



ABN: 57 099 496 474

YANDERA MINING COMPANY LIMITED (COMPANY NO. 1-53202)

MARENGO MINING (PNG) LIMITED (COMPANY NO. 1-76844)

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**NEWS RELEASE**

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**MARENGO ANNOUNCES REGISTRATION WITH ASIC  
OF SCHEME OF ARRANGEMENT BOOKLET**

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Marengo Mining Limited (ASX Code: "MGO", TSX Code: "MRN", POMSoX Code: "MGO") is pleased to announce that the attached Scheme of Arrangement Booklet has now been registered with ASIC and will be mailed out to Shareholders shortly.

For further information:

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# MARENGO MINING LIMITED

ABN 57 099 496 474

## SCHEME BOOKLET

For a Proposed Restructure of Marengo Mining Limited

The Directors of Marengo Mining Limited  
**unanimously recommend** that you vote in favour of the Scheme.

**This document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its contents or are in doubt as to the course you should follow, you should consult your legal, investment, taxation or other professional adviser without delay.**

Australian Legal Advisers to Marengo	Canadian Legal Advisers to Marengo	Papua New Guinea Legal Advisers to Marengo
Gilbert + Tobin	Fraser Milner Casgrain LLP	Allens

## TABLE OF CONTENTS

**IMPORTANT NOTES AND STATEMENTS**

**IMPORTANT DATES**

**MESSAGE FROM THE CHAIRMAN OF MARENGO MINING LIMITED**

**HOW TO VOTE**

**SUMMARY OF THE RESTRUCTURE AND THE SCHEME 7**

**FREQUENTLY ASKED QUESTIONS AND ANSWERS 9**

**SECTION 1 OVERVIEW OF THE SCHEME 18**

**SECTION 2 RECOMMENDATIONS OF MARENGO BOARD AND THE  
ADVANTAGES AND DISADVANTAGES OF THE SCHEME 21**

**SECTION 3 BRIEF PROFILE OF MARENGO 27**

**SECTION 4 PROFILE OF MARENGO CANADA INCLUDING FOLLOWING  
IMPLEMENTATION OF SCHEME 44**

**SECTION 5 RISKS RELATING TO MARENGO'S AND MARENGO CANADA'S  
BUSINESS 48**

**SECTION 6 IMPLEMENTATION OF THE SCHEME 53**

**SECTION 7 TAXATION IMPLICATIONS FOR SCHEME PARTICIPANTS 57**

**SECTION 8 RIGHTS ATTACHING TO SCHEME CONSIDERATION 69**

**SECTION 9 ADDITIONAL INFORMATION 92**

**SECTION 10 GLOSSARY 101**

**ANNEXURE 1 - SCHEME IMPLEMENTATION AGREEMENT**

**ANNEXURE 2 - SCHEME OF ARRANGEMENT**

**ANNEXURE 3 - DEED POLL**

**ANNEXURE 4 - NOTICE OF MEETING**

**ANNEXURE 5 - INDEPENDENT EXPERT'S REPORT**

**ANNEXURE 6 – RIGHTS ATTACHING TO CHES DEPOSITARY INTERESTS**

# IMPORTANT NOTES AND STATEMENTS

## Purpose of the Scheme Booklet

This Scheme Booklet explains the proposed restructure of Marengo by way of the Scheme. In particular, it explains the effect of the Scheme between Marengo and the Marengo Shareholders and provides such other information in relation to the Scheme as is required by the Corporations Act, the Corporations Regulations and ASIC regulatory guides and other information which may be relevant to the decision of Marengo Shareholders whether to approve the Scheme.

Marengo Shareholders should read the entire Scheme Booklet before making any decisions about whether or not to vote in favour of the Scheme.

## Regulatory information

This Scheme Booklet is the Explanatory Statement required under Part 5.1 of the Corporations Act between Marengo and Marengo Shareholders for the purposes of section 412(1) of the Corporations Act. A copy of this Scheme Booklet has been registered with ASIC in accordance with section 412(6) of the Corporations Act. In compliance with section 411(17), ASIC has been requested to provide a statement stating that it has no objection to the Scheme. Notwithstanding the making of such a statement, ASIC takes no responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with the Court to obtain an order of the Court approving the convening of the Scheme Meeting. Orders made by the Court pursuant to section 411(1) of the Corporations Act convening the Scheme Meeting to approve the Scheme do not constitute an endorsement by the Court of, or any expression of opinion on the Scheme.

A copy of this Scheme Booklet has been lodged with the ASX. The ASX takes no responsibility for the contents of this Scheme Booklet.

A copy of this Scheme Booklet has been filed with the TSX and on SEDAR with applicable Canadian securities regulatory authorities. The Scheme has not been approved or disapproved by the TSX or any Canadian securities regulatory authority, nor has the TSX or any Canadian securities regulatory authority passed on the fairness or merits of the Scheme or upon the accuracy or adequacy of the information contained in this Scheme Booklet and any representation to the contrary is unlawful. Neither the TSX nor any of its officers take any responsibility for the accuracy or completeness of this Scheme Booklet.

A copy of this Scheme Booklet has been lodged with the POMSoX. The POMSoX takes no responsibility for the contents of this Scheme Booklet.

## IMPORTANT NOTICE ASSOCIATED WITH COURT ORDER UNDER SUBSECTION 411(1) OF CORPORATIONS ACT 2001 (Cth)

The fact that under subsection 411(1) of the *Corporations Act 2001* (Cth) the Court has ordered that a meeting be convened and has approved the explanatory statement required to accompany the notices of the meeting does not mean that the Court:

- (a) has formed any view as to the merits of the proposed scheme or as to how members/creditors should vote (on this matter members/creditors must reach their own decision); or
- (b) has prepared, or is responsible for the content of, the explanatory statement.

## Responsibility for Contents

Information concerning Marengo and its Related Bodies Corporate contained in this Scheme Booklet, including financial information and information regarding the intentions of the Marengo Board ("**Marengo Information**"), has been provided by Marengo and is the responsibility of Marengo.

Information concerning Marengo Canada and its Related Bodies Corporate contained in this Scheme Booklet, including financial information and information regarding the intentions of the Marengo Canada Board ("**Marengo Canada Information**"), has been provided by Marengo Canada and is the responsibility of Marengo Canada.

Information concerning Marengo Canada following completion of the Scheme contained in this Scheme Booklet, including proforma financial information, has been prepared by Marengo Canada, based on the Marengo Information and the Marengo Canada Information and is the responsibility of Marengo Canada, except to the extent that the information has been provided by Marengo.

BDO Corporate Finance (WA) Pty Ltd has prepared the Independent Expert's Report in relation to the Scheme and takes responsibility for that report.

## Forward-Looking Statements

This Scheme Booklet may include various statements about the future. Statements other than statements of historical fact may be forward looking statements. Marengo Shareholders should note that such statements are subject to inherent risks and uncertainties in that they may be affected by a variety of known and unknown risks, variables and other factors, many of which are beyond the control of Marengo. Actual results, values,

performance or achievements may differ materially from results, values, performance or achievements expressed or implied in any forward looking statement.

The statements contained within this Scheme Booklet reflect the views held as of the date of this Scheme Booklet.

None of Marengo or Marengo Canada, the officers of those companies nor any person named in this Scheme Booklet with their consent nor any person involved in the preparation of this Scheme Booklet makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any results, values, performance or achievements express or implied in any forward looking statement, except to the extent required by law. Marengo Shareholders should not place undue reliance on any such statement.

## No Investment Advice

This Scheme Booklet is intended for all Marengo Shareholders collectively and does not take into account the individual circumstances or investment objectives of Marengo Shareholders. Information contained in this Scheme Booklet should not be relied upon as the sole basis for any decision in relation to the proposed Scheme. Marengo Shareholders are encouraged to seek their own independent financial and taxation advice before making any decision regarding their Marengo Shares.

## Privacy

Personal information may be collected by Marengo and Marengo Canada in the process of implementing the Scheme. This information may include the name, contact details and shareholdings of Marengo Shareholders and the names of individuals appointed to act as proxy or corporate representative by Marengo Shareholders at the Scheme Meeting. The primary purpose for collecting this personal information is to assist Marengo and Marengo Canada conduct the Scheme Meeting and implement the Scheme.

Any personal information collected may be disclosed to Marengo Canada, Marengo Canada's and Marengo's respective share registries, advisers, print and mail service providers and Related Bodies Corporate to the extent necessary to effect the Scheme.

Marengo Shareholders are entitled to inspect and obtain copies of personal information collected. Marengo Shareholders should contact the Registry in the first instance if they wish to access their personal information. Marengo Shareholders should inform their personal representative, proxy or attorney of these matters.

## Foreign Shareholders

Neither this Scheme Booklet nor the Scheme constitutes, or is intended to constitute, an offer of securities in any place in which or to any person to whom, the making of such an offer would not be lawful under the laws of any jurisdiction outside Australia, Canada, New Zealand, Papua New Guinea and the United States. This Scheme Booklet is being distributed in New Zealand under the Securities Act (Overseas Companies) Exemption Notice 2002.

This Scheme Booklet complies with the disclosure requirements of Australia, Canada and Papua New Guinea. Other countries may have different legislative and regulatory requirements. An investigation of, and compliance with, the potential securities law restrictions in every country in which Marengo has Shareholders would be prohibitively costly. Accordingly, if a Shareholder has a registered address on the Register outside Australia, Canada, New Zealand, Papua New Guinea and the United States, without being obligated to conduct any investigations into the matter, if Marengo Canada is not satisfied that the Scheme Consideration can be lawfully issued to such a Shareholder pursuant to the Scheme, that Ineligible Foreign Shareholder will not receive the Scheme Consideration under the terms of the Scheme.

Scheme Participants who are not residents of Australia, Canada, New Zealand, Papua New Guinea or the United States should refer to Section 6.7 of this Scheme Booklet for further information.

## European Economic Area - Austria

The information in this document has been prepared on the basis that all offers of Marengo Canada Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Member States of the European Economic Area (each, a **Relevant Member State**), from the requirement to produce a prospectus for offers of securities.

An offer to the public of Marengo Canada Shares has not been made, and may not be made, in a Relevant Member State except pursuant to one of the following exemptions under the Prospectus Directive as implemented in that Relevant Member State:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);

- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, (**MiFID**)); or
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID.

## European Economic Area - Germany

The information in this document has been prepared on the basis that all offers of Shares will be made pursuant to an exemption under the Directive 2003/71/EC (**Prospectus Directive**), as amended and implemented in Germany, from the requirement to produce a prospectus for offers of securities.

An offer to the public of Shares has not been made, and shall not be made, in Germany except pursuant to one of the following exemptions under the Prospectus Directive as implemented in Germany:

- to any legal entity that is authorized or regulated to operate in the financial markets or whose main business is to invest in financial instruments;
- to any legal entity that satisfies two of the following three criteria: (i) balance sheet total of at least €20,000,000; (ii) annual net turnover of at least €40,000,000 and (iii) own funds of at least €2,000,000 (as shown on its last annual unconsolidated or consolidated financial statements);
- to any person or entity who has requested to be treated as a professional client in accordance with the EU Markets in Financial Instruments Directive (Directive 2004/39/EC, **MiFID**);
- to any person or entity who is recognised as an eligible counterparty in accordance with Article 24 of the MiFID;
- to fewer than 150 natural or legal persons (other than qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive) subject to obtaining the prior consent of the Company or any underwriter for any such offer; or

in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive.

## United Kingdom

Neither the information in this document nor any other document relating to the offer has been delivered for approval to the Financial Services Authority in the United Kingdom and no prospectus (within the meaning of section 85 of the Financial Services and Markets Act 2000, as amended (**FSMA**)) has been published or is intended to be published in respect of the Shares. This document is issued on a confidential basis to fewer than 150

persons (other than "qualified investors" (within the meaning of section 86(7) of FSMA)) in the United Kingdom, and the Shares may not be offered in the United Kingdom by means of this document, any accompanying letter or any other document, except in circumstances which do not require the publication of a prospectus pursuant to section 86(1) FSMA. This document should not be distributed, published or reproduced, in whole or in part, nor may its contents be disclosed by recipients to any other person in the United Kingdom.

Any invitation or inducement to engage in investment activity (within the meaning of s.21 FSMA) received in connection with the issue of the Shares has only been communicated, and will only be communicated, in the United Kingdom in circumstances in which s.21(1) FSMA does not apply to the Company. In the United Kingdom, this document is being distributed only to, and is directed at, persons to whom it may lawfully be made within the circumstances described in Article 62 of the FSMA (Financial Promotion) Order 2005 and/or any other persons to whom it may lawfully be communicated (all such persons being referred to as "Relevant Persons").

The investments to which this document relates are available only to, and any invitation, offer or agreement to purchase will be engaged in only with, Relevant Persons. Any person who is not a Relevant Person should not act or rely on this document or any of its contents.

## People's Republic of China

The information in this document does not constitute a public offer of the Marengo Canada Shares, whether by way of sale or subscription, in the People's Republic of China (excluding, for purposes of this paragraph, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan). The Marengo Canada Shares may not be offered or sold directly or indirectly in the PRC to legal or natural persons other than directly to "qualified domestic institutional investors".

## Hong Kong

**WARNING** - The contents of this document have not been reviewed or approved by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

This document does not constitute an offer or invitation to the public in Hong Kong to acquire or subscribe for or dispose of any securities. This document also does not constitute a prospectus (as defined in section 2(1) of the Companies Ordinance (Cap. 32 of the Laws of Hong Kong)) or notice, circular, brochure or advertisement offering any securities to the public for subscription or purchase or calculated to invite such offers by the public to subscribe for or purchase any securities,

nor is it an advertisement, invitation or document containing an advertisement or invitation falling within the meaning of section 103 of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong). Accordingly, unless permitted by the securities laws of Hong Kong, no person may issue or cause to be issued this document in Hong Kong, other than to persons who are "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder or in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance or which do not constitute an offer to the public within the meaning of the Companies Ordinance; and no person may issue or have in its possession for the purposes of issue, this document or any advertisement, invitation or document relating to these securities, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than any such advertisement, invitation or document relating to securities that are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made thereunder.

Copies of this document may be issued to a limited number of persons in Hong Kong in a manner which does not constitute any issue, circulation or distribution of this document, or any offer or an invitation in respect of these securities, to the public in Hong Kong. The document is for the exclusive use of the Company's shareholders in connection with the Scheme, and no steps have been taken to register or seek authorisation for the issue of this document in Hong Kong. Only the person to whom a copy of this document has been issued may take action in response to this document. The offer of these securities is personal to the person to whom this document has been delivered, and a subscription for these securities will only be accepted from such person.

This document is confidential to the person to whom it is addressed and no person to whom a copy of this document is issued may issue, circulate, distribute, publish, reproduce or disclose (in whole or in part) this document to any other person in Hong Kong or use for any purpose in Hong Kong other than in connection with the consideration of the Scheme by the person to whom this document is addressed.

#### **Notice to Shareholders in the United States**

Marengo and Marengo Canada intend to rely on an exemption from the registration requirements of the US Securities Act of 1933 provided by Section 3(a)(10) thereof in connection with the consummation of the Scheme and the issuance of the Shares. Approval of the Scheme by the Court will be relied upon by Marengo and Marengo Canada for purposes of

qualifying for the Section 3(a)(10) exemption.

US shareholders should note that the Scheme is made for the securities of an Australian company in accordance with the laws of Australia and the listing rules of the Australian Securities Exchange. The Scheme is subject to disclosure requirements of Australia that are different from those of the United States.

Any financial statements included in the Scheme Booklet have been prepared in accordance with Australian Accounting Standards and may not be comparable to the financial statements of US companies. Australian corporations must comply with Australian Accounting Standards, which contain Australian equivalents to International Financial Reporting Standards.

It may be difficult for you to enforce your rights and any claim you may have arising under US federal securities laws, since Marengo is located in Australia and most of its officers and directors are residents of Australia. You may not be able to sue Marengo or its officers or directors in Australia for violations of the US securities laws. It may be difficult to compel Marengo and its affiliates to subject themselves to a US court's judgment.

The Scheme Booklet has not been filed with or reviewed by the US Securities and Exchange Commission or any state securities authority and none of them has passed upon or endorsed the merits of the Scheme or the accuracy, adequacy or completeness of the Scheme Booklet. Any representation to the contrary is a criminal offence.

The Shares to be issued pursuant to the Scheme have not been, and will not be, registered under the US Securities Act 1933 or the securities laws of any US state or other jurisdiction. The Scheme is not being made in any US state or other jurisdiction where it is not legally permitted to do so.

Marengo has estimated its reserves and resources in accordance with the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves 2004 Edition (**JORC Code**), which governs such disclosures by companies listed on the Australian Securities Exchange. The JORC Code differs in several significant respects from Industry Guide 7 of the U.S. Securities and Exchange Commission that governs disclosures of mineral reserves in registration statements filed with the US Securities and Exchange Commission (**SEC**). In particular, Industry Guide 7 does not recognize classifications other than proven and probable reserves and the SEC does not permit mining companies to disclose mineral resources in SEC filings. Investors should not assume that "resources" will be converted into reserves or that Marengo will be able to economically extract them.

#### **Mineral reserves and mineral resources**

Marengo's disclosure of mineral reserve and mineral resource information is governed by NI 43-101 and CIM Standards. Marengo's disclosure of mineral reserve and mineral resource information is also based on the reporting requirements of the JORC Code.

The Independent Expert would not expect that statements of mineral resources and mineral reserves prepared in accordance with the CIM definitions applicable under NI 43-101 would be materially different if prepared in accordance with the JORC Code. Mineral resources which are not mineral reserves do not have demonstrated economic viability.

#### **Advisers**

None of Gilbert + Tobin, Fraser Milner Casgrain LLP or Allens assume any responsibility for the accuracy or completeness of any of the information contained in this Scheme Booklet.

#### **Glossary**

Capitalised terms are defined within the Glossary contained in Section 10 of this Scheme Booklet or elsewhere in this Scheme Booklet. The documents reproduced in some of the Annexures to this Scheme Booklet each have their own defined terms which are sometimes different from those in the Glossary.

#### **Date of Scheme Booklet**

This Scheme Booklet is dated 30 October 2012.

## IMPORTANT DATES

Announcement of the Scheme	30 October 2012
Date of this Scheme Booklet and Notice of Meeting	30 October 2012
Date for determining who must be provided with notice of the Scheme Meeting and Voting Instruction Form ( <b>Notice Record Date</b> )	5 November 2012
Date and time for determining eligibility to attend and vote at Scheme Meeting ( <b>Voting Record Date</b> )	4 December 2012
Latest time and date for receipt of proxies for Scheme Meeting	4 December 2012
Scheme Meeting	6 December 2012

### **If the Scheme is agreed to by Marengo Shareholders**

Second Court Date - to approve the Scheme	18 December 2012
Notify ASX, TSX and POMSoX of intention to lodge Court order	18 December 2012
Effective Date <ul style="list-style-type: none"> <li>▪ the Court order is lodged with ASIC and the Scheme becomes binding</li> <li>▪ last day of trading in Marengo Shares on the ASX and the POMSoX</li> </ul>	19 December 2012
Delisting of Marengo on TSX	21 December 2012
Listing of Marengo Canada on the ASX and trading of Marengo Canada CDIs on the ASX on a deferred settlement basis (subject to ASX approval)	24 December 2012
Listing of Marengo Canada on POMSoX and trading of Marengo Canada PDIs on POMSoX on a deferred settlement basis	24 December 2012
Listing of Marengo Canada on the TSX and trading of Marengo Canada Shares on the TSX on a deferred settlement basis	24 December 2012
Record Date for determining entitlements to Scheme Consideration	28 December 2012
Implementation Date – date of despatch of Scheme Consideration	31 December 2012
Delisting of Marengo on the ASX and the POMSoX	2 January 2013
Dispatch of holding statements for CDIs, PDIs and certificates for Marengo Canada Shares	2 January 2013

- All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Court and other regulatory authorities.
- Marengo reserves the right to vary the times and dates set out above at its discretion. Any changes to the above timetable will be announced through the ASX, the TSX and the POMSoX.
- All references to time in this Scheme Booklet are references to AWST.
- Amendments will be required to be made to the POMSoX Rules to accommodate the quotation of PDIs on the POMSoX. Marengo intends to make an application to the POMSoX to amend the POMSoX Rules shortly after this Scheme Booklet is published. Although Marengo understands that POMSoX supports the concept of amending the POMSoX Rules to support a listing of depository interests, there is no guarantee that the POMSoX will agree to the amendments which will be proposed by Marengo, or that the time at which those amendments will take effect will coincide with the implementation of the Scheme. Please see section 9.4 below for further information in this regard.

## MESSAGE FROM THE CHAIRMAN OF MARENGO MINING LIMITED

30 October 2012

Dear Shareholder

In 2008 your company, Marengo Mining Limited (**Marengo**) listed on the Toronto Stock Exchange (**TSX**) and has since raised substantial funds through the issue of shares listed on TSX<sup>1</sup>. In order to gain access to the much deeper capital markets of North America and therefore attract greater investment in your company, your Board, after much detailed debate and consideration, has taken the decision, to re-domicile Marengo to Canada (**Restructure**). It is the view of the Marengo Board that the Restructure will be necessary to enable the financing of the development of the Yandera Project.

To effect the Restructure, Marengo is proposing a scheme of arrangement (**Scheme**) with its shareholders. Under the Scheme, Marengo shareholders will be offered shares or depository interests in a new Canadian company to be initially known as Marengo Mining Canada Limited<sup>2</sup> (**Marengo Canada**) on a one for one basis.

Marengo Canada was specifically incorporated for the purpose of the Restructure and upon implementation of the Scheme will change its name to Marengo Mining Limited. Upon completion of the Scheme Marengo Canada will: own all of the shares in Marengo; and will itself be listed in Australia (on the ASX), Canada (on the TSX) and Papua New Guinea (on the POMSoX)<sup>3</sup>.

The rationale for the re-domicile is compelling and includes the following:

- it is consistent with the needs of Marengo's international operations and its growth intentions;
- it is consistent with Marengo's growing offshore shareholder base and has the potential to improve overseas, particularly North American, investor interest; and
- it has the potential to create a more flexible global structure.

One key difference to the present Australian listing is that trading on ASX and POMSoX will be by way of depository interests rather than ordinary shares. These depository interests will be traded like shares and in the manner in which most foreign companies are traded on ASX and POMSoX.

To effect this Restructure a requisite majority of Marengo shareholders must vote to approve the Scheme at a Scheme Meeting to be convened for mid to late November, 2012. The Scheme must then also be approved by the Court.

The details of the Restructure and all of its implications are explained in this Scheme Booklet, as well as proxy forms for Marengo shareholders who are unable to attend the Scheme Meeting in person. We recommend that you read it in detail and encourage you to attend the Scheme Meeting (in person or by proxy).

The Board commissioned BDO Corporate Finance (WA) Pty Ltd to prepare the Independent Expert's Report. The Independent Expert's opinion is that **the Scheme is in the best interests of Marengo Mining Shareholders**. A copy of the Independent Expert's Report is set out in Annexure 5 of this Scheme Booklet.

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<sup>1</sup> Full details are set out in section 5.1 of the Independent Expert's Report. A copy of the Independent Expert's Report is set out in Annexure 5 of this Scheme Booklet.

<sup>2</sup> The name of this entity is currently Marengo Mining Canada Limited. Upon Marengo Mining Canada Limited changing its name to Marengo Mining Limited, it is proposed the current Marengo Mining Limited will be renamed Marengo Mining (Australia) Limited.

<sup>3</sup> Immediate listing on the POMSoX will be subject to POMSoX amending its rules to allow for the listing of depository interests. If this is not achieved by the date prior to final Court approval of the Scheme, Marengo shareholders who would have been issued securities tradable on POMSoX will be issued securities tradable on ASX. In such circumstances, it is intended that Marengo Canada will continue to pursue a POMSoX listing post completion of the Scheme.



The major task before your Company is obtaining financing for the development of the Yandera Project. As a Board, we believe that notwithstanding the present economic climate, we have an opportunity to bring the Yandera Project into production, transforming Marengo from an explorer into a significant copper producer.

The Scheme enables the Restructure and is one of the key steps in this transformation and we strongly recommend it to all shareholders. All of your Directors intend to vote in favour of the Scheme and we encourage you to join us in doing so.

Yours faithfully,  
MARENGO MINING LIMITED

John Horan  
Chairman

## HOW TO VOTE

### **Your vote is important**

For the Scheme to proceed, it is necessary that the Scheme is approved by a majority in number of eligible Marengo Shareholders present and voting (either in person or by proxy) at the Scheme Meeting. That majority must represent at least 75% of the total number of votes cast on the resolution at the Scheme Meeting.

The Court must also approve the Scheme. The Court has discretion whether or not to approve the Scheme even if the Resolution in favour of the Scheme is passed by the requisite number of Marengo Shareholders and votes cast.

All votes at the Scheme Meeting will be taken by poll.

Marengo Shareholders may vote at the Scheme Meeting in person or by proxy or attorney or (in the case of corporate shareholders) a body corporate representative. The Scheme Notice of Meeting is set out in Annexure 4.

Canadian beneficial holders of Marengo Shares should refer to the Notice of Meeting contained in Annexure 4 of the Scheme Booklet for information on voting.

### **Who is entitled to vote?**

Subject to any voting restrictions, Marengo Shareholders will be eligible to vote at the Scheme Meeting if they are registered as a Marengo Shareholder as at 4.00pm AWST on 4 December 2012.

### **When and where is the meeting?**

The Scheme Meeting will be held at 4.00pm AWST at the Lower Pavilion, Next Generation Club, Kings Park, 21 Kings Park Road, West Perth, Australia on Thursday, 6 December 2012. The time of the Scheme Meeting is shown in the Notice of Meeting.

### **How to vote**

To vote, Marengo Shareholders should:

1. attend and vote in person at the Scheme Meeting; or
2. appoint a proxy (or attorney or representative) to vote on their behalf at the Scheme Meeting.

Canadian beneficial holders of Marengo Shares should refer to the Notice of Meeting contained in Annexure 4 of the Scheme Booklet for information on voting.

