lapp Plats AB in due course.

Following the £4.2 million placing in June 2009, the Company has sought appropriate oil and gas opportunities in which to make its initial investments. Upon completion of the Acquisitions and the Placing, the Company will assume and undertake the business of overseeing the development of its oil and gas resources, the Mozambique Assets and the Tanzania Assets, and will continue to investigate opportunities in accordance with its strategy set out above.

Currency and hedging

The Company has a treasury and commercial hedging policy that covers foreign exchange and commodity price exposures. The Company may also, where appropriate, elect to hedge a proportion of its expenditure to protect cash flows against commodity price and exchange rate fluctuations. The Company will consider maintaining cash balances in its major operating currency, the US dollar, relative to operational cash requirements. The Company may use other hedging arrangements in relation to specific currency exposures when prudent.

Dividend policy

The declaration of any payment by the Company of any future dividends on the Ordinary Shares and the amount will depend on the results of the Enlarged Group's operations, its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time. The nature of the Enlarged Group's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission.

Circular to Shareholders

On 11 September 2009, the Company sent the Circular to Shareholders convening the Circular EGM. A number of resolutions are to be proposed at the Circular EGM including seeking general Shareholder authority in relation to the allotment of the New Ordinary Shares and the corresponding disapplication of pre-

emption rights. In addition, the Directors considered that it would also be appropriate to seek new general share issuance authorities at the Circular EGM, in replacement for all authorities previously granted at the annual general meeting of the Company held on 2 July 2009, and resolutions to this effect are set out in the notice of the extraordinary general meeting contained in the Circular. In addition, at the Circular EGM the Company will be seeking to adopt the New Articles which shall incorporate certain changes necessary under the 2006 Act.

The Directors recognise the importance of incentivising employees and non-employees by granting them options over Ordinary Shares and the Company is seeking Shareholder consent to approve 2 new share option schemes, one for employees and the other for non-executive directors and consultants. Conditional upon the Shareholders approving the New Share Option Schemes, the Directors will also seek, at the Circular EGM, general Shareholder authority in relation to the allotment of the options granted under the New Share Option Schemes and also the disapplication of pre-emption rights.

The Company has received irrevocable undertakings in respect of the Circular EGM to vote in favour of the resolutions to be proposed at the Circular EGM from Shareholders (other than Directors) holding in aggregate 25,915,164 Ordinary Shares representing 44.41 per cent. of the current issued share capital of the Company.

Lock-in arrangements and orderly market undertakings

Pursuant to Rule 7 of the AIM Rules for Companies, the Directors (for themselves and persons associated with them) have undertaken to the Company and Cenkos not to dispose of their respective interests in Ordinary Shares for a period of 12 months following Admission. In addition, the Directors have undertaken to the Company and Cenkos that for the 12 months period immediately following the expiry of the lock-in period referred to above, any disposal of Ordinary Shares held by them shall be made in such manner as Cenkos (or the then broker to the Company) may reasonably require with a view to maintaining an orderly market in the Ordinary Shares. However, notwithstanding the Lock-in Agreements and the orderly market arrangements, the Directors may transfer their Ordinary Shares in accordance with the provisions of Rule 7 of the AIM Rules for Companies.

The Placing and Admission

The New Ordinary Shares represent 78.26 per cent. of the Enlarged Issued Share Capital of the Company following the Placing. The Placing has raised approximately £39.05 million (net of expenses) for the Company. Cenkos has agreed, pursuant to the Placing Agreement and conditional, inter alia, on Admission, to use its reasonable endeavours to place the New Ordinary Shares with institutional and other investors. The Placing is conditional, inter alia, upon:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission becoming effective not later than 8:00 a.m. on 6 October 2009, or such later date as Cenkos and the Company may agree, being not later than 8:00 a.m. on 30 October 2009.

The Placing is not conditional upon the Acquisition Agreements becoming unconditional. The New Ordinary Shares will be placed free of expenses and any stamp duty and will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, paid or made after the date of issue.

