

Kibo Energy PLC (Incorporated in Ireland)
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("Kibo" or "the Company")



Dated: 15 August 2018

Kibo Energy PLC ('Kibo' or the 'Company')

Kibo to Acquire 60% Interest in UK Power Project Development Company

Kibo Energy PLC ("Kibo" or the "Company"), the multi-asset, Africa focused, energy company, is pleased to announce that it has signed a Memorandum of Understanding ("MOU") for the acquisition ("the Acquisition") of a 60% equity interest in Mast Energy Developments ("MED"), a private UK registered company targeting the development and operation of flexible power plants to service the Reserve Power generation market. Under the terms of the MOU, the Company can acquire a 60% shareholding in MED for a consideration of £300,000 payable to existing MED shareholders ("the Sellers") in new Kibo shares and a share of future project revenue royalties, which will be reinvested in the Company in the short term to an amount of GBP 2.2 million. The full summary terms of the MOU are described further under the Key Terms section below.

MED's business strategy is to acquire and develop a portfolio of small scale power generation assets. Various "shovel ready" sites have already been identified in the UK, capable of sustaining gas fired power generators and ancillary structures from 20MW upwards. They have full planning permission and permitting in place, long term lease agreements, grid & gas connection offers and positive feasibility studies, pertaining to technical and commercial viability.

Kibo's initial review of MED's business plan indicates that its first asset under acquisition in the UK described above can be up and running within 12 months, thus potentially providing revenue streams to Kibo in the short term. Similar lead time periods from site acquisition to generator installation and power generation are indicated for other projects of similar size in the UK. Financial modelling indicates projected IRRs of 13-16% and NPVs of GBP 16 -19 million for the initial assets described above. MED is exploiting a growth niche market in the UK for small scale Reserve Power generation to balance out the national grid at critical times.

In conjunction with the potential financial benefits for Kibo from the transaction, particularly the prospect of near term revenue generation, it is envisaged that both parties will be able to utilise their knowledge and expertise of the power industry to assist in the development of further energy projects both in the UK and Africa. Kibo's established portfolio of assets in southern Africa is focused on large scale energy projects and with the addition of MED's product offering, the Company will also be able to access and exploit a different, very lucrative sector of the African power market.

The Acquisition is subject to the completion of a comprehensive due diligence by Kibo on MED and all relevant/applicable regulatory and statutory approvals.

Key Terms of Proposed Acquisition:

- Kibo to acquire 60% interest in MED for the following consideration:
 - £300,000 payable in new Kibo shares to the Sellers at an issue price which is the higher of GBP 0.0525 per share or the volume weighted average price at which the shares of Kibo shall have traded on AIM for 30 days immediately preceding the Completion Date;
 - Concurrent with the commencement of revenue generation from each small-scale power project that MED may develop, Kibo shall pay MED 5% of its share of gross revenues from each project (less gas and trading costs) to the Sellers on a monthly basis (“the Royalties”). The Sellers will immediately use the Royalties’ proceeds to subscribe for new Kibo shares pro rata to their shareholding in MED until the Sellers shall collectively have subscribed for new Kibo shares with an aggregate issue price of GBP 2.2 million. The issue price in respect of each monthly issue of new Kibo shares will be the higher of GBP0.0525 or the volume Weighted Average Price (“VWAP”) at which the shares of Kibo shall have traded 30 days immediately preceding the date of issue of the shares;
 - Following the subscription by the Sellers for Kibo shares with an aggregate issue price of GBP 2.2 million from their Royalties:
 - Kibo will continue to pay the Royalties to the Sellers through deductions from its revenue streams from its interest in the individual projects SPVs; and
 - Kibo shall have the option to acquire the Royalties from the Sellers for a consideration equal to the then present value of the Royalties at a 6% discount rate provided this right is exercised within a 30-day notice period from when the generating asset portfolio reaches 100 MW of operating capacity. In the event that this option is not exercised, Kibo will have further options to acquire the Royalties when the portfolio generating capacity reaches 150MW, 200MW, 250MW and 300MW. In each case the terms of the option will remain the same save that the option period will be extended to 60 days from when the operating capacity reach each of the four capacity milestones noted.
- Kibo and the Sellers shall grant each other the option to acquire (in the case of Kibo) or sell (in the case of MED) the remaining 40% of MED that Kibo does not hold within 60 days from when the generating asset portfolio reaches 150 MW at the market value of the 40% at that time. In the case of acquisition by Kibo, the consideration to the Sellers shall be in either in cash, new Kibo shares or a combination of both. If Kibo elects to settle fully or in part in new Kibo shares, the issue price shall be calculated as the VWAP at which Kibo shares have traded on AIM for the 30 days immediately preceding the issue of the shares. If the option is not exercised by either party, the parties shall have a further option to exercise when the portfolio generating capacity reaches 250 MW and 300 MW. In each case the terms of the option will remain the same save that the option period will be extended to 90 days from when the operating capacity reaches each of the two milestones noted;
- Kibo and the Sellers shall enter into a Shareholders’ Agreement that shall govern the operation of MED; and
- Kibo shall have the right to appoint two non-executive and two executive directors to the MED Board while the Sellers shall have the right to appoint 2 executive directors and 1 non-executive director.

Louis Coetzee, CEO of Kibo Energy, said: “This proposed acquisition provides Kibo with exposure to near-term revenue generating assets and enables us to combine our knowledge of the power generation market both in mature and emerging markets. There is a distinct short-term revenue generating potential in the UK, which is positive for Kibo and importantly all early stage royalties payable to the sellers will be reinvested in Kibo. This prospect of receipt of gradually increasing revenue streams in the short term as MED builds generating capacity and the re-investment of royalties in the early stages of production will greatly assist the Company’s working capital requirements as it develops its rapidly expanding larger scale energy asset portfolio in Africa. Additionally, it creates a situation where we can expand our product offering and increase our exposure to different sectors of the African energy market.”

Darrel Krowitz, CEO of MAST Energy said “This acquisition not only provides an opportunity for MED to augment the Kibo Energy portfolio with small scale power solutions for industry and national grid stability, in southern Africa, but allows it to diversify into the UK’s flexible power markets which we believe will add short and long-term value to Kibo shareholders. I look forward to working closely with the Kibo team as we execute our project development strategy.”

****ENDS****

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Notes to editors

Kibo Energy PLC is a multi-asset, Africa focussed, energy company positioned to address the acute power deficit, which is one of the primary impediments to economic development in Sub-Saharan Africa. To this end, it is the Company’s objective to become a leading independent power producer in the region.

Kibo is simultaneously developing three similar coal-fuelled power projects: the Mbeya Coal to Power Project (‘MCP’’) in Tanzania; the Mabesekwa Coal Independent Power Project (‘MCIPP’) in Botswana; and the Benga Independent Power Project (‘BIPP’) in Mozambique. By developing these projects in parallel, the Company intends to leverage considerable economies of scale and timing in respect of strategic partnerships, procurement, equipment, human capital, execution capability / capacity and project finance. Additionally, the Company will benefit from its robust and experienced international blue-chip partnership network across its project portfolio, which includes: SEPCO III (China), General Electric (USA); Tractebel Engineering (Belgium); Minxcon Consulting (South Africa); ABSA / Barclays Africa; and Hogan Lovells International LLP.

Johannesburg
 15 August 2018
 Corporate and Designated Adviser
 River Group