



14th February 2008

Manager of Company Announcements
ASX Limited
Level 6, 20 Bridge Street
SYDNEY NSW 2000

Participation Agreement – Manzano Prospect

The Board of Modena Resources Limited (“Modena”) is pleased to announce it has entered into a Participation Agreement with BNP Petroleum Corporation, to acquire an undivided 12.5% leasehold and working interest in and to a defined oil and gas lease, covering certain lands and leases located in Kleberg County, Texas, USA (“the Lease”) known as the “Manzano Prospect”.

Pursuant to the Participation Agreement Modena has agreed to participation in an initial test well (ST 991#1) to logging point. Drilling of the ST 991#1 well commenced on the 2nd February 2008 and has a planned intermediary total depth of 10,500 feet (vertical depth). The drilling program is scheduled to take approximately 6 weeks.

BNP Petroleum Corporation will be operator of the well to a depth of 10,500ft (vertical depth) for a turnkey fee of US\$4,500,000. If no commercial hydrocarbons are encountered above the 10,500 ft it is the intent of the Joint Venture partnership to deepen the well to approximately 15,100 ft (vertical depth) to test the deeper zones.

If commercial hydrocarbons are encountered in the shallow section (10,500Ft) the well will be completed for an extended production test.

Principle Terms

The principle terms of the Participation Agreement, to acquire an undivided 12.5% leasehold estate and working interest, are:

- (i) the payment of the sum of US\$100,000 in respect to lease, geologic and seismic costs;
- (ii) payment of an undivided 16.63% of all costs associated with the initial well (ST 991#1) to logging point, including those well costs incurred prior to completion under the Participation Agreement. Modena’s share of drilling the initial well will be approximately US\$914,650; and
- (iii) after logging point in the initial well and for all future operations conducted on the Manzano Prospect with respect to same, and as to all operations conducted with respect to wells other than the initial well, Modena shall bear 12.5% of such costs.

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Convertible Note

Modena has also reached agreement for the issue of unsecured convertible notes ("Notes") with a face value of A\$1,500,000, for the purpose of providing funds for participation in the Manzano ST 991#1 well and for additional working capital. The issue of the Notes will be to sophisticated or professional investors and will not require disclosure under the Corporations Act.

The principle terms of the Notes will be as follows:

- (i) Redemption Date: 28 February 2010;
- (ii) Convertible into ordinary fully paid shares at an issue price determined as the lesser of:
 - (a) 45 cents per share; or
 - (b) the price that is 85% of the average market price of the company's ordinary fully paid shares calculated over the last 5 days on which sales were recorded before the date of conversion and issue.
- (iii) Subject to the Corporations Act, ASX Listing Rules and shareholder approval, if necessary, convertible, in whole or part, by either the Noteholder or the Company at any time from the date of issue and prior to the Redemption Date;
- (iv) Shares issued upon conversion of any Note will carry standard rights applicable to quoted ordinary shares in the Company and will, from the date of issue, rank equally with fully paid ordinary shares currently on issue;
- (v) Interest rate – 12% per annum;
- (vi) The company does not intend to list the Notes for quotation on ASX and it is not obligated to do so;
- (vii) The Notes shall not provide for any voting rights at shareholder meetings of the Company;
- (viii) Unless converted or redeemed during the term, the Notes will be redeemed at the Redemption Date at the face value of the Notes;
- (ix) The Notes will be unsecured and the Noteholder will rank equally with all other unsecured creditors of the Company.

Yours faithfully

Craig Willis
Director
Modena Resources Limited