## **Voting by Proxy**

To vote by proxy Marengo Shareholders should complete the attached proxy form for the Scheme Meeting in accordance with the instructions on the form and return it to Marengo's Share Registry at the following address:

In respect of Marengo Shareholders registered on the **Australian Register**, proxy forms should be sent by post to:

Computershare Investor Services Pty Ltd  
GPO Box 242  
Melbourne VIC 3001  
Australia

If sent by facsimile:  
1800 783 447  
+61 3 9473 2555 (international)

In respect of Marengo Shareholders registered on the **Canadian Register**, proxy forms should be sent by post to:

Computershare Trust Company of Canada  
100 University Avenue  
9<sup>th</sup> Floor  
Toronto, Ontario M5J 2Y1  
Canada

If sent by facsimile:  
+1 866 249 7775

In respect of Marengo Shareholders registered on the **PNG Register**, proxy forms should be sent by post to:

PNG Registries Limited  
Level 2, AON Haus McGregor Street  
Port Moresby  
PO Box 1265, Port Moresby  
Papua New Guinea NCD

If sent by facsimile:  
+675 321 6379

### **so as to be received no later than 48 hours prior to the Scheme Meeting.**

The sending of any proxy form will not preclude any Marengo Shareholder from attending in person and voting at the Scheme Meeting at which that Marengo Shareholder is entitled to attend and vote in person. However, voting in person will preclude any proxy of that Marengo Shareholder from being counted.

If the Marengo Shareholder appoints two proxies and the appointment does not allocate a proportion of the Marengo Shareholder's voting rights, each proxy may exercise half the votes on a poll.

If more than one joint holder of a Marengo Share tenders a vote, the vote of the holder named first in the register will be accepted to the exclusion of the other or others.

Where a person present at a meeting represents personally or by proxy, attorney or representative more than one Marengo Shareholder, that person is entitled to only one vote on a show of hands despite the number of Marengo Shareholders that person represents and that vote will be taken as having been cast for all the Marengo Shareholders the person represents. The person must not exercise that vote in a way which would contravene any directions given to the person by the member in any instrument appointing the person as attorney or proxy.

Canadian beneficial holders of Marengo Shares should refer to Annexure 4 of the Scheme Booklet for information on voting.

#### **Voting by corporate representative or attorney**

If you are a corporate Marengo Shareholder and wish to appoint a representative to attend the Scheme Meeting, you should ensure that your representative can provide appropriate evidence of his or her appointment.

Alternatively, you may appoint another person by power of attorney to attend the Scheme Meeting and vote on your behalf. You will need to provide appropriate evidence of the grant of the power of attorney.

Canadian beneficial holders of Marengo Shares should refer to the Notice of Meeting contained in Annexure 4 of the Scheme Booklet for information on voting.

## SUMMARY OF THE RESTRUCTURE AND THE SCHEME

A summary of the key features of the Restructure and the Scheme is set out below, however shareholders should ensure they read the remainder of this Scheme Booklet.

### 1. The Restructure

Marengo is proposing to undergo a corporate restructure and re-domicile to Canada. To effect the Restructure, the following steps are required:

- (a) **Scheme of Arrangement** – The Scheme, if implemented, will result in Marengo becoming a wholly owned subsidiary of Marengo Canada, a company incorporated in Canada specifically for the purpose of the Restructure;
- (b) **New ASX Listing** – Marengo Canada will apply to be listed on the ASX, and Marengo will be delisted from the ASX;
- (c) **New TSX Listing** - Marengo Canada will apply to be listed on the TSX, and Marengo will be delisted from the TSX; and
- (d) **New POMSoX Listing** – Subject to POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs, Marengo Canada will apply to be listed on POMSoX, and Marengo will be delisted from POMSoX.

Marengo Canada will effectively replace Marengo as the listed entity on the ASX, the TSX and the POMSoX.

Please see Section 9.4 of this Scheme Booklet for further information in relation to the POMSoX listing process.

### 2. The Scheme

The Scheme will be implemented by way of a Scheme of Arrangement between Marengo and the Scheme Participants. Under the Scheme, all of the Marengo Shares will be transferred to Marengo Canada and Marengo Shareholders (other than Ineligible Foreign Shareholders) will receive one Marengo Canada Share, CDI or PDI for each Marengo Share they hold on the Record Date.

### 3. Approvals to implement the Restructure

The implementation of the Restructure requires the Scheme to be approved by:

- (a) Marengo Shareholders at the Scheme Meeting, which will be on Thursday, 6 December 2012 at 4.00pm AWST, Australia; and
- (b) the Court, if the Marengo Shareholders' approval is obtained.

### 4. Board Recommendation and Independent Expert's Report

The Marengo Board unanimously recommends that Marengo Shareholders vote in favour of the Scheme at the Scheme Meeting. Each Marengo Director intends to vote in favour of the Scheme.

The Marengo Board commissioned BDO Corporate Finance (WA) Pty Ltd to prepare a report on the Scheme. **The Independent Expert has concluded that the Scheme is in the best interests of Marengo Shareholders.** A copy of the report is set out in Annexure 5.

## **5. Effect of the Restructure**

The Restructure will not impact Marengo's projects. The Restructure will have the following major effects:

- (a) Marengo will become a wholly owned subsidiary of Marengo Canada;
- (b) Marengo will be removed from the official list of the ASX, the TSX and the POMSoX, and Marengo Canada will, subject to successful application (and, in relation to POMSoX, subject to POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs) be listed on the ASX, the TSX and the POMSoX; and
- (c) Scheme Participants will essentially have the same proportional investment in Marengo Canada upon the Scheme being implemented as they have in Marengo immediately before the Scheme. The Marengo Shares will be transferred to Marengo Canada and the Scheme Participants (other than Ineligible Foreign Shareholders) will receive one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date.

## FREQUENTLY ASKED QUESTIONS AND ANSWERS

<b>Restructure Proposal</b>	
<b>What is the Restructure proposal?</b>	<p>Marengo is proposing to undergo a corporate restructure and re-domicile to Canada.</p> <p>Upon implementation of the Scheme, Marengo will become a wholly owned subsidiary of Marengo Canada and Marengo Canada will effectively replace Marengo as the listed entity on the ASX, the TSX and the POMS0X (subject to POMS0X agreeing to amend the POMS0X Rules to accommodate PDIs).</p>
<b>Why is Marengo restructuring?</b>	<p>The Marengo Board considers that re-domiciling to Canada will provide Marengo with better access to global equity markets, and in particular the North American market. This is likely to be necessary for the future development and growth of Marengo's Yandera Project, the porphyry copper-molybdenum deposit in Papua New Guinea.</p> <p>A change in domicile to Canada would increase the attractiveness of Marengo to an equity market which has a strong interest in mining projects across the world and which has provided equity for junior mining companies with projects in developing countries. The change in domicile to Canada will also make Marengo more attractive to those institutional investors and pooled funds who continue to limit the amount of foreign issues in their "Canadian equity" portfolios to manage their international market risk.</p>
<b>Who is Marengo Canada?</b>	<p>Marengo Canada is a company incorporated in Canada under the Canada Business Corporations Act (<b>CBCA</b>) for the specific purpose of becoming the Canadian holding company of Marengo.</p> <p>Marengo Canada will be listed on the ASX, the TSX and the POMS0X (subject to POMS0X agreeing to amend the POMS0X Rules to accommodate PDIs) to allow more direct access to the global mining and finance industry.</p>

<b>Scheme and Scheme Consideration</b>	
<b>What will I receive if the Scheme is approved?</b>	<p>If you are a Scheme Participant (other than an Ineligible Foreign Shareholder), you will receive one Marengo Canada Share, CDI or PDI for each Marengo Share you hold on the Record Date.</p> <p>If you are an Australian Scheme Participant (that is you are registered on the Australian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive CDIs which will be traded in Australia on the ASX, unless you have advised Marengo that you wish to receive Marengo Canada Shares or PDIs (subject to the POMS0X agreeing to amend the POMS0X Rules to accommodate PDIs) (see section 9.2 of this Scheme Booklet).</p> <p>If you are a Canadian Scheme Participant (that is you are registered on the Canadian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive Marengo Canada Shares which will be traded in Canada on the TSX unless you have</p>

	<p>advised Marengo that you wish to receive CDIs or PDIs (subject to the POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs) (see section 9.2 of this Scheme Booklet). If you are a Canadian Scheme Participant holding physical certificates representing Marengo Shares, your physical certificate will represent a share certificate of Marengo Canada as of the Implementation Date without further action required by you. However, should you wish to be issued a new physical certificate under the name of Marengo Canada, you may request such certificate from the Canadian Register at any time after the Implementation Date. If you are a Canadian Beneficial Holder holding Marengo Shares through CDS, you will receive Marengo Canada Shares by settlement through CDS.</p> <p>Subject to the POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs, if you are a PNG Scheme Participant (that is you are registered on the PNG Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive PDIs which will be traded in Papua New Guinea on the POMSoX, unless you have advised Marengo that you wish to receive Marengo Canada Shares or CDIs (see section 9.2 of this Scheme Booklet).</p>
<p><b>What is a CDI?</b></p>	<p>CDIs are CHESS Depository Interests in Marengo Shares. CDIs are beneficial interests in securities traded on the ASX under the electronic transfer and settlement system operated by the ASX. CDIs are issued to enable the electronic transfer and settlement on the ASX of shares issued by foreign companies such as Marengo Canada. CDI holders receive all the economic benefits of actual ownership of the underlying shares. A summary of the rights attaching to CDIs is set out in Annexure 6 of this Scheme Booklet.</p>
<p><b>What is a PDI?</b></p>	<p>The issue of PDIs is subject to the POMSoX agreeing to amend the POMSoX Rules to support a listing of depository interests on POMSoX. Please see Section 9.4 below for further information in relation to the POMSoX listing process. If the POMSoX agrees to such amendments in the form to be sought by Marengo, PDIs will have the following features.</p> <p>PDIs will be PETS Depository Interests in Marengo Shares. PDIs will be beneficial interests in securities traded on the POMSoX under the electronic transfer system operated by the POMSoX. PDIs will be issued to enable the electronic transfer on the POMSoX of shares issued by foreign companies such as Marengo Canada. PDIs will evidence a PDI holder's interest in Marengo Canada Shares through PDN as agent and PDI holders will receive all the economic benefits of actual ownership of the underlying shares. It is intended that the rights and entitlements that will attach to the PDIs, including in relation to voting, will reflect the rights and entitlements attaching to the CDIs as described in Annexure 6.</p>
<p><b>What if the POMSoX doesn't agree to amend the POMSoX Rules to support a listing of depository interests?</b></p>	<p>In the event that POMSoX does not agree to amend the POMSoX Rules to support a listing of depository interests, Marengo and Marengo Canada may by mutual agreement waive this condition of the Scheme. If this condition is waived and you are a PNG Scheme Participant (that is you are registered on the PNG Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive CDIs which will be traded in Australia on ASX, unless you have advised</p>



	<p>Marengo that you wish to receive Marengo Canada Shares (see section 9.2 of this Scheme Booklet).</p>
<p><b>What is the Scheme?</b></p>	<p>The Scheme is a scheme of arrangement between Marengo and Scheme Participants under which all of the Marengo Shares will be transferred to Marengo Canada in exchange for the Scheme Consideration of one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date.</p> <p>A summary of the Scheme is set out in Section 1 of this Scheme Booklet and the terms of the Scheme are set out in full in Annexure 2.</p>
<p><b>Who is entitled to the Scheme Consideration?</b></p>	<p>Scheme Participants, other than Ineligible Foreign Shareholders, are entitled to receive the Scheme Consideration in respect of each Marengo Share they hold as at the Record Date.</p> <p>If you are an Australian Scheme Participant (that is you are registered on the Australian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), the number of Marengo Canada Shares which would otherwise be required to be issued to you under the Scheme will be issued to CDN to hold on your behalf and you will receive CDIs which will be traded in Australia on the ASX.</p> <p>If you are a Canadian Scheme Participant (that is you are registered on the Canadian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive Marengo Canada Shares which will be traded in Canada on the TSX once Marengo Canada is listed on the TSX. If you are a Canadian Scheme Participant holding physical certificates representing Marengo Shares, your physical certificate will represent a share certificate of Marengo Canada as of the Implementation Date without further action required by you. However, should you wish to be issued a new physical certificate under the name of Marengo Canada, you may request such certificate from the Canadian Register at any time after the Implementation Date. If you are a Canadian Beneficial Holder holding Marengo Shares through CDS, you will receive Marengo Canada Shares by settlement through CDS.</p> <p>If you are a PNG Scheme Participant (that is you are registered on the PNG Register as at the Record Date and you are not an Ineligible Foreign Shareholder), the number of Marengo Canada Shares which would otherwise be required to be issued to you under the Scheme will be issued to PDN to hold as your agent and you will receive PDIs which will be traded in Papua New Guinea on the POMS0X.</p>
<p><b>What will be the effect of the Scheme?</b></p>	<p>Your Marengo Shares will be transferred to Marengo Canada without any further action required by you.</p> <p>In exchange for the transfer of your Marengo Shares, you will receive the Scheme Consideration.</p> <p>Marengo will become a wholly-owned subsidiary of Marengo Canada and will be de-listed from the ASX and the TSX.</p> <p>Marengo Canada, a Canadian company, will be listed on the ASX, TSX and POMS0X (subject to POMS0X agreeing to amend the POMS0X</p>

	Rules to accommodate PDIs) and will continue the business of Marengo.
<b>What if I am an Ineligible Foreign Shareholder?</b>	<p>You are an Ineligible Foreign Shareholder if your address as shown in the Register is a place outside of Australia, Canada, New Zealand, Papua New Guinea or the United States.</p> <p>The Marengo Canada Shares to which you would be entitled to receive under the Scheme will be issued to a nominee appointed by Marengo, who will sell those Marengo Canada Shares and you will receive the proceeds, after deducting any applicable brokerage, stamp duty and other taxes and charges.</p> <p>Ineligible Foreign Shareholders should refer to section 6.7 for further details regarding how they will receive Scheme Consideration under the Scheme.</p>
<b>If the Scheme is implemented, when will I receive the Scheme Consideration?</b>	<p>If the Scheme is approved by Marengo Shareholders and the Court, the Scheme Consideration will be paid to Scheme Participants on the Implementation Date, which is currently anticipated to be 31 December 2012.</p> <p>Marengo Shareholders should be aware that if the Scheme Meeting is adjourned and the Implementation Date is delayed, payment of the Scheme Consideration will also be delayed (but Marengo Shareholders will retain ownership of their Marengo Shares until the Scheme is implemented).</p>
<b>What is the difference between Marengo Canada CDIs and Shares?</b>	<p>Each Marengo Canada CDI will represent a beneficial interest in one Marengo Canada Share and will have rights that are economically equivalent to the rights attaching to a Marengo Canada Share.</p> <p>Marengo Canada CDIs will be quoted and traded on the ASX in Australian dollars – they will not be quoted and traded on the TSX or POMSoX. Holders of CDIs should note there may be differences in levels of trading and liquidity on the ASX, TSX and POMSoX. Marengo Canada Shareholders may elect to convert their CDIs and PDIs to Marengo Canada Shares at any time.</p> <p>Marengo Canada Shares are fully paid common shares in the capital of Marengo Canada ranking equally in all respects with all other common shares then outstanding. Marengo Canada Shares will be listed and traded on the TSX in Canadian dollars – they will not be quoted and traded on the ASX or POMSoX.</p> <p>A holder of Marengo Canada CDIs will not be a registered Marengo Canada Shareholder. Instead, Marengo Canada Shares represented by Marengo Canada CDIs will be held by CHESSE Depository Nominees Pty Ltd (CDN), a subsidiary of ASX. A Marengo Canada CDI holder can direct CDN to vote, in accordance with the CDI holder's directions, the Marengo Canada Shares represented by its CDIs (or appoint the CDI holder or another person to do so). If CDN does not receive instructions to vote Marengo Canada Shares representing any CDIs, those shares will not be voted.</p>
<b>What is the difference</b>	If POMSoX agrees to amend its listing rules in the form to be sought by

<p><b>between Canada Shares? Marengo PDIs and</b></p>	<p>Marengo, the differences between PDIs and Marengo Canada shares will be as follows.</p> <p>Each Marengo Canada PDI will evidence a PDI holder's interest in one Marengo Canada Share and will have rights that are economically equivalent to the rights attaching to a Marengo Canada Share.</p> <p>Marengo Canada PDIs will be quoted and traded on POMS0X in PGK – they will not be quoted and traded on TSX or ASX. Holders of PDIs should note there may be differences in levels of trading and liquidity on the ASX, TSX and POMS0X. Marengo Canada Shareholders may elect to convert their CDIs and PDIs to Marengo Canada Shares at any time.</p> <p>Marengo Canada Shares are fully paid common shares in the capital of Marengo Canada ranking equally in all respects with all other common shares then outstanding. Marengo Canada Shares will be listed and traded on TSX in Canadian dollars – they will not be quoted and traded on POMS0X or on ASX.</p> <p>A holder of Marengo Canada PDIs will not be a registered Marengo Canada Shareholder. Instead, Marengo Canada Shares represented by Marengo Canada PDIs will be held by PDN, being the company to be established as a subsidiary of POMS0X for the purpose of fulfilling the functions of a depository nominee, as agent for the PDI holder. A Marengo Canada PDI holder can direct PDN to vote, in accordance with the PDI holder's directions, the Marengo Canada Shares represented by its PDIs (or appoint the PDI holder or another person to do so). If PDN does not receive instructions to vote Marengo Canada Shares representing any PDIs, those shares will not be voted.</p>
<p><b>Can I transfer between CDIs, PDIs and Marengo Canada Shares?</b></p>	<p>Yes, upon the Marengo Canada Shares being admitted to trading on the TSX, the CDIs being quoted on the ASX and the PDIs being quoted on the POMS0X, securities can then be moved between the registers maintained in Canada, Australia and Papua New Guinea.</p> <p>Shareholders contemplating a register move should contact their stockbroker or the relevant share registry where their Marengo Canada Shares, CDIs or PDIs are maintained in order to obtain the applicable documentation.</p> <p>Movements between registers is not instantaneous and as such, Shareholders should not trade in Marengo Canada Shares, CDIs or PDIs (as appropriate) once a request has been made to move the securities and prior to receiving confirmation from the relevant share registry that the move has been completed.</p>
<p><b>What are the reasons to vote in favour of the Scheme?</b></p>	<p>The reasons to vote in favour of the Scheme are set out in Section 2.3 of this Scheme Booklet. Essentially, voting in favour of the Scheme will allow the Restructure to be effected.</p> <p>The Restructure may provide the following advantages:</p> <ul style="list-style-type: none"> <li>• greater access to equity capital and exposure to larger and more diverse equity markets;</li> <li>• retention of ASX listing and familiarity with local exchange;</li> <li>• comparable shareholder protection;</li> <li>• improved market sentiment and profile;</li> </ul>

	<ul style="list-style-type: none"> <li>• potential re-rating of Marengo's share price and potential for increased levels of trading liquidity<sup>4</sup>; and</li> <li>• potential for improved company structure.</li> </ul>
<p><b>Are there any potential disadvantages of the Scheme?</b></p>	<p>Although the Marengo Board recommends that you vote in favour of the Scheme, the Scheme has some potential disadvantages that Marengo Shareholders should consider when making their decision whether or not to vote in favour of the Scheme. The potential disadvantages of the Scheme are set out in Section 2.4 of this Scheme Booklet.</p> <p>The Restructure may provide the following disadvantages:</p> <ul style="list-style-type: none"> <li>• additional cost and administrative burden;</li> <li>• change in jurisdiction which Australian and other shareholders may not be familiar with;</li> <li>• Ineligible Foreign Shareholders will not be able to receive Marengo Canada Shares, CDIs or PDIs; and</li> <li>• taxation Implications (a summary of which are set out in Section 7 of this Scheme Booklet).</li> </ul> <p>In addition to the disadvantages noted above, it is expected that the holders of PDIs and CDIs will be treated in a similar manner to persons who hold shares in Marengo Canada directly. There is however a risk that the PNG Revenue may take a different view and may seek to treat the PDIs and CDIs as interests in a trust. The Company intends to seek clarification about the treatment of CDIs and PDIs from the PNG Revenue to the extent that it feels that clarification is necessary, before the payment of any dividends on Marengo shares. If the PDIs and CDIs were treated as interests in a trust it is likely that holders of PDIs and CDIs would not obtain the intercorporate dividend rebates and tax credits for foreign withholding tax ordinarily available to persons who directly hold shares in Marengo Canada. Non residents who hold PDIs could also be subject to PNG Withholding Tax on dividends paid to them. Under the terms of the PDIs and CDIs holders can elect to have their PDIs and CDIs converted into direct holding of shares in Marengo Canada at any time.</p>
<p><b>What is happening to Marengo Options, Marengo Performance Rights and Marengo Warrants?</b></p>	<p>Marengo and Marengo Canada propose to enter into private treaty agreements with each Marengo Optionholder and Marengo Performance Right holder to acquire their Marengo Options and Marengo Performance Rights (as applicable) in exchange for options and performance rights in Marengo Canada on substantially similar terms as Marengo Options and Marengo Performance Rights (as applicable).</p> <p>Pursuant to a Warrant Indenture dated 11 August 2010 (the <b>Warrant Indenture</b>), Marengo has 56,860,750 warrants outstanding to acquire ordinary shares of Marengo at a price of C\$0.0116 per ordinary share until expiry on 11 August 2013. The implementation of the Scheme will be a "Capital Reorganization" under the Warrant Indenture entitling holders of Warrants to obtain upon exercise the number of shares or other securities or property such holder would have been entitled to</p>

<sup>4</sup> Shareholders of Marengo may experience an increase in the liquidity of their holdings if the Scheme is approved and Marengo was to have a primary listing on the TSX. This advantage will only be experienced by those Marengo Canada Shareholders who hold Marengo Canada Shares and not those who hold CDIs or PDIs, however Marengo Canada Shareholders may elect to convert their CDIs and PDIs to Marengo Canada Shares at any time.

	receive if on the Record Date the Warrantholder had been a registered holder of the number of ordinary shares the Warrantholder was entitled to acquire immediately prior to the Capital Reorganization. Therefore, where a Marengo Warrant is exercised after the Record Date for the Scheme, a Marengo Canada Share will be issued. A supplemental indenture will be entered into to reflect the terms of this entitlement.
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<b>Independent Expert</b>	
<b>What is the Independent Expert's conclusion?</b>	<p>The Marengo Board engaged BDO Corporate Finance (WA) Pty Ltd as Independent Expert to provide a report on the Scheme.</p> <p>The Independent Expert has concluded that the Scheme is <b>in the best interests of Marengo Shareholders</b>.</p> <p>The Independent Expert's Report is included in Annexure 5 of this Scheme Booklet.</p>

<b>Scheme Meeting</b>	
<b>When and where will the Scheme Meeting be held?</b>	The Scheme Meeting will be held at the Lower Pavilion, Next Generation Club, Kings Park, 21 Kings Park Road, West Perth Australia on 6 December 2012 at 4.00pm AWST.
<b>Am I entitled to vote?</b>	<p>If you are registered as a Marengo Shareholder at 4.00pm AWST on 4 December 2012, you will be entitled to vote at the Scheme Meeting.</p> <p>You may vote in person at the meeting, or by attorney or representative or by completing and lodging the proxy form accompanying this Scheme Booklet.</p>
<b>Who is excluded from voting at the Scheme Meeting?</b>	<p>All Marengo Shareholders are entitled to vote at the Scheme Meeting.</p> <p>Marengo Canada will not vote at the Scheme Meeting as it does not own any Marengo Shares.</p>
<b>What vote is required to approve the Scheme?</b>	<p>For the Scheme to proceed, it must be approved by:</p> <p>(a) a majority in number (more than 50%) of those Marengo Shareholders present and voting at the Scheme Meeting in person, by proxy, by attorney or (in the case of a corporate Marengo Shareholder) by a corporate representative; and</p> <p>(b) at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by Marengo Shareholders,</p> <p>(the "<b>Marengo Shareholder Approval</b>").</p> <p>The Scheme cannot proceed unless it receives the Marengo Shareholder Approval.</p> <p>Approval of the Court is also required.</p>
<b>Is voting compulsory?</b>	No, voting is not compulsory. However, your vote is important. If you cannot attend the Scheme Meeting to be held on 6 December 2012, you are encouraged to complete and return the proxy form enclosed with this Scheme Booklet.

	For further details regarding voting and submitting your proxy form for the Scheme Meeting, see page 5 of this Scheme Booklet.
<b>Are any other approvals required?</b>	<p>The Scheme must be approved by the Court in addition to being approved by Marengo Shareholders. If the Scheme is approved at the Scheme Meeting, Marengo will apply to the Court for approval of the Scheme as soon as practicable.</p> <p>The Second Court Date for approval of the Scheme is expected to be set as at 18 December 2012 (although this may change).</p> <p>Further details of the approval process are set out in Section 6.4 of this Scheme Booklet.</p>
<b>Is the Scheme subject to any conditions?</b>	Completion of the Scheme is subject to a number of conditions. The key outstanding conditions are summarised in Section 6.6 of this Scheme Booklet.
<b>How do I vote?</b>	<p>You may vote in person by attending the Scheme Meeting to be held on Thursday, 6 December 2012 at the Lower Pavilion, Next Generation Club, Kings Park, 21 Kings Park Road, West Perth Australia at 4.00pm AWST.</p> <p>Alternatively, you may vote by completing and lodging the enclosed proxy form, or by attorney, or in the case of a corporate Marengo Shareholder, by a corporate representative by 4 December 2012.</p> <p>Full details of how to vote are set out in on page 5 of this Scheme Booklet.</p>
<b>What happens if I do not vote, or I vote against the Scheme?</b>	<p>If you are a Marengo Shareholder on the Record Date and the Scheme is approved, your Marengo Shares will be transferred to Marengo Canada without any further action required by you under the Scheme and you will receive the Scheme Consideration for your Marengo Shares on the Implementation Date.</p> <p>This is so, even if you did not vote, or voted against the Scheme.</p>
<b>What happens if the Marengo Shareholder Approval is not obtained?</b>	If the Scheme is not approved, you will remain a Marengo Shareholder and will not receive the Scheme Consideration.
<b>When will the results of the Scheme Meeting be available?</b>	The results of the Scheme Meeting will be available shortly after the conclusion of the Scheme Meeting and will be announced to the ASX, the TSX and the POMSx once available. The results will also be published on Marengo's website <a href="http://www.marengominer.com">www.marengominer.com</a> and posted on <a href="http://www.sedar.com">www.sedar.com</a> under Marengo's profile soon after the Scheme Meeting.

