



MARENGO MINING LIMITED

ABN 57 099 496 474

**INTERIM FINANCIAL REPORT
FOR THE HALF-YEAR ENDED
31 DECEMBER 2008**

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2008 and any public announcements made by Marengo Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MARENGO MINING LIMITED

31 DECEMBER 2008

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MARENGO MINING LIMITED

31 DECEMBER 2008

DIRECTORS' REPORT

Your directors submit their report on Marengo Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2008 (the "Consolidated Entity").

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Douglas Dunnet

Les Emery

John Hick

John Horan

Elizabeth Martin

Sir Rabbie Namaliu

Susanne Sesselmann

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year ending 31 December 2008 by geographic segments is set out below:

	2008	
	Revenues	Results
	\$	\$
Australia	1,320,320	(4,187,368)
Papua New Guinea	-	(8,340,569)
Consolidation eliminations	-	2,955,684
Consolidated Entity revenues and loss	<u>1,320,320</u>	<u>(9,572,053)</u>

During the period under review the Consolidated Entity continued its exploration and evaluation of the Yandera copper-molybdenum project in Papua New Guinea (the "Yandera Project").

The Consolidated Entity continued with a definitive feasibility study (the "DFS") on the Yandera Project throughout the period under review, with a focus on metallurgical testwork, resource estimation and mining engineering studies. The DFS is based on a large open-pit design, which would underpin an initial 10-year mine life, commencing at a 25 Mtpa production rate.

In conjunction with the DFS, a major diamond drilling program continued throughout the period under review, to assist in the delineation of additional mineral resources within the Yandera Project. A total of 15,829 metres were drilled during the period under review, by the operation of six drilling rigs onsite.

MARENGO MINING LIMITED

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DIRECTORS' REPORT (continued)

A portion of the data obtained from this drilling was utilised in the preparation of an upgraded copper-molybdenum resource estimate for the Yandera Project and in addition the preparation of an initial by-product resource estimate (gold, silver & rhenium) for the deposit.

These resource estimates were prepared by international mining consultancy group, Golder Associates Pty Ltd in accordance with the JORC Code and Canadian National Instrument 43-101, and comprise:

1. Copper-Molybdenum Resource

Indicated Resource Estimate of 527 million tonnes (Mt) at 0.38% copper equivalent (CuEq) and an Inferred Resource Estimate of 766 Mt at 0.33% Cu Eq, based on a 0.2% CuEq cut-off.¹

¹ CuEq is calculated as $Cu\% + (10 \times Mo\%)$ to reflect the approximate price differential between the two metals. Metallurgical recoveries are not taken into account.

2. By-Product Resource

Inferred Resource Estimate of 1.29 billion tonnes containing 0.08 g/t gold, 1.35 g/t silver and 0.07 ppm rhenium, based on a 0.2% CuEq cut-off.

During the period under review and as a result of identifying new options for infrastructure, location of processing facilities and transportation routes, the Company decided to expand the scope of the DFS and extended the completion date until December 2009.

During the half-year ended 31 December 2008 the Consolidated Entity incurred \$2,436,363 of feasibility study costs which have been capitalised.

The Consolidated Entity continued to undertake exploration within the Yandera Project area, but outside of the presently defined resources. This work comprised geological mapping and sampling programs to further delineate other prospects which could compliment existing resources at Yandera.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of directors.



L S G Emery

Managing Director

Perth, 13 February 2009

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13 February 2009

Board of Directors
Marengo Mining Limited
Level 2, 9 Havelock Street
WEST PERTH WA 6005

Dear Sirs

RE: MARENGO MINING LIMITED

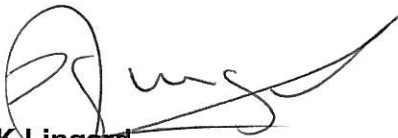
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Marengo Mining Limited.

As Audit Director for the review of the financial statements of Marengo Mining Limited for the period ended 31 December 2008, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTONS INTERNATIONAL
(Authorised Audit Company)



K Lingard
Director

MARENGO MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	1,320,320	673,068
EXPENDITURE		
Depreciation expense	(87,606)	(30,375)
Salaries and employee benefits expense	(557,565)	(437,857)
Exploration expenditure	(8,142,055)	(4,328,499)
Corporate expenditure	(621,822)	(275,077)
Occupancy expenditure	(154,712)	(32,058)
Insurance expenditure	(114,211)	(40,229)
Administration costs	(998,409)	(374,750)
Share based payment expense	(215,993)	(81,331)
LOSS BEFORE INCOME TAX	(9,572,053)	(4,927,108)
Income tax benefit / (expense)	-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MARENGO MINING LIMITED	(9,572,053)	(4,927,108)
Basic and diluted loss per share (cents)	(3.6)	(3.2)

