ACN 099 496 474

MARENGO MINING LIMITED

ABN 57 099 496 474

INTERIM FINANCIAL REPORT

FOR THE THREE MONTHS ENDED
30 SEPTEMBER 2012

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

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CORPORATE DIRECTORY

Directors
Dr Louis P Gignac (Non Executive Director, Chairman Elect)
Les Emery (Managing Director 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)

Company Secretaries
John Ribbons
Mark Churchward

Chief Financial Officer
Mark Churchward

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WEST PERTH WA 6005

Westpac Banking Corporation
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Auditors
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Stock Exchange Listings
Marengo Mining Limited shares are listed on Australian Securities Exchange (ASX) and Port Moresby Stock Exchange (POMSoX) under the code 'MGO' and Toronto Stock Exchange (TSX) under the code 'MRN'.

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 three months ended 30 September 2012.

DIRECTORS

The names of the directors who held office from the beginning of the period ended 30 September 2012 and up to the date of this report, unless otherwise indicated, are:

Dr Louis P Gignac (Appointed 4 October 2012)

John Horan (Resigned 8 November 2012)

Les Emery

Douglas Dunnet (Resigned 4 October 2012)

Sir Rabbie Namaliu

Susanne Sesselmann (Resigned 4 October 2012)

Elizabeth Martin

John Hick

Mario Caron (Appointed 4 October 2012)

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

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

REVIEW AND RESULTS OF OPERATIONS

A summary of consolidated revenues and results for the three months ended 30 September 2012 by geographic segments is set out below:

	3 Months Ending 30 September 2012		3 Months Ending 30 September 2011	
	Revenue	**Result**	Revenue	Result
	$	**$**	$	$
Australia	**209,992**	**(13,584,961)**	700,918	(10,806,904)
Papua New Guinea	**-**	**(148,032)**	3,771	(136,573)
Consolidation eliminations	**-**	**12,190,516**	-	9,946,202
Consolidated Entity revenue and loss	**209,992**	**(1,542,477)**	704,689	(997,275)

During the three months ended 30 September 2012, the Company continued to make progress on its Feasibility Study (FS) on the Yandera Copper-Molybdenum-Gold Project (Yandera), which is proceeding towards completion by late 2012.

DIRECTORS' REPORT (continued)

During the period, the Company raised net proceeds of $17,839,362 from the issue of 133,333,333 shares and the conversion of 642,105 options into a total of 133,975,438 ordinary shares.

Where C$ has been noted in the document this represents Canadian dollars.

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

L S G Emery
Managing Director
Perth, Western Australia
12 November 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

	Note	3 Months Ended 30 September 2012 $	30 September 2011 $
Revenue from Operations			
Interest		**209,992**	704,689
Expenditure			
Depreciation		**(78,147)**	(65,624)
Salaries and employee benefits expense		**(461,806)**	(352,193)
Exploration expenses		**-**	(60,292)
Corporate expenses		**(560,381)**	(764,202)
Occupancy expenses		**(135,389)**	(108,291)
Insurance expenses		**(53,753)**	(45,204)
Administration expenses		**(233,084)**	(274,304)
Share-based payment expenses		**(63,797)**	(15,903)
Net foreign exchange losses		**(166,112)**	(15,951)
Loss Before Income Tax		**(1,542,477)**	(997,275)
Income tax expense		**-**	-
Loss for the Period After Income Tax		**(1,542,477)**	(997,275)
Other Comprehensive (Loss)/Income for the period			
Exchange differences on translation of foreign operations	5	**(4,760,058)**	9,637,353
Other comprehensive (loss)/income for period, net of tax		**(4,760,058)**	9,637,353
Total Comprehensive (Loss)/Income for the period attributable to members of Marengo Mining Limited		**(6,302,535)**	8,640,078
Basic and diluted loss per share (cents)		**(0.14)**	(0.10)

