

MODENA RESOURCES LIMITED

ACN 119 749 647

**FINANCIAL REPORT
FOR HALF-YEAR ENDED
31 DECEMBER 2010**

MODENA RESOURCES LIMITED CORPORATE DIRECTORY

DIRECTORS

Anthony Hamilton
Craig Willis
James Row
Tony Izelaar

SECRETARY

Jay Stephenson

REGISTERED AND PRINCIPAL OFFICE

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SHARE REGISTRY

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AUDITORS

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AUSTRALIAN SECURITIES EXCHANGE

Modena Resources Limited shares (MDA) and options (MDAO) are listed on the Australian Securities Exchange

MODENA RESOURCES LIMITED

DIRECTORS' REPORT

Your Directors submit the financial report of the consolidated entity for the half-year ended 31 December 2010. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

DIRECTORS

The names of the Directors who held office during or since the end of the half-year and until the date of this report are noted below. Directors were in office for this entire period unless otherwise stated.

Anthony Hamilton (Executive Chairman)
Craig Willis
James Row
Tony Izelaar

REVIEW OF OPERATIONS

The net loss for the half-year attributable to members of Modena Resources Limited was \$2,464,118 (31 December 2009 - \$6,305,494).

Project Review

Modena Resources Limited (ASX: **MDA**, the Company) has, during the period, worked on assuming full operational control of the recently purchased oil and gas production assets in South Texas via its wholly owned US subsidiary Modena Petroleum LLC.

The Company's technical team has completed a first pass review of the 24 production wells acquired in South Texas at its Padre Island operations. Modena continues to work towards its objectives and restore production.

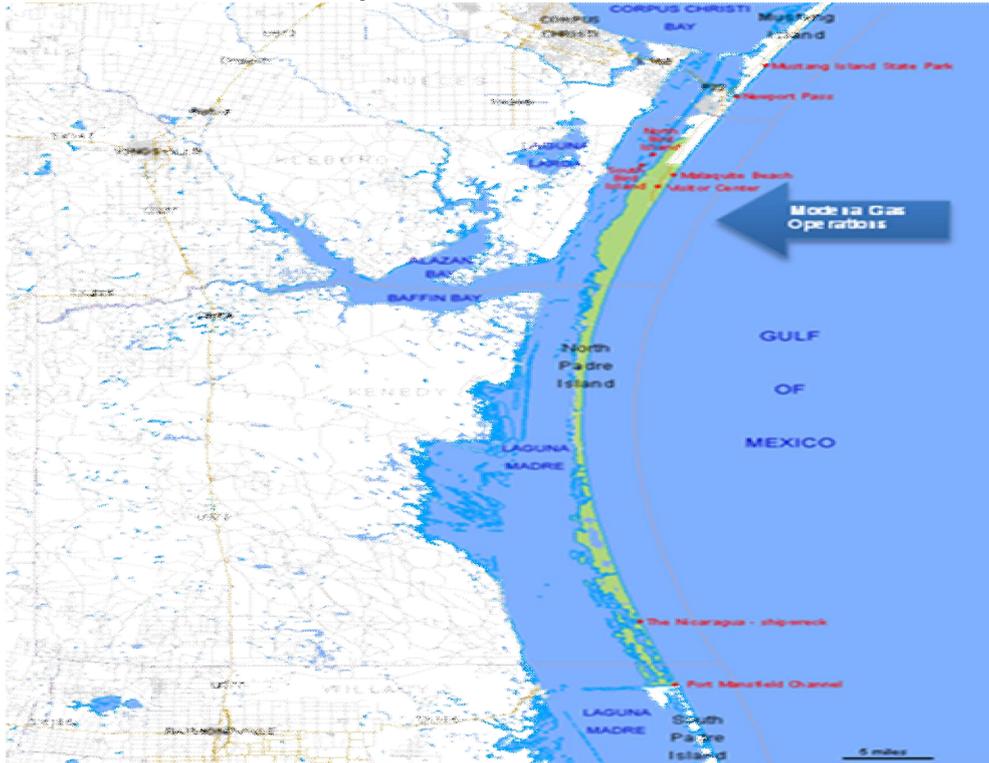
The operational records indicate production had previously peaked at 28,000 MCFPD. The Company has secured and renewed a package of leases for an additional 5 year period and is having continuing discussions with potential working interest and/or joint venture partners for a number of the Company's targeted prospects.

