

MARENGO MINING LIMITED

ABN 57 099 496 474

INTERIM FINANCIAL REPORT

FOR THE HALF YEAR ENDED

31 DECEMBER 2006

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 2006 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.

MARENGO MINING LIMITED

31 DECEMBER 2006

Contents	Page
DIRECTORS' REPORT	3
AUDITORS' INDEPENDENCE DECLARATION	5
CONDENSED CONSOLIDATED INCOME STATEMENT	6
CONDENSED CONSOLIDATED BALANCE SHEET	7
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	9
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	10
DIRECTORS' DECLARATION	13
INDEPENDENT REVIEW REPORT TO THE MEMBERS	14

MARENGO MINING LIMITED

31 DECEMBER 2006

DIRECTORS' REPORT

Your directors submit their report on the consolidated entity consisting of Marengo Mining Limited and the entities it controlled at the end of, or during, the half-year ended 31 December 2006.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

John Horan

Leslie Emery

Dennis Wilkins

Douglas Dunnet

REVIEW AND RESULTS OF OPERATIONS

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

	2006	
	Revenues	Results
	\$	\$
Australia	122,577	(11,682,108)
Papua New Guinea	-	(3,721,543)
Consolidation eliminations	-	11,023,112
Consolidated entity revenues and loss	<u>122,577</u>	<u>(4,380,539)</u>

During the period under review the Company continued its exploration and evaluation of the Yandera copper-molybdenum project in PNG. To assist in this process the Company raised an additional \$12.3 million by way of a share placement at \$0.25 per share, with a significant increase in the institutional shareholder base. This included the entry of Sentient Global Resources Fund as the Company's major shareholder, with a 19.86% holding. During this period Marengo also concluded the acquisition of the remaining interest in the Yandera Project from its former joint venture partner, Belvedere Limited (a private PNG company), by acquiring all of the issued capital in Belvedere Limited, from its existing shareholders.

The period under review was characterised by a focus on continued diamond drilling at Yandera, where some 7,000 metres of diamond drilling had been completed by year end. This drilling will be utilised to continue to confirm drill results obtained by previous operators and to enable a revised JORC compliant resource estimate to be completed.

During the period the Company announced a preliminary JORC compliant resource for the Yandera Project of 371 million tonnes at a grade of 0.49% copper equivalent.

In addition, during the period under review the Company commenced a prefeasibility study of the Yandera Copper- Molybdenum Project including the development of a conceptual flow sheet with the base case throughput of 20,000,000 tonnes per annum.

Other prefeasibility activities, during the period under review, included preliminary metallurgical test work, which demonstrated high levels of copper and molybdenum recoveries, from flotation tests.

MARENGO MINING LIMITED

31 DECEMBER 2006

DIRECTORS' REPORT (continued)

Also during the period under review, the Company completed a program of geological sampling at the Bolubolu Project, on Goodenough Island, PNG. This work produced a number of anomalous gold and silver values from rock chip samples and resulted in the Company making application for an additional exploration licence, covering some 200 square kilometres to the north of the existing project area.

The Company also divested itself of its remaining Australian projects, during the period under review, by way of farm-out or relinquishment.

AUDITORS' INDEPENDENCE DECLARATION

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 5.

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



Les Emery
Director

Perth, 14 February 2007

Stantons International

ABN 41 103 088 697

LEVEL 1, 1 HAVELOCK STREET
WEST PERTH WA 6005, AUSTRALIA
PH: 61 8 9481 3188 • FAX: 61 8 9321 1204
www.stantons.com.au

14 February 2007

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 financial statements of Marengo Mining Limited for the period ended 31 December 2006, 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 Van Dieren
Director

MARENGO MINING LIMITED**31 DECEMBER 2006****CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	31 December 2006	31 December 2005
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	122,577	93,125
EXPENDITURE		
Depreciation expense	(20,434)	(5,919)
Salaries and employee benefits expense	(265,957)	(174,073)
Exploration expenses	(3,584,171)	(392,016)
Corporate expenditure	(184,475)	(72,493)
Occupancy expenditure	(28,233)	(29,341)
Insurance expenditure	(32,418)	(8,680)
Administration costs	(169,046)	(44,904)
Share based payment expense	(10,220)	(146,459)
Other expenses	(208,162)	(122,035)
LOSS BEFORE INCOME TAX	(4,380,539)	(902,795)
Income tax benefit	-	-
LOSS ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	(4,380,539)	(902,795)
Basic and diluted loss per share (cents)	(5.40)	(2.33)

