

28 August 2009
RECO0C0RIASX015

The Company Announcement Platform
ASX Limited
Level 8, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Acquisition of Indonesian Coal Prospects

Reco Financial Services Limited (**Reco**) is pleased to announce that it has entered into a share sale agreement (**Agreement**) to acquire 100% of the shares in the capital of Blackcairn Resources (Singapore) Pte Ltd (**Acquisition**).

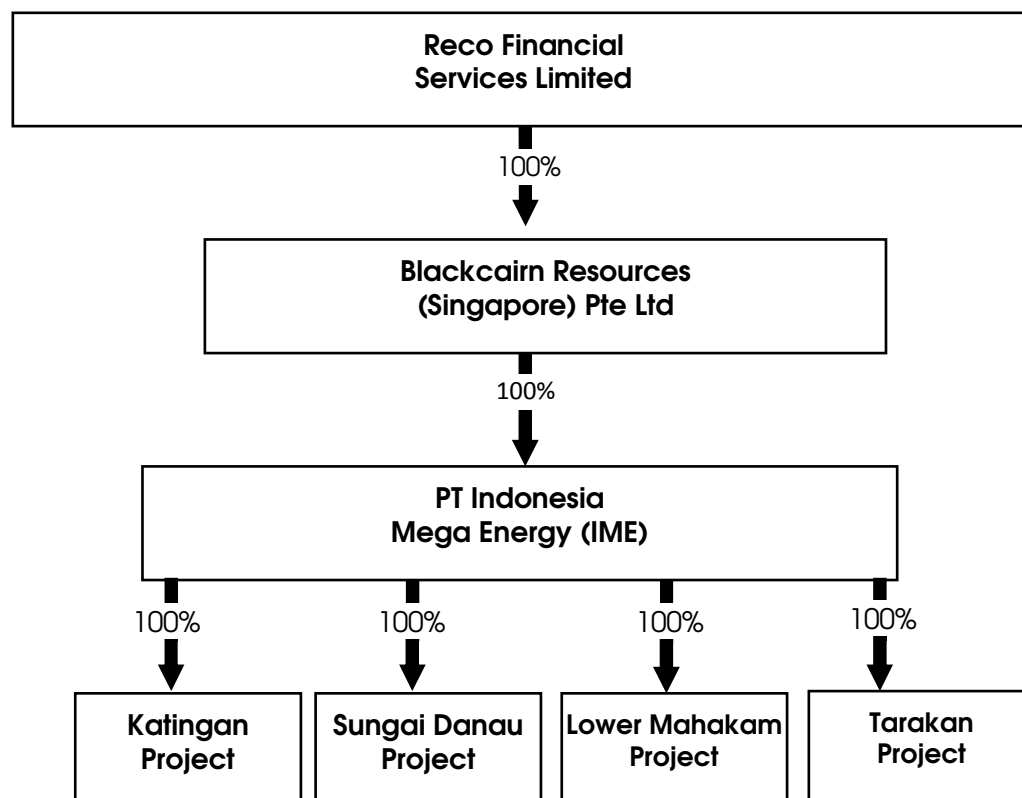
Blackcairn Resources (Singapore) Pte Ltd (**Blackcairn**) is a Singapore-based company that has been developing Indonesian Coal projects throughout 2008 and 2009. It operates in Indonesia through a Foreign Investment Company (Indonesian PMA company) called PT Indonesia Mega Energy (**IME**).

IME has now secured a number of opportunities in the thermal and semi-bituminous coal sector. The projects are situated on the island of Kalimantan in Indonesia, which is the largest exporter of thermal coal in the world. Kalimantan is an established coal mining area with over 75% of Indonesia's coal production drawn from the region.

IME has inspected, drilled and rejected a large number of projects across Indonesia but has now selected four operational areas for development and exploitation—specifically Katingan, Sungai Danau, Lower Mahakam and Tarakan. These areas have the potential to contain saleable coal in areas where the logistics are suitable for transportation and sale, with good returns to the company.

IME has the rights to a production interest in the Katingan and Tarakan Projects and an exclusive right to negotiate a production interest in the Sungai Danau and Lower Mahakam Projects.

