



## **MARENGO MINING LIMITED**

**ABN 57 099 496 474**

### **UNAUDITED INTERIM FINANCIAL REPORT FOR THE THREE AND NINE MONTH PERIODS ENDED 31 MARCH 2011**

**This unaudited interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 30 June 2010 and any public announcements made by Marengo Mining Limited during the interim reporting periods in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.**

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**All amounts are expressed in Australian Dollars unless otherwise stated.**

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED 31 MARCH 2011**

	Three Month Period Ended		Nine Month Period Ended	
	31 March	31 March	31 March	31 March
	2011	2010	2011	2010
	\$	\$	\$	\$
<b>REVENUE FROM CONTINUING OPERATIONS</b>	<b>764,375</b>	21,938	<b>1,034,021</b>	101,274
Foreign exchange realised and unrealised gains	<b>1,147,059</b>	11,894	-	-
<b>EXPENDITURE</b>				
Depreciation expense	<b>(62,712)</b>	(54,947)	<b>(179,235)</b>	(160,504)
Salaries and employee benefits expense	<b>(350,949)</b>	(348,112)	<b>(1,171,323)</b>	(954,145)
Exploration expenditure	<b>(844,352)</b>	(2,628,793)	<b>(1,017,648)</b>	(8,066,010)
Corporate expenditure	<b>(382,447)</b>	(224,091)	<b>(1,371,033)</b>	(751,139)
Occupancy expenditure	<b>(103,867)</b>	(79,815)	<b>(322,838)</b>	(236,725)
Insurance expenditure	<b>(71,347)</b>	(47,667)	<b>(212,635)</b>	(143,448)
Administration and other expenditure	<b>(326,054)</b>	(130,013)	<b>(725,992)</b>	(610,952)
Foreign exchange realised and unrealised losses	-	-	<b>(1,327,230)</b>	(534,957)
Share based payment expense	<b>(111,597)</b>	(53,783)	<b>(264,225)</b>	(187,741)
<b>LOSS BEFORE INCOME TAX</b>	<b>(341,891)</b>	(3,533,389)	<b>(5,558,138)</b>	(11,544,347)
Income tax benefit / (expense)	-	-	-	-
<b>NET LOSS FOR THE PERIOD</b>	<b>(341,891)</b>	(3,533,389)	<b>(5,558,138)</b>	(11,544,347)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD</b>				
Exchange differences on translation of foreign operations	<b>(787,499)</b>	(1,813,806)	<b>(3,041,510)</b>	(3,606,577)
Other comprehensive loss for the period, net of tax	<b>(787,499)</b>	(1,813,806)	<b>(3,041,510)</b>	(3,606,577)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED</b>	<b>(1,129,390)</b>	(5,347,195)	<b>(8,599,648)</b>	(15,150,924)
Basic and diluted loss per share (cents)	<b>(0.0)</b>	(0.7)	<b>(0.7)</b>	(2.6)

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

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 MARCH 2011**

	<b>31 March 2011 \$</b>	<b>30 June 2010 \$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	65,477,232	6,660,704
Trade and other receivables	1,338,462	702,068
<b>TOTAL CURRENT ASSETS</b>	<b>66,815,694</b>	<b>7,362,772</b>
<b>NON CURRENT ASSETS</b>		
Trade and other receivables	309,156	323,878
Other financial assets	503,202	468,028
Plant and equipment	820,460	760,945
Mining properties	30,560,997	16,854,107
<b>TOTAL NON CURRENT ASSETS</b>	<b>32,193,815</b>	<b>18,406,958</b>
<b>TOTAL ASSETS</b>	<b>99,009,509</b>	<b>25,769,730</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,489,413	2,801,963
Provisions	815,464	524,249
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,304,877</b>	<b>3,326,212</b>
<b>TOTAL LIABILITIES</b>	<b>4,304,877</b>	<b>3,326,212</b>
<b>NET ASSETS</b>	<b>94,704,632</b>	<b>22,443,518</b>
<b>EQUITY</b>		
Contributed Equity	158,437,555	78,109,418
Reserves	323,528	2,832,413
Accumulated losses	(64,056,451)	(58,498,313)
<b>TOTAL EQUITY</b>	<b>94,704,632</b>	<b>22,443,518</b>

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

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE NINE MONTH PERIOD ENDED 31 MARCH 2011**

