



ABN 63 123 821 929

**Quarterly Activities Report
Quarter Ended 31 December 2008**

Bullseye Prospect (15% before casing point working Interest, prior to back-in rights of vendor; 9% after casing point working interest)

The Bullseye Prospect is located in Iberville Parish, Louisiana, USA.

As reported by the operator, Golden Gate Petroleum Ltd:

- Jumonville #1 is currently producing approximately 480 barrels of oil per day and 280 mcf of gas per day.
- Drilling operations began at Jumonville #2 on 25 December and were expected to take around 60 days to complete. The well is presently at 10,800 ft.
- Re-entry at Acosta #1 well was completed and flow testing is continuing.

Jumonville #1 Bullseye Prospect

The Jumonville #1 well which has been in production since late September 2008 was briefly shut-in during December. The shut-in was for safety reasons while the transporting and setting up of the H&P #79 rig to drill Jumonville #2 occurred. The well was put back on production at the beginning of January 2009.

The well's current daily production rates are approximately 480 barrels of oil and 280 mcf of gas.

Jumonville #2 Bullseye Prospect

The Jumonville #2 well commenced drilling operations on 25 December 2008. Surface casing was set at 3,600 feet. The well is currently at 10,800 feet and setting intermediate casing. The drilling program is on-budget and close to the original schedule with another 30+ days of drilling. Total depth is planned for approximately 14,200ft.

The Jumonville #2 well targets three objectives: the Camerina, Miogyp and Cib Haz Formations. The primary target in the Jumonville #2 well is the deeper Cib Haz reservoir which is contained in the same hydrocarbon trap as the shallower productive intervals. Although deeper than the proven Miogyp reservoir and apparent pay in the Camerina section, it is considered to have a high probability of success, but is considered an exploration target since it has yet to be tested. In addition, the Jumonville # 2 well will penetrate the Miogyp updip from the oil production in the Jumonville #1 well, providing additional confirmation of pay thickness and distribution of this reservoir.

The proprietary 3D seismic data, which provided an accurate pre-drill estimate of pay thickness in the Jumonville # 1 well, indicates substantially thicker reservoir sand over a larger area in the deeper Cib Haz reservoir. If this deeper test is successful the combined reserves of the Camerina, Miogyp and Cib Haz has the potential to make Bullseye one of the largest onshore discoveries in South Louisiana in recent years with a P50 estimate of 22.5 mmboe.

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Acosta #1 Well, Bullseye Prospect

The re-entry work on the Acosta #1 well began in November and successfully reached total depth of 12,475 feet on 9 December. Open hole logs and side wall cores made during the drilling indicated approximately 24 feet of net pay in the Miogyp formation and 26 feet of oil saturated porosity in the Camerina formation. A service rig was on site by the end of December to begin completion operations and testing.

The Acosta #1 well has commenced testing operations. Initial perforations of the Miogyp reservoir have experienced apparent formation damage limiting well bore entry which is most likely caused by the close-by original well bore. A remedial treatment program is being completed with results pending.

Surface Production Facilities – Bullseye Prospect

The surface production facility work has continued with the installation of four 1,500 bbl tanks along with oil, gas and water flow lines for the Jumonville #1 well, the Acosta #1 well and the recently commenced Jumonville #2 well. The gas sales line went operational with initial sales commencing in mid-December.

Manzano Prospect (12.5% working interest)

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 known as the "Manzano Prospect".

ST Tract 991#1)

No further update during the quarter.

Dunn McCampbell 11A

Dunn McCampbell 11A successfully produced 93,200 mcf of gas during the quarter. It is presently producing at an average of 1,800 mcf from a perforated 8 foot interval.

Armstrong Farm Lease (25% working interest)

An undivided 25% leasehold and working interest in and to a defined oil and gas lease, covering certain lands and lease located in Kenedy County Texas USA. The lease covers an area of approximately 1,477 acres. The lease block has the potential for a number of prospective targets.

No further update on the Armstrong Farm Lease.

Jackson Shallow Gas Prospects (52.5% working interest)

As previously reported, the company was assessing its ongoing involvement in the Jackson Shallow Gas Prospects. On 21 November 2008, the company announced that due to the current economic conditions, commitments to the Jackson Shallow Gas Prospects could not be justified and a decision had been taken to relinquish all rights in the Prospects. The Board is of the view that it is in the best interests of the company to concentrate on the successful Bullseye Prospect. The company has received a credit for expenditure undertaken on the Jackson Shallow Gas Prospects.

Wilson Prospect (10% working interest)

The Wilson Prospect is located in Pardre Island, Texas, USA on the Gulf of Mexico.

Following a review of the prospectivity for commercially rectifying production problems on ST 949 #1 the joint venture has agreed to plug and abandon the well.

South Lost Hills Properties (10% working interest)

No work was carried out during the quarter.

Corporate

Capital Raising

During the quarter, the company:

- allotted and issued 3,883,333 ordinary fully paid shares (together with one free attaching option for every two shares applied for and allotted) at an issue price of 27 cents each, having raising \$1,048,500.
- issued 3,485,714 unsecured convertible notes with a face value of \$0.35, raising \$1,220,000. The Notes are convertible into ordinary fully paid shares at an issue price determined as the lesser of 35 cents per share or 85% of the average market price of the company's shares over the last 5 days on which sales are recorded before the date of conversion, at any time on or before the redemption date of 30 September 2010.

Subsequent to the end of quarter, the company reached agreement on the terms of a secured convertible note facility for an amount of \$2,500,000 and in respect of which funds had been received as an advance. The Notes are convertible into ordinary fully paid shares at an issue price determined as the lesser of 25 cents per share or 80% of the average market price of the company's shares over the last 30 days on which sales are recorded before the date of conversion, at any time on or before the redemption date of 29 January 2010. The Notes will be secured by way of Deed of Charge against the net cash flow from Modena's farm-in to and participation in the Bullseye Prospect, otherwise the Noteholder will rank equally with all other unsecured creditors of the Company. The charge created by the Deed shall operate as a floating charge over the charged property.

Craig Willis
Director
Modena Resources Limited

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