Marengo Mining Limited

ABN 57 099 496 474

Annual Financial Report

for the year ended 30 June 2012

Corporate Information

ABN 57 099 496 474

Directors
John Horan (Non Executive Chairman)
Les Emery (Managing Director and Chief Executive Officer)
Douglas Dunnet (Non Executive Director)
Sir Rabbie Namaliu (Non Executive Director)
Susanne Sesselmann (Non Executive Director)
Elizabeth Martin (Non Executive Director)
John Hick (Non Executive Director)

Company Secretaries
John Ribbons
Mark Churchward

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Level 1, 9 Havelock Street
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Facsimile: + 61 8 9429 0099

Postal Address
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AUSTRALIA

Legal Counsel

Australia
Gilbert & Tobin
1202 Hay Street
WEST PERTH WA 6005

Canada
Fraser Milner Casgrain LLP
77 King Street West
TORONTO, ONTARIO, M5X 0A1

Papua New Guinea
Allens
Level 6, Mogoru Moto Building
Champion Parade
PORT MORESBY NCD

Bankers

National Australia Bank Limited
1232 Hay Street
WEST PERTH WA 6005 AUSTRALIA

Westpac Banking Corporation
109 St Georges Terrace
PERTH WA 6000 AUSTRALIA

ANZ Banking Group (PNG) Limited
Harbour City, Poroporena Freeway
PORT MORESBY NCD

Share Registries

Australia
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
PERTH WA 6000
Telephone: 1300 550 839 (Australia)
+ 61 3 9415 4000 (Outside Australia)
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Canada
Computershare Investor Services Inc
510 Burrand Street, 3rd Floor
VANCOUVER, BRITISH COLUMBIA, V6C 3B9
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Papua New Guinea
PNG Registries Ltd
Level 2, AON Haus, MacGregor Street
PORT MORESBY NCD
Telephone: + 675 321 6377
Facsimile: + 675 321 6379

Auditors
PricewaterhouseCoopers
QV1, 250 St Georges Terrace
PERTH WA 6000

Internet Address
www.marengomining.com

Email Address
marengo@marengomining.com

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’.

Contents

Directors' Report

Your directors submit their report on the consolidated entity (referred to hereafter as the Group) consisting of Marengo Mining Limited (the Company or Marengo) and the entities it controlled during the year ended 30 June 2012.

DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. Where applicable, all current and former directorships held in listed public companies over the last three years have been detailed below. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

John Horan, FCPA, FCIS (Non Executive Chairman, Member of Human Resource & Compensation Committee and Corporate Governance & Nominating Committee)

Mr John Horan is a Fellow of CPA Australia, a Fellow of the Chartered Institute of Secretaries in Australia, a Member of the Finance and Treasury Association Limited and a Member of the Australian Mining and Petroleum Law Association. He has many years' experience in the financial, corporate, technical and management areas of the mining industry.

Mr Horan has been a director of a number of mining and exploration companies in Australia and internationally. He is currently a director of Adelaide Resources Limited, listed on Australian Securities Exchange (ASX).

From 1987 until June 1993, Mr Horan was the finance director of Homestake Gold of Australia Limited (now Barrick Gold Corporation), one of Australia's largest gold producers. He first joined Homestake in 1978 and was responsible for financial, commercial and corporate management functions prior to 1987 when he played a substantial role in the float of the Australian subsidiary. He also fulfilled key responsibilities in subsequent very large debt and equity capital raisings. In July 1993, he established Adelaide Resource Management Pty Ltd to provide corporate advisory services to the mining industry.

From the early 1960s until the second half of the 1970s, he held various financial, corporate administrative and management positions in Poseidon Limited and CRA Limited (now Rio Tinto Limited), following initial technical experience in CRA's mining operations at Broken Hill.

Other Current Directorships: Adelaide Resources Limited.

Past Directorships (last 3 years): Nil.

Les Emery, (Managing Director, Member of Health Safety and Environment Committee)

Mr Les Emery has been involved in the Western Australian mining industry for more than 40 years and has experience in exploration, mining and corporate administration. Until June 2001, he was Managing Director of Lynas Corporation Limited (formerly Lynas Gold NL) for 15 years and was instrumental in the transition of that Company from explorer to gold producer with the development of the Lynas Find Gold Mine and the subsequent Paraburdoo Gold Project. In 1999, Mr Emery negotiated the entry of Lynas Corporation into that company's now core business, the Mt Weld rare earths and tantalum/niobium project.

Mr Emery has been an executive or managing director of a number of listed Australian resource companies and has been instrumental in the transition of a number of companies from explorer to producer.

Mr Emery is also a past Vice President and Executive Councillor of the Association of Exploration and Mining Companies Inc (AMEC) and has served as a commissioned officer in the Australian Citizen Military Forces (now Army Reserve).

Other Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

Douglas Dunnet, B.Sc.(Hons), PhD. F.AusIMM (Non Executive Director, Member of Audit and Risk Committee)

Dr Doug Dunnet is a geologist with over 40 years' experience. He has a strong background in management of mining project initiation and development in Australia and North America, including 14 years with the Anaconda (USA) group of companies, culminating as Exploration Manager for the Australian subsidiary during the period 1980-1983. He has extensive experience in the Archaean and Proterozoic rocks of Australia and North America.

In 1984, Dr Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987, he initiated the listing of and became Managing Director of Orion Resources NL and a director of Ranger Minerals Ltd. He was subsequently instrumental in acquiring a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to a market capitalisation of over $130 million, prior to the takeover by Sons of Gwalia NL. This included the successful transition from significant open pit mining to major underground mining operations producing in excess of 100,000 ounces of gold per annum.

Dr Dunnet was formerly Chairman (Non Executive) of Paladin Energy Limited, a listed Australian uranium company.

Other Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

Sir Rabbie Namaliu, GCL, CSM, KCMG, BA, MA, Hon.LLD (Non Executive Director, Chairman of Health Safety and Environment Committee)

Sir Rabbie Namaliu served as Foreign Affairs and Immigration Minister in the Government of Papua New Guinea from August 2002 to July 2006 and Minister for Treasury from July 2006 to August 2007. He served as Prime Minister between 1988-1992 and Speaker of the National Parliament between 1994-1997. He earlier served as Foreign Minister, 1982-1984 and has held several other senior Ministries including Primary Industry, and Petroleum and Energy since his first election to Parliament as MP for Kokopo (East New Britain) in 1982.

As Foreign Minister for Papua New Guinea in 1984, Sir Rabbie was President of the ACP Council of Ministers and Co-President of the ACP-EU Council of Ministers with the Foreign Minister for Ireland. He also chaired the Pacific Islands Forum Ministerial Committee on the proposed amalgamation of the Forum and Pacific Community in 1984, the other members being the Foreign Ministers of New Zealand and Tonga.

Sir Rabbie had a distinguished public service career before entering Parliament. He was Chairman of the Public Services Commission from 1976-1979 and earlier served as Principal Private Secretary to the Chief Minister and then first Prime Minister, Sir Michael Somare from 1974-1975 and in 1976 he served as East New Britain Provincial Commissioner.

He was a Senior Tutor and later Lecturer in History at the University of Papua New Guinea, and was the first Papua New Guinean graduate to be appointed to the University's academic staff.

Sir Rabbie holds a Bachelor of Arts (BA) degree from UPNG, and a Master of Arts (MA) degree from the University of Victoria, British Columbia, Canada and an Honorary Doctorate of Laws (Hon.LLD) from the same University.

Sir Rabbie has been Chancellor of the University of Vudal (PNG) from August 2007.

Other Current Directorships: Bougainville Copper Limited and Kina Asset Management Limited.

Past Directorships (last 3 years): Nil.

Susanne Sesselmann (Non Executive Director)

Ms Sesselmann has 20 years' experience in banking, including 10 years in investment banking and project finance throughout the world. She holds a Bachelor of Arts / Masters Degree in Languages from the University of Innsbruck in Austria and is currently a Director of The Sentient Group, a private equity resource funds group.

The Sentient Group, a major shareholder in Marengo, manages over US$2 billion in the development of quality metal, mineral and energy assets across the globe through its Caymans-based, closed-end private equity Sentient Global Resources Funds. Based in Munich, Germany, Ms Sesselmann headed up the Private Equity Funds Group for asset-based private equity funds at HypoVereinsbank until 2006, having first joined in 1987. As a project manager she was involved in a wide range of projects in Europe, the USA and Australia, where she focused particularly on transactions in the transportation and public private partnership ("PPP") sectors. Since 1998, Ms Sesselmann concentrated on the lead arranging of finance for projects including international airports, various bridge and tunnel projects in France and major highway projects in Portugal.

Other Current Directorships: Nil.

Past Directorships (last 3 years): Nil.

Elizabeth Martin, C.M.A. ICD.D. (Non Executive Director, Chair of Audit and Risk Committee, member of Human Resources and Compensation Committee, and Corporate Governance and Nominating Committee)

Ms Elizabeth Martin is a Toronto based, professional accountant with a strong background in international exploration and mining companies. She is a member of the Institute of Corporate Directors and has held senior and executive management roles in base metal and precious metal companies such as Northgate Mines Inc., Western Mining Corporation Limited, IAMGOLD Corporation and High River Gold Mines Ltd.

Ms Martin is currently on the Board of Aura Minerals Inc. She is past Chair of the Board of St. John's Rehabilitation Hospital and is currently on the board of directors of Sunnybrook Health Sciences Centre, Sunnybrook Research Institute as well as the HealthCare Insurance Reciprocal of Canada, all located in Toronto.

Other Current Directorships: Aura Minerals Inc.

Past Directorships (last 3 years): Nil.

John Hick, B.A, LLB (Non Executive Director, Chair of Human Resources and Compensation Committee, and Corporate Governance and Nominating Committee, member of Health Safety and Environment Committee and Audit and Risk Committee.

Mr John Hick has over 30 years of experience in the mining industry in both senior management positions and as an independent director, during which he has spent the majority of his time based in Toronto, Canada.

He is currently President and CEO of his own consulting company, John W. Hick Consultants Inc., and acts as an independent director of a number of TSX (or TSXV) listed companies.

Previously, Mr. Hick has held either senior management and/or board positions with a number of publically listed Canadian mining companies, including Medoro Resources Ltd., Rio Narcea Gold Mines Ltd, Defiance Mining Corp., Geomaque Explorations Ltd., TVX Gold Inc., Rayrock Resources Inc. and Placer Dome Inc.

Other Current Directorships: Carpathian Gold Inc, Eurotin Inc, First Bauxite Corporation, First Uranium Corporation, Hudson Resources Inc. and St Andrew Goldfields Ltd.

Past Directorships (last 3 years): Aeroquest International Ltd., Medoro Resources Ltd. and Timminco Ltd.

COMPANY SECRETARIES

John Ribbons, B.Bus., CPA, ACIS

Mr Ribbons is an accountant who has worked within the resources industry for over 15 years in the capacity of company accountant, group financial controller or company secretary.