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

CONSOLIDATED BALANCE SHEET
AS AT 30 SEPTEMBER 2012

	Note	30 September 2012 $	30 June 2012 $
Current Assets			
Cash and cash equivalents		**185,969**	988,317
Investments - term deposits		**16,241,367**	10,199,998
Trade and other receivables		**982,498**	725,046
Total Current Assets		**17,409,834**	11,913,361
Non-Current Assets			
Plant and equipment		**1,644,287**	1,371,856
Exploration and evaluation	**3**	**158,065,522**	153,430,060
Total Non-Current Assets		**159,709,809**	154,801,916
Total Assets		**177,119,643**	166,715,277
Current Liabilities			
Trade and other payables		**4,892,460**	6,596,277
Provisions		**1,525,837**	1,018,278
Total Current Liabilities		**6,418,297**	7,614,555
Total Liabilities		**6,418,297**	7,614,555
Net Assets		**170,701,346**	159,100,722
Equity			
Contributed equity		**176,946,586**	159,107,224
Reserves		**13,960,926**	18,657,187
Accumulated losses		**(20,206,166)**	(18,663,689)
Total Equity		**170,701,346**	159,100,722

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

	Contributed Equity	Options and Share-based payments Reserves	Foreign Currency Translation Reserve	Accumulated Losses	Total
	$	$	$	$	$
Balance at 1 July 2011	158,568,802	2,677,830	(3,069,835)	(15,809,157)	142,367,640
Loss after income tax	-	-	-	(997,275)	(997,275)
Other comprehensive income	-	-	9,637,353	-	9,637,353
Total comprehensive income	-	-	9,637,353	(997,275)	8,640,078
Transactions with owners in their capacity as owners					
Shares issued (net of costs)	604,697	-	-	-	604,697
Employees and consultants share options	-	15,903	-	-	15,903
Balance at 30 September 2011	159,173,499	2,693,733	6,567,518	(16,806,432)	151,628,318
Balance at 1 July 2012	159,107,224	1,798,103	16,859,084	(18,663,689)	159,100,722
Net loss for the three months	-	-	-	(1,542,477)	(1,542,477)
Other comprehensive loss	-	-	(4,760,058)	-	(4,760,058)
Total comprehensive loss	-	-	(4,760,058)	(1,542,477)	(6,302,535)
Transactions with owners in their capacity as owners					
Shares issued (net of costs)	17,839,362	-		-	17,839,362
Employees and consultants share options	-	63,797		-	63,797
Balance at 30 September 2012	176,946,586	1,861,900	12,099,026	(20,206,166)	170,701,346

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE THREE MONTHS ENDED 30 SEPTEMBER 2012

	3 Months Ended	
	30 September 2012 $	30 September 2011 $
Cash Flows from Operating Activities		
Payments to suppliers and employees	**(1,405,232)**	(1,353,841)
Net cash outflow from operating activities	**(1,405,232)**	(1,353,841)
Cash Flows from Investing Activities		
Cash (invested in)/withdrawn from term deposits	**(6,041,369)**	8,484,156
Interest from term deposits	**63,749**	1,251,355
Payments for plant and equipment	**(395,242)**	(185,664)
Payments for exploration and evaluation expenditure	**(10,852,410)**	(9,911,542)
Net cash outflow from investing activities	**(17,225,272)**	(361,695)
Cash Flows from Financing Activities		
Proceeds from issue of ordinary shares	**19,257,790**	696,473
Payments of share issue costs	**(1,418,428)**	(91,776)
Net cash inflow from financing activities	**17,839,362**	604,697
Net decrease in cash and cash equivalents	**(791,142)**	(1,110,839)
Cash and cash equivalents at the beginning of the period	**988,317**	10,004,393
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(11,206)**	108,652
Cash and cash equivalents at the end of the period	**185,969**	9,002,206

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 interim three month reporting period ended 30 September 2012 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting*.

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

(b) Basis of preparation

All amounts are presented in Australian dollars unless otherwise stated.

The accounting policies, methods of computation and presentation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012 and the corresponding interim reporting period.

