MARENGO MINING LIMITED

HALF YEARLY REPORT
FOR THE PERIOD ENDED
DECEMBER 31, 2012

Australian Version

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 June 30, 2012 and any public announcements made by Marengo Mining Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Australian *Corporations Act 2001.*

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CORPORATE DIRECTORY

Directors
Dr Louis P Gignac (Chairman & Non-Executive Director)
Les Emery (President and Chief Executive Officer)
Sir Rabbie Namaliu (Non-Executive Director)
Elizabeth Martin (Non-Executive Director)
John Hick (Non-Executive Director)
Mario Caron (Non-Executive Director)
Richard William (Keith) Morrison (Non-Executive Director)
Vincent (Ian) Masterton-Hume (Non-Executive Director)

Corporate Secretary
Sander Grieve

Chief Financial Officer
Mark Churchward

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Stock Exchange Listings

Marengo Mining Limited shares are listed on the Toronto Stock Exchange (TSX) under the code ‘MRN’, and the Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX) under the code ‘MMC’. Previously ASX: MGO prior to January 8, 2013.

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Marengo Mining Limited (the Company) and the entities it controlled during the six months ended December 31, 2012.

DIRECTORS

The names of the directors who held office[1] during or since the half-year ended December 31, 2012 are:

Dr Louis P Gignac (Appointed October 4, 2012)

John Horan (Resigned November 8, 2012)

Les Emery

Douglas Dunnet (Resigned October 4, 2012)

Sir Rabbie Namaliu

Susanne Sesselmann (Resigned October 4, 2012)

Elizabeth Martin

John Hick

Mario Caron (Appointed October 4, 2012)

Richard William (Keith) Morrison (Appointed October 4, 2012)

Vincent (Ian) Masterton-Hume (Appointed October 4, 2012)

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the half-year ending 31 December 2012 by geographic segments is set out below:

	6 Months Ended December 31, 2012		6 Months Ended December 31, 2011	
	Revenue $'000	**Result $'000**	Revenue $'000	Result $'000
Australia	**315**	**(15,801)**	1,235	(25,057)
Papua New Guinea	**-**	**(296)**	4	(283)
Consolidation eliminations	**-**	**12,098**	-	24,173
Consolidated revenue and loss	**315**	**(3,999)**	1,239	(1,167)

During the six months ended December 31, 2012, the Company continued to make progress on its Feasibility Study (FS) on the Yandera project, which is proceeding towards completion in the March 2013 quarter.

[1] Pursuant to a Scheme of Arrangement, the current wholly owned Australian subsidiary (Marengo Mining (Australia) Limited) was acquired by the Company effective January 11, 2013. The Company was incorporated in Ontario Canada on September 6, 2012. Its sole founding director was Mr John Hick. On January 7, 2013, Messrs Gignac, Emery, Namaliu, Caron, Morrison and Hume and Ms Martin joined the Board, with Mr. Gignac appointed as Chairman. In addition, Mr Emery was appointed President and Chief Executive Officer, Mr. Mark Churchward was appointed CFO and Mr Sander Grieve was appointed Corporate Secretary.

DIRECTORS' REPORT (continued)

The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Figures in this report are stated in Australian dollars. Where C$ and US$ has been noted in the document this represents Canadian and United States dollars respectively.

This report is made in accordance with a resolution of directors.

L S G Emery
President and CEO
February 14, 2013

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Auditor's Independence Declaration

As lead auditor for the review of Marengo Mining Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect Marengo Mining Limited and the entities it controlled during the period.

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
14 February 2013

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

		6 Months Ended	
		December31	December 31
		2012	2011
	Note	**$'000**	$'000
Revenue from Operations			
Interest		**315**	1,239
Other income		**22**	485
Expenditure			
Depreciation expense		**(161)**	(137)
Salaries and employee benefits expense		**(1,029)**	(721)
Exploration expenses		**-**	(129)
Corporate expenses		**(1,648)**	(853)
Occupancy expenses		**(239)**	(212)
Insurance expenses		**(149)**	(151)
Administration expenses		**(541)**	(544)
Share-based payment expense		**(404)**	(48)
Net foreign exchange losses		**(165)**	(96)
Loss Before Income Tax		**(3,999)**	(1,167)
Income tax expense		**-**	-
Loss After Income Tax		**(3,999)**	(1,167)
Other Comprehensive (Loss)/Income for the period			
Exchange differences on translation of foreign operations	5	**(6,701)**	10,856
Other comprehensive (loss)/income for period, net of tax		**(6,701)**	10,856
Total Comprehensive (Loss)/Income for the period attributable to members of Marengo Mining Limited		**(10,700)**	9,689
Basic and diluted loss per share (cents)		**(0.35)**	(0.12)