The proposed company structure of Reco post-acquisition is illustrated below.



The diagram above assumes that IME is successful in concluding an agreement over the Sungai Danau and Lower Mahakam Projects.

1. KATINGAN PROJECT

Project overview

The Katingan project is the most significant asset in the IME portfolio.

The Katingan project is located in Central Kalimantan, approximately 160km north of the city of Palangkaraya. The project has been identified as the core resource base for Blackcairn.

Key highlights of the project include:

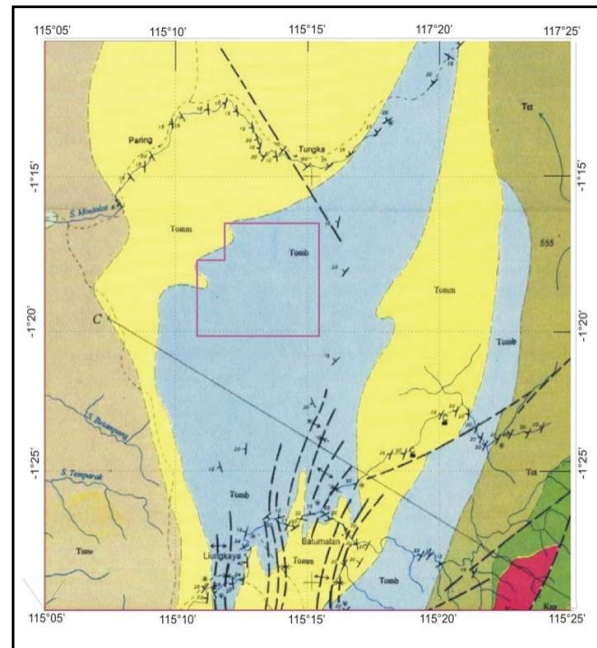
- (a) permitting and authorisations are at an advanced stage, with no aspects identified as impeding proposed mining activities;
- (b) access and infrastructure partially established;
- (c) over 30 coal outcrops identified in the area, with significant seams of over 6 m thickness identified;
- (d) shallow dipping outcrops, indicating potential low strip ratios;
- (e) core drilling confirms coal seams with a thickness greater than 6 m;
- (f) additional seams of 0.5–2.0 m thickness also identified as co-deposited; and
- (g) consistent coal quality indications of 5,500–5,800 kcal/kg (air dried basis), with associated parameters suitable for the thermal coal market.

The primary concession area of 5,000ha is defined by a mining license (*Kuasa Pertambangan* or KP), which currently provides formal permission for detailed exploration and subsequently for mining activities (provided the appropriate approvals are obtained).

The project is classified as a prospect to be exploited in the medium term and with co-development of other resources in the area. The co-development of additional resources will increase the size of the resource, allow for coal blending and mitigate potential seasonal logistics risks.

There is considerable scope for acquisition and development of other areas in the region. The broader area has not been geologically surveyed in a systematic manner and preliminary outcomes are positive for local coal extension. Additionally, there is significant potential for the development of other resources in close proximity to the river system.

Two key areas under technical study are PT Anugrah Alam Manuhing (10,000ha) and PT Anugrah Alam Katingan (5,000ha), which are located to the north of the current KP holding. Preliminary studies indicate high coal quality, with further work pending to fully define the resource potential and production aspects.



Coal potential

There are significant coal outcrops in the region of the Katingan project, which became of interest after discovery during logging in adjacent areas. Survey work has been undertaken since 2007, with structured programs commencing in late 2008. Recent mapping has located over 30 outcrops with some significant seams of greater than 6m in thickness.

There are two definable rock units that both contain coal seams in the investigation area, with the older being a sandstone unit and the younger a mudstone unit. Both units contain a major coal seam of greater than 6.5 m and several smaller seams of 0.5–3.0 m.

The coal within each unit appears to be of good quality, with some parameters likely to be seam-specific in certain areas. The ash content of the first main seam is standard at about 3.5%, while the sulphur content is low at less than 0.3%, which is excellent for thermal coal. The calorific values are reasonable with a range from 5350-5,700 kcal/kg (adb). Limited outcrop samples suggest the thicker seams may have better quality profiles than the bulk averages.

