



MARENGO MINING LIMITED

ABN 57 099 496 474

**INTERIM FINANCIAL REPORT
FOR THE HALF YEAR ENDED
31 DECEMBER 2007**

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 2007 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 2007

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	14
INDEPENDENT REVIEW REPORT TO THE MEMBERS	15

MARENGO MINING LIMITED

31 DECEMBER 2007

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 2007.

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:

	2007	
	Revenues	Results
	\$	\$
Australia	673,068	(4,743,238)
Papua New Guinea	-	(4,363,874)
Consolidation eliminations	-	4,180,004
Consolidated entity revenues and loss	673,068	(4,927,108)

During the period under review the Company continued its exploration and evaluation of the Yandera copper-molybdenum project in Papua New Guinea ("PNG"). To assist in this process the Company raised an additional \$15 million by way of a share placement at \$0.36 per share, to a number of existing and new Australian and international institutional and professional investors, together with clients of Paradigm Capital Inc of Toronto, Canada.

This placement resulted in Sentient Global Resources Fund, the Company's major shareholder, increasing its stake in the Company to 21.4% and Contango Asset Management increasing to 5.7%.

During the period under review, the Company also completed a Conceptual Mining Study ("CMS") which reviewed a number of production options based on a large open-pit design, which would underpin an initial 10-year mine life, commencing at a 25Mtpa production rate for the first two years and increasing to 40Mtpa thereafter. Metal prices of US\$1.50 per pound of copper metal and US\$15.00 per pound of molybdenum oxide were used in the CMS.

Following the completion of the CMS the Company has appointed an alliance of GRD Minproc Limited and URS Australia Pty Ltd to complete a Definitive Feasibility Study ("DFS") on the Yandera Project. The DFS, which is scheduled for completion by mid-2009, will include detailed open-pit design and mining schedules, ore reserve estimation, process plant design, infrastructure and ore transport options, permitting, community, and environmental matters, final capital cost estimates and project economics. During the half-year ended 31 December 2007, the consolidated entity incurred \$552,239 of feasibility study costs which have been capitalised.

MARENGO MINING LIMITED

31 DECEMBER 2007

DIRECTORS' REPORT (continued)

In November 2007, applied for listing of its ordinary shares on the Toronto Stock Exchange ("TSX") and filed a preliminary prospectus to a public offering in certain provinces of Canada. The terms and pricing of the offering will be determined prior to the filing of the final prospectus.

A shareholder meeting held on 28 November 2007 approved, amongst other things, a share placement facility of up to 103,500,000 new ordinary shares in the Company, to be allotted pursuant to the offering. To date no shares have been allotted.

Also during the period under review the Company expanded its executive base, with the appointment of Mr Grant Calderwood, as Operations Manager, responsible for the completion of the Yandera DFS and subsequent project development. In addition Mr Andrew Meloncelli was appointed Manager Finance and Treasury, and Dr Malcolm Roberts as Principal Geologist.

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.



L S G Emery

Managing Director

Perth, 1 February 2008

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1 February 2008

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 2007, 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)



K G Lingard
Director

MARENGO MINING LIMITED**31 DECEMBER 2007****CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
REVENUE FROM CONTINUING OPERATIONS	673,068	122,577
EXPENDITURE		
Depreciation expense	(30,375)	(20,434)
Salaries and employee benefits expense	(437,857)	(265,957)
Exploration expenditure	(4,328,499)	(3,584,171)
Corporate expenditure	(275,077)	(184,475)
Occupancy expenditure	(32,058)	(28,233)
Insurance expenditure	(40,229)	(32,418)
Administration costs	(374,750)	(169,046)
Share based payment expense	(81,331)	(10,220)
Other expenses	-	(208,162)
LOSS BEFORE INCOME TAX	(4,927,108)	(4,380,539)
Income tax benefit / (expense)	-	-
LOSS ATTRIBUTABLE TO EQUITY HOLDERS OF MARENGO MINING LIMITED	(4,927,108)	(4,380,539)
Basic and diluted loss per share (cents)	(3.2)	(5.4)

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

MARENGO MINING LIMITED**31 DECEMBER 2007****CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2007**

	31 December 2007 \$	30 June 2007 \$
CURRENT ASSETS		
Cash and cash equivalents	16,556,956	7,171,035
Trade and other receivables	263,445	461,688
TOTAL CURRENT ASSETS	16,820,401	7,632,723
NON-CURRENT ASSETS		
Plant and equipment	326,289	236,534
Exploration assets	7,279,596	6,701,550
TOTAL NON-CURRENT ASSETS	7,605,885	6,938,084
TOTAL ASSETS	24,426,286	14,570,807
CURRENT LIABILITIES		
Trade and other payables	977,084	417,244
Provisions	191,953	154,044
TOTAL CURRENT LIABILITIES	1,169,037	571,288
TOTAL LIABILITIES	1,169,037	571,288
NET ASSETS	23,257,249	13,999,519
EQUITY		
Issued capital	40,794,862	26,875,224
Reserves	1,030,164	764,964
Accumulated losses	(18,567,777)	(13,640,669)
TOTAL EQUITY	23,257,249	13,999,519

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

MARENGO MINING LIMITED**31 DECEMBER 2007****CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
TOTAL EQUITY AT THE BEGINNING OF THE HALF-YEAR	13,999,519	6,229,380
Exchange differences on translation of foreign operations	183,869	235,972
NET INCOME RECOGNISED DIRECTLY IN EQUITY	183,869	235,972
LOSS FOR THE HALF-YEAR	(4,927,108)	(4,380,539)
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE HALF-YEAR ATTRIBUTABLE TO MEMBERS OF MARENGO MINING LIMITED	(4,743,239)	(4,144,567)
Transactions with equity holders in their capacity as equity holders:		
Contributions of equity	15,438,311	15,496,000
Transaction costs	(1,518,673)	(549,625)
Employee share options	-	10,220
Options issued as consideration to broker	81,331	-
Options issued as part consideration to acquire subsidiary	-	690,000
	14,000,969	15,646,595
TOTAL EQUITY AT THE END OF THE HALF-YEAR	23,257,249	17,731,408