None of the New Ordinary Shares has been marketed to or will be made available in whole or in part to the public in conjunction with the application for Admission. The market capitalisation of the Company immediately following the Placing, at the Placing Price, will be approximately £53.67 million. The Placing Price represents a discount of approximately 27.3 per cent. to the closing middle market price of 27.5 pence per Ordinary Share on 17 August 2009, the day prior to the suspension of the Company's quotation on AIM. Application will be made to the London Stock Exchange for the Ordinary Shares, issued and to be issued, to be admitted to trading on AIM. If the Resolution is duly passed at the EGM, the Enlarged Issued Share Capital will be admitted to trading on AIM.

Shareholders may be concerned that they have not been able to participate in the Placing on a pre-emptive basis. The Board wishes to assure Shareholders that it considered this but concluded that the costs, timescale and complexity of such an exercise did not at present make economic sense.

Directors' Placing subscription and Share option arrangements

As part of the Placing, the Directors have agreed to subscribe for New Ordinary Shares. The table below sets out Directors' revised interests following the Placing:

| Name | As at the date of this announcement | | Following the Placing and Admission | |
|----------------------------|-------------------------------------|---|-------------------------------------|---|
| | Ordinary Shares | Percentage (%) of Existing Issued Share Capital | Ordinary Shares | Percentage (%) of Enlarged Issued Share Capital |
| Michael Blaha ¹ | 300,000 | 0.51 | 450,000 | 0.17 |
| John Craven ² | 2,166,667 | 3.71 | 2,666,667 | 0.99 |
| Ivan Murphy ³ | 1,400,000 | 2.40 | 1,800,000 | 0.67 |
| Michael Nolan ⁴ | 1,000,000 | 1.71 | 1,200,000 | 0.45 |

¹Pershing International Nominees Limited is the legal owner of 300,000 Ordinary Shares (and following the Placing and Admission will be the legal owner of 450,000 Ordinary Shares) of which Michael Blaha is the sole beneficiary

²Pershing International Nominees Limited is the legal owner of 2,166,667 Ordinary Shares (and following the Placing and Admission will be the legal owner of 2,666,677 Ordinary Shares) of which John Craven is the sole beneficiary

³Pershing International Nominees Limited is the legal owner of 1,400,000 Ordinary Shares (and following the Placing and Admission will be the legal owner of 1,800,000 Ordinary Shares) of which Ivan Murphy is the sole beneficiary

⁴J S Consult Limited Pension Fund is the legal holder of 1,000,000 Ordinary Shares (and following the Placing and Admission will be the legal owner of 1,200,000 Ordinary Shares) of which Michael Nolan is the sole beneficiary

The Directors believe that the success of the Group will depend to a high degree on the future performance of the management team. The Directors also recognise the importance of ensuring that employees, directors and consultants are well motivated and identify closely with the success of the Group. In order to provide an incentive to employees, directors and consultants of the Group, the Company has proposed that the New Share Option Schemes are adopted at the Circular EGM. Details of the New Share Option Scheme and the proposed options to be granted thereunder. In addition, the Company already has in place the Existing Share Option Scheme. It is intended that following adoption of the New Share Option Schemes, options will no longer be granted under the Existing Share Option Scheme.

The Directors hold the following share options granted pursuant to the Existing Share Option Scheme:

| Name | No of Ordinary Shares under option | Expiry Date | Exercise price |
|-----------------|------------------------------------|-----------------|----------------|
| Michael Blaha | N/A | N/A | N/A |
| John Craven | N/A | N/A | N/A |
| Ivan Murphy | N/A | N/A | N/A |
| Michael Nolan** | 160,000 | 23 January 2014 | £0.05 |

** The options are registered in the name of J S Consult Limited Pension Fund of which Michael Nolan is the sole beneficiary.

Upon the passing of the relevant resolutions at the Circular EGM it is intended that the Company shall immediately grant the following share options, under the New Share Option Schemes to the Directors:

| Name | Name of scheme | No of Ordinary Shares under option | Expiry Date | Exercise price |
|---------------|--|------------------------------------|-------------------------------------|----------------|
| Michael Blaha | Unapproved Executive Share Option Scheme | 6,500,000 | 7 years following the date of grant | £0.20 |
| John Craven | Unapproved Executive Share Option Scheme | 6,500,000 | 7 years following the date of grant | £0.20 |
| Ivan Murphy | Unapproved Scheme Option Scheme | 4,500,000 | 7 years following the date of grant | £0.20 |
| Michael Nolan | Unapproved | 1,850,000 | 7 years following | £0.20 |