Mr Ribbons has extensive knowledge and experience with ASX listed production and exploration companies. He has considerable site based experience with operating mines and has also been involved with the listing of several exploration companies on ASX. Mr Ribbons has experience in capital raising, ASX compliance and regulatory requirements.

Mark Churchward B. Comm, ACA, ACIS, F. Fin
Mr Churchward is a Chartered Accountant with more than 20 years' experience in finance and commerce with a number of listed mining companies, including Xstrata plc and Normandy Resources NL. Recently, he served for four years as Finance Manager for Ok Tedi Mining Limited, based at the Ok Tedi mine in Papua New Guinea.

Interests in the shares, options and performance rights of the Company

As at the date of this report, the interests of the directors and of the five highest remunerated employees in the shares, options and performance rights of Marengo Mining Limited were:

Directors	Ordinary Shares	Unlisted Options	Unlisted Performance Rights
John Horan	1,360,000	1,250,000	500,000
Les Emery	5,935,000	1,500,000	750,000
Douglas Dunnet	567,869	500,000	500,000
Sir Rabbie Namaliu	210,200	1,000,000	500,000
Susanne Sesselmann	184,000	500,000	500,000
Elizabeth Martin	-	500,000	500,000
John Hick	-	500,000	500,000

PRINCIPAL ACTIVITIES

During the year, the Group continued to carry out exploration on its tenements or tenements in which it has an interest and applied for or acquired additional tenements with the objective of identifying economic mineral deposits. The Group's main focus, during the year, was on progressing a Feasibility Study on the Yandera Copper-Molybdenum-Gold Project in Papua New Guinea.

DIVIDENDS

No dividends were paid or declared during the financial year (2011: Nil). No recommendation for payment of dividends has been made (2011: Nil).

FINANCIAL AND OPERATING REVIEW

Financial Review

The Group began the financial year with cash and cash equivalents including term deposits of $57,324,000 (2011: $6,984,000). During the year, the Company raised an additional $865,000 (2011: $86,505,000), gross of costs, by way of conversion of unlisted warrants. Funds were used to actively advance the Group's projects located in Papua New Guinea.

The Group has recorded an operating loss after income tax for the year ended 30 June 2012 of $2,855,000 (2011: $4,313,000).

At 30 June 2012, working capital totalled $4,299,000 (2011: $54,140,000).

Operating Results for the Year

Summarised operating results are as follows:

	Notes	2012 Revenues $'000	2012 Net Loss after tax $'000
Geographic segments			
Australia	3	1,767	(44,762)
Papua New Guinea		7	(650)
Consolidation eliminations		-	42,557
Consolidated entity revenues and loss before income tax expense		1,774	(2,855)

Shareholder Returns	2012	2011
Basic and diluted loss per share (cents)	(0.28)	(0.51)

Further information on the Group's activities during the year is contained in the detailed Review of Activities section at the front of the Annual Report.

Risk Management

The Board of Directors (the Board) is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Audit and Risk Committee of the Board is specifically mandated to look at risks affecting the Company and advise the Board thereon.

The Board has a number of mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified by the Board. These include the following:

- The Board approves all strategies, which encompasses strategy statements designed to meet stakeholders' needs and manage business risk.
- Implementation of Board-approved operating plans and budgets and Board monitoring of progress against these plans and budgets.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed in this Annual Report, no significant changes in the state of affairs of the Group occurred during the financial year.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

(a) On 12 July 2012, the Company completed an equity raising on the Toronto Stock Exchange (TSX) raising gross proceeds of CAD 20,000,000 by issuing 133,333,333 ordinary shares at an issue price of CAD 0.15 per share.

(b) On 21 August 2012, the Company announced that it had entered into an agreement to acquire 18 hectares of industrial wharf land at the port of Madang.

(c) On 6 September 2012, the Company allotted 37,400,000 performance rights to directors and employees pursuant to a Plan approved by shareholders in September 2011.

The financial effect, if any, of the above transactions has not been reflected in the consolidated financial statements.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations during the next 12 months.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group is subject to significant environmental regulation under the Papua New Guinea Environment Act with respect to its exploration activities.

The Group aims to ensure the appropriate standard of environmental care is achieved and, in doing so, as far as it is aware is in compliance with all environmental legislation. The directors of the Group are not aware of any breach of environmental legislation for the year under review.

REMUNERATION REPORT

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Principles used to determine the nature and amount of remuneration

Remuneration Policy

The remuneration policy of the Group has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

- All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.
- Executives are also eligible to participate in the employee share, option and performance rights plans.
- The Australian based directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued and expensed. Options are valued using the Black-Scholes option pricing model.
- The Board policy is to remunerate non executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non executive directors is subject to approval by shareholders at the Annual General Meeting (currently $500,000 in the aggregate). Fees for non executive directors are not linked to the performance of the Group. To align directors' interests with shareholder interests however, the directors are encouraged to hold shares in the Company.

Performance based remuneration

The Company currently has no performance based remuneration component built into director and executive remuneration packages.

Company performance, shareholder wealth and directors' and executives' remuneration

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors' and executives' performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of directors' and executives' interests in options at year end, refer to note 18 of the consolidated financial statements.

The company's losses and the closing share price over the past four years has been set out below:

	30 June 2012	30 June 2011	30 June 2010	30 June 2009
Net Loss after tax ($'000)	2,855	4,310	3,718	2,370
Loss per share ($)	0.28	0.51	0.81	0.88
Closing share price ($)	0.14	0.26	0.08	0.14

Details of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 *Related Party Disclosures*) and specified executives of the Company and the Group are set out in the following table.

The key management personnel of the Company and the Group include the directors and company secretary as per pages 3 to 5 and the following executive officers who have authority and responsibility for planning, directing and controlling the activities of the Group:

Bernard Bent (Appointed June 2011 and resigned December 2011)	*Project Director*
Mark Churchward (Appointed September 2011)	*Chief Financial Officer*
Craig McGown	*Vice President – Corporate Development*
Grant Calderwood (Resigned July 2011)	*Operations Manager*
Peter Dendle	*Project Manager*
Dean Richardson (Appointed August 2011)	*Vice President – Investor Relations*

Given the size and nature of operations of the Group, there are no other employees who are required to have their remuneration disclosed in accordance with the *Corporations Act 2001*.

Key management personnel and other executives of Marengo Mining Limited and the Group

	Short-Term		Post Employment	Long-term	Share-based Payments	Total	Remuneration consisting of Options (2)
	Salary & Fees (1)	Non Monetary	Super-annuation	Long Service Leave	Options		
	$	**$**	**$**	**$**	**$**	**$**	**%**
Directors							
John Horan							
2012	**115,500**	**5,316**	**-**	**-**	**7,075**	**127,891**	**5.5**
2011	96,600	4,407	-	-	15,629	116,636	13.4
Les Emery							
2012	**563,275**	**23,816**	**44,286**	**88,507**	**8,490**	**728,374**	**1.2**
2011	456,384	16,615	44,296	88,134	18,755	624,184	3.0
Douglas Dunnet							
2012	**24,200**	**5,316**	**38,800**	**-**	**2,830**	**71,146**	**4.0**
2011	52,500	4,407	4,725	-	6,252	67,884	9.2
Sir Rabbie Namaliu							
2012	**63,000**	**5,316**	**-**	**-**	**5,660**	**73,976**	**7.7**
2011	57,225	4,407	-	-	12,504	74,136	16.9
Susanne Sesselmann							
2012	**63,000**	**5,316**	**-**	**-**	**2,830**	**71,146**	**4.0**
2011	57,225	4,407	-	-	6,252	67,884	9.2
Elizabeth Martin							
2012	**63,000**	**5,316**	**-**	**-**	**2,830**	**71,146**	**4.0**
2011	57,225	4,407	-	-	6,252	67,884	9.2
John Hick							
2012	**63,000**	**5,316**	**-**	**-**	**2,830**	**71,146**	**4.0**
2011	57,225	4,407	-	-	6,252	67,884	9.2
Other key management personnel							
Bernard Bent (Appointed June 2011 and resigned December 2011)							
2012	**425,756**	**-**	**38,318**	**-**	**-**	**464,074**	**-**
2011	19,500	-	1,755	-	-	21,255	-
Mark Churchward (Appointed September 2011)							
2012	**192,307**	**-**	**17,307**	**-**	**-**	**209,614**	**-**
2011	-	-	-	-	-	-	-
Craig McGown							
2012	**396,000**	**-**	**-**	**-**	**6,002**	**402,002**	**1.5**
2011	215,000	-	-	-	13,394	228,394	5.9
Grant Calderwood (Resigned July 2011)							
2012	**235,104**	**-**	**2,938**	**-**	**1,881**	**239,923**	**0.8**
2011	422,130	-	37,992	-	2,936	463,058	0.6
Peter Dendle							
2012	**293,272**	**-**	**43,023**	**-**	**1,460**	**337,755**	**0.4**
2011	300,000	-	27,000	-	2,936	329,936	0.9
John Ribbons (3)							
2012	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2011	-	-	-	-	-	-	-
Dean Richardson (Appointed August 2011)							
2012	**148,173**	**-**	**12,438**	**-**	**-**	**160,611**	**-**
2011	-	-	-	-	-	-	-
Total key management personnel compensation							
2012	**2,645,587**	**55,712**	**197,110**	**88,507**	**41,888**	**3,028,804**	**1.4**
2011	1,791,014	43,057	115,768	88,134	91,162	2,129,135	4.3

(1) Includes cash salary payments and time off in lieu entitlements, where applicable.
(2) The percentage of the value of remuneration consisting of options, based on the value of the at risk portion of options expensed during the year.
(3) Mr Ribbons is an employee of DW Corporate Pty Limited. The aggregate fees paid to DW Corporate were $125,797 (2011: $181,558) being for the provision of Chief Financial Officer and Company Secretarial services.

Service agreements

The details of service agreements of the key management personnel and directors as applicable of the Company are as follows:

John Horan, Chairman (Non Executive):

- Term of agreement – expiring on 1 September 2015.
- A fee for the year ended 30 June 2012 of $105,000, to be reviewed annually by the Board.
- Payment of termination benefit on early termination by the Company, other than for gross misconduct, equal to the fee for the remaining term of the agreement

Les Emery, Managing Director and Chief Executive Officer:

- Term of agreement – expiring on 1 September 2013.
- Base annual salary of $493,000 plus a superannuation contribution of $44,000 to be reviewed annually by the board.
- Mr Emery is also to be provided with a fully maintained Company motor vehicle with a deemed value of $18,500 per annum.
- The Company may terminate Mr Emery's employment for any reason upon providing two months' notice to Mr Emery in writing. In this case, Mr Emery is entitled to be paid, as liquidated damages and without deduction, a termination benefit equal to three years' base salary which will include any payments in lieu of the minimum notice period required by law.

Mark Churchward, Chief Financial Officer:

- Term of agreement – no fixed term commencing 12 September 2011.
- Base annual salary of $290,000 plus a superannuation contribution of $26,000 to be reviewed annually. Four weeks' annual leave and two weeks' sick leave per annum.
- Either party may terminate the agreement by providing four weeks' written notice.