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

MARENGO MINING LIMITED**31 DECEMBER 2006****CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2006**

	31 December 2006	30 June 2006
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	10,616,463	6,554,474
Trade and other receivables	285,540	84,112
TOTAL CURRENT ASSETS	10,902,003	6,638,586
NON-CURRENT ASSETS		
Other financial assets	-	50,000
Plant and equipment	235,645	188,068
Exploration assets	7,152,182	-
TOTAL NON-CURRENT ASSETS	7,387,827	238,068
TOTAL ASSETS	18,289,830	6,876,654
CURRENT LIABILITIES		
Trade and other payables	436,492	572,740
Provisions	121,930	70,784
TOTAL CURRENT LIABILITIES	558,422	643,524
NON-CURRENT LIABILITIES		
Payables	-	3,750
TOTAL NON-CURRENT LIABILITIES	-	3,750
TOTAL LIABILITIES	558,422	647,274
NET ASSETS	17,731,408	6,229,380
EQUITY		
Issued capital	26,713,099	11,766,724
Reserves	1,158,099	221,907
Accumulated losses	(10,139,790)	(5,759,251)
TOTAL EQUITY	17,731,408	6,229,380

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

MARENGO MINING LIMITED

31 DECEMBER 2006

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2006**

	31 December 2006	31 December 2005
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	6,229,380	1,478,590
Adjustment on adoption of AASB 2, net of tax, to:		
Accumulated losses	-	(34,086)
Reserves	-	34,086
RESTATED TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	6,229,380	1,478,590
Exchange differences on translation of foreign operations	235,972	6,839
NET INCOME RECOGNISED DIRECTLY IN EQUITY	235,972	6,839
LOSS FOR THE HALF-YEAR	(4,380,539)	(902,795)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	(4,144,567)	(895,956)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	15,496,000	6,611,000
Transaction costs	(549,625)	(369,195)
Employee share options	10,220	146,460
Options issued as part consideration to acquire subsidiary	690,000	-
	15,646,595	6,388,265
TOTAL EQUITY AT THE END OF THE HALF-YEAR	17,731,408	6,970,899

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

MARENGO MINING LIMITED**31 DECEMBER 2006****CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006**

	31 December 2006	31 December 2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure on mining interests	(3,814,369)	(473,048)
Payments to suppliers and employees	(864,763)	(210,785)
Interest received	98,026	93,125
Net cash used in operating activities	(4,581,106)	(590,708)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(73,972)	(91,471)
Payment for subsidiary, net of cash acquired	(3,000,000)	-
Net cash used in investing activities	(3,073,972)	(91,471)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	12,043,500	6,097,716
Payment of share issue costs	(357,500)	-
Funds received in advance of share issue	37,500	-
Net cash provided by financing activities	11,723,500	6,097,716
Net increase in cash and cash equivalents	4,068,422	5,415,537
Cash and cash equivalents at the beginning of the half-year	6,554,474	1,545,186
Effects of exchange rate changes on cash and cash equivalents	(6,433)	-
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	10,616,463	6,960,723

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

MARENGO MINING LIMITED**31 DECEMBER 2006****NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT**

This general purpose consolidated financial report for the interim half-year reporting period ended 31 December 2006 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 2006 and any public announcements made by Marengo Mining Limited during the interim period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim financial report.

NOTE 2: SEGMENT INFORMATION**Primary reporting format – geographic segments**

	Australia	Papua New Guinea	Eliminations	Total
	\$	\$	\$	\$
31 December 2006				
Total segment revenue	122,577	-	-	122,577
Share of net profits of associates and joint venture partnership				-
Unallocated revenue				-
Total revenue and other income				<u>122,577</u>
Segment result	<u>(11,682,108)</u>	<u>(3,721,543)</u>	<u>11,023,112</u>	<u>(4,380,539)</u>
Unallocated revenue less unallocated expenses				-
Loss before income tax				<u>(4,380,539)</u>
31 December 2005				
Total segment revenue	93,125	-	-	93,125
Share of net profits of associates and joint venture partnership				-
Unallocated revenue				-
Total revenue and other income				<u>93,125</u>
Segment result	<u>(970,033)</u>	<u>(191,273)</u>	<u>258,511</u>	<u>(902,795)</u>
Unallocated revenue less unallocated expenses				-
Loss before income tax				<u>(902,795)</u>

