

24 September 2010

COVE ENERGY PLC (“Cove” or the “Company”)

2010 INTERIM RESULTS

Cove Energy plc (AIM: COV), the AIM quoted upstream oil and gas company with exploration and production assets in East Africa is pleased to announce its results for the six months period ended 30 June 2010.

Highlights

Rovuma Offshore Mozambique

- Drilled Windjammer, Collier and Ironclad prospects as part of a continuous 6 well programme;
- Windjammer gas discovery, 555 feet net pay in 3 turbidite fan reservoirs;
- Collier well suspended above the objective target due to operational problems. The well bore can be re-entered subject to further analysis of relevant data;
- Ironclad well encountered a net 125 feet (38 meters) of oil and gas saturated sandstones;
- Barquentine prospect, nearby Windjammer, currently being drilled.

Rovuma Onshore Mozambique

- Phase 1 exploration commitment fulfilled;
- Decision on Phase 2 by January 2011.

Tanzania

- Gas sales to Mtwara power plant continues;
- New subsurface study by the operator Maurel & Prom estimates 2TCF of gas at Mnazi Bay (Cove net approximately 320 BCF);
- Additional monetisation options being pursued; - new power generation, cement manufacturing, pipeline linking with Songo Songo gas field, other industrial applications.

Kenya

- Conditional purchase of 15% interest in 5 contiguous, Anadarko operated, deepwater blocks offshore Kenya, having a gross area of over 30,000 sq km .

Corporate Developments

- US\$70 million cash at 30 June 2010 and no debt;
- Successful US\$38 million (£25.7 million) institutional equity funding in March 2010, Cove now funded for the full 6 exploration well programme scheduled for 2010/11;
- Cove entered the FTSE AIM UK 50 index;
- New Directors appointed.

Outlook

- Barquentine drilling results anticipated in Q4;
- Exploration wells 5 & 6 offshore Mozambique 2010/11, appraisal wells planned in 2011;
- Completion of Kenya acquisition;
- Conclusion of Mnazi Bay gas monetisation feasibility study;
- Further new projects under review.

Chairman's and Chief Executive's Report

We are pleased to report that Cove Energy plc ("Cove" or the "Company") has continued to build upon the solid asset base it established in 2009. The Company has had remarkable success in the high-impact drilling campaign in Rovuma Offshore, Mozambique ("Rovuma Offshore") and it has also added to its exploration portfolio in East Africa with the acquisition of interests in five deepwater blocks offshore Kenya.

The Company has incurred capital expenditure of over US\$15 million in the first half of 2010, principally in providing its contribution of 10.0% of the costs (W.I. 8.5%) to the Rovuma Offshore exploration programme but also in improving the gas supply infrastructure in our Mnazi Bay gas facility in Tanzania.

Operationally we have continued with the Mozambique high-impact drilling programme in Rovuma Offshore. Following the successful Windjammer discovery, which we announced in February 2010, and having subsequently reached total depth in March 2010, the Belford Dolphin drillship commenced operations on the Collier-1 well. Operations on Collier-1 ceased in April 2010 after high pore pressure at the top of the predicted reservoir objective were encountered in the well. Collier-1 did not penetrate or fully evaluate the entire predicted objective section. The partners in Rovuma Offshore agreed to suspend the Collier-1 well in a manner which would allow re-entry of the well bore at a later date pending analysis of all relevant well data.

Drilling operations on Ironclad commenced in late April 2010 and reached total depth of 5,304m by late August 2010 having penetrated the objective Cretaceous formation where 38 meters of oil and gas was encountered in low porosity sandstones. Significant gas shows (C1 to C5) were present throughout the Cretaceous objective section. The Ironclad oil is the first documented occurrence of liquid hydrocarbons in deepwater offshore East Africa. This well has provided information which is critical to our continuing exploration program on the east African margin.

The fact that we have encountered oil in Ironclad is very encouraging.. The well was drilled relatively high on structure close to the predicted pinch-out of the Cretaceous turbidite fans and that the proximity to the pinch-out may be the reason for the relatively low porosity (9 to 10%) and permeability in the reservoir section. Cretaceous fan analogs (e.g. offshore Ghana) indicate that significantly better reservoir properties can be expected towards the centre of the fan system. The 3D seismic image of the Ironclad fan complex indicates an area of some 1,000 sq km. The discovery will require further appraisal to define the reservoir quality and the hydrocarbon (oil and gas) distribution in the fan system.

Ironclad has also proven that there are working petroleum systems that extend from the North to the South of Rovuma Offshore.

The Barquentine well, adjacent to Windjammer and the fourth of the Anadarko operated six well programme in the first phase of exploration on Rovuma Offshore, is currently drilling. Barquentine will test two targets in the Oligocene and one in the Paleocene which were all gas bearing in the Windjammer discovery. Two further exploration wells will immediately follow Barquentine after which an appraisal programme is planned.