<b>Other Questions</b>	
<b>Will I have to pay brokerage fees or stamp duty?</b>	No. You will not have to pay any brokerage or stamp duty in connection with the Scheme or the Scheme Consideration.

<p><b>What are the tax consequences of the Scheme for me?</b></p>	<p>Section 7 of this Scheme Booklet provides a general summary of certain Australian, Canadian and PNG tax implications of the Scheme for Marengo Shareholders.</p> <p>You should consult with your own tax advisor regarding the consequences of acquiring, holding or disposing of Marengo Shares in light of current tax laws as they apply to you and your particular investment circumstances.</p>
<p><b>Where can I get further information?</b></p>	<p>This Scheme Booklet provides detailed information in relation to the Scheme that all Marengo Shareholders should read.</p> <p>If you have any questions about the Scheme, please forward them to Mr Mark Churchward, Chief Financial Officer and Joint Company Secretary of Marengo or Mr John Ribbons, Joint Company Secretary of Marengo or call +61 8 9429 0000. Alternatively, please discuss your questions with your legal, financial or other professional adviser.</p> <p>For additional copies of this Scheme Booklet, please visit Marengo's website at <a href="http://www.marengomining.com">www.marengomining.com</a>.</p>

## SECTION 1 OVERVIEW OF THE SCHEME

### 1.1 Background

On 24 September 2012 Marengo announced that it proposed to restructure Marengo to re-domicile in Canada by way of a Scheme.

On 24 September 2012 Marengo announced that Marengo and Marengo Canada signed a Scheme Implementation Agreement governing how the Scheme would proceed.

Under the terms of the Scheme Implementation Agreement, Marengo Canada is offering one Marengo Canada Shares, CDI or PDI for each Marengo Share held on the Record Date.

The key terms of the Scheme Implementation Agreement are set out in Section 6.6.

If the Scheme is implemented, it is intended that Marengo will become a wholly owned subsidiary of Marengo Canada and be delisted from the ASX, TSX and POMSoX. Marengo Canada will apply for quotation on the official list of the ASX, TSX and subject to the POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs, the POMSoX.

### 1.2 Implementation of the Scheme via Scheme of Arrangement

The Scheme is to be effected by a Scheme of Arrangement pursuant to Part 5.1 of the Corporations Act.

The consequences for Marengo and the intentions of the Marengo Directors for Marengo if the Scheme is not approved are set out in Section 2.5.

### 1.3 Scheme

The Scheme applies to Marengo Shareholders.

Scheme Participants (other than Ineligible Foreign Shareholders) will receive one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date.

The Independent Expert has **concluded that the Scheme is in the best interests of Marengo Shareholders** (please refer to Annexure 5 for the full report of the Independent Expert and the basis and assumptions for this opinion).

### 1.4 Resolution to be passed at the Scheme Meeting

The resolution to be passed at the Scheme Meeting is set out below:

*“That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Marengo and the holders of its fully paid ordinary shares, designated the “Scheme”, as contained in and more particularly described in Annexure 2 of the Scheme Booklet accompanying the Notice of Scheme Meeting, is agreed to and the Board of Directors of Marengo are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions.”*

The Marengo Shareholder Approval must be obtained for implementation of the Scheme.



## **1.5 Court approval**

The Scheme will become binding on Marengo and each Scheme Participant upon the Court making an order under section 411(4)(b) of the Corporations Act and that order being lodged with ASIC and becoming effective under section 411(10). Application to the Court for that order will be made as soon as possible after the Scheme Meeting has been held.

## **1.6 Effect of Scheme on holders of Marengo securities**

### *Marengo Shareholders*

If the Marengo Shareholder Approval is obtained and the Scheme approved by the Court, all Marengo Shareholders (whether or not a Marengo Shareholder did not vote, or voted against, the Scheme) who hold Marengo Shares on the Record Date will participate in the Scheme. The Marengo Shareholders as at the Record Date are referred to as Scheme Participants.

Upon implementation of the Scheme, Marengo Shareholders will cease to be shareholders in Marengo and will receive one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date in consideration for the transfer by them of their Marengo Shares to Marengo Canada, such that Marengo will become a wholly owned subsidiary of Marengo Canada.

If you are an Australian Scheme Participant (that is you are registered on the Australian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive CDIs which will be traded in Australia on the ASX, unless you have advised Marengo that you wish to receive Marengo Canada Shares or PDIs (see section 9.2 of this Scheme Booklet).

If you are a Canadian Scheme Participant (that is you are registered on the Canadian Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive Marengo Canada Shares which will be traded in Canada on the TSX, unless you have advised Marengo that you wish to receive Marengo Canada CDIs or PDIs (see section 9.2 of this Scheme Booklet). If you are a Canadian Scheme Participant holding physical certificates representing Marengo Shares, your physical certificate will represent a share certificate of Marengo Canada as of the Implementation Date without further action required by you. However, should you wish to be issued a new physical certificate under the name of Marengo Canada, you may request such certificate from the Canadian Register at any time after the Implementation Date. If you are a Canadian Beneficial Holder holding Marengo Shares through CDS, you will receive Marengo Canada Shares by settlement through CDS.

If you are a PNG Scheme Participant (that is you are registered on the PNG Register as at the Record Date and you are not an Ineligible Foreign Shareholder), you will receive PDIs which will be traded in Papua New Guinea on the POMSoX, unless you have advised Marengo that you wish to receive Marengo Canada Shares or CDIs (see Section 9.2 of this Scheme Booklet).

Marengo is confident that the POMSoX will agree to amend the POMSoX Rules to support a listing of depository interests on POMSoX. However, if POMSoX does not agree to amend the POMSoX Rules to support a listing of depository interests, if you are PNG Scheme Participant, you will receive CDIs which will be traded in Australia on ASX, unless you have advised Marengo that you wish to receive Marengo Canada Shares (see section 9.2 of this Scheme Booklet).

### *Marengo Optionholders*

At the date of this Scheme Booklet, Marengo has 9,650,000 Marengo Options on issue.

If the Marengo Optionholders exercise their Marengo Options and are issued with the Marengo Shares prior to the Record Date, the Scheme will apply in respect of such Marengo Shares.

Marengo and Marengo Canada propose to enter into private treaty agreements with each Marengo Optionholder to acquire their Marengo Options. Under the private treaty agreements Marengo Canada will issue to each Marengo Optionholder one option in Marengo Canada for each Marengo Option acquired, such options in Marengo Canada to be on substantially similar terms as the Marengo Options acquired.

#### *Marengo Performance Right holders*

At the date of this Scheme Booklet, Marengo has 47,400,000 Marengo Performance Rights on issue.

If the Marengo Performance Rights convert to Marengo Shares prior to the Record Date, the Scheme will apply in respect of such Marengo Shares.

Marengo and Marengo Canada propose to enter into private treaty agreements with each Marengo Performance Right holder to acquire their Marengo Performance Rights. Under the private treaty agreements Marengo Canada will issue to each Marengo Performance Right holder one Performance Right in Marengo Canada for each Marengo Performance Right acquired, such Performance Rights in Marengo Canada to be on substantially similar terms as the Marengo Performance Rights acquired.

#### *Marengo Warranholders*

Pursuant to a Warrant Indenture dated 11 August 2010 (the **Warrant Indenture**), Marengo has 56,860,750 warrants outstanding to acquire ordinary shares of Marengo at a price of C\$0.0116 per ordinary share until expiry on 11 August 2013. The implementation of the Scheme will be a "Capital Reorganization" under the Warrant Indenture entitling holders of Warrants to obtain upon exercise the number of shares or other securities or property such holder would have been entitled to receive if on the Record Date the Warranholder had been a registered holder of the number of ordinary shares the Warranholder was entitled to acquire immediately prior to the Capital Reorganization. Therefore, where a Marengo Warrant is exercised after the Record Date for the Scheme, a Marengo Canada Share will be issued. A supplemental indenture will be entered into to reflect the terms of this entitlement.

### **1.7 Key agreements**

The key agreements to effect the Scheme are the:

- Scheme Implementation Agreement (included in Annexure 1 to this Scheme Booklet);
- Deed Poll (included in Annexure 2 to this Scheme Booklet); and
- Scheme of Arrangement (included in Annexure 3 to this Scheme Booklet).

A summary of these key agreements is set out in Section 6 of this Scheme Booklet.

## **SECTION 2 RECOMMENDATIONS OF MARENGO BOARD AND THE ADVANTAGES AND DISADVANTAGES OF THE SCHEME**

### **2.1 Marengo Board's Recommendation**

The Marengo Board considers that the Restructure and the Scheme is in the best interests of Marengo Shareholders. The Marengo Board therefore recommends that each Marengo Shareholder votes in favour of the Scheme at the Scheme Meeting.

Each director of Marengo holding Marengo Shares intends to vote such Marengo Shares in favour of the Scheme.

In considering whether to vote in favour of the Scheme, the Marengo Board encourages you to read this Scheme Booklet in its entirety (including the Independent Expert's Report in Annexure 5). The Marengo Board also encourages you to then vote by attending the Scheme Meeting, or by appointing a proxy to vote on your behalf.

### **2.2 Why Marengo Shareholders should Vote in Favour of the Scheme**

- The Scheme is **unanimously recommended** by the Marengo Board to be in the best interests of Marengo Shareholders.
- The Independent Expert has concluded that the Scheme **is in the best interests of Marengo Shareholders**.
- Re-domiciling to Canada has a number of advantages, including greater access to equity capital markets in North America.

The advantages set out above are discussed below in further detail.

### **2.3 Potential Advantages of the Scheme**

**The Marengo Board believes that the Restructure and the Scheme is in the best interests of Marengo Shareholders, and unanimously recommends that Marengo Shareholders vote in favour of the Scheme.**

The Marengo Board has formed its conclusion and made its recommendation based on the matters outlined in Section 2.2, the advantages outlined in this Section 2.3, the disadvantages outlined in Section 2.4 and having regard to the applicable risks (see Section 2.5 for more details).

Each director of Marengo who holds Marengo Shares, or on whose behalf Marengo Shares are held, intends to vote those Marengo Shares in favour of the Scheme.

**The Independent Expert has concluded that the Scheme is in the best interests of Marengo Shareholders**

The Marengo Board commissioned BDO Corporate Finance (WA) Pty Ltd to prepare an Independent Expert's Report in relation to the Scheme. The Independent Expert has concluded that the Scheme terms are in the best interests of Marengo Shareholders.

Annexure 5 of the Scheme Booklet contains a complete copy of the Independent Expert's Report. Marengo Shareholders are encouraged to read the Report in its entirety.

## **Re-domiciling to Canada has a number of advantages**

Re-domiciling to Canada would offer Marengo the following:

- greater access to equity capital and exposure to larger and more diverse equity markets;
- retention of ASX listing and familiarity with local exchange;
- comparable shareholder protection;
- improved market sentiment and profile;
- potential re-rating of Marengo's share price and potential for increased levels of trading liquidity; and
- potential for improved company structure.

## **Greater access to equity capital and exposure to larger and more diverse equity markets**

The future growth and development of Marengo, requires access to capital markets which are able to provide competitive funds in the form of debt and equity. Although Marengo is currently listed on the ASX, the TSX and the POMSoX, the Marengo Board feels that the Australian market does not provide access to the levels of investment capital that are available in Canada and North America.

The equity markets of North America may provide Marengo with an enlarged, more diverse market, the participants of which may be more inclined to invest directly in the restructured vehicle, increasing liquidity in the market for its shares. The TSX offers a highly liquid market within which its securities may be traded, and Marengo considers it would be more beneficial to have the TSX as Marengo's home exchange.

A change in domicile to Canada would increase the attractiveness of Marengo to an equity market which has a strong interest in mining projects across the world and which has provided equity for junior mining companies with projects in developing countries. The change in domicile to Canada will also make Marengo more attractive to those institutional investors and pooled funds who continue to limit the amount of foreign issues in their "Canadian equity" portfolios to manage their international market risk.

Currently Marengo has to compete with other large "foreign issuers" for the non-Canadian portion of the investment pools. It is often more likely that these limited funds will be invested in larger competitors who are perceived to be less risky than Marengo. As Marengo Canada will be incorporated in Canada, it will not be a foreign issuer and therefore should have full access to the capital pools of Canadian institutional investors. The capacity of Canadian institutions to invest in Marengo would be considerably increased if the investment could be made from their domestic funds pool rather than their foreign funds pool.

## **Retention of ASX listing and familiarity with local exchange**

Marengo Canada will apply for a primary listing on the TSX and will maintain secondary listings on the ASX and POMSoX. Therefore following the Scheme, Marengo Shareholders will continue to be able to hold their interests on the exchange with which they are most familiar.

Marengo Canada will be required to comply with the listing rules in Australia, including disclosure requirements under the continuous disclosure rules and lodgement of financial statements and quarterly reports.

## **Comparable shareholder protection**

Marengo Canada is regulated by the CBCA, the securities laws of each province in which it will be a "reporting issuer" and the rules and policies of the TSX. The reports and regulatory environment in Canada is comparable to that in Australia. Shareholders in Marengo Canada will have similar

regulatory protection to that currently available under the Corporations Act to Marengo. Section 8.2 of this Scheme Booklet sets out a comparative table of the differences between the Corporations Act and ASX Listing Rules against the CBCA and TSX Listing Rules.

### **Improved market sentiment and profile**

Re-domiciling to Canada provides an opportunity to create a new profile for Marengo in North America. Further, it potentially enables Marengo to tap into deep pools of capital that exist in the United States and Canada. Investors in North America are more likely to invest in a company with a "local" listing than in a company solely listed in Australia.

As a Canadian incorporated company, Marengo Canada will be eligible for inclusion on all major Canadian indices therefore increasing its media coverage and market presence. This can be regarded an advantage to Marengo Shareholders in the sense that a greater market presence can lead to an improvement in the Company's ability to raise future capital which in turn can accelerate growth in the Company and create additional value to Marengo Shareholders in the long run. This may also result in a re-rating of the Company's share price, although this is not certain.

Canadian analysts appear to have a greater understanding of copper porphyry, copper gold and copper molybdenum deposits than their counterparts in Australia. This is largely because of the number of copper deposits in Latin America which Canadian companies invest in.

As discussed above, Marengo Canada will have greater access to equity finance through public offerings which will have the effect of increasing the market capitalisation of the company. This increased market capitalisation is likely to provide greater media and analysts' coverage and an increased liquidity of its stock. With the increased coverage, Marengo Canada may have a greater ability to obtain debt and equity finance, including an increased level of investment interest in the financial markets and possibly an access to a wider range of investors.

### **Potential re-rating of Marengo's share price and potential for increased levels of trading liquidity**

The positioning of Marengo in the North American market may lead to a re-rating of Marengo's share price and provide a stronger base from which to achieve Marengo's corporate objectives. Once domiciled in Canada and listed on the TSX, Marengo Canada will be well positioned to execute its plans of further developing mining activities at Yandera, and to achieve a re-rating of the share price if key milestones are achieved.

As described on pages 28 and 29 of the Independent Expert's Report, the Mining sector of the TSX market is highly liquid. As a result shareholders of Marengo may experience an increase in the liquidity of their holdings if the Scheme is approved and Marengo was to have a primary listing on the TSX. This advantage will only be experienced by those Marengo Canada Shareholders who hold Marengo Canada Shares and not those who hold CDIs or PDIs, however Marengo Canada Shareholders may elect to convert their CDIs and PDIs to Marengo Canada Shares at any time.

### **Potential for improved company structure**

The appetite for larger scale equity investment is higher in Canada than in Australia and by re-domiciling to Canada Marengo may have improved access to equity financing. The Independent Expert's Report discusses the Canadian Investment environment in more detail. Refer to Annexure 5 for a copy of the Independent Expert's Report.

With greater access to equity financing comes less reliance on debt which in turn will reduce the cost of debt which Marengo needs to leverage for the financing of the Yandera Project. Greater

access to equity financing also means that the company limits its exposure to financial risk, providing a safer platform for investors.

## **2.4 Potential Disadvantages of the Scheme**

Although the Marengo Board recommends that you vote in favour of the Scheme and the Independent Expert has concluded that the Scheme is in the best interests of Marengo Shareholders, the Scheme has a number of potential disadvantages that Marengo Shareholders should consider with regard to their individual circumstances and make their own determination in deciding whether or not to vote in favour of the Scheme.

A summary of the potential disadvantages associated with the Scheme, which are explained in more detail below, are as follows:

- additional cost and administrative burden
- change in jurisdiction and complex structure
- Ineligible Foreign Shareholders will not be able to receive Marengo Canada Shares, CDIs or PDIs; and
- taxation implications

### **Additional cost and administrative burden**

The Restructure will result in additional costs and administrative burdens. The costs of the Scheme are taken up in the proforma accounts set out in the Independent Expert's Report in Annexure 5 of this Scheme Booklet. Additional costs may also be incurred as a result of the Restructure, for example, as a result of maintaining a register in Canada in addition to a register in Australia and complying with the regulatory regimes in two countries. It is noted however that Marengo already incurs many of these costs in its current structure.

### **Change in jurisdiction and complex structure**

Upon completion of the Scheme, Scheme Participants will become shareholders in Marengo Canada, which will have a more complex structure than that of Marengo. Further, Marengo Canada, as a company incorporated in Canada, will not be subject to many of the provisions of the Corporations Act to which Marengo is currently subject and to which Marengo Shareholders are familiar.

If the Scheme is implemented, Scheme Participants will become shareholders of Marengo Canada. The rights of shareholders of Marengo Canada will be governed by Canadian law and Marengo Canada's articles of incorporation and by-laws.

Currently, Australian resident Marengo Shareholders wishing to take action to enforce the provisions of Marengo's constitution or corporations or securities laws as they relate to Marengo, may take action in Australian courts, applying Australian law. After implementation of the Scheme, such actions in relation to Marengo Canada will be determined in accordance with Canadian law. An Australian shareholder will be entitled to seek enforcement of applicable laws in the same manner as a Canadian shareholder.

Although some of the material differences between Australian company law and Canadian corporate law as they relate to Marengo and Marengo Canada respectively could be viewed as advantageous to current Marengo Shareholders, others could be viewed as disadvantageous.

Some Marengo Shareholders may not be familiar with the Canadian provisions to which Marengo Canada will be subject and should refer to Section 8 of this Scheme Booklet.

## **Ineligible Foreign Shareholders will not be able to receive Marengo Canada Shares, CDIs or PDIs**

A Marengo Shareholder will be an Ineligible Foreign Shareholder if their address as shown in the Register is a place outside of Australia, Canada, New Zealand, Papua New Guinea or the United States..

The Marengo Canada Shares to which an Ineligible Foreign Shareholder would be entitled to receive under the Scheme will be issued to a nominee appointed by Marengo, who will sell those Marengo Canada Shares and an Ineligible Foreign Shareholders will receive the proceeds, after deducting any applicable brokerage, stamp duty and other taxes and charges.

Ineligible Foreign Shareholders should refer to section 6.7 for further details regarding how they will receive Scheme Consideration under the Scheme.

### **Taxation Implications**

The Scheme may have taxation implications for Marengo Shareholders. Accordingly, Marengo Shareholders should refer to the summary of certain taxation implications for Scheme Participants in Section 7 of this Scheme Booklet.

Marengo Shareholders who are residents of Canada for purposes of the *Income Tax Act* (Canada) and the regulations thereunder, as amended (the **Tax Act**) may realize a capital gain or capital loss on the transfer of their Marengo Shares to Marengo Canada in exchange for Marengo Canada Shares. Certain Marengo Shareholders who are residents of Canada may be entitled to file a joint tax election with Marengo Canada to ensure that the Scheme does not result in Canadian capital gains tax. See "Certain Canadian Federal Income Tax Considerations" in Section 7.2 of this Scheme Booklet.

In addition to the disadvantages noted above, it is expected that the holders of PDIs and CDIs will be treated in a similar manner to persons who hold shares in Marengo Canada directly. There is however a risk that the PNG Revenue may take a different view and may seek to treat the PDIs and CDIs as interests in a trust. The Company intends to seek clarification about the treatment of CDIs and PDIs from the PNG Revenue to the extent that it feels that clarification is necessary, before the payment of any dividends on Marengo shares. If the PDIs and CDIs were treated as interests in a trust it is likely that holders of PDIs and CDIs would not obtain the intercorporate dividend rebates and tax credits for foreign withholding tax ordinarily available to persons who directly hold shares in Marengo Canada. Non residents who hold PDIs could also be subject to PNG Withholding Tax on dividends paid to them. Under the terms of the PDIs and CDIs holders can elect to have their PDIs and CDIs converted into direct holding of shares in Marengo Canada at any time.

## **2.5 Implications for Marengo if Scheme does not proceed**

If the Scheme does not proceed:

- Marengo Shareholders will not receive the Scheme Consideration; and
- The Restructure will not take effect.

If the Scheme is not approved or all outstanding conditions are not satisfied or waived, the Scheme will not proceed. In that case, Marengo Shareholders will not receive the Scheme Consideration, Marengo will continue to operate as it currently does and Marengo Shares will remain listed on the ASX and the TSX. Marengo will not be a Canadian incorporated entity and as a result will not be able to access a higher level of exposure to the global mining and finance industry.

If the Scheme is not implemented, the advantages of the Scheme described in Section 2.3 of this Scheme Booklet will not be realised. No break fee is payable if the Scheme does not proceed.

In the event that the Scheme does not proceed, Marengo will continue with its business and the development of the Yandera Project.



## SECTION 3 BRIEF PROFILE OF MARENGO

### 3.1 Background and Overview

#### *Company Overview*

Marengo is an Australian publicly listed, diversified metals company, which has established a strong position in Papua New Guinea (PNG) with the rapidly-developing Yandera Copper-Molybdenum-Gold Project. Marengo's current focus is the exploration and development of the Yandera Project in PNG.

Marengo is the 100% owner and discoverer of the Yandera Project, located 95 kilometres southwest of the northern seaport of Madang and situated within the highly prospective New Guinea Copper-Gold Belt.

### 3.2 Operations

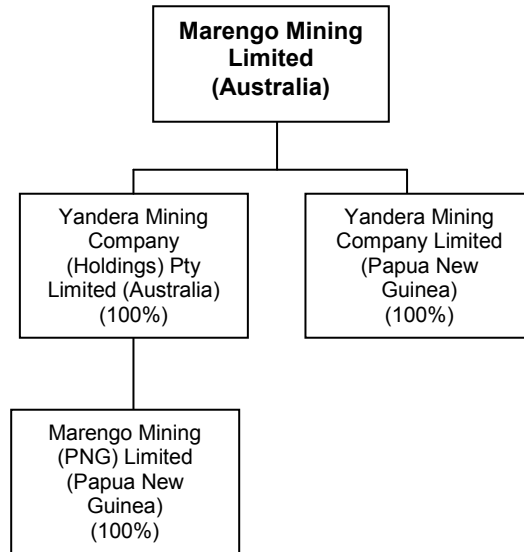
#### *a) History*

Marengo was incorporated under the Corporations Act on 6 February 2002 under the name "Paladin Exploration Pty Limited". Marengo was re-named "Marengo Mining Pty Limited" on 23 April 2002. On 13 May 2002, Marengo changed its name to Marengo Mining Limited and changed its status to a public unlisted company on 30 May 2002. Marengo listed on the ASX on 13 November 2003 upon the issuance of 17.5 million shares for gross proceeds of A\$3.5 million and subsequently listed on the POMSx on 10 November 2006. On 15 April 2008, following a public offering of 44,736,843 shares for gross proceeds of C\$8.5 million, Marengo commenced trading on the TSX.

Marengo has three subsidiaries, Marengo Mining (PNG) Limited (previously known as Yandera Mining Company Limited) (**Marengo PNG**), Yandera Mining Company (Holdings) Pty Limited (**YMCHL**), and Yandera Mining Company Limited (previously known as Marengo Mining (PNG) Limited) (**YMCL**).

YMCL was incorporated under the laws of PNG on 21 February 2005. In August 2006, YMCL purchased all of the issued and outstanding shares of Belvedere Limited (a private PNG company) (**Belvedere**). On 27 June 2007, YMCL and Belvedere were amalgamated under the name "Marengo Mining (PNG) Limited", now known as "Yandera Mining Company Limited." YMCL holds Marengo's interest in the Yandera Project.

The following chart describes the inter-corporate relationships amongst Marengo's subsidiaries as at the date of this Scheme Booklet. Marengo PNG is 100% owned by YMCHL. YMCHL is 100% owned by Marengo. YMCL is also 100% owned by Marengo.



b) Overview

Marengo is an exploration and feasibility stage mining company. Marengo’s principal asset is a 100% interest in the Yandera Project, a copper-molybdenum-gold deposit located in Madang Province, PNG. PNG is located within the “Ring of Fire”, between West Papua (Indonesia) and New Zealand. The following map highlights the location of the Yandera Project relative to south-east Asia and Australia.



The Company also owns a database of exploration and project evaluation activities (including all exploration and drilling data, assay results from 102 diamond holes totalling 33,000 metres, resource estimates and scoping studies) at the Yandera Project between 1970 and 1989.

In September 2006, Marengo commissioned a conceptual mining study (**CMS**) for the Yandera Project to include a preliminary mine design and open pit optimization, metallurgical test work, plant flow sheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, Marengo determined to proceed with a feasibility study (**FS**) on the development of the Yandera Project.

Phase 1 of the FS was completed in April 2008 and comprised a comparative development options analysis study and delivered a number of positive results. Phase 2 of the FS commenced in May 2008 and is currently nearing completion. Phase 2 of the FS involves metallurgical test work, mine design, process plant design, tailings and concentrate pipeline design, route selection, geotechnical studies, equipment selection and infrastructure layout. Phase 2 of the FS also includes identification and consideration of options for project infrastructure, processing facility locations and transportation in order to reduce initial capital costs.

The Company currently has no source of earnings other than interest paid to it on its current cash position. In order to fund its ongoing exploration efforts and operations, Marengo has historically raised funds through the issuance of equity securities.

#### c) Recent Developments

##### *Investment and Co-operation Agreement with Petromin*

On 19 September 2011 Marengo announced that it had entered into a non-binding Yandera Project Investment and Co-operation Agreement (**Petromin Agreement**) with Petromin PNG Holdings Limited (**Petromin**) and its wholly-owned subsidiary, Eda Kopa (Yandera) Limited.

Petromin has been nominated by the Government of PNG to take up the State's interest in the Yandera Project.

