



**MARENGO MINING LIMITED**  
**ABN 57 099 496 474**  
**UNAUDITED INTERIM FINANCIAL REPORT**  
**FOR THE THREE MONTH PERIOD ENDED**  
**30 SEPTEMBER 2010**

**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*.**

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

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All amounts are expressed in Australian Dollars unless otherwise stated.

**MARENGO MINING LIMITED**  
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2010**

	<b>Three Month Period Ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>\$</b>	<b>\$</b>
<b>REVENUE FROM CONTINUING OPERATIONS</b>	<b>115,941</b>	<b>36,907</b>
<b>EXPENDITURE</b>		
Depreciation expense	(58,517)	(52,779)
Salaries and employee benefits expense	(557,293)	(254,726)
Exploration expenditure	(57,160)	(2,116,205)
Corporate expenditure	(315,868)	(330,659)
Occupancy expenditure	(91,635)	(87,111)
Insurance expenditure	(48,490)	(46,143)
Administration costs	(159,420)	(253,688)
Share based payment expense	(31,826)	(53,076)
Other expenses	(553,625)	(705,880)
	<hr/>	<hr/>
<b>LOSS BEFORE INCOME TAX</b>	<b>(1,757,893)</b>	<b>(3,863,360)</b>
Income tax (expense)/benefit	-	-
	<hr/>	<hr/>
<b>LOSS FOR THE PERIOD</b>	<b>(1,757,893)</b>	<b>(3,863,360)</b>
	<hr/>	<hr/>
<b>OTHER COMPREHENSIVE INCOME/(LOSS)</b>		
Exchange differences on translation of foreign operations	(1,688,561)	(1,643,426)
Other comprehensive income/(loss) for the period, net of tax	(1,688,561)	(1,643,426)
	<hr/>	<hr/>
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED</b>	<b>(3,446,454)</b>	<b>(5,506,786)</b>
	<hr/>	<hr/>
Basic and diluted loss per share (cents)	<b>(0.3)</b>	<b>(1.1)</b>

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

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 SEPTEMBER 2010**

	<b>30 September</b>	<b>30 June</b>
	<b>2010</b>	<b>2010</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	20,198,921	6,984,582
Trade and other receivables	564,156	702,068
<b>TOTAL CURRENT ASSETS</b>	<b>20,763,077</b>	<b>7,686,650</b>
<b>NON CURRENT ASSETS</b>		
Other financial assets	479,720	468,028
Plant and equipment	781,397	760,945
Mining properties	21,308,564	16,854,107
<b>TOTAL NON CURRENT ASSETS</b>	<b>22,569,681</b>	<b>18,083,080</b>
<b>TOTAL ASSETS</b>	<b>43,332,758</b>	<b>25,769,730</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,369,205	2,801,963
Provisions	744,975	524,249
<b>TOTAL CURRENT LIABILITIES</b>	<b>4,114,180</b>	<b>3,326,212</b>
<b>TOTAL LIABILITIES</b>	<b>4,114,180</b>	<b>3,326,212</b>
<b>NET ASSETS</b>	<b>39,218,578</b>	<b>22,443,518</b>
<b>EQUITY</b>		
Contributed Equity	98,030,706	78,109,418
Reserves	1,444,078	2,832,413
Accumulated losses	(60,256,206)	(58,498,313)
<b>TOTAL EQUITY</b>	<b>39,218,578</b>	<b>22,443,518</b>

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

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2010**

	Contributed Equity	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	-	-	-	(3,863,360)	(3,863,360)
<b>OTHER COMPREHENSIVE LOSS</b>					
Exchange differences on translation of foreign operations	-	-	(1,643,426)	-	(1,643,426)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(1,643,426)	(3,863,360)	(5,506,786)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the period	21,845,491	-	-	-	21,845,491
Share issue transaction costs	(2,210,906)	-	-	-	(2,210,906)
Employees and consultants share options	-	472,251	-	-	472,251
<b>BALANCE AT 30 SEPTEMBER 2009</b>	78,146,348	1,951,771	1,956,511	(46,532,580)	35,522,050
<b>BALANCE AT 1 JULY 2010</b>	<b>78,109,418</b>	<b>2,124,851</b>	<b>707,562</b>	<b>(58,498,313)</b>	<b>22,443,518</b>
Loss for the period	-	-	-	(1,757,893)	(1,757,893)
<b>OTHER COMPREHENSIVE LOSS</b>					
Exchange differences on translation of foreign operations	-	-	(1,688,561)	-	(1,688,561)
<b>TOTAL COMPREHENSIVE LOSS</b>	-	-	(1,688,561)	(1,757,893)	(3,446,454)
<b>TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS</b>					
Shares issued during the period	<b>21,600,000</b>	-	-	-	<b>21,600,000</b>
Share issue transaction costs	<b>(1,678,712)</b>	-	-	-	<b>(1,678,712)</b>
Employees and consultants share options	-	<b>300,226</b>	-	-	<b>300,226</b>
<b>BALANCE AT 30 SEPTEMBER 2010</b>	<b>98,030,706</b>	<b>2,425,077</b>	<b>(980,999)</b>	<b>(60,256,206)</b>	<b>39,218,578</b>

