



MARENGO MINING LIMITED
ABN 57 099 496 474
UNAUDITED INTERIM FINANCIAL REPORT
FOR THE THREE MONTH PERIOD ENDED
30 SEPTEMBER 2011

This unaudited 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 2011 and any public announcements made by Marengo Mining Limited during the interim reporting periods in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

MARENGO MINING LIMITED
30 SEPTEMBER 2011 INTERIM FINANCIAL REPORT

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All amounts are expressed in Australian Dollars unless otherwise stated.

MARENGO MINING LIMITED
30 SEPTEMBER 2011 INTERIM FINANCIAL REPORT

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2011

	<u>Three Month Period Ended</u>	
	<u>30 September</u>	<u>30 September</u>
	<u>2011</u>	<u>2010</u>
		<u>Restated</u>
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	704,689	115,941
EXPENDITURE		
Depreciation expense	(65,624)	(59,165)
Salaries and employee benefits expense	(352,193)	(226,571)
Exploration expense	(60,292)	(57,160)
Corporate expense	(764,202)	(285,561)
Occupancy expense	(108,291)	(49,347)
Insurance expense	(45,204)	(30,453)
Administration expense	(274,304)	(100,136)
Share based payment expense	(15,903)	(31,826)
Other expenses	(15,951)	(553,625)
	<hr/>	<hr/>
LOSS BEFORE INCOME TAX	(997,275)	(1,277,903)
Income tax (expense)/benefit	-	-
	<hr/>	<hr/>
LOSS FOR AFTER INCOME TAX	(997,275)	(1,277,903)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Exchange differences on translation of foreign operations	9,637,353	(4,444,716)
Other comprehensive income/(loss) for the period, net of tax	9,637,353	(4,444,716)
	<hr/>	<hr/>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		
ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED	8,640,078	(5,722,619)
	<hr/>	<hr/>
Basic and diluted loss per share (cents)	(0.10)	(0.20)

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

MARENGO MINING LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2011

	30 September	30 June
	2011	2011
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	47,837,572	57,323,915
Trade and other receivables	1,072,975	1,687,846
TOTAL CURRENT ASSETS	48,910,547	59,011,761
NON CURRENT ASSETS		
Other financial assets	529,268	514,794
Plant and equipment	1,152,542	970,630
Mining properties	107,850,689	86,741,633
TOTAL NON CURRENT ASSETS	109,532,499	88,227,057
TOTAL ASSETS	158,443,046	147,238,818
CURRENT LIABILITIES		
Trade and other payables	6,030,539	3,892,348
Provisions	784,189	978,830
TOTAL CURRENT LIABILITIES	6,814,728	4,871,178
TOTAL LIABILITIES	6,814,728	4,871,178
NET ASSETS	151,628,318	142,367,640
EQUITY		
Contributed equity	159,173,499	158,568,802
Reserves	9,261,251	(392,005)
Accumulated losses	(16,806,432)	(15,809,157)
TOTAL EQUITY	151,628,318	142,367,640

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

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2011

	Contributed Equity	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2010 (Restated)	78,109,416	2,124,851	(2,414,716)	(11,498,705)	66,320,846
Loss for the period (Restated)	-	-	-	(1,277,903)	(1,277,903)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations (Restated)	-	-	(4,444,716)	-	(4,444,716)
TOTAL COMPREHENSIVE LOSS	78,109,416	2,124,851	(6,859,432)	(12,776,608)	60,598,227
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	21,600,000	-	-	-	21,600,000
Share issue transaction costs	(1,678,712)	-	-	-	(1,678,712)
Employees and consultants share options	-	300,226	-	-	300,226
BALANCE AT 30 SEPTEMBER 2010 (Restated)	98,030,704	2,425,077	(6,859,432)	(12,776,608)	80,819,741
BALANCE AT 1 JULY 2011	158,568,802	2,677,830	(3,069,835)	(15,809,157)	142,367,640
Loss for the period	-	-	-	(997,275)	(997,275)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	9,637,353	-	9,637,353
TOTAL COMPREHENSIVE LOSS	158,568,802	2,677,830	6,567,518	(16,806,432)	151,007,718
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	604,697	-	-	-	604,697
Share issue transaction costs	-	-	-	-	-
Employees and consultants share options	-	15,903	-	-	15,903
BALANCE AT 30 SEPTEMBER 2011	159,173,499	2,693,733	6,567,518	(16,806,432)	151,628,318