Executive Share Option Scheme

the date of grant

It has been agreed that following the grant of the above options, such options will vest in tranches over a 30 month period and subject to the price of the Ordinary Shares meeting the key performance target, as set out below, over a one month period starting one month prior to the applicable vesting period and ending on the expiry date set out above.

| <i>Vesting Period</i> | <i>Percentage (%) of options granted which may vest</i> | <i>Key performance target – price of Ordinary Share</i> |
|---------------------------------------|---|---|
| 12 months following the date of grant | 40% | £0.35 |
| 21 months following the date of grant | 30% | £0.40 |
| 30 months following the date of grant | 30% | £0.45 |

Corporate governance

The Directors recognise the importance of sound corporate governance and they intend, so far as is practicable, given the Company's size, to comply with the Combined Code, as modified by the recommendations of the Quoted Companies Alliance.

The Directors intend to establish 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 also intend to establish a remuneration committee which will, when applicable, determine the terms and conditions of service of executive Directors and be responsible for reviewing their performance and for determining the payment of any bonuses or the grant of any share options. It is intended that as the Board increases in size, the committees will only comprise non-executive Directors. However, at present both committees are made up of non-executive Directors and 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.

Settlement and CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company's Ordinary Shares are admitted to CREST and it is expected that the New Ordinary Shares will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. Accordingly, settlement of transactions in Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Persons acquiring Ordinary Shares as a part of the Placing may elect to receive such shares in uncertificated form if, but only if, that person is a "system-member" (as defined in the CREST Regulations) in relation to CREST.

Extraordinary general meeting

The EGM to be held at the offices of Lawrence Graham LLP at 4 More London Riverside, London SE1 2AU at 10:30 a.m. on 5 October 2009. As the Acquisitions constitute a reverse takeover, Shareholder approval of the Acquisitions, as set out in the Resolution, is required under the AIM Rules for Companies.

Irrevocable undertakings and recommendation

The Company has received Irrevocable Undertakings to vote in favour of the Resolution at the EGM holding in aggregate 38,245,164 Ordinary Shares representing 65.55 per cent. of the current issued share capital of the Company.

The Directors are of the opinion that the Acquisitions are in the best interests of the Company and its Shareholders and, accordingly, unanimously recommend that Shareholders vote in favour of the Resolution which is to be proposed at the EGM as the Directors intend to do in respect of their own beneficial holdings of 4,866,000 Ordinary Shares representing 8.34 per cent. of the current issued share capital of the Company.

Definitions and Glossary

The following definitions apply throughout this announcement unless the context requires otherwise:

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| “Acquisitions” | the acquisition of the Mozambique Assets and the Tanzania Assets by Cove Energy, pursuant to the Acquisition Agreements and each of such acquisition shall be referred to as an “Acquisition” |
| “Acquisition Agreements” | the conditional agreements entered into pursuant to the Acquisitions including, the Tanzania Farm-in Agreement, the Mozambique Acquisition Agreements and the Royalty Agreement |
| “Admission” | admission of the Enlarged Issued Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules for Companies |
| “Admission Document” | the document being sent to Shareholders on 18 September 2009 |
| “AIM” | AIM, a market operated by the London Stock Exchange |
| “AIM Rules for Companies” | the rules for companies whose securities are admitted to trading on AIM as published by the London Stock Exchange from time to time |
| “AIM Rules for Nominated Advisers” | the rules setting out the eligibility, ongoing obligations and certain disciplinary matters in relation to nominated advisers, as published by the London Stock Exchange from time to time |
| “Anadarko” | Anadarko Mozambique Area 1 Limitada, a company incorporated in the Republic of Mozambique |
| “Artumas” | Artumas Group Inc, a company incorporated in Canada with registered number 884594516 |
| “Artumas Gas” | AG&P Gas Limited, also known as Artumas Group and Partners (Gas) Limited a company registered and existing under the laws of the United Republic of Tanzania |
| “Artumas Group” | Artumas and its subsidiaries, as appropriate |
| “Artumas Mozambique” | Artumas Mozambique Petroleos Limitada, a company incorporated in the Republic of Mozambique |
| “Artumas Mauritius” | Artumas Mozambique (Mauritius) Limited, a company incorporated in Mauritius |
| “Artumas Power” | AG&P Power Limited, a company registered under the laws of the United Republic of Tanzania |
| “Assets” | together, the Mozambique Assets and the Tanzania Assets |
| “Audit Committee” | the audit committee of the Board |
| “bcf” | billion cubic feet of gas |
| “bcfe” | billion cubic feet of gas equivalent |
| “Bharat Petroleum” | BPRL Ventures Mozambique B.V. |
| “Board” or “Directors” | the board of directors of the Company currently comprising the persons whose names are set out above |
| “Bondholders” | Artumas’ bondholders |
| “bscf” | billion standard cubic feet of gas |
| “Business Day” | a day other than a Saturday or Sunday on which banks are open for commercial business in the City of London |
| “Call Option Agreement” | the exclusivity and call option agreement dated 21 July 2009 between the Option Holders and Artumas in relation to the acquisition of certain assets |
| “Cedar Resources” | Cedar Resources Holding Limited, a joint venture company to be owned 80 per cent. by Quantic Group and 20 per cent. by Cove |

