MARENGO MINING LIMITED

INTERIM FINANCIAL REPORT

FOR THE THREE AND NINE MONTHS ENDED

MARCH 31, 2013

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CORPORATE DIRECTORY

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

Corporate Secretary
Dean Richardson

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.

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 and nine months ended March 31, 2013.

DIRECTORS

The names of the directors who held office[1] during or since the nine months ended March 31, 2013, unless otherwise indicated, 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 three and nine months ending 31 March, 2013 by geographic segments is set out below:

	3 Months Ended March 31, 2013		9 Months Ended March 31, 2013	
	Revenue $'000	**Result $'000**	Revenue $'000	Result $'000
Australia and Canada	**13**	**(1,228)**	328	(17,029)
Papua New Guinea	**-**	**(160)**	-	(456)
Consolidation eliminations	**-**	**(847)**	-	11,251
Consolidated revenue and loss	**13**	**(2,235)**	328	(6,234)

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

[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 Chief Financial Officer and Mr Sander Grieve was appointed Corporate Secretary.

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
May 15, 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2013

	Note	3 Months Ended		9 Months Ended	
		March 31 2013 $'000	March 31 2012 $'000	**March 31 2013 $'000**	March 31 2012 $'000
Revenue from Operations					
Interest		**13**	349	**328**	1,589
Other income		**89**	2	**22**	485
Expenditure					
Depreciation expense		**(77)**	(99)	**(238)**	(236)
Salaries and employee benefits expense		**(588)**	(591)	**(1,617)**	(1,311)
Exploration expenses		**-**	-	**-**	(130)
Corporate expenses		**(580)**	(229)	**(2,229)**	(1,084)
Occupancy expenses		**(93)**	(77)	**(332)**	(289)
Insurance expenses		**(71)**	(73)	**(219)**	(224)
Administration expenses		**(399)**	(256)	**(940)**	(799)
Share-based payment expense		**(529)**	(64)	**(932)**	(112)
Net foreign exchange losses		**-**	-	**(77)**	(94)
Loss Before Income Tax		**(2,235)**	(1,038)	**(6,234)**	(2,205)
Income tax expense		**-**	-	**-**	-
Loss After Income Tax		**(2,235)**	(1,038)	**(6,234)**	(2,205)
Other Comprehensive (Loss)/Income for the period					
Exchange differences on translation of foreign operations	**5**	**(2,855)**	5,946	**(9,554)**	15,583
Other comprehensive (loss)/income for period, net of tax		**(2,855)**	5,946	**(9,554)**	15,583
Total Comprehensive (Loss)/Income for the period attributable to members of Marengo Mining Limited		**(5,090)**	4,908	**(15,788)**	13,378
Basic and diluted loss per share (cents)		**(0.20)**	(0.10)	**(0.55)**	(0.22)

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

CONSOLIDATED BALANCE SHEET
AS AT MARCH 31, 2013

	Note	March 31 2013 $'000	June 30 2012 $'000
Current Assets			
Cash and cash equivalents		**3,443**	989
Investments – term deposits		**2,376**	10,200
Trade and other receivables		**819**	726
Total Current Assets		**6,638**	11,915
Non-Current Assets			
Plant and equipment		**1,252**	1,372
Exploration and evaluation	**3**	**169,220**	153,431
Total Non-Current Assets		**170,472**	154,803
Total Assets		**177,110**	166,718
Current Liabilities			
Trade and other payables		**3,987**	6,597
Borrowings		**9,701**	-
Provisions		**1,294**	1,019
Total Current Liabilities		**14,982**	7,616
Total Liabilities		**14,982**	7,616
Net Assets		**162,128**	159,102
Equity			
Contributed equity	4	**176,990**	159,108
Reserves		**10,036**	18,658
Accumulated losses		**(24,898)**	(18,664)
Total Equity		**162,128**	159,102

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED MARCH 31, 2013

	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	-	-	(2,205)	(2,205)
Other comprehensive income	-	15,583	-	15,583
Total comprehensive income /(loss)	-	15,583	(2,205)	13,378
Transactions with owners in their capacity as owners				
Shares issued (net of costs)	602	-	-	602
Employee and consultants' share options	-	(888)	-	(888)
Balance at March 31, 2012	159,171	14,303	(18,014)	155,460

	Contributed Equity $'000	Reserves $'000	Accumulated Losses $'000	Total $'000
Balance at July 1, 2012	159,108	18,658	(18,664)	159,102
Loss after income tax	-	-	(6,234)	(6,234)
Other comprehensive loss	-	(9,554)	-	(9,554)
Total comprehensive loss	-	(9,554)	(6,234)	(15,788)
Transactions with owners in their capacity as owners				
Shares issued (net of costs)	17,882	-	-	17,882
Employee and consultants' share options	-	932	-	932
Balance at March 31, 2013	176,990	10,036	(24,898)	162,128

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 AND NINE MONTHS ENDED MARCH 31, 2013

