

MARENCO MINING LIMITED
ABN 57 099 496 474

NOTICE OF GENERAL MEETING
PROXY FORM
AND
EXPLANATORY MEMORANDUM

Date of Meeting
Thursday
18 November 2004

Time of Meeting
4:00 pm

Place of Meeting
The Celtic Club
48 Ord Street
WEST PERTH WA

MARENGO MINING LIMITED
ABN 57 099 496 474
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 2004 Annual General Meeting of shareholders of Marengo Mining Limited ("**Company**") will be held at the Celtic Club, 48 Ord Street, West Perth WA on Thursday 18 November 2004 at 4:00 pm for the purpose of transacting the following Business.

ORDINARY BUSINESS

2004 Financial Statements

To receive the financial statements of the Company for the year ended 30 June 2004, consisting of the Annual Financial Report, the Directors' Report and Auditor's Report.

Resolution 1 – Re-election of Dennis Wilkins as a Director

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That Dennis Wilkins having retired as a director of the Company in accordance with the Company's Constitution and, being eligible, having offered himself for re-election be re-elected a director of the Company."

Pursuant to the Company's Constitution, one-third of the directors of the Company (other than the managing director) must retire at each Annual General Meeting and being eligible may offer themselves for re-election.

Resolution 2 – Approval of issue of shares and grant of options to Ronald Smit.

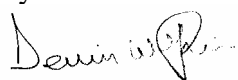
To consider and if thought fit to pass the following resolution as an **ordinary resolution**:

"That for the purpose of Listing Rule 7.4 of Australian Stock Exchange Limited the issue of 1,500,000 ordinary fully paid shares at no cost and 1,500,000 options to acquire ordinary fully paid shares in the capital of the company at an exercise price of 25 cents each and an expiry date of 30 November 2008 to Ronald Smit be and is hereby approved."

Notes:

The Company will disregard any votes on Resolution 2 cast by Ronald Smit who participated in the issue or any person associated with Ronald Smit. However the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form and vote as the proxy decides.

By order of the Board



Dennis Wilkins
Company Secretary
Date: 11 October 2004

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide shareholders in Marengo Mining Limited ABN 57 099 496 474 (“**Company**”) with sufficient information to assess the merits of Resolution 2 contained in the Notice of Annual General Meeting of the Company.

The Directors recommend that shareholders read this Explanatory Memorandum in full before making any decision in relation to Resolution 2.

The following information should be noted in respect of the various matters contained in the Notice of Annual General Meeting:

RESOLUTION 2 – APPROVAL OF ISSUE OF SHARES AND GRANT OF OPTIONS TO RONALD SMIT.

Listing Rule 7.1 provides that a listed company may not issue securities in any 12 month period where the total number of securities to be issued exceeds 15% of the number of fully paid ordinary securities on issue 12 months before the date of issue, except with the prior approval of members of the company in general meeting of the terms and conditions of the proposed issue.

Listing Rule 7.4 provides that an issue of securities made without approval under Listing Rule 7.1 is treated as having been made with approval for the purpose of Listing Rule 7.1 if the issue did not breach Listing Rule 7.1 and shareholders subsequently approve the issue.

Resolution 2 seeks shareholders approval for the purpose of Listing Rule 7.4 to the issue 1,500,000 ordinary fully paid shares at no cost and 1,500,000 options to acquire ordinary fully paid shares in the capital of the Company to Ronald Smit. The options have an exercise price of 25 cents each and expire on 30 November 2008. The terms and conditions of the options issued to Ronald Smit are set out in Annexure A to this Notice of General Meeting.

The shares and options are to be granted as consideration for the acquisition of tenements from Mr Ronald Smit by the Company. No funds will be raised by the issue of these shares or the options to Mr Smit.

Appendix A

Terms and Conditions applicable to the Options to be issued to Ronald Smit referred to in Resolution 2.

1. Entitlement

- (a) Subject to option terms 6, 7 and 8, each option entitles the registered option holder to subscribe for and be allotted one ordinary share in the capital of Marengo Mining Limited ("**Company**"), credited as fully paid, at an exercise price of \$0.25 per share ("**Exercise Price**") as the case may be.
- (b) The Company must, as soon as it is reasonably practicable to do so, allot shares on exercise of the option in accordance with the listing rules ("**Listing Rules**") of ASX and register the option holder or its nominee as a shareholder in the register of members in respect of the shares so allotted. No option may be exercised if to do so would contravene the Corporations Act or the Listing Rules.
- (c) Shares issued on the exercise of options will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue.

2. Exercise of Options

- (a) An option is exercisable by the registered option holder lodging the notice of exercise of option in the form set out below together with, subject to option terms 7, 8 and 9, the Exercise Price for each share to be issued on exercise and the relevant option holding statement, at any office of the Company's share registrar. The exercise of some options only does not affect the registered option holder's right to exercise other options at a later time.
- (b) Remittances must be made payable to the Company and cheques should be crossed "not negotiable".
- (c) Options may be exercised at any time on or before 5.00pm on 30 November 2008.
- (d) An option not exercised by 5.00pm on 30 November 2008 lapses.

3. Transfer

- (a) Subject to this option term 3 and any restrictions imposed by ASX, options may be transferred at any time before lapsing.
- (b) Subject to this option term 3, options are transferable by any standard form of transfer. Executed and stamped transfers will be recorded in the Company's option register on lodgement of the transfer at any office of the Company's share registrar. The Company will issue a new holding statement in the name of the transferee for the number of options so transferred.

4. Quotation

The Company must apply to the ASX for official quotation of the shares issued on any exercise of an option.

5. Dividends

Shares issued on any exercise of an option will rank pari passu with all existing ordinary shares in the capital of the Company from the date of issue and will be entitled to each dividend for which the books closing date for determining entitlements falls after the date of issue.

6. Bonus issue

If the Company makes a bonus issue of shares or other securities pro rata to holders of ordinary shares (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) at a time when:

- (a) an option has not been exercised in full; or
- (b) an option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the bonus issue,

then the number of shares over which the option is exercisable or has been exercised (as the case may be) will be increased by the number of securities which the holder of the option would have received if the option had been exercised before the record date for the bonus issue.

7. Rights issue

If the Company makes an offer of ordinary shares pro rata to all or substantially all holders of ordinary shares (other than a bonus issue or an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) where $(S + D)$ (as defined below) exceeds P (as defined below) at a time when:

- (a) an option has not been exercised in full; or
- (b) the option has been exercised, but shares the subject of the exercise have not been issued in fulfilment of the Company's obligation in that regard, before the record date for determining entitlements to the rights issue.

then the Exercise Price per share will be reduced according to the following formula:

$$O^1 = \frac{O - E(P - S + D)}{N + 1}$$

Where:

O^1 = the new Exercise Price per share

O = the old Exercise Price per share

E = the number of shares into which one option is exercisable

P = the average market price of fully paid ordinary shares (weighted by reference to volume) sold in the ordinary course of trading on the ASX during the 5 trading days before the ex rights date or ex entitlements date

- S = the subscription price (application money plus calls) for new shares issued under the rights issue
- D = if the ordinary shares are trading on the ASX on a ex dividend basis, the (if any) dividends (on a per share basis) which have been declared but not yet paid is existing shares (except those to be issued under the rights issue)
- N = number of shares required to be held to receive a right on one new share.

The number of shares which the option holder is entitled to subscribe for on exercise of the option is to remain unchanged.

8. Reconstruction

The rights of an option holder will be changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

9. Advice

The Company must give notice to the option holder of any adjustment to the number of shares which the option holder is entitled to subscribe for or be issued on exercise of the option or the exercise price per share in accordance with the Listing Rules.

10. Right to participate in future issues

The option holder may only participate in new issues of securities to holders of shares to the extent the option has been exercised, if that is permitted by its terms, and the shares allotted in respect of the option before the record date for determining entitlements to the issue. The Company must give notice to the option holder of any new issue before the books closing date for determining entitlements to the issue in accordance with the Listing Rules.

MARENGO MINING LIMITED
ABN 57 099 496 474
PROXY FORM

The Company Secretary
Marengo Mining Limited
PO Box 289
WEST PERTH WA 6872
Facsimile: (08) 9429 0099

I/We (name of shareholder)
of (address)
being a member/members of Marengo Mining Limited HEREBY APPOINT
(name)
of (address)
and/or failing him (name)
of (address)
or failing that person then the Chairman of the meeting as my/our proxy to vote for me/us and on my/our
behalf at the General Meeting of the Company to be held on Thursday 18 November 2004 and at any
adjournment of the meeting.

PROXY INSTRUCTIONS

If you wish to instruct your proxy how to vote, insert "X" in the appropriate box against the item of business set out below. If you do not wish to direct your proxy how to vote please place a mark in this box.	<input style="width: 30px; height: 30px; border: 1px solid black;" type="checkbox"/>
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By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an
interest in the outcome of the resolution and, votes cast by him other than as proxy holder, will be
disregarded because of that interest.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

*Should you so desire to direct the Proxy how to vote, you should place a cross in the appropriate box(es)
below:*

I/We direct my/our Proxy to vote in the following manner:

	For	Against	Abstain
Resolution 1 – Re-Election of Dennis Wilkins	<input style="width: 30px; height: 30px;" type="checkbox"/>	<input style="width: 30px; height: 30px;" type="checkbox"/>	<input style="width: 30px; height: 30px;" type="checkbox"/>
Resolution 2 – Approval of Issue of Shares and Grant of Options to Ronald Smit	<input style="width: 30px; height: 30px;" type="checkbox"/>	<input style="width: 30px; height: 30px;" type="checkbox"/>	<input style="width: 30px; height: 30px;" type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

<p><i>This Proxy is appointed to represent ____% of my voting right, or if 2 proxies are appointed Proxy 1 represents ____% and Proxy 2 represents ____% of my total votes My total voting right is _____ shares</i></p>

Dated

If the shareholder is an individual:

Signature: _____

If the shareholder is a company:

Affix common seal (if required by Constitution)

Director/Sole Director and Secretary

Director/Secretary

Print name

Print name

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A shareholder entitled to attend and vote is entitled to appoint no more than two proxies to attend and vote at this General Meeting as the shareholder's proxy. A proxy need not be a shareholder of the Company.
2. Where more than one proxy is appointed, each proxy must be appointed to represent a specific proportion of the shareholder's voting rights. If such appointment is not made then each proxy may exercise half of the shareholder's voting rights. Fractions shall be disregarded.
3. The proxy form must be signed personally by the shareholder or his attorney, duly authorised in writing. If a proxy is given by a corporation, the proxy must be executed in accordance with its constitution or its duly authorised attorney. In the case of joint shareholders, this proxy must be signed by each of the joint shareholders, personally or by a duly authorised attorney.
4. If a proxy is executed by an attorney of a shareholder, then the original of the relevant power of attorney or a certified copy of the relevant power of attorney, if it has not already been noted by the Company, must accompany the proxy form.
5. To be effective, forms to appoint proxies must be received by the Company no later than 48 hours before the time appointed for the holding of this General Meeting **that is by 4:00pm (WST) on 16 November 2004** by post or facsimile to the respective addresses stipulated in this proxy form.
6. If the proxy form specifies a way in which the proxy is to vote on any of the resolutions stated above, then the following applies:
 - (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way; and
 - (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
 - (c) if the proxy is the Chairperson, the proxy must vote on a poll and must vote that way, and
 - (d) if the proxy is not the Chairperson, the proxy need not vote on a poll, but if the proxy does so, the proxy must vote that way.