Petromin is a resource and investment company established by the PNG Government to hold the Government's interest in, and invest in the development of mining, oil and gas projects in PNG. To date, it holds interests in:

- the PNG LNG Gas project;
- the Solwara offshore mining project principally owned by Nautilus Minerals;
- the Tolukuma Gold project; and
- a number of other gold projects.

The Petromin Agreement also provides a framework for Marengo and Petromin to work together to facilitate the development of the Yandera Project. This framework will involve the establishment of three committees being:

- a steering committee;
- a technical committee; and

- a finance committee,

with each committee comprising senior management, operations, technical and finance executives of Marengo and Petromin.

Petromin has appointed BNP Paribas to advise on the financing options available to Petromin to fund its pro-rata participation in the Yandera Project development.

#### *Renewal of Exploration Licences*

The Company's interest in the Yandera Project is derived from one Exploration Licence (**EL**), namely, EL1335. On 21 June 2010 the Papua New Guinea Mineral Resources Authority (**MRA**) granted Marengo a renewal of EL1335, on which the Yandera Central Porphyry is located. EL1335 expired on 19 November 2011. An application for renewal for an additional two year term was made prior to 19 November 2011. Although YMCL was properly the applicant for the renewal, the application was made under its former name, but under its correct company number. This administrative error may create doubt as to whether the MRA will consider the application properly made. However, YMCL has since reconfirmed to the MRA that it was the applicant for the renewal. The application to the MRA to waive or vary the relinquishment requirements under EL1335 was made subsequently to the application for renewal, on 9 March 2012. The Company has no information suggesting that EL1335 will not be renewed for an additional two year term.

Two renewal applications filed by Marengo on 8 August 2011 in relation to non-material licences that do not form part of the Yandera Project were refused by the Minister of Mines in PNG on 22 April 2012, without providing reasons. The Company is seeking judicial review of the decisions to reject the renewal applications. Court documents were filed on 4 May 2012 and the PNG National Court granted leave for those decisions to be reviewed and ordered that the decisions be stayed pending the determination of the proceedings. A hearing is expected in the coming months.

#### *Feasibility Study Update*

The Company has hired Arcon (WA) Pty Ltd to conduct feasibility work and anticipates the FS for the Yandera Project will be delivered in the December 2012 quarter. The FS, when available, will include a comprehensive plan for mine development based on current economic assumptions.

As a result of changes in the Yandera Project since 2007, Marengo has concluded that the CMS is no longer relevant to its development plans. In particular Marengo notes that the CMS is based upon a projected ten-year mine life and included capital projects which Marengo will not now incorporate in the project, such as the construction of a railway and a separately located concentrator.

#### *d) Details of the Yandera Project*

Prior to the completion of the FS, anticipated for the December 2012 quarter, the state of knowledge on the Yandera Project is at the level of a preliminary economic assessment. No mineral reserves have been estimated at the Yandera Project to date.

#### *Property Description and Ownership*

The resource is located in the Madang province of PNG at an elevation of about 1800m in the Bismarck Mountain range about 70km inland from the north coast. Present road access is by

an unmaintained four wheel drive track. The reliability of access by this means is very low and exploration activities are almost entirely supported by helicopter.

Madang, with a population of about 35,000, is the capital of Madang province. Madang has facilities such as a harbour, airport, hospital, schools, university and road access to the ports of Lae to the east, Wewak to the west and connection to the Highlands Highway through Goroka and Mt Hagen. The resource is about 95km directly southwest of Madang city and 25km from the road network connecting Madang and Lae.

Marengo currently is the holder of six ELs, three ELs for which renewals have been lodged (and renewal is pending) and three EL applications. The total area is in excess of 1700 square kilometres.

An EL entitles the holder to exclusively explore for minerals for a period of two years.

The Yandera Porphyry copper-molybdenum-gold resource is located on EL1335 with an area of 247 square kilometres. This tenement was first granted on 20 November 2003. The expiry date was 19 November 2011. Application for renewal was made as described above.

### *Geology and Mineralisation*

Yandera lies in the New Guinea Copper fold belt, a province comprised predominantly of deformed Mesozoic and Tertiary rocks. Lithologies within the belt include clastic sediments, mafic to intermediate volcanic and minor limestones. These lie within an elongated northwest striking belt dominated by NW striking structural fabric related to collision of the Indo-Australian plate with island arc complexes in Miocene to Pliocene times.

Locally, the Yandera porphyry copper-molybdenum-gold deposit lies within the core of the Miocene Bismarck Intrusive complex. The deposit has undergone a complex history of mineralisation and deformation. Earliest porphyry phases were intruded when the complex was relatively deeply buried (>3km), with subsequent porphyry, mineralisation and alteration phases reflecting progressively shallower depositional levels related to an overall extensional tectonic regime. Breccias are locally observed as being important controls on mineralisation.

Alteration is extensive and has occurred in multiple over-printing phases with multiple mineralisation sources. Five main mineralisation styles are identified at Yandera including oxide, transition (oxide plus sulphide material), supergene (re-deposition of leached copper to the oxide/sulphide interface), enriched (deposition of covellite or chalcocite from acidic magmatic fluids) and hypogene. Of note is that the major economic elements (copper-molybdenum-gold) are partitioned and distributed differently due to the complex nature and distribution of alteration and mineralisation.

### *Status of Exploration, Development and Operations*

The Yandera Project has been drilled by several companies over the projects history from 1966 to 1980. No further drilling was done on the project until 2007 when Marengo began drilling. Since then, to August 2012, Marengo has completed an additional 411 diamond holes for 126,292.85 (YD103-YD525).

An airborne magnetic and radiometric survey was flown in late 2009 and another early 2012. From the surveys the significance of structure acting as a conduit for fluid flow and magmatism has been emphasized. This has led to the identification of a number of exploration targets.

During 2011, Marengo undertook a ridge and spur soil sampling program and geological mapping over the Dirgi Mountain area approximately 4km south east of the Yandera Project. The results of this, together with detailed helimag survey interpretations were used for drill targeting and exploration drilling is currently underway in this area with an initial seven hole programme. Geological mapping is also being carried out in the Mumnogoi area and drilling has just commenced (September 2012) on a 4 hole programme which will be extended depending on results.

Yomi (EL1633) exploration recommenced in August 2012 with a detailed mapping, ridge and spur soil sampling and rock chip sampling to follow up a defined anomalous gold area returned in stream sediment sampling. The Yakumbu tenement (EL1851) was also covered by reconnaissance stream sediment sampling during August 2012. A helimag survey over Yomi (EL1633) and Togoban (EL1670) was completed in May 2012 and initial interpretation has been completed.

### *Processing*

For the purposes of metallurgical characterisation, mineralised materials from the Yandera deposit may be generally classified into three main types, i.e: oxide, mixed and hypogene. The hypogene material represents the majority of available material (+80%) and contains primary copper sulphide mineralisation such as chalcopyrite and bornite. Oxide ores contain oxide and secondary sulphide copper minerals and mixed ores may contain both oxidised and sulphide minerals. Little weathering of the oxide material type is noted, where the description relates to the mineral types as compared to the weathering nature of the host material.

Sufficient metallurgical testwork has been conducted on samples from these types over three separate programmes to develop preliminary process flowsheets and, in most cases, major equipment selections for the various corresponding unit processes.

Additional metallurgical testwork was performed in 2012 which is assisting with further optimisation of flotation and magnetic separation parameters to improve final metal recoveries via flowsheet modifications or conditions refinement, verify operating consumables usage projections and to provide engineering related data for major equipment selection.

### *Mineral Resource Estimates*

The Yandera deposit mineral resources reported herein are for copper, molybdenum and gold. The effective date of these reported resources is 12 April 2012 and the drill hole data cut-off date was 10 February 2012.

The resource estimation carried out for this study utilised MineSight software. One large block model was constructed for the deposit which covered and extended where necessary beyond the current extent of drilling. In addition to the underlying geological and material type coding in the model a set of grade interpolation items for copper, molybdenum and gold were incorporated. The method of grade interpolation used for all elements was the ordinary kriging technique which used calculation parameters based upon localized geostatistical and associated variography studies.

**Table 1 Resource Summary – Yandera Cu-Mo-Au Block Model**

**Measured and Indicated Resources as at April 12th, 2012 at Varying Lower Cut-Off Grades  
(OK Block Model) Reporting Item CUPC1 – ZONE A=1→7 Zones Only**

Copper Cut-off Grade	Measured Resources					Indicated Resources					Total Measured and Indicated Resources				
	% Cu	Vol (Mm3)	T (Mt)	Cu (%)	Mo (ppm)	Au (ppm)	Vol (Mm3)	T (Mt)	Cu (%)	Mo (ppm)	Au (ppm)	Vol (Mm3)	T (Mt)	Cu (%)	Mo (ppm)
0.20%	124	314	0.38	104.6	0.085	67	172	0.35	52.7	0.048	191	486	0.37	86.2	0.07
0.30%	76	192	0.48	122.8	0.099	31	81	0.48	63.2	0.059	107	273	0.48	105.2	0.09
0.40%	44	111	0.57	140.3	0.111	16	42	0.61	72.3	0.069	60	153	0.58	121.7	0.10
0.50%	24	62	0.68	152.7	0.122	9	23	0.74	79.4	0.077	33	85	0.70	132.6	0.11
0.70%	8	20	0.90	170.7	0.136	3	9	1.01	65.1	0.086	11	29	0.93	137.7	0.12
0.80%	5	12	1.01	173.9	0.142	3	7	1.10	61.5	0.094	8	19	1.05	133.8	0.12
1.00%	2	4	1.24	162.2	0.145	1	3	1.37	69.3	0.080	3	7	1.30	124.7	0.12

**Notes:**

1. mineral resources that are not mineral reserves do not have demonstrated economic viability.
2. M is an abbreviation for million
3. T is an abbreviation for tonnes

### 3.3 Board of Directors

The Marengo Board comprises the following persons<sup>5</sup>:

*Dr Louis P. Gignac D. Eng. – Chairman<sup>6</sup>*

Dr Gignac is Canadian-based and is currently President of G Mining Services Inc., a private consultancy which has managed feasibility studies and mine development for multiple projects in North America, South America, West Africa and Eastern Europe.

Dr Gignac previously served as President, Chief Executive Officer and Director of Cambior Inc. from its creation in 1986 until its acquisition by IAMGOLD Corporation in 2006. Prior to that, he held senior executive positions with Falconbridge Copper Company and Exxon Minerals Company, and also served as Professor of Mining Engineering at Laval University, Quebec.

During his professional career, Dr Gignac has been involved in the development and operations of some 14 mines throughout the Americas.

Dr Gignac is currently Chairman of St Andrew Goldfields Limited and serves as a Director of Domtar Corp, and Franco-Nevada Corporation. He was previously Chairman of the highly successful ASX-listed resource company Andean Resources Ltd, until its takeover by Goldcorp for \$3.6 billion. Dr Gignac has also been recently appointed to The Sentient Council, an advisory body to The Sentient Group, a global investment fund and Marengo's major shareholder.

Dr Gignac holds a Doctor of Engineering from the University of Missouri-Rolla, a Masters in Mineral Engineering from the University of Minnesota and a Degree in Mining Engineering from Laval University.

*Leslie Emery - Managing Director*

Mr Les Emery has been involved in the Western Australian mining industry for more than 40 years

<sup>5</sup> John Horan is the Chairman of Marengo and will retire on 8 November 2012 as announced on 27 September 2012.

<sup>6</sup> Dr Gignac will assume the role of Chairman on 8 November 2012 upon retirement of John Horan.

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).

*Sir Rabbie Namaliu, GCL, CSM, KCMG, BA, MA, HonLLD - Non-Executive Director*

Sir Rabbie Namaliu served as Foreign Affairs and Immigration Minister in the Government of PNG 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 PNG 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 University of Papua New Guinea, 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.

*Elizabeth Martin, CMA, ICD.D - Non-Executive Director*

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.



*John Hick, BA, LLB - Non-Executive Director*

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. 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.

*Mr Mario Caron, P.Eng - Non-Executive Director*

Mr Caron, a Mining Engineer, is currently President and CEO of Aldridge Minerals Inc., a near-development stage mining company focused on a polymetallic VMS deposit in Turkey. He was previously President and CEO of West African-focused exploration and development company Axmin Inc., as well as Tiberon Minerals Ltd, developer of the Nui Phao tungsten-fluorspar deposit in Vietnam.

His previous roles included senior executive positions with Defiance Mining Corporation, PricewaterhouseCoopers Securities and Eden Roc Mineral Corp.

*Mr Keith Morrison, P.Geo - Non-Executive Director*

Mr Morrison is a prominent Canadian-based mining entrepreneur with over 30 years of international experience and an accomplished background in strategy, finance, exploration, technology, global operations, capital markets and corporate development.

He co-founded two significant Canadian-based success stories, Quantec, a world-leader in deep sub-surface imaging technologies, and QGX, a Canadian-based exploration company which operated in Mongolia prior to its acquisition for \$300 million. He is currently Chief Executive Officer of Gedex Inc., a private exploration data technology company.

*Mr Ian Hume - Non-Executive Director*

Mr Hume has more than 30 years' experience in the natural resource industry, primarily in the fields of managed fund investments, capital raising and project development. He was a founding partner of The Sentient Group, a manager of closed end private equity funds, specialising in global investments, in the natural resource sector. Since its inception, The Sentient Group has raised over US\$2.6 billion for its investment funds.

Following his retirement from the Group in 2008 he was appointed to The Sentient Council, an advisory body to The Sentient Group.

Prior to the establishment of The Sentient Group, Mr Hume was a partner in Bain & Co for a number of years and a strategic consultant to AMP's Private Capital Division, working on the development of a number of Chilean mining investment joint ventures, as well as advising on a number of specific investments across a range of commodities and locations. He was a Director of Andean Resources until its acquisition by Goldcorp, and Norsemont Mining until its acquisition by Hudbay Minerals Inc. He is currently a Director of Golden Minerals Company, Iron Road Limited and Silver City Minerals Limited.

### 3.4 Historical Financial Information

The following selected financial data for Marengo is extracted from the audited consolidated financial statements of Marengo and its controlled entities for the year ended 30 June 2012.

The financial information presented in the tables below does not represent full financial statements and should therefore be read in conjunction with the relevant financial statements for the financial year ended 30 June 2012, including the description of accounting policies contained in those financial statements, notes to those financial statements and the independent audit report. The full financial statements are contained in Marengo's Annual Report 2012 which is available on Marengo's website, [www.marengomining.com](http://www.marengomining.com) and under Marengo's profile at [www.sedar.com](http://www.sedar.com).

As noted in Marengo's Annual Report 2012, during the year ended 30 June 2012, Marengo and its subsidiaries (**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.

In Marengo's Annual Report 2012 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 Marengo's Annual Report 2012, 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.

As noted in Marengo's Annual Report 2012, 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.

## Consolidated Statement of Comprehensive Income (Audited)

YEAR ENDED 30 JUNE 2012

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

The above Statement of Comprehensive Income should be read in conjunction with the Notes to the Consolidated Financial Statements as released to ASX, TSX and POMSoX on 21 September 2012.

## Consolidated Statement of Cash Flows (Audited)

YEAR ENDED 30 JUNE 2012

	2012	2011
	\$'000	\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments to suppliers and employees	(4,697)	(3,130)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(4,699)</b>	<b>(3,130)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
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)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(5,069)</b>	<b>(69,362)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issues of ordinary shares	865	86,505
Payment of share issue costs	(326)	(5,777)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>539</b>	<b>80,728</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(9,227)</b>	<b>8,236</b>
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)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR</b>	<b>989</b>	<b>10,004</b>

The above Statement of Cash Flows should be read in conjunction with the Notes to the Consolidated Financial Statements as released to ASX, TSX and POMSoX on 21 September 2012.

## Consolidated Balance Sheet (Audited)

AS AT 30 JUNE 2012

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

The above Consolidated Balance Sheet should be read in conjunction with the Notes to the Consolidated Financial Statements as released to ASX, TSX and POMSoX on 21 September 2012.

### Material changes in Marengo's balance sheet since 30 June 2012

The material changes to the balance sheet of Marengo since 30 June 2012 (being the date of the last annual financial statements) are as follows:

- a) On 11 July 2012, Marengo completed an equity raising on the TSX raising gross proceeds of CAD 20 million by issuing 133,333,333 ordinary Marengo Shares at an issue price of CAD 0.15 per Marengo Share.
- b) On 21 August 2012, Marengo announced that it had entered into an agreement to acquire 18 hectares of industrial wharf land at the port of Madang for a contingent deferred settlement amount of 22,000,000 PNG kina (approximately CAD 10,000,000).
- c) On 6 September 2012, Marengo allotted 37,400,000 million Performance Rights to Directors and employees pursuant to a plan approved by Marengo Shareholders in September 2011.
- d) On 12 October 2012, Marengo allotted 10,000,000 million Performance Rights to the Managing Director pursuant to a resolution approved by Marengo Shareholders in October 2012 and under a plan approved by Marengo Shareholders in September 2011.

### 3.5 Capital structure

The capital structure of Marengo on 25 September 2012, the date this Scheme Booklet was lodged with ASIC, is as follows:

Security	Number
Shares	1,137,720,551
Unlisted Options exercisable at A\$0.50 each on or before 15 August 2013	5,750,000
Unlisted Options exercisable at A\$0.25 each on or before 18 December 2013	1,300,000
Unlisted Options exercisable at A\$0.25 each on or before 31 March 2014	350,000
Unlisted Options exercisable at A\$0.25 each on or before 30 November 2014	275,000
Unlisted Options exercisable at A\$0.25 each on or before 22 March 2015	125,000
Unlisted Options exercisable at A\$0.25 each on or before 31 March 2015	650,000
Unlisted Options exercisable at A\$0.22 each on or before 25 October 2015	350,000
Unlisted Options exercisable at A\$0.32 each on or before 23 February 2016	400,000

<b>Security</b>	<b>Number</b>
Unlisted Options exercisable at A\$0.19 each on or before 10 November 2016	175,000
Unlisted Options exercisable at A\$0.24 each on or before 24 February 2017	275,000
Unlisted Warrants exercisable at C\$0.116 each on or before 11 August 2013	56,860,750
Performance Rights A Series expiring on or before 6 September 2017	11,400,000
Performance Rights B Series expiring on or before 6 September 2017	26,000,000

The number of shares on issue will change if any Marengo Options or Marengo Warrants are exercised or Marengo Performance Rights convert. As at 18 September 2012, the 20 largest Marengo Shareholders held 909,457,809 Marengo Shares, representing approximately 80% of the total issued ordinary capital of Marengo.

<b>Name</b>	<b>%</b>
Canadian Register Control <sup>7</sup>	51.80
National Nominees Limited	15.12
HSBC Custody Nominees <Australia>	2.38
Citicorp Nominees Pty Limited	1.64
J P Morgan Nominees Australia Limited	1.27
Mr Simon Korua	1.02
Woonalee Pty Ltd <Pessios Family S/F A/C>	1.00
Bell Potter Nominees Ltd <Bb Nominees A/C>	0.86
Pacific Nominees Limited	0.66
Mr Bernard Owen Stephens + Mrs Erin Josephine Stephens <Stephens Group S/F A/C>	0.60
Bond Street Custodians Limited <Kret - V05765 A/C>	0.59
Les Emery	0.52
Capital Nominees Limited	0.43
Papua New Guinea Reg Control	0.42
Jongila Nominees Pty Ltd <Pension Fund No2 A/C>	0.30
Mr Benedict Chan + Mrs Turid Chan <Turid Chan Super Fund A/C>	0.30
UBS Wealth Management Australia Nominees Pty Ltd	0.29
Goldearth Investments Pty Ltd	0.27
Kwila Insurance Corporation Limited	0.23
Leet Investments Pty Ltd	0.22
<b>Total</b>	<b>79.92</b>

### 3.6 Future Requirements for capital

As Marengo is not yet in the production phase, it has an ongoing need for capital to fund the development of the Yandera Project. To date, this funding has been raised through the issue of equity in Marengo. Prior to the Scheme Meeting, Marengo expects it will require additional funding, in order to meet this need, Marengo may undertake a capital raising. Since August 2010, Marengo has conducted three capital raisings, all of which have been placements conducted in Canada. Marengo therefore expects that any capital raising in the short term is likely to be a placement under Marengo's placement capacity (as determined by ASX Listing Rule 7.1 and POMSoX Listing Rule 7.1) conducted in Canada. However, the terms of the capital raising, its structure and price will be determined having regard to market conditions at the time of the raising.

<sup>7</sup> This account comprises CDS & Co as the registered holder of 583,199,776 Marengo Shares and Sempra Metals & Concentrates as LLC as the registered holder of 6,500,000 Marengo Shares.



Should a capital raising be completed prior to the date of the Scheme Meeting, any new Marengo shareholder on the register as at 4.00pm (AWST) on 4 December 2012 will be entitled to vote at the Scheme Meeting.

### **3.7 Operations of Marengo if Scheme does not proceed**

In the event that the Scheme does not proceed, Marengo will continue with its business and the development of the Yandera Project.

## **SECTION 4 PROFILE OF MARENGO CANADA INCLUDING FOLLOWING IMPLEMENTATION OF SCHEME**

### **4.1 Incorporation of Marengo Canada**

Marengo Canada was incorporated on 6 September 2012 for the purposes of the Restructure. To date, Marengo Canada has not carried on any operations.

As at the date of this Scheme Booklet, Marengo Canada has one common share on issue which is held by John Hick, a director of Marengo (**Subscriber Share**). The Subscriber Share was issued upon incorporation of Marengo Canada at an issue price of C\$1.00. The Subscriber Share will be gifted back to Marengo Canada and cancelled immediately prior to the issue of the Marengo Canada Shares, CDIs or PDIs to Marengo Shareholders in accordance with the Scheme. No other Marengo Canada Shares have been issued, sold or transferred in the three months before the date of lodgement of this Scheme Booklet with ASIC. As at the date of this Scheme Booklet no Marengo Canada CDIs or PDIs have been issued. As at the date of this Scheme Booklet, no Marengo Canada Shares, CDIs or PDIs have been granted official quotation on any securities exchange.

Marengo Canada will be registered in Australia as a foreign company under section 601CU of the Corporations Act shortly after the date of this Scheme Booklet. Marengo is the local agent in Australia for Marengo Canada.

Marengo Canada is authorised to issue an unlimited number of common shares and an unlimited number of preference shares.

### **4.2 Board of Marengo Canada**

The directors of Marengo Canada who will form the Marengo Canada Board following implementation of the Scheme are:

- Dr Louis P. Gignac (Non Executive Chairman);
- Mr Les Emery (Managing Director, CEO);
- Sir Rabbie Namaliu (Non Executive Director);
- Ms Elizabeth Martin (Non Executive Director);
- Mr John Hick (Non Executive Director);
- Mr Mario Caron (Non Executive Director);
- Mr Keith Morrison (Non Executive Director); and
- Mr Ian Hume (Non Executive Director).

A summary of the background and qualifications of each of the above directors is set out in Section 3.3.

### **4.3 Principal activities of Marengo Canada following implementation of Scheme**

The principal activities of Marengo Canada will be the same as the principal activities of Marengo, as set out in Section 3 of this Scheme Booklet.

#### **4.4 Marengo Canada's intentions for the business, assets and employees of Marengo following implementation of the Scheme**

##### *e) Introduction*

The statements set out in this Section 4.4 are statements of current intention only, which may change as new information becomes available or as circumstances change, and the statements in this Section 4.4 should be read in this context.

##### *f) Marengo to be delisted*

If the Scheme is implemented, Marengo will request the ASX, the TSX and the POMSx to remove Marengo from their official lists.

##### *g) Marengo's operations, Board and management, Corporate and head office functions and Employees*

If the Scheme is implemented, Marengo Canada:

- (i) does not intend to make any changes to Marengo's operations;
- (ii) will appoint the members of the Marengo Board to Marengo Canada's board;
- (iii) will retain the management and employee of Marengo; and
- (iv) does not intend to make any changes to the corporate and head office functions of Marengo.

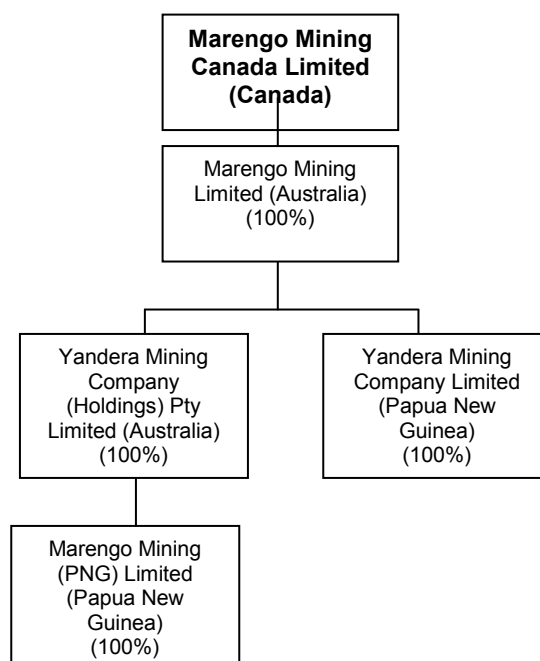
##### *h) Other intentions*

Other than as described above, if the Scheme is implemented, Marengo Canada intends to:

- i. continue the business of Marengo; and
- ii. not make any major changes to the businesses of Marengo or redeploy any of the fixed assets of Marengo.

#### **4.5 Corporate structure following implementation of Scheme**

The following chart describes the inter-corporate relationships amongst the Marengo Canada's subsidiaries following implementation of the Scheme. Marengo will be 100% owned by Marengo Canada. Marengo PNG is 100% owned by YMCHL. YMCHL is 100% owned by Marengo. YMCL is also 100% owned by Marengo.



