

MARENCO MINING LIMITED
ACN 099 496 474

FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2004

MARENGO MINING LIMITED
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**MARENGO MINING LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

Your directors submit their report on the Company for the half year ended 31 December 2004.

DIRECTORS

The names of the directors of Marengo Mining Limited in office during the whole of the half year (unless otherwise stated) and at the date of this report are:

John Patrick Horan
Leslie Sidney George Emery
Ronald Smit (appointed 31 January 2005)
Dennis William Wilkins
Douglas Dunnet

REVIEW OF OPERATIONS AND RESULTS

Marengo is a mineral exploration company with a 100% control of nine mineral projects, located in Western Australia and Northern Territory. The Company is targeting gold, nickel, uranium, diamonds and other mineral deposits within a number of geological settings.

During the half year the Company:

- Acquired a 100% interest in the Minigwal, Blanche, and Binneringie Projects (Western Australia).
- Carried out drilling programs on the Blanche and Binneringie Projects.
- Completed an airborne electromagnetic survey over the Minigwal Project.
- Scheduled an initial drilling program to test nickel and titanium targets on the Minigwal Project (program has commenced since half year end).
- Obtained grant of the three exploration licences which comprise the Bowgan Project where future exploration will target gold, uranium and diamonds.
- Deferred drill testing of several gold anomalies on the Saltwater Pool Project (Ashburton), pending resolution of matters related to indigenous heritage clearances.
- Reviewed results of exploration carried out on the Kunderong and Jamie Bore Projects (Ashburton).
- Farmed out rights to iron ore to Poondano Exploration Pty Ltd over the Jamie Bore Project (Ashburton), in exchange for a production royalty.

**MARENGO MINING LIMITED
DIRECTORS' REPORT
FOR THE HALF YEAR ENDED 31 DECEMBER 2004**

- Reviewed a significant number of projects for a range of commodities, both onshore and offshore and with a specific focus on the Pacific Rim region.

The Operating Loss for the half year amounted to \$643,420 (2003: \$208,793). The Operating Loss for the half year was higher than the previous half year as a result of a change in the accounting policy in relation to the write off of exploration expenditure as incurred. Of the loss for the half year \$414,271 related to mineral exploration expenditure.

Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 13.

Signed in accordance with a resolution of the Board of Directors:



Les Emery
Director

16 February 2005

MARENGO MINING LIMITED
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	Note	31 December 2004 \$	31 December 2003 \$
Revenue from operating activities		-	-
Revenue from outside the operating activities		56,451	29,034
Total Revenue from ordinary activities		<u>56,451</u>	<u>29,034</u>
Administration expenses		(183,676)	(128,402)
Occupancy expenses		(35,070)	(16,912)
Marketing expenses		(22,508)	(13,060)
Capitalised expenditure (written-off)		(414,271)	-
Other expenses		(44,346)	(51,837)
Loss from ordinary activities before income tax expense		<u>(643,420)</u>	<u>(208,793)</u>
Income tax expense		-	-
Net loss		<u>(643,420)</u>	<u>(208,793)</u>
Basic loss (cents per share)	6	<u>(1.95)</u>	<u>(0.94)</u>

MARENGO MINING LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2004

	Note	31 December 2004 \$	30 June 2004 \$
Current Assets			
Cash assets		2,116,541	2,577,560
Receivables		17,699	14,201
Total Current Assets		<u>2,134,240</u>	<u>2,591,761</u>
Non-Current Assets			
Property, plant and equipment		31,676	33,569
Total Non-Current Assets		<u>31,676</u>	<u>33,569</u>
TOTAL ASSETS		<u>2,165,916</u>	<u>2,625,330</u>
Current Liabilities			
Payables		75,270	49,874
Provisions		30,363	20,253
Total Current Liabilities		<u>105,633</u>	<u>70,127</u>
TOTAL LIABILITIES		<u>105,633</u>	<u>70,127</u>
NET ASSETS		<u>2,060,283</u>	<u>2,555,203</u>
Equity			
Contributed Equity	5(a)	4,340,458	4,191,958
Accumulated losses		<u>(2,280,175)</u>	<u>(1,636,755)</u>
TOTAL EQUITY		<u>2,060,283</u>	<u>2,555,203</u>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED
STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2004

	31 December 2004 \$	31 December 2003 \$
	Note	
Cash flows from operating activities		
Payments to suppliers and employees	(245,855)	(372,252)
Interest received	56,451	15,866
Net cash (used in) operating activities	(189,404)	(356,386)
Cash flows from investing activities		
Payments for mining tenements	-	(40,000)
Exploration expenditure	(269,267)	(123,099)
Payments for plant and equipment	(2,348)	(10,697)
Net cash (used in) investing activities	(271,615)	(173,796)
Cash flows from financing activities		
Proceeds from share issues	-	3,556,077
Capital raising costs	-	(473,986)
Net cash from financing activities	-	3,082,091
Net (decrease)/increase in cash held	(461,019)	2,551,909
Cash at the beginning of the reporting period	2,577,560	294,969
Cash at the end of the reporting period	2,116,541	2,846,878

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

MARENGO MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

This general purpose financial report for the interim half year reporting period ended 31 December 2004 has been prepared in accordance with Accounting Standard AASB 1029: Interim Financial Reporting, other professional reporting requirements (Urgent Issues Group Consensus Views), other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2004 and any public announcements made by Marengo Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial report unless stated otherwise.