If a proxy is also a shareholder, the proxy can cast any votes the proxy holds as a shareholder in any way that the proxy sees fit.

Annual Report



2004



MARENGO
MINING LIMITED

ACN 099 496 474



DIRECTORS

John P Horan *Chairman*
Leslie S G Emery *Managing Director*
Dennis W Wilkins *Finance Director*
Douglas Dunnet *Non-executive Director*

COMPANY SECRETARY

Dennis W Wilkins

EXPLORATION MANAGER

Ronald Smit

REGISTERED OFFICE

Level 2, 9 Havelock Street
WEST PERTH WA 6005
Telephone: 61 8 9429 0000
Facsimile: 61 8 9429 0099

POSTAL ADDRESS

PO Box 289
WEST PERTH WA 6872

EMAIL

marengo@marengominig.com

WEBSITE

www.marengominig.com

SHARE REGISTRY

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153
Telephone: 61 8 9315 2333
Facsimile: 61 8 9315 2233
Email: registrar@securitytransfer.com.au

AUSTRALIAN COMPANY NUMBER

ACN 099 496 474

AUDITORS

Stanton Partners
Level 1
1 Havelock Street
WEST PERTH WA 6005

SOLICITORS

Blakiston & Crabb
1202 Hay Street
WEST PERTH WA 6005

ASX CODES

Shares
Options (28 February 2008)

MGO
MG00



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The Company's aim is to provide shareholders with capital growth potential that the discovery of high value mineral deposits can deliver.

KEY POINTS



ASX Listing achieved on 13 November 2003.



Cash reserves of \$2.4 million.



Tight capital structure
(33 million shares on issue).



Exploration portfolio broadened with the addition of 100% interest in prospective nickel-copper-platinum group elements, diamond and titanium projects.



Strategic ground acquired at Bowgan gold project (Northern Territory).



Evaluation of Ashburton gold projects continues.



Shareholder base tightened with the sell-off of unmarketable parcels.



CHAIRMAN'S LETTER



John Patrick Horan FCPA, FCIS
Chairman

Dear Fellow Shareholder

It is with great pleasure that I present to you the 2004 Annual Report for Marengo Mining Limited.

The past year has been a very significant one in the development of Marengo Mining Limited, with the ASX listing of the company taking place on 13 November 2003. It was pleasing to finally reach this milestone, after encountering earlier delays, due to very poor market conditions.

Soon after listing, Marengo commenced exploration on a number of its project areas, although seasonal weather conditions did hamper this work, particularly in the Ashburton region of Western Australia. Details of work completed to date are covered in the Review of Projects in this report.

As with all mineral exploration companies, success cannot be guaranteed from all projects and therefore it is necessary to maintain a "pipeline" of new projects to ensure that the company has the best possible chance of success.

To this end, the Board and management have continued to review and consider a vast number of new projects, as an ongoing part of our activities.

In order to broaden Marengo's commodity exposure we recently acquired, under extremely favourable terms, a 100% interest in three Western Australian projects which collectively have a range of targets, including nickel, copper, platinum group elements, diamonds and titanium.

These new projects were acquired from Ron Smit, Marengo's Exploration Manager, who had identified and acquired these areas prior to being employed by Marengo. Details of these projects are set out in the Review of Projects.

During the year we also completed the sale of unmarketable parcels of shares in Marengo with proceeds being returned to those shareholders. This exercise has resulted in significant administration cost savings.

As with any junior exploration company, we have to at all times be conscious of our ability to fund our activities and to this end all of our project budgets are "success" based, which means that at every stage of a program we review results to date and consider the best course of action to take with a specific project. This may entail further activities, risk sharing by way of joint venture or outright disposal of projects.

The mineral exploration business, by its very nature, is one of high risk and not every project produces the desired results on day one. What is required is a dedicated approach to the task and patience.

I take this opportunity to thank my fellow directors and Marengo's management team for their efforts, both before and since ASX listing, together with those who have supported the company throughout.

With exploration on a number of our projects reaching a more advanced stage, over the coming months, I am confident that shareholders will see the merit of their investment in Marengo Mining Limited.

We look forward to meeting with as many shareholders as possible at our Annual General Meeting, details of which are included in the enclosed Notice of Meeting.

Yours sincerely

A handwritten signature in blue ink that reads "John Horan". The signature is fluid and cursive, written over a white background.

John Horan
Chairman



PROJECT LOCATIONS



To assist readers a glossary of technical terms has been included on page 11.

REVIEW OF PROJECTS



Ron Smit B.Sc (Hons) M.AusIMM
Exploration Manager

MINIGWAL PROJECT Western Australia

(Marengo 100%)

Target – Nickel, copper, platinum group elements & titanium

The project is located approximately 280 kilometres northeast of Kalgoorlie, on the western edge of the Great Victoria Desert. The principal target is a large gravity and magnetic anomaly interpreted to be part of a large magmatic complex and considered an excellent target for magmatic sulphide deposits such as Voisey Bay in Canada and Jinchuan in China.

The dimensions of the magnetic component of the complex are approximately 12 x 1.2 kilometres, it is extremely magnetic and appears as a very discrete entity along the craton margin of the Archaean Yilgarn Block. The complex is hosted within a northwest thrust block consisting of Proterozoic granite gneiss and mica schists, buried under very shallow sand cover of less than 20 metres.

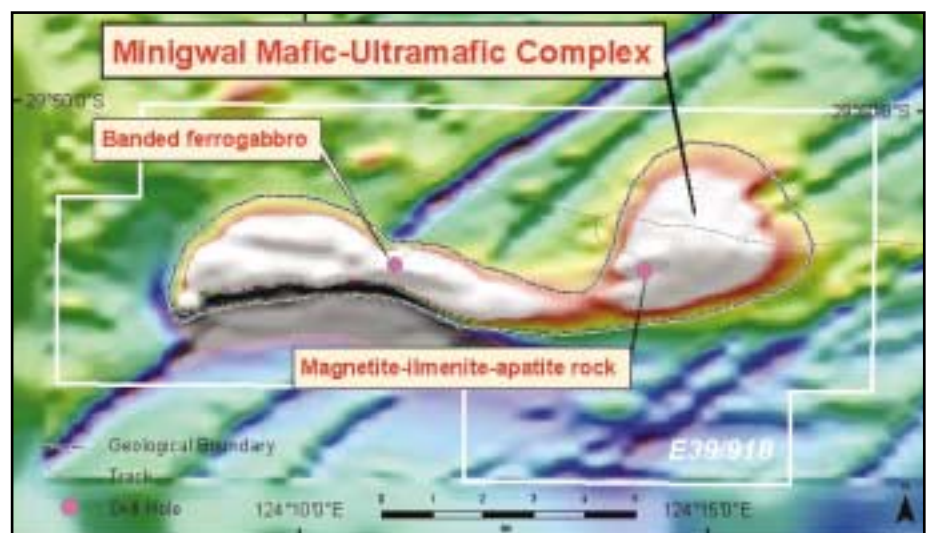
In 1982 BHP Minerals Ltd explored this magnetic feature as part of a wider search for Olympic Dam (copper-uranium-gold) style mineralization. An aeromagnetic survey was flown and two shallow holes were drilled, intersecting a banded meta Fe-rich gabbro and massive magnetite-ilmenite-apatite mineralisation. These rock types along with the regional geological setting supports the concept of a large magmatic complex with the potential to host, amongst other things, nickel sulphides.

The project also has potential for hard-rock ilmenite. Based on a BHP drill log and the petrological description, ilmenite is co-dominant with magnetite and a titanium dioxide (TiO₂) value approaching or exceeding 20% can be expected.

Further work will be carried out on this aspect as it potentially represents an economic intersection.

The mineral assemblage is similar to the world class Tellnes hard rock titanium deposit (300 million tonnes @ 18% titanium dioxide (TiO₂) located in Norway (annual ilmenite production of 550,000t - or 7% of world production).

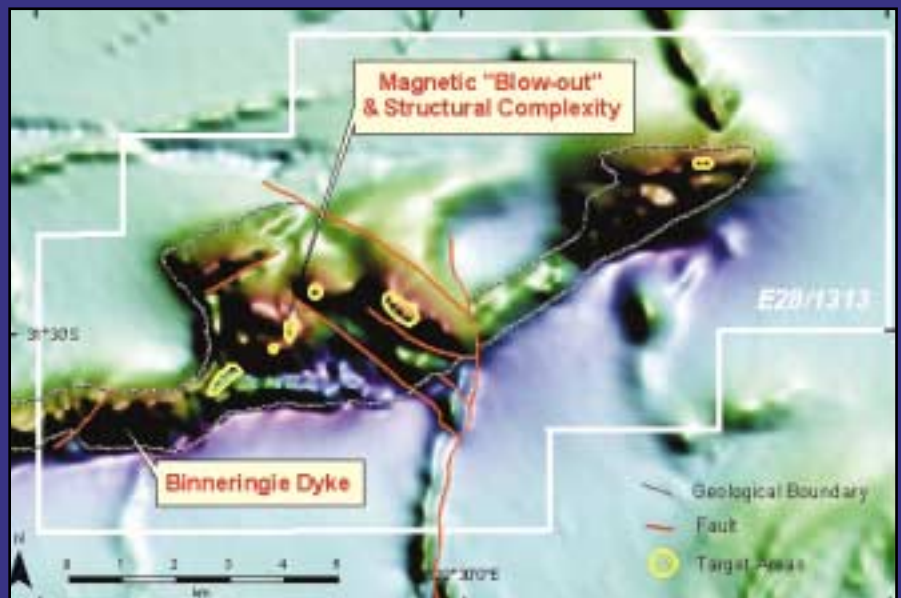
Since acquiring the project in July of this year an airborne electromagnetic survey has been implemented to detect strong conductive bodies, associated with massive nickel-copper sulphides and platinum group elements. It is expected that drill testing of targets generated from this work will take place in October 2004.