The Company retained H.J. Gruy & Associates, Inc, Petroleum Consultants, to deliver an updated reserve report which was released in February 2011. The Company is also currently completing both permits and right of way access agreements to facilitate the commencement of work over operations. Modena continues to work towards its objective and restore production towards its target over the next twelve months.

The Company has approximately 15,000 acres of prospective exploration acreage as part of the assets purchased including 20 oil and gas production wells in South Texas via its wholly owned US subsidiary Modena Petroleum LLC.

The Company's technical team has performed a thorough wellbore utility review and has identified 15 wells with production improvement possibilities.

Modena Operations in the Gulf of Mexico



The Company's primary focus is production and the task ahead is significant. It is pleasing to note that priority wells currently being re-worked have responded with production being re-established following preliminary work. The Company is currently trialing a sand separator at the Mid Frio #1 following a well clean out with coil tubing and trial production at South Sprint was tested at 190 to 200 MCFPD. Further work will be required to stabilise production at South Sprint.

Modena Pumps and Storage Facility South Padre Island



The Company expects further updates as production increases over the coming months and to date is pleased to report that the wells currently being reinstated have responded positively.

Corporate

The Company completed a private placement in the December quarter to raise \$3.1 million for the purposes of commencing the production development program. Additionally, the Company executed a facility with Truestone Capital of London to provide up to \$10,000,000 in working capital, of which \$1,000,000 has been drawdown at the date of this report.

Modena Resources expects to deliver the reserve report to Macquarie Bank Limited (Macquarie Bank) as part of the banks technical due diligence for the proposed funding for an initial package of four shallow drilling prospects in its South Texas Development Project subject to Macquarie Bank's usual internal approvals.

EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than:

- (a) the Company has issued 40,021,653 ordinary fully paid shares on the conversion of unsecured convertible notes with a face value of \$720,000;
- (b) the Company has issued 58,987,097 ordinary fully paid shares at an average issue price of 1.695 cents per share pursuant to a drawdown facility, raising an amount of \$1,000,000; and
- (c) the Company has issued 1,304,347 ordinary fully paid shares at an issue price of 2.3 cents per share in consideration of services rendered.

CHANGES IN STATE OF AFFAIRS

Significant changes in the state of affairs of the consolidated entity during the half-year are detailed under the heading 'Review of Operations' of this Report.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the consolidated entity that occurred during the financial period under review not otherwise disclosed in this report or in the financial report.

AUDITOR'S DECLARATION OF INDEPENDENCE

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year ended 31 December 2010 is set out on page 5.

Signed in accordance with a resolution of the directors.



Anthony Hamilton
Director

Perth, 16 March 2011

16 March 2011

Board of Directors
Modena Resources Ltd
Suite B 150 Hay Street
SUBIACO WA 6008

Dear Sirs,

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE BOARD OF DIRECTORS OF MODENA RESOURCES LIMITED

As lead auditor of Modena Resources Limited for the period ended 31 December 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

This declaration is in respect of Modena Resources Limited and the entities it controlled during the period.



Peter Toll
Director



BDO Audit (WA) Pty Ltd
Perth, Western Australia

MODENA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2010

	Note	Consolidated	
		31 December 2010 \$	31 December 2009 \$
Continuing operations			
Revenue from sales		260,017	335,095
Cost of sales		-	(268,026)
Gross profit (loss)		-	67,069
Interest received		2,420	1,370
Net change in fair value of financial assets		(32,500)	75,775
Exploration and evaluation expenditure	4	-	(608,272)
Impairment of capitalised exploration and evaluation	4	-	(398,587)
Loss on sale of oil and gas production properties		-	(4,439,893)
Depreciation and amortisation		(18,922)	(2,146)
Interest and finance costs		(390,513)	(344,242)
Directors fees and benefits expense		(357,267)	(176,667)
Administration, consulting and other expenses		(846,232)	(479,901)
Other expenditure		(1,081,121)	-
Loss before income tax expense		(2,464,118)	(6,305,494)
Income tax expense		-	-
Net loss for period attributable to members of Modena Resources Limited		(2,464,118)	(6,305,494)
Other comprehensive income			
Foreign currency translation		(1,043,685)	-
Other comprehensive income for period, net of tax		(1,043,685)	-
Total comprehensive income attributable to members of Modena Resources Limited		(3,507,803)	(6,305,494)
Basic and diluted loss per share (cents per share)		(0.3)	(6.9)