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

MARENGO MINING LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2011

	Three Month Period Ended	
	30	30
	September	September
	2011	2010
		Restated
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(1,353,841)	(942,002)
Interest received	1,251,355	91,882
Net cash (used in) operating activities	(102,486)	(850,120)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for mining properties	(9,911,542)	(6,034,083)
Payments for plant and equipment	(185,664)	(77,012)
Net cash (used in) investing activities	(10,097,206)	(6,111,095)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	696,473	21,600,000
Payment of share issue costs	(91,776)	(1,410,312)
Net cash provided by financing activities	604,697	20,189,688
Net increase/(decrease) in cash and cash equivalents	(9,594,995)	13,228,473
Cash and cash equivalents at the beginning of the period	57,323,915	6,984,582
Effects of exchange rate changes on cash and cash equivalents	108,652	(14,134)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	47,837,572	20,198,921

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 INTERIM FINANCIAL REPORT

This general purpose consolidated interim financial report for the three month period ended 30 September 2011 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 2011 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 most recent annual financial statements, except the following:

Capitalisation of Exploration expenditure

The Group changed its accounting policy relating to the capitalisation of exploration expenditure for the financial year ending 30 June 2011. Previously exploration and evaluation costs were written off in the year they were incurred, with only acquisition and feasibility study costs being accumulated. The new policy is that Mineral interest acquisition, exploration, evaluation and feasibility expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. Accumulated costs 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 activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

The Group has retrospectively applied the change in accounting policy as if it had always applied and therefore has **restated** exploration and evaluation expenditure in relation to each area of interest for comparative purposes, including adjustment to the opening balances to the 2010 financial year to show the full effect of this change in accounting policy.

MARENGO MINING LIMITED
30 SEPTEMBER 2011 INTERIM FINANCIAL REPORT

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: OPERATING SEGMENTS

(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 three months ended 30 September 2011 is as follows:

	<u>Australia</u>		<u>Papua New Guinea</u>		<u>Total</u>	
	<u>Three months ended</u>		<u>Three months ended</u>		<u>Three months ended</u>	
	<u>30 September</u>		<u>30 September</u>		<u>30 September</u>	
	2011	2010 (Restated)	2011	2010 (Restated)	2011	2010 (Restated)
	\$	\$	\$	\$	\$	\$
Segment revenue						
Total segment revenue	<u>700,918</u>	115,941	<u>3,771</u>	-	<u>704,689</u>	115,941
Intersegment elimination					-	-
Consolidated revenue					<u><u>704,689</u></u>	<u><u>115,941</u></u>
Segment result						
Segment result	<u>(10,806,904)</u>	(6,479,291)	<u>(136,573)</u>	(73,487)	<u>(10,943,477)</u>	(6,552,778)
Intersegment elimination					<u>9,946,202</u>	5,274,875
Loss before income tax					<u><u>(997,275)</u></u>	<u><u>(1,277,903)</u></u>
	<u>Australia</u>		<u>Papua New Guinea</u>		<u>Total</u>	
	30 September	30 June	30 September	30 June	30 September	30 June
	2011	2011	2011	2011	2011	2011
	\$	\$	\$	\$	\$	\$
Segment assets and liabilities						
Segment assets	<u>49,533,025</u>	58,387,381	<u>110,271,744</u>	89,447,816	<u>159,804,769</u>	147,835,197
Intersegment elimination					<u>(1,361,723)</u>	(596,379)
Total assets					<u><u>158,443,046</u></u>	<u><u>147,238,818</u></u>
Segment liabilities	<u>4,097,369</u>	2,765,416	<u>106,070,157</u>	94,747,013	<u>110,167,526</u>	97,512,429
Intersegment elimination					<u>(103,352,799)</u>	(92,641,251)
Total liabilities					<u><u>6,814,727</u></u>	<u><u>4,871,178</u></u>