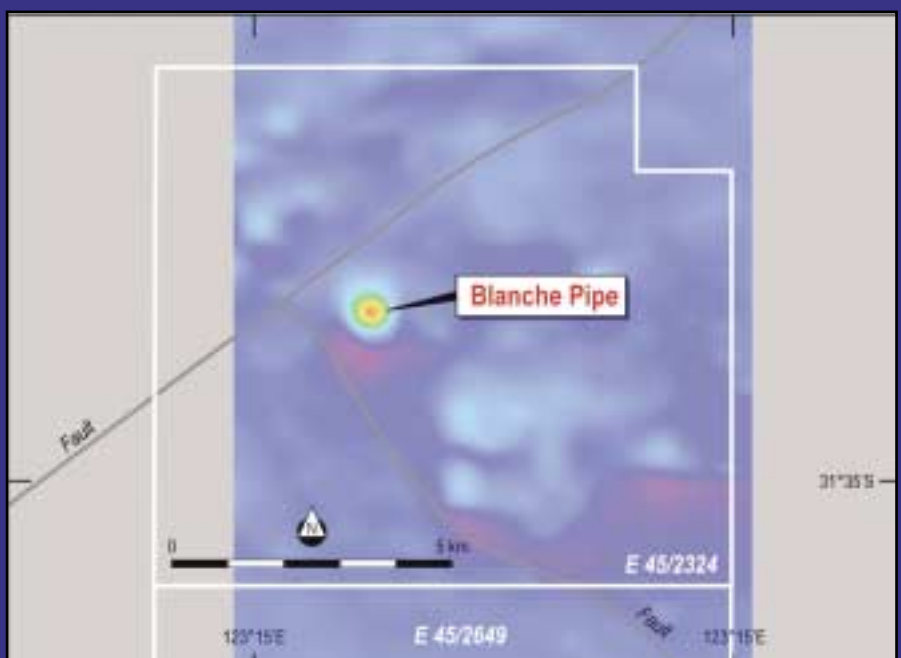
Minigwal Project - Aeromagnetic image showing magnetic complex to be tested by HoistEM Survey



REVIEW OF PROJECTS



Binneringie Project - Aeromagnetic image showing thickening of dyke



Blanche Project - Aeromagnetic image showing target pipe to be drilled



BINNERINGIE PROJECT

Western Australia

(Marengo 100 %)

Target – Nickel, copper & platinum group elements

Acquired in July of this year, the project is located 85 kilometres southeast of Kambalda and 85 kilometres east of Widgemooltha. The Binneringie Dyke has many similarities to the nickel bearing Jimberlana Dyke, located 50 kilometres to the south which is being actively explored by a number of other operators.

An unusual magnetic “blow-out” located along the Binneringie Dyke (and within the project area) is interpreted to represent the root zone of a layered mafic intrusion, a highly prospective zone for nickel–copper sulphides and platinum group elements.

The majority of the mafic complex is buried beneath thin transported cover (less than 50 metres). Detailed airborne magnetics have been acquired and preliminary drilling of initial targets is planned to commence shortly.

BLANCHE PROJECT

Western Australia

(Marengo 100%)

Target - Diamonds

This project is located 350 kilometres east of Newman, in the Rudall Metamorphic Complex, and was acquired by Marengo in July this year.

An aeromagnetic survey flown by BHP Minerals Ltd in the mid 1990s detected an intense circular magnetic feature on the western margin of the Great Victoria Desert.

This magnetic target has never been tested and has been modelled as a pipe-like body with a diameter of approximately 250 metres, moderate cover of some 90 metres and a depth extent of greater than 500 metres.

This bulls-eye magnetic body is interpreted as a volcanic pipe and possibly a kimberlite. A cluster of similar features, with lesser magnetic susceptibility, occur along the northwesterly structural corridor and represent additional targets.

Indigenous heritage surveys have been completed and it is expected that drill testing of the main target will take place before the end of 2004.

REVIEW OF PROJECTS

BOWGAN PROJECT

Northern Territory

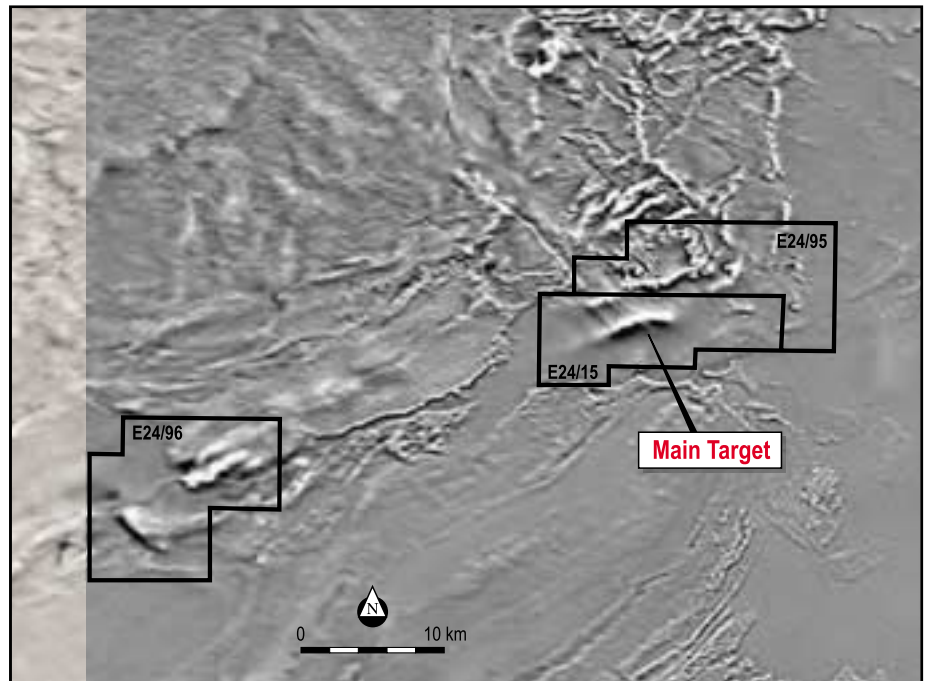
(Marengo 100%)

Target – Gold & uranium

Marengo holds three applications for exploration licences located approximately 200 kilometres south of Booraloola in the Northern Territory, where the target is unconformity hosted gold – uranium mineralisation (Coronation Hill style) along the Fish River Fault.

The main target is a 6 kilometre long linear magnetic anomaly, which has in parts a coincident electromagnetic anomaly. This direct drill target has never been tested and geophysical modelling indicates a shallow depth to target of approximately 50 metres.

Marengo intends to commence drilling on this project as soon as the central application is approved. This is expected to take place in the latter part of 2004.



Bowgan Project - Aeromagnetic image showing main target to be drilled on grant of tenement

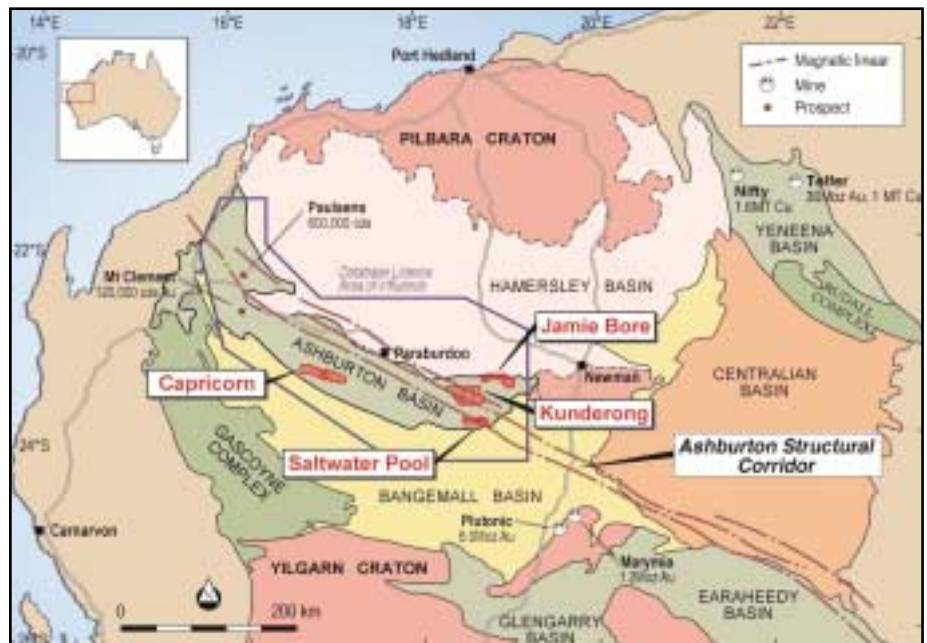
ASHBURTON PROJECTS

Western Australia

(Marengo 100%)

Target – Gold, base metals & platinum group elements.

The Ashburton Structural Corridor is an alignment of gold deposits and prospects coincident with a major structural zone. The geological setting and style of known mineralisation has similarities to the "Carlin Trend" of Nevada in the U.S.A. The Carlin Trend is a 60 kilometre long belt of gold deposits, which contain more than 100 million ounces of gold reserves and production. Marengo holds four project areas in the Ashburton region (Saltwater Pool, Kunderong, Jamie Bore and Capricorn).