In Tanzania we continue to work with our partners Maurel & Prom, Artumas and Tanzanian Petroleum Development Corporation on monetisation options of the Mnazi Bay gas field, and progress has been made in this regard. There has been considerable interest expressed from a number of quarters in pushing forward new gas utilisation plans such as power generation, cement and methanol production. These and other options will be consolidated by the operator, Maurel & Prom in to a new feasibility study commissioned by the partnership. Ongoing gas sales continue into the existing power plant at Mtwara.

A new subsurface study by the operator has concluded that the mean recoverable gas resources in Mnazi Bay are approximately 2 tcf (Cove share 320 bcf).

In accordance with our strategy to expand our position in the emerging basins of East Africa, we have concluded a conditional agreement to farm into a 15% interest in 5 contiguous deepwater blocks offshore Kenya. This transaction is currently awaiting the ratification of the Kenyan government. Anadarko is the operator and has a 70% interest in these 5 blocks. A new 5,000km 2-D Seismic programme has recently been completed and is now being interpreted. This is expected to lead to 3D seismic and drilling during 2012-2013. The blocks have a total area of over 30,000 sq km which is 3 times larger than our block in Rovuma Offshore.

We were very pleased to welcome to the board Dr. Stephen Staley in February and Anthony Golding in July as non-executive Directors. They both join the audit committee, the remuneration committee and the nomination committee of the Board.

Results for Period

We report a pre-tax loss of US\$2,912,051 (2009: loss US\$192,483) for the six months to 30 June 2010. The Company continues to be well funded and is in a strong financial position to finance its obligations for the remainder of 2010 and into 2011 having raised additional capital from existing and new institutional shareholders in March 2010 totalling £25.7 million (US\$38 million), before expenses.

Conclusion

We continue to be pleased with the rate of progress at Cove from both an operational and corporate perspective and we are particularly happy with all that has all been achieved in the relatively short period of 16 months.

We are confident that the discoveries in Rovuma Offshore will be company-making opportunities and we are well placed to benefit as these discoveries are appraised and move towards commercialisation in the period ahead.

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

Michael Blaha
Chairman
24 September 2010

John Craven
Chief Executive

Group Statement of Comprehensive Income
— for the six months ended 30 June 2010

	Notes	Unaudited 6 months to 30 June 2010 US\$	Unaudited 6 months to 30 June 2009 US\$	Audited year ended 31 December 2009 US\$
Sales revenue		197,238	—	—
Administrative expenses		(3,477,040)	(202,328)	(1,731,126)
Impairment of exploration and evaluation assets		—	—	(134,843)
Operating loss	3	(3,279,802)	(202,328)	(1,865,969)
Finance revenue		367,751	9,485	217,944
Loss on ordinary activities before taxation		(2,912,051)	(192,843)	(1,648,025)
Tax on loss on ordinary activities	4	—	—	—
Loss for the period		(2,912,051)	(192,843)	(1,648,025)
Other comprehensive income		(1,649)	1,883	5,935
Total comprehensive income for the period		(2,913,700)	(190,960)	(1,642,090)
Loss per ordinary share				
Basic and diluted – cents per share	5	(0.93)	(0.83)	(1.83)

Results above relate to continuing operations.

Group Statement of Financial Position
— as at 30 June 2010

	Notes	Unaudited 30 June 2010 US\$	Unaudited 30 June 2009 US\$	Audited 31 December 2009 US\$
Assets				
Non-current assets				
Intangible assets	7	34,580,375	137,846	19,376,228
		34,580,375	137,846	19,376,228
Current assets				
Trade and other receivables		1,610,383	19,419	1,209,463
Cash and cash equivalents	8	69,892,402	1,836,626	51,240,570
		71,502,785	1,856,045	52,450,033
Total assets		106,083,160	1,993,891	71,826,261
Equity and liabilities				
Equity				
Called up share capital	9	5,323,604	373,394	4,315,508
Share premium account	9	102,615,817	2,469,252	66,336,986
Retained loss and other reserves		(3,070,115)	(964,073)	(1,421,025)
Attributable to equity shareholders		104,869,306	1,878,573	69,231,469
Liabilities				
Current liabilities				
Trade and other payables		1,213,854	115,318	2,594,792
Total liabilities		1,213,854	115,318	2,594,792
Total equity and liabilities		106,083,160	1,993,891	71,826,261

