



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*.

MARENCO 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

	Three Month Period Ended	
	30 September 2010	30 September 2009
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	115,941	36,907
EXPENDITURE		
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/>
LOSS BEFORE INCOME TAX	(1,757,893)	(3,863,360)
Income tax (expense)/benefit	-	-
	<hr/>	<hr/>
LOSS FOR THE PERIOD	(1,757,893)	(3,863,360)
	<hr/>	<hr/>
OTHER COMPREHENSIVE INCOME/(LOSS)		
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/>
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED	(3,446,454)	(5,506,786)
	<hr/>	<hr/>
Basic and diluted loss per share (cents)	(0.3)	(1.1)

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

MARENGO MINING LIMITED
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

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

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 THREE MONTH PERIOD ENDED 30 SEPTEMBER 2010

	Contributed Equity	Options Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total
	\$	\$	\$	\$	\$
BALANCE AT 1 JULY 2009	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)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(1,643,426)	-	(1,643,426)
TOTAL COMPREHENSIVE LOSS	-	-	(1,643,426)	(3,863,360)	(5,506,786)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
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
BALANCE AT 1 JULY 2010	78,109,418	2,124,851	707,562	(58,498,313)	22,443,518
Loss for the period	-	-	-	(1,757,893)	(1,757,893)
OTHER COMPREHENSIVE LOSS					
Exchange differences on translation of foreign operations	-	-	(1,688,561)	-	(1,688,561)
TOTAL COMPREHENSIVE LOSS	-	-	(1,688,561)	(1,757,893)	(3,446,454)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS					
Shares issued during the period	21,600,000	-	-	-	21,600,000
Share issue transaction costs	(1,678,712)	-	-	-	(1,678,712)
Employees and consultants share options	-	300,226	-	-	300,226
BALANCE AT 30 SEPTEMBER 2010	98,030,706	2,425,077	(980,999)	(60,256,206)	39,218,578

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

MARENGO MINING LIMITED
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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
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
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)
Net cash (used in) operating activities	(850,120)	(3,637,795)
CASH FLOWS FROM INVESTING ACTIVITIES		
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)
Net cash (used in) investing activities	(6,111,095)	(338,888)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	21,600,000	21,845,491
Payment of share issue costs	(1,410,312)	(1,523,886)
Net cash provided by financing activities	20,189,688	20,321,605
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)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	20,198,921	21,374,297

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

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
	\$	\$	\$	\$	\$	\$
Segment revenue						
Total segment revenue	115,941	36,907	-	-	115,941	36,907
Intersegment elimination					-	-
Consolidated revenue					115,941	36,907
Segment result						
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
	\$	\$	\$	\$	\$	\$
Segment assets and liabilities						
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
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

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

	Number of options	
	30 September 2010	30 September 2009
Movements of options during the period		
Issued, exercisable at C8.4 cents, on or before 11 August 2012	6,421,050	-
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	60,000,000	-
Cancelled, exercisable at 25 cents, on or before 18 December 2013	-	(500,000)
Net movement	66,421,050	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
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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 2010	30 September 2009
	\$	\$
Options issued to Suppliers, Directors and employees as part of:		
Share-based payment expense	31,826	53,076
Share issue transaction costs	268,400	419,175
	300,226	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.

	2010	2010	2009	2009
	No.	WAEP	No.	WAEP
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	24,701,050	\$0.21	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.

	Three Month Period Ended	
	30 September	30 September
	2010	2009
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.

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(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

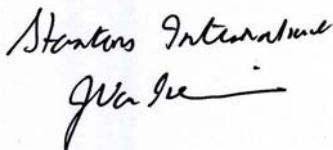
In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Marengo Mining Limited.

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

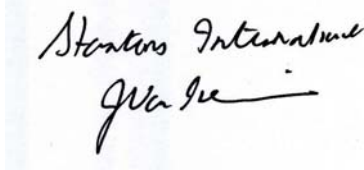
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Marengo Mining Limited on 12 November 2010.

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