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| | Energy |
| “Cenkos”, “NOMAD” or “Nominated Adviser” | Cenkos Securities plc, a company incorporated in England and Wales with registered number 05210733 and having its registered office at 6.7.8 Tokenhouse Yard, London EC2R 7AS |
| “Certificated” or “in Certificated Form” | not in uncertificated form (that is, not in CREST) |
| “Circular” | the circular dated 11 September 2009 sent to Shareholders in connection with, <i>inter alia</i> , the adoption of the New Articles and the New Share Option Schemes |
| “Circular EGM” | the extraordinary general meeting to be held at the offices of Lawrence Graham LLP at 4 More London Riverside, London SE1 2AU at 10.00 a.m. on 5 October 2009, the notice of which is set out in the Circular |
| “Circular Resolutions” | the resolutions contained in the notice of the Circular EGM |
| “City Code” | the City Code on Takeovers and Mergers |
| “Combined Code” | the principles of good governance and code of best practice applicable to companies which are listed on the Official List, as amended from time to time |
| “Company” or “Cove Energy” | Cove Energy plc, a company incorporated in England and Wales with registered number 4994974 and having its registered office at 22 Grafton Street, London W1S 4EX |
| “Completion” | means in respect of any contract such contract being unconditional in all respects and completing in accordance with its terms |
| “Concessionaires” | each of the parties to the relevant Exploration and Production Contracts |
| “Cost Petroleum” | means the portion of Petroleum Produced which is available to the relevant JOA Parties to cover the costs and expenses incurred in carrying out the petroleum operations pursuant to the EPC |
| “Cove East Africa” | Cove Energy East Africa Limited, a company registered and existing under the laws of Cyprus |
| “Cove Mozambique Offshore” | Cove Energy Mozambique Rovuma Offshore Limited, a company registered and existing under the laws of Cyprus |
| “Cove Mozambique Onshore” | Cove Energy Mozambique Rovuma Onshore Limited, a company registered and existing under the laws of Cyprus |
| “Cove Tanzania” | Cove Energy Tanzania Limited, a company registered and existing under the laws of Cyprus and of which Cove Energy is the ultimate parent |
| “CREST” | the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by Euroclear UK & Ireland Limited |
| “CRESTCo” | CRESTCo Limited, the operator of CREST |
| “CREST Regulations” | the Uncertificated Securities Regulations 2001 (SI 2001/3755) as amended |
| “Disclosure and Transparency Rules” | the disclosure and transparency rules issued by the FSA acting in its capacity as the competent authority for the purposes of Part V of FSMA |

