



**53 Davies Street  
Mayfair  
London W1K 5JH  
Tel: +44 203 008 5260  
Tel: +353 1 662 4351  
Fax: +353 1 661 3119**

**28 July 2010**

**Cove Energy plc  
Kenya Deepwater farm-in  
Mozambique Operations Update**

Cove Energy plc ("the Company" or "Cove", AIM:COV), the AIM quoted upstream oil and gas company focused on East Africa, is pleased to announce that it has concluded a conditional farm-in agreement with Dynamic Energy Exploration and Production Corporation ("DEPCO") to acquire a 15% participating interest in five contiguous deepwater blocks L5, L7, L11A & B and L12 (the "Blocks") covering an area of over 30,500 sq kms, offshore Kenya, East Africa. The five Blocks are held in a Joint Venture by Dynamic Global Advisors Kenya Limited, a wholly owned subsidiary of DEPCO with a 30% interest (15% after farmout) and Anadarko Kenya Company, an affiliate of Anadarko Petroleum Corporation ("Anadarko"), the operator of the blocks with a 70% interest.

**Highlights**

- Extensive contract area – approximately 30,500 sq km (7.5 million acres) over the entire deepwater fairway offshore Kenya, more than three times the size of the Company's Area 1 Offshore Mozambique block.
- Diversity of hydrocarbon play types - typical deepwater hydrocarbon plays such as turbidite fan/channels in a number of structural and stratigraphic trapping situations are evident from existing seismic data and are similar to those identified offshore Mozambique.
- Evidence of working petroleum systems - adjacent shallow water and onshore wells have oil and gas shows together with active oil seeps on Pemba Island near the southern part of the contract area.
- Recent extensive 2 D seismic - over 5000 line kilometres of modern 2 D seismic has been acquired in 2010.
- Experienced Operator – Anadarko has considerable offshore Africa deepwater exploration experience and has enjoyed notable success in Ghana (Jubilee) and Mozambique (Windjammer).
- Drilling Continuity for Cove – drilling on the Kenya blocks is expected to commence in 2012/13 and is planned to follow the ongoing 2010/11 Mozambique offshore exploration programme ensuring continual drilling activity for Cove in East Africa deepwater basins.
- Provides synergy between DEPCO and Cove combining DEPCO's knowledge and strategic data - base in a number of emerging plays offshore Africa with Cove's experienced technical and financial strengths. Both companies will seek to co-operate in future ventures.



## Consideration

Cove is paying US\$15.5m (the "Consideration") inclusive of acquisition costs, a reimbursement of DEPCO's past expenditure on the blocks and funding for Cove's and DEPCO's forward work programme during the first exploration phase which extends to June 2012. US\$10.5m of the Consideration is payable in cash with the balance of US\$5m in Cove shares to be allotted at the time of closing.

It is expected that this transaction will close in Q3 2010 pending receipt of normal partner, and government consents ("Closing"). In this respect Anadarko has already given its preliminary approval.

The new ordinary shares in Cove allotted as part of the Consideration will be priced at an average of the Cove share price for the 5 business days prior to Closing and will rank pari-passu with existing ordinary shares. DEPCO have agreed to a lock-up on such shares for six months from their date of admission to trading on AIM.

## Mozambique Operations

The Company is pleased to announce that drilling and associated operational activities continue on the Ironclad well and the Company will make a further announcement as and when appropriate.

John Craven, Chief Executive of Cove, said:

"We are delighted to have secured this farm-in. These Blocks effectively cover from north to south most of the Kenyan deepwater acreage where we have identified on seismic data geological features that are similar to what we see in our existing interests in Mozambique and Tanzania.

"Aligning with Anadarko ensures operational and exploration continuity in our core area of East Africa with offshore Kenya as a natural follow on to our active exploration programme in Mozambique where operations on the Ironclad well are continuing."

- Ends -

## **For further information, please contact:**

### **Cove Energy plc**

John Craven, CEO

c/o Billy Clegg

Tel: +44 (0)20 7831 3113

### **Cenkos Securities**

Jon Fitzpatrick

Tel: +44 (0)20 7397 8900

Ken Fleming

Tel: +44 (0)131 220 693

### **Financial Dynamics**

Billy Clegg / Edward Westropp

Tel: +44 (0)20 7831 3113

John Craven, Chief Executive Officer of Cove, and a qualified person as defined in the Guidance Note for Mining, Oil and Gas Companies, March 2006, of the London Stock Exchange, has



reviewed and approved the technical information contained in this announcement. Mr Craven is a petroleum geologist with approximately 35 years' experience.

#### **Notes to Editors**

Cove Energy is an AIM quoted E&P company with a 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.

The Company's initial focus is on Africa and the Mediterranean. Current operations in Mozambique include the Rovuma Onshore Area where Cove holds a 10% interest in the EPCC and an 8.5% interest in the EPCC covering Rovuma Offshore Area 1. A planned six well programme on Rovuma Offshore Area 1 (which includes the Windjammer discovery), to be executed in accordance with the revised conditions of the EPCC, commenced in December 2009 and is now drilling the third well, Ironclad.

Anadarko Petroleum Corporation is the Operator of both Mozambique EPCCs.

Cove Energy also has a 16.38% interest in petroleum operations (other than exploration operations) and a 20.475% interest in exploration operations in the Tanzanian Mnazi Bay concession, including the Mnazi Bay Production Sharing Contract, which contains the Mnazi Bay and Msimbati gas fields. Maurel & Prom is the Operator of these assets.

Cove operates 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 to partner and joint venture with investors and associates who will support Cove Energy with commercial skills and influence in areas where the Company intends to grow its business.

Cove Energy has a strong management team with a wealth of experience in oil and gas operations. Michael Blaha, Executive Chairman and formerly Country Chairman for Royal Dutch Shell Group in Algeria, is a petroleum engineer with twenty-nine years industry experience, his entire career spent working at Shell. John Craven, Chief Executive Officer and formerly founder and, until March 2009, CEO of Petroceltic International plc, is a petroleum geologist with thirty five years experience in senior technical and commercial roles in upstream oil and gas exploration and production companies.

[www.cove-energy.com](http://www.cove-energy.com)

Dynamic Exploration and Production Company is a privately held advanced exploration company based in Houston, Texas. The company leverages a highly experienced staff developing new geologic models and exploration strategies to acquire opportunities in proven and frontier acreage. DEPCO subsidiaries are currently working with several Governments and Companies on various strategic exploration and resource assessment projects.

For more information on Dynamic, please refer to the company's website:  
[www.dynamicga.com](http://www.dynamicga.com)