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This announcement is not an announcement of a firm intention to make an offer under Rule 2.7 of the City Code on Takeovers and Mergers (the "Takeover Code") and there can be no certainty that an offer will be made, nor as to the terms on which any offer will be made.

5 January 2012

FOR IMMEDIATE RELEASE

**Cove Energy plc
(the "Company" or "Cove")
Company Formal Sale Process**

Cove Energy plc (AIM:COV), the AIM quoted upstream oil and gas company, announced on 13 December 2011 that, in line with its stated strategy of value creation through exploration and appraisal it had opened a data room to certain parties who expressed an interest in Cove's 8.5 per cent participating interest in the Mozambique Offshore Area 1 block ("Rovuma Area 1 Interest"), the gas LNG project which is moving towards the development stage.

Rovuma Area 1 Interest represents a substantial portion of Cove's asset value within the portfolio of focussed and complementary assets which the Company has built in East Africa. As such the Directors have unanimously agreed that a sale of the Company may be appropriate at this time. The Directors have decided to conduct a formal sale process for the entire issued and to be issued share capital of the Company, running alongside other strategic options outlined in the press release on 13 December 2011, including a transaction involving the sale of the Rovuma Area 1 Interest, in line with the Company's stated strategy.

The Takeover Panel has granted a dispensation from the requirements of Rules 2.4(a), 2.4(b) and 2.6(a) of the Takeover Code (the "Code") such that any interested party participating in the formal sale process will not be required to be publicly identified as a result of this announcement (subject to note 3 to Rule 2.2 of the Code) and will not be subject to the 28 day deadline referred to in Rule 2.6(a), for so long as it is participating in the formal sale process. Interested parties should note Rule 21.2 of the Code, which will prohibit any form of inducement fee or other offer-related arrangement, and that the Company has not requested any dispensation from this prohibition under Note 2 of Rule 21.2 at this stage.

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Registered in England and Wales no. 4994974. VAT no: 931289222

The Company is to conduct the formal sale process through its adviser, Standard Chartered Bank, in the following manner. Potential offerors for the entire issued and to be issued share capital of the Company should contact Standard Chartered Bank (contact details as below) without delay. Any interested party will be required to enter into a non-disclosure agreement with the Company on reasonable terms satisfactory to the Board and on the same terms, in all material respects, as the other interested parties, before being permitted to participate in the process. The formal sale process will involve a due diligence phase during which participants will be given access to a data room and management following which interested parties shall be invited to submit their proposals to the Company. The Board shall then discuss certain of these proposals with one or more relevant parties with a view to agreeing an offer with one party which it is able to recommend to shareholders.

The Board reserves the right to alter any aspect of the sale process as outlined above or to terminate it at any time and in such cases will make an announcement as appropriate.

The Board reserves the right to reject any approach or terminate discussions with any interested party or participant at any time. There can be no certainty that any offer will be made for the Company, or even proposed, or as to the level of any proposal or offer that may be made.

Cenkos Securities plc is also acting for the Company in relation to its role as Nominated Adviser and Broker to the Company.

Further announcements will be made in due course, as and when appropriate.

For further information please contact:

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A copy of this announcement will be available at www.cove-energy.com. The content of the website referred to in this announcement is not incorporated into and does not form part of this announcement.

Standard Chartered Bank (which is authorised and regulated in the United Kingdom by the Financial Services Authority under FSA number 114276) is acting exclusively for the Company and for no one else in connection with the matters described in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Standard Chartered Bank nor for providing advice in relation to the matters described in this announcement.

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This announcement is not intended to, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities whether pursuant to this announcement or otherwise. The distribution of this announcement in jurisdictions outside the United Kingdom may be restricted by law and therefore persons into whose possession this announcement comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities law of any such jurisdiction.

Rule 2.10 disclosure

In accordance with Rule 2.10 of the Code, the Company confirms that it has 490,995,300 ordinary shares of £0.01 each in issue and admitted to trading on the AIM market of the Stock Exchange with the ISIN GB0034353531.

Disclosure requirements of the Takeover Code (the "Code")

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any paper offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper

offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any paper offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a paper offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

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