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

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2010**

	Three Month Period Ended	
	30 September 2010	30 September 2009
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Gains/(losses) on foreign exchange	25,922	(759)
Payments to suppliers and employees	(910,764)	(900,894)
Interest received	91,882	18,767
Expenditure on mining interests	(57,160)	(2,754,909)
<b>Net cash (used in) operating activities</b>	<b>(850,120)</b>	<b>(3,637,795)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Payments for DFS expenses	(6,034,083)	(264,563)
Proceeds on sale of plant and equipment	-	14,685
Payments for plant and equipment	(77,012)	(89,010)
<b>Net cash (used in) investing activities</b>	<b>(6,111,095)</b>	<b>(338,888)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from share issue	21,600,000	21,845,491
Payment of share issue costs	(1,410,312)	(1,523,886)
<b>Net cash provided by financing activities</b>	<b>20,189,688</b>	<b>20,321,605</b>
Net increase in cash and cash equivalents	13,228,473	16,344,922
Cash and cash equivalents at the beginning of the period	6,984,582	5,088,081
Effects of exchange rate changes on cash and cash equivalents	(14,134)	(58,706)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b>20,198,921</b>	<b>21,374,297</b>

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

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

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

This general purpose consolidated interim financial report for the three month period ended 30 September 2010 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

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

The accounting policies adopted are consistent with those of the most recent annual financial statements.

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

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

**NOTE 2: OPERATING SEGMENTS**

**(a) Description of segments**

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

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

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

The segment information provided to the Board of Directors for the reportable segments for the three months ended 30 September 2010 is as follows:

	Australia		Papua New Guinea		Total	
	Three months to 30 September		Three months to 30 September		Three months to 30 September	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
<b>Segment revenue</b>						
Total segment revenue	115,941	36,907	-	-	115,941	36,907
Intersegment elimination					-	-
Consolidated revenue					115,941	36,907
<b>Segment result</b>						
Segment result	(6,879,535)	(5,003,311)	(71,020)	(2,132,905)	(6,950,555)	(7,136,216)
Intersegment elimination					5,192,662	3,272,856
Loss before income tax					(1,757,893)	(3,863,360)
	Australia		Papua New Guinea		Total	
	30 September	30 June	30 September	30 June	30 September	30 June
	2010	2010	2010	2010	2010	2010
	\$	\$	\$	\$	\$	\$
<b>Segment assets and liabilities</b>						
Segment assets	20,719,732	7,240,466	22,613,027	18,529,265	43,332,759	25,769,731
Intersegment elimination					(1)	(1)
Total assets					43,332,758	25,769,730
Segment liabilities	2,811,338	2,410,686	68,325,631	62,482,287	71,136,969	64,892,973
Intersegment elimination					(67,022,789)	(61,566,761)
Total liabilities					4,114,180	3,326,212

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

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

**NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE**

	<b>30 September 2010 Shares</b>	<b>30 September 2010 \$</b>	<b>30 September 2009 Shares</b>	<b>30 September 2009 \$</b>
<b>Issues of ordinary shares during the period</b>				
Issued for cash @ C8.4 cents per share	<b>240,000,001</b>	<b>21,600,000</b>	-	-
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
Share issue costs	-	<b>(1,678,712)</b>	-	<b>(2,210,906)</b>
	<b>240,000,001</b>	<b>19,921,288</b>	229,952,546	19,634,585

	<b>Number of options</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
<b>Movements of options during the period</b>		
Issued, exercisable at C8.4 cents, on or before 11 August 2012	<b>6,421,050</b>	-
Issued, exercisable at C8.6 cents, on or before 31 August 2011	-	8,625,000
Issued, exercisable at C11.6 cents, on or before 11 August 2013	<b>60,000,000</b>	-
Cancelled, exercisable at 25 cents, on or before 18 December 2013	-	(500,000)
<b>Net movement</b>	<b>66,421,050</b>	8,125,000

**NOTE 4: CONTINGENCIES**

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

**NOTE 5: EVENTS SUBSEQUENT TO REPORTING DATE**

Since the end of the quarter, the subject of this report, the Company has entered into a non-binding agreement with one of China's leading construction and engineering groups, China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("NFC"). Under the terms of the Memorandum of Understanding (MOU), Marengo has agreed to work exclusively with NFC to establish the cost and program for delivery of the Yandera Project in parallel with the completion of the current DFS.