The estimated target mineralisation of the project is calculated in the following table. The information in this table is conceptual in nature. There has been insufficient exploration to define a mineral resource under JORC guidelines and it is uncertain whether further exploration will result in the determination of a mineral resource.

Zone	Strike	Width	Seam	Specific	Coal mineralisation		
			thickness	gravity	×1 factor	×5 factor	×10 factor
	(m)	(m)	(m)	(t/m ³)	(Mt)	(Mt)	(Mt)
TM North 3	1,500	500	5.3	1.3	5.2	25.8	51.7
TM North 3	1,500	500	3.0	1.3	2.9	14.6	29.3
Subtotal					8.1	40.4	80.9
TM CSB N1	1,500	500	3.5	1.3	3.4	17.1	34.1
TM CBS 2	1,000	500	7.0	1.3	4.6	22.8	45.5
TM CSB 1	1,000	500	9.0	1.3	5.9	29.3	58.5
Subtotal					13.8	69.1	138.1
Total					21.9	109.5	219.1

Access and logistics

Access to the project site is via road from the local township of Tumbang Samba or via the major river system of Katingan. Logging roads provide exploration access to the prospect area. A number of tributaries of the Katingan River system are within 50km of the area and are currently used for forestry logistics.

Work to date

Drilling and general field surveys have been undertaken to develop the initial resource estimate. Other work conducted to date includes numerous surveys, technical reviews, inspections and drilling programs. Some of the recent work programs are listed in the following table.

Work program	Date	Conducted by	Key outcomes
Mapping survey	Q3 2008	IME	Identification and sampling of major outcrops. Mapping of key geological structures.
Independent technical review	Q4 2008	Al Maynard & Associates	Confirmation and consolidation of reported findings. Development of geological model and initial estimation of resource.
Mapping survey	Q4 2008	IME	Identification of outcrops and potential extensions in adjacent areas.
Drilling program	Q1 2009	IME	Drilling of 10 holes to 20–40 m, with selected core sampling. Definition of broad coal structures.
Technical reporting	Q2 2009		All exploration outcomes reported to government authorities to support permits and authorities.

The initial focus of activities was in the Tumbang Manggu KP, with drilling and semi-detailed mapping completed between November 2008 and January 2009. In total, eight holes including two partially-cored holes were completed for 305m. Samples were collected and dispatched to the PT Geoservices laboratory in Balikpapan for ASTM coal analysis.

2. SUNGAI DANAU PROJECT

The Sungai Danau Project comprises two small concessions in South Kalimantan in an established coal mining region in close proximity to barge loading facilities on the coastline. There has been some limited historical outcrop mining to about 15m depth only and the exploitation licence is current. Operations are suspended owing to a lack of experience and knowledge by local management.

Key highlights of the project include:

- (a) preliminary Target Mineralisation coal resource estimate of 6.9 to 8.5 Mt;
- (b) multiple coal seams with seams up to 15m thick;
- (c) indicative coal quality of 5,400-5,600 kcal/kg (adb), with low sulphur levels; and
- (d) two concessions providing up to 2km of strike on the main seams.

The Target Mineralisation figures above are conceptual in nature. There has been insufficient exploration to define a mineral resource under JORC guidelines and it is uncertain whether further exploration will result in the determination of a mineral resource.

The Sungai Danau project provides an almost immediate opportunity to generate coal production and a cash flow following drilling to confirm the resource and to support mine planning. The village of Satui is located approximately 20km south of the proposed project areas.

The two concessions are currently licensed under *Kuasa Pertambangan* (KP), which provides permission for exploration, mining, hauling and export.

Previous operations

In the past, limited mining has been undertaken on a reportedly 15m thick coal seam extracted from shallow pits along the strike of the outcrops. It is understood that the previous operations were suspended owing to a lack of geological understanding, mine planning and managerial ability.

To date, systematic exploration has not been undertaken. Exploration data is limited with operations only focusing on coal outcrops.

