ABN 57 099 496 474

MARENGO MINING LIMITED

ABN 57 099 496 474

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2009

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 2009 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*.

All amounts are expressed in Australian Dollars unless otherwise stated.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Three Month Period Ended	
	30 September 2009 $	**30 September 2008 $**
REVENUE FROM CONTINUING OPERATIONS	**36,907**	976,115
EXPENDITURE		
Depreciation expense	**(52,779)**	(47,804)
Salaries and employee benefits expense	**(254,726)**	(356,661)
Exploration expenditure	**(2,116,205)**	(3,916,105)
Corporate expenditure	**(330,659)**	(373,870)
Occupancy expenditure	**(87,111)**	(63,230)
Insurance expenditure	**(46,143)**	(27,647)
Administration costs	**(253,688)**	(216,002)
Share based payment expense	**(53,076)**	(142,612)
Other expenses	**(705,880)**	-
LOSS BEFORE INCOME TAX	**(3,863,360)**	(4,167,816)
Income tax (expense)/benefit	**-**	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MARENGO MINING LIMITED	**(3,863,360)**	(4,167,816)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**(1,643,426)**	3,324,191
Other comprehensive income for the period, net of tax	**(1,643,426)**	3,324,191
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	**(5,506,786)**	(843,625)
Basic and diluted loss per share (cents)	**(1.1)**	(6.3)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2009

	30 September 2009 $	30 June 2009 $
CURRENT ASSETS		
Cash and cash equivalents	**21,374,297**	5,088,081
Trade and other receivables	**567,856**	479,986
TOTAL CURRENT ASSETS	**21,942,153**	5,568,067
NON CURRENT ASSETS		
Other financial assets	**436,249**	425,657
Plant and equipment	**714,991**	734,491
Mining properties	**14,365,026**	15,598,014
TOTAL NON CURRENT ASSSETS	**15,516,266**	16,758,162
TOTAL ASSETS	**37,458,419**	22,326,229
CURRENT LIABILITIES		
Trade and other payables	**1,559,655**	918,643
Provisions	**376,714**	485,586
TOTAL CURRENT LIABILITIES	**1,936,369**	1,404,229
TOTAL LIABILITIES	**1,936,369**	1,404,229
NET ASSETS	**35,522,050**	20,922,000
EQUITY		
Contributed Equity	**78,146,348**	58,511,763
Reserves	**3,908,282**	5,079,457
Accumulated losses	**(46,532,580)**	(42,669,220)
TOTAL EQUITY	**35,522,050**	20,922,000

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Issued Capital Ordinary	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
BALANCE AT 1 JULY 2008	58,540,993	1,121,451	(275,710)	(27,399,177)	31,987,557
Total comprehensive income for the period	-	-	3,324,191	(4,167,816)	(843,625)
Share issue transaction costs	(185,791)	-	-	-	(185,791)
Employees and consultants share options	-	142,612	-	-	142,612
BALANCE AT 30 SEPTEMBER 2008	58,355,202	1,264,063	3,048,481	(31,566,993)	31,100,753
BALANCE AT 1 JULY 2009	**58,511,763**	**1,479,520**	**3,599,937**	**(42,669,220)**	**20,922,000**
Total comprehensive income for the period	**-**	**-**	**(1,643,426)**	**(3,863,360)**	**(5,506,786)**
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**
BALANCE AT 30 SEPTEMBER 2009	**78,146,348**	**1,951,771**	**1,956,511**	**(46,532,580)**	**35,522,050**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THREE MONTH PERIOD ENDED 30 SEPTEMBER 2009

	Three Month Period Ended	
	30 September 2009 $	**30 September 2008 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Gains/(losses) on foreign exchange	**(759)**	659,483
Payments to suppliers and employees	**(900,894)**	(634,536)
Interest received	**18,767**	324,198
Expenditure on mining interests	**(2,754,909)**	(2,281,724)
Net cash (used in) operating activities	**(3,637,795)**	(1,932,579)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for DFS expenses	**(264,563)**	(2,012,783)
Proceeds on sale of plant and equipment	**14,685**	-
Payments for plant and equipment	**(89,010)**	(114,041)
Net cash (used in) investing activities	**(338,888)**	(2,126,824)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	**21,845,491**	-
Payment of share issue costs	**(1,523,886)**	(185,791)
Net cash provided by/(used in) financing activities	**20,321,605**	(185,791)
Net increase/(decrease) in cash and cash equivalents	**16,344,922**	(4,245,194)
Cash and cash equivalents at the beginning of the period	**5,088,081**	23,352,570
Effects of exchange rate changes on cash and cash equivalents	**(58,706)**	100,388
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	**21,374,297**	19,207,764

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

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 2009 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 2009 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 previous financial year and corresponding interim reporting period, except as set out below.

Changes in Accounting Policy

Marengo Mining Limited had to change some of its accounting policies as the result of new or revised accounting standards which become operative for the annual reporting period commencing on 1 July 2009.

The affected policies and standards are:
- Presentation of financial statements – revised AASB 101 *Presentation of Financial Statements*.
- Principles of consolidation – revised AASB 127 *Consolidated and Separate Financial Statements* and changes made by AASB 2008-7 *Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*.
- Business combinations – revised AASB 3 Business Combinations.
- Segments – new AASB 8 Operating Segments.

Presentation of financial statements

AASB 101 (revised) prescribes the contents and structure of the financial statements. Changes reflected in this financial report include:

- The replacement of Income Statement with Statement of Comprehensive Income. Items of income and expense not recognised in profit or loss are now disclosed as components of 'other comprehensive income'. In this regard, such items are no longer reflected as equity movements in the Statement of Changes in Equity;
- The adoption of the single statement approach to the presentation of the Statement of Comprehensive Income; and
- Other financial statements are renamed in accordance with the Standard.