No other matter or circumstance has arisen since 30 September 2010 which has significantly affected, or may significantly affect, the operations of the Group, the result of those operations, or the state of affairs of the Group in subsequent reporting periods.

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

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

**NOTE 6: SHARE BASED PAYMENTS**

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

	<b>Three Month Period Ended</b>	
	<b>30 September 2010</b>	<b>30 September 2009</b>
	<b>\$</b>	<b>\$</b>
Options issued to Suppliers, Directors and employees as part of:		
Share-based payment expense	<b>31,826</b>	53,076
Share issue transaction costs	<b>268,400</b>	419,175
	<b>300,226</b>	472,251

**(b) Employee Share Option Plan**

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

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

As at 30 September 2010 2,925,000 options have been issued to Eligible Employees.

**(c) Directors Options**

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

The Options will vest in five tranches. One fifth of the Options 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 30 September 2010 5,750,000 options have been issued to the Directors.

**(d) Supplier Options**

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

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

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

As at 30 September 2010 15,696,050 options have been issued to suppliers.

**MARENGO MINING LIMITED**  
**30 SEPTEMBER 2010 INTERIM FINANCIAL REPORT**

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

**NOTE 6: SHARE BASED PAYMENTS (continued)**

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

The following table illustrates the number (No.) and weighted average exercise prices (WAEP) of, and movements in, share options during the three months to 30 September 2010.

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

	<b>2010</b>	<b>2010</b>	<b>2009</b>	<b>2009</b>
	<b>No.</b>	<b>WAEP</b>	<b>No.</b>	<b>WAEP</b>
Outstanding at the start of the period	18,280,000	\$0.26	9,100,000	\$0.47
Granted during the period	6,421,050	\$0.09	8,625,000	\$0.09
Cancelled during the period	-	-	(500,000)	\$0.25
Outstanding at the end of the period	<b>24,701,050</b>	<b>\$0.21</b>	17,225,000	\$0.26

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

The weighted average remaining contractual life of the share options outstanding as at 30 September 2010 is 2.0 years (2009: 2.9 years).

**(g) Range of exercise prices**

The range of exercise prices for options outstanding at 30 September 2010 is C8.4 cents to 50 cents.

**(h) Option pricing model**

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

The following table lists the inputs to the model used for the three month periods to 30 September 2010 and 30 September 2009.

	<b>Three Month Period Ended</b>	
	<b>30 September</b>	<b>30 September</b>
	<b>2010</b>	<b>2009</b>
Dividend Yield	0%	0%
Expected volatility	75%	75%
Risk free interest rate	4.5%	4.5%
Expected life (years)	2	2
Option exercise price (cents)	C8.4	C8.6
Share price at grant date (cents)	9.4	10.5

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.

Level 1, 1 Havelock St  
West Perth WA 6005  
Australia  
PO Box 1908  
West Perth WA 6872  
Australia

t: +61 8 9481 3188  
f: +61 8 9321 1204  
w: www.stantons.com.au  
e: info@stantons.com.au

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

**Stantons International**

Chartered Accountants and Consultants

12 November 2010

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

Dear Sirs

**RE: MARENGO MINING LIMITED**

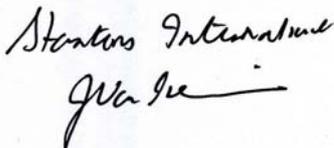
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Marengo Mining Limited.

As Audit Director for the review of the interim financial report of Marengo Mining Limited for the three month period ended 30 September 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

**STANTONS INTERNATIONAL**  
**(Authorised Audit Company)**



**John P Van Dieren - FCA**  
**Director**

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

We have reviewed the accompanying quarterly interim Financial Report of Marengo Mining Limited, which comprises the consolidated condensed statement of financial position as at 30 September 2010, and the consolidated condensed statement of comprehensive income, condensed statement of changes in equity and condensed cash flow statement for the quarter ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors of the Company are responsible for the preparation and fair presentation of the quarterly interim Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the quarterly interim Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's Responsibility*

Our responsibility is to express a conclusion on the quarterly interim Financial Report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the Financial Report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 30 September 2010 and its performance for the quarter ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Marengo Mining Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

*Independence*

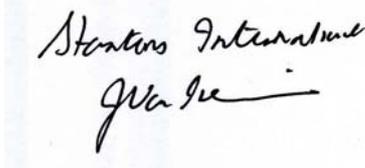
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Marengo Mining Limited on 12 November 2010.

*Conclusion*

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 September 2010 and of its performance for the quarter ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

**STANTONS INTERNATIONAL  
(Authorised Audit Company)**

A handwritten signature in black ink, appearing to read 'J P Van Dieren', is written over a light blue rectangular background.

**J P VAN DIEREN - FCA**  
Director

West Perth, Western Australia  
12 November 2010