Craig McGown, Vice President – Corporate Development:

- Term of agreement – no fixed term commencing 1 March 2010.
- Monthly consulting fees of $30,000 for a time commitment of not less than 40 hours per week.
- Either party may terminate the agreement by providing three months' written notice.

Peter Dendle, Project Manager:

- Term of agreement – no fixed term commencing 7 November 2005.
- Base annual salary of $320,000 plus a superannuation contribution of $28,000 to be reviewed annually. Four weeks' annual leave and two weeks sick leave per annum.
- The Company may terminate at 12 months' notice, other than for gross misconduct. The employee may terminate the contract by providing three months' written notice.

Dean Richardson, Vice President-Investor Relations:

- Term of agreement – no fixed term commencing 18 August 2011.
- Base annual salary of $170,000 plus a superannuation contribution of $15,309 to be reviewed annually. Four weeks' annual leave and two weeks' sick leave per annum.
- Either party may terminate the agreement by providing four weeks' written notice.

Options are issued to directors and executives as part of their remuneration. The options are not issued based on performance criteria, but are issued to the majority of directors and executives of the Company to increase goal congruence, that affects remuneration in the current or a future reporting period, between executives, directors and shareholders. The following options were granted to key management personnel in prior years that affect remuneration in the current or a future reporting period:

On 15 August 2008, the Company granted 5,750,000 options to Directors as per the table below with 20% of the options granted vesting immediately and 20% vesting each year on the anniversary of the grant date.

On 18 August 2008, the Company granted 500,000 options to key management person Peter Dendle with 20% vesting immediately and 20% vesting each year on the anniversary of the grant date.

On 25 March 2010, the Company granted 650,000 options to key management person Craig McGowan with 200,000 vesting immediately and 150,000 vesting each year on the anniversary of the grant date.

	Grant Date	Number Granted	Expiry Date	Exercise Price (cents)	Value per option at grant (cents)	Vested Balance	Vested during the fiscal year
Directors							
John Horan	15/08/2008	1,250,000	15/08/2013	50	9.7	1,000,000	250,000
Les Emery	15/08/2008	1,500,000	15/08/2013	50	9.7	1,200,000	300,000
Douglas Dunnet	15/08/2008	500,000	15/08/2013	50	9.7	400,000	100,000
Sir Rabbie Namaliu	15/08/2008	1,000,000	15/08/2013	50	9.7	800,000	200,000
Susanne Sesselmann	15/08/2008	500,000	15/08/2013	50	9.7	400,000	100,000
Elizabeth Martin	15/08/2008	500,000	15/08/2013	50	9.7	400,000	100,000
John Hick	15/08/2008	500,000	15/08/2013	50	9.7	400,000	100,000
Other Key Management Personnel							
Craig McGown	25/03/2010	650,000	31/03/2015	25	5.7	500,000	150,000
Peter Dendle	18/12/2008	500,000	18/12/2013	25	3.6	400,000	100,000

There were no ordinary shares issued upon exercise of remuneration options to directors or other key management personnel of the Company during the year. No previously granted options lapsed during the current year.

DIRECTORS' MEETINGS

During the year, the Company held 12 meetings of directors. The attendance of directors at meetings of the Board is set out below:

	Directors' Meetings		Audit and Risk Committee Meetings		Human Resources and Compensation Committee Meetings		Health, Safety and Environment Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
John Horan	12	12	5	5	2	2	*	*
Les Emery	11	12	*	*	*	*	2	2
Douglas Dunnet	12	12	5	5	*	*	*	*
Sir Rabbie Namaliu	12	12	*	*	*	*	2	2
Susanne Sesselmann	9	12	*	*	*	*	*	*
Elizabeth Martin	11	12	4	5	1	2	*	*
John Hick	10	12	*	*	2	2	2	2

Notes

A - Number of meetings attended.

B - Number of meetings held during the time the director held office or was a member of the Committee during the year.

* - Not a member of the relevant Committee.

Subsequent to year-end, the Board has established an additional committee - a Corporate Governance & Nominating Committee.

The members of the Committee are John Horan, John Hick and Elizabeth Martin.

SHARES UNDER OPTION

At the date of this report, there are 9,650,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	24,012,300
Movements of share options during the year	
Issued, exercisable at 19 cents, on or before 11 November 2016	225,000
Issued, exercisable at 24 cents, on or before 24 February 2017	275,000
Exercised at C8.6 cents	(7,331,250)
Cancelled (25 cents)	(160,000)
Cancelled (19 cents)	(50,000)
Cancelled (22 cents)	(100,000)
Cancelled (32 cents)	(100,000)
Cancelled (25 cents)	(75,000)
Cancelled (25 cents)	(500,000)
Cancelled (25 cents)	(125,000)
Total number of options outstanding as at 30 June 2012	**16,071,050**
Movements of share options subsequent to 30 June 2012	
Exercised at C8.4 cents	(642,105)
Expired at C8.4 cents	(5,778,945)
Total number of options outstanding as at the date of this report	**9,650,000**

The balance is comprised of the following:

Expiry date	Exercise price (cents)	Number of options
11 August 2013	C8.4	6,421,050
15 August 2013	50	5,750,000
18 December 2013	25	1,300,000
31 March 2014	25	350,000
30 November 2014	25	275,000
22 March 2015	25	125,000
31 March 2015	25	650,000
25 October 2015	22	350,000
23 February 2016	32	400,000
10 November 2016	19	175,000
24 February 2017	24	275,000
Total number of options outstanding at the date of this report		**16,071,050**

No person entitled to exercise any option referred to above has or had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Included in these options were options granted as remuneration to the directors and the five most highly remunerated officers during the year. Details of options granted to key management personnel is disclosed on page 8 above. In addition, amongst the five highest remunerated officers, an officer not disclosed as amongst key management personnel currently holds 500,000 options.

SHARES ISSUED ON THE EXERCISE OF OPTIONS

The following ordinary shares of the Company were issued during the year ended 30 June 2012, and to the date of this report, on the exercise of options. No amounts are unpaid on any of the shares.

Date options granted	Issue price (cents)	Number of shares issued
31 August 2009	C8.6	7,331,250

SHARES UNDER WARRANTS

At the date of this report, there are 56,860,750 unissued ordinary shares in respect of which warrants are outstanding.

Total number of warrants outstanding as at the date of this report

Expiry Date	Exercise price (cents)	Number of warrants
11 August 2013	C11.6	56,860,750

SHARES ISSUED ON THE EXERCISE OF WARRANTS

Date warrants granted	Issue price of shares (cents)	Number of shares issued
12 August 2010	C11.6	1,345,050

SHARES UNDER PERFORMANCE RIGHTS

At the date of this report, there are 37,400,000 unissued ordinary shares in respect of which performance rights are outstanding.

	Number of performance rights issued
Balance at the beginning of the year	-
Movements of performance rights during the year	
Issued during the year	-
Total number of performance rights outstanding as at 30 June 2012	**-**
Movements of performance rights subsequent to 30 June 2012	
Allotted on 6 September 2012	37,400,000
Total number of performance rights outstanding as at the date of this report	**37,400,000**

INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company paid premiums insuring all the directors of the Company against costs incurred in defending proceedings for conduct involving:

(a) a wilful breach of duty; or

(b) a contravention of sections 182 or 183 of the *Corporations Act 2001*,

as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was $45,000 (2011: $35,000).

NON-AUDIT SERVICES

During the year, the Company changed auditor from Stantons International to PricewaterhouseCoopers. The directors are satisfied that the provision of non-audit services by the Company's auditors is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* and did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit and Risk Committee to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

Stantons International, PricewaterhouseCoopers or associated entities received or are due to receive the following amounts for the provision of non-audit services:

	2012 $	2011 $
PricewaterhouseCoopers – Prospectus review	**63,601**	-
PricewaterhouseCoopers – Taxation services	**119,446**	-
Stantons International - Prospectus review	**11,043**	10,070
	194,090	10,070

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

ROUNDING

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

Signed in accordance with a resolution of the directors.

L S G Emery
Managing Director
Perth, 21 September 2012

Auditor's Independence Declaration

As lead auditor for the audit of Marengo Mining Limited for the year ended 30 June 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 audit; and

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

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

Pierre Dreyer
Partner
PricewaterhouseCoopers

Perth
21 September 2012

PricewaterhouseCoopers, ABN 52 780 433 757
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Corporate Governance Statement

The Board of Directors

The Company's constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

As and if the Company's activities increase in size, nature and scope, the size of the Board will be reviewed periodically, and as circumstances demand. The optimum number of directors required to adequately supervise the Company's constitution will be determined within the limitations imposed by the constitution.

The membership of the Board, its activities and composition, are subject to periodic review. The criteria for determining the identification and appointment of a suitable candidate for the Board shall include quality of the individual, background of experience and achievement, compatibility with other Board members, credibility within the Company's scope of activities, intellectual ability to contribute to the Board's duties and physical ability to undertake the Board's duties and responsibilities.

Directors are initially appointed by the full Board subject to election by shareholders at the next general meeting. Under the Company's constitution the tenure of a director (other than managing director) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. Subject to the requirements of the *Corporations Act 2001*, the Board does not subscribe to the principle of retirement age and there is no maximum period of service as a director. A managing director may be appointed for any period and on any terms the directors think fit and, subject to the terms of any agreement entered into, may revoke any appointment.

The Board has constituted separate committees for: Audit and Risk; Human Resources and Compensation; Health, Safety and Environment; and Corporate Governance and Nominations. The Committees each operate according to their own charter and provide recommendations for the consideration of the full Board as required. Directors are appointed to the committees, from time to time, as the Board considers necessary.

Role of the Board

The Board's primary role is the protection and enhancement of long-term shareholder value.

To fulfil this role, the Board is responsible for oversight of management and the overall corporate governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

Appointments to Other Boards

Directors are required to take into consideration any potential conflicts of interest when accepting appointments to other boards.

Independent Professional Advice

The Board has determined that individual directors have the right in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to directors' rights and duties, the engagement of an outside adviser is subject to prior approval of the Chairman and this approval will not be withheld unreasonably.

ASX Principles of Good Corporate Governance

The Board has reviewed its current practices in light of the ASX Corporate Governance Principles and Recommendations with a view to making amendments where applicable after considering the Company's size and the resources it has available.

As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of any additional formal corporate governance committees will be given further consideration.

The Board has adopted the Recommendations, and the following table sets out the Company's present position in relation to each of the revised Principles.