Ashburton Projects

SALTWATER POOL PROJECT

(Marengo 100%)

Target – Gold

Late seasonal rains in the northwest of Western Australia prevented commencement of field work until March of this year.

Primarily, work was focused on systematic sampling of old percussion drill holes (drilled for uranium in the 1980s and not assayed for gold). In addition, regional stream sediment sampling was carried out and some residual diamond drill core from earlier operators was re-logged and assayed for gold.

A number of greater than 10ppb gold anomalies were obtained from the drill spoil sampling, together with gold values of up to 0.56g/t Au from diamond drill core.

These elevated gold values have defined several new drill targets and these will be tested as soon as indigenous heritage clearances can be obtained.

KUNDERONG PROJECT

(Marengo 100%)

Target - Gold

As with the Saltwater Project the major activity was sampling of old percussion drill holes and assaying for gold. In addition, the earlier exploration database was reviewed to establish the most prospective areas within the project area. Further work will be carried out in conjunction with activities at Saltwater Pool.

JAMIE BORE PROJECT

(Marengo 100%)

Target – Gold & base metals

Preliminary soil and rock chip sampling was carried out along a faulted contact zone, where previous samples have returned elevated values of copper, lead and antimony.

Previously stream sampling results of up to 38ppb gold and 31ppb silver and rock chips containing 71ppb gold have been obtained from this area and further work will be carried out in conjunction with other activities in this region.

CAPRICORN PROJECT

(Marengo 100%)

Target – Gold, base metals & platinum group elements.

The most westerly of the Ashburton projects, these tenements remain in the application stage awaiting grant.

OTHER PROJECTS

MT KORONG PROJECT

(Marengo 100%)

Target – Gold

A reverse circulation drill program was completed at Mt Korong, which is located 60 kilometres northeast of Leonora.

A total of nine holes were drilled to test for extensions to the known mineralization.

The drilling intersected the main mineralised banded iron formation and results were consistent with

historical drilling in the area. Best results included 4 metres @ 2.32g/t Au, 2 metres @ 3.73g/t Au and 5 metres @ 1.17g/t Au.

A review of all available data was completed, including a resource estimate completed by Carpentaria Exploration Company (CEC) in the 1980s. Results confirmed the tonnage and grade initially established by CEC and although highly reliable is not JORC compliant and therefore not in a reportable form.

Work to date has confirmed that any resource would most likely be of modest tonnage and accordingly Marengo is currently discussing with other parties the best course of action to extract maximum value from this asset.

NUNYERRY

During the year Marengo entered into an option to purchase a mining tenement in the Nunyerry district of the West Pilbara Mineral Field (Western Australia) where gossan sampling returned elevated precious and base metal values. Follow-up work failed to detect any substantial zones of mineralisation and the option was relinquished.

The information in this report is based on information compiled by Mr Ron Smit, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Smit has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 1999 Edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Smit consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.



TENEMENT SCHEDULE



PROJECT	TENEMENT	MARENGO INTEREST %
Western Australia		
Capricorn	E08/1322-1323	100%
Jamie Bore	E52/1628 & E52/1644	100%
Kunderong	E52/1167-1169 & E52/1642	100%
Saltwater Pool	E52/1179, E52/1629 & E52/1643	100%
Binneringie	E28/1313	100%
Blanche	E45/2324 & E45/2649	100%
Minigwal	E39/918	100%
Mt Korong	P39/4019-4029	100%
Northern Territory		
Bowgan	ELA24115 & ELA24195-24196	100%

GLOSSARY OF TECHNICAL TERMS

Airborne magnetics/Aeromagnetics	Measurement of the earth's magnetic field from a surveying aircraft for the purpose of recording the magnetic characteristics of rocks.
Anomalism/Anomaly	Geochemical and geophysical data which deviates from regularity.
Apatite	A calcium fluorine phosphorus mineral.
Archaean	The oldest rocks of the Precambrian Era, older than about 2,500 million years.
Au	The chemical symbol for gold.
Banded Iron Formation (BIF)	Chemical sedimentary rock composed mainly of finely alternating layers of silica and iron oxide.
Base metals	A metal substance, commonly refers to metals lead, copper, zinc and nickel.
Breccia	A rock comprised of angular fragments of other rocks.
Craton	A relatively immobile part of the earth, generally of large size.
Diamond drilling	Method of obtaining cylindrical core by drilling with diamond-set or diamond-impregnated-bit.
Drilling	A technique or process of making a circular hole in the ground with a drilling machine to obtain geological information and/or sample material.
Dyke	A tabular igneous intrusion that cuts across the bedding or foliation of the country rock.
Fe	The chemical symbol for iron.
Felsic	Descriptive of light coloured rock containing an abundance of the mineral feldspar (generally potassium rich) and quartz.
g/t	Grams per tonne.
Gabbro	A coarse grained igneous rock.
Gneiss	A metamorphic rock with coarse textural lineation or banding of the constituent minerals into alternating felsic and mafic layers.
Gossan	A surface capping of hydrated oxides of iron formed by weathering of metallic sulphides.
Granite	An intrusive felsic rock.
Igneous	Formed by solidification of hot mobile material termed magma.
Ilmenite	An iron titanium oxide mineral.
JORC Code	Joint Ore Reserves Committee - Australasian Code for Reporting of Mineral Resources and Ore Reserves.
Kimberlite	A type of silicate rock, one of the source rocks for diamonds.
Mafic	Descriptive of rocks composed dominantly of magnesium and iron forming silicates.
Magma	Molten or melted rock formed naturally within the Earth.
Magnetite	A magnetic iron oxide mineral.
Metamorphism or Metamorphic	The mineralogical, structural and chemical changes induced within solid rocks through the actions of heat, pressure or the introduction of new chemicals.
Mica	A mineral group with sheet-like structures.
Mineralisation	The concentration of metals and their chemical compounds within a body of rock.
ppb	Parts per billion (1000 million).
Platinum group elements (PGE or PGM)	Includes dense metallic elements comprising palladium, platinum, osmium, iridium, ruthenium and rhodium.
Precious metals	A group of metals sold in bullion form including gold, silver, and PGM.
Proterozoic	A geological period of time 2,500 years to 500 million years.
Reverse circulation (RC) drilling	A percussion drilling technique in which the cuttings are recovered through the drill rods thus minimising sample losses and contamination.
Rock chip sampling	The collection of representative samples of rock fragments within a limited area.
Rotary percussion drilling	Rotary drilling technique in which the sample is produced using a hammer and brought to surface outside of the rod string by compressed air.
Schist	A strongly foliated crystalline rock, formed by dynamic metamorphism, that can be readily split into thin flakes or slabs.
Soil sampling/geochemistry	The determination of relative or absolute abundances of elements in soil.
Stream sediment sampling	The determination of relative or absolute abundances of elements in stream sediments.
Sulphide	A mineral compound characterised by the linkage of sulphur and metal.
Thrust	A reverse fault characterised by a low angle of inclination.
Unconformity	A surface of erosion or non-deposition that separates younger strata from older rocks.
Volcanic	Descriptive of rocks originating from volcanic activity.

CORPORATE GOVERNANCE

The Board of Directors

The Company's Constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

As and if the Company's activities increase in size, nature and scope the size of the Board will be reviewed periodically and the optimum number of directors required to supervise adequately the Company's Constitution determined within the limitations imposed by the Constitution and as circumstances demand.

The membership of the Board, its activities and composition, is subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to Board's duties and physical ability to undertake Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's Constitution the tenure of a director (other than managing director, and only one managing director where the position is jointly held) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the Corporations Act 2001, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate or special committees (other than an Audit Committee) at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of the management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other Boards.

Independent Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to director's rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this will not be withheld unreasonably.

Continuous Review of Corporate Governance

Directors consider, on an ongoing basis, how management information is presented to them and whether such information is sufficient to enable them to discharge their duties as directors of the Company. Such information must be sufficient to enable the directors to determine appropriate operating and financial strategies from time to time in light of changing circumstances and economic conditions. The directors recognise that mineral exploration is an inherently risky business and that operational strategies adopted should, notwithstanding, be directed towards improving or maintaining the net worth of the Company.

ASX Principles of Good Corporate Governance

The Board has reviewed its current practices in light of the ASX Principles of Good Corporate Governance and Best Practice Guidelines 2004 with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The following table sets out the Company's present position with regard to adoption of these Principles.

ASX Principle

Status Reference/comment

Principle 1: Lay solid foundations for management and oversight

1.1	Formalise and disclose the functions reserved to the Board and those delegated to management	N/A	<p>The company has not adopted this recommendation to formalise and disclose the functions reserved to the Board and those delegated to management. The company has a small Board, comprising four directors, two of whom are non-executive (including the Chairman). The company considers the expense of sourcing additional directors at this stage of its development is unwarranted. The roles and functions within the company must remain flexible in order for it to best function within its level of available resources.</p> <p>The full Board currently meets every month. In addition, strategy meetings and any extraordinary meetings are held at such other times as may be necessary to address any specific significant matters that may arise.</p> <p>The Board believes the alignment of the interests of directors with those of shareholders as being the most efficient way to ensure shareholders interests are protected.</p>
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Principle 2: Structure the Board to add value

2.1	A majority of Board members should be independent directors	N/A	<p>Given the company's background, the nature and size of its business and the current stage of its development, the Board comprises four directors, two of whom are non-executive (including the independent Chairman). The Board believes that this is both appropriate and acceptable at this stage of the company's development.</p>
2.2	The chairperson should be an independent director	A	
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual	A	<p>The positions of Chairman and Managing Director are held by separate persons.</p>
2.4	The Board should establish a nomination committee	N/A	<p>The Board has no formal nomination committee. Acting in its ordinary capacity from time to time as required, the Board carries out the process of determining the need for, screening and appointing new directors. In view of the size and resources available to the company, it is not considered that a separate nomination committee would add any substance to this process.</p>
2.5	Provide the information indicated in Guide to reporting on Principle 2	A (in part)	<p>The skills and experience of directors are set out in the company's Annual Report and on its website.</p>

Principle 3: Promote ethical and responsible decision-making

3.1	<p>Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to:</p> <p>3.1.1 the practices necessary to maintain confidence in the company's integrity</p> <p>3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices</p>	A	<p>The company has formulated a Code of Conduct which can be viewed on the company's website.</p>
3.2	Disclose the policy concerning trading in company securities by directors, officers and employees	A	<p>The company has formulated a securities trading policy which can be viewed on its website.</p>

A = Adopted
N/A = Not Adopted

CORPORATE GOVERNANCE

ASX Principle

3.3 Provide the information indicated in Guide to Reporting on Principle 3

Status Reference/comment

A The company has established an audit committee which comprises two non-executive directors. The charter for this committee is disclosed on the company's website. Sourcing alternative or additional directors to strictly comply with this Principle is considered expensive with costs outweighing potential benefits. In addition, the Board as a whole addresses the governance aspects of the full scope of the company's activities to ensure that it adheres to appropriate ethical standards. All matters which might properly be dealt with by special committees are subject to regular scrutiny at full Board meetings.