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

CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 2012

	Note	December 31 2012 $'000	June 30 2012 $'000
Current Assets			
Cash and cash equivalents		**5,329**	989
Investments – term deposits		**223**	10,200
Trade and other receivables		**527**	726
Total Current Assets		**6,079**	11,915
Non-Current Assets			
Plant and equipment		**1,633**	1,372
Exploration and evaluation	**3**	**166,354**	153,431
Total Non-Current Assets		**167,987**	154,803
Total Assets		**174,066**	166,718
Current Liabilities			
Trade and other payables		**5,948**	6,597
Provisions		**1,429**	1,019
Total Current Liabilities		**7,377**	7,616
Total Liabilities		**7,377**	7,616
Net Assets		**166,689**	159,102
Equity			
Contributed equity	4	**176,990**	159,108
Reserves		**12,362**	18,658
Accumulated losses		**(22,663)**	(18,664)
Total Equity		**166,689**	159,102

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED DECEMBER 31, 2012

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
Balance at July 1, 2011	158,569	(392)	(15,809)	142,368
Loss after income tax	-	-	(1,167)	(1,167)
Other comprehensive income	-	10,856	-	10,856
Total comprehensive income /(loss)	-	10,856	(1,167)	9,689
Transactions with owners in their capacity as owners				
Shares issued (net of costs)	604	-	-	604
Employee and consultants' share options	-	(952)	-	(952)
Balance at December 31, 2011	159,173	9,512	(16,976)	151,709
Balance at July 1, 2012	159,108	18,658	(18,664)	159,102
Loss after income tax	-	-	(3,999)	(3,999)
Other comprehensive loss	-	(6,701)	-	(6,701)
Total comprehensive loss	-	(6,701)	(3,999)	(10,700)
Transactions with owners in their capacity as owners				
Shares issued (net of costs)	17,882	-	-	17,882
Employee and consultants' share options	-	405	-	405
Balance at December 31, 2012	176,990	12,362	(22,663)	166,689

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2012

	6 Months Ended	
	December 31 2012 $'000	December 31 2011 $'000
Cash Flows from Operating Activities		
Payments to suppliers and employees	**(2,748)**	(3,402)
Net cash outflow from operating activities	**(2,748)**	(3,402)
Cash Flows from Investing Activities		
Cash withdrawn from deposits	**9,977**	18,484
Interest from term deposits	**355**	1,920
Payments for plant and equipment	**(480)**	(265)
Proceeds on sale of plant and equipment	**22**	-
Payments for exploration and evaluation	**(20,653)**	(23,728)
Net cash outflow from investing activities	**(10,779)**	(3,589)
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares	**19,276**	696
Payment of share issue costs	**(1,394)**	(92)
Net cash inflow from financing activities	**17,882**	604
Net increase (decrease) in cash and cash equivalents	**4,355**	(6,387)
Cash and cash equivalents at the beginning of the period	**989**	10,004
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(15)**	121
Cash and cash equivalents at the end of the period	**5,329**	3,738

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION OF THE INTERIM FINANCIAL REPORT

(a) Statement of compliance

This condensed consolidated financial report for the half year reporting period ended December 31, 2012 has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001.

(b) Basis of preparation

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 June 30, 2012 and any public announcements made the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The interim condensed consolidated financial statements have been presented in Australian dollars unless otherwise stated. The accounting policies adopted were consistent with those of the previous financial year and corresponding interim reporting periods.

Going Concern

During the half year ended December 31, 2012, the Group recorded a loss of $3,999,000 (2011: $1,167,000) and had net cash outflows from operations of $2,748,000 (2011: $3,402,000). The Group also incurred expenditure of $20,653,000 (2011: $23,728,000) on the ongoing feasibility study being undertaken at the Yandera Project. The Group had available cash and term deposits of $5,552,000 (2011: $32,575,000) at December 31, 2012 and during the half year has raised approximately $17,882,000 (net of expenses) via an equity raising. Working capital for the Group was a deficit of $1,298,000 at December 31, 2012.

With on-going expenditure relating to:

- finalising the Group's feasibility study;
- permitting and other expenditures relating to the Yandera Project,

the Directors are continuing to seek new or additional sources of funding.

The Directors acknowledge that equity markets have been particularly challenging in recent times and, therefore, there is material uncertainty as to whether the Group will be successful in raising sufficient capital to continue as a going concern and whether it will realise its assets and extinguish its liabilities and commitments in the normal course of business and at the amounts stated in the financial report.