Corporate Governance Statement (continued)

	ASX Principle	Status	Reference/comment
Principle 1:	**Lay solid foundations for management and oversight**		
1.1	Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions	**A**	Matters reserved for the Board are included in its Corporate Governance Statement on the Company's website.
1.2	Companies should disclose the process for evaluating the performance of senior executives	**A**	Performance evaluation of senior executives is the responsibility of the Human Resources and Compensation Committee. Details of the Human Resources and Compensation Committee are contained in the Corporate Governance Statement on the Company's website.
1.3	Companies should provide the information indicated in the Guide to reporting on Principle 1	**A**	
Principle 2:	**Structure the Board to add value**		
2.1	A majority of the Board should be independent directors	**A**	The Board comprises seven directors, six of whom are non executive and five of whom are independent.
2.2	The chair should be an independent director	**A**	The Chair is classified as independent for ASX purposes, however is not regarded as independent for Canadian regulatory purposes.
2.3	The roles of chair and chief executive officer should not be exercised by the same individual	**A**	
2.4	The Board should establish a nomination committee	**A**	The Company has formulated a Corporate Governance and Nominating Committee Charter, whose Charter can be viewed on the Company's website.
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors	**A**	Performance evaluation of the Board is the responsibility of the Corporate Governance and Nominating Committee.
2.6	Companies should provide the information indicated in the Guide to reporting on Principle 2	**A**	The skills and experience of directors are set out in the Company's Annual Report and on the Company's website.
Principle 3:	**Promote ethical and responsible decision-making**		
3.1	Companies should establish a code of conduct and disclose the code or a summary of the code as to: • the practices necessary to maintain confidence in the Company's integrity • the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders • the responsibility and accountability of individuals for reporting and investigating reports of unethical practices	**A**	The Company has formulated a Code of Conduct, which can be viewed on the Company's website.

A = Adopted

N=Not Adopted

Corporate Governance Statement (continued)

	ASX Principle	Status	Reference/comment
3.2	Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include measurable objectives for achieving gender diversity	A	The Company has adopted a Diversity Policy which can be viewed on its website. The Company recognises that a diverse and talented workforce is a competitive advantage and encourages a culture that embraces diversity. Given the Company's size and stage of development, the Board does not think that it is yet appropriate to state measurable objectives for achieving gender diversity. As the Company grows and requires more employees, the Company will review this policy and amend as appropriate.
3.3	Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them	N	The Company has adopted a Diversity Policy which can be viewed on its website. However, the policy does not include requirements for the Board to establish measurable objectives for achieving gender diversity. Given the Company's size and stage of development the Board does not think it is yet appropriate to include measurable objectives in relation to gender.
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the Board	A	There are two women, out of seven, on the Board. There is one woman, out of eight, in senior executive positions. From a total of approximately 250 permanent employees (excluding directors), the percentage of female employees is 16%.
3.5	Companies should provide the information indicated in the Guide to reporting on Principle 3	A	
Principle 4:	**Safeguard integrity in financial reporting**		
4.1	The Board should establish an audit committee	A	
4.2	The audit committee should be structured so that it:	A	
	• consists only of non-executive directors	A	
	• consists of a majority of independent directors	A	
	• is chaired by an independent chair, who is not chair of the Board	A	
	• has at least three members	A	
4.3	The audit committee should have a formal charter	A	The Company has formulated an Audit and Risk Committee Charter, which can be viewed on the Company's website.
4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4	A	

A = Adopted
N=Not Adopted

Corporate Governance Statement (continued)

	ASX Principle	Status	Reference/comment
Principle 5:	**Make timely and balanced disclosure**		
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies	**A**	The Company has formulated a continuous disclosure policy, which can be viewed on the Company's website.
5.2	Companies should provide the information indicated in the Guide to reporting on Principle 5	**A**	The Board receives monthly updates on the status of the Company's activities and any new or proposed activities. Disclosure is reviewed as a routine agenda item at each Board meeting.
Principle 6:	**Respect the rights of shareholders**		
6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy	**A**	In line with adherence to continuous disclosure requirements of ASX, all shareholders are kept informed of major developments affecting the Company. This disclosure is through regular shareholder communications including Annual Reports, Half Yearly Reports, Quarterly Reports, the Company website and the distribution of specific releases covering major transactions and events or other price sensitive information.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6	**A**	The Company has formulated a Shareholder Communication Policy as part of the Corporate Governance Statement which can be viewed on the Company's website.
Principle 7:	**Recognise and manage risk**		
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies	**A**	The Company has expended the mandate of the Audit Committee to now include risk matters. The Committee reviews significant business risks and ensures that arrangements are in place for adequately managing these risks. A risk management culture is encouraged amongst employees and contractors. Determined areas of risk which are regularly considered include: • performance and funding of exploration activities • budget control and asset protection • status of mineral tenements • land access and native title considerations • compliance with Government laws and regulations • safety and the environment • continuous disclosure obligations • sovereign risk • share market conditions.

A=Adopted
N=Not Adopted

Corporate Governance Statement (continued)

	ASX Principle		Reference/Comment
7.2	The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks	**N**	While the Company does not have formalised policies on risk management it recognises its responsibility for identifying areas of significant business risk and for ensuring that arrangements are in place for adequately managing these risks. This issue is regularly reviewed at Board meetings and risk management culture is encouraged amongst employees and contractors.
7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks	**A**	
7.4	Companies should provide the information indicated in the Guide to reporting on Principle 7	**N**	
Principle 8:	**Remunerate fairly and responsibly**		
8.1	The Board should establish a remuneration committee	**A**	The Company has established a Human Resources and Compensation Committee that performs the functions of a remuneration committee, which has a formal charter that can be viewed on the Company's website.
8.2	The remuneration committee should be structured so that it: • consists of a majority of independent directors; • is chaired by an independent director; and • has at least 3 members	**A**	The Company has established a Human Resources and Compensation Committee that performs the function of a remuneration committee.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives	**A**	Refer to the Remuneration Report in the Company's Annual Report.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8	**A**	Refer to the Remuneration Report in the Company's Annual Report.

A = Adopted
N = Not adopted

Consolidated Statement of Comprehensive Income

YEAR ENDED 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
REVENUE FROM OPERATIONS			
Interest	4	**1,774**	1,841
Other income	4	**486**	-
EXPENDITURE			
Administration expenses		**(1,173)**	(654)
Corporate expenses		**(1,264)**	(1,657)
Depreciation	11	**(298)**	(240)
Exploration expenses	12	**(7)**	(306)
Insurance expenses		**(316)**	(217)
Net foreign exchange losses		**(78)**	(1,578)
Occupancy expenses		**(377)**	(254)
Salaries and employee benefits expense		**(1,482)**	(960)
Share-based payment expense	28(b)	**(120)**	(285)
LOSS BEFORE INCOME TAX		**(2,855)**	(4,313)
INCOME TAX EXPENSE	6	**-**	-
LOSS AFTER INCOME TAX	16(b)	**(2,855)**	(4,313)
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations	16(a)	**19,929**	(656)
Other comprehensive income/(loss) for the year, net of tax		**19,929**	(656)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF MARENGO MINING LIMITED		**17,074**	(4,969)
Basic and diluted loss per share (cents per share)	27	**(0.28)**	(0.51)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Balance Sheet

AS AT 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	7	**989**	10,004
Investments – term deposits	8	**10,200**	47,320
Trade and other receivables	9	**726**	1,688
TOTAL CURRENT ASSETS		**11,915**	59,012
NON-CURRENT ASSETS			
Other financial assets	10	**-**	515
Plant and equipment	11	**1,372**	971
Exploration and evaluation	12	**153,431**	86,742
TOTAL NON-CURRENT ASSETS		**154,803**	88,228
TOTAL ASSETS		**166,718**	147,240
CURRENT LIABILITIES			
Trade and other payables	13	**6,597**	3,893
Provisions	14	**1,019**	979
TOTAL CURRENT LIABILITIES		**7,616**	4,872
TOTAL LIABILITIES		**7,616**	4,872
NET ASSETS		**159,102**	142,368
EQUITY			
Contributed equity	15	**159,108**	158,569
Reserves	16(a)	**18,658**	(392)
Accumulated losses	16(b)	**(18,664)**	(15,809)
TOTAL EQUITY		**159,102**	142,368

The above Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

YEAR ENDED 30 JUNE 2012	Notes	Contributed Equity $'000	Options and Share Based Payments Reserve $'000	Foreign Currency Translation Reserve $'000	Accumulated Losses $'000	Total $'000
BALANCE AT 1 JULY 2010		78,110	2,125	(2,415)	(11,496)	66,324
Loss after income tax	16(b)	-	-	-	(4,313)	(4,313)
Other comprehensive loss	16(a)	-	-	(656)	-	(656)
TOTAL COMPREHENSIVE LOSS		-	-	(656)	(4,313)	(4,969)
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	15	86,505	-	-	-	86,505
Share transaction costs	15	(6,046)	-	-	-	(6,046)
Employees and consultants share options	16(a)	-	554	-	-	554
BALANCE AT 30 JUNE 2011		158,569	2,679	(3,071)	(15,809)	142,368
Loss after income tax	16(b)	-	-	-	(2,855)	(2,855)
Other comprehensive income	16(a)	-	-	19,929	-	19,929
TOTAL COMPREHENSIVE LOSS		-	-	19,929	(2,855)	17,074
TRANSACTIONS WITH OWNERS IN THEIR CAPACITY AS OWNERS						
Shares issued during the year	15	865	-	-	-	865
Share transaction costs	15	(326)	-	-	-	(326)
Employees and consultants share options	16(a)	-	(879)	-	-	(879)
BALANCE AT 30 JUNE 2012		159,108	1,800	16,858	(18,664)	159,102

The above Consolidated Statement of Changes in Equity should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

YEAR ENDED 30 JUNE 2012

	Notes	2012 $'000	2011 $'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		**(4,697)**	(3,130)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	26	**(4,697)**	(3,130)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in term deposits		**37,120**	(42,120)
Interest received		**2,597**	965
Proceeds on sale of plant and equipment		**-**	4
Payments for plant and equipment		**(565)**	(461)
Payments for Feasibility Study expenses		**(44,221)**	(27,750)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		**(5,069)**	(69,362)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issues of ordinary shares		**865**	86,505
Payment of share issue costs		**(326)**	(5,777)
NET CASH INFLOW FROM FINANCING ACTIVITIES		**539**	80,728
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(9,227)**	8,236
Cash and cash equivalents at the beginning of the financial year		**10,004**	1,782
Effects of exchange rate changes on cash and cash equivalents		**212**	(14)
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR	7	**989**	10,004

The above Consolidated Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the consolidated entity consisting of Marengo Mining Limited and its subsidiaries. The consolidated financial statements are presented in the Australian currency. Marengo Mining Limited is a company limited by shares, domiciled and incorporated in Australia. The consolidated financial statements were authorised for issue by the directors on 20 September 2012. The directors have the power to amend and reissue the consolidated financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Marengo Mining is a for-profit entity for the purposes of preparing the consolidated financial statements.

Compliance with IFRS

The consolidated financial statements of the Group comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Going Concern

During the year ended 30 June 2012, the Group recorded a loss of $2,855,000 (2011: $4,313,000) and had net outflows from operations of $4,697,000 (2011: $3,130,000). The Group also incurred expenditure of $44,221,000 (2011: $27,750,000) on the ongoing feasibility study being undertaken at the Yandera Project. The Group had available cash and term deposits of $11,189,000 (2011: $57,324,000) at 30 June 2012 and subsequent to year end had raised approximately $18,100,000 (net of expenses) via an equity raising, with on-going expenditure relating to:

- finalising the Company's feasibility study;
- advancing the Company'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 financial statements, the Group is a going concern and, as a result, the financial report for the year ended 30 June 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.