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	30 September 2011 Shares	30 September 2011 \$	30 September 2010 Shares	30 September 2010 \$
Balance at beginning of period	995,068,613	158,568,802	498,810,862	78,109,416
Issues of ordinary shares during the period				
Issued for cash @ C8.4 cents per share	-	-	240,000,001	21,600,000
Issued for cash @ C9.5 cents per share	7,331,250	696,473	-	-
Share issue costs	-	(91,776)	-	(1,678,712)
Balance as at 30 September	1,002,399,863	159,173,499	738,810,863	98,030,704

	<u>Number of options</u>	
	30 September 2011	30 September 2010
Balance at beginning of period	82,218,300	18,280,000
Movements of options during the period		
Issued, exercisable at C8.4 cents, on or before 11 August 2012	-	6,421,050
Exercised Options, at C8.6 cents, on 8 August 2011	(7,331,250)	-
Issued, exercisable at C11.6 cents, on or before 11 August 2013	-	60,000,000
Cancelled, exercisable at 25 cents, on or before 31 March 2014	(25,000)	-
Cancelled, exercisable at 25 cents, on or before 31 November 2014	(25,000)	-
Cancelled, exercisable at 32 cents, on or before 23 October 2016	(50,000)	-
Cancelled, exercisable at 22 cents, on or before 31 October 2014	(25,000)	-
Balance at 30 September	(74,762,050)	84,701,050

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 other matter or circumstance has arisen since 30 September 2011 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent reporting periods.

MARENGO MINING LIMITED
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

	Three Month Period Ended	
	30 September 2011	30 September 2010
	\$	\$
Options issued to suppliers, Directors and employees as part of:		
Share-based payment expense	15,903	31,826
Share issue transaction costs	-	268,400
	15,903	300,226
	15,903	300,226

(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 exercise price and expiry date of options issued under the Plan are set at the discretion of the Board.

As at 30 September 2011, 3,575,000 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 vested immediately on granting, one fifth vested one year after granting, one fifth vested two years after granting, one fifth vested 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 30 September 2011, 5,750,000 options have been issued to the Directors.

(d) Supplier Options

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 vest twelve months apart beginning on the first anniversary of the original grant date.

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 30 September 2011, 7,071,050 options have been issued to suppliers.

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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: SHARE BASED PAYMENTS (continued)

(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 three months to 30 September 2011.

No options were exercised during the three months to 30 September 2010.

	2011	2011	2010	2010
	No.	WAEP	No.	WAEP
Outstanding at the start of the period	24,012,300	\$0.26	18,280,000	\$0.26
Granted during the period	-	-	6,421,050	\$0.09
Exercised/ Cancelled during the period	(7,456,250)	\$0.98	-	-
Outstanding at the end of the period	16,556,050	\$0.33	24,701,050	\$0.21

(f) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 30 September 2011 is 1.63 years (2010: 2.9 years).

(g) Range of exercise prices

The range of exercise prices for options outstanding at 30 September 2011 is C8.4 cents to AUD 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 European 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 three month periods to 30 September 2011 and 30 September 2010. No options were granted in the period to 30 September 2011.

	<u>Three Month Period Ended</u>	
	30 September	30 September
	2011	2010
Dividend yield	N/A	0%
Expected volatility	N/A	75%
Risk free interest rate	N/A	4.5%
Expected life (years)	N/A	2
Option exercise price (cents)	N/A	C8.4
Share price at grant date (cents)	N/A	9.4

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.

10 November 2011

Board of Directors
Marengo Mining Limited
Level 1
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 interim financial report of Marengo Mining Limited for the three month period ended 30 September 2011, 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
(Authorised Audit Company)



Martin Michalik
Director

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

We have reviewed the accompanying quarterly interim Financial Report of Marengo Mining Limited, which comprises the consolidated condensed statement of financial position as at 30 September 2011, and the consolidated condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the quarter ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the quarterly interim 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 quarterly interim 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 quarterly interim Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim 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 30 September 2011 and its performance for the quarter 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 the quarterly interim 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 04 November 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 quarterly interim 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 30 September 2011 and of its performance for the quarter ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Authorised Audit Company)

Stantons International Audit & Consulting Pty Ltd
Martin Michalik

Martin Michalik
Director

West Perth, Western Australia
10 November 2011