Principle 4: Safeguard integrity in financial reporting

4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the company's financial reports present a true and fair view, in all material respects, of the company's financial condition and operational results and are in accordance with relevant accounting standards

A

4.2 The Board should establish an audit committee

A

4.3 Structure the audit committee so that it consists of:

A
(in part)

- Only non-executive directors
- A majority of independent directors
- An independent chairperson who is not the chairperson of the Board
- At least three members

✓
✓
✓

× The company only has two non-executive directors.

4.4 The audit committee should have a formal charter

A

4.5 Provide the information indicated in Guide to Reporting on Principle 4

A

Principle 5: Make timely and balanced disclosure

5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance

N/A The company has instigated internal procedures designed to provide reasonable assurance as to the effectiveness and efficiency of operations, the reliability of financial reporting and compliance with relevant laws and regulations. The Board is acutely aware of the continuous disclosure regime and there are strong informal systems in place to ensure compliance, underpinned by experience.

5.2 Provide the information indicated in Guide to Reporting on Principle 5

N/A The Board receives monthly reports on the financial position of the company with performance being measured against approved budgets.

Principle 6: Respect the rights of shareholders

6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings

A In line with adherence to continuous disclosure requirements of ASX all shareholders are kept informed of major developments affecting the company. This disclosure is through regular shareholder communications including the Annual Report, Quarterly Reports, the company website and the distribution of specific releases covering major transactions or events.

6.2 Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report

A Shareholders are encouraged to exercise their right to vote, either by attending meetings, or by lodging a proxy. The company's auditors attend all shareholders' meetings.

Principle 7: Recognise and manage risk

7.1 The Board or appropriate board committee should establish policies on risk oversight and management

N/A While the company does not have formalised policies on risk management the Board recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.

ASX Principle

Status Reference/comment

7.2	The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:	N/A	Determined areas of risk which are regularly considered include: <ul style="list-style-type: none">• performance and funding of exploration activities• budget control and asset protection• status of mineral tenements• land access and native title considerations• compliance with government laws and regulations• safety and the environment• continuous disclosure obligations
7.2.1	the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board		
7.2.2	the company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects		
7.3	Provide information indicated in Guide to Reporting on Principle 7	N/A	
Principle 8: Encourage enhanced Performance			
8.1	Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives	N/A	The company does not consider it appropriate to have a sub-committee of the Board to consider remuneration matters. The remuneration of executive and non-executive directors is reviewed by the Board with the exclusion of the director concerned. The remuneration of management and employees is reviewed by the Board and approved by the Chairman. Acting in its ordinary capacity, the Board from time to time carries out the process of considering and determining performance issues including the identification of matters that may have a material effect on the price of the company's securities. Whenever relevant, any such matters are reported to ASX.
Principle 9: Remunerate fairly and responsibly			
9.1	Provide disclosure in relation to the company's remuneration policies and benefits to these policies and the link between remuneration paid to directors and key executives and corporate performance.	N/A	The company discloses remuneration-related information in its Annual Report to shareholders in accordance with the Corporations Act 2001. Remuneration levels are determined by the Board on an individual basis, the size of the company making individual assessment more appropriate than formal remuneration policies. In doing so, the Board seeks to retain professional services as it requires, at reasonable market rates, and seeks external advice and market comparisons where necessary.
9.2	The Board should establish a remuneration committee	N/A	
9.3	Clearly distinguish the structure of non-executive directors remuneration from that of executives	A	
9.4	Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders	A	
9.5	Provide information indicated in ASX Guide to Reporting on Principle 9	A (in part)	
Principle 10: Recognise legitimate interests of Stakeholders			
10.1	Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders	A	The company's Code of Conduct is set out in the company's website. The Board continues to review existing procedures over time to ensure adequate processes are in place. All directors, employees and contractors are expected to act with the utmost integrity and objectivity in their dealings with other parties, striving at all times to enhance the reputation and performance of the company.

A = Adopted

N/A = Not Adopted

DIRECTORS' REPORT

The Board of directors of Marengo Mining Limited have pleasure in presenting their report on the Company for the year to 30 June 2004.

Directors

The names and details of the directors in office at the date of this report are:

John Patrick Horan FCPA, FCIS

Chairman

Mr John Horan is a Fellow of CPA Australia, a Fellow of the Chartered Institute of Secretaries in Australia, a Member of the Finance and Treasury Association Limited and a Member of the Australian Mining and Petroleum Law Association. He has many years experience in the financial, corporate, technical, and management areas of the mining industry.

Mr Horan has established a large network of leading stockbrokers, corporate bankers, financial analysts, institutional investors and fund managers in Australian and overseas financial markets.

In July 1993 he established Adelaide Resource Management Pty Ltd to provide corporate advisory services to the mining industry. He has been a director of a number of Australian Stock Exchange listed companies and is currently Chairman of Michelago Limited and a director of Adelaide Resources Limited.

Mr Horan was the finance director of Homestake Gold of Australia Limited (now Barrick Gold Corporation), one of Australia's largest gold producers, from 1987 until June 1993. He first joined Homestake in 1978 and was responsible for financial, commercial and corporate management functions prior to 1987 when he played a substantial role in the float of the Australian subsidiary. He also fulfilled key responsibilities in subsequent very large debt and equity capital raisings.

From the early 1960s until the second half of the 1970s he held various financial accounting, corporate administrative and management positions in Poseidon Limited and CRA Limited (now Rio Tinto Limited) following initial technical experience in CRA's mining operations at Broken Hill.

Leslie Sidney George Emery

Managing Director

Mr Les Emery has been involved in the Western Australian mining industry for more than 35 years and has experience in exploration, mining and corporate administration. Until June 2001 he was Managing Director of Lynas Corporation Limited (formerly Lynas Gold NL) for 15 years and was instrumental in the transition of that Company from explorer to gold producer with the development of the Lynas Find Gold Mine and the subsequent relocation of the Lynas Find treatment plant to the Paraburdoo region to form and operate the Paraburdoo Gold Project in joint venture with Sipa Exploration NL. In 1999 Mr Emery negotiated the entry of Lynas Corporation into that company's now core business, the Mt Weld rare earths & tantalum/niobium project.

In addition to Lynas Corporation Limited, Mr Emery has previously been a director of a number of listed Australian resource companies, including Herald Resources Limited (as Managing Director), Sundowner Minerals NL, Roebuck Resources NL and Acclaim Exploration NL. From 1975-1981 he was employed by the Western Australian Department of Mines (now the Department of Industry and Resources). Prior to this he was employed by Western Mining Corporation Limited.

Mr Emery is a past Vice President and Executive Councillor of the Association of Exploration and Mining Companies Inc (AMEC) and has served as a commissioned officer in the Australian Citizen Military Forces (now the Army Reserve).

Dennis William Wilkins B.Bus, AICD, ACIS

Finance Director/Company Secretary

Mr Dennis Wilkins is an accountant who has been a director, company secretary or acted in a corporate consulting capacity to listed resource companies for over 18 years.

Mr Wilkins has previously served as the Finance Director and Company Secretary for a mid tier gold producer and has also spent five years working for a leading merchant bank in the United Kingdom. Resource postings to Indonesia, South Africa and New Zealand in managerial roles has broadened his international experience.

Mr Wilkins has extensive experience in exploration and operational financial reporting, together with treasury management and is a director of Bonaparte Diamond Mines NL and South Boulder Mines Limited.

Douglas Dunnet B.Sc.(Hons), PhD. F.AusIMM

Non-Executive Director

Dr Doug Dunnet is a geologist with over 30 years experience. He has a strong background in management of mining project initiation and development in Australia and North America, including 14 years with the Anaconda (USA) group of companies, culminating as Exploration Manager for the Australian subsidiary during the period 1980-1983. He has extensive experience in the Archaean and Proterozoic rocks of Australia and North America.

In 1984 Dr Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987 he initiated the listing of and became Managing Director of Orion Resources NL and a director of Ranger Minerals Ltd. He was subsequently instrumental in acquiring a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to a market capitalisation of over \$130 million, prior to the takeover by Sons of Gwalia NL. This included the successful transition from significant open pit mining to major underground mining operations producing in excess of 100,000 ounces of gold per annum.

Dr Dunnet was formerly Chairman (Non-Executive) of Paladin Resources Limited, a listed Australian mineral exploration company.

DIRECTORS' INTERESTS

Directors' interests are detailed in Note 14 to the Financial Statements.

DIRECTORS AND EXECUTIVE OFFICERS' EMOLUMENTS**Directors**

The constitution of the Company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (currently \$100,000).

Details of directors' and executive remuneration are disclosed in Note 14 to the Financial Statements.

DIRECTORS' MEETINGS

During the year 13 meetings of directors were held. The attendance of directors at meetings of the Board were:

Director	Directors Meetings	
	A	B
J P Horan	13	13
L S G Emery	13	13
D W Wilkins	13	13
D Dunnet	12	13

A = Number of meetings attended.

B = Number of meetings held during the time the director held office during the year.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the period was mineral exploration.

RESULTS OF OPERATIONS

The operating loss after income tax of the Company for the period ended 30 June 2004 was \$1,180,840 (2003: \$367,150). Included in this loss figure is an amount of past and current capitalised exploration (\$745,663) written off as a result of a change in accounting policy. Refer to Note 1(c) of the Financial Statements.

REVIEW OF OPERATIONS

During the year the consolidated entity carried out exploration on its tenements and applied for or acquired additional tenements with the objective of identifying gold, copper, iron and other economic mineral deposits.