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

MARENGO MINING LIMITED**31 DECEMBER 2007****CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

	Half-year	
	2007	2006
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	219,014	-
Payments to suppliers and employees	(1,237,046)	(864,763)
Expenditure on mining interests	(4,009,786)	(3,814,369)
Interest received	426,799	98,026
Net cash used in operating activities	(4,601,019)	(4,581,106)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(119,781)	(73,972)
Payment for subsidiary, net of cash acquired	-	(3,000,000)
Net cash used in investing activities	(119,781)	(3,073,972)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	15,438,311	12,043,500
Payment of share issue costs	(1,332,554)	(357,500)
Funds received in advance of share issue	-	37,500
Net cash provided by financing activities	14,105,757	11,723,500
Net increase in cash and cash equivalents	9,384,957	4,068,422
Cash and cash equivalents at the beginning of the half-year	7,171,035	6,554,474
Effects of exchange rate changes on cash and cash equivalents	964	(6,433)
CASH AND CASH EQUIVALENTS AT THE END OF THE HALF-YEAR	16,556,956	10,616,463

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

MARENGO MINING LIMITED

31 DECEMBER 2007

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 2007 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 2007 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 reporting period.

Since 1 July 2007, the Group has adopted the following Standards and Interpretations mandatory for annual periods beginning on or after 1 January 2007. Adoption of these standards and Interpretations did not have any effect on the financial performance or position of the Group.

- AASB 7 Financial Instruments: Disclosures
- AASB 2005-10 Amendments to Australian Accounting Standards (AASB 132,101,114,117,133,139,1,4, 1023 and 1038)
- ASB 2007-04 Amendments to Australian Accounting Standards arising from ED 151 and other amendments
- AASB 2007-7 Amendments to Australian Accounting Standards (AASB 1, 2, 4, 5, 107 and 108)

Significant Accounting Policy

Exploration, evaluation and feasibility costs

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs and feasibility study costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

Amortisation is not charged on costs carried forward in respect of areas of interest in the development phase until production commences.

MARENGO MINING LIMITED**31 DECEMBER 2007****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)****NOTE 2: SEGMENT INFORMATION****Primary reporting format – geographic segments**

	Australia	Papua New Guinea	Total
	\$	\$	\$
Half-year 2007			
Total segment revenue	673,068	-	673,068
Intersegment elimination			-
Consolidated revenue			673,068
Segment result	(4,743,238)	(4,363,874)	(9,107,112)
Intersegment elimination			4,180,004
Loss before income tax			(4,927,108)
Half-year 2006			
Total segment revenue	122,577	-	122,577
Intersegment elimination			-
Consolidated revenue			122,577
Segment result	(11,682,108)	(3,721,543)	(15,403,651)
Intersegment elimination			11,023,112
Loss before income tax			(4,380,539)

MARENGO MINING LIMITED

31 DECEMBER 2007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 3: CHANGES IN EQUITY SECURITIES ON ISSUE

	2007 Shares	2007 \$	2006 Shares	2006 \$
Issues of ordinary shares during the half-year				
Placement issued at 36 cents per share	41,666,667	15,000,000	-	-
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
Conversion of listed 20 cent options	2,191,556	438,311	30,000	6,000
Transaction costs	-	(1,518,673)	-	(549,625)
	43,858,223	13,919,638	60,550,001	14,946,375

	Number of options	
	2007	2006
Movements of options during the half-year		
Issued, exercisable at 36 cents, on or before 15 February 2009	993,055	-
Listed options issued, exercisable at 20 cents, on or before 28 February 2008	-	6,000,000
Issued, exercisable at 30 cents, on or before 30 November 2008	-	100,000
Listed options exercised at 20 cents	(2,191,556)	(30,000)
Net movement	(1,198,501)	6,070,000

NOTE 4: ACQUISITIONS/DISPOSALS OF BUSINESS AND/OR CONTROLLED ENTITIES

Half-year 2007

There have been no acquisitions/disposals of businesses and/or controlled entities for the period ending 31 December 2007.

Half-year 2006

On 25 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 25 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 2007

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

NOTE 4: ACQUISITIONS/DISPOSALS OF BUSINESS AND/OR CONTROLLED ENTITIES (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	794	-
Security deposit	2,790	-
Incorporation costs	1,207	-
Tenement acquisition and exploration expenditure	88,835	7,050,000
Borrowings	(104,872)	-
Net identifiable assets acquired	(11,246)	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: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the end of reporting date, the following events have occurred:

- On 11 January 2008, the Company issued 130,394 fully paid ordinary shares upon the exercise of 130,394 listed 20 cent options with expiry date of 28 February 2008 raising \$26,078.
- On 30 January 2008, the Company issued 100,177 fully paid ordinary shares upon the exercise of 100,177 listed 20 cent options with expiry date of 28 February 2008 raising \$20,035.

MARENGO MINING LIMITED

31 DECEMBER 2007

DIRECTORS' DECLARATION

In the directors' opinion:

1. the financial statements and notes set out on pages 6 to 13 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 2007 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
Managing Director
Perth, 1 February 2008

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 2007, 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 2007 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 1 February 2008.


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 2007 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)

Stantons International



K G Lingard
Director

West Perth, Western Australia
1 February 2008