



MARENGO MINING LIMITED

ABN 57 099 496 474

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

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 2010 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 2010

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MARENGO MINING LIMITED

31 DECEMBER 2010

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 2010 (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 2010 by geographic segments is set out below:

	Half-Year Ending 31 December 2010	
	Revenues	Results
	\$	\$
Australia	269,646	(18,441,861)
Papua New Guinea	-	(254,505)
Consolidation eliminations	-	13,480,119
Consolidated Entity revenue and loss	269,646	(5,216,247)

During the period the Company successfully raised a total of C\$83.41M (Canadian dollars) from two placements in Canada for a total of 493M ordinary shares.

The Company entered into a non-binding agreement with one of China's leading construction and engineering groups, China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC").

Under the terms of the Memorandum of Understanding (MOU), Marengo has agreed to work exclusively with NFC to establish the cost and program for delivery of the Yandera Project in parallel with the completion of the current DFS. These discussions will be conducted with a view to entering into:

- a formal construction agreement (Engineering, Procurement and Construction or EPC Contract) under which Marengo will appoint NFC as the principal contractor, under a Lump Sum Turnkey Contract, following a detailed evaluation of the project construction costs, to be undertaken by NFC as part of the final stage of the DFS;
- a formal financing agreement, subject to agreement on the terms of the construction contract, under which NFC will facilitate at least 70% of the necessary financing for the project development costs of the Yandera Project through Chinese banks.

In addition, the MOU contemplates NFC placing a substantial amount of the project copper and molybdenum concentrate off-take with a variety of customers, including NFC itself, and investing in either Marengo or the Yandera Project or both, on terms to be agreed.

MARENGO MINING LIMITED

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DIRECTORS' REPORT (continued)

Under the proposed construction agreement, NFC will be permitted, to the extent reasonably practicable, to maximise the use and procurement of engineering services, mechanical equipment, fabricated steel and other construction materials, and mining equipment required for the Yandera Project in China.

The MOU includes an indicative timetable which contemplates the commencement of project construction at Yandera by the first half of 2012 following completion of a formal EPC contract and approved financing anticipated by November 2011.

Where C\$ has been noted in the document this represents Canadian dollars.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's 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, 14 February 2011

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Stantons International Audit and Consulting Pty Ltd
(ABN 84 144 581 519) trading as

Stantons International

Chartered Accountants and Consultants

14 February 2011

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 2010, 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 AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Martin Michalik
Director

MARENGO MINING LIMITED**31 DECEMBER 2010****CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-Year Ended	
	31 December 2010	31 December 2009
Note	\$	\$
REVENUE FROM CONTINUING OPERATIONS	269,646	79,336
EXPENDITURE		
Depreciation expense	(116,523)	(105,557)
Salaries and employee benefits expense	(820,374)	(606,033)
Exploration expenditure	(173,296)	(5,437,217)
Corporate expenditure	(988,586)	(527,048)
Occupancy expenditure	(218,971)	(156,910)
Insurance expenditure	(141,288)	(95,781)
Administration and other expenditure	(399,938)	(480,939)
Foreign exchange realised and unrealised losses	(2,474,289)	(546,851)
Share based payment expense	7(a) (152,628)	(133,958)
LOSS BEFORE INCOME TAX	(5,216,247)	(8,010,958)
Income tax benefit/(expense)	-	-
NET LOSS FOR THE HALF-YEAR	(5,216,247)	(8,010,958)
OTHER COMPREHENSIVE LOSS FOR THE PERIOD		
Exchange differences on translation of foreign operations	(2,254,011)	(1,792,771)
Other comprehensive income for the period, net of tax	(2,254,011)	(1,792,771)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	(7,470,258)	(9,803,729)
Basic and diluted loss per share (cents)	(0.7)	(1.9)