At the date of this report, the Group has entered into a loan agreement for US$10,000,000 to address the immediate funding position. It is an unsecured facility to provide funding for the completion of the Yandera Project feasibility study and for general working capital purposes and is repayable by December 31, 2013. On January 11, 2013, the Group has also implemented a restructure, by way of Scheme of Arrangement, which resulted in the previous group parent company (Marengo Mining (Australia) Limited merging with the new Canadian group parent company (Marengo Mining Limited). This restructure has been done to provide the group a greater ability to raise funds from its primary listing on the Toronto stock exchange.

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

The Directors believe they have reasonable grounds to expect they can raise additional capital in the time frames required in order for the Group to meet its commitments as and when they fall due.

The Directors are of the opinion that, as at the date of these consolidated interim financial statements, the Group is a going concern and, as a result, the financial report for the six months ended December 31, 2012 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(c) Impact of new standards issued but not yet applied

Certain new accounting standards and interpretations have been published that are not mandatory for adoption. The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards - Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from January 1, 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption.

When adopted, the standard will not affect the Group's accounting for its financial assets or financial liabilities, as the new requirements only affect the accounting for financial assets and financial liabilities that are designated at fair value through profit or loss and the Group does not have any such assets liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards (effective from January 1, 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships.

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

While the Group does not expect the new standard to have a significant impact on its composition, it has yet to perform a detailed analysis of the new guidance in the context of its various investees that may or may not be controlled under the new rules.

AASB 11 introduces a principles based approach to accounting for joint arrangements. The focus is no longer on the legal structure of joint arrangements, but rather on how rights and obligations are shared by the parties to the joint arrangement. Based on the assessment of rights and obligations, a joint arrangement will be classified as either a joint operation or a joint venture. Joint ventures are accounted for using the equity method, and the choice to proportionately consolidate will no longer be permitted. Parties to a joint operation will account their share of revenues, expenses, assets and liabilities in much the same way as under the previous standard. AASB 11 also provides guidance for parties that participate in joint arrangements but do not share joint control. The impact of AASB11 on the financial statements is yet to be assessed. The Group does not expect to adopt the new standards before their operative date. They would therefore be first applied in the consolidated financial statements for the annual reporting period ending June 30, 2014.

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective January 1, 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the consolidated financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group does not intend to adopt the new standard before its operative date, which means that it would be first applied in the annual reporting period ending June 30, 2014.

(v) AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (effective July 1, 2012) In September 2011, the AASB made an amendment to AASB 101 Presentation of Financial Statements which requires entities to separate items presented in other comprehensive income into two groups, based on whether they may be recycled to profit or loss in the future. This will not affect the measurement of any of the items recognised in the balance sheet or the profit or loss in the current period. The group intends to adopt the new standard from July 1, 2012.

(vi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements (effective July 1, 2013) In July 2011 the AASB decided to remove the individual key management personnel (KMP) disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporations Act 2001. While this will reduce the disclosures that are currently required in the notes to the financial statements, it will not affect any of the amounts recognised in the financial statements. The amendments apply from July 1, 2013 and cannot be adopted early. The Corporations Act requirements in relation to remuneration reports will remain unchanged for now, but these requirements are currently subject to review and may also be revised in the near future.

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

AASB 2012-3 Amendments to Australian Accounting Standard - Offsetting Financial Assets and Financial Liabilities and AASB 2012-2 Disclosures -Offsetting Financial Assets and Financial Liabilities (effective January 1, 2014 and January 1, 2013 respectively)

In June 2012, the AASB approved amendments to the application guidance in AASB 132 Financial Instruments: Presentation, to clarify some of the requirements for offsetting financial assets and financial liabilities in the balance sheet. These amendments are effective from January 1, 2014. They are unlikely to affect the accounting for any of the entity's current offsetting arrangements. However, the AASB has also introduced more extensive disclosure requirements into AASB 7 which will apply from January 1, 2013. When adopted, the standard will have no effect on the Group.

AASB 2012-5 Amendments to Australian Accounting Standard arising from Annual Improvements 2009-2011 cycle (effective for annual periods beginning on or after January 1, 2013) In June 2012, the AASB approved a number of amendments to Australian Accounting Standards as a result of the 2009-2011 annual improvements project. The Group does not expect that any adjustments will be necessary as the result of applying the revised rules.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION

(a) Description of segments

Management has determined the operating segments based on the reports reviewed by the Board of Directors (Board) 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 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 is as follows:

