



10 October 2011

Companies Announcements Office  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

## MODENA RESOURCES ANNUAL REPORT AND UPDATE

Modena Resources Limited (“Modena”) (ASX Code: MDA) provides the following update.

### 1. Annual Report FY 2011 summary

Modena reports a net loss of \$35.2m for the 12 months ending June 30, 2011. The net loss was principally attributable to asset impairments of \$25.0m due to the loss of important leases (refer Lost Leases page 2 for an explanation). The Board acknowledges the severity of the impairment is a significant disappointment to many shareholders, however we stress this is a non-cash write off, relating to past capitalised costs and more importantly we believe this situation can be recovered over the coming year.

The past year has been a period of substantive change for our company. The year was characterised by structural defects from limited progress on our key assets, shortage of necessary capital, cash being spent on non-core activities, and Modena’s weak balance sheet. Overriding all of this, the group was caught up in a lengthy and complicated legal process associated with the transfer of title of the Blackgate assets into the company from the bankruptcy courts.

Below is a table summary of the production statistic for Modena from 1 July 2010 to 30 June 2011.

<b>Key figures as at June 30, 2011</b>			
Net Loss	(\$35,201,847)		
Asset Impairment	(\$25,043,142)		
Total Equity/(deficiency)	(\$8,755,263)		
Reserves	Oil (mbl)	Gas (mmcf)	Total (mmboe)
Proved (P1)	12	1,453	0.25
Probable (P2)	-	137	0.02
Possible (P3)	-	-	-



## 2. Lost leases – most disappointing event of the year

The past year has been a challenging one, whereby Modena did not meet its production target of 14,900mcfpd by June 30, 2011. The failure to produce was arguably the most disappointing event for the year as it resulted in the loss of the bulk of our leases. As previously stated, Modena has incurred an asset impairment of A\$25.0m due to the non-performance of its obligations. The table below lists the main leases and the impact on the company's year-end 2011 reserves and impairment. We point out that one lease expired early 2009 and two mid this year.

List of leases detailing expiry dates, reserves and impairment										
Lease Name	Key Dates		Wells Name	Reserves*						Asset Impairment AUD\$m
	Notification	Expiration		P1		P2		P3		
				Gas	Oil	Gas	Oil	Gas	Oil	
Dunn-McCampbell	04-May-11	04-May-11	Mid Frio #1 & #2	n/a	n/a	2,318	14.04	4,615	66.75	\$7.0
State Tract 938	05-May-11	01-Feb-09	ST 938 #1 & #2	n/a	n/a	2.638	0.54	n/a	n/a	\$1.3
South Sprint State Gas Unit	06-May-11	01-Jun-11	Wells #1, 2 & 3	n/a	n/a	7,624	0.42	n/a	n/a	\$16.7
Total										25.0

\*Units: Gas mcf and Oil bbl

The Board's immediate priority is to engage with relevant authorities to recover these leases as soon as practicable. The Board believes despite the company not fulfilling its operating commitments, it's well placed to recover value. Our belief is based on our retained ownership of important infrastructure, gas gathering network and technical knowledge of the leases that combined provide Modena a significant competitive advantage either as the incumbent operator or in a joint venture. The Board will ensure shareholders are fully briefed of events as and when they unfold.



### **3. Bankruptcy case**

On 15 September 2011, Modena was able to resolve its last lawsuit within the BNP Petroleum Corporation Bankruptcy (CaseNo.09-20206), in the Southern District of Texas, at mediation. Details of the settlement are confidential and the final settlement payment will be made by Modena before 13 January 2012.

### **4. Loss of US management team**

In July 2011, TPE Operating, LLC, resigned as the contractor operating group for all of Modena's U.S. subsidiaries. On 29 July 2011 TPE Operating, LLC sent a letter to Modena claiming US\$794,323.89 for breach of contract. This issue is currently outstanding and Modena is in discussions with TPE Operating, LLC to settle the claim.

### **5. Change of Officeholder and Change of Registered Address**

Modena Resources advises the appointment of Melanie Leydin as Company Secretary effective immediately and the resignation of Jay Stephenson.

Melanie is a Chartered Accountant and is a Registered Company Auditor. She graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer.

In the course of her practice she audits listed and unlisted public companies involved in the resources and biotechnology industry. Her practice also involves outsourced company secretarial and accounting services to public companies in the resources sector. This involves preparation of statutory financial statements, annual reports, half year reports, stock exchange announcements and quarterly ASX reporting and other statutory requirements.

Melanie has 19 years' experience in the accounting profession and is a director and company secretary for a number of oil and gas, junior resources and exploration entities on the Australian Stock Exchange.

In addition Modena's new registered office address is

Suite 304, 22 St Kilda Road,  
St Kilda Vic 3182.  
Ph (03) 9692 7222  
Fax (03) 9529 8057.

### **6. Strategic review underway**

The company we have inherited is in a slightly worse condition than anticipated, but believe its main value is still to be recognised. Our leaner corporate structure, materially lower overhead costs, coupled with a strong board and focused management team provides the foundation for a robust turnaround and growth for Modena.

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The company's priority in the near term is to undertake a comprehensive review of the group's assets and to further strengthen the balance sheet to enable the value of its Padre Island leases to be unlocked thereby creating the platform for a sustained period of growth. This includes undertaking a comprehensive strategic review of our prior leases and renewing those we determine meet our requirements of near term production optimisation and low risk exploration upside.

We believe Modena's Padre Island assets provide the foundations for substantial shareholder growth, with astute commercial and technical management guidance. In order for the successful production from these leases, Modena is being rebuilt with an emphasis on strong sub surface skills in house. Once we have finalised the foundations then the focus is expected to concentrate on generating value from these assets in an orderly manner.

Much of the foundation work has already been completed and the infrastructure is available to exploit these opportunities. With focused capital we believe the Company has a basket of identified opportunities that include low hanging production optimisation growth and low risk exploration assets to underpin future growth.

We will also evaluate selective strategic acquisitions if they are clearly value enhancing and the right fit for Modena. As our assets are monetised, at an appropriate value, we will reduce our equity interest and use proceeds to pay down debt and/or further growth.

We are cautiously optimistic about the future for Modena. I am pleased to report that the new board is working as a cohesive team focused on unlocking the value of our current asset base and positioning the company for future growth. The new board of directors bring vast experience and a proven track record which has already enhanced Modena's position. Significant cost savings have been identified, ensuring funds are available for asset value creation.

The board and management can confidently state the coming year will encompass significant structural change. The new board has provided key commercial and financial skills. Additional board and management appointments will be made as required to further strengthen Modena's exploration and production optimisation skills.

For further information contact

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About Modena Resources: Modena Resources is an independent oil and gas production and exploration company, listed on the Australian Stock Exchange (Code – MDA). Its primary of interest of operations is Padre Island region of Texas, USA. [www.modenaresources.com](http://www.modenaresources.com).