Coal potential

Multiple coal seams of varying thicknesses have been observed and the dip of the seams is generally about 60–65° with strike of N020°E. Seams of up to 15m thick are present. There is significant potential for an increase in resource by further drilling in western portions of the concessions where seams do not appear to outcrop.

Sample analysis indicates that the coal has an energy value of about 5,300-5,600 kcal/kg (adb) with low ash levels and a sulphur content of less than 0.5%. Hence the coal is considered suitable for export and for domestic consumption.

Access and logistics

The project areas are connected to the coast by existing mine roads with a hauling distance of about 30km.

Numerous stockpile facilities and toll barge loading jetties exist along the coastline to service the extensive coal mining industry in the region. The coal is barged to transshipment anchorages (e.g. Taboneo) or to the North or South Pulau Laut coal loading terminals.

Subject to drilling to confirm the resource potential and feasibility study, the Sungai Danau project is considered to provide an opportunity for the company to commence production in a short timeframe. It is anticipated that the deposit will support a production rate of about 100kt/month, giving a mine life of at least five years.

Work to date

IME has conducted two consecutive field inspections to gather information for an initial resource projection.

Work program	Date	Conducted by	Key outcomes
Mining and sale			Mining over an extended period, extracting coal from 15 m pits along some sections of strike.
Mapping survey (2 of)	Q2 2009	IME	Identification and sampling of major outcrops, mapping of key geological structures.

3. LOWER MAHAKAM PROJECT

The Lower Mahakam project comprises two adjoining concessions totalling 8,450ha. The project is located in East Kalimantan in close proximity to barge loading sites on the Mahakam River delta and within comfortable reach of the provincial capital, Samarinda.

Key highlights of the project include:

- (a) preliminary Target Mineralisation coal resource estimate of from 3.1 to 3.8Mt;
- (b) multiple seam deposit with relatively shallow dips, which is favourable for a low strip ratio;
- (c) limited drilling and an electro-magnetic survey reportedly indicate the presence of a coal seam up to 10 m thick;
- (d) limited sampling indicates coal quality range from 5,350 to 5,800 kcal/kg (adb), with variable sulphur levels; and
- (e) favourable coal logistics with existing 10km haul road to the Mahakam River delta and stockpile area.

The Target Mineralisation figures above are conceptual in nature. There has been insufficient exploration to define a mineral resource under JORC guidelines and it is uncertain whether further exploration will result in the determination of a mineral resource.

There has been some mining, which apparently followed coal outcrops down dip. However, this activity was limited to a very small proportion of the project area and, given the presence of surrounding mining operations and the lack of exploration on the concessions, it is considered that there is considerable potential for successful exploration in addition to the possible recommencement of production from the existing open pit.

Given the relatively larger size of the Lower Mahakam Project, its favourable regional geology and the presence of neighbouring producers, there is a high potential for a significant resource following exploration.

The two Lower Mahakam concessions are currently licensed under *Kuasa Pertambangan* (KP), which provides permission for exploration, mining, hauling, sales and export.

Coal potential

The project area lies on the Kampungbaru and Balikpapan Formations, which are highly regarded for hosting coal and hydrocarbon resources. There are several producing mines in the immediate vicinity of the project, with barge loading facilities on the Mahakam River delta about 30 nautical miles from the established coastal transshipment anchorages at Muara Jawa and Muara Berau.

Three shallow dipping seams to 2 m thickness have been identified. Limited sampling results indicate the coal has an energy value of 5,400–5,800 kcal/kg (adb), less than 40% moisture, low ash and variable sulphur.

The area of the existing mining activities has been electro-magnetically surveyed to identify key drill targets and three shallow drill holes were completed. Reportedly, seams of thickness up to 10m were intersected. However, these exploration results have not been sighted and have therefore not been included in the preliminary resource projection.