Group Cash Flow Statement
— for the six months ended 30 June 2010

	Notes	Unaudited 6 months to 30 June 2010 US\$	Unaudited 6 months to 30 June 2009 US\$	Audited year ended 31 December 2009 US\$
Cash flows from operating activities				
Group operating loss		(3,279,802)	(200,328)	(1,865,969)
Adjustment for:				
Foreign exchange loss/(gain)		401,332	149	(689,719)
Share based payments		1,262,961	—	996,062
Write down of development costs		—	—	134,843
(Increase)/decrease in debtors		(400,920)	69,689	(1,120,296)
(Decrease)/ increase in creditors		(1,380,938)	58,294	2,537,825
Net cash used in operating activities		(3,397,367)	(72,196)	(7,254)
Cash flows from investing activities				
Expenditure on exploration activities		(15,204,147)	—	(19,355,537)
Interest received		367,751	9,485	217,944
Net cash (used in)/generated from investing activities		(14,836,396)	9,485	(19,137,593)
Cash flows from financing activities				
Net proceeds from issue of share capital		37,286,927	86,359	67,896,207
Net increase in cash and cash equivalents		19,053,164	23,648	48,751,360
Cash and cash equivalents at beginning of period		51,240,570	1,812,978	1,812,978
Effect of foreign exchange on cash and cash equivalents		(401,332)	—	676,232
Cash and cash equivalents at end of period	8	69,892,402	1,836,626	51,240,570

Group Statement of Changes in Equity
— for the six months ended 30 June 2010

	Share capital US\$	Share premium US\$	Share based payment reserve US\$	Foreign exchange reserve US\$	Accumulated losses US\$	Total US\$
Balance at 1 January 2009	356,122	2,400,165	15,988	(11,470)	(773,580)	1,987,225
Total comprehensive income for the period	—	—	—	—	(190,960)	(190,960)
Issue of share capital	17,272	69,087	—	—	—	86,359
Foreign exchange translation reserve	—	—	—	(4,051)	—	(4,051)
Balance at 30 June 2009	373,394	2,469,252	15,988	(15,521)	(964,540)	1,878,573
Total comprehensive income for the period	—	—	—	—	(1,451,130)	(1,451,130)
Issue of share capital	3,942,114	69,498,295	—	—	—	73,440,409
Share issue costs	—	(5,630,561)	—	—	—	(5,630,561)
Issue of share options	—	—	924,714	—	—	924,714
Foreign exchange translation reserve	—	—	71,348	(1,884)	—	69,464
Balance at 31 December 2009	4,315,508	66,336,986	1,012,050	(17,405)	(2,415,670)	69,231,469
Total comprehensive income for the period	—	—	—	—	(2,913,700)	(2,913,700)
Issue of share capital	1,008,096	38,488,190	—	—	—	39,496,286
Share issue costs	—	(2,209,359)	—	—	—	(2,209,359)
Issue of share options	—	—	1,262,961	—	—	1,262,961
Foreign exchange translation reserve	—	—	—	1,649	—	1,649
Balance at 31 June 2010	5,323,604	102,615,817	2,275,011	(15,756)	(5,329,370)	104,869,306

1) General Information

Cove Energy plc is a company incorporated and domiciled in the UK. Details of the registered office, the officers and advisers to the Company are given on the Company Information page of this report. The Company's offices are in London and Dublin. The Company is quoted on the AIM market of the London Stock Exchange (ticker: COV.L).

2) Basis of Preparation

The financial information for the six months ended 30 June 2010 and 30 June 2009 is unaudited. The Interim Accounts have been prepared using the same accounting policies that were applied in the Group's Financial Statements to 31 December 2009, which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Directors are of the opinion that the financial information presented in this interim statement represents fairly the financial position, operations and cash flows for the period, in conformity with IFRS. The Interim Statement for the six months ended 30 June 2010 was approved by the directors on 21 September 2010.

The Company changed its functional currency from Pounds Sterling ("£") to United States Dollars ("US\$") with effect from 1 October 2009. The change in functional currency has been accounted for by translating all £ amounts into US\$ at the exchange rate prevailing on 1 October 2009 being 1US\$ = £0.6253. This rate has also been applied in presenting the comparative figures 30 June 2009.

The financial information for the year ended 31 December 2009 does not constitute full accounts, it is an extraction from the Group's accounts for the year on which the auditors issued an unqualified report.

3) Operating Loss

	Unaudited 30 June 2010 US\$	Unaudited 30 June 2009 US\$	Audited 31 December 2009 US\$
Operating loss is stated after charging/(crediting) :			
Foreign exchange loss/(gain)	401,332	2,845	(689,719)
Fees payable to the Group's auditor for audit of the Parent Company and the Consolidated Financial Statements:			
- current auditors	44,585	4,369	43,661
- former auditors	-	-	(5,226)
Write down of deferred exploration costs	-	-	134,843

The Group has no employees and therefore no staff costs are reported.

4) Tax on Loss on Ordinary Activities

No tax charge estimate has been included for the 6 month period to 30 June 2010, no taxable profits are expected in the full year to 31 December 2010.