#### 4.6 Capital structure of Marengo Canada following implementation of the Scheme

The capital structure of Marengo Canada following implementation of the Scheme and assuming that prior to the Record Date: (a) no Marengo Options or Marengo Warrants are exercised; (b) Marengo Performance Rights convert; and (c) no Marengo Shares are issued as contemplated by section 3.7, will be as follows:

Shares	Number
Marengo Canada Shares to be issued to Scheme Participants	1,137,720,551
<b>Total issued capital</b>	1,137,720,551
<b>Other securities</b>	
Unlisted Options exercisable at A\$0.50 each on or before 15 August 2013	5,750,000
Unlisted Options exercisable at A\$0.25 each on or before 18 December 2013	1,300,000
Unlisted Options exercisable at A\$0.25 each on or before 31 March 2014	350,000
Unlisted Options exercisable at A\$0.25 each on or before 30 November 2014	275,000
Unlisted Options exercisable at A\$0.25 each on or before 22 March 2015	125,000
Unlisted Options exercisable at A\$0.25 each on or before 31	650,000

March 2015	
Unlisted Options exercisable at A\$0.22 each on or before 25 October 2015	350,000
Unlisted Options exercisable at A\$0.32 each on or before 23 February 2016	400,000
Unlisted Options exercisable at A\$0.19 each on or before 10 November 2016	175,000
Unlisted Options exercisable at A\$0.24 each on or before 24 February 2017	275,000
Unlisted Warrants exercisable at C\$0.116 each on or before 11 August 2013	56,860,750
Performance Rights A Series expiring on or before 6 September 2017	11,400,000
Performance Rights B Series expiring on or before 6 September 2017	36,000,000

#### 4.7 Risks involved in acquiring Marengo Canada Shares, CDIs or PDIs

The risks associated with an investment in Marengo Canada are essentially the same as those associated with an investment in Marengo. These risks are set out in Section 5 of this Scheme Booklet.

In addition, there may be additional risks associated with the change in jurisdiction from Australia to Canada. Marengo Shareholders should refer in this regard to Section 8 of this Scheme Booklet. There may also be Australian, Canadian or Papua New Guinea tax implications for Marengo Shareholders, which is discussed in Section 7 of this Scheme Booklet.

Further, there is no assurance that following completion of the Scheme and listing of Marengo Canada on the TSX and the ASX, Marengo Canada will be successful in obtaining the funding required for the development and the financing of the Yandera Project. There is also no assurance that Marengo Canada will be successful in obtaining a listing on the POMSoX. Marengo Canada will be exposed to the volatile nature of base metals markets and to the political, operational and logistics risks of mining operations in PNG, and these factors may make it difficult for Marengo Canada to obtain debt or equity financing on favourable terms, or at all.

In addition, while it is believed that the Scheme will enhance shareholder value for the reasons set out in Section 2.3 of this Scheme Booklet, there is no assurance that the market price of Marengo Canada Shares at completion of the Scheme will be equal to or greater than the market price of Marengo Shares before completion of the Scheme or that the market price of Marengo Canada Shares will increase after completion of the Scheme. The price of Marengo Canada Shares may be influenced by a number of factors which are beyond the control of Marengo Canada.

## **SECTION 5 RISKS RELATING TO MARENGO'S AND MARENGO CANADA'S BUSINESS**

Marengo Shareholders should be aware there are risks associated with investment in Marengo and Marengo Canada. There are certain general risks and certain specific risks which relate directly to Marengo's business and are largely beyond the control of Marengo and the directors of Marengo because of the nature of the business of Marengo.

The following summary, which is not exhaustive, represents some of the major risk factors which Marengo Shareholders need to be aware of which apply to Marengo and will also apply to Marengo Canada following implementation of the Scheme.

### **5.1 Share market conditions**

The prices at which shares trade on the ASX, the TSX and the POMSoX may rise or fall in response to a number of factors affecting the market for equities in general which are unpredictable and unrelated or disproportionate to the operating performance or the underlying performance of Marengo as a listed entity. Such factors include changes in the general economic outlook, interest and inflation rates, currency exchange rates, investor sentiment and the demand and supply of capital.

Recent volatility in global commodity, foreign exchange and financial markets means there is potential for uncertainty in relation to the valuation of Marengo. Continued volatility may result in uncertainties and risks regarding the likelihood and timing of Marengo delivering future cash flows to Marengo Shareholders which could also have an adverse impact on Marengo's Share price if the Scheme is not implemented.

The Marengo Board is not able to offer any assurance about the future prospects of the Marengo Share price or the Marengo Canada Share price.

### **5.2 Company may not Obtain Renewal of EL1335**

In PNG, an exploration licence entitles the licensee to exclusive occupation of the land which is the subject of the licence for the purpose of carrying out exploration for minerals on that land in accordance with any conditions to which it may be subject. The licensee must also meet minimum annual expenditure requirements in connection with the approved exploration program, and meet certain reporting obligations. An exploration licence is issued for a period of two years, which may be extended for additional two year periods provided that the requirements set out in the Mining Act are met.

The Yandera central resource is located on the area covered by EL1335. EL1335 expired on 19 November 2011. EL1335 may be renewed for an additional two year term, upon an application being made prior to 19 November 2011, failing which Marengo's rights to the area of EL1335 may be forfeited. Marengo made application for a renewal of EL1335 prior to 19 November 2011. Although YMCL was properly the applicant for the renewal, the application was made under YMCL's former name, but under its correct company number. This administrative error may create uncertainty as to whether the MRA will consider the application properly made. However, YMCL has since reconfirmed to the MRA that it was the applicant for the renewal. The application to the MRA to waive or vary the relinquishment requirements under EL1335 was made subsequently to the application for renewal, on 9 March 2012.

There can be no assurance that EL1335 will be renewed for an additional term or that the application to waive or vary the relinquishment requirements will be granted. Any failure to renew EL1335 would have a material adverse effect on Marengo's financial condition and results of operations.

### **5.3 Dependence on the Yandera Project**

Marengo's activities are focused primarily on the Yandera Project. Any adverse changes or developments affecting the Yandera Project, such as, but not limited to, Marengo's inability to successfully complete the FS, obtain financing on commercially suitable terms, hire suitable personnel and mining contractors, or secure an off-take agreement on commercially suitable terms or at all, may have a material adverse effect on Marengo's financial performance and results of operations.

### **5.4 State Equity Interest**

As a matter of policy, the State of PNG reserves in every exploration licence granted under the Mining Act the right to elect, at any time prior to the commencement of mining, to make a single purchase of up to a 30% equitable interest in any mineral discovery arising from the exploration licence at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a pro rata basis, unless otherwise agreed. The Company is not aware of the State ever having exercised their right in respect of the entire 30% although on occasion the State has exercised its right in respect of 20% of a project. There can be no assurance that the State will not exercise this right in whole or in part, or at all.

### **5.5 No Production Revenues**

To date, Marengo has not recorded any revenues from its mining projects nor has Marengo commenced commercial production on any of its properties. Marengo had negative cash flow from operations for the year ended 30 June 2012. There can be no assurance that significant additional losses will not occur in the near future or that Marengo will be profitable in the future. Marengo's operating expenses and capital expenditures may increase in subsequent years as the required consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, Marengo's acquisition of additional properties and other factors, some of which are beyond Marengo's control. Marengo expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of Marengo's properties will require the commitment of substantial resources to conduct the exploration and development of properties. There can be no assurance that Marengo will generate any revenues or achieve profitability.

### **5.6 Title to Marengo's Mineral Properties Cannot be Guaranteed and May be Subject to Prior Unregistered Agreements, Transfers or Claims and Other Defects**

Marengo cannot guarantee that title to its properties will not be challenged. Title insurance is generally not available for mineral properties and Marengo's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be constrained. Marengo's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. Marengo has not conducted complete surveys of all of the tenements in which it holds direct or indirect interests. A successful challenge to the precise area and location of these tenements could result in Marengo being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Although Marengo has obtained title opinions from what it believes to be appropriately qualified legal counsel in the local jurisdictions, such opinions are subject to the assumptions and limitations contained therein and are current only as at the date such opinions are rendered, with no obligation on legal counsel to update the information contained in such opinions going forward.

## **5.7 Marengo is Subject to Potential Significant Changes in Law and Government Regulation**

Marengo's mineral exploration and planned development activities are subject to various laws governing title, tenement interests, prospecting, mining rights, land ownership, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. Although Marengo's exploration and planned development activities are currently believed by Marengo to be carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Many of the mineral rights and interests of Marengo are subject to governmental approvals, licenses and permits. The granting and enforcement of the terms of such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that Marengo will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification or revocation. To the extent such approvals are required and not obtained, Marengo may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws and regulations governing operations, title matters, land ownership, tenement interests or mining rights or more stringent implementation thereof could have a substantial adverse impact on Marengo and cause increases in exploration expenses, capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

## **5.8 Additional Funding may be Required**

If the FS Marengo is currently conducting on the Yandera Project is successful, Marengo will need to raise further capital and/or debt financing to develop the Yandera Project. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time, the outcome of the FS or any other relevant feasibility studies and exploration programs and upon the availability of significant amounts of debt and equity financing to a company without significant projects already in production. Further, Marengo may require further capital from external sources to develop any newly discovered mineral deposits. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in Marengo. Any debt financing, if available, may involve financial covenants upon Marengo and its operations. If Marengo cannot obtain such additional capital, Marengo will not be able to complete the development of the Yandera Project or further explore any newly discovered mineral deposits or may be required to reduce the scope of any expansion, which could adversely affect its business, operating results and financial condition.

## **5.9 Exploration and Development Risks**

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluations, experience and knowledge may not eliminate. Although the discovery of a mineral body may result in substantial rewards, few properties explored are



ultimately developed into producing mines. It is impossible to ensure that the current exploration program planned by Marengo will result in a profitable commercial mining operation.

#### **5.10 Sustained or Continued Decreases in the Price of Copper and Molybdenum**

The price of copper and molybdenum fluctuates widely and is affected by numerous factors beyond the control of Marengo such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Marengo's mining properties, including in particular the Yandera Project, is dependent upon the price of copper and molybdenum being adequate to make it economic. Future price declines in the market price of copper or molybdenum could cause development of the Yandera Project to be rendered uneconomic. Declining metal prices will also adversely affect Marengo's ability to obtain financing both now and in the long-term. As a result, further declines in copper or molybdenum prices could force Marengo to discontinue exploration of the Yandera Project and the FS.

#### **5.11 Current Global Economic Conditions**

Current global economic conditions have been characterised by volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact Marengo's ability to obtain financing in the future on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, Marengo's operations and financial condition could be adversely impacted.

#### **5.12 Future Sales or Issue of Shares**

The Company may issue further Shares or other securities in subsequent fundraising. The Company may also issue additional securities to finance future activities. The Company cannot predict the size of future issues or the effect, if any, that future issues of securities will have on the market price of the Shares. Issues of substantial numbers of Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Shares. With any additional sale or issue of Shares, investors will suffer dilution to their voting power and Marengo may experience dilution in its earnings per share.

#### **5.13 Production and other operational risks**

Marengo's future operations will be subject to a number of factors that can cause material delays or changes in operating costs for varying lengths of time. Operational risks include weather conditions and natural disasters, disruption of energy supply, unexpected technical problems, unanticipated geological conditions, equipment failures and disruptions of rail infrastructure and ship loading facilities. Marengo's financial performance may also be adversely affected by long lead times, delays and price escalations in respect of required equipment, consumables and mining support services. Industrial disruptions may also result in lower than planned production or delays in delivery of the product.

Many of these risks are outside the ability of Marengo management to control and may result in a materially adverse effect on Marengo's operations and financial results.

**5.14 Risk of Suspension**

Like all listed entities/reporting issuers, Marengo may be subject to potential suspension from listing due to a failure to comply with local regulations, resulting from changes in policy or otherwise. To mitigate these risks, Marengo monitors local regulations governing companies through its local counsel experienced in corporate law to ensure that it continues to comply with such regulations.

**5.15 Risk of Fines and Penalties**

Marengo may be subject to potential fines and penalties in local jurisdictions where it conducts business, resulting from changes in policy or otherwise. To mitigate these risks, Marengo monitors compliance with local regulations governing companies through its local legal counsel experienced in corporate law.

**5.16 Risk of Improper Use of Funds in Local Entity**

Marengo operates in a number of jurisdictions, and, as result, is exposed to potential misappropriation of funds by a local entity. To mitigate this risk, Marengo keeps cash balances to a minimum and completes a reconciliation of all bank accounts on a regular basis, as well as independent verification of all funds used. Marengo has implemented an internal approval process with respect to all payments made.

**5.17 General Economic Factors and Investment Risks**

General economic conditions may affect inflation and interest rates, which in turn may impact upon Marengo's operating costs and financing. Other factors that may adversely affect Marengo's activities in Australia, or overseas, include changes in government policies, natural disasters, industrial disputes, and social unrest or war on a local or global scale.

## SECTION 6 IMPLEMENTATION OF THE SCHEME

### 6.1 Scheme Implementation Agreement

On 24 September 2012 Marengo announced that Marengo and Marengo Canada signed a Scheme Implementation Agreement governing how the Scheme would proceed. The key terms of the Scheme Implementation Agreement are summarised in Section 6.6 of this Scheme Booklet and a full copy of the executed version is contained in Annexure 1 of this Scheme Booklet.

### 6.2 Scheme of Arrangement

The detailed terms of the Scheme are set out in the Scheme of Arrangement in Annexure 2 to this Scheme Booklet.

***Marengo Shareholders should read the terms of the Scheme, and in particular, the warranties which Scheme Participants are required to give under the Scheme if it is approved.***

### 6.3 Conditions Precedent to the Scheme

Implementation of the Scheme is conditional upon various matters including the following:

- a) approval for the quotation of the CDIs on the official list of ASX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act;
- b) approval for the listing of the Marengo Canada Shares on the TSX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act;
- c) before 5.00 pm on the day before the Second Court Date POMSoX agreeing to amend the POMSoX Rules to accommodate the listing of depository interests on POMSoX;
- d) approval for quotation of the PDIs on the official list of POMSoX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act;
- e) obtaining the Marengo Shareholder Approval;
- f) the making of orders by the Court approving the Scheme under section 411(4)(b) of the Corporations Act; and

Further conditions are listed in the summary of the Scheme Implementation Agreement in Section 6.6 of this Scheme Booklet.

As at the date of this Scheme Booklet, the Marengo Board is not aware of any circumstances which would cause a condition of the Scheme not to be satisfied. The Marengo Board will advise Scheme Participants of the status of the conditions at the Scheme Meeting. Marengo will also announce to the ASX, the TSX and the POMSoX any relevant matter, which affects the likelihood of a condition being satisfied or not being satisfied.

## 6.4 Approvals required to the Scheme

### *Scheme Meeting for Marengo Shareholders*

For the Scheme to take effect under section 411(4) of the Corporations Act, a meeting of Marengo Shareholders must be held, at which the Scheme must be agreed to by a resolution passed by a majority in number of Marengo Shareholders present and voting (either in person or by proxy) and representing in aggregate not less than 75% of the votes cast on the resolution at the Scheme Meeting.

The Scheme Meeting is being convened by Marengo in accordance with an order of the Court pursuant to section 411(1) of the Corporations Act. The Scheme Meeting will be held on Thursday, 6 December 2012 at the Lower Pavilion, Next Generation Club, Kings Park, 21 Kings Park Road, West Perth, Australia at 4.00pm AWST.

### *Court approval*

Once approval is obtained at the Scheme Meeting, approval of the Court must also be obtained for the Scheme. If the Court approves the Scheme, the Scheme will become binding on Marengo and each Scheme Participant upon the Court making orders under section 411(4)(b) and section 413 of the Corporations Act and those orders being lodged with ASIC and becoming effective under section 411(10). Court approval will be sought as soon as possible after the Scheme Meeting has been held.

## 6.5 Deed Poll

In support of its obligations under the Scheme Implementation Agreement, Marengo Canada has executed the Deed Poll in favour of Scheme Participants under which it has agreed to perform its obligations under the Scheme Implementation Agreement and the matters contemplated by the Scheme. A copy of the Deed Poll is included in Annexure 3 to this Scheme Booklet.

## 6.6 Key terms of the Scheme Implementation Agreement

A summary of the key terms of the Scheme Implementation Agreement are set out below.

### a) *Conditions precedent*

The Scheme is conditional on the following:

- before 5.00 pm on the day before the Second Court Date, all Regulatory Approvals are obtained, including all necessary consents and approvals from the ASIC, the ASX, the TSX, the POMSx and the PNG Securities Commission;
- approval for the quotation of the CDIs on the official list of ASX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- approval for the listing of the Marengo Canada Shares on the TSX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- before 5.00 pm on the day before the Second Court Date POMSx agreeing to amend the POMSx Rules to accommodate the listing of depository interests on POMSx;

- approval for quotation of the PDIs on the official list of POMSoX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act, the Scheme taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- all holders of Marengo Options and Marengo Performance Rights accepting the offers to acquire their Marengo Options and Marengo Performance Rights as described in Section 1.6 of this Scheme Booklet;
- the Independent Expert's report is obtained by Marengo which concludes the Scheme is in the best interests of Marengo Shareholders;
- the Marengo Shareholder Approval is obtained;
- the Court makes orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme; and
- lodgement with the ASIC of an office copy of the Scheme order referred to above.

The conditions, other than the final three listed above, are capable of waiver by mutual agreement of Marengo and Marengo Canada.

*b) Termination Rights*

The Scheme Implementation Agreement may be terminated by written notice to the other party given prior to the Effective Date where:

- the other party is in material breach of any clause, including a warranty, of this Agreement which is incapable of being remedied, or if the breach is capable of being remedied, continues to exist for more than 10 Business Days;
- a Court or other Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme; or
- any condition precedent has not been satisfied or waived in accordance with the Scheme Implementation Agreement.

## **6.7 Ineligible Foreign Shareholders**

Investigating and complying with the potential securities laws restrictions in every country in which Marengo has Shareholders could be prohibitively costly. Therefore, the right to receive Scheme Consideration pursuant to the Scheme and to be registered as the holder of Marengo Canada Shares, CDIs or PDIs is not available to a Scheme Participant if Marengo Canada reasonably believes, in relation to that Scheme Participant, that the issue of Scheme Consideration may be prohibited (or prohibited except after compliance with conditions that Marengo Canada regards as unduly onerous) by the law of the place where the Scheme Participant to whom they would otherwise be issued has their registered address.

Accordingly, Marengo Canada will not issue and allot Marengo Canada Shares, CDIs or PDIs in respect of the Marengo Shares held by an Ineligible Foreign Shareholder. Marengo Canada will instead issue and allot the Marengo Canada Shares in respect of which the Ineligible Foreign Shareholder would otherwise be entitled to under the Scheme to an appointed nominee. The nominee will sell the Marengo Canada Shares as soon as reasonably practicable (at the risk of

the Ineligible Foreign Shareholder) and pay the proceeds received, after deducting brokerage estimated at 1% of the proceeds, stamp duty and other taxes and charges, to that Ineligible Foreign Shareholder in full satisfaction of that Ineligible Foreign Shareholder's rights under the Scheme to the Scheme Consideration.

## **6.8 Disclosure for New Zealand Shareholders**

The Marengo Canada Shares (in the form of CDIs) offered to Scheme Participants as a consequence of the Scheme are being offered in New Zealand under the New Zealand Securities Act (Overseas Companies) Exemption Notice 2002. This Scheme Booklet is not a prospectus or an investment statement under New Zealand law, and may not contain all the information that a prospectus or investment statement under New Zealand law is required to contain. New Zealand Shareholders should seek their own advice and satisfy themselves as to the Australian and New Zealand tax consequences of participating in the Scheme. Marengo Canada is not, and will not be, listed on the New Zealand Stock Exchange, and Shareholders may not have access to information on it in the same way as they would if it were so listed.

## SECTION 7 TAXATION IMPLICATIONS FOR SCHEME PARTICIPANTS

This Section provides a broad summary of certain Australian, Canadian and PNG income tax and capital gains tax treatments for the Marengo Shareholders if the Scheme proceeds.

This Section is general in nature and does not take into account the individual circumstances of each Marengo Shareholder and as such should not be relied upon by any individual Marengo Shareholder. All Marengo Shareholders should consult their own taxation advisers regarding the taxation consequences of the proposed acquisition of Marengo by way of the Scheme. Marengo Shareholders should refer to information below and obtain their own independent advice.

### 7.1 Certain Australian Tax Considerations

The Australian income tax implications of exchanging Marengo Shares for Marengo Canada Shares will depend on a number of factors, including:

- whether Marengo Shareholders hold their shares on capital account, revenue account, or as trading stock;
- the nature of Marengo Shareholders (e.g. individual, company, trust, or superannuation fund); and
- whether or not Marengo Shareholders are resident of Australia or another country for taxation purposes.

#### Australian resident shareholders

##### (a) Shares held on capital account

Shares will generally be regarded as held on capital account where they were acquired with the intention of generating long term capital growth and dividend income.

#### *Capital gain or capital loss*

A Marengo Shareholder will make:

- a capital gain from the disposal of a Marengo Share if the market value of the Marengo Canada Shares received exceed the cost base of the Marengo Share; or
- a capital loss from the disposal of a Marengo Share if the market value of the Marengo Canada Shares received is less than the reduced cost base of the Marengo Share.

#### Availability of roll-over under Subdivision 124-G

Marengo Shareholders will be eligible to choose capital gains tax (CGT) roll over relief under Subdivision 124-G of the *Income Tax Assessment Act 1997*.

- If a shareholder chooses roll-over:
  - the capital gain or capital loss made from the disposal of a Marengo Share will be disregarded; and
  - the cost base (i.e. the amount taken to be paid to acquire the share) of each Marengo Canada Share received will be determined by reasonably attributing to it the cost base of the original Marengo Shares.
- If a shareholder does not choose roll-over:
  - the capital gain or capital loss made from the disposal of a Marengo Share will not

- be disregarded;
- shareholders who are individuals, trusts or complying superannuation funds that have held their Marengo Shares for at least 12 months before they are exchanged for Marengo Canada Shares may be eligible to treat the capital gain as a “discount capital gain”. For individuals and trusts, only 50% of a net discount capital gain (i.e. the discount capital gain after offset by capital losses) is included in their assessable income. For complying superannuation funds, only 66 2/3% of a net discount capital gain may be included in their assessable income; and
- the cost base of each Marengo Canada Share will be equal to the market value of the Marengo Shares given in exchange for it.

The cost base of each Marengo Canada Share will be equal to the market value of the Marengo shares given in exchange for it.

*Tax on future disposal of Marengo Canada shares held on capital account*

The Australian tax consequences for an Australian resident shareholder disposing of Marengo Canada Shares held on capital account will be similar to the consequences of the disposal of their current Marengo Shares described above. As noted above, the cost base of the Marengo Canada Shares will depend on whether the shareholder chose roll-over relief to apply.

Shareholders who are individuals, trusts or complying superannuation funds that have held their Marengo Canada shares for at least 12 months may be eligible to treat the capital gain as a “discount capital gain”. The time at which shareholders will be taken to have acquired their Marengo Canada Shares will depend on whether they chose roll-over:

- if scrip-for-scrip roll-over is not chosen, they will be taken to have acquired their Marengo Canada Shares on the date those shares are issued to them, that is the Implementation Date; alternatively
- if scrip-for-scrip roll-over is chosen, they will be taken to have acquired their Marengo Canada Shares on the date when they acquired the corresponding Marengo Shares.

Shareholders who are companies will not be eligible for “discount capital gains” treatment. However, if an Australian resident company has held a 10% or greater interest in Marengo Canada for a continuous period of at least 12 months during the 24 months prior to the disposal of the Marengo Canada Shares, then the capital gain or loss arising from the disposal may be reduced under the “participation exemption” rules. Any companies in this category should seek their own independent tax advice on the potential application of these rules.

(b) Australian resident shareholders – shares held on revenue account or as trading stock

Shares will generally be regarded as held on revenue account where they have been acquired with the intention of resale at a profit in the short-term. Shares will be trading stock where they are held for sale or exchange in the ordinary course of a business.

*Current Australian taxation law*

As the Australian taxation law currently stands, shareholders who hold Marengo Shares on revenue account or as trading stock will be taken to have disposed of those shares for consideration equal to the market value of the corresponding Marengo Canada Shares received. A gain made would be assessed as ordinary income and a loss would be deductible.

*Proposed extension of roll-overs*

The Australian Government has announced that it will broaden the revenue asset and trading stock roll-overs that apply to the exchange of interests in a company for shares in another



company with effect from 7:30pm (AEST) on 8 May 2012. The proposal requires that the replacement shares in the interposed company must maintain the character of the original revenue asset or trading stock asset that was exchanged. Accordingly, if the proposal is enacted as law, shareholders who make a gain on a Marengo Share that is held as a revenue asset or as trading stock will be able to choose roll-over.

#### *Shareholders who anticipate the proposed roll-overs*

If shareholders lodge returns or activity statements in anticipation of the proposed roll-overs and are later required to amend or revise them because the proposal is not enacted as law, based on Australian Taxation Office announcements, it is expected that:

- no tax shortfall penalties would be imposed; and
- any interest accrued would be remitted to the base interest rate up to the date of enactment of the relevant law change. In addition, any interest in excess of the base rate accruing after the date of enactment would be remitted for shareholders who actively seek to amend their assessments or revise their activity statements within a reasonable time after enactment of the law change.

#### *Tax on future disposal of Marengo Canada shares held on revenue account or as trading stock*

The Australian tax consequences for an Australian resident disposing of Marengo Canada Shares held on revenue account or as trading stock will be similar to the consequences of the disposal of their current Marengo Shares described above.

#### (c) Taxation of dividends from Marengo Canada

If a dividend is paid by Marengo Canada to an Australian resident shareholder in the future, Marengo Canada will be required to deduct Canadian dividend withholding tax from the gross dividend. Australian resident shareholders will receive the dividend net of withholding tax.

The gross amount of any dividends paid by Marengo Canada to Australian resident individuals, companies that hold less than 10% of the voting interests in Marengo Canada, superannuation funds and trusts will generally be included in their assessable income. However, the Australian income tax payable on the dividend may be reduced by the amount of any Canadian withholding tax deducted via a foreign income tax offset.

Any dividends paid by Marengo Canada to Australian resident companies that hold 10% or more of the voting interests in Marengo Canada will be non-assessable non-exempt income (i.e. not taxed). No foreign income tax offset will be available for Canadian withholding tax deducted.

#### Non-Australian resident shareholders

#### (d) Shares held on capital account

Non-Australian resident shareholders who hold their Marengo Shares on capital account should not make a capital gain or a capital loss from the disposal of Marengo Shares unless they hold the shares in connection with the conduct of a business through a permanent establishment in Australia. This is because:

- non-Australian residents only make capital gains and losses on the disposal of taxable Australian property;
- generally, shares will only be taxable Australian property if:
  - the non-Australian resident, together with its associates, own at least 10% of the shares in the company (either at the time of the transfer, or throughout a 12 month period within the previous 24 months) and the market value of the

- company's Australian real property assets is more than 50% of the market value of its total assets; or
    - the non-Australian resident held the shares in connection with the conduct of a business through a permanent establishment in Australia; and
  - Marengo has confirmed that the market value of its Australian real property assets represent significantly less than 50% of the total market value of its assets.

