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## Cove Energy plc

### Operational Update

### Strategy Update

### Board Changes – Appointment of further Non-Executive Director

Cove Energy plc ("the Company" or "Cove", AIM:COV), the AIM quoted upstream oil and gas company, is pleased to provide an update on various commercial and operational matters.

#### Operational Update

##### Drilling update

The Belford Dolphin drillship commenced a fully funded four well deep-water programme in the Rovuma Offshore Area 1 Mozambique, ("Rovuma Offshore") in December 2009 and is currently drilling on the Windjammer prospect, the first to be evaluated in the drilling schedule. Anadarko Petroleum Corporation is the operator.

The Company expects to release further updates on its ongoing drilling and evaluation programme in due course. It is the current intention of the Rovuma Offshore partners to release information on each of the planned four wells after the well has reached its total depth, unless otherwise agreed.

As announced on 7 December 2009, further evaluation of the Mecupa 1 commitment well results in the Company's Rovuma Onshore Area, Mozambique, are ongoing.

##### Royalty agreement with Artumas

Following completion of the acquisition of the Company's 8.5% Mozambique Offshore participating interest ("Mozambique Offshore"), the Company has now finalised a reduction in the royalty interest granted to Artumas Mozambique (Mauritius) Limited ("Artumas Mauritius") from 6.4% to 4.95% of Cove's share of profit petroleum arising from its interest in Mozambique Offshore. This reduction recognises the payment by Cove of certain cash calls and other expenses, prior to completion of the transfer to it of Mozambique Offshore, which has now taken place.

##### Mnazi Bay

Proposals to further commercialise existing gas production in the Mnazi Bay gas production and exploration PSC and a plan to recommence exploration activities there are being formulated by the operator, Maurel & Prom, and will be presented to all partners during H1-2010.



The Artumas Group had invested nearly US\$200 million in its Tanzania and Mozambique assets prior to Cove's acquisition of its interests in them and the Directors remain optimistic regarding the current exploration programme and the Board's ability to realise potential value from these prospective hydrocarbon assets

### **Strategy Update**

Whilst the Board's initial focus is on East Africa and in particular the current Anadarko operated drilling programme, the Directors, together with strategic investors such as seismic contractor Petroleum Geo-Services ("PGS"), continue to review opportunities and potential acquisitions. The execution capability of the Board in respect of engineering completion of the acquisitions from Artumas Group, Cove's first transaction, has substantially elevated the Company's own profile within its market place, and has directly led to the development of a healthy pipeline of future potential transactions.

### **Board Changes – Appointment of further Non- Executive Director**

The Board recognises the importance of sound corporate governance and intends, 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 ("QCA"). In this regard the Board is pleased to announce the appointment of Dr G. H. Stephen Staley to the Board as Non-Executive Director with immediate effect. Dr Staley has a PhD in Petroleum Geology, a BSc in Geophysics and a Masters Degree in Business Administration and has gained extensive experience in gas and power projects in East Africa while working as Development Director for Cinergy Global Power. His appointment follows that of Non-Executive Frank Moxon to the Board on 3<sup>rd</sup> December 2009, which was in accordance with the timetable and strategy set out in the Cove Admission Document. The Board is also continuing to interview other individuals from a pool of high quality, prospective candidates.

The information in relation to Dr Stephen Staley which is required to be disclosed pursuant to Schedule 2, paragraph (g) (i) – (viii) of the AIM Rules is as follows:

(i) Dr George Henry Stephen Staley, aged 49

(ii) Current directorships and partnerships:

Derwent Resources Ltd  
Derwent Resources (Ksar Hadada) Ltd  
Western Resource Investments, Inc.  
Cold Gold Co Ltd

Past directorships and partnerships in the previous 5 years:

Independent Resources plc  
Independent Energy Solutions srl  
Independent Resources (Ksar Hadada) Ltd

Save as disclosed above, there is no information in relation to the appointment of Dr Stephen Staley which is required to be disclosed pursuant to Schedule 2 paragraph (g) of the AIM Rules.

Dr Staley will join the Company's remuneration committee, replacing CEO, John Craven and he will also join the nomination and audit committees.

Following discussions with the Takeover Panel, the Board has become aware that it is the view of the Takeover Panel that the City Code on Takeovers and Mergers ("the Code") does not presently apply to the Company, principally on account of the non-UK residency of a majority of the Board,



notwithstanding that the Company is registered in England and Wales and operated and controlled from London. The Board has resolved to take such steps as are necessary to rectify this situation as soon as it is practicable to do so.

John Craven, CEO of Cove said:

"To date I am delighted with the rapid progress your Board has made since the announcement of our strategy, less than nine months ago. We have a fully funded four well drilling programme in an exciting and highly prospective region offshore Mozambique. The Belford Dolphin rig, operated by Anadarko, is currently drilling the first of those four wells. We have an exciting few months ahead and we are looking forward to updating shareholders in due course".

Michael Blaha, Chairman of Cove said:

"As a Board, we are committed to complying with the Combined Code, as modified by the recommendations of the QCA. As part of this commitment I am delighted to welcome Dr Stephen Staley to our Board. I believe his knowledge and experience particularly in East Africa will be of enormous benefit to Cove."

- Ends -

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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 four well programme on Rovuma Offshore 1, planned through to the end of 2010, commenced in December 2009. 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)