	3 Months Ended		9 Months Ended	
	March 31 2013 $'000	March 31 2012 $'000	**March 31 2013 $'000**	March 31 2012 $'000
Cash Flows from Operating Activities				
Payments to suppliers and employees	**(1,727)**	(634)	**(4,475)**	(4,037)
Net cash outflow from operating activities	**(1,727)**	(634)	**(4,475)**	(4,037)
Cash Flows from Investing Activities				
Cash withdrawn from deposits	**(2,153)**	8,487	**7,824**	26,971
Interest from term deposits	**15**	336	**370**	2,256
Payments for plant and equipment	**(234)**	(134)	**(714)**	(399)
Proceeds on sale of plant and equipment	**-**	-	**22**	-
Payments for exploration and evaluation	**(7,484)**	(9,953)	**(28,137)**	(33,681)
Net cash outflow from investing activities	**(9,856)**	(1,264)	**(20,635)**	(4,853)
Cash Flows from Financing Activities				
Proceeds from issue of ordinary shares	**-**	20	**19,276**	716
Payment of share issue costs	**-**	(23)	**(1,394)**	(114)
Proceeds from borrowings	**9,701**		**9,701**	
Net cash inflow/(outflow) from financing activities	**9,701**	(2)	**27,583**	602
Net (decrease) increase in cash and cash equivalents	**(1,882)**	(1,901)	**2,473**	(8,288)
Cash and cash equivalents at the beginning of the period	**5,329**	3,738	**989**	10,004
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(4)**	42	**(19)**	163
Cash and cash equivalents at the end of the period	**3,443**	1,879	**3,443**	1,879

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

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" (IAS 34) as issued by the International Accounting Standards Board (IASB). Since the interim condensed consolidated financial statements do not include all disclosures required by the International Financial Reporting Standards (IFRS) for annual financial statements, they should be read in conjunction with the Corporation's consolidated financial statements for the year ended June 30, 2012 and any public announcements made by the Company during the interim reporting periods.

The interim condensed consolidated financial statements comprise the financial statements of the Company and its subsidiaries.

(b) Basis of preparation

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 nine months ended March 31, 2013, the Group recorded a loss of $6,234,000 (2012: $2,205,000) and had net cash outflows from operations of $4,476,000 (2012: $4,037,000). The Group also incurred expenditure of $28,137,000 (2012: $33,681,000) on the ongoing feasibility study being undertaken on the Yandera Project. The Group had available cash and term deposits of $5,819,000 at March 31, 2013 (June 30, 2012: $11,189,000) and during the nine months has raised approximately $17,882,000 (net of expenses) via an equity raising and a further $9,701,000 through unsecured borrowings. Working capital for the Group was a deficit of $8,344,000 at March 31, 2013.

With on-going expenditure relating to:

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

the Directors are continuing to seek new or additional sources of funding (see below and Subsequent Events note).

During the March 2013 quarter, the Company entered into a loan agreement with its 22.0 per cent shareholder Sentient Executive GP IV ("Sentient") for US$10,000,000 million. It is a working capital facility repayable on or before December 31, 2013.

The Directors acknowledge that equity markets have continued to be 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.

Subsequent to period end, but prior to the date of this report, the Group entered into a binding Term Sheet to complete a non-brokered private placement of US$15,000,000 of unsecured convertible debentures to its 22.0 per cent shareholder Sentient.

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 as at and for the three and nine months ended March 31, 2013 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 the March 31, 2013 reporting periods. The Group's assessment of the impact of these new standards and interpretations is set out below. New standards and interpretations not mentioned are considered unlikely to impact or have impact on the financial reporting of the Group.

(i) IFRS 9: *Financial Instruments* was issued by the IASB in October 2010 and will replace IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 were carried forward unchanged to IFRS 9. The new standard also requires the use of a single method of impairment determination, replacing the multiple methods available under IAS 39.

When adopted, the standard is not likely to 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 currently have any such assets liabilities. The de-recognition rules have been transferred from IFRS 139 Financial Instruments: Recognition and Measurement and have not been changed. The new standard is effective for the Company's annual reporting period beginning on July 1, 2015 with earlier adoption permitted.

(ii) IFRS 10: *Consolidated Financial Statements* builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. IFRS 10 supersedes IAS 27: *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation Special Purpose Entities*. This new standard is effective for the Company's annual reporting period beginning July 1, 2013 with earlier adoption permitted.

(iii) IFRS 11: *Joint Arrangements* is intended to provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (as is currently the case). The standard addresses inconsistencies in the reporting of joint arrangements by requiring a single method to account for interests in jointly controlled entities. IFRS 11 supersedes IAS 31, *Interests in Joint Ventures* and SIC 13, *Jointly Controlled Entities Non-monetary Contributions by Venturers*. This new standard is effective for the Company's annual reporting period beginning July 1, 2013 with earlier adoption permitted.