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| “EGM” or “Extraordinary General Meeting” | the extraordinary general meeting to be held at the offices of Lawrence Graham LLP at 4 More London Riverside, London SE1 2AU at 10:30 a.m. on 5 October 2009 |
| “ENH” | Empresa Nacional de Hidrocarbonetos, E.P., a company incorporated in Mozambique |
| “EMV” | expected monetary value |
| “Enlarged Issued Share Capital” | the entire issued ordinary share capital of the Company immediately following Admission comprising the Existing Ordinary Shares and the New Ordinary Shares |
| “EPC” | the relevant exploration and production concession |
| “EPC Area” | the area within which the Concessionaires have rights to conduct petroleum operations pursuant to the relevant Exploration and Production Contract |
| “EUR” | estimated ultimate recovery |
| “Existing Issued Share Capital” | the issued Share Capital of the Company as at today’s date |
| “Existing Ordinary Shares” | the 58,348,334 Ordinary Shares in issue as at today’s date |
| “Existing Shareholders” | the holders of Existing Ordinary Shares |
| “Existing Share Option Scheme” | the existing share option scheme adopted by the Company |
| “Exploration and Production Contract(s)” | the exploration and production contracts entered into, <i>inter alia</i> , by each respective operator and the governments of Mozambique and Tanzania (as applicable) in respect of the Assets |
| “FMO” | The Netherlands Development Finance Company |
| “Form of Proxy” | the form of proxy (coloured pink) for use by Existing Shareholders in respect of the EGM |
| “FSA” | the Financial Services Authority |
| “FSMA” | the Financial Services and Markets Act 2000, as amended |
| “Group” or “Cove Energy Group” | the Company and its subsidiaries as at today’s date |
| “GTP” | gas to power |
| “HMRC” | HM Revenue & Customs |
| “IFRS” | International Financial Reporting Standards as adopted for use in the European Union |
| “Interim Gas Sales Agreement” | the arrangement pursuant to which gas is sold by Artumas Gas to Artumas Power as evidenced by a letter from Artumas Energy (Tanzania) Limited to TPDC entitled “Agreement on Gas Price under the Interim Power Purchase Agreement” and dated 2 March 2007 |
| “Irrevocable Undertakings” | the irrevocable undertakings given by the Directors and other Shareholders who hold Existing Ordinary Shares in relation to voting at the EGM |
| “Joint Account Costs” | all costs and expenses as provided or in the relevant JOA in respect of joint operations of the JOA Parties and chargeable to the joint account of the JOA Parties |
| “JOAs” | the joint operating agreements entered into by Artumas, Artumas and the JOA Parties in respect of the Assets |

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| “JOA Parties” | the holders of any participating interest in the Mozambique Assets and/or the Tanzania Assets (other than Artumas) prior to the transfer of the Assets to the Company pursuant to the Acquisition Agreements |
| “Lapp Plats AB” | Lapp Plats AB, a company incorporated in Sweden and a 100 per cent. owned subsidiary of Cove Energy |
| “Lock-in Agreements” | the agreement between each of the Directors, Cenkos and the Company, pursuant to which each Director has given certain undertakings with respect to their holdings of Existing Ordinary Shares and where applicable New Ordinary Shares on Admission |
| “London Stock Exchange” | London Stock Exchange plc |
| “Maurel et Prom” or “M&P” | Les Etablissements Maurel et Prom, a company incorporated in France |
| “Mcf” | thousand cubic feet of gas |
| “MIREM” | Mozambique Ministry of Minerals Resources |
| “Mitsui” | Mitsui E&P Mozambique Area 1 Limited, a company incorporated in Mozambique |
| “MMcf/day” | million cubic feet of gas per day |
| “Mnazi Bay/Msimbati Gas Fields” | the producing gas fields located in the Mtwara region of South-Eastern Tanzania |
| “Mozambique Acquisition Agreements” | the Mozambique Offshore Farm-in Agreement and the Mozambique Onshore Farm-in Agreement |
| “Mozambique Assets” | the Mozambique Offshore Asset and the Mozambique Onshore Asset |
| “Mozambique EPCs” | together, the Mozambique Onshore EPC and the Mozambique Offshore EPC |
| “Mozambique JOAs” | together, the Mozambique Onshore JOA and the Mozambique Offshore JOA |
| “Mozambique Offshore Asset” | the 8.5 per cent. participating interest in the Mozambique Offshore EPC |
| “Mozambique Onshore Asset” | the 10 per cent. participating interest in the Mozambique Onshore EPC |
| “Mozambique Offshore EPC” | the exploration and production concession contract entered into by the relevant operator and the Government of the Republic of Mozambique in respect of the Mozambique Rovuma Offshore Area 1 |
| “Mozambique Onshore EPC” | the exploration and production concession contract entered into by the relevant operator and the Government of the Republic of Mozambique in respect of the Mozambique Rovuma Onshore |
| “Mozambique Offshore Farm-In Agreement” | the conditional agreement relating to the acquisition of the Mozambique Offshore Assets |
| “Mozambique Onshore Farm-In Agreement” | the conditional agreement relating to the acquisition of the Mozambique Onshore Assets |
| “Mozambique Offshore JOA” | the joint operating agreement entered into in relation to the Mozambique Rovuma Offshore Area 1 |
| “Mozambique Onshore JOA” | the joint operating agreement entered into in relation to the Mozambique Rovuma Onshore |