Going Concern

During the quarter ended 30 September 2012, the Group recorded a loss of $1,542,477 (2011: $997,275) and had net outflows from operations of $1,405,232 (2011: $1,353,841). The Group also incurred expenditure of $10,852,410 (2011: $9,911,542) on the ongoing feasibility study being undertaken at the Yandera Project. The Group had available cash and term deposits of $16,427,336 (2011: $11,188,315) at 30 September 2012 and during the quarter has raised approximately $17,839,362 (net of expenses) via an equity raising. With on-going expenditure relating to:

- finalising the Group's feasibility study;
- advancing the Group's district exploration program at the Yandera Project;
- as well as permitting and other pre-construction 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 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 quarter ended 30 September 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

(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)* (effective from 1 January 2013*)

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 2013* but is available for early adoption. When adopted, the standard will affect the Group's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such 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.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 10 *Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements and 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 1 January 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. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

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 30 June 2014.

(iii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* (effective 1 January 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 30 June 2014.

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 that are used to make strategic decisions.

The Board of Directors 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 is as follows:

For the three months ended 30 September 2012

	Australia 3 Months Ended 30 September		Papua New Guinea 3 Months Ended 30 September		Total 3 Months Ended 30 September	
	2012	**2011**	**2012**	**2011**	**2012**	**2011**
	$	**$**	**$**	**$**	**$**	**$**
Segment revenue						
Segment revenue	**209,992**	700,918	**-**	3,771	**209,992**	704,689
Intersegment elimination					**-**	-
Consolidated revenue					**209,992**	704,689
Segment result						
Segment result	**(13,584,961)**	(10,806,904)	**(148,032)**	(136,573)	**(13,732,993)**	(10,943,477)
Intersegment elimination					**12,190,516**	9,946,202
Consolidated loss for the period					**(1,542,477)**	(997,275)

	Australia		Papua New Guinea		Total	
	30 September 2012	30 June 2012	**30 September 2012**	30 June 2012	**30 September 2012**	30 June 2012
	$	$	**$**	$	**$**	$
Segment assets						
Segment assets	**18,306,386**	14,177,729	**160,688,206**	156,704,519	**178,994,592**	170,882,248
Intersegment elimination					**(1,874,949)**	(4,166,971)
Total assets					**177,119,643**	166,715,277

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

	30 Sep 2012 $	30 June 2012 $
NOTE 3: EXPLORATION AND EVALUATION		
Cost	**158,065,522**	153,430,060
Less accumulated amortisation	**-**	-
Net book amount	**158,065,522**	153,430,060
Opening net book amount	**153,430,060**	86,741,633
Foreign exchange differences	**(5,885,503)**	17,684,538
Additions	**10,520,965**	49,011,141
Written off during the period	**-**	(7,252)
Closing net book amount	**158,065,522**	153,430,060

NOTE 4: CHANGES IN EQUITY SECURITIES ON ISSUE

	3 Months Ended		**3 Months Ended**	
	30 Sep 2012 Shares	**30 Sep 2012 $**	**30 Sep 2011 Shares**	**30 Sep 2011 $**
Issues of ordinary shares during the period				
Issued for cash @ C9.5 cents per share	**-**	**-**	7,331,250	696,473
Issued for cash @ C15 cents per share	**133,333,333**	**19,200,000**	-	-
Issued on exercise of C8.4 cent options	**642,105**	**57,790**	-	-
Share issue costs	**-**	**(1,418,428)**	-	(91,776)
	133,975,438	**17,839,362**	7,331,250	604,697

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Other comprehensive (loss)/income for the three month period ended 30 September 2012 consists entirely of exchange differences on the translation of foreign operations. The loss of $4,760,058 for the three months to 30 September 2012 was due to an approximate 4% depreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries. The gain of $9,637,353 for the three months to 30 September 2011 was due to an approximate 11% 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 30 September 2012, except for the following:

(a) On 12 October 2012, the Company allotted 10,000,000 million Performance Rights to the Managing Director pursuant to a resolution approved by shareholders in October 2012 and under a plan approved by shareholders in September 2011.