Access and logistics

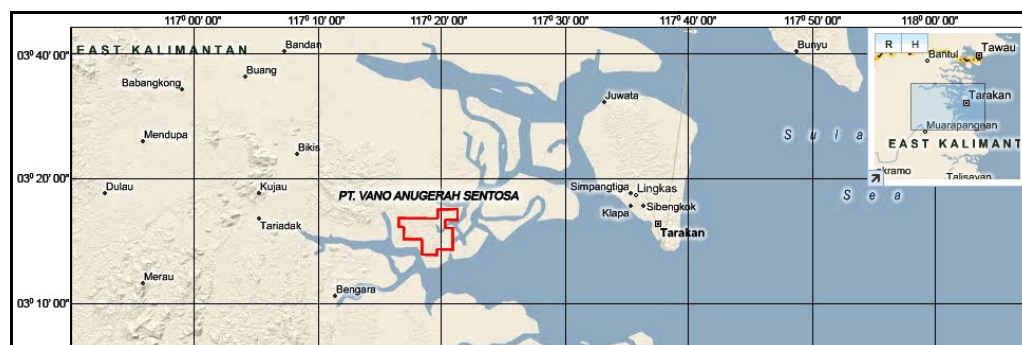
The Lower Mahakam project has an established 10km coal haul road from the existing mine to a stockpile area on the Mahakam River delta. The stockpile area has a rudimentary drive-on barge-loading arrangement, which will need to be replaced with a proper barge loader in due course or alternatively it may be possible to use other existing barge loaders for a toll fee.

4. TARAKAN PROJECT

The Tarakan project is located in the Bulungan district, near the major city of Tarakan in East Kalimantan. The location, in combination with the shallow dip of the coal structures, supports the case for a low cost and quick start operation.

Key highlights of the project include:

- (a) initial prospect area of 3,450ha;
- (b) favourable location for ease of access, logistics and coal transport;
- (c) significant upside to resource potential following exploration programs;
- (d) three identified seams from outcrops with coal seams over 1.5m thick;
- (e) shallow dipping seams indicating low strip ratios; and
- (f) indicative low strip ratio and ease of coal transport infers a low-cost operation.



The concession area is approximately 3,500ha and offers favourable logistics, with an opportunity for FOB vessel sales at a premium price. The relative location of the tenement areas allows for co-production of coal from more than one active pit. This vastly enhances the potential production capability and overall coal quality.

The prospect area is held under an *Izin Usaha Pertambangan* (IUP) licence, issued by the regional government offices. Under Indonesia's new mining laws, IUP licenses replace the older KP licenses.

Coal potential

The coal is hosted within the Sajau Formation, with further field studies planned to confirm the distribution. The dip geometry of the coal-bearing strata has been observed to be in the range of 5–10° through outcrop measurements and test-pit excavations. Indicated coal seam widths exceed 1.5m, with indications of multiple seams.

The energy values for the coal are indicated to be in the classification of low rank coal owing to a moisture content of ~45%, as determined from limited samples provided by the concession holder. On an air dried basis (ADB), the energy value of the coal is in the range of 5,100–5,800 kcal/kg, with corresponding inherent moisture values of 20–12%. The moisture content may be elevated owing to wet ground conditions, in which case it can be reduced through a drying or 'de-watering' process. The coal appears to have very low ash values.

Access and logistics

The project is less than 5km from the Sesayap River system, which appears suitable for coal barging to Tarakan's harbour via the river's estuary. The cost of coal hauling, barging and trans-shipment is expected to be low. Logging roads cover most of the area, with the main westward route being upgraded to a major road. Tarakan has an airport and is serviced by daily flights from Balikpapan.

Work to date

The work programs undertaken to date include numerous surveys, technical reviews, inspections and drilling programs, as summarised in the following table.

Work program	Date	Conducted by	Key outcomes
Mapping survey	Q3 2008	IME	Identification and sampling of major outcrops. Mapping of key geological structures.
Independent technical review	Q3 2008	GMT Indonesia	Review of findings and re-assessment of identified structures. Reported outcomes with broad models of potential resource.
Independent technical review	Q4 2008	Al Maynard & Associates	Confirmation and consolidation of reported findings. Development of geological model and initial estimation of resource.
Surface survey	Q1 2009	IME	Additional study of immediate area to define coal outcrops, with sampling and analysis program.