The accompanying notes form part of these financial statements

MODENA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2010

		Consolidated	
		31 December 2010 \$	30 June 2010 \$
	Note		
ASSETS			
Current Assets			
Cash and cash equivalents	2	282,092	621,512
Trade and other receivables	3	1,406,897	1,743,313
Other financial assets		37,500	70,000
Total Current Assets		1,726,489	2,434,825
Non-Current Assets			
Plant and equipment		174,807	246,707
Deferred exploration and evaluation	4	31,333,347	28,060,488
Total Non-Current Assets		31,508,154	28,307,195
Total Assets		33,234,643	30,742,020
LIABILITIES			
Current Liabilities			
Trade and other payables		1,918,601	1,099,620
Borrowings	5	6,370,081	5,547,105
Total Current Liabilities		8,288,682	6,646,725
Total Liabilities		8,288,682	6,646,725
Net Assets		24,945,961	24,095,295
EQUITY			
Issued capital	6	52,520,857	48,162,388
Reserves		(178,775)	864,910
Accumulated losses		(27,396,121)	(24,932,003)
Total Equity		24,945,961	24,095,295

The accompanying notes form part of these financial statements

MODENA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2010

	Issued Capital	Accumulated Losses	Option Issue Reserve	Foreign Currency Translatio n Reserve	Total Equity
	\$	\$	\$	\$	\$
At 1 July 2009	15,671,409	(16,585,442)	664,910	-	(249,123)
Total comprehensive income for period	-	(6,305,494)	-	-	(6,305,494)
Transactions with equity holders:					
Securities issued during the half-year	805,000	-	-	-	805,000
Transaction costs	(9,225)	-	-	-	(9,225)
At 31 December 2009	16,467,184	(22,890,936)	664,910	-	(5,758,842)
At 1 July 2010	48,162,388	(24,932,003)	864,910	-	24,095,295
Total comprehensive income for period	-	(2,464,118)	-	(1,043,685)	(3,507,803)
Transactions with equity holders:					
Securities issued during the half-year	4,514,350	-	-	-	4,514,350
Transaction costs	(155,881)	-	-	-	(155,881)
At 31 December 2010	52,520,857	(27,396,121)	864,910	(1,043,685)	24,945,961

The accompanying notes form part of these financial statements

MODENA RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2010

	Note	Consolidated 31 December 2010 \$	31 December 2009 \$
Cash flows from operating activities			
Payments to suppliers and employees		(2,284,757)	(369,285)
Interest received		2,420	1,370
Interest paid		(74,182)	(230,195)
GST recoverable		45,551	(17,622)
Net cash used in operating activities		(2,310,968)	(615,732)
Cash flows from investing activities			
Purchase of plant & equipment		(70,074)	-
Advance to non related entity		(431,278)	-
Repayment of advance non related entity		859,061	-
Payments on exploration and evaluation		(3,433,238)	(240,386)
Net cash used in investing activities		(3,075,529)	(240,386)
Cash flows from financing activities			
Proceeds from issue of securities		3,015,600	700,000
Share issue costs		(31,500)	-
Proceeds from borrowings		2,421,173	62,000
Repayment of borrowings		(358,196)	-
Net cash provided by financing activities		5,047,077	762,000
Net decrease in cash and cash equivalents		(339,420)	(94,118)
Cash and cash equivalents at beginning of the half-year		621,512	133,140
Cash and cash equivalents at end of the half-year	2	282,092	39,022

The accompanying notes form part of these financial statements

MODENA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The half-year consolidated financial statements are general purpose financial statements prepared in accordance with the requirements of the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'.

These half-year financial statements do not include full disclosures of the type normally included in annual financial statements. Therefore, it cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the group as in the full financial statements.

It is recommended that these financial statements be read in conjunction with the annual financial statements for the year ended 30 June 2010 and any public announcements made by Modena Resources Limited and its subsidiaries during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001 and the ASX Listing Rules.

Basis of preparation

The half-year statements have been prepared on a historical cost basis, except for financial assets which are measured at fair value. Cost is based on the fair value of the consideration given in exchange for assets. The company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise noted.

For the purpose of preparing the half-year financial statements, the half-year has been treated as a discrete reporting period.

Significant accounting judgements and key estimates

The preparation of half-year financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing this half-year report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report for the year ended 30 June 2010.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2010, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2010.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2010. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

MODENA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (Cont.)

Going concern

The directors have prepared the financial statements on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. Although the company incurred a net loss of \$2,464,118 and had a working capital deficiency of \$6,562,193 as at 31 December 2010, the ability of the company to continue as a going concern is based on the successful completion of a capital raising within the next 12 months.