A review of operations and the Chairman's Letter are contained elsewhere in the Annual Report.

DIVIDENDS

No dividend has been paid during the year ended 30 June 2004 and no dividend is recommended for the current year.

ENVIRONMENTAL ISSUES

The entity is subject to significant environmental regulation in respect to its exploration activities.

The Company aims to ensure the appropriate standard of environmental care is achieved, and in doing so, that it is aware of and is in compliance with all environmental legislation. The directors of the Company are not aware of any breach of environmental legislation for the financial year under review.

DIRECTORS' REPORT

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

During the year the Company listed on ASX following the issue of a Prospectus for the raising of \$3.5 million. The fundraising was successful with applications for funds in excess of \$3,500,000 received and listing on Australian Stock Exchange being achieved on 13 November 2003.

There has not been any other matter or circumstance, that has arisen since 30 June 2004, that has significantly affected, or may significantly affect the operations of the Company, the result of those operations, or the state of affairs of the Company in subsequent financial years.

FUTURE DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this report.

SHARE OPTIONS

During or since the end of the financial year, the Company has not granted any options over unissued ordinary shares to the Directors as part of their remuneration other than as disclosed in Note 14.

As at the date of this report there are 24,097,746 unissued ordinary shares in respect of which options are outstanding.

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

	Number of Options
Balance at the beginning of the year	10,400,000
Share Options Issued During the Year	
Exercisable at 20 cents, on or before 28 February 2008	10,999,982
Exercisable at 20 cents, on or before 30 November 2008	233,334
Exercisable at 25 cents, on or before 30 November 2008	233,333
Exercisable at 30 cents, on or before 30 November 2008	233,333
Exercisable at 20 cents, on or before 31 December 2009	170,000
Exercisable at 25 cents, on or before 31 December 2010	170,000
Exercisable at 30 cents, on or before 31 December 2011	160,000
Total options issued to 30 June 2004	22,599,982
Less: Options exercised (20 cents, 28 February 2008)	(2,236)
Total number of options outstanding as at 30 June 2004	22,597,746
Issued subsequent to year end	1,500,000

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

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



L S Emery
Director
West Perth, Western Australia
14 September 2004

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Interest revenue	2	96,886	12,102
Administrative expenses		(430,651)	(195,657)
Occupancy expenses		(42,117)	(24,606)
Marketing expenses		10,924	(17,403)
Other capital raising expenses		10,717	(148,787)
Capitalised expenditure (written-off)		(745,663)	11,863
Other expenses		37,653	(4,662)
Loss from ordinary activities before income tax expense	3	(1,180,840)	(367,150)
Income tax expense relating to ordinary activities	4	-	-
Net loss for the year		(1,180,840)	(367,150)
Total changes in equity other than those resulting from transactions with owners as owners	12	(1,180,840)	(367,150)
Basic loss per share (cents per share)	22	(4.1)	(1.55)

Diluted loss per share is not disclosed as this would reduce the loss per share

The above statement of financial performance should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2004

	Note	2004 \$	2003 \$
Current Assets			
Cash assets	5	2,577,560	294,969
Receivables	6	14,201	31,528
Total Current Assets		2,591,761	326,497
Non-Current Assets			
Mining tenements and capitalised exploration costs	7	-	390,712
Plant and equipment	8	33,569	15,796
Total Non-Current Assets		33,569	406,508
TOTAL ASSETS		2,625,330	733,005
Current Liabilities			
Payables	9	49,874	170,021
Provisions	10	20,253	1,533
Total Current Liabilities		70,127	171,554
TOTAL LIABILITIES		70,127	171,554
NET ASSETS		2,555,203	561,451
Equity			
Contributed equity	11	4,191,958	1,017,366
Accumulated losses	12	(1,636,755)	(455,915)
TOTAL EQUITY		2,555,203	561,451

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

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	2004 \$	2003 \$
Cash flows from operating activities			
Payments to suppliers, contractors and employees		(865,632)	(370,014)
Interest received net of withholding tax		96,886	12,102
Net cash flows (used in) operating activities	13	(768,746)	(357,912)
Cash flows from investing activities			
Payment for property, plant and equipment		(23,256)	(18,828)
Expenditure relating to tenements		-	(61,282)
Net cash flows from investing activities		(23,256)	(80,110)
Cash flows from financing activities			
Proceeds from share issues		3,556,077	575,772
Share issue costs		(481,485)	(13,987)
Net cash flows from financing activities		3,074,592	561,785
Net increase in cash held		2,282,590	123,763
Cash at the beginning of the financial period		294,970	171,206
Cash at the end of the financial period	5	2,577,560	294,969

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

1. Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers the economic entity, Marengo Mining Limited which is a public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Depreciation

Depreciation is provided on plant and equipment. Depreciation is calculated on a reducing balance basis so as to write off the net costs of each asset over the expected useful life. The rates vary between 20% and 40% per annum.

(b) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability. Lease payments received reduce the liability.

(c) Exploration, Evaluation and Development Expenditure

Exploration, evaluation and development costs are written off in the year they are incurred. This is a change in policy. As a result of this change in policy \$390,712 of previously capitalised exploration costs and \$354,951 of current year exploration costs have been written off.

(d) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(e) Accounts Payable

Accounts payable represent the principal amounts outstanding at balance date, plus, where applicable, any accrued interest.

(f) Recoverable Amount of Non-current Assets

The carrying amount of non-current assets are reviewed annually by directors to ensure they are not in excess of the recoverable amounts from those assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employed and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

(g) Employee Entitlements

(i) Wages and Salaries and Annual Leave

Liabilities for wages and salaries and annual leave are recognised, and are measured as the amount unpaid at the reporting date at expected pay rates in respect of employees' services up to that date.

(ii) Long Service Leave

A liability for long service leave is not recognised as the Company only commenced operations in 2003, and the present value of expected future payments to be made in respect of services provided by employees up to the reporting date is immaterial.

(h) Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets. All revenue is stated net of the amounts of goods and services tax.

(i) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amounts of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the acquisition of the asset or as part of any item of the expense.

Receivables and payables are included as a current asset or liability in the Statement of Financial Position.

	2004 \$	2003 \$
2. Revenue		
Interest received	96,886	12,102
Total revenue	96,886	12,102
3. Loss from Ordinary Activities		
Loss from ordinary activities before income tax has been determined after charging the following items:		
Rent expense	31,325	16,578
Depreciation	5,483	3,032
4. Income Tax		
Prima facie tax on operating loss before income tax at 30%	374,252	113,704
Tax effect of permanent differences	(32,715)	(193)
Tax effect of temporary differences	(1,500)	(35,709)
Future income tax benefit not brought to account	(340,037)	(77,802)
Income tax attributable to operating loss	-	-

No income tax is payable by the Company. The directors have considered it prudent not to bring to account the future income tax benefit (approximately \$397,000) of income tax losses and exploration deductions until there is virtual certainty of deriving assessable income of a nature and amount to enable such benefit to be realised.

The benefit of these losses and timing differences will only be obtained if:

- (a) the Company derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the loss to be realised;
- (b) the Company continues to comply with the condition of deductibility imposed by law; and
- (c) no changes in tax legislation adversely affect the Company in realising the benefit from the deduction for the loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
	\$	\$
5. Cash Assets		
Cash at bank	2,577,160	294,969
Petty cash	200	-
	2,577,360	294,969
6. Receivables		
GST receivable	7,897	15,097
Withholding tax on interest	-	5,431
Debtors	6,304	11,000
	14,201	31,528
7. Other (Non-Current)		
Tenements and other capitalised exploration costs		
- Balance at beginning of the year	390,712	-
- Exploration costs incurred	354,951	390,712
- Exploration costs written off	(745,663)	-
- Balance at end of the year	-	390,712
8. Plant and Equipment		
At cost	42,084	18,828
Accumulated depreciation	(8,515)	(3,032)
	33,569	15,796
Reconciliation		
Reconciliation of the carrying amount for plant and equipment is set out below:		
Carrying amount at beginning of year	15,796	-
Additions	23,256	18,828
Depreciation	(5,483)	(3,032)
Carrying amount at end of year	33,569	15,796
9. Payables		
Trade creditors and accruals	23,764	16,417
Tax liabilities – GST	-	1,657
Tax liabilities – PAYG	26,110	19,825
Exploration costs refundable	-	132,122
	49,874	170,021
10. Provisions		
Employee entitlements	20,253	1,533

	2004 \$	2003 \$
11. Contributed Equity		
Ordinary Shares		
1 share on incorporation		
9,438,684 shares for cash	-	94
9,361,315 shares to acquire tenements	-	181,500
2,500,000 shares at 10 cents each	-	250,000
2,500,000 shares at 10 cents each	-	250,000
2,747,940 shares at 10 cents each	-	274,794
100,000 shares at 10 cents each	-	10,000
50,978,130 shares at 0.1 cent each	-	50,978
77,626,070 Balance at 30 June 2003	1,017,366	1,017,366
55,613,630 shares at 1 cent	55,630	-
(119,915,730) 10:1 Reconstruction	-	-
(829) rounding	-	-
250,000 issue to satisfy underwriting fee	2,500	-
175,000 issue to satisfy advisory fee	17,500	-
17,500,000 shares at 20 cents	3,500,000	-
500,000 shares to acquire tenements	100,000	-
2,236 shares on conversion of options	447	-
31,750,377 Total as at 30 June 2004	4,693,443	1,017,366
- Share issue expenses	(501,485)	-
31,750,377	4,191,958	1,017,366
	2004 Number	2003 Number
Share Options		
Balance at the beginning of the year	10,400,000	
Share options issued during the year		
Exercisable at 20 cents, on or before 28 February 2008	10,999,982	2,500,000
Exercisable at 20 cents, on or before 30 Nov 2008	233,334	2,633,333
Exercisable at 25 cents, on or before 30 Nov 2008	233,333	2,633,333
Exercisable at 30 cents, on or before 30 Nov 2008	233,333	2,633,334
Exercisable at 20 cents, on or before 31 Dec 2009	170,000	-
Exercisable at 25 cents, on or before 31 Dec 2010	160,000	-
Exercisable at 30 cents, on or before 31 Dec 2011	160,000	-
Sub Total	22,599,982	10,400,000
Less: Options exercised (20 cents, 28 February 2008)	(2,236)	-
Total options issued to 30 June 2004	22,597,746	10,400,000
	2004 \$	2003 \$
12. Accumulated losses		
Balance at the beginning of the year	(455,915)	(88,765)
Loss for the year	(1,180,840)	(367,150)
Accumulated losses at end of year	(1,636,755)	(455,915)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

	2004	2003
	\$	\$
13. Notes to the Cash Flow Statement		
Reconciliation of net cash used in operating activities to operating loss after income tax		
Operating loss after tax	(1,180,840)	(367,150)
Add/(less) non cash items:		
Depreciation	5,483	3,032
Employee entitlements	18,720	1,533
Exploration written off	390,712	-
Exploration expenditure – issue of share	100,000	-
Changes in net assets and liabilities		
(Increase)/decrease in receivable	17,326	13,633
Increase/(decrease) in payables	(120,147)	(8,960)
Net cash (outflow) from operating activities	768,746	(357,912)

14. Remuneration of Directors and Specified Executives

a) The directors of the Company during the financial year were:

John Patrick Horan (appointed: 23 April 2002)

Leslie Sidney George Emery (appointed: 23 April 2002)

Dennis William Wilkins (appointed: 23 April 2002)

Douglas Dunnet (appointed: 23 April 2002)

Remuneration and other terms of employment for the Managing Director, certain directors and the specified executives are formalised in service agreements.