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

MARENGO MINING LIMITED**31 DECEMBER 2010****CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS		
Cash and cash equivalents	70,689,969	6,660,704
Trade and other receivables	720,728	702,068
TOTAL CURRENT ASSETS	<u>71,410,697</u>	<u>7,362,772</u>
NON-CURRENT ASSETS		
Trade and other receivables	312,438	323,878
Other financial assets	491,511	468,028
Plant and equipment	736,078	760,945
Mining properties	26,044,925	16,854,107
TOTAL NON-CURRENT ASSETS	<u>27,584,952</u>	<u>18,406,958</u>
TOTAL ASSETS	<u>98,995,649</u>	<u>25,769,730</u>
CURRENT LIABILITIES		
Trade and other payables	2,297,156	2,801,963
Provisions	789,966	524,249
TOTAL CURRENT LIABILITIES	<u>3,087,122</u>	<u>3,326,212</u>
TOTAL LIABILITIES	<u>3,087,122</u>	<u>3,326,212</u>
NET ASSETS	<u>95,908,527</u>	<u>22,443,518</u>
EQUITY		
Contributed equity	158,623,657	78,109,418
Reserves	999,430	2,832,413
Accumulated losses	(63,714,560)	(58,498,313)
TOTAL EQUITY	<u>95,908,527</u>	<u>22,443,518</u>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Issued Capital Ordinary	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2009	58,511,763	1,479,520	3,599,937	(42,669,220)	20,922,000
Loss for the period	-	-	-	(8,010,958)	(8,010,958)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(1,792,771)	-	(1,792,771)
TOTAL COMPREHENSIVE LOSS	-	-	(1,792,771)	(8,010,958)	(9,803,729)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	22,013,760	-	-	-	22,013,760
Share issue transaction costs	(2,244,690)	-	-	-	(2,244,690)
Employees and consultants share options	-	553,133	-	-	553,133
BALANCE AT 31 DECEMBER 2009	78,280,833	2,032,653	1,807,166	(50,680,178)	31,440,474
BALANCE AT 1 JULY 2010	78,109,418	2,124,851	707,562	(58,498,313)	22,443,518
Loss for the period	-	-	-	(5,216,247)	(5,216,247)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(2,254,011)	-	(2,254,011)
TOTAL COMPREHENSIVE LOSS	-	-	(2,254,011)	(5,216,247)	(7,470,258)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	86,330,906	-	-	-	86,330,906
Share issue transaction costs	(5,816,667)	-	-	-	(5,816,667)
Employees and consultants share options	-	421,028	-	-	421,028
BALANCE AT 31 DECEMBER 2010	158,623,657	2,545,879	(1,546,449)	(63,714,560)	95,908,527

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

MARENGO MINING LIMITED**31 DECEMBER 2010****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2010**

	Half-Year Ended	
	31 December 2010	31 December 2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Gains on foreign exchange	70,412	2,600
Payments to suppliers and employees	(2,068,337)	(1,890,958)
Expenditure on mining interests	(173,296)	(5,784,229)
Interest received	246,907	53,088
Net cash outflow from operating activities	(1,924,314)	(7,619,499)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment of security guarantee	-	(100,000)
Payments for DFS expenses	(14,644,276)	(567,329)
Proceeds on disposal of plant and equipment	17,085	14,683
Payments for plant and equipment	(149,160)	(111,072)
Net cash outflow from investing activities	(14,776,351)	(763,718)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	86,330,906	22,013,760
Payments of share issue costs	(5,548,267)	(1,854,745)
Net cash inflow from financing activities	80,782,639	20,159,015
Net increase in cash and cash equivalents	64,081,974	11,775,798
Cash and cash equivalents at the beginning of the half-year	6,660,704	4,988,081
Effects of exchange rate changes on cash and cash equivalents	(52,709)	(65,622)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	70,689,969	16,698,257

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONDENSED 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 2010 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 2010 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 and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the company's 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current reporting period.

New and revised Standards and amendments thereof and Interpretations effective for the current reporting period that are relevant to the Group include:

- Amendments to AASB 5, 8, 101, 107, 117, 118, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*

AASB 2009-5 introduces amendments into Accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. Other changes are more substantial, such as the classification of expenditures on unrecognised assets in the statement of cash flows.

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have had no effect on the amounts reported for the current or prior periods.

NOTE 2: ACQUISITION OF SUBSIDIARIES

During the period, two new entities were incorporated with Marengo Mining Limited as the sole shareholder of both. Yandera Mining Company (Holdings) Pty Ltd was incorporated on 12 November 2010 in Australia, and Yandera Mining Company Limited was incorporated on 4 December 2010 in Papua New Guinea. Both entities have been dormant since incorporation.