5. PURCHASE CONSIDERATION

In consideration for the Acquisition, Reco will allot and issue to the Blackcairn shareholders the following fully paid ordinary shares (**Shares**) at a deemed issue price of \$0.20 each (post Consolidation) and the following Performance Shares (post Consolidation):

- (a) 78,000,000 Shares;
- (b) 38,000,000 Class A Performance Shares;
- (c) 38,000,000 Class B Performance Shares; and
- (d) 38,000,000 Class C Performance Shares.

The Class A Performance Shares will convert to ordinary Shares on a one-for-one basis if one million tonnes of coal is produced and sold from the project area within 24 months of settlement.

The Class B Performance Shares will convert to ordinary Shares on a one-for-one basis if a JORC inferred mineral resource of greater than 25,000,000 tonnes of coal is delineated within the project area or 2,500,000 tonnes of coal is produced and sold from the project area within 36 months of settlement.

The Class C Performance Shares will convert to ordinary Shares on a one-for-one basis if a JORC inferred mineral resource of greater than 50,000,000 tonnes of coal is delineated within the project area or 5,000,000 tonnes of coal is produced and sold from the project area within 48 months of settlement.

The issue of the Performance Shares will be subject to the receipt of shareholder approval and obtaining an ASX waiver.

6. CONDITIONS PRECEDENT

The Agreements are subject to the following conditions precedent:

- (a) Reco completing a legal, financial and operational due diligence on Blackcairn and PT Indonesia Mega Energy (Indonesian PMA company) and their assets and Reco being satisfied with the results of that due diligence (in its sole and absolute discretion);
- (b) Reco obtaining all necessary regulatory and shareholder approvals required to complete the Acquisition including, without limitation, shareholder approval to:
 - (i) change the nature and/or scale of Reco's activities in accordance with ASX Listing Rule 11.1.2, if required by ASX;
 - (ii) proceed with the Capital Raising (as defined below) (in accordance with ASX Listing Rule 7.1);
 - (iii) proceed with a consolidation of its issued shares on a one-for-ten basis (**Consolidation**);
 - (iv) allot and issue the Reco Shares and Performance Shares at Settlement to Blackcairn in the amount set out in Schedule 1 of the Agreement (in accordance with the ASX Listing Rules and/or Corporations Act); and
 - (v) change the name of Reco to "Blackcrest Resources Limited";

- (c) Reco complying with any requirements of ASX including, if necessary, the requirements of Chapters 1 and 2 of the ASX Listing Rules, including issuing a prospectus, as if Reco were applying for admission to the official list of ASX (as required by ASX Listing Rule 11.1.3); and
- (d) Reco preparing a prospectus for the Capital Raising, lodging the prospectus with the ASIC and receiving sufficient applications to meet the minimum subscription under the prospectus.

7. CAPITAL RAISING

Subject to the Agreement, Reco will make a general offer to the public under a prospectus to issue a minimum of 50,000,000 fully paid ordinary shares at an issue price of \$0.20 each to raise a minimum of \$10,000,000. Oversubscriptions of up to 25,000,000 shares to raise \$5,000,000 may be accepted (**Capital Raising**).

Reco is in advanced discussions with a number of brokers to secure the funds for the Capital Raising.

8. CAPITAL STRUCTURE

On the basis that Reco completes the Capital Raising and Consolidation on the terms set out above, Reco's capital structure is likely to be as follows:

Shares	Capital Structure
Shares currently on issue	258,977,344
Consolidation on a 1:10 basis	25,897,734
Shares issued to Blackcairn shareholders at Settlement	78,000,000
Shares offered pursuant to the capital raising	50,000,000
Post Completion of Acquisition and Settlement	153,897,734

Performance Shares	Blackcairn Acquisition
Class A Performance Shares	38,000,000
Class B Performance Shares	38,000,000
Class C Performance Shares	38,000,000
Total Performance Shares	114,000,000

9. BALANCE SHEET

A draft pro-forma Balance Sheet for Reco incorporating the effect of the Acquisition and Capital Raising is attached in the Schedule.