	Issued Capital Ordinary \$	Options Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total \$
<b>BALANCE AT 1 JULY 2009</b>	58,511,763	1,479,520	3,599,937	(42,669,220)	20,922,000
Loss for the period	-	-	-	(11,544,347)	(11,544,347)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(3,606,577)	-	(3,606,577)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(3,606,577)	(11,544,347)	(15,150,924)
Shares issued during the period	22,013,760	-	-	-	22,013,760
Share issue transaction costs	(2,376,331)	-	-	-	(2,376,331)
Employees and consultants share options	-	606,916	-	-	606,916
<b>BALANCE AT 31 MARCH 2010</b>	78,149,192	2,086,436	(6,640)	(54,213,567)	26,015,421
<b>BALANCE AT 1 JULY 2010</b>	78,109,418	2,124,851	707,562	(58,498,313)	22,443,518
Loss for the period	-	-	-	(5,558,138)	(5,558,138)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(3,041,510)	-	(3,041,510)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	-	-	(3,041,510)	(5,558,138)	(8,599,648)
Shares issued during the period	86,373,406	-	-	-	86,373,406
Share issue transaction costs	(6,045,269)	-	-	-	(6,045,269)
Employees and consultants share options	-	532,625	-	-	532,625
<b>BALANCE AT 31 MARCH 2011</b>	158,437,555	2,657,476	(2,333,948)	(64,056,451)	94,704,632

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

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE AND NINE MONTH PERIODS ENDED 31 MARCH 2011**

	Three Month Period Ended		Nine Month Period Ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	\$	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
(Losses)/gains on foreign exchange	4,731	(9,629)	75,143	(7,029)
Payments to suppliers and employees	(1,095,267)	(1,170,339)	(3,163,604)	(3,061,297)
Interest received	156,163	13,989	403,070	67,077
Expenditure on mining interests	(461,365)	(2,025,734)	(634,661)	(7,809,963)
<b>Net cash (used in) operating activities</b>	<b>(1,395,738)</b>	<b>(3,191,713)</b>	<b>(3,320,052)</b>	<b>(10,811,212)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Payments for DFS expenses	(3,425,424)	(1,029,234)	(18,069,700)	(1,596,563)
Proceeds on sale of plant and equipment	-	-	17,085	14,683
Payments for plant and equipment	(187,052)	(146,581)	(336,212)	(257,653)
<b>Net cash (used in) investing activities</b>	<b>(3,612,476)</b>	<b>(1,175,815)</b>	<b>(18,388,827)</b>	<b>(1,839,533)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds from share issue	42,500	-	86,373,406	22,013,760
Payment of share issue costs	(228,602)	(131,641)	(5,776,869)	(1,986,386)
<b>Net cash (used in)/provided by financing activities</b>	<b>(186,102)</b>	<b>(131,641)</b>	<b>80,596,537</b>	<b>20,027,374</b>
Net (decrease)/increase in cash and cash equivalents	(5,194,316)	(4,499,169)	58,887,658	7,376,629
Cash and cash equivalents at the beginning of the period	70,689,969	16,898,257	6,660,704	5,088,081
Effects of exchange rate changes on cash and cash equivalents	(18,421)	(46,239)	(71,130)	(111,861)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>65,477,232</b>	<b>12,352,849</b>	<b>65,477,232</b>	<b>12,352,849</b>

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT**

These general purpose financial statements for the three and nine month interim reporting periods ended 31 March 2011 have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, these statements are to be read in conjunction with the annual report for the year ended 30 June 2010 and any public announcements made by Marengo Mining Limited during the interim period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

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

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

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

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

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

**NOTE 2: ACQUISITION OF SUBSIDIARIES**

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

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: SEGMENT INFORMATION**

**(a) Description of segments**

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

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

**(b) Segment information provided to the Board of Directors**

The segment information provided to the Board of Directors for the reportable segments for the three and nine month periods ended 31 March 2011 is as follows:

	<b>Australia</b>		<b>Papua New Guinea</b>		<b>Total</b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>31 March</b>		<b>31 March</b>		<b>31 March</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>						
Total segment revenue	<b>1,911,434</b>	<b>33,832</b>	<b>-</b>	<b>-</b>	<b>1,911,434</b>	<b>33,832</b>
Intersegment elimination					<b>-</b>	<b>-</b>
Consolidated revenue					<b>1,911,434</b>	<b>33,832</b>
<b>Segment result</b>						
Segment result	<b>(3,183,406)</b>	<b>(4,668,861)</b>	<b>(870,469)</b>	<b>(2,603,206)</b>	<b>(4,053,875)</b>	<b>(7,272,067)</b>
Intersegment elimination					<b>3,711,984</b>	<b>3,738,678</b>
Loss before income tax					<b>(341,891)</b>	<b>(3,533,389)</b>



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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 3: SEGMENT INFORMATION (continued)**