The Directors believe after consideration of these matters, there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable and is a going concern because of the following factors:

- The ability to issue additional shares under the *Corporations Act 2001*;
- The Company's commitment to exploration expenditure is discretionary and, if required, could enter into farm-in arrangements on its projects;
- The Directors have an appropriate plan to raise additional funds as and when it is required. In light of the Group's current exploration projects, the Directors believe that the additional capital required can be raised in the market;
- The Company has entered into an agreement with Truestone Capital Specialist Investments Limited, a London based specialist financier for provision a \$10,000,000 working capital facility. The facility drawdown is solely at the election of the Company and subject to a formal drawdown process. At the date of this report the Company has drawn down an amount of \$1,000,000;
- Subsequent to reporting date, the Company has issued 40,021,653 ordinary fully paid shares on the conversion of unsecured convertible notes with a face value of \$720,000, thereby reducing liabilities by the same amount; and
- The Directors have an appropriate plan to contain certain operating and exploration expenditure if appropriate funding is unavailable.

Accordingly, the Directors believe that subject to prevailing equity market conditions, the consolidated entity will obtain sufficient funding to enable it to continue as a going concern and that it is appropriate to adopt that basis of accounting in the preparation of the half-year financial statements. Should the consolidated entity be unable to obtain sufficient funding as outlined above, there is significant uncertainty whether or not the consolidated entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not contain any adjustments relating to the recoverability and classification of recorded asset amounts, or to the amounts or classifications of liabilities that might be necessary should the consolidated entity not be able to continue as a going concern.

2. CASH AND CASH EQUIVALENTS

For the purposes of the statement of financial position, cash and cash equivalents are comprised of the following:

	Half-year ended 31 December 2010	Year ended 30 June 2010
Cash at bank and in hand	\$ 282,196	\$ 621,512

MODENA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

2. CASH AND CASH EQUIVALENTS (continued)

(i) Non-cash financing and investing activities

During the half-year, unsecured convertible notes with a face value of \$1,240,000 were converted to 73,806,979 ordinary fully paid shares.

During the previous half-year, unsecured convertible notes with a face value of \$105,000 were converted to 2,277,151 ordinary fully paid shares.

3. TRADE AND OTHER RECEIVABLES

	Half-year ended 31 December 2010 \$	Year ended 30 June 2010 \$
Rental bond	30,624	30,624
GST and other taxes recoverable	2,619	48,170
Other receivables	293,923	157,005
Amount owing by other entity	1,079,731	1,507,514
	<u>1,406,897</u>	<u>1,743,313</u>

4. EXPLORATION AND EVALUATION EXPENDITURE

Costs carried forward in respect of areas of interest in the following phases:

	Half-year ended 31 December 2010 \$	Year ended 30 June 2010 \$
Exploration and evaluation phase – at cost	<u>31,333,347</u>	<u>28,060,488</u>
Movement		
Carrying amount at beginning of period	28,060,488	398,587
Oil and Gas properties acquired from acquisition of controlled entity *	-	27,943,692
Expenditure incurred	3,272,859	725,068
Expenditure written off	-	(608,272)
Allowance for impairment	-	(398,587)
Carrying amount at end of period	<u>31,333,347</u>	<u>28,060,488</u>

Ultimate recoupment of exploration and evaluation expenditure carried forward is dependent on successful development and commercial exploitation or, alternatively, sale of the relevant areas of interest, at amounts at least equal to book value.

* These assets have been recognised provisionally at reporting date as accounting is incomplete relating to fair value adjustments and potential classification adjustments between infrastructure, exploration properties and oil & gas production properties.

MODENA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

5. BORROWINGS

	Half-year ended 31 December 2010	Year ended 30 June 2010
	\$	\$
Current		
Convertible Notes – Unsecured (i)	3,307,105	4,547,105
Loans – Unsecured (ii)	3,062,976	1,000,000
	6,370,081	5,547,105
	6,370,081	5,547,105

(i) Convertible Notes – Unsecured

At reporting date the company had unsecured convertible notes outstanding with a face value of \$3,307,105. The principle terms of these convertible notes are as follows:

Number:	591,728	722,222	785,714	10,000,000
Face value:	\$207,105	\$325,000	\$275,000	\$2,500,000
Redemption date:	31/01/2011	28/02/2011	30/09/2010	29/01/2011
Conversion rights:	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.	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.	Convertible, in whole or part, by the Noteholder at any time from the date of issue and prior to the redemption date; and by the Company where the closing price of the Company's shares is 35 cents or greater for 5 consecutive trading days.	Convertible, in whole or in part, by the Noteholder at any time from the date of issue and prior to the Redemption Date.
Conversion price:	The lesser of 35 cents or 85% of 5 day average market price.	The lesser of 45 cents or 85% of 5 day average market price.	The lesser of 35 cents or 85% of 5 day average market price.	The lesser of 25 cents or 80% of the 30 day weighted average market price
Interest rate:	10.5%	12.5%	10%	12%

(ii) Loans – Unsecured

Loans from other entities are unsecured and repayable on or before 30 June 2011. Interest is charged at a rate of 10% per annum.