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| “Mozambique Rovuma Offshore Area 1” | the 10,000 km ² Rovuma basin offshore area |
| “Mozambique Rovuma Onshore” | the 15,000 km ² Rovuma basin onshore area |
| “New Articles” | the new articles of association proposed to be adopted by the Company at the Circular EGM |
| “New Ordinary Shares” | 210,000,000 new Ordinary Shares to be issued by the Company and placed with Placees pursuant to the Placing |
| “New Share Option Schemes” | the unapproved executive share option scheme and the unapproved share option scheme proposed to be adopted by the Company at the Circular EGM, details of which are set out in the Circular |
| “Notice of EGM” | the notice of EGM, which is set out at the end of the Admission Document |
| “NPV” | discounted present value using future cash flows |
| “OFEX” | a former market which provided a facility for trading shares in unlisted companies |
| “Official List” | the Official List of the UK Listing Authority |
| “Options” | existing options to subscribe for Ordinary Shares under the terms of the Company’s Existing Share Option Scheme |
| “Option Holders” | Together the Company and M&P |
| “Ordinary Shares” or “Shares” | Ordinary shares of 1 pence each in the capital of the Company |
| “Participant ID” | the identification code or membership number used in CREST to identify a particular CREST member or other CREST participant |
| “Petroleum Operations” | means any operations relating to the extraction of petroleum pursuant to the term of the relevant JOA, PSA or EPC |
| “Petroleum Produced” | means petroleum which has been extracted from a reservoir, initially separated and processed into crude oil, condensate or natural gas, delivered to the delivery point for onwards transportation in bulk or through a pipeline |
| “PGS” | Petroleum Geo-Services ASA, a company incorporated in Norway with registered number 916235291 |
| “PGS Agreement” | the technical services agreement entered into between (1) PGS Ventures and (2) the Company |
| “PGS Group” | PGS and its subsidiaries |
| “PGS Ventures” | PGS Ventures AS, a wholly owned subsidiary of PGS, incorporated in Norway with registered number 994204408 |
| “Placees” | subscribers for New Ordinary Shares procured by Cenkos on behalf of the Company pursuant to the Placing Agreement |
| “Placing” | the conditional placing by Cenkos of the New Ordinary Shares on behalf of the Company at the Placing Price pursuant to and on the terms of the Placing Agreement |
| “Placing Agreement” | the conditional agreement dated 18 September 2009 between (i) Cenkos; (ii) the Company; and (iii) the Directors relating to the Placing |
| “Placing Price” | 20 pence for each New Ordinary Share |
| “Profit Petroleum” | means the portion of Petroleum Produced in excess of Cost Petroleum and which is allocated to the relevant JOA Parties |
| “Prospectus Rules” | the Prospectus Rules of the FSA brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004 and the |