5) Loss Per Share

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

	Unaudited 30 June 2010 US\$	Unaudited 30 June 2009 US\$	Audited 31 December 2009 US\$
Loss after tax for the year attributable to equity holders of the parent	(2,913,700)	(190,960)	(1,642,090)
Weighted average number of Ordinary Shares for the purpose of basic earnings per share	312,859,936	22,981,668	89,901,320
Basic loss per Ordinary Share (in US\$ cents)	(0.93)	(0.83)	(1.83)

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

6) Dividends

No dividends were paid or proposed in respect of the six months ended 30 June 2010.

7) Intangible Fixed Assets - Exploration Costs

	Unaudited 30 June 2010 US\$	Unaudited 30 June 2009 US\$	Audited 31 December 2009 US\$
Cost			
Opening cost	19,376,228	142,047	142,047
Foreign exchange differences	-	(4,201)	13,487
Additions	15,204,147	-	19,355,537
Impairment	-	-	(134,843)
Disposals	-	-	-
Closing net book value	34,580,375	137,846	19,376,228

Expenditure on exploration activities is deferred on areas of interest until a reasonable assessment can be determined of the existence or otherwise of economically recoverable reserves. No amortisation has been charged in the period. Recoverability of the intangible assets is dependent upon the successful development or disposal of the oil, gas and mineral interests held.

8) Cash and Cash Equivalents

	Unaudited 30 June 2010 US\$	Unaudited 30 June 2009 US\$	Audited 31 December 2009 US\$
Cash at bank held under escrow	18,314,774	-	35,113,448
Cash at bank	51,577,628	1,836,626	16,127,122
	69,892,402	1,836,626	51,240,570

The Group is a partner in a consortium that is committed to onshore and offshore exploration programmes in East Africa and has transferred funds to a bank escrow account that is allocated exclusively to meet the Group's share of its commitments.

9) Share Capital

Issued Share Capital – Ordinary Shares of £0.01 each

On 11 March 2010, 64,300,000 new Ordinary Shares of £0.01 each were issued, by way of market share placing, for cash at £0.40 per share less placing costs. The total proceeds amounted to £25,720,000 (US\$38,484,836) and the related transaction costs amounted to £1,432,692 (US\$2,143,739).

Warrants

3,000,000 warrants were exercised at £0.22 per Ordinary Share in March 2010. There are 3,000,000 outstanding warrants at 30 June 2010.

	Number of shares	Share capital [US\$]	Share premium [US\$]	Total consideration [US\$]
Balance at 1 January 2009	22,268,334	356,122	2,400,165	2,756,287
Issue of share capital	1,080,000	17,272	69,087	86,359
Balance at 30 June 2009	23,348,334	373,394	2,469,252	2,842,646
Issue of share capital	248,000,000	3,942,114	69,498,295	73,440,409
Share issue costs	-	-	(5,630,561)	(5,630,561)
Balance at 31 December 2009	271,348,334	4,315,508	66,336,986	70,652,494
Issue of share capital	67,300,000	1,008,096	38,488,190	39,496,286
Share issue costs	-	-	(2,209,359)	(2,209,359)
Balance at 31 June 2010	338,648,334	5,323,604	102,615,817	107,939,421

10) Subsequent Events

In July 2010 the Company announced the conditional purchase of a 15% interest in 5 blocks offshore Kenya. Cove is paying US\$15.5 million (the "Consideration") inclusive of acquisition costs, a reimbursement of the vendor's past expenditure on the blocks and funding for Cove's and the vendor's forward work programme during the first exploration phase which extends to June 2012. US\$10.5 million of the Consideration is payable in cash with the balance of US\$5 million in Cove shares to be allotted at the time of closing. The closing of this transaction is pending receipt of government and other consents and is expected to complete before year end 2010.

11) Copy of the Interim Report

Copies of this half yearly report are being posted to shareholders and will be available shortly on the Company's website at www.cove-energy.com.

Company Information

Directors	Michael Blaha – Executive Chairman John Craven – Chief Executive Michael Nolan – Finance Director Frank Moxon – Non-executive Director Dr Stephen Staley – Non-executive Director Anthony Golding - Non-executive Director
Secretary	Michael Nolan FCA
Registered Office	4 More London Riverside London SE1 2AU
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Registered Number	4994974
Website	www.cove-energy.com
Nominated Broker and Advisers	Cenkos Securities 6. 7. 8 Tokenhouse Yard London EC2R 7AS
Bankers	Standard Chartered Bank 1 Basinghall Avenue London EC2V 5DD Bank of Ireland 7 St John's Road Harrow Middlesex HA1 2EE Anglo Irish Bank Corporation plc Stephen Court 18/21 St Stephen's Green Dublin 2
Auditors	Mazars LLP Tower Bridge House St Katharine's Way London E1W 1DD
Solicitors	Lawrence Graham LLP 4 More London Riverside London SE1 2AU
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