The agreements relating to remuneration of the directors and specified executives are set out below:

John Horan, Chairman

- Term of agreement – 2 years commencing 13 November 2003
- A fee for the year ended 30 June 2004 of \$30,000, to be reviewed annually by the Board.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to the fee for the remaining term of the agreement.

Leslie Emery, Managing Director

- Term of agreement – 2 years commencing 13 November 2003
- Base salary, inclusive of statutory superannuation, for the year ended 30 June 2004 of \$109,000 to be reviewed annually by the Board.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes any accrued long service leave and annual leave entitlements, superannuation, retiring allowance, superannuation gratuity to the value of which does not exceed the maximum amount ascertained in accordance with the formula set out in section 200G of the Corporations Act 2001.

Dennis Wilkins, Director/Company Secretary

- Term of agreement – 2 years commencing 13 November 2003
- Base salary, inclusive of statutory superannuation, for the year ended 30 June 2004 is \$81,750.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, includes accrued remuneration for work already undertaken up to date of termination, an amount equal to the remuneration for the remainder of the term and accrued expenses incurred.

Ronald Smit, Exploration Manager

- Term of agreement – 1 year commencing 17 November 2003
- Base salary, inclusive of statutory superannuation, for the year ended 30 June 2004 of \$99,000 to be reviewed annually by the Board.
- Payment of termination benefit on early termination by the employer, other than for gross misconduct, equal to the base salary for the remaining term of the agreement.

b) Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is set to attract and retain the most qualified and experienced directors and senior executives. The board may obtain independent advice on the appropriateness of remuneration packages. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness
- Acceptability to shareholders
- Performance linkage
- Capital management

Non Executive Directors

The constitution of the Company provides that the non-executive directors may collectively be paid as remuneration for their services a fixed sum not exceeding the aggregate maximum sum per annum from time to time determined by the Company in general meeting (currently \$100,000). The Chairman's fees are determined independently to the fees of non-executive directors based on comparative roles in the external market.

Directors Fees

A director may be paid fees or other amounts as the directors determine where a director performs special duties or otherwise performs services outside the scope of the ordinary duties of a director. A director may also be reimbursed for out of pocket expenses incurred as a result of the directorship or any special duties.

Directors Remuneration

The Managing Director, Leslie Emery, receives a salary from the Company as an employee in accordance with the terms of his employment contract. Non-executive directors John Horan (effective from 13 November 2003) and Dennis Wilkins (effective from 1 July 2004) have entered into consultancy agreements to provide corporate and financial advice.

Benefits

Leslie Emery is entitled to benefits of partial telecommunication expenses reimbursement.

	Primary Salary & Fees \$	Post Employment Superannuation \$	Other Benefits \$	Total \$
c) Directors and Executives Remuneration				
Details of Remuneration Year Ended 30 June 2004				
Directors				
JP Horan	30,250	1,012	-	31,262
LSG Emery	90,624	8,156	-	98,780
DW Wilkins	58,595	4,219	-	62,814
D Dunnet	20,000	1,800	-	21,800
	199,469	15,187	-	214,656
Specified Executives				
R Smit	52,500	4,725	-	57,225
	52,500	4,725	-	57,225

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

14. Remuneration of Directors and Specified Executives (continued)

	Primary Salary & Fees \$	Post Employment Superannuation \$	Other Benefits \$	Total \$
Details of Remuneration Year Ended 30 June 2003				
Directors				
JP Horan	-	-	-	-
LSG Emery	62,500	5,625	-	68,125
DW Wilkins	-	-	-	-
D Dunnet	-	-	-	-
	62,500	5,625	-	68,125
Specified Executives				
R Smit	-	-	-	-
	-	-	-	-

d) Directors' Holdings

Number of Shares held by Directors & Specified Executives

2004	Balance 30 Jun 03	Received as Remuneration	Options Exercised	Net Change Other	Balance 30 Jun 04
Directors					
JP Horan	210,000	-	-	50,000	260,000
LSG Emery	1,054,195	-	-	220,805	1,275,000
DW Wilkins	1,104,193	-	-	-	1,104,193
D Dunnet	254,147	-	-	11,760	265,907
	2,622,535	-	-	282,565	2,905,100
Specified Executives					
R Smit	165,000	-	-	-	165,000
	165,000	-	-	-	165,000

Number of Shares held by Directors & Specified Executives

2003					
Directors					
JP Horan	-	-	-	210,000	210,000
LSG Emery	-	-	-	1,054,195	1,054,195
DW Wilkins	-	-	-	1,104,193	1,104,193
D Dunnet	-	-	-	254,147	254,147
	-	-	-	2,622,535	2,622,535
Specified Executives					
R Smit	-	-	-	165,000	165,000
	-	-	-	165,000	165,000

e) Number of Options held by Directors & Specified Executives

2004	Balance 30 Jun 03	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 Jun 04	Vested at 30 Jun 04	30 June 2004	
							Exercisable	Unexercisable
Directors								
JP Horan	900,000	-	-	-	900,000	-	900,000	-
LSG Emery	4,000,000	-	-	-	4,000,000	-	4,000,000	-
DW Wilkins	2,000,000	-	-	-	2,000,000	-	2,000,000	-
D Dunnet	-	600,000	-	-	600,000	600,000	600,000	-
Specified Executives								
R Smit	1,000,000	-	-	-	1,000,000	-	1,000,000	-
	7,900,000	600,000	-	-	8,500,000	600,000	8,500,000	-

2003	Balance 30 Jun 02	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30 Jun 03	Vested at 30 Jun 03	30 June 2003	
							Exercisable	Unexercisable
Directors								
JP Horan	-	900,000	-	-	900,000	900,000	900,000	-
LSG Emery	-	4,000,000	-	-	4,000,000	4,000,000	4,000,000	-
DW Wilkins	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
D Dunnet	-	-	-	-	-	-	-	-
Specified Executives								
R Smit	-	1,000,000	-	-	1,000,000	1,000,000	1,000,000	-
	-	7,900,000	-	-	7,900,000	7,900,000	7,900,000	-

f) Number of Options Granted as Remuneration

2004	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Terms & conditions for each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Directors							
JP Horan	-	-	-	-	-	-	-
LSG Emery	-	-	-	-	-	-	-
DW Wilkins	-	-	-	-	-	-	-
D Dunnet	600,000	600,000	10/09/03	-	20-30c	10/09/03	30/11/08
Specified Executives							
R Smit	-	-	-	-	-	-	-
	600,000	600,000					

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

14. Remuneration of Directors and Specified Executives (continued)

2004	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date	Terms & conditions for each Grant		
					Exercise Price \$	First Exercise Date	Last Exercise Date
Directors							
JP Horan	900,000	900,000	23/04/02	Nil	20c-30c	13/11/03	30/11/08
LSG Emery	4,000,000	4,000,000	23/04/02	Nil	20c-30c	13/11/03	30/11/08
DW Wilkins	2,000,000	2,000,000	23/04/02	Nil	20c-30c	13/11/03	30/11/08
D Dunnet	-	-					
Specified Executives							
R Smit	1,000,000	1,000,000	23/04/02	Nil	20c-30c	13/11/03	30/11/08
	7,900,000	7,900,000					

2004
\$

2003
\$

15. Auditors' Remuneration

Amounts received or due and receivable by the auditors for:

Audit	6,405	2,500
Other services	1,200	5,000
	7,605	7,500

16. Commitments

There were no outstanding commitments, which are not disclosed in the financial statements of the Company as at 30 June 2004 other than:

(a) Rental commitments

Rental liabilities

No later than 1 year

Later than 1 year but not later than 5 years

37,775	-
16,560	-
54,335	-

(b) Exploration expenditure commitments

No later than 1 year

Later than 1 year but no later than 5 years

486,040	189,020
2,639,360	756,080
3,125,400	945,100

Exploration commitments can be varied from time to time.

17. Related Party Disclosures

The following related party transactions occurred during the financial year:

- (i) Tantur Limited, a company related Messrs Emery and Wilkins, entered into an underwriting agreement with the Company during the year and was paid a fee of \$2,500 satisfied by the issue of 250,000 fully paid ordinary shares.
- (ii) The Company has entered into employment contracts and consultancy agreements with the directors as discussed in Note 14.
- (iii) Refer to Note 14 for details on shares and options issued to directors from date of incorporation.