If a non-Australian resident shareholder makes a capital gain because the Marengo Shares were held in connection with the conduct of a business through a permanent establishment in Australia, relief from Australian tax may be provided if there is a Double Tax Agreement (**DTA**) between Australia and the shareholder's country of residence. Shareholders in this circumstance should seek their own tax advice because whether or not a DTA provides relief from Australian tax depends on the terms of the particular DTA and the particular circumstances of the shareholder.

(e) Shares held on revenue account or as trading stock

Whether non-Australian resident shareholders who hold their Marengo Shares on revenue account or as trading stock will depend on the following:

- whether the shares are held as part of carrying on a business through a permanent establishment in Australia;
- the source of the profit derived from the disposal of shares; and
- whether the relevant shareholder is resident of a country with which Australia has a DTA

Shareholders in these circumstances should seek their own independent tax advice in relation to the Scheme.

(f) Taxation of dividends from Marengo Canada

Any dividends paid by Marengo Canada to non-Australian resident shareholders will generally not be taxed by Australia.

## 7.2 Certain Canadian Federal Income Tax Considerations

### Residents of Canada

The following section describes the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Scheme Participant who is for purposes of the Tax Act and at all relevant times: (i) is resident or is deemed to be resident in Canada; (ii) deals at arm's length with Marengo and Marengo Canada; (b) is not affiliated with Marengo and Marengo Canada; and (c) holds Marengo Shares, and will hold all Marengo Canada Shares acquired pursuant to the Scheme as capital property (each such Scheme Participant in this section, a **Canadian Resident Participant**).

Generally speaking, Marengo Shares and Marengo Canada Shares will be considered to be capital property to a Canadian Resident Participant provided the Canadian Resident Participant does not hold the shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade.

This summary is not applicable to a holder: (i) that is a "financial institution", as defined in the Tax Act for purposes of the mark-to-market provisions of the Tax Act; (ii) an interest in which would be a "tax shelter investment" as defined in the Tax Act; (iii) that is a "specified financial institution" as defined in the Tax Act; (iv) in relation to which Marengo is a "foreign affiliate" as defined in the Tax Act; (v) that has made a functional currency reporting election in accordance with the functional currency rules in the Tax Act; or (v) who elects to receive CDIs or PDIs instead of Marengo

Canada Shares. In addition, this summary does not address all issues relevant to Canadian Resident Participants who acquired their Marengo Shares on the exercise of an employee stock option or the deductibility of interest by a Canadian Resident Participant who borrowed money to acquire Marengo Shares. Such Canadian Resident Participants should consult their own tax advisors.

This summary is based on the current provisions of the Tax Act, and the current published administrative practices and assessing policies of the Canada Revenue Agency (the **CRA**) publicly announced prior to the date hereof. This summary also takes into account all specific proposals to amend the Tax Act and the announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the **Proposed Amendments**) and assumes that all Proposed Amendments will be enacted in the form proposed, although no assurances can be given in this regard. Except for the Proposed Amendments, this summary does not take into account or anticipate any changes in law, whether by legislative, governmental, regulatory, or judicial action or decision, or changes in the administrative practices and assessing policies of the CRA, nor does it take into account provincial, territorial or foreign income tax considerations, which may differ from the Canadian federal income tax considerations discussed below.

This summary is of a general nature only and is not exhaustive of all possible Canadian federal income tax considerations. This summary is not, and should not be construed as, legal, business or tax advice to any particular Canadian Resident Participant and no representations with respect to the tax consequences to any particular Canadian Resident Participant are made. Accordingly all Canadian Resident Participants should consult their own tax advisors regarding the Canadian federal income tax consequences of the Scheme applicable to their particular circumstances.

For purposes of the Tax Act, all amounts related to the disposition of Marengo Shares, (including adjusted cost base and proceeds of disposition) must be expressed in Canadian dollars. Amounts denominated in a foreign currency must be converted to an amount expressed in Canadian dollars based on the exchange rates as determined in accordance with the Tax Act.

(a) Exchange of Marengo Shares for Marengo Canada Shares – Section 85 Election

The following applies to a Canadian Resident Participant who is an **Eligible Canadian Holder**. An Eligible Canadian Holder is a Canadian Resident Participant who is: (i) not exempt from tax under the Tax Act; or (ii) a partnership any member of which is a resident of Canada for purposes of the Tax Act. An Eligible Canadian Holder may obtain a full or partial tax deferral in respect of the disposition of Marengo Shares by filing with the CRA (and, where applicable, with a provincial tax authority) an election (the **Section 85 Election**) under subsection 85(1) of the Tax Act or, in the case of a partnership, under subsection 85(2) of the Tax Act (and the corresponding provisions of any applicable provincial tax legislation) provided all members of the partnership jointly elect with Marengo Canada.

The Eligible Canadian Holder may select an elected amount (the **Elected Amount**) so as to fully or partially defer realizing a capital gain for the purposes of the Tax Act as a result of the Scheme. The Elected Amount means the amount selected by the Eligible Canadian Holder, subject to the limitations described below, in the Section 85 Election, to be treated as the proceeds of disposition of the Marengo Shares. In general, the Elected Amount may not be:

- (a) less than the fair market value of non-share consideration received by the Eligible Canadian Holder on the exchange, if any;
- (b) less than the lesser of (i) the Eligible Canadian Holder's adjusted cost base of the Marengo Shares and (ii) the fair market value of the Marengo Shares, in each case determined at the time of the exchange; or
- (c) greater than the fair market value of the Marengo Shares at the time of the exchange.

An Elected Amount which does not comply with these limitations will automatically be adjusted under the Tax Act so that it is in compliance.

Marengo Canada has agreed to make the Section 85 Election with an Eligible Canadian Holder at the amount determined by such Eligible Canadian Holder, subject to the limitations set out in subsections 85(1) and 85(2) of the Tax Act (or any applicable provincial tax legislation).

Where a valid Section 85 Election is filed:

- (i) Marengo Shares that are the subject of the Section 85 Election will be deemed to be disposed of for proceeds of disposition equal to the Elected Amount. Subject to the limitations set out in subsections 85(1) or 85(2) of the Tax Act regarding the Elected Amount, if the Elected Amount is equal to the aggregate of the adjusted cost base of such Marengo Shares immediately before the disposition and any reasonable costs of disposition, no capital gain or capital loss will be realized by the Eligible Canadian Holder. Subject to such limitations, to the extent that the Elected Amount in respect of such Marengo Shares exceeds (or is less than) the aggregate of the adjusted cost base and any reasonable costs of disposition, such holder will realize a capital gain (or a capital loss). See "Taxation of Capital Gains and Capital Losses" below.
- (ii) The aggregate adjusted cost base to the Eligible Canadian Holder of the Marengo Canada Shares received on the exchange will be equal to Elected Amount subject to any automatic adjustment under the Tax Act as described above. The adjusted cost base of such Marengo Canada Shares received will be determined by averaging the adjusted cost base of such Marengo Canada Shares with the adjusted cost base of any other Marengo Canada Shares held by the Eligible Canadian Holder at that time as capital property.

An Eligible Canadian Holder interested in making a Section 85 Election should indicate that intention in the **Section 85 Notification** form accompanying this Scheme Booklet (the **Section 85 Notification Form**) that will notify Marengo Canada that the Eligible Canadian Holder wishes to make a Section 85 Election. Upon receipt of the Section 85 Notification Form, Marengo Canada will promptly deliver a tax instruction letter (and a tax instruction letter for any applicable provincial tax legislation, if applicable), explaining the election process, together with the relevant tax election forms (including any applicable provincial tax election forms, if applicable) to the Eligible Canadian Holder. A Section 85 Election will be valid only if it meets all other applicable requirements under the Tax Act, and meeting these requirements will be the sole responsibility of the Eligible Canadian Holder.

The relevant federal tax election form is CRA form T2057 (or, in the event the Eligible Canadian Holder is a partnership, CRA form T2058). For Eligible Canadian Holders required to file in Québec, Québec form TP-518-V (or, in the event the Eligible Canadian Holder is a partnership, Québec form TP-529-V) will also be required. Certain other provincial jurisdictions may require that a separate joint election be filed for provincial income tax purposes. Eligible Canadian Holders should consult their own tax advisors to determine whether they must file separate election forms with any provincial taxing jurisdiction. It is the responsibility of each Eligible Canadian Holder who wishes to make an election for provincial income tax purposes to obtain any other necessary provincial election forms.

Where the Marengo Shares are held in joint ownership and two or more of the co-owners wish to elect, one of the co-owners designated for such purpose must file one copy of Form T2057 (and where applicable, the corresponding provincial forms) on behalf of each co-owner with a list of all co-owners electing under Section 85 of the Tax Act, and their addresses and social insurance or Business Numbers (within the meaning of the Tax Act). Where the Marengo Shares are held as partnership property, a partner designated by the

partnership must file one copy of Form T2058, (and, where applicable, the corresponding provincial forms), on behalf of all members of the partnership. Form T2058 must be accompanied by a list containing the name, address, social insurance number or business number of each partner and written authorization signed by each partner authorizing the designated partner to complete and file the form. Eligible Canadian Holders should consult their own tax advisors to determine which filing requirements, if any, there are under provincial legislation applicable in their particular circumstances.

In order to make a Section 85 Election, an Eligible Canadian Holder must ensure that two signed copies of the necessary election forms are returned to a representative of Marengo Canada in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date. The information will include the number of Marengo Shares transferred, the consideration received and the applicable Elected Amount for the purposes of such election. Subject to the information complying with the provisions of the Tax Act (and any applicable provincial income tax law), a copy of the election form containing the information provided will be signed by Marengo Canada and returned to the Eligible Canadian Holder for filing with the CRA (or the applicable provincial tax authority). **Each Eligible Canadian Holder is solely responsible for ensuring the Section 85 Election is completed correctly and filed with the CRA (and any applicable provincial income tax authorities) by the required deadline.**

Marengo Canada will make a Section 85 Election only with an Eligible Canadian Holder, and at the amount selected by the Eligible Canadian Holder subject to the limitations set out in the Tax Act (and any applicable provincial tax legislation). Marengo Canada agrees only to execute any election form containing information provided by the Eligible Canadian Holder which complies with the provisions of the Tax Act (and any applicable provincial tax law) and to return such election form to the Eligible Canadian Holder for filing with the CRA (and any applicable provincial tax authority). At its sole discretion, Marengo Canada may accept and execute an election form that is not received within the 90 day period; however, no assurances can be given that Marengo Canada will do so. Accordingly, all Eligible Canadian Holders who wish to make a joint election with Marengo Canada should give their immediate attention to this matter. **With the exception of execution of the election form by Marengo Canada, compliance with the requirements for a valid Section 85 Election will be the sole responsibility of the Eligible Canadian Holder making the election.** Accordingly, Marengo Canada will not be responsible or liable for taxes, interest, penalties, damages or expenses resulting from the failure by anyone to provide information necessary for the election in accordance with the procedures set out in the tax instruction letter, to properly complete any election or to properly file it within the time prescribed and in the form prescribed under the Tax Act (or the corresponding provisions of any applicable provincial tax legislation).

In order for the CRA (and where applicable the provincial revenue authorities) to accept a Section 85 Election without a late filing penalty being paid by an Eligible Canadian Holder, the election form must be received by such revenue authorities on or before the day that is the earliest of the days on or before which either Marengo Canada or the Eligible Canadian Holder is required to file an income tax return for the taxation year in which the disposition occurs. Marengo Canada's 2012 taxation year is scheduled to end 30 June, although Marengo Canada's taxation year could end earlier as a result of an event such as an amalgamation, and its tax return is required to be filed within six months from the end of the taxation year. Eligible Canadian Holders are urged to consult their own advisors as soon as possible respecting the deadlines applicable to their own particular circumstances. However, regardless of such deadlines, information necessary for an Eligible Canadian Holder to make a Section 85 Election must be received by Marengo Canada in accordance with the procedures set out in the tax instruction letter no later than 90 days after the Effective Date.

**Any Eligible Canadian Holder who does not ensure that information necessary to make a Section 85 Election has been received in accordance with the procedures set out in the tax instruction letter on or before 90 days after the Effective Date will not be able to benefit from the tax deferral provisions of the Tax Act (or the corresponding provisions of any applicable provincial tax legislation) and therefore may realize a capital gain. Accordingly, all Eligible Canadian Holders who wish to enter into a Section 85 Election with Marengo Canada should give their immediate attention to this matter. Eligible Canadian Holders are referred to Information Circular 76-19R3 and Interpretation Bulletin IT-291R3 issued by the CRA for further information respecting the election. Eligible Canadian Holders wishing to make the Section 85 Election must complete the Section 85 Notification Form and should consult their own tax advisors.**

(b) Exchange of Marengo Shares for Marengo Canada Shares – No Section 85 Election

A Canadian Resident Participant whose Marengo Shares are exchanged for Marengo Canada Shares under the Scheme, and who does not make a joint Section 85 Election with Marengo Canada, will be considered to have disposed of the Marengo Shares for proceeds of disposition equal to the aggregate of the fair market value at the Effective Time of the Marengo Canada Shares received on the exchange. As a result, such Canadian Resident Participant will realize a capital gain (or a capital loss) to the extent that such proceeds of disposition exceed (or are less than) the aggregate of the Canadian Resident Participant's adjusted cost base of the Marengo Shares immediately before the exchange and any reasonable costs of disposition. See "(e) Taxation of Capital Gains and Capital Losses" below.

The cost to a Canadian Resident Participant of Marengo Canada Shares acquired on such exchange will equal the fair market value, at the Effective Time, of the Marengo Shares exchanged for such shares under the Scheme. The cost of such Marengo Canada Shares must be averaged with the adjusted cost base of all other Marengo Canada Shares held by such Canadian Resident Participant as capital property to thereafter determine the adjusted cost base of each Marengo Canada Share to such Canadian Resident Participant.

(c) Dividends on Marengo Canada Shares

In the case of a Canadian Resident Participant who is an individual, dividends received or deemed to be received on the Marengo Canada Shares will be included in computing the individual's income and will be subject to the gross-up and dividend tax credit rules normally applicable to taxable dividends received from taxable Canadian corporations including the enhanced dividend tax credit rules applicable to any dividends designated by Marengo Canada as "eligible dividends", as defined in the Tax Act. There are limitations on the ability of a corporation to designate dividends and deemed dividends as eligible dividends.

In the case of a Canadian Resident Participant that is a corporation, dividends received or deemed to be received on the Marengo Canada Shares will be included in computing the corporation's income and will generally be deductible in computing its taxable income. A **private corporation** (as defined in the Tax Act), or any other corporation controlled, whether because of a beneficial interest in one or more trusts or otherwise by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a refundable tax of 33 1/3% under Part IV of the Tax Act on dividends received or deemed to be received on the Marengo Canada Shares to the extent such dividends are deductible in computing the corporation's taxable income.

(d) Disposition of Marengo Canada Shares

The disposition or deemed disposition of Marengo Canada Shares by a Canadian Resident Participant will generally result in a capital gain (or capital loss) equal to the amount by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the holder of those Marengo Canada Shares immediately before the disposition. See “Taxation of Capital Gains and Capital Losses” below for a general description of the treatment of capital gains and losses under the Tax Act.

(e) Taxation of Capital Gains and Capital Losses

One-half of any capital gain (a **taxable capital gain**) realized by a Canadian Resident Participant in a taxation year will be included in such holder’s income for the year. One-half of any capital loss (an **allowable capital loss**) realized by the Canadian Resident Participant in a year must be deducted against taxable capital gains realized in the year. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back up to three taxation years or carried forward indefinitely and deducted against net taxable capital gains in those other years, to the extent and in the circumstances specified in the Tax Act.

If the Canadian Resident Participant is a corporation, the amount of any capital loss arising from a disposition or deemed disposition may be reduced by the amount of certain dividends received or deemed to be received by the corporation on the share, to the extent and under circumstances specified by the Tax Act. Similar rules may apply where the corporation is a member of a partnership or a beneficiary of a trust that owns shares, or where a partnership or trust of which the corporation is a member or beneficiary is a member of a partnership or a beneficiary of a trust that owns shares.

Foreign tax, if any, levied on any capital gain realized on the disposition of Marengo Shares may be eligible for a foreign tax credit or deduction to the extent and under the circumstances described in the Tax Act. **Holders to whom these rules may be relevant should consult their own tax advisors.**

(f) Alternative Minimum Tax on Individuals

Capital gains realized by individuals and certain trusts may give rise to alternative minimum tax under the Tax Act.

(g) Additional Refundable Tax on Canadian-Controlled Private Corporations

A Canadian Resident Participant that is a “Canadian-controlled private corporation” (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 2/3% on certain investment income, including amounts in respect of net taxable capital gains and dividends or deemed dividends not deductible in computing taxable income.

Non –Residents of Canada

The following portion of this summary is applicable to a Scheme Participant who: (i) has not been, is not, and will not be resident or deemed to be resident in Canada for purposes of the Tax Act or any applicable tax treaty; and (ii) does not and will not use or hold, and is not and will not be deemed to use or hold, Marengo Shares or Marengo Canada Shares in connection with, or in the course of, carrying on a business in Canada (a **Non-Resident Scheme Participant**). Special rules, which are not discussed in this summary, may apply to a Non-Resident Scheme Participant that is an insurer carrying on business in Canada and elsewhere. Such Non-Resident Scheme Participants should consult their own tax advisors.

These comments are of a general nature and are not intended to be, and should not be construed to be, legal, business or tax advice to any particular Non-Resident Scheme Participant. Such persons are urged to consult their professional tax advisors as to the taxation implications of their particular circumstances.

(a) Exchange of Marengo Shares for Marengo Canada Shares

There will be no Canadian tax arising on a disposition by a Non-Resident Scheme Participant of the Marengo Shares as part of the Scheme, provided that the Marengo Shares are not considered to be taxable Canadian property to such Non-Resident Scheme Participant at the time of the disposition. Generally the Marengo Shares will not be taxable Canadian property to such holder provided that the Marengo Shares are listed on a designated exchange (which currently includes the TSX and the ASX) unless at any time during the 60-month period immediately preceding the disposition of Marengo Shares by such Non-Resident Scheme Participant (a) such holder or persons with whom the Non-Resident Scheme Participant did not deal at arm's length or any combination thereof, held 25% or more of the issued Marengo Shares and more than 50% of the fair market value of the Marengo Shares was derived directly or indirectly from any one or any combination of real or immovable property situated in Canada, Canadian resource timber resource properties and options in respect of, or interests in, or for civil law rights in, such property, whether or not the property exists, or (b) the Marengo Shares had been acquired by the Non-Resident Scheme Participant in certain types of tax deferred exchanges for property that was itself taxable Canadian property at the time of the exchange.

Even if the Marengo Shares held by a Non-Resident Scheme Participant are "taxable Canadian property", a capital gain from the disposition of such Marengo Shares may be exempted from tax under the Tax Act pursuant to an applicable income tax treaty or convention. Non-Resident Scheme Participants should consult their own tax advisors regarding the availability of benefits under any tax treaty or convention to which Canada is a signatory.

A Non-Resident Scheme Participant whose shares are taxable Canadian property and who is not entitled to the benefits of an applicable income tax treaty or convention will be subject to Canadian capital gains tax on a gain on the sale of the Marengo Shares as described above under the heading, "Residents of Canada". The Marengo Canada Shares received should have an adjusted cost basis for Canadian tax purposes to such Non-Resident Scheme Participant equal to the fair market value of the Marengo Shares given in consideration.

(b) Dividends on the Marengo Canada Shares

Dividends paid to a Non-Resident Scheme Participant on the Marengo Canada Shares will be subject to non-resident withholding tax at the rate of 25% under the Tax Act, although such rate may be reduced under the provisions of an applicable income tax treaty. For example, under the Australia-Canada Income Tax Treaty, the rate is generally reduced to 15% in respect to dividends paid to a person who is a resident of Australia for the purposes of the Australia-Canada Income Tax Treaty.

(c) Capital gain or loss on a subsequent disposal of Marengo Canada Shares

A Non-Resident Scheme Participant will not be subject to Canadian federal income tax on any capital gain realized on a disposition or deemed disposition of Marengo Canada Shares provided such shares are not "taxable Canadian property" to such Non-Resident Scheme Participant at the time of disposition. See "Non-Resident of Canada - (a) Exchange of



Marengo Shares for Marengo Canada Shares for a discussion of the definition of taxable Canadian property.

### 7.3 Certain Papua New Guinean Income Tax Considerations

This summary is of a general nature only and is not exhaustive of all possible PNG income tax considerations. This summary is not, and should not be construed as, legal, business or tax advice to any particular Scheme Participant and no representations with respect to the tax consequences to any particular Scheme Participant are made. Accordingly all Scheme Participants should consult their own tax advisers regarding the PNG income tax consequences of the Scheme applicable to their particular circumstances.

#### Residents of Papua New Guinea

The following section describes the principal PNG income tax considerations generally applicable under the Income Tax Act 1959 (**PNG Tax Act**) to a Scheme Participant who is a resident or deemed to be resident in PNG (**PNG Participant**).

The PNG tax implications of the Scheme for Marengo Shareholders will depend upon whether or not the shareholder holds their shares on capital account or revenue account.

Generally speaking Marengo Shareholders who hold their shares on capital account should not realise a gain or loss taxable in PNG as a consequence of the exchange of Marengo Shares for shares in Marengo Canada or CDIs or PDIs.

PNG Participants who:

- are banks, insurance companies or financial institutions;
- hold the shares in the course of carrying on a business;
- acquired the Marengo Shares for the purpose of profit making by sale or as part of the carrying on or carrying out of a profit making undertaking or scheme; or
- otherwise hold their shares on revenue account;

will, if they realise a profit upon exchange of the Marengo Shares for shares in Marengo Canada, be required to include that profit in their assessable income subject to tax in PNG.

For the purposes of working out whether a profit has been made all amounts related to the disposition of Marengo Shares (including the original cost and proceeds of disposition) must be expressed in PNG currency. Amounts denominated in the foreign currency must be converted to an amount expressed in PNG currency based on the exchange rates as determined in accordance with the PNG Tax Act.

Subject to the operation of certain anti-avoidance rules, the amount of profit will generally be computed by comparing the value of the Marengo Canada Shares or CDIs or PDIs received with the amount paid for the Marengo Shares.

#### Dividends on shares in Marengo Canada

The comments below apply to Holders of shares in Marengo Canada. Further comment is made in relation to the treatment of Holders of CDIs and PDIs later below.

In the case of a PNG Participant who is an individual holding shares in Marengo Canada, the gross amount of dividends received or deemed to be received (calculated before deduction of withholding tax) on the Marengo Canada Shares will be included in computing the individual's

assessable income. A credit will be allowed for any withholding tax deducted from the dividend on their behalf, subject to certain limitations in the PNG Tax Act.

In the case of a PNG Participant that is a corporation holding shares in Marengo Canada, the gross amount of all dividends to which they are entitled or deemed to be entitled (calculated before deduction of withholding tax) from the Marengo Canada Shares will be included in computing the corporation's assessable income. PNG Participants who hold shares in Marengo Canada and who are corporations are generally entitled to rebates against the tax payable on dividends received. Holders to whom these rules may be relevant should consult their own tax advisers.

Persons who are not tax resident in PNG are generally only subject to tax in PNG on income or profits with a PNG source, or dividends received from a company resident in PNG. In some limited circumstances, Marengo Shareholders who hold their shares in Marengo Canada through a branch or permanent establishment in PNG may be subject to tax in PNG in a manner similar to that applicable to PNG Scheme Participants described above. Holders to whom these rules may be relevant should consult their own tax advisers.

*Dividends payable to Holders of CDIs and PDIs*

It is expected that the Holders of PDIs and CDIs will be treated in a similar manner to persons who hold shares in Marengo Canada directly. There is however a risk that the PNG Revenue may take a different view and may seek to treat the PDIs and CDIs as interests in a trust. The Company intends to seek clarification about the treatment of CDIs and PDIs from the PNG Revenue to the extent that it feels that clarification is necessary, before the payment of any dividends on Marengo shares.

If the PDIs and CDIs were treated as interests in a trust it is likely that holders of PDIs and CDIs would not obtain the intercorporate dividend rebates and tax credits for foreign withholding tax ordinarily available to persons who directly hold shares in Marengo Canada. Non residents who hold PDIs could also be subject to PNG Withholding Tax on dividends paid to them.

Under the terms of the PDIs and CDIs holders can elect to have their PDIs and CDIs converted into direct holding of shares in Marengo Canada at any time.

## **SECTION 8    RIGHTS ATTACHING TO SCHEME CONSIDERATION**

### **8.1    Rights attaching to Marengo Canada Shares**

The following is a summary of the principal rights attaching to Marengo Canada Shares. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of shareholders of Marengo Canada, which can involve complex questions of law arising from the interaction of the constitution of Marengo Canada and Canadian statutory and common law requirements.

The rights attaching to the Marengo Canada Shares arise from a combination of Marengo Canada' articles of incorporation, by-laws, the CBCA and generally applicable Canadian law.

A summary of the more significant rights is set out below. The full terms of the Marengo Canada Shares are contained in Marengo Canada's constating documents, consisting of its Certificate of Incorporation, Notice of Articles and Articles. A copy of these documents may be viewed at Marengo Canada's registered office at Suite 400, 77 King Street West, Toronto, Ontario, Canada during business hours (8:00am to 5:00pm).

(a)    Reports and notices

Holders of Marengo Canada Shares are entitled to receive all notices, reports, financial statements and accounts and other documents required to be furnished to shareholders under applicable law.

(b)    General meetings

Holders of Marengo Canada Shares are entitled to be present in person, or by proxy, attorney or representative to speak and to vote at general meetings of Marengo Canada.

(c)    Voting

Subject to any rights or restrictions for the time being attached to any class or classes of shares (at the present time there are none), at a general meeting of Marengo Canada, every shareholder present in person, or by proxy, attorney or representative may vote by a show of hands except where a ballot is demanded by any shareholder. Voting may occur by means of a telephonic, electronic or other communication facility if such a facility is made available by Marengo Canada. Each Marengo Canada shareholder is entitled to one vote for every share held by that shareholder.

A shareholder is only entitled to vote at a general meeting in respect of any share or shares of Marengo Canada held as of the record date of such meeting.