	<b>Australia</b>		<b>Papua New Guinea</b>		<b>Total</b>	
	<b>Nine Months Ended</b>		<b>Nine Months Ended</b>		<b>Nine Months Ended</b>	
	<b>31 March</b>		<b>31 March</b>		<b>31 March</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment revenue</b>						
Total segment revenue	<b>1,034,021</b>	<b>101,274</b>	<b>-</b>	<b>-</b>	<b>1,034,021</b>	<b>101,274</b>
Intersegment elimination					<b>-</b>	<b>-</b>
Consolidated revenue					<b>1,034,021</b>	<b>101,274</b>
<b>Segment result</b>						
Segment result	<b>(21,625,267)</b>	<b>(13,663,260)</b>	<b>(1,124,974)</b>	<b>(8,109,795)</b>	<b>(22,750,241)</b>	<b>(21,773,055)</b>
Intersegment elimination					<b>17,192,103</b>	<b>10,228,708</b>
Loss before income tax					<b>(5,558,138)</b>	<b>(11,544,347)</b>
	<b>Australia</b>		<b>Papua New Guinea</b>		<b>Total</b>	
	<b>31 March</b>	<b>30 June</b>	<b>31 March</b>	<b>30 June</b>	<b>31 March</b>	<b>30 June</b>
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Segment assets and liabilities</b>						
Segment assets	<b>66,919,122</b>	<b>7,240,466</b>	<b>32,090,388</b>	<b>18,529,265</b>	<b>99,009,510</b>	<b>25,769,731</b>
Intersegment elimination					<b>(1)</b>	<b>(1)</b>
Total assets					<b>99,009,509</b>	<b>25,769,730</b>
Segment liabilities	<b>2,853,847</b>	<b>2,410,686</b>	<b>80,209,894</b>	<b>62,482,287</b>	<b>83,063,741</b>	<b>64,892,973</b>
Intersegment elimination					<b>(78,758,864)</b>	<b>(61,566,761)</b>
Total liabilities					<b>4,304,877</b>	<b>3,326,212</b>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 4: CHANGES IN EQUITY SECURITIES ON ISSUE**

	Nine Months Ended		Nine Months Ended	
	31 March 2011	31 March 2011	31 March 2010	31 March 2010
	Shares	\$	Shares	\$
<b>Issues of ordinary shares during the period</b>				
Issued on exercise of 25 cent options	170,000	42,500	-	-
Issued for Cash @ C25 cents per share	253,000,000	64,515,000	-	-
Issued for Cash @ C8.4 cents per share	240,000,001	21,600,000	-	-
Issued on exercise of C11.6 cent options	744,000	93,000	-	-
Issued on exercise of 8.6 cent options	1,293,750	122,906	-	-
Issued on exercise of C19 cent options	-	-	841,341	168,269
Issued for cash @ C8.6 cents per share	-	-	172,500,000	16,387,499
Issued for cash @ 9.5 cents per share	-	-	57,452,546	5,457,992
Transaction costs	-	(6,045,269)	-	(2,376,331)
	<b>495,207,751</b>	<b>80,328,137</b>	<b>230,793,887</b>	<b>19,637,429</b>

	Number of options	
	31 March 2011	31 March 2010
<b>Movements of options during the period</b>		
Issued, exercisable at C8.4 cents, on or before 11 August 2012	6,421,050	-
Issued, exercisable at C11.6 cents, on or before 11 August 2013	60,000,000	-
Issued, exercisable at 22 cents, on or before 25 October 2015	475,000	-
Issued, exercisable at 32 cents, on or before 23 February 2016	500,000	-
Converted, exercisable at C8.6 cents, on or before 31 August 2011	(1,293,750)	-
Converted, exercisable at C11.6 cents, on or before 11 August 2013	(744,000)	-
Converted, exercisable at 25 cents, on or before 31 December 2010	(170,000)	-
Cancelled, exercisable at 25 cents, on or before 22 March 2015	(25,000)	-
Issued, exercisable at C8.6 cents, on or before 31 August 2011	-	8,625,000
Issued, exercisable at 25 cents, on or before 30 November 2014	-	475,000
Issued, exercisable at 25 cents, on or before 22 March 2015	-	150,000
Issued, exercisable at 25 cents, on or before 31 March 2015	-	650,000
Converted, exercisable at C19 cents, on or before 31 December 2009	-	(841,341)
Expired, exercisable at C19 cents, on or before 31 December 2009	-	(360,574)
Expired, exercisable at 20 cents, on 31 December 2009	-	(170,000)
Cancelled, exercisable at 25 cents, on or before 18 December 2013	-	(500,000)
Cancelled, exercisable at 25 cents, on or before 31 March 2014	(50,000)	(25,000)
Cancelled, exercisable at 25 cents, on or before 30 November 2014	(75,000)	(25,000)
<b>Net movement</b>	<b>65,038,300</b>	<b>7,978,085</b>

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 5: CONTINGENCIES**

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

**NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE**

No matter or circumstance has arisen since 31 March 2011 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent reporting periods.