MODENA RESOURCES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2010

6. ISSUED CAPITAL

	Half-year ended 31 December 2010	Year ended 30 June 2010
	\$	\$
Issued Capital		
Ordinary shares – fully paid	52,520,857	48,162,388
	52,520,857	48,162,388
Movement in ordinary shares on issue	Number	\$
Balance at beginning of half-year	818,518,911	48,162,388
Issue on conversion of convertible notes	73,806,979	1,240,000
Issue for cash – 13 December 2010	134,863,043	3,101,850
Issue in satisfaction of facility fee	7,500,000	172,500
Expenses of issue	-	(155,881)
	1,034,688,933	52,520,857
Balance at end of half-year	1,034,688,933	52,520,857

7. SEGMENT INFORMATION

The Group has adopted AASB 8 *Operating Segments* which requires operating segments to be identified on the basis of internal reports about components of the Group that are reviewed by the chief operating decision maker in order to allocate resources to the segment and assess its performance. The Board of Modena Resources Ltd reviews internal reports prepared as consolidated financial statements and strategic decisions of the Group are determined upon analysis of these internal reports. During the period, the Group operated predominantly in one business and geographical segment being the oil and gas sector in the United States of America.

Accordingly, under the 'management approach' outlined only one operating segment has been identified and no further disclosure is required in the notes to the consolidated financial statements.

8. CONTINGENT LIABILITIES

There are no contingent liabilities or contingent assets of the Group at reporting date.

9. DIVIDENDS

No dividend has been paid or is proposed in respect of the half-year ended 31 December 2010 (2009: None).

MODENA RESOURCES LIMITED

DIRECTORS' DECLARATION

10. EVENTS SUBSEQUENT TO REPORTING DATE

No other matter or circumstance has arisen since the end of the half-year which has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial periods, other than:

- (a) the Company has issued 40,021,653 ordinary fully paid shares on the conversion of unsecured convertible notes with a face value of \$720,000;
- (b) the Company has issued 58,987,097 ordinary fully paid shares at an average issue price of 1.695 cents per share pursuant to a drawdown facility, raising an amount of \$1,000,000; and
- (c) the Company has issued 1,304,347 ordinary fully paid shares at an issue price of 2.3 cents per share in consideration of services rendered.

MODENA RESOURCES LIMITED

DIRECTORS' DECLARATION

The directors of the company declare that:

- 1) The financial statements and notes set out on pages 6 to 14 are in accordance with the Corporations Act 2001, including:
 - (a) complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year then ended.
- 2) In the directors' opinion there are reasonable grounds to believe that Modena Resources Limited will be able to pay its debts when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read 'Anthony Hamilton', with a long horizontal line extending to the right.

Anthony Hamilton
Director

Perth, 16 March 2011



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Australia

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MODENA RESOURCES LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Modena Resources Limited, which comprises the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Modena Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Modena Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.



Basis for Qualification

As at the date of our report we have been unable to obtain all the supporting documentation required to obtain sufficient appropriate audit evidence in relation to Modena Resources Limited's operating subsidiaries located in the United States of America. Accordingly, we have been unable to perform sufficient audit procedures in relation to the financial position and financial performance of these subsidiaries for the period ended 31 December 2010. Had we been able to obtain all the supporting documentation necessary to complete our review, matters might have come to our attention indicating that adjustments might be necessary to the half-year financial report.

Qualified Conclusion

Except for the effect, if any, of the qualification included in the preceding paragraph, based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Modena Resources Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

Without additional qualification to the conclusion expressed above, we draw attention to Note 1 in the half-year financial report which indicates that the consolidated entity has incurred a loss of \$2,464,118 for the half year ended 31 December 2010 and as at 31 December 2010 has a working capital deficiency of \$2,464,118. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the financial report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Peter Toll', with a long horizontal flourish extending to the right.

Peter Toll
Director

Perth, Western Australia
Dated this 16th day of March 2011