18. Financial Instruments

	Notes	Floating Interest Rate \$	1 year or less \$	Over 1-5 years \$	Non interest bearing \$	Total \$
2004						
Financial Assets						
Cash	5	2,577,159	-	-	200	2,577,359
Receivables	6	-	-	-	14,202	14,202
Total Financial Assets		2,577,159	-	-	14,402	2,591,561
Payables						
	9	-	-	-	(49,874)	(49,874)
Total Financial Liabilities		-	-	-	(49,874)	(49,874)
Net Financial Assets/(Liabilities)		2,577,159	-	-	(35,472)	2,541,687
2003						
Financial Assets						
Cash	5	294,969	-	-	-	294,969
Receivables	6	-	-	-	31,528	31,528
Total Financial Assets		294,969	-	-	31,528	326,497
Payables						
	9	-	-	-	(170,021)	(170,021)
Total Financial Liabilities		-	-	-	(170,021)	(170,021)
Net Financial Assets/(Liabilities)		294,969	-	-	(138,493)	156,476

	2004 \$	2003 \$
Reconciliation of net financial assets to net assets		
Net financial assets	2,541,687	156,476
Mineral tenements and capitalised exploration	-	390,712
Plant and equipment	33,569	15,796
Employee provisions	(20,253)	(1,533)
Net assets	2,555,003	561,451

Interest Rate Risks

The Company's exposure to interest rate risk is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates. The effective interest rate on cash during the period was approximately 5.2%.

Credit Risk

The maximum exposure to credit risk at balance date is the carrying amount (net of provision of doubtful debts) of those assets as disclosed in the statement of financial position and notes to the financial statements.

Net Fair Value

The net fair value of all assets approximates their carrying value.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2004

19. Segment Information

The Company's activities are in mineral exploration in Australia.

20. Contingent Liabilities

There are no material contingent liabilities of the Company at balance date.

21. Events Occurring After Balance Date

In July 2004 the Company acquired certain mineral exploration properties from Mr R Smit, the Company's Exploration Manager, for a consideration of 1,500,000 fully paid ordinary shares and 1,500,000 unlisted options.

Apart from the above, there have been no other significant events occurring since 30 June 2004.

22. Earnings Per Share (EPS)

Weighted average number of ordinary shares outstanding during the year used in calculation of EPS was 28,600,290.

23. Commitments

The Company has entered into employment agreements with Mr Les Emery and the exploration manager, Mr Ron Smit and a consulting agreement with Mr Dennis Wilkins. The Company also has a contract with a company associated with Mr John Horan for such company to provide the services of Mr John Horan. Outstanding commitments under the employment, consulting and management contracts are as follows:

	2004	2003
	\$	\$
Due within 1 year	248,248	318,850
Due 1 to 5 years	79,298	220,750
	327,546	539,600

24. The Impact of Adopting International Accounting Standards

The Australian Accounting Standards Board is adopting the Standards of the International Accounting Standards Board for application to reporting periods beginning on or after 1 January 2005. Pending Accounting standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards' prescribes transitional provision for first-time adopters.

AASB 1047 'Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards' requires financial reports to disclose information about the impacts of any changes in accounting policies in the transition period leading up to the adoption date and will apply for June 2004 reporting.

In terms of the exposure drafts issued by the International Accounting Standards Board (IASB) and the Australian Accounting Standards Board (AASB) on exploration and evaluation expenditure, entities are permitted to continue their previous accounting policies but all exploration and evaluation expenditure would be subject to an annual impairment test. Under the impairment test, exploration and evaluation expenditure would be carried at recoverable value which will be determined at the higher of fair value less costs to sell, and value in use. The likely impact is that exploration and evaluation expenditure will not meet the recoverable value test and will need to be written off in the year incurred.

Taxation

Under the Australian equivalent to IAS 12 "Income Taxes", a balance sheet approach will be adopted for calculating taxation, replacing the "statement of financial performance approach". This method recognizes deferred tax balances for all temporary differences arising between the carrying value of an asset or liability and its tax base. Whilst there will be enhanced disclosure of the composition of the deferred tax assets and liabilities it is not expected that there will be any significant impact in terms of the statement of financial position or performance.

Share based payments

The group currently does not recognize an expense for options issued to directors and staff. Under AASB 2 "Share Based Payments", the Company will be required to recognize an expense for all share based remuneration, including options, and will amortise those expenses over the relevant vesting periods.

Impairment of assets

Under the Australian equivalent to IAS 36 "Impairment of Assets" the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in the Company's current accounting policy which determines recoverable amount of an asset on the basis of undiscounted cashflows. Under the new policy it is likely that the impairment of assets will be recognized sooner and the amount of write downs will be greater.

DIRECTORS' DECLARATION

FOR THE YEAR ENDED 30 JUNE 2004

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 19 to 32;
 - (a) comply with Accounting Standards, the Corporations Regulations and other mandatory professional reporting requirements; and
 - (b) give a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date as represented by the results of its operations and its cash flows of the Company;
2. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. In the opinion of the directors, the financial statements and notes are in accordance with the Corporations Act 2001.

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



L S Emery
Director
West Perth, Western Australia
14 September 2004

INDEPENDENT AUDIT REPORT FOR THE YEAR ENDED 30 JUNE 2004

SCOPE

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash-flows, accompanying notes to the financial statements, and the director's declaration for Marengo Mining Limited (the Company), for the year ended 30 June 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the Company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

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

INDEPENDENCE

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

AUDIT OPINION

In our opinion, the financial report of Marengo Mining Limited is in accordance with:

- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

Perth, Western Australia
14 September 2004

ADDITIONAL STOCK EXCHANGE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2004

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report. The information is made as at 2 September 2004.

Statement in relation to Listing Rule 4.10.19

The Company has used the cash it had at the time of admission to ASX in a way consistent with its business objectives.

Number of share and optionholders

33,250,377 fully paid ordinary shares are held by 723 shareholders.

13,497,746 options expiring 28 February 2008 with an exercise price of 20 cents are held by 255 optionholders.

8,600,000 options exercisable at various exercise prices between 20 cents and 30 cents expiring 30 November 2008 are held by 6 optionholders.

1,500,000 options expiring 30 November 2008 with an exercise price of 25 cents are held by 1 optionholder.

500,000 options exercisable at various exercise prices between 20 cents and 30 cents with various commencement and expiry dates are held by 1 optionholder.

Distribution of share and optionholders as at 2 September 2004

	Fully paid shares	Options 28 February 2008	Options Various exercise prices	Options Various exercise prices and expiry dates
1-1,000	114	29	-	-
1,001-5,000	91	48	-	-
5,001-10,000	162	5	-	-
10,001-100,000	311	150	1	-
100,001 & over	45	23	6	1
TOTAL	723	255	7	1

Holders of non-marketable parcels

There are 220 shareholders who hold less than a marketable parcel of fully paid ordinary shares (ie. less than A\$500 value).

Voting rights

On a show of hands each member is entitled to one vote and on a poll one vote for every fully paid share held.

Substantial shareholders

The following shareholders are recorded in the register of substantial shareholders:

Allundy Pty Ltd	10.70%
J P Morgan Nominees Australia Pty Ltd	7.52%
Ronald Smit	5.01%

Stock exchange listing

The Company's fully paid shares and 28 February 2008 options are quoted by the Australian Stock Exchange Limited as MGO and MGOO respectively.

Restricted securities

The Company has 2,756,436 shares and 10,750,000 share options on issue that are classified as "Restricted Securities".

- 500,000 shares restricted to 6 November 2004
- 2,256,436 shares restricted to 12 November 2005
- 500,000 options restricted to 6 November 2004
- 1,750,000 options restricted to 12 November 2005
- 8,500,000 options restricted to 12 November 2005

ADDITIONAL STOCK EXCHANGE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2004

On-market buy-back

Currently there is no on-market buy-back of the Company's securities.

Twenty largest shareholders

	Number	Percentage
1. ALLUNDY PTY LTD	3,558,811	10.70%
2. J P MORGAN NOMINEES AUSTRALIA PTY LTD	2,500,000	7.52%
3. SMIT, RONALD	1,665,000	5.01%
4. MACFAM PTY LTD	1,200,000	3.61%
5. RUTHLESS PTY LTD [EMERY S/FUND A/C]	1,160,000	3.49%
6. WILKINS, DENNIS WILLIAM	1,104,193	3.32%
7. SEYDOR LIMITED	500,000	1.50%
8. AYLWORTH HOLDINGS PTY LTD [SCOMAC SUPER FUND]	490,996	1.48%
9. PASO HOLDINGS PTY LTD	370,000	1.11%
10. DENNIS, ARTHUR JOHN	306,844	0.92%
11. RAH (STC) PTY LTD	300,000	0.90%
12. GRUNDY NOMINEES PTY LTD	269,999	0.81%
13. SOUTH NOMINEES PTY LTD	260,000	0.78%
14. M ^C HARG, SUSAN JENNIFER	255,300	0.77%
15. PEOS, JOHN	252,360	0.76%
16. ROGO INVESTMENTS PTY LTD	250,000	0.75%
17. YARANDI INVESTMENTS PTY LTD	250,000	0.75%
18. HART, JUNE	250,000	0.75%
19. HART, ROBERT	250,000	0.75%
20. WAKEFORD HOLDINGS PTY LTD	232,664	0.71%

Twenty largest optionholders

	Number	Percentage
1. ALLUNDY PTY LTD	3,000,000	22.23%
2. CHATSWORTH STIRLING PTY LTD	1,750,000	12.97%
3. J P MORGAN NOMINEES AUSTRALIA PTY LTD	625,000	4.63%
4. OREGON PTY LTD	483,798	3.58%
5. LAWRENCE CROWE CONSULTING	300,000	2.22%
6. GRUNDY NOMINEES PTY LTD	300,000	2.22%
7. BROOKS, DONALD STUART	261,250	1.94%
8. COLTRANGE PTY LTD	200,000	1.48%
9. MACMILLAN, ANDREW BLAIR	200,000	1.48%
10. HAYES, PETER ALARIC	192,073	1.42%
11. FRAGOMENI, JOHN GIOVANNI	162,500	1.20%
12. RAH (STC) PTY LTD	150,000	1.11%
13. LEIVERS, ALAN HENRY	150,000	1.11%
14. AJITA PTY LTD	150,000	1.11%
15. KORBEL, THEODORE FEDOR	150,000	1.11%
16. ONG, THIN KIANG	150,000	1.11%
17. DAVIS, GEOFF	125,000	0.93%
18. WHITTLE, MARK	125,000	0.93%
19. PLATO PROSPECTING PTY LTD	125,000	0.93%
20. UPPER MANTLE PTY LTD	125,000	0.93%



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