(d)    Dividends

The directors may declare and authorise the distribution from the profits of Marengo Canada of dividends, to be distributed to shareholders according to their rights and interests. The directors may determine the property to constitute the dividend and fix the time for distribution. Each holder of Marengo Canada Shares is entitled to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo Canada, any such dividends declared by Marengo Canada.

(e) Winding up

Each holder of Marengo Canada Shares is entitled to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo Canada, the remaining property of Marengo Canada upon the liquidation, dissolution or winding-up of Marengo Canada, whether voluntary or involuntary. If Marengo Canada is wound up, the liquidator may, with the authority of a special resolution, after adequately providing for payment or discharge of all its obligations, distribute its remaining property, either in money or in kind, among its shareholders according to their respective rights. Upon application of an interested person, this may be conducted under the supervision of the courts.

(f) Transfer of shares

Generally, shares in Marengo Canada are freely transferable, subject to formal requirements and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of applicable law. Applicable securities laws and rules of any stock exchange on which Marengo Canada Shares may be listed may also impose hold periods on such shares and certain shareholders.

(g) Future increases in capital

Subject to any special rights conferred on the holders of any existing shares or class of shares and subject to the CBCA, applicable securities laws, rules of any stock exchange on which such shares may be listed, and the constating documents of Marengo Canada, Marengo Canada's directors may at any time and from time to time issue such number of shares and with such rights or restrictions as the directors may determine.

(h) Variation of rights attaching to shares

Any amendment of Marengo Canada's Articles to change the rights attaching to the common shares would require a special resolution to be passed by the common shareholders.

(i) Directors

Marengo Canada's Articles prescribe a minimum of three and a maximum of ten directors. The by-laws contain provisions relating to the rotation and election of directors.

## 8.2 Comparison of Australian and Canadian company rules

Marengo is a public company registered in Western Australia under the Corporations Act. Marengo Canada exists under and is governed by the CBCA. If the Scheme becomes Effective, the rights of Marengo Shareholders who receive Marengo Canada Shares or CDIs will be governed principally by the CBCA and Marengo Canada's Articles.

A comparison of some of the material provisions governing Marengo and Marengo Canada respectively is set out below. References to 'Australian law' where they appear in this section are references to the Corporations Act, ASX Listing Rules, ASX Settlement Operating Rules and Australian common law, as applicable. References to 'Canadian law' are references to the CBCA, TSX Company Manual, applicable Canadian securities laws and Canadian common law, as applicable.

The comparison below is not an exhaustive statement of all relevant laws, rules and regulations and is intended as a general guide only. Marengo Shareholders should consult with their own legal advisors if they require further information.

Requirement	Marengo	Marengo Canada
<b>Rights attaching to shares</b>		
<b>Purchase of own shares</b>	<p>Under the Corporations Act, Marengo may buy-back its shares under a specific buy-back scheme:</p> <ul style="list-style-type: none"> <li>• if the buy-back does not materially prejudice Marengo's ability to pay its creditors; and</li> <li>• Marengo follows the procedures set out in the Corporations Act.</li> </ul> <p>Share buy-backs that intend to buy-back more than 10% of the votes attaching to the smallest number of shares in the previous 12 months require approval by Marengo's members by way of ordinary resolution.</p> <p>The form of Shareholder approval (e.g. ordinary resolution or special/unanimous resolution), if required, and the notice period and disclosure requirements to be given to Shareholders will depend on the type of buy-back. Generally, buy-back schemes can be characterised as minimum holding, equal access, selective, on-market or relating to employee shares schemes.</p>	<p>There are no restrictions in Marengo Canada's constating documents regarding the purchase of Marengo Canada Shares.</p> <p>The TSX Company Manual permits, subject to at least two clear trading days prior notice by an issuer, a normal course issuer bid to be conducted by an issuer for a period of up to one year. A variety of restrictions are imposed upon the issuer including limitations upon the size and price at which purchases can be conducted. Within 10 days of the end of any month in which normal course issuer bid purchasers are made the issuer must report to the TSX on average prices and disposition of the securities that have been purchased.</p> <p>Under the CBCA, Marengo Canada may repurchase its shares provided that, after doing so, it is able to pay its liabilities as they fall due and the realisable value of its assets exceed the aggregate of its liabilities and its stated capital. Under Canadian securities legislation, a repurchase of its shares by Marengo Canada may constitute an "issuer bid" and could only be effected in accordance with the provisions of Canadian securities legislation.</p>
<b>Transfer of shares</b>	<p>Under Marengo's constitution, the Marengo Board may decline to register a transfer of shares where:</p> <ul style="list-style-type: none"> <li>• to register the transfer of shares would contravene the provisions of Australian laws;</li> <li>• Marengo has a lien on those shares;</li> <li>• the ASX Listing Rules or the ASTC Settlement Rules permit or require the Company to do so; or</li> <li>• the transfer is in respect of a share which is not fully paid and in respect of which there is any money due in respect of a call.</li> </ul>	<p>Under Marengo Canada's by-laws, the board of directors of Marengo Canada may decline to register a transfer of shares where:</p> <ul style="list-style-type: none"> <li>• to register the transfer would contravene the provisions of Canadian laws;</li> <li>• there has not been a presentation of a certificate representing such shares to be transferred with an endorsement which complies with Canadian laws, where that certificate has not been delivered to an appropriate person under Canadian laws, there has been no reasonable assurance that the endorsement is genuine and effective, there has been no payment of all taxes and applicable fees, and any lien has not been satisfied; or</li> </ul>

Requirement	Marengo	Marengo Canada
		<ul style="list-style-type: none"> <li>there is a lien on the shares.</li> </ul>
<b>Source and payment of dividends</b>	Under Australian law, the Marengo Directors may determine that a dividend is payable. Dividends may only be paid out of the company's distributable profits and not out of share capital. Before declaring a dividend, the Marengo Directors must be satisfied that the proposed dividend can be paid without causing the company to be unable to pay its debts as they fall due.	Under the CBCA, Marengo Canada may declare and pay a dividend, whether out of profits, capital or otherwise, by issuing shares or property, including money, unless there are reasonable grounds for believing that the company is, or would after the payment be, unable to pay its liabilities as they become due.
<b>Variation of class rights</b>	Under the Marengo Constitution, rights attaching to a class of shares may only be varied or cancelled by special resolution or with the consent in writing of the holders of three quarters of the issued securities in Marengo.	The CBCA provides that rights attaching to a class of shares may only be varied by an amendment to the articles approved by special resolution and if there is more than one class, by a special separate resolution of such class.
<b>Capital raising</b>		
<b>Issue of new shares</b>	<p>Subject to specified exceptions (for pro rata issues etc), the ASX Listing Rules apply to restrict Marengo from issuing, or agreeing to issue, more ordinary shares than 15% of the total of the number calculated accordingly to a prescribed equation in any 12 month period unless Marengo has Shareholder approval.</p> <p>Subject to certain exceptions, ASX Listing Rules 10.11 and 10.14 require the approval of Marengo Shareholders by ordinary resolution in order for the company to issue Marengo Shares or Marengo Options to Marengo Directors or other related parties.</p> <p>Under the Marengo Constitution, the Marengo Directors may issue Marengo Shares on the terms and when they think fit. This power is subject to the Corporations Act, ASX Listing Rules, and any special rights previously conferred on the holders of any existing Marengo Shares or class of Marengo Shares.</p>	<p>Marengo Canada is authorised to issue an unlimited number of common shares without par value for such consideration determined by the Directors. Marengo Canada Shares are non-assessable and may only be issued if consideration for such shares is fully paid.</p> <p>As a TSX-listed company, issuances of securities by Marengo Canada require TSX approval. The TSX may impose conditions or grant exemptions from its own requirements, and will generally require securityholder approval of any transaction that materially affects control of the issuer or provides consideration to insiders that represents 10% or more of the issuer's market capitalisation. For private placements, the TSX may require securityholder approval depending on the price and number of securities being issued and whether insiders are involved.</p> <p>Where securities are issued in connection with an acquisition, securityholder approval is required when the number of securities issued exceeds 25% of the number of outstanding securities of the issuer (on a non-diluted basis), whether the target acquired is a private company or a reporting issuer.</p>

Requirement	Marengo	Marengo Canada
		<p>The TSX requires securityholder approval of securities-based compensation plans, including any mechanism involving the potential issuance of securities, and prescribes specific disclosure requirements for the purposes of such approval. Any such plan must comply with certain substantive requirements such as restrictions on exercise prices, maximum number or percentage of securities issuable and securityholder approval of most amendments.</p> <p>The TSX Company Manual permits capital raising via public offering or private placement with listing subject to approval by the TSX.</p> <p>Issuers are restricted from undertaking private placements beyond prescribed discounts from the market price (calculated as a 5 day volume weighted average price). If the price offered in a private placement is a discount to the market price, an issuer may not, absent shareholder approval, issue greater than 25% of the number of securities of the issuer which are outstanding on a non-diluted basis prior to closing of the transaction. Shareholder approval may also be required where trades are made to insiders of the issuer. Issuers may qualify for exemptions from the shareholder approval requirements in certain situations, including, financial distress of the issuer.</p>
<p><b>ASX Listing Rules/TSX listing rules</b></p>	<p>Under the ASX Listing Rules, (subject to specified exceptions for pro rata issues or additional placement approval with advance shareholder approval etc), Marengo is restricted from issuing or agreeing to issue more shares than the number calculated below in any 12 month period unless Marengo has Shareholder approval, that is 15% of the total of:</p> <ul style="list-style-type: none"> <li>• the number of shares on issue 12 months before the date of the issue or agreement; plus</li> <li>• the number of shares issued in the 12 months before the date of the issue or agreement without Shareholder approval but</li> </ul>	<p>Under the TSX Company Manual, Marengo Canada will require the approval of the TSX to issue securities other than unlisted non-voting, non-participating securities. The TSX may impose conditions on a transaction or grant exemptions from its own requirements. The TSX will consider various factors, including the involvement of insiders in the transaction, whether the transaction materially affects control of the issuer, and whether a court or administrative body has considered the interest of shareholders.</p> <p>The TSX will generally require shareholder approval of any transaction that materially affects control of the issuer or provides consideration to insiders that represents 10% or more of the issuer's market</p>

Requirement	Marengo	Marengo Canada
	<p>pursuant to one of the specified exceptions; plus</p> <ul style="list-style-type: none"> <li>• the number of shares issued in the preceding 12 months with Shareholder approval; less</li> <li>• the number of partly paid shares that became fully-paid in the 12 months; plus</li> <li>• the number of shares cancelled in that 12 month period; less</li> <li>• the number of shares issued in the preceding 12 months without Shareholder approval and without the benefit of one of the specified exceptions.</li> </ul> <p>Under the ASX Listing Rules shares or options may be issued to the Directors with the approval of Shareholders.</p> <p>Marengo is also subject to the TSX rules governing changes in capital structure as set out in the opposite column.</p>	<p>capitalisation (subject to certain conditions). For distributions of listed securities in reliance on a prospectus exemption (known as private placements), the TSX may require shareholder approval depending on the price at which the securities are being sold and the number being sold in relation to the number outstanding. If the price is below market and the number of securities to be issued represents more than 25% of the number outstanding (on a non-diluted basis), shareholder approval will be required, while if the price is at or above market, shareholder approval will generally not be required regardless of the number of securities issued. If the issuance is to be less than or equal to 25% of the number outstanding, shareholder approval will not be required unless the price is below a permitted discount to market.</p> <p>TSX-listed issuers must obtain shareholder approval when the number of securities issued in payment for an acquisition exceeds 25% of the number of issued and outstanding securities of the issuer (on a non-diluted basis), whether the target being acquired is a private company or a reporting issuer.</p> <p>In private placements to insiders and acquisitions involving issuances of listed securities to insiders, the TSX will require shareholder approval depending on the number of securities issued in relation to the number outstanding. Specifically, if insiders will be issued, by way of private placements during any six month period, or if insiders will receive, as consideration in an acquisition, securities representing more than 10% of the number of securities outstanding on a non-diluted basis, shareholder approval will be required and the insiders may not vote their securities.</p> <p>The TSX also requires shareholder approval of securities-based compensation arrangements, including any compensation or mechanism involving the potential issuance of securities from treasury. The TSX prescribes specific disclosure requirements for the materials provided to shareholders for the purposes of such approval, including all material information that shareholders may reasonably require</p>



Requirement	Marengo	Marengo Canada
		<p>to approve the arrangements. Certain substantive requirements are imposed that must be complied with: exercise prices may not be lower than market price the day prior to the date on which stock options are granted; there must be a maximum number or percentage of securities issuable; and most amendments to a compensation arrangement also require shareholder approval.</p> <p>The TSX Company Manual permits capital raising via public offering or private placement with listing subject to approval by the TSX.</p> <p>In addition, as discussed above under "Issue of New Shares", issuers are restricted from undertaking private placements beyond prescribed discounts from the market price (calculated as a 5 day volume weighted average price). If the price offered in a private placement is a discount to the market price, an issuer may not, absent shareholder approval, issue greater than 25% of the number of securities of the issuer which are outstanding on a non-diluted basis prior to closing of the transaction. Shareholder approval may also be required where trades are made to insiders of the issuer. Issuers may qualify for exemptions from the shareholder approval requirements in certain situations, including, financial distress of the issuer.</p>
<b>Continuous disclosure</b>	<p>Under the ASX Listing Rules, Marengo is required to disclose to ASX any information concerning Marengo that a reasonable person would expect to have a material effect on the price or the value of its shares (or options).</p> <p>Marengo is also subject to the Canadian securities laws and TSX rules in relation to timely disclosure set out in the opposite column.</p>	<p>Canadian securities laws require the immediate disclosure by issuing and filing a news release of any material change occurring in the affairs of an issuer. As soon as practicable thereafter, and in any event within 10 days of the date on which the change occurs, an issuer must also file a material change report in the prescribed form.</p> <p>The TSX Company Manual also sets out timely disclosure requirements for listed issuers.</p>
<b>Directors</b>		
<b>Power of directors</b>	<p>Under the Marengo Constitution, Subject to the Corporations Act and to any other provisions in Marengo's Constitution, the management and control of the business of Marengo is</p>	<p>Under the CBCA, the Marengo Canada Directors must manage or supervise the business and affairs of the company and may appoint and remove officers and specify their duties, subject to the CBCA</p>

<b>Requirement</b>	<b>Marengo</b>	<b>Marengo Canada</b>
	vested in the Directors who may exercise all powers of Marengo that are not required by the Corporations Act, the ASX Listing Rules or Marengo's Constitution to exercised in general meeting.	and the articles of Marengo Canada ( <b>Articles</b> ).
<b>Fiduciary duties of directors and officers</b>	Under Australian law, the directors and officers of Marengo are subject to duties to, act in good faith in the interests of the company, act for a proper purpose, not fetter their discretion (in the case of directors only), exercise care, skill and diligence, avoid conflicts of interest, not use their position to their advantage, and not misappropriate company property.	Under Canadian law, every director and officer of Marengo Canada, in exercising their powers and performing their functions must act honestly and in good faith with a view to the best interests of Marengo Canada, exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, act for a proper purpose in accordance with the CBCA and the Articles of Marengo Canada, not fetter their discretion, avoid conflicts of interest, not use their position to their advantage and not misappropriate company property.
<b>Appointment of directors</b>	<p>Marengo must have three to seven directors. At each AGM, one third of the Marengo Board (or the number nearest to but not exceeding one third) (except the managing director) must retire from office but no director may retain office for more than three years or until the third AGM. The director or directors to retire is the one-third or other number nearest to, but not exceeding, one-third of the number of the Directors who have been longest in office since their election. A retiring director is eligible for re-election.</p> <p>The Marengo Directors may, at any time, appoint any person as a Director subject to some restrictions set out in Marengo's Constitution.</p>	<p>Marengo Canada must have a minimum of three directors of whom at least two are not officers or employees of the corporation or its affiliates. Election of directors takes place at each AGM. All Directors retire upon election of their successors at the AGM but, if qualified, are eligible for re-election. The number of Directors to be elected is the number then in office, unless the Marengo Canada Shareholders determine otherwise. Directors may, if the Articles so provide, appoint one or more additional Directors, who shall hold office for a term expiring not later than the close of the next AGM, but the total number of Directors so appointed may not exceed one third of the number of Directors elected at the previous AGM. Casual vacancies may be filled by the Directors.</p> <p>Recent amendments to the TSX Company Manual state that each Director is elected individually and Marengo Canada must disclose annually whether they have adopted a majority voting policy for Directors for uncontested meetings and if not, to explain their practices for electing Directors and why they have not adopted a majority voting policy. Marengo Canada must advise the TSX if a Director receives a majority of "withhold" votes (if a majority voting policy has not been adopted) and promptly issue a news release providing</p>

Requirement	Marengo	Marengo Canada
		detailed disclosure of the voting results
<b>Removal of directors</b>	Marengo may remove a Marengo Director before their period of office ends by passing a resolution at a general meeting. Marengo Directors cannot themselves remove a director from his office or require a director to vacate his office.	Marengo Canada's may remove a Director from office by ordinary resolution at a special meeting. Marengo Canada's Directors can remove a Director if he is convicted of certain crimes or ceases to be qualified as a director under the CBCA.
<b>Rotation of directors</b>	<p>Under the ASX Listing Rules, the directors of Marengo, other than the managing director, are to retire by rotation.</p> <p>Under Marengo's constitution, at every AGM, one third of the directors (other than the managing director or alternate director) or, any director who, if that director did not retire at that annual general meeting, would at the next annual general meeting, have held that office for more than three years, must automatically retire from office. Such directors are entitled to be re-elected.</p>	Marengo Canada's by-laws provide that the election of directors shall take place at each AGM and all the Directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of Directors to be elected at any such meeting shall be the number of Directors as specified in the Articles or, if a minimum and maximum number of Directors is provided for in the Articles, the number of Directors determined by special resolution or, if a special resolution empowers the Directors to determine the number, the number of Directors determined by resolution of the Board.
<b>Remuneration of directors and officers</b>	<p>Under the ASX Listing Rules, the maximum amount to be paid to Marengo Directors for their services as directors (other than the salary of an executive director) is not to exceed the amount approved by shareholders in general meeting.</p> <p>Australian law gives shareholders of listed companies (such as Marengo Shareholders) the right to participate in a non-binding vote, to be held at the AGM, on the adoption of the remuneration report of the company. The remuneration report is included in the directors' report and is required to contain a discussion of the board's policy in relation to remuneration of key management personnel of the company.</p>	Marengo Canada's Compensation Committee (to be formed upon implementation of the Scheme) will set the remuneration of the directors, and senior officers. Under applicable Canadian law, a report on compensation is required to be included in the management proxy circular sent in connection with the AGM each year. Marengo Canada is not subject to any restrictions on the quantum of retirement benefits that it may pay to its directors and officers.
<b>Retirement benefits</b>	<p>Under the Corporations Act, Marengo is allowed to pay benefits to directors and officers on their retirement or termination. Such benefits require Shareholder approval in certain circumstances.</p> <p>Under the ASX Listing Rules,</p>	There are no restrictions on the quantum of retirement benefits that Marengo Canada may pay to its Directors or officers in its by-laws.

Requirement	Marengo	Marengo Canada
	<p>termination benefits to directors (that are or may be payable to all officers) must not exceed 5% of the equity interests of Marengo as set out in its latest financial statements given to ASX. The 5% limit may however be exceeded with Shareholder approval.</p>	
<b>Corporate governance</b>	<p>The structures of the Marengo Board and Marengo's corporate policies as a whole, must comply with the requirements of the ASX Listing Rules in relation to corporate governance.</p> <p>Marengo is also subject to the Canadian corporate governance provisions set out in the opposite column.</p>	<p>National Instrument 58-101 of the Canadian Securities Administrators <i>Disclosure of Corporate Governance Practices</i>, requires issuers to include information in relation to independence of directors, board mandates, position descriptions, corporate governance practices and committee mandates and functions as part of prescribed disclosure of an issuer's corporate governance practices in their management information circular. Audit committee composition and practices are subject to separate reporting requirements mandating publication in the issuer's management information circular.</p>
<b>Insider trading</b>	<p>Under the Corporations Act, any person who possesses price sensitive information relating to Marengo or its securities is prohibited (subject to exceptions) from buying or selling those securities or procuring others do so, or from communicating the information to third parties.</p> <p>Marengo is also subject to the Canadian insider trading restrictions set out in the opposite column.</p>	<p>Canadian securities laws prohibit trading with knowledge of a material fact or material change with respect to a reporting issuer that has not been generally disclosed. In addition, National Instrument 55-102 of the Canadian Securities Administrators <i>System for Electronic Disclosure Insiders (SEDI)</i>, establishes a mandatory system of electronic reporting of trading activity by certain insiders of each reporting issuer.</p>
<b>Director's declarations of interest</b>	<p>The Corporations Act generally requires a Marengo director who has a material personal interest in a matter that relates to the affairs of Marengo to give the other directors notice of that interest. That director must not be present at a meeting where the matter is being considered or vote on the matter unless the other directors or ASIC approve, or the matter is not one which requires disclosure under the Corporations Act. Under the Corporations Act, failure of a director to disclose a material personal interest, or voting despite a material personal interest, does not affect the validity of a contract in which the director has an interest. Marengo directors, when</p>	<p>Under the CBCA, a director or officer will hold a disclosable interest in a contract or transaction that Marengo Canada has entered into or proposes to enter into if that contract or transaction is material to Marengo Canada, and the director or officer has or is a director or officer of or has a material interest in a person who has a material interest in the contract or transaction. Directors and officers must disclose in writing or by request to have it entered in the minutes of meetings of directors or meetings of committees of directors to Marengo Canada the nature and extent of any disclosable interest that they may have and must not participate in any discussion of the relevant contract or transaction. No director having a</p>

Requirement	Marengo	Marengo Canada
	entering into transactions with Marengo, are subject to the common law and statutory duties to avoid conflicts of interest.	disclosable interest may vote on any resolution to approve the contract or transaction.
<b>Release from liability and indemnification of directors and officers</b>	<p>Under Australian law, Marengo cannot exempt an officer from liability to the company incurred in his capacity as an officer, indemnify an officer against a liability owed to the company or a related body corporate, or indemnify an officer against the cost of legal proceedings including where such proceedings result in them being found to have a liability to the company or a related body corporate.</p> <p>However, under Australian law, a company may indemnify an officer against a liability owed to someone other than the company or a related body corporate (and also the cost of any related legal proceedings), provided the liability does not arise out of conduct involving a lack of good faith or the liability is not a penalty or compensation order made under the Corporations Act. For the purposes of these provisions, an 'officer' includes a director, secretary or senior manager of Marengo.</p> <p>The Marengo Constitution contains provisions indemnifying several parties who fit within the definition of "officer" including the company's past and existing directors, secretaries, executive officers and members of local boards or agencies, to the maximum extent permitted by law, against any liability incurred by that person in his capacity as an officer of Marengo or of a related body corporate of Marengo.</p>	<p>Marengo Canada's by-laws provide that, subject to limitations contained in the CBCA, the company shall indemnify a director, officer, former director or person who, at the request of the company, is or was a director or officer of another corporation or who holds or held an equivalent position Marengo Canada or another entity, and the heirs and personal representatives of such persons, against all judgements, penalties or fines awarded or imposed in or an amount paid in settlement of a legal proceeding or investigative action (whether current, threatened, pending or completed) in which such eligible party was involved by reason of their having been a director, officer or having held an equivalent position.</p> <p>Marengo Canada may not indemnify an individual if such person did not act honestly and in good faith with a view to the best interests of the company or the associated corporation or did not have reasonable grounds for believing that his or her conduct was lawful in a proceeding other than a civil proceeding. The CBCA and Marengo Canada's by-laws allow for the purchase and maintenance liability insurance in support of such indemnities.</p>
<b>Members' meetings</b>		
<b>Meetings of shareholders</b>	Marengo's annual general meeting ( <b>AGM</b> ) must be held at least once in each calendar year and within five months after the end of its financial year. A general meeting of Marengo Shareholders may be called from time to time by the Marengo Board, individual Marengo Directors or by Marengo Shareholders with at least	Marengo Canada must hold an AGM at least once in each calendar year and no later than fifteen months after the annual reference date for the end of Marengo Canada's preceding financial year. The board of directors of Marengo Canada ( <b>Marengo Canada Board</b> ) may call a meeting of the shareholders of Marengo Canada ( <b>Shareholders</b> ) at any time.