MARENGO MINING LIMITED

31 DECEMBER 2006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2006 Shares	2006 \$	2005 Shares	2005 \$
Issues of ordinary shares during the half-year				
Issued as part consideration to acquire subsidiary at 28 cents per share	12,000,000	3,360,000	-	-
Placement issued at 25 cents per share	48,520,001	12,130,000	-	-
Issued at 15 cents per share	-	-	3,333,334	500,000
Conversion of listed 20 cent options	30,000	6,000	5,000	1,000
Allotment issued at 25 cents per share	-	-	24,440,001	6,110,000
	60,550,001	15,496,000	27,778,335	6,611,000

	Number of options	
	2006	2005
Movements of options during the half-year		
Listed options issued, exercisable at 20 cents, on or before 28 February 2008	6,000,000	28,673,334
Issued, exercisable at 30 cents, on or before 30 November 2008	100,000	33,334
Issued, exercisable at 25 cents, on or before 30 November 2008	-	33,333
Issued, exercisable at 20 cents, on or before 30 November 2008	-	33,333
Listed options exercised	(30,000)	(5,000)
	6,070,000	28,768,334

NOTE 4: BUSINESS COMBINATION

On 28 August 2006 Marengo Mining (PNG) Ltd, a 100% owned subsidiary of Marengo Mining Limited, acquired 100% of the issued share capital of Belvedere Limited, a private company incorporated in Papua New Guinea.

The acquired business contributed nil revenue and a loss of \$88,310 to the Group for the period from 28 August 2006 to 31 December 2006. If the acquisition had occurred at the beginning of the half-year, consolidated revenue and consolidated loss for the half-year would have been \$122,577 and \$4,380,539 respectively.

At the date of acquisition, the acquired entity was involved in mineral exploration in Papua New Guinea.

MARENGO MINING LIMITED

31 DECEMBER 2006

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: BUSINESS COMBINATION (continued)

Details of the fair value of the assets and liabilities acquired and goodwill are as follows:

	\$
Purchase consideration:	
Cash paid	3,000,000
Issue of 12,000,000 ordinary shares at 28 cents each	3,360,000
Issue of 6,000,000 listed options exercisable at 20 cents, on or before 28 February 2008, at a deemed cost of 11.5 cents each	690,000
Total purchase consideration	7,050,000
Fair value of net identifiable assets acquired	7,050,000
Goodwill	-

	Acquiree's carrying amount	Fair Value
	\$	\$
Fair value of net identifiable assets acquired:		
Receivables	800	800
Security deposit	2,815	2,815
Incorporation costs	1,217	-
Tenement acquisition and exploration expenditure	89,618	7,152,182
Borrowings	(105,797)	(105,797)
Net identifiable assets acquired	(11,347)	7,050,000

NOTE 5: CONTINGENCIES

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

NOTE 6: SUBSEQUENT EVENTS

Subsequent to balance date Marengo Mining Limited completed the \$12.3 million share placement commenced during the half-year by issuing a total of 648,500 ordinary shares at \$0.25 per share.

The financial effects of the above transaction have not been brought to account at 31 December 2006.

MARENGO MINING LIMITED

31 DECEMBER 2006

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 12 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 2006 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, 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.



Les Emery
Director

Perth, 14 February 2007

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 consolidated condensed balance sheet as at 31 December 2006, and the consolidated condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the half-year 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 half-year 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 half-year 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 31 December 2006 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

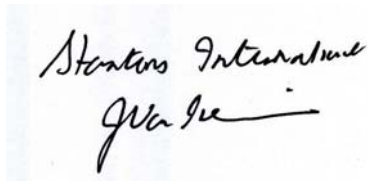
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Marengo Mining Limited on 14 February 2007.

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 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

STANTONS INTERNATIONAL (Authorised Audit Company)



J P Van Dieren
Director

West Perth, Western Australia
14 February 2007