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## Cove Energy plc

### Operational Update – Activity for 2011

#### Building on Success

Cove Energy plc (“Cove” or the “Company”) is pleased to provide the following operational update.

#### **Rovuma Offshore block 1 (Mozambique) – A Multi TCF Exploration Success:-**

**Further exploration running parallel with appraisal and commercialisation of discoveries:**

- **4 Major Gas Discoveries offshore Mozambique**
  - Windjammer
  - Barquentine
  - Lagosta
  - Tubarao
- **Oil potential in South – Ironclad oil occurrence**
- **Sufficient gas for Liquefied Natural Gas (LNG) train – Cove is now a participant in a proposed world class LNG project located in a prolific hydrocarbon basin**
  - High – Quality continuous gas charged sands over vast area
  - Combination Traps
  - Predictive seismic models proven to work
  - Huge remaining multi TCF potential with oil potential in the south
- **Ongoing Acceleration of a Parallel and Continuous Exploration & Appraisal Programme** with new 3D seismic, a dedicated rig and the addition of a second committed rig scheduled for Q4 2011 through 2012 into 2013
  - **Appraisal** Now Under Way – Objective to Certify Gas Reserves in order to obtain gas sales/LNG agreements etc – includes coring of key gas bearing reservoir intervals (Belford Dolphin drilling rig currently taking conventional cores at the Windjammer and later the Lagosta discovery wells), to be followed by an initial 4 to 5 appraisal well programme with well testing, in order to accelerate reserve certification, thus significantly enhancing ultimate project value. Target 2013 for LNG project sanction
  - **Exploration** – Current acquisition of 4,050 sq kms of new 3D seismic to south and north of existing 3D area to further delineate and high grade prospects defined by past 2D seismic - Second Rig to be added in Q4 2011 – to specifically allow for continued exploration drilling, both of the extensive gas play, and to evaluate oil targets. The partnership recognises significant remaining hydrocarbon upside potential, while pushing accelerated commercialisation of existing discoveries



- **Anticipated Drilling on Adjacent Rovuma Basin Blocks in 2011 -**
  - ENI, Galp & Kogas consortia will be drilling on block immediately to the east where up to 3 wells are planned
  - Statoil, plan drilling on the block to the south
  - BG Group/Ophir – Currently drilling in Tanzania Block 1 adjacent to the north of Rovuma Offshore Block Area 1

Adjacent drilling success to have positive impact - Cove and its partners have first mover advantage with ambition to have the first LNG infrastructure in East Africa and with two committed drilling rigs ensuring continuous exploration and appraisal in this emerging hydrocarbon basin.

#### **Indicative Valuation of initial Mozambique Offshore discoveries (Cove Share)**

- **£437 to £728+ million - 89p to £1.50p/sh**

(Source Anadarko Investor Conference 24/2/2011 of \$3 to \$5+ billion proportionally adjusted to Cove's 8.5% interest - 1.6 \$/£ (Anadarko 36.5% interest)) – LNG Project only, excluding £120 million in Cove's treasury, but importantly not including the huge exploration upside in the existing 3D seismic area and across Cove's extensive acreage in Mozambique, in what is proving to part of an exciting new frontier basin now attracting the attention of many multi-nationals.

#### **Kenya Deepwater Offshore (L5, L7, L11A, L11B & L12)**

- 2010 2D Seismic confirms potential for large hydrocarbon traps.
- Five distinct play types including similar plays to Mozambique along with a more oil prone petroleum system
- 2011 Activity – planned 3D seismic – Exploration drilling proposed for 2012 – Anadarko Operator

#### **New Kenya blocks under negotiation - L10A & L10B - Cove in consortia operated by British Gas.Mnazi Bay Tanzania**

- Gas Monetisation Options under review – New 300 MW Power Station and Cement Manufacturing Plant under consideration – New Gas Sales Agreements under negotiation
- Approximately 2mmscf/d currently sold to existing power plant (Cove share 16.38%)
- BG Group/Ophir drilling in adjacent Tanzania Block 1 – good result would have positive impact for Mnazi Bay partnership.

#### **Onshore Mozambique**

- Licence renewed into the second phase of EPC
- Seismic and up to two wells planned

John Craven, CEO of Cove commented:

“2010 was a year of extraordinary exploration success for Cove and all the stakeholders in our offshore Mozambique block. Considering that Cove is part of the first commercial



hydrocarbon discovery in deepwater East Africa simply reinforces the magnitude of what has been achieved.

"I am delighted to be able to confirm that throughout 2011 we will be building on the Mozambique success having already begun the appraisal programme to commercialise the discoveries. At the same time we are now laying down the platform to drive forward an extensive exploration drilling programme, having already commenced the acquisition of a new 3D seismic survey which, with the deployment of a second deepwater rig later this year, ensures continuing exploration of the gas and oil potential within this prolific offshore block, which has only been partially explored to date.

"Our internal economic study of a Mozambique LNG project is broadly in line with Anadarko's valuation released in their February investor conference. Our study is based on the resources only from the existing 4 gas discoveries made to date and does not include the considerable exploration potential offshore Mozambique, nor the remainder of our extensive East Africa portfolio in Mozambique, Tanzania and Kenya.

'In the Kenya deepwater blocks we are accelerating the work programme with a planned 3D seismic survey this year followed by drilling planned for 2012. It has been indicated that a rig slot may be available to the Kenyan partnership from the rig capacity of the Mozambique programme during 2012 or 2013.

"We are also actively pursuing a number of new venture opportunities which is important for continued growth.

"Finally the successful fundings that were put in place in 2010 mean that we have the financial firepower to capture the value from what is an extensive and exciting exploration, appraisal and testing programme going forward."

- 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 36 years' experience.



## Notes to Editor

Cove has established a strong position in East Africa with exploration interests in Area 1 Offshore Mozambique, which contains the Windjammer, Barquentine, Lagosta and Tubarão gas and Ironclad oil discoveries where drilling operations are planned to continue through 2011. Cove also holds exploration and production interests in Mozambique Onshore, Kenya Offshore (Blocks L5, L7, L11A, L11B and L12) and in the Mnazi Bay Gas Field in Tanzania.

Cove Energy has a strong management team with a wealth of experience in the oil and gas business and the operation and management of companies in the public arena. 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 was previously CEO and founder of Petroceltic International plc, and is a petroleum geologist with thirty six 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)