NOTE 2 DIVIDENDS

No dividends have been paid or provided for in the half year.

NOTE 3 SEGMENT INFORMATION

The reporting entity operates within the exploration industry in Western Australia.

NOTE 4 SUBSEQUENT EVENTS

No matters or circumstances have arisen since the end of the half year which will significantly affect, or may significantly affect, the state of affairs or operations of the reporting entity subsequent to the half year ended 31 December 2004.

MARENGO MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 5 (a) MOVEMENTS IN SHARE CAPITAL

	Shares	\$
Balance as at 1 July 2004	31,750,377	4,191,958
<ul style="list-style-type: none">Issued Shares in consideration for the purchase of the Minigwal and Binneringie Nickel-Copper-PGE Projects and Blanche Diamond Project	1,500,000	148,500
	33,250,377	4,340,458

NOTE 5 (b) MOVEMENTS IN OPTIONS

During the half year the Company issued the following options:

	Options
Balance as at 1 July 2004	22,597,746
<ul style="list-style-type: none">Issue of Options in consideration for the purchase of the Minigwal and Binneringie Nickel-Copper-PGE Projects and Blanche Diamond Project	1,500,000
	24,097,746

The 1,500,000 issued options are exercisable at 25 cents each on or before 30 November 2008.

NOTE 6 EARNINGS PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share is 33,094,639. Options to purchase ordinary shares not exercised at 31 December 2004 have not been included in the determination of basic earnings per share.

Diluted earnings per share does not represent an inferior view of the Company's performance and is not disclosed for this reason.

NOTE 7 CONTINGENT LIABILITIES

Native Title claims have been made with respect to areas that include tenements in which Marengo Mining Limited has interests. The Company is unable to assess whether or not and to what extent the claims may affect the Company or its projects.

Apart from the above matter, the Company is not aware of any contingent liabilities which existed as at the end of the half year or have arisen as at the date of this report.

MARENGO MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

NOTE 8 THE IMPACT OF ADOPTING INTERNATIONAL ACCOUNTING STANDARDS

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of the next financial year. The Company's management, along with its auditors, are assessing the significance of these changes and preparing for their implementation. We will seek to keep stakeholders informed as to the impact of these new standards as they are finalised. The directors are of the opinion that the key differences in the Company's accounting policies which will arise from the adoption of IFRS are:

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.

MARENGO MINING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2004

Exploration and evaluation costs

AASB 6 "Exploration for and Evaluation of Mineral Resources" continues to allow companies either to expense exploration and evaluation costs as incurred or to partially or fully capitalize costs on an area of interest basis. Under AASB 6, if facts and circumstances suggest that the carrying amount of any recognised exploration and evaluation assets may be impaired, the Company must perform impairment tests on those assets and measure any impairment in accordance with AASB 136 "Impairment of Assets". Impairment of exploration and evaluation assets is to be assessed at a cash generating unit or group of cash generating units level provided this is no larger than an area of interest. Any impairment loss is to be recognised as an expense in accordance with AASB 136. It is anticipated that it is unlikely that the requirements of this standard will have a material impact on the financial position of the Company as the Company expenses all exploration and evaluation costs as incurred.

MARENGO MINING LIMITED

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes set out on pages 3 to 9:

- (i) Comply with Accounting Standard (AASB 1029; Interim Financial Reporting), the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (ii) Give a true and fair view of the reporting entity's financial position as at 31 December 2004 and of its performance, as represented by the results of its operations and its cash flows for the half year ended on that date.

In the directors' opinion there are reasonable grounds to believe that Marengo Mining Limited will be able to pay its debts as and when they become due and payable.

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



Les Emery
Director

West Perth, Western Australia
16 February 2005



STANTON PARTNERS

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WESTERN AUSTRALIA

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF MARENGO MINING LIMITED

Scope

We have reviewed the financial report comprising of the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the financial statements and the directors' declaration of Marengo Mining Limited (the Company) for the half-year ended 31 December 2004. The directors of the Company are responsible for preparing a financial report that gives a true and fair view of the financial position and performance of the Company that complies with Accounting Standard AASB 1029 "Interim Financial Reporting" 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 report.

Review Approach

We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia and statutory requirements, so as to present a view which is consistent with our understanding of the disclosing entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the disclosing entity to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing and Assurance Standards applicable to review engagements. A review is limited primarily to inquiries of the disclosing entity's personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

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Independence

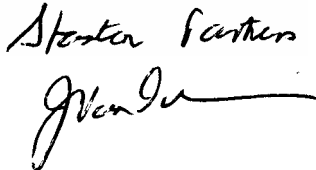
We are independent of the Company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the Company a written Auditor's Independence Declaration.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marengo Mining Limited is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 1029 Interim Financial Reporting and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

STANTON PARTNERS



J P Van Dieren
Partner

West Perth, Western Australia
23 February 2005



STANTON PARTNERS

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23 February 2005

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

Dear Directors

RE: MARENGO MINING LTD

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

As Audit Partner for the review of the financial statements of Marengo Mining Ltd for the half year ended 31 December 2004, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

STANTON PARTNERS

John Van Dieren
Partner