For the six months ended December 31, 2012

	Australia Half-Year Ended December 31		Papua New Guinea Half-Year Ended December 31		Total Half-Year Ended December 31	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**	**2012 $'000**	**2011 $'000**
Segment revenue						
Segment revenue	**315**	1,235	**-**	4	**315**	1,239
Intersegment elimination					**-**	-
Consolidated revenue					**315**	1,239
Segment result						
Segment result	**(15,801)**	(25,057)	**(296)**	(283)	**(16,097)**	(25,340)
Intersegment elimination					**12,098**	24,173
Consolidated loss before income tax					**(3,999)**	(1,167)

	Australia		Papua New Guinea		Total	
	December 31 2012 $'000	**June 30 2012 $'000**	**December 31 2012 $'000**	**June 30 2012 $'000**	**December 31 2012 $'000**	**June 30 2012 $'000**
Segment assets						
Segment assets	**17,801**	14,177	**168,773**	156,704	**186,574**	170,881
Intersegment elimination					**(12,508)**	(4,163)
Consolidated assets					**174,066**	166,718

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: EXPLORATION AND EVALUATION

	December 31 2012 $'000	June 30 2012 $'000
Cost	**166,354**	153,431
Less accumulated amortisation	**-**	-
Net book amount	**166,354**	153,431
Opening net book amount	**153,431**	86,742
Foreign exchange differences	**(7,545)**	17,685
Additions	**20,468**	49,011
Written off during the period	**-**	(7)
Closing net book amount	**166,354**	153,431

NOTE 4: CHANGES IN EQUITY SECURITIES ON ISSUE

	Half-Year Ended		Half-Year Ended	
	December 31 2012 Shares	December 31 2012 $'000	December 31 2011 Shares	December 31 2011 $'000
Issues of ordinary shares during the six month period				
Issued for cash at C8.6 cents per share	**-**	**-**	7,331,250	696
Issued for cash at C15 cents per share	**133,333,333**	**19,200**	-	-
Issued on exercise of C8.4 cent options	**642,105**	**57**	-	-
Issued on exercise of C12.5 cent options	**149,970**	**19**		
Share issue costs	**-**	**(1,394)**	-	(92)
	134,125,408	**17,882**	7,331,250	604

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

NOTE 5: OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD

Other comprehensive (loss)/income for the six month period ended December 31, 2012 consists entirely of exchange differences on the translation of foreign operations. The loss of $6,701,000 for the six months to December 31, 2012 was due to an approximate 5% depreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries. The gain of $10,856,000 for the six months to December 31, 2011 was due to an approximate 12% appreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries.

NOTE 6: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date (2011: Nil).

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the period which will significantly affect, or may significantly affect, the state of affairs or operations of the Group subsequent to the period ended December 31, 2012, except for the following:

(a) On January 11, 2013, the Group implemented a restructure, by way of Scheme of Arrangement, which resulted in the previous group parent company (Marengo Mining (Australia) Limited merging with the new group parent company (Marengo Mining Limited).

The new group parent company (Marengo Mining Limited) was a non-trading entity which was incorporated in Canada on September 6, 2012. The new group parent company (Marengo Mining Limited) completed the legal acquisition of the previous group parent company (Marengo Mining (Australia) Limited on January 11, 2013.

(b) On 6 February 2013, the Group entered into a loan agreement Sentient Executive GP IV, Limited for US$10,000,000 million with US$4,000,000 drawn on February 12, 2013. It is an interest bearing, unsecured facility to provide funding for the completion of the Yandera Project feasibility study and for general working capital purposes and is repayable by December 31, 2013.

At the date of this report the Sentient Group hold 22.0% of the shares in Marengo Mining Limited. Directors Louis Gignac and Ian Hume currently hold advisory council positions with Sentient.

The financial effects of the above transactions have not been brought to account at December 31, 2012.

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 7 to 16 are in accordance with the *Corporations Act 2001*, including:
   (a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
   (b) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
2. there are reasonable grounds to believe that Marengo Mining Limited will be able to pay its debts as and when they become due and payable.

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

L S G Emery
President and CEO
February 14, 2013

Independent auditor's review report to the members of Marengo Mining Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Marengo Mining Limited, which comprises the balance sheet as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for the Marengo Mining Limited Group (the consolidated entity). The consolidated entity comprises both Marengo Mining Limited (the company) and the entities it controlled during that half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year 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 half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a 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 31 December 2012 and its performance for the half-year 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 half-year 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*.

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Independent auditor's review report to the members of Marengo Mining Limited (cont'd)

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Marengo Mining Limited is not in accordance with the Corporations Act 2001 including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the interim and half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding going concern

Without qualifying our conclusion, we draw attention to Note 1(b) in the half-year financial report, which indicates the need for the consolidated entity to raise additional capital to meet ongoing expenditures. This condition, along with other matters set out in Note 1(b), indicate the existence of a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business and at the amounts stated in the half-year financial report.

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
14 February 2013