

Issue of Debt (Replacement)

RNS Number : 3135G
R.E.A.Hldgs PLC
28 January 2010

The following amendment has been made to the '**Issue Of Debt**' announcement released on 28 January 2010 at 17.27 under RNS No 3123G.

The full PDF was not included in the original announcement.

All other details remain unchanged.

The full amended version is shown below.

Proposed creation and issue of \$15,000,000 nominal of further 7.5 per cent dollar notes 2012/14 together with a proposed issue of participating preference shares in a wholly owned subsidiary of the company

Introduction

It was announced on 20 January 2010 that R.E.A. Holdings plc (the "company") was working on proposals to raise some \$15 million for deployment in the group's coal operations by way of an issue of further 7.5 per cent dollar notes 2012/14 ("additional dollar notes") and an issue of redeemable participating preference shares of \$10 each in the capital of KCC Resources Limited ("KCC" and "KCC participating preference shares").

The company now announces that it has today published a registration document and a summary and securities note which together constitute a prospectus (the "prospectus") in respect of such proposed issue.

Purposes of the proposed issue

During 2008, the directors decided to augment the traditional oil palm operations of the group by developing a modest coal

mining operation also based in East Kalimantan. Following this decision, the group has acquired rights in respect of two coal concessions near Tanah Grogot in the southern part of East Kalimantan and in respect of a further concession near Kota Bangun in the central part of East Kalimantan.

One of the two Tanah Grogot concessions is now coming into production and the group plans that the Kota Bangun concession should also be brought into production within a few months. To optimise returns from the sale of coal mined from the producing Tanah Grogot concession, it may be appropriate to blend that coal with coal purchased from third parties. Moreover, the company owning the producing Tanah Grogot concession has been approved as a supplier to the Indonesian state electricity company and it is planned to take advantage of this approval by sourcing additional coal from third parties (by a combination of outright purchases and by mining third party coal concessions against payment of a royalty) and selling it to the Indonesian state electricity company. Working capital will be required to fund the new mining operations until commercial levels of production are achieved, to finance the provision of normal credit terms to coal buyers and to fund coal purchases from third parties. The proposed issue is designed to meet these requirements and to refinance some \$4.5 million of the monies that have been advanced to the coal operations by other group companies.

All proceeds of the proposed issue will be applied by the group in funding the coal operations, with the coal operations applying \$4.5 million of the proceeds in making the repayment referred to in the preceding paragraph and bearing the costs of the issue. It may be that the coal operations develop less quickly than is hoped or generate surplus cash flow more rapidly than expected and that this reduces their requirement for externally funded working capital. This may permit the coal operations to make additional repayments of the monies currently provided to them by other group companies. All monies repaid by the coal operations will be used to provide standby funding for the group's agricultural operations.

Details of the proposed issue

The company proposes to create \$15 million nominal of additional dollar notes (ranking *pari passu* with and forming a single issue with the \$30,000,000 nominal of 7.5 per cent dollar notes 2012/14 that are already in issue ("original dollar notes")) and to issue all of the additional dollar notes by way of a placing pursuant to which, for each \$100 nominal of additional dollar notes subscribed, placees will also subscribe one KCC participating preference share.

Guy Butler Limited has undertaken to use its reasonable endeavours to place all of the additional dollar notes together with 150,000 KCC participating preference shares at a subscription price of, in the case of the additional dollar notes, \$90 per \$100 nominal of additional dollar notes plus an amount equal to the interest that will be payable in respect of the additional dollar notes calculated by reference to the period from 1 January 2010 up to the date of allotment and, in the case of the KCC participating preference shares, \$10 per share. Subscription monies payable for the additional dollar notes and the KCC participating preference shares are payable in full on allotment.

The placing is conditional upon the creation of the additional dollar notes and the admission of the additional dollar notes placed to the Official List and to trading on the Regulated Market of the London Stock Exchange by no later than 26 February 2010. The terms and conditions of the additional dollar notes are summarised below. As a term of the placing, the company has agreed that, under certain limited circumstances (such as divestment of all or a significant part of the coal operations or a change of control of the company), placees will have the right to require the company to purchase from them, or procure the purchase from them of, some or all of the additional dollar notes subscribed by them.

The KCC participating preference shares will provide a limited interest in the coal operations currently held by the group, or as respects which the group currently holds rights, together with defined future additions thereto (the "relevant coal operations"), such that if those operations achieve an average annual level of earnings before interest, tax, depreciation and amortisation ("EBITDA") of \$8 million over the four and a half year period from 1 January 2010 to 30 June 2014 (equivalent to a total of \$36 million for the full period), the combined return to a placee of additional dollar notes and KCC participating preference shares (subscribed in the ratio of \$100 nominal of additional dollar notes to one KCC participating preference share) will be 15 per cent per annum. If the relevant coal operations do not prove successful in achieving the required level of EBITDA, then, except in certain limited circumstances (such as divestment of all or a significant part of the operations or a change of control of the company), no dividends or other distributions will be paid or made on KCC participating preference shares and, after 31 December 2014, those shares will be converted into valueless deferred shares.

No application is being made to list the KCC participating preference shares on any stock exchange or for admission of those shares to trading on any market. However, the KCC

participating preference shares will be freely transferable by private arrangement.

Particulars of the original and additional dollar notes

The original dollar notes and the additional dollar notes (together the "dollar notes") are or will be admitted to the Official List and traded on the Regulated Market of the London Stock Exchange.

The dollar notes bear interest at the rate of 7.5 per cent per annum, payable half yearly in arrear on 30 June and 31 December of each year, save that, as respects the additional dollar notes, in the first interest period following the date of issue, interest will be calculated as if it had accrued with effect from 1 January 2010.

Unless previously redeemed or purchased and cancelled by the company, the dollar notes will be redeemed at par by three equal annual instalments commencing 31 December 2012. If dollar notes have been purchased by the company and cancelled, the amount of dollar notes that the company will be obliged to redeem on any given redemption date will be reduced by the nominal amount of dollar notes purchased and cancelled prior to that redemption date (save in so far as such notes were purchased and cancelled prior to a previous redemption date and taken into account in reducing the dollar note redemption requirement in relation to that previous redemption date).

The dollar notes are unsecured obligations of the company. The trust deed will not contain any restrictions on further borrowings by the company ranking in priority to or *pari passu* with the dollar notes save that the company will covenant to procure that the overall borrowings of the group do not exceed an amount equal to 1½ times the share capital and reserves of the group (as defined in the conditions of the dollar notes).

Further information

Copies of the prospectus will be available for inspection at the Document Viewing Facility of the UK Listing Authority and may be obtained free of charge from the company at its registered office, First Floor, 32-36 Great Portland Street, London W1W 8QX. Copies of the prospectus are also available for downloading from the company's website at www.rea.co.uk and the prospectus may also be downloaded by pasting the following link into a web browser:

http://www.rns-pdf.londonstockexchange.com/rns/3135G_1-2010-1-28.pdf

Expected timetable

It is expected that the results of the proposed placing will be announced on 10 February 2010 and that dealings in the fully paid additional dollar notes issued pursuant to the placing, for normal settlement, will commence on 11 February 2010.

Enquiries

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The company news service from the London Stock Exchange

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