MARENGO MINING LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions.

The Board considers the business from both a functional and geographic perspective and has identified two reportable segments. The administration, fund raising and investment activities of the Group form the Australia segment, with exploration and project development activities comprising the Papua New Guinea segment.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the half-year ended 31 December 2010 is as follows:

	Australia		Papua New Guinea		Total	
	Half-Year Ended		Half-Year Ended		Half-Year Ended	
	31 December		31 December		31 December	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
Segment revenue						
Total segment revenue	<u>269,646</u>	79,336	-	-	<u>269,646</u>	79,336
Intersegment elimination					-	-
Consolidated revenue					<u>269,646</u>	<u>79,336</u>
Segment result						
Segment result	<u>(18,441,861)</u>	(8,994,399)	<u>(254,505)</u>	(5,506,589)	<u>(18,696,366)</u>	(14,500,988)
Intersegment elimination					<u>13,480,119</u>	6,490,030
Loss before income tax					<u>(5,216,247)</u>	<u>(8,010,958)</u>
	Australia		Papua New Guinea		Total	
	31		31		31	
	December	30 June	December	30 June	December	30 June
	2010	2010	2010	2010	2010	2010
	\$	\$	\$	\$	\$	\$
Segment assets and liabilities						
Segment assets	<u>69,721,927</u>	7,240,466	<u>29,273,823</u>	18,529,265	<u>98,995,750</u>	25,769,731
Intersegment elimination					(1)	(1)
Total assets					<u>98,995,649</u>	<u>25,769,730</u>
Segment liabilities	<u>2,398,642</u>	2,410,686	<u>75,735,361</u>	62,482,287	<u>78,134,003</u>	64,892,973
Intersegment elimination					<u>(75,046,881)</u>	(61,566,761)
Total liabilities					<u>3,087,122</u>	<u>3,326,212</u>

MARENGO MINING LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: CHANGES IN EQUITY SECURITIES ON ISSUE

	Half-Year Ended		Half-Year Ended	
	31 December 2010	31 December 2010	31 December 2009	31 December 2009
	Shares	\$	Shares	\$
Issues of ordinary shares during the half-year				
Issued for cash @ C25 cents per share	253,000,000	64,515,000	-	-
Issued for cash @ C8.4 cents per share	240,000,001	21,600,000	-	-
Issued on exercise of C11.6 cent options	744,000	93,000	-	-
Issued on exercise of C8.6 cent options	1,293,750	122,906	-	-
Issued for cash @ C8.6 cents per share	-	-	172,500,000	16,387,499
Issued for cash @ 9.5 cents per share	-	-	57,452,546	5,457,992
Issued on exercise of C19 cent options	-	-	841,341	168,269
Share issue transaction costs	-	(5,816,667)	-	(2,244,690)
	495,037,751	80,514,239	230,793,887	19,769,070

	Number of Options	
	Half-Year Ended 31 December 2010	Half-Year Ended 31 December 2009
Movements of options during the half-year		
Issued, exercisable at C8.4 cents, on or before 11 August 2012	6,421,050	-
Issued, exercisable at C11.6 cents, on or before 11 August 2013	60,000,000	-
Issued, exercisable at 22 cents, on or before 25 October 2015	475,000	-
Converted, exercisable at C8.6 cents, on or before 31 August 2011	(1,293,750)	-
Converted, exercisable at C11.6 cents, on or before 11 August 2013	(744,000)	-
Cancelled, exercisable at 25 cents, on or before 31 March 2014	(50,000)	-
Cancelled, exercisable at 25 cents, on or before 30 November 2014	(50,000)	-
Cancelled, exercisable at 25 cents, on or before 22 March 2015	(25,000)	-
Converted, exercisable at C19 cents, on or before 31 December 2009	-	(841,341)
Expired, exercisable at C19 cents, on or before 31 December 2009	-	(360,574)
Issued, exercisable at C8.6 cents, on or before 31 August 2011	-	8,625,000
Cancelled, exercisable at 25 cents, on or before 18 December 2013	-	(500,000)
Issued, exercisable at 25 cents, on or before 30 November 2014	-	475,000
Net movement	64,733,300	7,398,085

NOTE 5: CONTINGENCIES

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

MARENGO MINING LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: 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 2010.