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

(iv) IFRS 12: *Disclosure of Interests in Other Entities* which combines enhances and replaces the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities. This new standard is effective for the Company's annual reporting period beginning July 1, 2013 with earlier adoption permitted.

(v) IAS 27: Separate Financial Statements (as amended in 2011) contains accounting and disclosure requirements for investments in subsidiaries, joint ventures, and associates when an entity prepares separate financial statements. The standard requires an entity preparing separate financial statements to account for those investments at cost or in accordance with IFRS 9 Financial Instruments. In completing IFRS 10, the IASB removed from IAS 27 all requirements relating to consolidated financial statements. This new standard is effective for the Company's annual reporting period beginning July 1, 2013.

(vii) IFRS 13: *Fair Value Measurement* which defines fair value, sets out in a single IFRS framework for measuring fair value, and requires disclosures about fair value measurements. This new standard is effective for the Company's annual reporting period beginning July 1, 2013

Management is currently assessing the impact of these new standards on the Group's accounting policies and financial statement presentation.

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 Corporate segment, with exploration and project development activities comprising the Operations 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 March 31, 2013

	Corporate 3 Months Ended March 31		Operations 3 Months Ended March 31		Total 3 Months Ended March 31	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment revenue						
Segment revenue	**13**	349	**-**	-	**13**	349
Intersegment elimination					**-**	-
Consolidated revenue					**13**	349
Segment result						
Segment result	**(1,228)**	(7,553)	**(160)**	(326)	**(1,388)**	(7,879)
Intersegment elimination					**(847)**	6,841
Consolidated loss before income tax					**(2,235)**	(1,038)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 2: SEGMENT INFORMATION (continued)

For the nine months ended March 31, 2013

	Corporate 9 Months Ended March 31		Operations 9 Months Ended March 31		Total 9 Months Ended March 31	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Segment revenue						
Segment revenue	**328**	1,585	**-**	4	**328**	1,589
Intersegment elimination					**-**	-
Consolidated revenue					**328**	1,589
Segment result						
Segment result	**(17,029)**	(32,610)	**(456)**	(608)	**(17,485)**	(33,218)
Intersegment elimination					**11,251**	31,013
Consolidated loss before income tax					**(6,234)**	(2,205)

	Corporate		Operations		Total	
	March 31 2013 $'000	June 30 2012 $'000	March 31 2013 $'000	June 30 2012 $'000	March 31 2013 $'000	June 30 2012 $'000
Segment assets						
Segment assets	**24,293**	14,177	**172,581**	156,704	**196,874**	170,881
Intersegment elimination					**(19,764)**	(4,163)
Consolidated assets					**177,110**	166,718

NOTE 3: EXPLORATION AND EVALUATION

	March 31 2013 $'000	June 30 2012 $'000
Cost	**169,220**	153,431
Less accumulated amortisation	**-**	-
Net book amount	**169,220**	153,431
Opening net book amount	**153,431**	86,742
Foreign exchange differences	**(9,863)**	17,685
Additions	**25,652**	49,011
Written off during the period	**-**	(7)
Closing net book amount	**169,220**	153,431

NOTE 4: CHANGES IN EQUITY SECURITIES ON ISSUE

	9 Months Ended		**9 Months Ended**	
	March 31 2013 Shares	**March 31 2013 $'000**	**March 31 2012 Shares**	**March 31 2012 $'000**
Issues of ordinary shares during the nine month period				
Issued for cash @ C25 cents per share	**133,333,333**	**19,200**	-	-
Issued for cash @ C8.4 cent per share	**642,105**	**57**	-	-
Issued on exercise of C11.6 cent options	**149,970**	**19**	160,000	20
Issued on exercise of C8.6 cent options	**-**	**-**	7,331,250	696
Share issue costs	**-**	**(1,394)**	-	-
	134,125,408	**17,882**	7,491,250	716

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 March 31, 2013 consists entirely of exchange differences on the translation of foreign operations. The loss of $2,855,000 for the three months to March 31, 2013 was due to an approximate 1.6% depreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries. The gain of $5,946,000 for the three months to March 31, 2012 was due to an approximate 4% appreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries.

Other comprehensive (loss)/income for the nine month period ended March 31, 2013 consists entirely of exchange differences on the translation of foreign operations. The loss of $9,554,000 for the nine months to March 31, 2013 was due to an approximate 6.4% depreciation in the value of the Australian dollar against the PNG kina over net assets in the PNG subsidiaries. The gain of $15,583,000 for the nine months to March 31, 2012 was due to an approximate 3% 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 (2012: Nil).

Note 7: EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On April 30, 2013, the Group entered into a binding Term Sheet to complete a non-brokered private placement of US$15,000,000 worth of unsecured convertible debentures to the Company's major shareholder.

(b) The key terms of the debentures are:

- 3 year term;
- 9.0% interest;
- 2.0% Establishment fees;
- Convertible at CAD11 cents per debenture; and
- Convertible at any time at the option holder's discretion.

The financial effect of the above transaction has not been reflected in the consolidated financial statements.