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Marengo Mining Limited as at 30 June 2012 and the results of all subsidiaries for the year then ended. Marengo Mining Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all of those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer note 1(h)).

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated profit and loss, consolidated statement of changes in equity and consolidated balance sheet respectively.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Principles of consolidation (Continued)

(ii) Joint ventures

The proportionate interests in the assets, liabilities and expenses of joint venture activities have been incorporated in the consolidated financial statements under the appropriate headings. Details of the joint ventures are set out in note 24.

(iii) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Marengo Mining Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly controlled entity or associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the full Board of Directors.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (‘the functional currency’). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Translation differences on financial assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;
- income and expenses for each profit and loss and statement of comprehensive income are translated at average exchange rates (unless that is not a reasonable approximation of the cumulative effect of the exchange rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange rate differences are recognised in other comprehensive income.

On consolidation, exchange rate differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange rate differences is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing exchange rate.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Revenue recognition

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial assets.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. The deferred income tax, however, is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Leases of plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The plant and equipment acquired under finance leases is depreciated over the shorter of the asset's useful life and the lease term.

Leases where a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 21(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition by acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Company's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

(i) Impairment of assets

Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Cash and cash equivalents

For the statement of cash flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value, and bank overdrafts.

(k) Trade and other receivables

Receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method less a provision for impairment. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

(l) Investments and other financial assets

Classification

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than twelve months after the reporting date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated balance sheet.

(iii) Available-for-sale financial assets

Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within twelve months of the reporting date. Investments are designated available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long term.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Investments and other financial assets (Continued)

(i) Financial assets – reclassification

The Group may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables and held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

(ii) Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed to the profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in equity are included in the profit and loss as gains and losses from investment securities.

(iii) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the profit and loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in equity. Changes in the fair value of other monetary and non-monetary securities classified as available-for-sale are recognised in equity.

Details on how the fair value of financial investments is determined are disclosed in note 2(d).

(iv) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the profit and loss. Impairment losses recognised in the profit and loss on equity instruments classified as available-for-sale are not reversed through the profit and loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit and loss.

Notes to the Consolidated Financial Statements (continued)
30 JUNE 2012

(m) Plant and equipment

All plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to the profit and loss during the reporting period in which they are incurred.

Depreciation of plant and equipment is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term. The rates vary between 5% and 40% per annum.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(i)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss.

(n) Exploration and evaluation

Exploration and evaluation costs are capitalised under AASB 6 *Exploration for and evaluation of Mineral Resources*. Mineral interest acquisition, exploration, evaluation and feasibility expenditure incurred is accumulated and capitalised in relation to each identifiable area of interest. Accumulated costs 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 activities in the area of interest have not yet reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect to 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 until production has commenced.

(o) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid. The amounts are unsecured, non-interest bearing and are paid on normal commercial terms. They are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

(p) Employee benefits

(i) Wages and salaries, annual leave and long service leave

Provision is made for employee benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee benefits expected to be settled within twelve months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. All other employee benefit liabilities not expected to be settled within 12 months after year end are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(ii) Share-based payments

The Group provides benefits to employees (including directors) of the Group in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares ('equity-settled transactions'), refer to note 28. The cost of these equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired; and (ii) the number of options that, in the opinion of the directors of the Group, will ultimately vest. This opinion is formed based on the best available information at reporting date. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.
Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

(q) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(r) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(t) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2012 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) 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).

Notes to the Consolidated Financial Statements (continued)
30 JUNE 2012

(t) New accounting standards and interpretations (Continued)
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.

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.

AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. The affects of the application of this standard by the group has not been considered.

(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.

(u) Critical accounting judgements, estimates and assumptions
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

(i)Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 28.

(ii) Exploration and evaluation costs

Exploration and evaluation costs are accumulated and capitalised in relation to each identifiable area of interest where right of tenure of the area of interest is current and the area of interest has not, at reporting date, reached a stage that permits reasonable assessment of the existence or otherwise of economically recoverable reserves. In the event that tenure is relinquished and/or economically recoverable resources are not assessed as being present, this expenditure will be expensed to profit and loss.

(v) Parent entity financial information

The financial information for the parent entity, Marengo Mining Limited, disclosed in note 29, has been prepared on the same basis as the consolidated financial statements as set out below:

(i)Investment in subsidiaries and joint venture entities
Investments in subsidiaries and joint venture entities are accounted for at cost in the financial statements of Marengo Mining Limited.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

Risk management is carried out by the full Board of Directors as the Group believes that it is crucial for all Board members to be involved in this process. The Managing Director, with the assistance of senior management as required, has responsibility for identifying, assessing, treating and monitoring risks and reporting to the Board on risk management.

(a) Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Canadian Dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency and net investments in foreign operations. The Group has not formalised a foreign currency risk management policy however, it monitors its foreign currency expenditure in light of exchange rate movements.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	2012 CAD'000	2011 CAD'000
Cash and cash equivalents	**43**	6,749

Sensitivity analysis

Based on the financial instruments held at 30 June 2012, had the Australian dollar weakened/strengthened by 10% against the Canadian dollar with all other variables held constant, the Group's post tax loss for the year would have been $4,000 lower/higher (2011: $674,000 lower/higher), and there would have been no movements to the Group's other equity for both years presented.

(ii) Price risk

Given the current level of operations the Group is not exposed to price risk.

(iii) Interest rate risk

The Group is exposed to movements in market interest rates on cash and cash equivalents and short term investments. The Group policy is to monitor the interest rate yield curve out to six months to ensure a balance is maintained between the liquidity of cash assets and the interest rate return. The entire balance of cash and cash equivalents and short term investments for the Group of $11,189,000 (2011: $57,324,000) is subject to interest rate risk. The proportional mix of floating interest rates and fixed rates to a maximum of six months fluctuate during the year depending on current working capital requirements. The weighted average interest rate received on cash and cash equivalents by the Group was 5.2% (2011: 5.7%).

Sensitivity analysis

At 30 June 2012, if interest rates had changed by -/+ 100 basis points from the weighted average rate for the year with all other variables held constant, post-tax loss for the Group would have been $342,000 lower/higher (2011: $321,000 lower/higher on -/+ 100 basis points) as a result of lower/higher interest income from cash and cash equivalents.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

2. FINANCIAL RISK MANAGEMENT (continued)

(b) Credit risk

The Group does not have any significant concentrations of credit risk. The maximum exposure to credit risk at reporting date is the carrying amount (net of provision for impairment) of those assets as disclosed in the consolidated balance sheet. A majority of the Companies term deposits currently are with the National Australia Bank Limited and Westpac Banking Limited with currently have a Standards and Poor's credit rating of AA-.

As the Group does not presently have any trade debtors, lending, significant stock levels or any other credit risk, a formal credit risk management policy is not maintained.

(c) Liquidity risk

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the consolidated balance sheet. All trade and other payables are non-interest bearing and due within twelve months of the reporting date.

(d) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. All financial assets and financial liabilities of the Group at the reporting date are recorded at amounts approximating their fair amount.

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(e) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group at 30 June 2012 and 30 June 2011 are as follows:

	2012 $'000	2011 $'000
Cash and cash equivalents	**989**	10,004
Investments – term deposits	**10,200**	47,320
Trade and other receivables	**726**	1,688
Trade and other payables	**(6,597)**	(3,893)
Provisions	**(1,019)**	(979)
Working capital position	**4,299**	54,140

Notes to the Consolidated Financial Statements (continued)

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3. SEGMENT INFORMATION

(a) Description of segments

Operating segments are identified and segment information disclosed on the basis of internal reports that are regularly provided to, or reviewed by, the Group's chief operating decision maker which, for the Group, is the Board of Directors. In this regard, such information is provided using similar measures to those used in preparing the profit and loss and balance sheet. The Group operates only in the exploration industry, both in Australia and overseas.

(b) Segment information provided to the Board of Directors

The segment information provided to the Board of Directors for the reportable segments for the years ended 30 June 2012 and 30 June 2011 is as follows:

	Australia		Papua New Guinea		Consolidated	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**	**2012 $'000**	**2011 $'000**
Segment revenue						
Revenue from continuing operations	**(1,767)**	(1,841)	**(7)**	-	**(1,774)**	(1,841)
Total segment revenue	**(1,767)**	(1,841)	**(7)**	-	**(1,774)**	(1,841)
Intersegment elimination					**-**	-
Consolidated revenue					**(1,774)**	(1,841)
Segment result						
Segment result	**(44,762)**	(34,288)	**(650)**	(499)	**(45,412)**	(34,787)
Intersegment elimination					**42,557**	30,477
Loss before income tax					**(2,855)**	(4,310)
Income tax expense					**-**	-
Loss for the year					**(2,855)**	(4,310)
Segment assets and liabilities						
Segment assets	**14,694**	58,830	**157,269**	89,743		
Segment depreciation	**(517)**	(443)	**(565)**	(296)	**170,881**	147,834
Intersegment elimination					**(4,163)**	(594)
Total assets					**166,718**	147,240
Segment liabilities	**(3,660)**	(2,765)	**(142,725)**	(94,747)	**(146,385)**	(97,512)
Intersegment elimination					**138,769**	92,640
Total liabilities					**(7,616)**	(4,872)

Notes to the Consolidated Financial Statements (continued)

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	2012 $'000	2011 $'000
4. REVENUE AND INCOME		
From operations		
Interest	**1,774**	1,841
Other income		
Fair value adjustment reversal on director's loan (note 10(a))	**486**	-
	2,260	1,841
5. EXPENDITURES		
Loss before income tax includes the following specific expenses:		
Defined contribution superannuation expense	**289**	238
Net foreign exchange losses	**77**	1,578
Minimum lease payments relating to operating leases	**279**	193
Net loss on disposal of plant and equipment	**16**	11
6. INCOME TAX		
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**-**	-
	-	-
(b) Reconciliation of income tax expense to prima facie tax payable		
Loss before income tax	**(2,855)**	(4,313)
Prima facie tax benefit at the Australian tax rate of 30% (2011: 30%)	**(857)**	(1,294)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share based payments	**109**	85
Other	**45**	117
	(701)	(1,090)
Deferred tax asset not brought to account	**701**	1,090
Income tax expense	**-**	-
(c) Unrecognised temporary differences		
Deferred Tax Assets (at 30%)		
Capital raising costs	**1,458**	2,032
Provision for employee benefits	**305**	293
Tax losses	**49,847**	27,403
	51,611	29,730
Deferred Tax Liabilities (at 30%)		
Capitalised exploration and evaluation costs	**(46,039)**	(26,022)
	(46,039)	(26,022)
Net Unrecognised Deferred Tax Asset	**5,571**	3,707

Net deferred tax assets have not been brought to account as it is not considered probable that tax profits will be available against which deductible temporary differences and tax losses can be utilised.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

	2012 $'000	2011 $'000
7. CURRENT ASSETS - CASH AND CASH EQUIVALENTS		
Cash at bank and on hand	**989**	10,004

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

The Group's risk exposure to interest rate risk is disclosed in note 2.