10. ANTICIPATED TIMETABLE

The anticipated timetable for completion of the Acquisition and the balance of the matters referred to above is set out below:

Event	Date
Announcement of Acquisition	28 August 2009
Dispatch Notice of Meeting seeking approval for Acquisition	9 September 2009
Suspension of Reco's securities from trading on ASX at the opening of trading	9 October 2009
General Meeting to approve Acquisition	9 October 2009
Lodgement of Prospectus with the ASIC	9 October 2009
Opening of Offer under the Prospectus	19 October 2009
Closing Date of Offer under the Prospectus	16 November 2009
Anticipated date the suspension of trading is lifted and Reco's securities commence trading again on ASX (as "Blackcrest Resources Ltd")	26 November 2009

Full details of the proposed Acquisition and Capital Raising will be forwarded to shareholders and participating option holders in due course, subject to Reco confirming its intentions following its due diligence investigations.

It is the Reco board's view that the Acquisition would give all its shareholders the opportunity to participate in a significant exploration and development programme within a highly prospective coal sector.

It brings Reco an important step closer to the status of producer.

Yours faithfully



Ross Kestel
Chairman

Competent Person. *The information in this report is based on information compiled by Brian J. Varndell B.Sc (Spec Hons Geol), FAusIMM, a geologist with more than 35 years experience in mineral exploration and mining and Allen J. Maynard BApp.Sc(Geol) MAusIMM and MAIG, a geologist with 30 years in the industry and 25 years in mineral asset valuation. Both of these persons are employees of Al Maynard & Associates Pty Ltd, an independent geological consultancy. They have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as Competent Persons under the JORC Code guidelines. Both Mr Varndell and Mr Maynard consent to the inclusion in this announcement of the above information in the form and context in which it appears.*

SCHEDULE - PRO-FORMA BALANCE SHEET

The Offer and the Capital Raising will have an effect on the Company's financial position. Set out below is an unaudited pro forma consolidated balance sheet of the Company as at 30 June 2009 incorporating the effects of the Offer and the Capital Raising before issue costs.

	Notes	Unaudited 30 June 2009 \$	Proforma adjustments \$	Unaudited Proforma Post Capital Raising \$
ASSETS				
Current assets				
Cash and cash equivalents	1	728,416	10,000,000	10,728,416
Trade and other receivables		5,342	-	5,342
Investment in subsidiary	2	-	15,600,000	15,600,000
Other current assets		7,732	-	7,732
Total current assets		741,490	25,600,000	26,341,490
TOTAL ASSETS		741,490	25,600,000	26,341,490
LIABILITIES				
Current liabilities				
Trade and other payables		35,415	-	35,415
Total current liabilities		35,415	-	35,415
TOTAL LIABILITIES		35,415	-	35,415
NET ASSETS		706,075	25,600,000	26,306,075
EQUITY				
Issued capital	3	13,505,283	25,600,000	39,105,283
Reserves		922,217	-	922,217
Accumulated losses		(13,721,425)	-	(13,721,425)
TOTAL EQUITY		706,075	-	26,306,075

Notes**1. Cash & Cash Equivalents**

The unaudited proforma post capital raising balance sheet does not reflect any changes to cash position from 1st July 2009.

2. Investment in subsidiary

Reco will acquire a 100% ownership in Blackcairn Resources (Singapore) Pte Ltd.

3. Issued Capital

<i>Movement in ordinary shares on issue</i>	Number	\$
At 30 June 2009	258,977,344	13,505,283
Consolidation (1:10 basis)	(233,079,610)	-
	<hr/>	
	25,897,734	
Ordinary shares issued to Blackcairn Resources (Singapore) Pte Ltd	78,000,000	15,600,000
Ordinary shares issued for capital raising	50,000,000	10,000,000
	<hr/>	
Post capital raising	153,897,734	39,105,283
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- i. 78,000,000 shares were issued to Blackcairn Resources (Singapore) Pte Ltd in consideration for the acquisition at \$0.20 per share
- ii. 50,000,000 shares at an issue price of \$0.20 per share from share offer
- iii. the issued capital does not reflect the performance shares Class A to Class C as the allotment of these are subject to contingent future events and or conditions.