**NOTE 7: SHARE BASED PAYMENTS**

**(a) Recognised share based payment expenses**

	Three Month Period Ended		Nine Month Period Ended	
	31 March 2011	31 March 2010	31 March 2011	31 March 2010
	\$	\$	\$	\$
Options issued to suppliers, directors and employees as part of:				
Share-based payment expense	111,597	53,783	264,225	187,741
Share issue transaction costs	-	-	268,400	419,175
Expense arising from equity-settled share based payment transactions	111,597	53,783	532,625	606,916

**(b) Employee Share Option Plan**

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

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

As at 31 March 2011 3,750,000 options are on issue to Eligible Employees.

**(c) Directors Options**

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

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

As at 31 March 2011 5,750,000 options have been issued to the directors.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 7: SHARE BASED PAYMENTS (continued)**

**(d) Supplier Options**

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

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

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

As at 31 March 2011 14,402,300 options are on issue to suppliers.

**(e) Summary of Options Granted to Suppliers, Directors and Employees under the Plan**

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the nine months to 31 March 2011.

	<b>2011 No.</b>	<b>2011 WAEP</b>	<b>2010 No.</b>	<b>2010 WAEP</b>
Outstanding at the start of the period	<b>18,280,000</b>	<b>\$0.26</b>	10,301,915	\$0.38
Granted during the period	<b>7,396,050</b>	<b>\$0.11</b>	9,900,000	\$0.11
Exercised/expired/cancelled during the period	<b>(1,613,750)</b>	<b>\$0.13</b>	(1,921,915)	\$0.21
Outstanding at the end of the period	<b>24,062,300</b>	<b>\$0.22</b>	18,280,000	\$0.26

**(f) Weighted average remaining contractual life**

The weighted average remaining contractual life of the share options outstanding as at 31 March 2011 is 1.7 years (2010: 2.6 years).

**(g) Range of exercise prices**

The range of exercise prices for options outstanding at 31 March 2011 is C8.4 cents to 50 cents.

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**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

**NOTE 7: SHARE BASED PAYMENTS (continued)**

**(h) Option pricing model**

The fair value of the equity settled share options granted under the Plan to the employees, directors and suppliers is estimated as at the date of grant using the Black-Scholes European Option Pricing Model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used for the nine month periods to 31 March 2011 and 31 March 2010.

	<b>Nine Month Period Ended</b>	
	<b>31 March 2011</b>	<b>31 March 2010</b>
Dividend Yield	<b>0%</b>	0%
Expected volatility	<b>75%</b>	75%
Risk free interest rate	<b>4.53% - 5.32%</b>	4.54% - 5.51%
Expected life (years)	<b>2 – 5</b>	2 – 5
Option exercise price (cents)	<b>C8.4 – A32</b>	C8.6 – A25
Share price at grant date (cents)	<b>9.4 – 29</b>	10.5 – 16

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

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

**Stantons International**

Chartered Accountants and Consultants

12 May 2011

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

Dear Sirs

**RE: MARENGO MINING LIMITED**

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

As Audit Director for the review of the financial statements of Marengo Mining Limited for the quarter and nine month periods ended 31 March 2011, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

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



**Martin Michalik**  
Director

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

**Report on the Quarterly and Nine Month Interim Financial Report**

We have reviewed the accompanying quarterly and nine month interim financial report of Marengo Mining Limited, which comprises the condensed statement of financial position as at 31 March 2011, the condensed statement of comprehensive income, condensed statement of changes in equity, and condensed statement of cash flows for the quarter and nine month period ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Marengo Mining Limited (the consolidated entity). The consolidated entity comprises both Marengo Mining Limited (the company) and the entities it controlled during the period.

*Directors' Responsibility for the Quarterly and Nine Month Interim Financial Report*

The directors of Marengo Mining Limited are responsible for the preparation and fair presentation of the quarterly and nine month interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such control as the directors determine is necessary to enable the preparation of the quarterly and nine month interim financial report that is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the quarterly and nine month interim financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and its performance for the quarter and nine month period ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Marengo Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a quarterly and nine month interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Marengo Mining Limited on 12 May 2011.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the quarterly and nine month interim financial report of Marengo Mining Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 March 2011 and of its performance for the quarter and nine month period ended on that date; and
- (b) complying with Accounting Standards AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

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*Stantons International Audit and Consulting Pty Ltd*



**Martin Michalik**  
**Director**

West Perth, Western Australia  
12 May 2011



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## **AUDITOR'S REPORT IN RESPECT OF COMPATIBILITY WITH CANADIAN GAAS**

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

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

We conducted our review for the quarter and nine month period ended 31 March 2011 in accordance with International Standards on Auditing. There are no material differences in the form or content of our report as compared to an auditor's review report prepared in accordance with Canadian GAAS and if this report was prepared in accordance with Canadian GAAS it would not contain a reservation.

Yours sincerely

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**Martin Michalik**  
**Director**

West Perth, Western Australia  
12 May 2011