8. CURRENT ASSETS – INVESTMENTS - TERM DEPOSITS

	2012 $'000	2011 $'000
Cash on term deposit - greater than 90 days less than one year	**10,200**	47,320

Term deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Current interest rates vary from 4.49% to 5.5% (2011: 4.5% to 5.5%) depending on the term of the deposit. The Group's risk exposure to interest rate risk is disclosed in note 2.

9. CURRENT ASSETS - TRADE AND OTHER RECEIVABLES

	2012 $'000	2011 $'000
Sundry receivables	**406**	1,040
Prepayments	**320**	648
	726	1,688

None of the above receivables is past due or impaired.

10. NON-CURRENT ASSETS - OTHER FINANCIAL ASSETS

	2012 $'000	2011 $'000
Loan – Director (a)	-	1,000
Unexpired interest	-	(485)
	-	515

(a) Loan – Director

On 11 June 2008, the Company entered into a loan agreement with the Managing Director for $1,000,000. The purpose of the loan was to allow the Managing Director to exercise 4,000,000 unlisted options expiring on 30 November 2008. The loan is interest free, repayable within one month of cessation of employment, and any dividends received must be applied to repay the loan.

The loan is a limited recourse loan; in the event the shares obtained under the loan are sold for an amount less than the amount of the loan, then the amount to be repaid is limited to the amount of the share sale proceeds. This agreement was approved by shareholders at the 28 November 2007 Annual General Meeting. The terms of this limited recourse loan are such that it is required to be accounted for as an option under the requirements of Accounting Standard AASB 2 *Share-based Payments,* through share reserve accounts, rather than as an asset (loan receivable) on the balance sheet. The de-recognition of this loan receivable from an asset to an option was undertaken in the current year. As a result, an amount of $486,000 was taken to the profit and loss and is disclosed as other income being the fair value adjustment initially recognised.

Notes to the Consolidated Financial Statements (continued)

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11. NON-CURRENT ASSETS – PLANT AND EQUIPMENT

	Land and Buildings $'000	Furniture, Fittings and Equipment $'000	Motor Vehicles $'000	Total $'000
At 30 June 2010				
Cost or fair value	74	927	275	1,276
Accumulated depreciation	(17)	(404)	(94)	(515)
Net book amount	57	523	181	761
Year ended 30 June 2011				
Opening net book amount	57	523	181	761
Exchange differences	(2)	(9)	(4)	(15)
Additions	12	347	137	496
Disposals	-	(31)	-	(31)
Depreciation	(5)	(181)	(54)	(240)
Closing net book amount	62	649	260	971
At 30 June 2011				
Cost or fair value	84	1,218	408	1,710
Accumulated depreciation	(22)	(569)	(148)	(739)
Net book amount	62	649	260	971
Year ended 30 June 2012				
Opening net book amount	62	649	260	971
Exchange differences	35	138	44	217
Additions	102	355	44	501
Disposals	-	-	(19)	(19)
Depreciation charge	(13)	(224)	(61)	(298)
Closing net book amount	186	918	268	1,372
At 30 June 2012				
Cost at fair value	224	1,755	474	2,453
Accumulated depreciation	(38)	(837)	(206)	(1,081)
Net book amount	186	918	268	1,372

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

	2012 $'000	2011 $'000

12. NON-CURRENT ASSETS – EXPLORATION AND EVALUATION

	2012 $'000	2011 $'000
Opening net book amount	**86,742**	60,731
Exchange differences	**17,685**	(4,835)
Expenditure capitalised during the year	**49,011**	31,152
Written off during the year	**(7)**	(306)
Closing net book amount	**153,431**	86,742

13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2012 $'000	2011 $'000
Trade payables	**6,214**	3,555
Other payables and accruals	**383**	338
	6,597	3,893

14. CURRENT LIABILITIES – PROVISIONS

The current provision for employee benefits includes accrued annual leave, vesting sick leave, time off in lieu and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. The entire amount of the provision is presented as current, since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months. The following amounts reflect leave that is not expected to be taken or paid within the next 12 months.

	2012 $'000	2011 $'000
Employee provision expected to be settled in 12 months	**348**	334
Employee provision expected to be settled after 12 months	**671**	645
	1,019	979

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

15. CONTRIBUTED EQUITY

(a) Share capital

	2012 Number of shares	2012 $'000	2011 Number of shares	2011 $'000
Ordinary shares fully paid	**1,003,745,113**	**159,108**	995,068,613	158,569
Total issued capital	**1,003,745,113**	**159,108**	995,068,613	158,569

	2012 Number of shares	2012 $'000	2011 Number of shares	2011 $'000
(b) Movements in ordinary share capital				
Balance at beginning of the year	**995,068,613**	**158,569**	498,810,862	78,110
Transactions during the year:				
– Issued on exercise of options	**8,676,500**	**865**	3,257,750	3,634
– Issued for cash at C8.4 cents per share	**-**	**-**	240,000,001	21,600
– Issued for cash at C25 cents per share	**-**	**-**	253,000,000	61,271
Less: Transaction costs	**-**	**(326)**	-	(6,046)
Balance at end of the year	**1,003,745,113**	**159,108**	995,068,613	158,569

Ordinary shares entitle the holder to participate in dividends and proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll such share is entitled to one vote. Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

(c) Movements in share options on issue

Grant Date	Expiry Date	Exercise Price Cents	Balance at start of the fiscal year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ Cancelled during the year Number	Balance at end of the fiscal year Number	Vested and exercise-able at end of the year Number
2012								
31 Aug 2009	31 Aug 2011	C8.6	7,331,250	-	(7,331,250)	-	-	-
29 Apr 2004	21 Dec 2011	30	160,000	-	-	(160,000)	-	-
12 Oct 2010	11 Aug 2012	C8.4	6,421,050	-	-	-	6,421,050	6,421,050
15 Aug 2008	15 Aug 2013	50	5,750,000	-	-	-	5,750,000	4,600,000
23 Dec 2008	18 Dec 2013	25	1,800,000	-	-	(500,000)	1,300,000	1,040,000
15 Apr 2009	31 Mar 2014	25	475,000	-	-	(125,000)	350,000	350,000
1 Dec 2009	30 Nov 2014	25	350,000	-	-	(75,000)	275,000	275,000
10 Apr 2010	22 Mar 2015	25	125,000	-	-	-	125,000	125,000
16 Apr 2010	31 Mar 2015	25	650,000	-	-	-	650,000	650,000
25 Oct 2010	25 Oct 2015	22	450,000	-	-	(100,000)	350,000	350,000
23 Feb 2011	23 Feb 2016	32	500,000	-	-	(100,000)	400,000	400,000
10 Nov 2011	10 Nov 2016	19	-	225,000	-	(50,000)	175,000	175,000
24 Feb 2012	24 Feb 2017	24	-	275,000	-	-	275,000	275,000
Total			**24,012,300**	**500,000**	**(7,331,250)**	**(1,110,000)**	**16,071,050**	**14,661,050**
Weighted average exercise price (cents)			21.5	21.8	8.3	25.8	27.2	25.5
2011								
29 Apr 2004	31 Dec 2010	25	170,000	-	(170,000)	-	-	-
31 Aug 2009	31 Aug 2011	C8.6	8,625,000	-	(1,293,750)	-	7,331,250	7,331,250
29 Apr 2004	21 Dec 2011	30	160,000	-	-	-	160,000	160,000
12 Oct 2010	11 Aug 2012	C8.4	-	6,421,050	-	-	6,421,050	6,421,050
15 Aug 2008	15 Aug 2013	50	5,750,000	-	-	-	5,750,000	3,450,000
23 Dec 2008	18 Dec 2013	25	1,800,000	-	-	-	1,800,000	1,080,000
15 Apr 2009	31 Mar 2014	25	525,000	-	-	(50,000)	475,000	475,000
1 Dec 2009	30 Nov 2014	25	450,000	-	-	(100,000)	350,000	350,000
10 Apr 2010	22 Mar 2015	25	150,000	-	-	(25,000)	125,000	125,000
16 Apr 2010	31 Mar 2015	25	650,000	-	-	-	650,000	650,000
25 Oct 2010	25 Oct 2015	22	-	475,000	-	(25,000)	450,000	450,000
23 Feb 2011	23 Feb 2016	32	-	500,000	-	-	500,000	500,000
Total			**18,280,000**	**7,396,050**	**(1,463,750)**	**(200,000)**	**24,012,300**	**20,992,300**
Weighted average exercise price (cents)			25.0	10.6	10.3	24.6	21.5	18.7

Notes to the Consolidated Financial Statements (continued)

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15. CONTRIBUTED EQUITY (Continued)

(d) Movements in warrants on issue

Grant Date	Expiry Date	Exercise Price Cents	Balance at start of the fiscal year Number	Granted during the year Number	Exercised during the year Number	Forfeited/ Cancelled during the year Number	Balance at end of the year Number	Vested and exercise-able at end of the year Number
2012								
12 Aug 2010	11 Aug 2013	C11.6	58,206,000	-	(1,345,250)	-	56,860,750	56,860,750
2011								
12 Aug 2010	11 Aug 2013	C11.6	-	60,000,000	(1,794,000)	-	58,206,000	58,206,000

16. RESERVES AND ACCUMULATED LOSSES

		2012 $'000	2011 $'000
(a) Reserves			
Foreign currency translation reserve (i)		**16,858**	(3,071)
Options and share based payments reserve (ii)		**1,800**	2,679
		18,658	(392)
Movements:			
(i) Foreign currency translation reserve			
Balance at beginning of the year		**(3,071)**	(2,415)
Currency translation differences arising during the year		**19,929**	(656)
Balance at end of the year		**16,858**	(3,071)
(ii) Options and share based payments reserve			
Balance at beginning of the year		**2,679**	2,125
Share-based payment expense		**(879)**	554
Balance at end of the year		**1,800**	2,679
(b) Accumulated losses			
Balance at beginning of the year		**(15,809)**	(11,496)
Net loss for the year	27	**(2,855)**	(4,313)
Balance at end of the year		**(18,664)**	(15,809)

(c) Nature and purpose of reserves

(i) Foreign currency translation reserve

Exchange differences arising on translation of foreign controlled entities are taken to the foreign currency translation reserve, as described in note 1(d). The reserve is recognised in profit and loss when the net investment is disposed of.

(ii) Options and share based payments reserve

The share-based payments reserve is used to recognise the fair value of options issued.

17. DIVIDENDS

No dividends were paid during the financial year (2011: None). No recommendation for payment of dividends has been made (2011: None).