The above consolidated income statement should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2008**

	31 December 2008 \$	30 June 2008 \$
CURRENT ASSETS		
Cash and cash equivalents	11,302,932	23,352,570
Trade and other receivables	583,499	828,723
TOTAL CURRENT ASSETS	11,886,431	24,181,293
NON-CURRENT ASSETS		
Other financial assets	408,733	817,301
Plant and equipment	822,997	622,054
Mining properties	16,217,390	9,352,520
TOTAL NON-CURRENT ASSETS	17,449,120	10,791,875
TOTAL ASSETS	29,335,551	34,973,168
CURRENT LIABILITIES		
Trade and other payables	1,061,043	2,745,003
Provisions	443,915	240,608
TOTAL CURRENT LIABILITIES	1,504,958	2,985,611
TOTAL LIABILITIES	1,504,958	2,985,611
NET ASSETS	27,830,593	31,987,557
EQUITY		
Contributed equity	58,355,202	58,540,993
Reserves	6,446,621	845,741
Accumulated losses	(36,971,230)	(27,399,177)
TOTAL EQUITY	27,830,593	31,987,557

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	31,987,557	13,999,519
Exchange differences on translation of foreign operations	5,384,887	183,869
NET INCOME RECOGNISED DIRECTLY IN EQUITY	5,384,887	183,869
LOSS FOR THE HALF-YEAR	(9,572,053)	(4,927,108)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	(4,187,166)	(4,743,239)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	-	15,438,311
Transaction costs	(185,791)	(1,518,673)
Director options	198,134	
Employee share options	17,859	-
Options issued as consideration to broker	-	81,331
	30,202	14,000,969
TOTAL EQUITY AT THE END OF THE HALF-YEAR	27,830,593	23,257,249

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED**31 DECEMBER 2008****CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2008**

	Half-year	
	2008	2007
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Gains on foreign exchange	201,303	219,014
Payments to suppliers and employees	(2,089,458)	(1,237,046)
Expenditure on mining interests	(7,423,319)	(4,009,786)
Interest received	533,037	426,799
Net cash outflow from operating activities	(8,778,437)	(4,601,019)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for DFS expenses	(2,974,001)	-
Payments for plant and equipment	(165,369)	(119,781)
Net cash outflow from investing activities	(3,139,370)	(119,781)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	-	15,438,311
Payments of share issue costs	(185,791)	(1,332,554)
Net cash (outflow)/inflow from financing activities	(185,791)	14,105,757
Net increase/(decrease) in cash and cash equivalents	(12,103,598)	9,384,957
Cash and cash equivalents at the beginning of the half-year	23,352,570	7,171,035
Effects of exchange rate changes on cash and cash equivalents	53,960	964
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	11,302,932	16,556,956

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

This general purpose consolidated financial report for the interim half-year reporting period ended 31 December 2008 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2008 and any public announcements made by Marengo Mining Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Since 1 July 2007, the consolidated entity has elected not to early adopt any new standards or amendments.

Going Concern

This interim financial report has been prepared on the going concern basis, which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the ordinary course of business. The going concern of the consolidated entity is dependant upon it maintaining, and where needed, raising sufficient funds for its operations and commitments. The directors continue to monitor the ongoing funding requirements of the consolidated entity and consider the entity able to meet its debts as and when they fall due.

Significant Accounting Policy

Exploration, evaluation and feasibility costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs and feasibility study costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future. Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

MARENGO MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

Primary reporting format – geographic segments

	Australia \$	Papua New Guinea \$	Total \$
Half-year 2008			
Total segment revenue	1,320,320	-	1,320,320
Intersegment elimination			-
Consolidated revenue			<u>1,320,320</u>
Segment result	<u>(4,187,168)</u>	<u>(8,340,569)</u>	<u>(12,527,737)</u>
Intersegment elimination			<u>2,955,684</u>
Loss before income tax			<u>(9,572,053)</u>
Half-year 2007			
Total segment revenue	673,068	-	673,068
Intersegment elimination			-
Consolidated revenue			<u>673,068</u>
Segment result	<u>(4,743,238)</u>	<u>(4,363,874)</u>	<u>(9,107,112)</u>
Intersegment elimination			<u>4,180,004</u>
Loss before income tax			<u>(4,927,108)</u>

