

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



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

Bordersley Project: Notifications of Prequalification Decisions for the capacity market

Kibo Energy PLC, the multi-asset, Africa focused, energy company, is pleased to announce an update on its 60% owned subsidiary, MAST Energy Developments Limited ('MED'), a private UK registered company targeting the development and operation of flexible power plants to service the UK reserve power generation market. MED is developing a portfolio of reserve power generation projects and Bordesley Power Limited ('Bordesley') is the first shovel-ready project site in the portfolio.

Highlights

- Reinstatement of the Capacity Market scheme by the department of Business, Energy and Industrial Strategy, following the European Commission's decision that the GB Capacity Market scheme is compatible with EU State aid rules and thereby amongst others enables the UK to make capacity payments under the GB Capacity Market.
- Bordersley has conditionally prequalified for the 2022 three years ahead (T-3) Capacity Market Auction.
- Bordersley has conditionally prequalified for the 2023 four year ahead (T-4) Capacity Market Auction.
- This conditional prequalification and potential subsequent qualification will give the right to Bordersley to participate in the auction to win a 15-year capacity market contract.

Louis Coetzee, CEO of Kibo Energy, commented, *"Part of the UK government's Electricity Market Reform package, the Capacity Market aims to ensure security of electricity supply by providing a payment for reliable sources of capacity, such as Bordersley, alongside their electricity revenues, to ensure they deliver energy when needed. This will encourage the investment required by the UK Government to replace older power stations and provide backup for more intermittent and inflexible low carbon generation sources.*

The reinstatement of the Capacity Market scheme is recognition by the EU and UK government that there is a need to ensure security of electricity supplies in the UK. It means that the economics of flexible generation sites such as Bordesley improve, as it facilitates a steady payment for the duration of the capacity agreement (ranging between 1 and 15 years) to successful bidders, and I am delighted that

Bordesley has prequalified for the auction. According to the research by Aurora Energy Research, CM prices should recover as lucrative site-specific benefits for peakers and DSR become more scarce; CM is expected to clear in mid £20s/kW in the 2020s, but the buildout of nuclear, wind and interconnectors are key uncertainties”

What is the Capacity Market?

The Capacity Market was proposed following the Government’s comprehensive review of the electricity market. The objective of the Capacity Market is to achieve long-term security of supply.

Set out in the UK Energy Act 2013, the Capacity Market (CM) is one of the UK government initiatives for ensuring security of electrical energy supply for homes, businesses and industry. The CM not only secures additional electricity supply for use during grid stress events – which is increasingly important as energy demand increases, and the UK moves to more intermittent, less flexible renewable generation – but also creates an opportunity for those with generation capacity to earn additional income.

The Capacity Market is a mechanism introduced by the UK Government to ensure that electricity supply continues to meet demand as more volatile and unpredictable renewable generation plants come on stream. Commencing in 2018, it aims to ensure that sufficient generation or load-management capacity exist in the system to cope with times of stress on the network when, for example, the wind stops blowing or there is a surge in demand. Along with Contracts for Difference, Carbon Price Floor and Electricity Demand Reduction, it aims to reform the UK electricity market to deliver low-carbon energy and reliable supply, while minimising the cost to consumers. The Capacity Market will operate alongside the current Energy Market, supported by the Balancing Services Market. As more intermittent renewable generation technologies come on stream, the Capacity Market will provide back-up generators and demand-side responders to help balance the network at times of stress. Participants will be paid a per MW rate for the capacity they offer to the market. This capacity needs to be available when providers are called upon by National Grid at any time during the contracted period.

Advantages to Bordesley for participation in the Capacity Market

During the generation delivery year, generators with Capacity Agreements receive monthly payments for their agreed obligation at the auction Clearing Price. There are no financial losses for not being able to deliver the pledged capacity. If generators do not engage their capacity when required they will be penalised at no more than 100% of the CM payment, therefore the financial benefits available to generators through participation are significant. Participation in the CM is a long-term arrangement and part of the UK government’s Electricity Market Reform package.

****ENDS****

For further information please visit www.kibo.energy or contact:

Louis Coetzee	info@kibo.energy	Kibo Energy PLC	Chief Executive Officer
Andreas Lianos	+27 (0) 83 4408365	River Group	Corporate and Designated Adviser on JSE
Jason Robertson	+44 (0) 20 7374 2212	First Equity Limited	Joint Broker
Bhavesht Patel/Stephen Allen	+44 20 3440 6800	RFC Ambrian Limited	NOMAD on AIM
Isabel de Salis / Beth Melliush	+44 (0) 20 7236 1177	St Brides Partners Ltd	Investor and Media Relations Adviser

Notes

Kibo Energy PLC is a multi-asset, Africa focused, 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 has a 60% interest in MAST Energy Developments Limited ('MED'), a private UK registered company targeting the development and operation of flexible power plants to service the Reserve Power generation market.

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Corporate and Designated Adviser
River Group