Notes to the Consolidated Financial Statements (continued)

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	2012 $	2011 $
18. KEY MANAGEMENT PERSONNEL DISCLOSURES		
(a) Key management personnel compensation		
Short-term benefits	**2,701,299**	1,834,071
Post employment benefits	**197,110**	115,768
Other long-term benefits	**88,507**	88,134
Share-based payments	**41,888**	91,162
	3,028,804	2,129,135

Detailed remuneration disclosures are provided in the remuneration report on pages 7 to 10.

(b) Equity instrument disclosures relating to key management personnel

(i) Options provided as remuneration and shares issued on exercise of such options

Details of options provided as remuneration and shares issued on the exercise of such options, together with terms and conditions of the options, can be found in the remuneration report on pages 11 to 12.

(ii) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below:

2012	Balance at start of the fiscal year	Granted as compensation	Exercised	Other changes	Balance at end of the fiscal year	Vested and exercisable	Unvested
Directors of the Company							
John Horan	**1,250,000**	-	-	-	**1,250,000**	**1,000,000**	**250,000**
Les Emery	**1,500,000**	-	-	-	**1,500,000**	**1,200,000**	**300,000**
Douglas Dunnet	**500,000**	-	-	-	**500,000**	**400,000**	**100,000**
Sir Rabbie Namaliu	**1,000,000**	-	-	-	**1,000,000**	**800,000**	**200,000**
Susanne Sesselmann	**500,000**	-	-	-	**500,000**	**400,000**	**100,000**
Elizabeth Martin	**500,000**	-	-	-	**500,000**	**400,000**	**100,000**
John Hick	**500,000**	-	-	-	**500,000**	**400,000**	**100,000**
Other key management personnel of the Group							
Bernard Bent	-	-	-	-	-	-	-
Mark Churchward	-	-	-	-	-	-	-
Craig McGown	**650,000**	-	-	-	**650,000**	**500,000**	**150,000**
Grant Calderwood	**500,000**	-	-	**(500,000)**	-	-	-
Peter Dendle	**500,000**	-	-	-	**500,000**	**400,000**	**100,000**
Dean Richardson	-	-	-	-	-	-	-

All vested options were exercisable at the end of the year.

2011	Balance at start of the fiscal year	Granted as compensation	Exercised	Other changes	Balance at end of the fiscal year	Vested and exercisable	Unvested
Directors of the Company							
John Horan	1,250,000	-	-	-	1,250,000	750,000	500,000
Les Emery	1,500,000	-	-	-	1,500,000	900,000	600,000
Douglas Dunnet	500,000	-	-	-	500,000	300,000	200,000
Sir Rabbie Namaliu	1,000,000	-	-	-	1,000,000	600,000	400,000
Susanne Sesselmann	500,000	-	-	-	500,000	300,000	200,000
Elizabeth Martin	500,000	-	-	-	500,000	300,000	200,000
John Hick	500,000	-	-	-	500,000	300,000	200,000

Notes to the Consolidated Financial Statements (continued)

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18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011	Balance at start of the fiscal year	Granted as compensation	Exercised	Other changes	Balance at end of the fiscal year	Vested and exercisable	Unvested
Other key management personnel of the Group							
Bernard Bent	-	-	-	-	-	-	-
Craig McGown	650,000	-	-	-	650,000	350,000	300,000
Grant Calderwood	500,000	-	-	-	500,000	300,000	200,000
Peter Dendle	500,000	-	-	-	500,000	300,000	200,000

(iii) Share holdings

The numbers of shares in the Company held during the financial year by each director of the Company and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2012	Balance at start of the fiscal year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the fiscal year
Directors of the Company				
Ordinary shares				
John Horan	1,360,000	-	-	1,360,000
Les Emery	5,935,000	-	-	5,935,000
Douglas Dunnet	567,869	-	(65,148)	502,721
Elizabeth Martin	-	-	-	-
Sir Rabbie Namaliu	210,200	-	-	210,200
Susanne Sesselmann	184,000	-	-	184,000
John Hick	-	-	-	-
Other key management personnel of the Group				
Ordinary shares				
Bernard Bent (resigned December 2011)	-	-	-	-
Mark Churchward (appointed September 2011)	-	-	-	-
John Ribbons	60,000	-	-	60,000
Craig McGown	340,000	-	-	340,000
Grant Calderwood (resigned July 2011)	150,000	-	-	150,000
Peter Dendle	150,000	-	-	150,000
Dean Richardson	-	-	-	-

2011	Balance at start of the fiscal year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the fiscal year
Directors of the Company				
Ordinary shares				
John Horan	1,360,000	-	-	1,360,000
Les Emery	5,935,000	-	-	5,935,000
Douglas Dunnet	278,967	-	288,902	567,869
Elizabeth Martin	-	-	-	-
Sir Rabbie Namaliu	210,200	-	-	210,200
Susanne Sesselmann	184,000	-	-	184,000
John Hick	-	-	-	-

Notes to the Consolidated Financial Statements (continued)

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18. KEY MANAGEMENT PERSONNEL DISCLOSURES (continued)

2011	Balance at start of the fiscal year	Received during the year on the exercise of options	Other changes during the year	Balance at end of the fiscal year
Other key management personnel of the Group				
Ordinary shares				
Bernard Bent (resigned December 2011)	-	-	-	-
John Ribbons	60,000	-	-	60,000
Craig McGown	340,000	-	-	340,000
Grant Calderwood (resigned July 2011)	150,000	-	-	150,000
Peter Dendle	150,000	-	-	150,000

(c) Loans to key management personnel

On 11 June 2008, the Company entered into a loan agreement with the Managing Director, Les Emery, to lend $1,000,000 interest free with a 10 year loan term. The purpose of the loan was for Mr Emery to exercise 4,000,000 unlisted options expiring 30 November 2008. This agreement was approved by shareholders at the 28 November 2007 Annual General Meeting. This has been accounted for as an option in the current year.

(d) Other transactions with key management personnel

During the year ended 30 June 2011 and 30 June 2012, there were no other transactions with key management personnel.

19. REMUNERATION OF AUDITORS

	2012 $	2011 $
During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:		
(a) Audit services		
PricewaterhouseCoopers – audit and review of financial reports (i)	**97,134**	-
Stantons International – audit and review of financial reports (i)	**42,730**	42,101
Total remuneration for audit services	**139,864**	42,101

(i)At the Annual General Meeting of shareholders of the Company, held on 10 November 2011, PricewaterhouseCoopers were appointed as auditors of the Company.

	2012 $	2011 $
(b) Non-audit services		
PricewaterhouseCoopers – taxation services	**119,446**	-
PricewaterhouseCoopers – review of prospectus	**63,601**	
Stantons International – review of prospectus	**11,043**	10,070
Total remuneration for other services	**194,090**	10,070

20. CONTINGENCIES

The Company has no contingent liabilities (2011: Nil) as at the date of these consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)

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21. COMMITMENTS

(a) Exploration commitments

The Company has certain commitments to meet minimum expenditure requirements on the mineral exploration assets it has an interest in. Outstanding exploration commitments are as follows:

	2012 $'000	2011 $'000
Due within one year	**4,625**	4,625
Due later than one year but not later than five years	**288**	288
	4,913	4,913

(b) Lease commitments: Group as lessee

Operating leases (non-cancellable):

	2012 $'000	2011 $'000
Minimum lease payments		
Due within one year	**975**	2,626
Due later than one year but not later than five years	**456**	357
Aggregate lease expenditure contracted for at reporting date but not recognised as liabilities	**1,431**	2,983

The Group has two non-cancellable office leases, one for premises in Perth and the other for premises in Madang, expiring within two years. The leases have varying terms, escalation clauses and renewal rights. The Group has a non-cancellable operating lease for an item of office equipment expiring within two years, with rent payable monthly. The item is subject to a per unit usage charge, but there are no provisions for escalation or renewal within the lease agreement.

The Group also has a non-cancellable operating lease for two helicopters that is expiring on 31 December 2012.

(c) Remuneration commitments

Amounts disclosed as remuneration commitments include commitments arising from the service contracts of key management personnel referred to in the remuneration report on page 9 that are not recognised as liabilities and are not included in the key management personnel compensation.

	2012 $'000	2011 $'000
Due within one year	**2,196**	1,099
Due later than one year but not later than five years	**19**	1,738
	2,215	2,837

Notes to the Consolidated Financial Statements (continued)

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22. RELATED PARTY TRANSACTIONS

(a) Parent entity

The ultimate parent entity within the Group is Marengo Mining Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 18.

(d) Loans to related parties

Marengo Mining Limited has provided unsecured, interest free loans to its wholly owned subsidiaries, Yandera Mining Company Limited and Marengo Mining (PNG) Limited which have no fixed terms or repayment. An impairment assessment is undertaken each financial year by examining the financial position of the subsidiaries and the market in which the subsidiaries operate to determine whether there is objective evidence that the subsidiaries are impaired. When such objective evidence exists, the Company recognises an allowance for the impairment loss. Details of the loans are set out in note 29.

For details of loans to key management personnel refer to note 18(c).

23. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b)(i):

Name	Country of Incorporation	Class of Shares	Equity Holding(1) 2012 %	Equity Holding(1) 2011 %
Yandera Mining Limited	Papua New Guinea	Ordinary	**100**	100
Yandera Mining Company (Holdings) Pty Ltd(2)	Australia	Ordinary	**100**	100
Marengo Mining (PNG) Limited(2)	Papua New Guinea	Ordinary	**100**	100

(1) The proportion of ownership interest is equal to the proportion of voting power held.

(2) During the previous year, two new entities were incorporated. Yandera Mining Company (Holdings) Pty Ltd was incorporated on 12 November 2010 in Australia, and Yandera Mining Company Limited was incorporated on 4 December 2010 in Papua New Guinea. Both entities have been dormant since incorporation. Yandera Mining Company Limited subsequently changed its name to Marengo Mining (PNG) Limited and holds the non-Yandera assets. Marengo Mining (PNG) Limited subsequently changed its name to Yandera Mining Company Limited and holds the Yandera assets (tenement EL1335).

24. INTERESTS IN JOINT VENTURES

Bowgan Project

The Company previously farmed out its Bowgan Project to a subsidiary of Mega Uranium Limited (Mega). During August 2009, Mega further farmed out the project to Bowgan Minerals Limited (Bowgan) whereby Bowgan can earn up to an 80% interest in the project, by expending $1,280,000, within five years. Upon completion of Bowgan's expenditure, the Company will retain a 10% interest. The joint venture is in relation to uranium and other minerals, and has a carrying value of nil.

25. EVENTS OCCURRING AFTER THE REPORTING PERIOD

(a) On 12 July 2012, the Company completed an equity raising on the Toronto Stock Exchange (TSX) raising gross proceeds of CAD 20,000,000 by issuing 133,333,333 ordinary shares at an issue price of CAD 0.15 per share.

(b) On 21 August 2012, the Company announced that it had entered into an agreement to acquire 18 hectares of industrial wharf land at the port of Madang.

(c) On 6 September 2012, the Company allotted 37,400,000 performance rights to directors and employees pursuant to a Plan approved by shareholders in September 2011.