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| | Prospectus Regulations 2005 (SI 2005/1433) |
| “PSA” | the production sharing agreement in respect of the Tanzania Assets |
| “Quantic Group” | Quantic Limited, a company incorporated in the British Virgin Islands |
| “Quantic Warrants” | the warrants issued by the Company in favour of Quantic Group to subscribe for Ordinary Shares in the Company |
| “R&A” | Rose & Associates LLP, a limited liability partnership |
| “R&A Reports” | the reports dated 8 September 2009 and addressed to the Company and Cenkos, regarding the oil and gas resources contained within the Mozambique Assets and the Tanzania Assets (excluding the Mnazi Bay/Msimbati Gas Fields) |
| “Registrar” | Computershare Investor Services (Ireland) Ltd, Heron House, Corrig Road, Sandyford Industrial Estate, Dublin 18, Ireland |
| “Resolution” | the resolution to be proposed at the EGM and contained in the Notice of EGM |
| “Remuneration Committee” | the remuneration committee of the Board |
| “Royalty Agreement” | the agreement made between Cove Mozambique Offshore and Artumas Mauritius pursuant to which Cove Mozambique Offshore agrees to pay Artumas Mauritius a royalty of 6.4 per cent. of the profit petroleum which Cove Mozambique Offshore is entitled to pursuant to its participating interest in the Mozambique Offshore Asset. |
| “RPS” or “RPS Energy” | RPS Energy, a division of RPS Group Plc, a company incorporated in England and Wales with registered number 02087786 |
| “RPS Report” | the report dated 15 September 2009 and addressed to the Company and Cenkos, regarding the resource assessment of the Mnazi Bay/ Msimbati Gas Fields |
| “SCF” | standard cubic foot |
| “Shareholder(s)” | (a) person(s) who is/are registered as holder(s) of Ordinary Shares from time to time |
| “Significant Shareholders” | has the meaning ascribed to it pursuant to the AIM Rules for Companies |
| “subsidiaries” | any subsidiary as defined in the 2006 Act |
| “Supplemental PGS Agreement” | the agreement dated today’s date between PGS Ventures and the Company which varies certain provisions of the PGS Agreement |
| “Takeover Panel” | the Panel on Takeovers and Mergers which administers the City Code |
| “Tanzania Assets” | together the Tanzania Exploration Asset and the Tanzania Producing Asset |
| “Tanzania Exploration Asset” | the 20.475 per cent. participating interest in the exploration operations of the 756 km ² Tanzania Mnazi Bay concession |
| “Tanzania Farm-in Agreement” | the conditional agreement relating to the acquisition of the Tanzania Assets |
| “Tanzania JOAs” | the joint operating agreements entered into in relation to the Tanzania Assets |

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| “Tanzania Producing Asset” | the 16.38 per cent. participating interest in the Mnazi Bay/Msimbati Gas Fields and any operations other than exploration in the 756 km ² Tanzania Mnazi Bay concession |
| “TPDC” | Tanzania Petroleum Development Corporation |
| “UK” or “United Kingdom” | United Kingdom of Great Britain and Northern Ireland |
| “UK Listing Authority” | the Financial Services Authority acting in its capacity as competent authority for the purposes of Part V of FSMA |
| “uncertificated” or “in uncertificated form” | recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which by virtue of the CREST Regulations, may be transferred by means of CREST |
| “Videocon” | Videocon Energy Resources Limited |
| “1985 Act” | the Companies Act 1985, as amended |

Notes to editors:

Cove Energy

Cove Energy is an AIM traded oil and gas company. Following a strategic review and Board changes in June 2009, the business changed its name to Cove Energy plc from Lapp Plats plc at its AGM on 2 July 2009 and changed its operational focus to oil and gas.

The Company’s initial focus is on Africa and the Mediterranean. The Company is “opportunity driven” but the objective is to target assets in areas where larger oil companies are not yet active or have overlooked opportunities. Cove Energy will also seek out assets owned by companies in distress as a result, for instance, of the current global economic climate.

Maurel & Prom

Since 2000, Maurel & Prom’s business has focused on hydrocarbon exploration and production and today the group has operations in 10 countries across four continents. Maurel & Prom’s business model is focussed on five main areas: exploration; production & development; acquisition of permits; arbitrage and drilling. Maurel & Prom is listed on Euronext Paris – compartment A – CAC mid 100 Index. It has a market capitalization in excess of €1.5 billion and already has oil and gas interests in Tanzania.

www.maureletprom.fr

Anadarko Petroleum

Anadarko Petroleum is among the largest independent oil and natural gas exploration and production companies in the world, with 2.28 billion barrels of oil equivalent of proved reserves at year-end 2008. Anadarko’s portfolio of assets encompasses premier positions in 10 major U.S. onshore natural gas resource plays. The company is also the largest independent deepwater producer in the Gulf of Mexico, and has production and/or exploration in Alaska, Algeria, Brazil, China, Indonesia, Mozambique and West Africa. Anadarko is listed on the New York Stock Exchange under the symbol APC.

www.anadarko.com