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2008 Shares	2008 \$	2007 Shares	2007 \$
Issues of ordinary shares during the half-year				
Placement issued at 36 cents per share	-	-	41,666,667	15,000,000
Conversion of listed 20 cent options	-	-	2,191,556	438,311
Transaction costs	-	<u>(185,791)</u>	-	<u>(1,518,673)</u>
	<u>-</u>	<u>(185,791)</u>	<u>43,858,223</u>	<u>13,919,638</u>

MARENGO MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE (continued)

	Number of options	
	2008	2007
Movements of options during the half-year		
Issued, exercisable at 36 cents, on or before 15 February 2009	-	993,055
Listed options exercised at 20 cents	-	(2,191,556)
Issued, exercisable at 50 cents, on or before 15 August 2013	5,750,000	-
Lapsed, exercisable between 20 to 40 cents, on or before 30 November 2008	(10,800,000)	-
Issued, exercisable at 25 cents, on or before 18 December 2013	2,300,000	-
Net movement	(2,750,000)	(1,198,501)

NOTE 4: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half-year which will significantly affect, or may significantly affect, the state of affairs or operations of the consolidated entity subsequent to the half-year ended 31 December 2008.

NOTE 6: SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

	Half-year	
	2008	2007
	\$	\$
Expense arising from equity-settled share based payment transactions	215,993	81,331

(b) Employee Share Option Plan

On 31 July 2008, shareholders adopted the Marengo Mining Employee Share Option Plan ("Plan"). The Plan entitles key management personnel and employees to purchase shares in the Company.

The Options will vest in five tranches, one fifth of the Options will vest immediately on the after the granting, one fifth will vest one year after the granting, one fifth will vest two years after the granting, one fifth will vest three years after the granting and one fifth of the Options will vest four years after the granting. Apart from the vesting date, all other terms of the Options are identical. The exercise price is at the discretion of the Board.

MARENGO MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: SHARE BASED PAYMENTS (continued)

As at 31 December 2008 2,300,000 additional options have been issued to Eligible Employees.

(c) Directors Options

On 31 July 2008, shareholders approved the granting of 5,750,000 options to the Directors with an exercise price of 50 cents and an expiry date of 15 August 2013.

The Options will vest in five tranches, one fifth of the Options will vest immediately on the after the granting, one fifth will vest one year after the granting, one fifth will vest two years after the granting, one fifth will vest three years after the granting and one fifth of the Options will vest four years after the granting. Apart from the vesting date, all other terms of the Options are identical. The exercise price is at the discretion of the Board.

As at 31 December 2008 5,750,000 additional options have been issued to the Directors.

(d) Summary of Options Granted to Directors and under the Plan

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

No options were exercised during the year.

	2008	2008	2007	2007
	No.	WAEP	No.	WAEP
Granted during the year	8,050,000	\$0.43	993,055	\$0.36
Outstanding at the end of the year	9,043,055	\$0.42	993,055	\$0.36

(e) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 31 December 2008 is 4.2 years.

(f) Range of exercise prices

The range of exercise prices for options outstanding at the end of the half-year is 25 cents to 50 cents.

MARENGO MINING LIMITED

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: SHARE BASED PAYMENTS (continued)

(g) Option pricing model

The fair value of the equity settled share options granted under the Plan and to the Directors is estimated as at the date of grant using a Black-Scholes Option pricing model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the years 31 December 2008 and 31 December 2007.

	Half-year	
	2008	2007
Dividend Yield	0%	0%
Expected volatility	90%	70%
Risk free interest rate	4.25% - 6.50%	6.50%
Expected life (years)	5	1.5
Option exercise price (cents)	25-50 cents	36 cents
Share price at grant date (cents)	8.8-21.5 cents	28.5 cents

The expected life of the options is fixed at the time of issue and is not necessarily indicative of when they may be exercised. The expected volatility reflects the assumption that historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

MARENGO MINING LIMITED

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DIRECTORS' DECLARATION

In the directors' opinion:

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 Standards, 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 2008 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Marengo Mining Limited will be able to pay its debts as and when they become due and payable.

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



L S G Emery

Managing Director

Perth, 13 February 2009

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF MARENGO MINING LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Marengo Mining Limited, which comprises the consolidated condensed balance sheet as at 31 December 2008, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Interim and Other Financial Reports 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 2008 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 Marengo Mining 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*, has been provided to the directors of Marengo Mining Limited on 13 February 2009.

Conclusion

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 Marengo Mining 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 2008 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.

Stantons International

STANTONS INTERNATIONAL
(Authorised Audit Company)



K LINGARD
Director

West Perth, Western Australia
13 February 2009