The financial effect, if any, of the above transactions has not been reflected in the consolidated financial statements.

Notes to the Consolidated Financial Statements (continued)
30 JUNE 2012

	2012 $'000	2011 $'000
26. STATEMENT OF CASH FLOWS		
Reconciliation of loss after income tax to net cash outflow from operating activities		
Loss after income tax	**(2,855)**	(4,313)
Investment Income	**(1,774)**	(1,841)
Exploration written off	**7**	306
Depreciation	**298**	241
Share-based payment expense	**120**	285
Interest income on loan to Managing Director (reclassified as option 2012)	**(486)**	(46)
Net exchange differences	**(4,244)**	1,666
Net loss on disposal of plant and equipment	**16**	11
Change in operating assets and liabilities		
Decrease/(increase) in trade and other receivables	**962**	(985)
Decrease/(increase) in other financial assets	**515**	-
Increase/(decrease) in trade and other payables	**2,704**	1,090
Increase in employee entitlements provision	**40**	456
Net cash outflow from operating activities	**(4,697)**	(3,130)

27. LOSS PER SHARE

(a) Reconciliation of earnings used in calculating basic loss per share

	2012 $'000	2011 $'000
Loss attributable to the owners of the Company used in calculating basic and dilutive loss per share	**(2,855)**	(4,313)

	Number of shares	Number of shares
(b) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	**1,001,895,432**	847,899,183
Weighted average number of ordinary shares used as the denominator in calculating diluted loss per share	**1,129,614,334**	923,402,789

(c) Information on the classification of options

As the Group has made a loss for the year ended 30 June 2012 and 2011, all options on issue are considered anti-dilutive and have not been included in a calculation of diluted earnings per share. These options could potentially dilute basic earnings per share in the future.

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

28. SHARE-BASED PAYMENTS

(a) Employees' and Contractors' Option Incentive Plan

The Group provides benefits to employees (including directors) and consultants of the Group in the form of share-based payment transactions, whereby employees or consultants render services in exchange for options to acquire ordinary shares. The exercise price of the options granted range from C8.4 cents to 50 cents per option. The expiry dates of options granted range from 11 August 2012 to 24 February 2017.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share of the Company with full dividend and voting rights. With the exception of options issued to directors and senior management which vest over 5 years all other options granted to employees vest immediately.

Set out below are summaries of the options granted:

	2012		2011	
	Number of options	Weighted average exercise price cents	Number of options	Weighted average exercise price cents
Outstanding at the beginning of the year	**18,885,000**	**25.7**	18,280,000	25.6
Granted	**450,000**	**22.1**	975,000	27.1
Forfeited	**-**	**-**	(200,000)	25.0
Exercised	**-**	**-**	(170,000)	25.0
Expired	**(3,263,950)**	**14.9**	-	-
Outstanding at the end of the year	**16,071,050**	**27.8**	18,885,000	25.7
Exercisable at the end of the year	**14,921,050**	**26.1**	14,265,000	19.9

The weighted average remaining contractual life of share options outstanding at the end of the financial year was 1.66 years (2011: 1.48 years), and the exercise prices range from C8.4 cents to 50 cents. No employee share options were exercised in 2012, the average share price on date of exercise in 2011 was 19 cents.

The weighted average fair value of the options granted during the year was 15.0 cents (2011: 19.0 cents). The price was calculated by using the Black-Scholes European Option Pricing Model applying the following inputs:

	2012	2011
Weighted average exercise price (cents)	**27.8**	27.3
Weighted average life of the options (years)	**1.1**	1.5
Weighted average underlying share price (cents)	**22.0**	28.7
Expected dividend yield	**-**	-
Expected share price volatility	**75%**	77%
Weighted average risk free interest rate	**5.25%**	5.50%

Historical volatility has been used as the basis for determining expected share price volatility as it assumed that this is indicative of future trends, which may not eventuate.

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2012 $'000	2011 $'000
Options issued to employees and contractors as part of:		
Share-based payment expense	**120**	285
	120	285

Notes to the Consolidated Financial Statements (continued)

30 JUNE 2012

	2012 $'000	2011 $'000

29. PARENT ENTITY INFORMATION

(a) Summary Financial Information

The following information relates to the parent entity, Marengo Mining Limited, at 30 June 2012. The information presented here has been prepared using accounting policies consistent with those presented in note 1.

	2012 $'000	2011 $'000
Current assets	**11,414**	57,655
Non-current assets	**2,763**	732
Total assets	**14,177**	58,387
Current liabilities	**3,660**	2,765
Total liabilities	**3,660**	2,765
Issued capital	**159,107**	158,568
Share-based payments reserve	**1,798**	2,677
Accumulated losses	**(150,388)**	(105,624)
Net Assets	**10,517**	55,621
Loss for the year	**(44,762)**	(34,288)
Total comprehensive loss for the year	**(44,762)**	(34,288)

Movements in the loan to the Company's wholly owned subsidiary Yandera Mining Company Limited (formerly Marengo Mining (PNG) Limited) during the year were as follows:

	2012 $'000	2011 $'000
Balance at beginning of the year	-	-
Loans advanced	**42,791**	31,054
Provision for impairment	**(42,791)**	(31,054)
Balance at end of the year	-	-

(b) Guarantees entered into by the parent entity

The parent entity has not provided any guarantees as at 30 June 2012 or 30 June 2011.

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2012 or 30 June 2011.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity had no contractual commitments for the acquisition of property, plant or equipment as at 30 June 2012 and 30 June 2011.

Directors' Declaration

In the directors' opinion:

(a) the consolidated financial statements and notes set out on pages 21 to 49 are in accordance with the *Corporations Act 2001*, including:

- (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
- (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of their performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and

(c) a statement that the attached consolidated financial statements are in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board has been included in note 1(a) to the financial statements.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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

L S G Emery
Managing Director
Perth, 21 September 2012

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

Report on the financial report

We have audited the accompanying financial report of Marengo Mining Limited (the company), which comprises the balance sheet as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Marengo Mining Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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

Auditor's opinion

In our opinion:

(a) the financial report of Marengo Mining Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Material Uncertainty Regarding Going Concern

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates the need for the consolidated entity to raise additional capital to meet ongoing expenditure This condition, along with other matters set out in Note 1(a), 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 financial report.

Report on the Remuneration Report

We have audited the remuneration report included in pages 7 to 11 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the remuneration report of Marengo Mining Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

Pierre Dreyer
Partner

Perth
21 September 2012

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Independent Auditor's Report to the Shareholders of Marengo Mining Limited

We have audited the accompanying consolidated financial statements of Marengo Mining Limited and its subsidiaries, which comprise the consolidated balance sheets as at June 30, 2012 and June 30, 2011 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended June 30, 2012 and June 30, 2011, and the related notes, which comprise a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Marengo Mining Limited and its subsidiaries as at June 30, 2012 and June 30, 2011 and their financial performance and their cash flows for the years then ended in accordance with International Financial Reporting Standards.

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Independent Auditor's Report to the Shareholders of Marengo Mining Limited (continued)

Emphasis of matter

Without qualifying our opinion, we draw attention to Note 1(a) in the financial report, which indicates the need for the consolidated entity to raise additional capital to meet ongoing expenditure This condition, along with other matters set out in Note 1(a), 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 financial report.

PricewaterhouseCoopers

Chartered Accountants
PERTH, WA

September 21, 2012

ASX Additional Information

Additional information required by Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 18 September 2012.

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding:

			Ordinary shares	
			Number of holders	**Number of shares**
1	-	1,000	141	52,978
1,001	-	5,000	596	1,993,846
5,001	-	10,000	611	5,250,356
10,001	-	100,000	1,801	69,183,039
100,001		and over	458	1,061,240,332
			3,607	1,137,720,551
The number of shareholders holding less than a marketable parcel of shares are:			560	1,167,524

(b) Twenty largest shareholders

The names of the twenty largest holders of quoted ordinary shares are:

		Listed ordinary shares	
		Number of shares	**Percentage of shares**
1	CANADIAN REGISTER CONTROL	589,351,276	51.80
2	NATIONAL NOMINEES LIMITED	172,002,618	15.12
3	HSBC CUSTODY NOMINEES <AUSTRALIA>	27,096,311	2.38
4	CITICORP NOMINEES PTY LIMITED	18,452,681	1.64
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	14,503,249	1.27
6	MR SIMON KORUA	11,629,618	1.02
7	WOONALEE PTY LTD <PESSIOS FAMILY S/F A/C>	11,408,325	1.00
8	BELL POTTER NOMINEES LTD <BB NOMINEES A/C>	9,777,778	0.86
9	PACIFIC NOMINEES LIMITED	7,500,000	0.66
10	MR BERNARD OWEN STEPHENS + MRS ERIN JOSEPHINE STEPHENS <STEPHENS GROUP S/F A/C>	6,800,000	0.60
11	BOND STREET CUSTODIANS LIMITED <KRET - V05765 A/C>	6,750,000	0.59
12	LES EMERY	5,935,000	0.52
13	PAPUA NEW GUINEA REG CONTROL	4,844,823	0.43
14	CAPITAL NOMINEES LIMITED	4,817,904	0.42
15	JONGILA NOMINEES PTY LTD <PENSION FUND NO2 A/C>	3,450,000	0.30
16	MR BENEDICT CHAN + MRS TURID CHAN <TURID CHAN SUPER FUND A/C>	3,400,000	0.30
17	UBS WEALTH MANAGEMENT AUSTRALIA NOMINEES PTY LTD	3,295,734	0.29
18	GOLDEARTH INVESTMENTS PTY LTD	3,098,392	0.27
19	LEET INVESTMENTS PTY LTD	2,650,000	0.23
20	KWILA INSURANCE CORPORATION LIMITED	2,500,000	0.22
		909,457,809	79.94

(c) Substantial shareholders

The names of substantial shareholders who have notified the Company in accordance with section 671B of the *Corporations Act 2001* are:

		Percentage of Shares
Sentient Global Resources Funds	220,619,080	22.20%
Quantum Partners LDC	187,514,934	16.49%
OMERS (Ontario Municipal Employees Retirement System)	74,406,000	7.42%
JP Morgan Chase & Co. and its affiliates	64,786,000	5.70%

ASX Additional Information continued

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.

(e) Schedule of interests in mining tenements

Location	Tenement	Percentage held / earning
Yandera (Papua New Guinea)	EL 1335	100
Yandera (Papua New Guinea)	EL 1416	100
Yandera (Papua New Guinea)	EL 1633	100
Yandera (Papua New Guinea)	EL 1665	100
Yandera (Papua New Guinea)	EL 1670	100
Yandera (Papua New Guinea)	EL 1771	100
Yandera (Papua New Guinea)	EL 1851	100
Yandera (Papua New Guinea)	EL 1854	100
Bowgan (Australia)	EL 24115	33 diluting to 10
Bowgan (Australia)	EL 24195	33 diluting to 10
Bowgan (Australia)	EL 24196	33 diluting to 10