Principles of consolidation

AASB 127 (revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. This is different to the group's previous accounting policy where transactions with minority interests were treated as transactions with parties external to the Group.

The standard also specifies the accounting when control is lost. Any remaining interest in the entity must now be remeasured to fair value and a gain or loss is recognised in profit or loss. This is consistent with the Group's previous accounting policy if significant influence is not retained.

The Group in future will allocate losses to the non-controlling interest in its subsidiaries even if the accumulated losses should exceed the non-controlling interest in the subsidiary's equity. Under the previous policy, excess losses were allocated to the parent entity.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT (continued)

Lastly, dividends received from investments in subsidiaries, jointly controlled entities or associates after 1 July 2009 are recognised as revenue even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a result of the dividend payment. Under the Group's previous policy, these dividends would have been deducted from the cost of the investment.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as there are no non-controlling interests within the Group. There have also been no transactions whereby an interest in an entity is retained after the loss of control of that entity and no dividends paid out of pre-acquisition profits.

Business combinations

AASB 3 (revised) continues to apply the acquisition method to business combinations, but with some significant changes.

All payments to purchase a business are now recorded at fair value at the acquisition date, with contingent payments classified as debt and subsequently remeasured through the income statement. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net assets.

If the Group recognises acquired deferred tax assets after the initial acquisition accounting there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

The changes were implemented prospectively from 1 July 2009. There has been no impact on the current period as there were no acquisitions by the Group during the period.

Segment reporting

The Group has applied AASB 8 *Operating Segments* from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. There has been no change to the reportable segments required to meet the new standard.

Operating segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker has been identified as the full Board of Directors.

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 perspecitve and has identified two reportable segments. The adminstration, 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 2009 is as follows:

	Australia Three months to 30 September		Papua New Guinea Three months to 30 September		Total Three months to 30 September	
	2009 $	2008 $	2009 $	2008 $	2009 $	2008 $
Segment revenue						
Total segment revenue	**36,907**	976,115	**-**	-	**36,907**	976,115
Intersegment elimination					**-**	-
Consolidated revenue					**36,907**	976,115
Segment result						
Segment result	**(5,003,311)**	(843,564)	**(2,132,905)**	(4,007,816)	**(7,136,216)**	(4,851,380)
Intersegment elimination					**3,272,856**	683,564
Loss before income tax					**(3,863,360)**	(4,167,816)

	Australia		Papua New Guinea		Total	
	30 September 2009 $	30 June 2009 $	30 September 2009 $	30 June 2009 $	30 September 2009 $	30 June 2009 $
Segment assets and liabilities						
Segment assets	**20,782,234**	5,413,465	**16,676,186**	16,912,765	**37,458,420**	22,326,230
Intersegment elimination					**(1)**	(1)
Total assets					**37,458,419**	22,326,229
Segment liabilities	**1,385,056**	1,119,810	**49,851,306**	46,311,556	**51,236,362**	47,431,366
Intersegment elimination					**(49,299,993)**	(46,027,137)
Total liabilities					**1,936,369**	1,404,229

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	30 September 2009 Shares	30 September 2009 $	30 September 2008 Shares	30 September 2008 $
Issues of ordinary shares during the period				
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	**-**	**(2,210,906)**	-	(185,791)
	229,952,546	**19,634,585**	-	(185,791)

	Number of options 30 September 2009	30 September 2008
Movements of options during the period		
Issued, exercisable at C8.6 cents, on or before 31 August 2011	**8,625,000**	-
Issued, exercisable at 50 cents, on or before 15 August 2013	**-**	5,750,000
Cancelled, exercisable at 25 cents, on or before 18 December 2013	**(500,000)**	-
Net movement	**8,125,000**	5,750,000

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

On 15 October 2009 a total of 841,341 options were converted into ordinary shares of the Company, raising $159,854.

No other matter or circumstance has arisen since 30 September 2009 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 6: SHARE BASED PAYMENTS

(a) Recognised share based payment expenses

	Three Month Period Ended	
	30 September 2009	**30 September 2008**
	$	**$**
Options issued to Suppliers, Directors and employees as part of:		
Share-based payment expense	**53,076**	142,612
Share issue transaction costs	**419,175**	-
	472,251	142,612

(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 2009 2,350,000 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 2009 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.

As at 30 September 2009 8,625,000 options have been issued to suppliers.

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 2009.

No options were exercised during the three months to 30 September 2009.

	2009 No.	2009 WAEP	2008 No.	2008 WAEP
Outstanding at the start of the period	**9,100,000**	**$0.47**	500,000	$0.25
Granted during the period	**8,625,000**	**$0.09**	5,750,000	$0.50
Cancelled during the period	**(500,000)**	**$0.25**	-	-
Outstanding at the end of the period	**17,225,000**	**$0.26**	6,250,000	$0.48

(f) Weighted average remaining contractual life

The weighted average remaining contractual life of the share options outstanding as at 30 September 2009 is 2.9 years (2008: 4.9 years).

(g) Range of exercise prices

The range of exercise prices for options outstanding at 30 September 2009 is C8.6 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 2009 and 30 September 2008.

	Three Month Period Ended	
	30 September 2009	**30 September 2008**
Dividend Yield	0%	0%
Expected volatility	75%	90%
Risk free interest rate	4.5%	6.5%
Expected life (years)	2	5
Option exercise price (cents)	C8.6	50
Share price at grant date (cents)	10.5	21.5

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.

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13 November 2009

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 2009, 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)

K G Lingard
Director

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**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 2009, 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 2009 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 2009.

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 2009 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)

Stantons International

K G Lingard
Director

West Perth, Western Australia
13 November 2009