NOTE 7: SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

	Half-Year Ended	
	31 December 2010	31 December 2009
	\$	\$
Options issued to Suppliers, Directors and employees as part of:		
Share-based payment expense	152,628	133,958
Share issue transaction costs	268,400	419,175
Expense arising from equity-settled share based payment transactions	421,028	553,133

(b) Employee Share Option Plan

On 31 July 2009, 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 exercise price and expiry date of options issued under the Plan are set at the discretion of the Board.

As at 31 December 2010 3,275,000 options have been issued to Eligible Employees.

(c) Directors Options

On 31 July 2009, 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 granting, one fifth will vest one year after granting, one fifth will vest two years after granting, one fifth will vest three years after granting and one fifth of the Options will vest four years after 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 2010 5,750,000 options have been issued to the Directors.

(d) Supplier Options

On 31 August 2009, the Company granted 8,625,000 options to suppliers as part consideration for capital raising fees with an exercise price of C8.6 cents and an expiry date of 31 August 2011. The options vested immediately.

On 25 March 2010 the Company granted 650,000 options to a supplier as part consideration for consulting fees with an exercise price of 25 cents and expiry date of 31 March 2015. The options will vest in four tranches. The first tranche of 200,000 options vested immediately. The remaining three tranches are each of 150,000 options and twelve months apart beginning on the first anniversary of the original grant date.

MARENGO MINING LIMITED

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 7: SHARE BASED PAYMENTS (continued)

On 11 August 2010, the Company granted 6,421,050 options to suppliers as part consideration for capital raising fees with an exercise price of C8.4 cents and an expiry date of 11 August 2012. The options vested immediately.

As at 31 December 2010 14,402,300 options have been issued to suppliers.

(e) Summary of Options Granted to Suppliers, 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 half-year to 31 December 2010.

	Half-Year Ended			
	31 December 2010 No.	31 December 2010 WAEP	31 December 2009 No.	31 December 2009 WAEP
Outstanding at the start of the period	18,280,000	\$0.26	10,301,915	\$0.38
Granted during the period	6,896,050	\$0.10	9,100,000	\$0.10
Exercised/expired/cancelled during the period	(1,418,750)	\$0.11	(1,701,915)	\$0.21
Outstanding at the end of the period	23,757,300	\$0.22	17,700,000	\$0.26

(f) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 31 December 2010 is 1.9 years (2009: 2.7 years).

(g) Range of exercise prices

The range of exercise prices for options outstanding at 31 December 2010 is C8.4 cents to 50 cents.

(h) Option pricing model

The fair value of the equity settled share options granted to Employees, Suppliers, Directors and under the Plan is estimated as at the date of grant using the 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 half-year periods to 31 December 2010 and 31 December 2009.

	Half-Year Ended	
	31 December 2010	31 December 2009
Dividend Yield	0%	0%
Expected volatility	75%	75%
Risk free interest rate	4.53% - 5.08%	4.50% - 4.99%
Expected life (years)	2 - 5	2 - 5
Option exercise price (cents)	C8.4 - A22	C8.6 - A25
Share price at grant date (cents)	9.4 - 29	10.5 - 16

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

31 DECEMBER 2010

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 2010 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, 14 February 2011

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 condensed statement of financial position as at 31 December 2010, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Marengo Mining Limited (the consolidated entity). The consolidated entity comprises both Marengo Mining Limited (the company) and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Marengo Mining Limited 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* 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 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.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

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 14 February 2011.

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 2010 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd



Martin Michalik
Director

West Perth, Western Australia
14 February 2011

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Chartered Accountants and Consultants

AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS


To the Board of Directors of Marengo Mining Limited (the "Company")

In accordance with the requirements contained in National Instrument 52-107 we report below on the compatibility of Canadian Generally Accepted Auditing Standards ("Canadian GAAS") and International Standards on Auditing.

We conducted our review for the half year ended 31 December 2010 in accordance with International Standards on Auditing. There are no material differences in the form or content of our report as compared to an auditor's review report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd.


Martin Michalik
Director

14 February 2011