Requirement	Marengo	Marengo Canada
	5% of the votes that may be cast at a general meeting may call a meeting or request Marengo's Directors to call a meeting. Directors must also call a meeting at the request of at least 100 members who are entitled to vote at the general meeting.	Holders at least 5% of the issued shares of Marengo Canada that carry the right to vote at an AGM may requisition the directors of Marengo Canada ( <b>Directors</b> ) to call a meeting.
<b>Notice of meetings</b>	Notice of a general meeting must be given, at least 28 days before the date of the meeting, to Marengo Shareholders entitled to vote at the meeting as well as to the Marengo Directors and auditors.	<p>Marengo Canada must provide at least 21 days notice of the date, time and location of all Marengo Canada Shareholder meetings to registered Marengo Canada Shareholders entitled to vote at the meeting and to each Marengo Canada Director. As a "reporting issuer" under Canadian securities law, Marengo Canada must also give notice to certain beneficial Marengo Canada Shareholders. Management proxy circulars, in a required form must be provided in connection with any solicitation of proxies by management.</p> <p>The notice of an AGM need not include a description of the purpose or purposes for which the meeting is called. A notice of a meeting at which special business is to be transacted must state the nature of that business in sufficient detail to permit the Shareholder to form a reasoned judgment thereon, as well as the text of any special resolution to be submitted to the meeting. Any business, other than the election of Directors, reappointment of the incumbent auditor and consideration of the financial statements and auditor's report, is deemed to be special business.</p> <p>National Instrument 54-101 of the Canadian Securities Administrators <i>Communications with Beneficial Owners of Securities of a Reporting Issuer</i>, requires a reporting issuer that is required to give notice of a meeting to fix a date for the meeting and, a record date for notice for the meeting which shall be no fewer than 30 and no more than 60 days before the meeting date and, if required or permitted by corporate law, fix a record date for voting at the meeting. The reporting issuer is required, subject to certain exemptions, to notify certain intermediaries at least 25 days prior to the record date.</p>
<b>Quorum</b>	Quorum under the Marengo Constitution is two Marengo	Quorum for a meeting of Marengo Canada Shareholders is two or more persons

<b>Requirement</b>	<b>Marengo</b>	<b>Marengo Canada</b>
	<p>Shareholders.</p> <p>If a quorum is not present within 30 minutes, the meeting may be dissolved (if the meeting was convened by members) or be adjourned without specifying a date for a further meeting.</p>	<p>present in person or represented by proxy who hold at least 5% of the shares entitled to be voted at the meeting. If a quorum is not present within half an hour, the meeting shall be adjourned to the same day in the next week. If, at the adjourned meeting, a quorum is not present within half an hour, a person or persons present and being or representing by proxy a Marengo Canada Shareholder or Marengo Canada Shareholders entitled to attend and vote at the meeting shall be a quorum.</p> <p>The CBCA provides that a majority of the directors or the minimum number of directors required by the articles of the corporation will constitute a quorum at any meeting of directors, provided at least 25% of the directors in attendance at the meeting are resident Canadians.</p>
<b>Shareholder's rights to call meetings</b>	<p>Marengo Shareholders holding at least 5% of the votes that may be cast at a general meeting or at least 100 shareholders who are entitled to vote at the meeting may, in writing, request the Marengo Directors to call a general meeting. The meeting is to be held not later than two months after the date of the notice.</p> <p>If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to call a meeting to be held within two months of that date, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves call a meeting, but a meeting so called shall not be held after three months from that date. A meeting called by requisitionists shall be called in the same manner, as nearly as possible, as that in which meetings are to be called by directors.</p> <p>The members calling the meeting must pay the expenses of calling and holding the meeting.</p>	<p>A holder or holders of at least 5% of Marengo Canada Shares eligible to be voted at a meeting sought to be held may requisition the Directors to call a meeting of Shareholders for the purposes stated in the requisition. A registered holder or beneficial owner of shares that are entitled to be voted at an AGM may submit a proposal to Marengo Canada. Marengo Canada is required to put the proposal before the next AGM, subject to certain exceptions.</p> <p>If the Directors do not within 21 days after receipt of the requisition call a meeting, any Shareholder who signed the requisition may call the meeting. Unless the Shareholders determine otherwise at the meeting, the shareholder calling the meeting shall be reimbursed by the corporation for their expenses reasonably incurred.</p>
<b>Passing resolutions at a general meeting</b>	<p>Under Australian law, a resolution at a general meeting of Shareholders is to be passed by a simple majority of votes cast by the Shareholders present (in person or by proxy) and voting at</p>	<p>Under the CBCA, a resolution at a general meeting of Marengo Canada's Shareholders is to be passed by a simple majority of votes cast by the shareholders entitled to vote on the resolution.</p>

Requirement	Marengo	Marengo Canada
	the meeting.	
<b>Ordinary and special resolutions</b>	<p>Unless the Corporations Act or the constitution requires a special resolution, resolutions are passed by a simple majority of votes cast on the resolution by shareholders entitled to vote on the resolution.</p> <p>A special resolution may be passed if not less than 28 days notice of a general meeting is given, the notice specifies the intention to propose the special resolution and states the resolution to be proposed.</p> <p>A special resolution must be passed by at least 75% of the votes cast by shareholders entitled to vote. The Corporations Act requires certain matters to be resolved by a company by special resolution, including the change of name of the company, a selective reduction of capital or selective share buy-back, the conversion of the company from one type or form to another and a decision to wind up the company voluntarily.</p> <p>Under the Corporations Act, a special resolution is also required to modify or repeal the Marengo Constitution.</p>	<p>With respect to Marengo Canada, unless the CBCA requires a special resolution, ordinary resolutions are required and are passed by a simple majority of votes cast on the resolution. A special resolution must be passed by a majority of not less than two-thirds of the votes cast by Marengo Canada Shareholders entitled to vote after proper notice is given. Under the CBCA, certain matters must be approved by special resolution, some of these matters include: changing the company's name, increasing or reducing stated capital if the company's stated capital is in the articles, amalgamations, arrangements, continuance into another jurisdiction, a sale, lease or disposition of all or substantially all of a company's undertaking and voluntary liquidation.</p> <p>If a special resolution is to be considered at a meeting of Marengo Canada Shareholders, the notice must specify the intention to propose a special resolution. The notice must state the general nature of any special business to be considered and include a copy of any document to be considered or a statement regarding where and when a copy is available for inspection.</p>
<b>Shareholder proposed resolutions</b>	<p>Under the Corporations Act, Shareholders holding at least 5% of the votes that may be cast at a general meeting, or at least 100 Shareholders who are entitled to vote at the meeting may, by written notice to the company, propose a resolution for consideration at the next general meeting occurring more than two months' after the date of that notice.</p>	<p>The CBCA entitles a registered or beneficial holder of Marengo Canada Shares eligible to be voted at Marengo Canada's AGM to submit to Marengo Canada notice of any matter that the person proposes to raise at the meeting (<b>Proposal</b>) and discuss at the meeting any matter in respect of which the person would have been entitled to submit a Proposal. If Marengo Canada receives notice of a Proposal and is soliciting proxies, it would then be required to set out the Proposal in its management proxy circular (and, if requested by the person submitting the Proposal, include or attach the Proposal and a statement in support of the Proposal must not exceeding the maximum number of words). However, a Proposal for the nomination for the election of directors is required to be signed by the holders of at least 5% of the outstanding Marengo Canada shares entitled to vote at such meeting.</p>



Requirement	Marengo	Marengo Canada
		<p>The CBCA provides exemptions from the requirements to include a proposal in a company's management proxy circular in circumstances including where:</p> <ul style="list-style-type: none"> <li>• the Proposal is not submitted to the corporation by at least the prescribed number of days before the anniversary date of the notice of meeting that was sent to shareholders in connection with the previous AGM;</li> <li>• it clearly appears that the primary purpose of the Proposal is to enforce a personal claim or redress a personal grievance against the company or its directors, officers or security holders;</li> <li>• it clearly appears that the Proposal does not relate in a significant way to the business or affairs of the company;</li> <li>• substantially the same Proposal was submitted to shareholders in a management proxy circular or a dissident's proxy circular relating to a meeting of shareholders held not more than the prescribed period before the receipt of the Proposal and did not receive the prescribed minimum amount of support at the meeting; or</li> </ul> <p>not more than the prescribed period before the receipt of a Proposal, a person failed to present, in person or by proxy, at a meeting of shareholders, a Proposal that at the person's request, had been included in a management proxy circular relating to the meeting.</p>
<b>Voting</b>	Each Marengo Share confers a right to vote at all general meetings. On a show of hands, each Marengo Shareholder present in person, or by proxy, attorney or body corporate representative, has one vote. If a poll is held, Marengo Shareholders present in person or by their proxy, attorney or body corporate representative will have one vote for every Marengo Share held at the record date for the meeting. A signed proxy must be received at least 48 hours before a meeting.	Unless the by-laws provide otherwise, voting at a meeting of Marengo Canada's Shareholders shall be by Marengo Canada Shareholder entitled to vote at the meeting, votes are held on a show of hands and each holder of Marengo Canada Shares entitled to vote has one vote. The CBCA and Marengo Canada's by-laws provide that a ballot may be demanded by any shareholder or proxy and Marengo Canada Shareholder entitled to vote will have one vote for each Marengo Canada Share held.

Requirement	Marengo	Marengo Canada
	<p>A poll may be demanded by the chairman of the general meeting, at least five Marengo Shareholders entitled to vote on the resolution, Marengo Shareholders present at the meeting holding at least 5% of the votes that may be cast on the resolution on a poll. The percentage of votes that shareholders have is to be worked out as at the midnight before the poll is demanded.</p>	
<b>Relationship between the company and its members</b>		
<p><b>Related party transactions</b></p>	<p>The Corporations Act prohibits a public company such as Marengo from giving a related party a financial benefit unless it obtains the prior approval of shareholders and gives the benefit within 15 months after approval or the financial benefit is exempt. A related party is defined to include any entity which controls the public company, directors of the public company, directors of any entity which controls the public company and, in each case, spouses and certain relatives of such persons. Exempt financial benefits include indemnities, insurance premiums and payments for legal costs which are reasonable in the circumstances.</p> <p>The ASX Listing Rules prohibit a listed entity such as Marengo from acquiring a substantial asset (an asset the value or consideration for which is 5% or more of the entity's equity interests) from, or disposing of a substantial asset to certain parties including related parties, unless it obtains the approval of shareholders. The related parties include (but are not limited to) directors of the entity and an entity that controls the entity; a subsidiary of the entity; a person who has or has had in the prior six month period a relevant interest in 10% or more of the shares in the entity and, in each case, any of their associates. The provisions apply even where the transaction may be on arm's-length terms.</p>	<p>Marengo Canada is subject to Multilateral Instrument 61-101 – <i>Protection of Minority Security Holders in Special Transactions</i>, which imposes independent valuation, minority approval and disclosure requirements on entities involved in certain related party transactions. A related party transaction includes transactions between an issuer and a person that is a related party to the issuer at the time of the relevant agreement, whether or not there are also other parties to the transaction, as a consequence of which, either in a single transaction or multiple transactions, the issuer directly or indirectly, among other things, purchases or acquires an asset from or sells or transfers an asset to a related party for valuable consideration; leases property to or from a related party; acquires or combines with a related party through an arrangement or otherwise; issues a security to or subscribes for a security of a related party; becomes subject to a liability of a related party or provides or materially amends the terms of a guarantee or collateral security for a debt or liability of a related party; or borrows money from, lends money to, releases, cancels, forgives or materially amends the terms of an outstanding debt or liability owed by a related party.</p> <p>In addition, the CBCA requires directors and officers to disclose to Marengo Canada the nature and extent of any interest that they may have in a material contract or transaction, whether made or proposed, with Marengo Canada, if they:</p>

Requirement	Marengo	Marengo Canada
	<p>The ASX Listing Rules also prohibit Marengo from issuing or agreeing to issue shares to related parties unless it obtains the approval of shareholders or the share issue is exempt. Exempt share issues include issues made pro rata to all shareholders, under an underwriting agreement, under a dividend or distribution plan or under an approved employee incentive plan.</p>	<ul style="list-style-type: none"> <li>• are a party to the contract or transaction;</li> <li>• is a director or an officer, or an individual acting in a similar capacity, of a party to the contract or transaction; or</li> <li>• have a material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the corporation.</li> </ul> <p>Except as provided in the CBCA, no director having such an interest may vote on any resolution to approve such contract or transaction unless the contract or transaction:</p> <ul style="list-style-type: none"> <li>• relates primarily to his or her remuneration as a director of the corporation or an affiliate;</li> <li>• is for indemnity or insurance; or</li> <li>• is with an affiliate.</li> </ul> <p>A contract or transaction for which the above disclosure is required is not void or voidable, and the director or officer is not accountable to the corporation or its shareholders for any profit realised from the contract or transaction, by reason only of that relationship or by reason only that the director is present at or is counted to determine the presence of a quorum at the meeting of directors that authorised the contract or transaction, if:</p> <ul style="list-style-type: none"> <li>• the director or officer disclosed of the interest in accordance with the CBCA; and</li> <li>• the contract or transaction was reasonable and fair to the corporation when it was approved.</li> </ul> <p>Even if the above conditions are not met, a contract or transaction is not void or voidable and a director or officer is not accountable to the company or its shareholders for any profit realised from a contract or transaction that required</p>

Requirement	Marengo	Marengo Canada
		<p>disclosure if:</p> <ul style="list-style-type: none"> <li>• the director or officer was acting honestly and in good faith</li> <li>• the contract or transaction is approved or confirmed by special resolution of the shareholders at a meeting of the shareholders duly called for that purpose;</li> <li>• after sufficient disclosure of the interest was made to shareholders in the notice calling the meeting or in the information circular required by the CBCA to indicate its nature; and</li> <li>• the contract or transaction was reasonable and fair to the company when approved or confirmed.</li> </ul>
<p><b>Protection of minority shareholders / oppression remedy</b></p>	<p>Under the Corporations Act, any Marengo Shareholder can bring an action in cases of conduct which is contrary to the interests of shareholders as a whole, or oppressive to, unfairly prejudicial to, or unfairly discriminatory against, any Marengo Shareholder(s), whether in their capacity as a shareholder or in any other capacity. Former shareholders can also bring an action if it relates to the circumstances in which they ceased to be a shareholder.</p> <p>A statutory derivative action may also be instituted by a Marengo Shareholder, former Marengo Shareholder or person entitled to be registered as a Marengo Shareholder. In all cases, leave of the court is required. Such leave will be granted if the court is satisfied that it is probable that Marengo will not itself bring the proceedings or properly take responsibility for them or for the steps in them, the applicant is acting in good faith, it is in the best interests of Marengo that the applicant be granted leave, if the applicant is applying for leave to bring proceedings, there is a serious question to be tried and the applicant gives proper written notice to Marengo specifying its intention to and</p>	<p>Under the CBCA, on the application of a “complainant” (defined under the CBCA to include shareholders, former shareholders, directors and officers, former directors and officers, the director appointed under the CBCA to carry out duties and exercise powers under the CBCA, and any other persons who, in the discretion of the court, are proper persons to bring an action), the court may grant leave to prosecute or defend a legal proceeding in the name and on behalf of the company to enforce a right, duty or obligation owed to the company or to obtain damages for a breach of such a right, duty or obligation. In certain circumstances, the CBCA allows for a shareholder to apply to court to have an investigator appointed to investigate the company’s affairs.</p> <p>The CBCA, to a large extent, has supplemented the Canadian common law and equity rules on the availability of actions. In addition to allowing complainants to bring actions in the name and on behalf of Marengo Canada or any of its subsidiaries, the statutory provisions of the CBCA also allow complainants to intervene in existing proceedings, either for prosecuting or defending it, or to bring about its discontinuation on behalf of the company. Certain substantive and procedural requirements must be met, including the court being satisfied that the</p>

Requirement	Marengo	Marengo Canada
	<p>reasons for applying or it is otherwise appropriate to give leave.</p>	<p>complainant is acting in good faith and that the derivative action appears to be in the interests of the company or its subsidiary.</p> <p>In addition, a shareholder or other person whom the court considers appropriate may apply to the court for an order on the grounds that the affairs of the company are being or have been conducted or the powers of the directors are being or have been exercised in a manner that is oppressive to one or more shareholders or that some act or proposed act of the company or resolution of the shareholders is unfairly prejudicial to one or more shareholders. The court has the power to make any order it thinks fit to remedy the oppressive behaviour, including prohibiting or directing any act, appointing or removing directors or directing that the company be liquidated and dissolved.</p> <p>The CBCA provides shareholders with dissent rights in connection with certain corporate matters, generally including amalgamations, arrangements, the sale, lease or disposition of all or substantially all of the company's undertaking and continuance into another jurisdiction, which dissent rights entitle dissenting shareholders to receive payment of fair value for their shares from the company, provided they comply with the strict requirements set out under the CBCA.</p> <p>To bring a derivative action, it is first necessary to obtain the leave of the court. The granting of leave is not automatic, but requires the court to exercise judicial discretion. The court may grant leave if:</p> <ul style="list-style-type: none"> <li>• the complainant has given notice to the Directors of Marengo Canada or its subsidiary of the complainant's intention to apply to the court not less than 14 days before bringing the application, or as otherwise ordered by the court, if the directors of Marengo Canada or its subsidiary do not bring, diligently prosecute or defend or discontinue the action;</li> <li>• the complainant is acting in good faith; and</li> </ul>

Requirement	Marengo	Marengo Canada
		<ul style="list-style-type: none"> <li>it appears to the court that it is in the interests of Marengo Canada or its subsidiary for the legal proceeding to be brought, prosecuted, defended or discontinued.</li> </ul> <p>The court has broad powers to direct the conduct of any such legal proceeding.</p>
<b>Inspection of books</b>	Under the Corporations Act, a Shareholder must obtain a court order to obtain access to Marengo's books and records.	Under the CBCA, a shareholder or creditor of Marengo Canada, their agent or legal representative may examine the corporate records (including the securities register, Articles and by-laws, minutes of meetings and resolutions of Shareholders) at Marengo Canada's registered office or such other place where such records are kept during Marengo Canada's usual business hours and may take extracts from those records, free of charge. As Marengo Canada is an "offering corporation" (as defined in the CBCA), any other person may examine Marengo Canada's corporate records upon payment of a reasonable fee.
<b>Amendments to constituent documents</b>	Any amendment to the Marengo Constitution must be approved by special resolution.	Unless otherwise specified in the CBCA or the Articles, amendments to Marengo Canada's Articles must be approved by a special resolution.
<b>Takeovers</b>		
<b>Takeover bids</b>	<p>Australian law places restrictions on a person acquiring interests in the voting shares of Marengo where, as a result of the acquisition, that person's or someone else's voting power in the company increases from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. This prohibition is subject to a number of exceptions including the acquisition of not more than 3% of the voting shares in the company in the six month period before the acquisition, the acquisition is made with shareholder approval or the acquisition is made under a takeover bid made in accordance with Australian law. Various restrictions about conditional offers exist and there are also substantial restrictions concerning the withdrawal and suspension of offers.</p> <p>Takeover bids must treat all</p>	<p>In Canada, takeover bids are regulated primarily by securities legislation. Persons making an offer to acquire securities that, together with the offeror's securities (and those held by joint actors), constitute in aggregate 20% or more of the outstanding securities of the company at the time of the offer are required to extend the offer to all securityholders whose registered address is in Canada. The takeover bid rules require, among other things, the mailing of a takeover bid circular to shareholders of the target company and extensive disclosure requirements, beginning with 'early warning' disclosure required when an acquirer crosses a 10% ownership threshold with further disclosure required for additional purchases of 2% or more.</p> <p>Takeover bids must treat all shareholders alike and must not involve any collateral agreements, with certain exceptions for employment compensation arrangements.</p>

Requirement	Marengo	Marengo Canada
	<p>securityholders alike, must not involve any collateral benefits and must remain open for certain period, after which time all securities deposited under the offer may be taken up. The takeover bid rules contain various additional requirements, such as restrictions on conditional offers and withdrawal, amendment or suspension of offers.</p>	<p>Takeover bids must remain open for a minimum of 35 days from the date of the mailing of the takeover bid circular, after which time all securities deposited under the offer may be taken up.</p> <p>For the protection of target shareholders, the takeover bid rules contain various additional requirements, such as restrictions applicable to conditional offers, and the withdrawal, amendment or suspension of offers. Securities regulators also retain a general 'public interest jurisdiction' to regulate takeovers and may intervene to halt or prevent activity that is abusive. Issuer bids are regulated similarly to takeover bids.</p> <p>There are extensive disclosure requirements associated with takeover bids, beginning with 'early warning' disclosure required when an acquirer crosses the 10% ownership threshold. Generally, further disclosure is required for additional purchases of 2% or more of the outstanding security for which such early warning disclosure is required. Purchases outside the bid before, during and after the bid are also restricted.</p> <p>The CBCA contains compulsory acquisition provisions, which allow a person who acquired at least 90% of a company's shares to acquire the remaining shares, within 120 days after the date of a takeover bid, if the bid was accepted by holders of not less than 90% of the company's shares.</p> <p>Aside from the compulsory acquisition provisions of the CBCA, second step transactions following a bid, which allow the acquirer to bring its percentage ownership to 100%, are governed by Multilateral Instrument 61-101 of the Canadian Securities Regulators. No shareholder approval for a second step transaction of the acquisition would be required if the acquirer obtained 90% of the outstanding securities owned by minority shareholders during the bid. Otherwise, a meeting must be called and associated regulations complied with for an acquisition, including obtaining a two-thirds majority approval. The acquirer is generally permitted to vote the shares acquired pursuant to the bid at</p>

Requirement	Marengo	Marengo Canada
		<p>such meeting. Appraisal (or dissent) rights are available for objecting shareholders who fulfil certain procedural requirements.</p> <p>Under Canadian securities laws certain exemptions to the formal bid requirements, on specified conditions, are allowed. For example, private agreements to purchase securities from up to five persons are permitted if the purchase price does not exceed 115% of the market price. Under the normal course purchase exception, the offeror (together with any joint offerors) may acquire up to 5% of a class of securities within a 12-month period of there is a published market for the relevant class and the consideration paid does not exceed the market price at the date of acquisition.</p>
<b>Takeover bid defences</b>	<p>Under Australian takeovers legislation and policy, boards of target companies are limited in the defensive mechanisms that they can put in place to discourage or defeat a takeover bid. For example, it is likely that the adoption of a shareholders' rights plan (or so-called 'poison pill') would give rise to a declaration of unacceptable circumstances by the Australian Takeovers Panel if it had that effect.</p>	<p>In Canada, defensive tactics may be taken by a board of directors in a genuine attempt to obtain a better bid, however, the Canadian securities regulatory authorities have recognised the possibility that the interests of management of the target company will differ from those of its shareholders. The securities regulators may take action in certain cases where target company defensive tactics may be abusive of shareholder rights, deny shareholders the ability to make a fully formed decision or frustrate an open takeover bid process.</p> <p>Defensive tactics that may come under scrutiny during or immediately before a bid (if there is reason to believe that a bid might be imminent) include ranting an option on securities representing a significant percentage of the target company's outstanding securities, including introduction of a shareholders' rights plan, a sale, acquisition, optioning, or agreement to sell or acquire material assets or other corporate action other than in the normal course of business. Shareholder approval of defensive tactics may be a factor in the regulatory authorities' decision as to whether the tactics are appropriate.</p>
<b>Winding up</b>	<p>Under Australian law, an insolvent company may be wound up by a liquidator appointed either by creditors or the court. Directors cannot use their powers after a liquidator has been</p>	<p>Under the CBCA, a company may liquidate if it is authorised to do so by a special resolution. A company may apply for a voluntary dissolution if (following authorisation to liquidate) it is authorised to</p>



Requirement	Marengo	Marengo Canada
	<p>appointed. If there are funds left over after payment of the costs of the liquidation, and payments to other priority creditors, including employees, the liquidator will pay these to unsecured creditors as a dividend. The shareholders rank behind the creditors and are, therefore, unlikely to receive any dividend in an insolvent liquidation.</p> <p>Under Australian law, shareholders of a solvent company may decide to wind up the company if the directors are able to form the view that the company will be able to pay its debts in full within 12 months after the commencement of the winding-up. A meeting at which a decision is made to wind up a solvent company requires at least 75% of votes cast by the shareholders present and voting.</p> <p>The Marengo Constitution provides that on winding-up, the liquidator may, with sanction of a special resolution, divide among Marengo Shareholders in specie or kind the whole or any part of Marengo's property and may for that purpose set the value as the liquidator considers fair upon any property to be so divided and may determine how the division is to be carried out as between the shareholders or different classes of shareholders.</p>	<p>do so by an ordinary resolution and it has no assets and liabilities. On application by the company, a shareholder, director or any other person whom the court considers to be appropriate, including a creditor of a corporation, the court may order that the company be liquidated and dissolved if the court considers it just and equitable.</p> <p>Liquidation of the corporation may also take place completely outside the framework of the CBCA, such as under the Bankruptcy and Insolvency Act (Canada) or the Companies' Creditors Arrangement Act (Canada). Finally, a corporation may be liquidated informally under contractual arrangement, usually by way of the private appointment of a receiver and manager.</p>

In addition to the table above, it should also be noted that the consolidated financial statements of Marengo comply with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board. The Canadian Accounting Standards Board adopted as Canadian generally accepted accounting principles for publicly accountable enterprises for fiscal years beginning on or after 1 January 2011. Therefore, there will be no material difference in the accounting standards adopted by Marengo and Marengo Canada.

## **SECTION 9    ADDITIONAL INFORMATION**

This Section contains information required under section 412(1) of the Corporations Act and under Part 3 of Schedule 8 of the Corporations Regulations.

### **9.1    Suspension of Trading of Marengo Shares and Cessation of ASX, TSX and POMS0X listing**

If the Court approves the Scheme, it is intended that Marengo will lodge the Court order with the ASIC and notify the ASX, the TSX and the POMS0X of the Court approval on the day the Court approves the Scheme. It is expected that a suspension of trading in Marengo Shares on the ASX, the TSX and the POMS0X will occur from the close of business on the day the Court order is lodged with the ASIC.

On a date after the Effective Date to be determined by Marengo Canada, Marengo will apply for termination of official quotation of Marengo Shares on the ASX and the TSX and apply to have itself removed from the official lists of the ASX and the TSX.

### **9.2    Payment of Scheme Consideration**

Under the Scheme all Marengo Shares will be transferred to Marengo Canada in consideration for the issue to the Marengo Shareholders (other than Ineligible Foreign Shareholders) of Marengo Canada Shares on the basis of one Marengo Canada Share for each Marengo Share held on the Record Date.

If you are an Australian Scheme Participant, the number of Marengo Canada Shares or CDIs which would otherwise be required to be issued to you under the Scheme will be issued to CDN to hold on your behalf and you will receive CDIs which will be traded in Australia on the ASX.

If you are PNG Scheme Participant, the number of Marengo Canada Shares or PDIs which would otherwise be required to be issued to you under the Scheme will be issued to PDN to hold as your agent and you will receive PDIs which will be traded in Papua New Guinea on the POMS0X.

If POMS0X does not agree to amend the POMS0X Rules to support a listing of depository interests, if you are a PNG Scheme Participant, you will receive CDIs which will be traded in Australia on ASX, unless you have advised Marengo that you wish to receive Marengo Canada Shares (see below).

If you are a Canadian Scheme Participant, you will receive Marengo Canada Shares which will be traded in Canada on the TSX once Marengo Canada is listed on the TSX. If you are a Canadian Scheme Participant holding physical certificates representing Marengo Shares, your physical certificate will represent a share certificate of Marengo Canada as of the Implementation Date without further action required by you. However, should you wish to be issued a new physical certificate under the name of Marengo Canada, you may request such certificate from the Canadian Register at any time after the Implementation Date. If you are a Canadian Beneficial Holder holding Marengo Shares through CDS, you will receive Marengo Canada Shares by settlement through CDS.

If you are:

- (a) an Australian Scheme Participant and you wish to receive Marengo Canada Shares (which will be traded on the TSX) or PDIs (which will be traded on the POMS0X) instead of CDIs; or
- (b) a PNG Scheme Participant and you wish to receive Marengo Canada Shares (which will be traded on the TSX) or CDIs (which will be traded on the ASX) instead of PDIs; or

- (c) a Canadian Scheme Participant and you wish to receive CDIs (which will be traded on ASX) or PDIs (which will be traded on the POMSoX) instead of Marengo Canada Shares,

and you advise Marengo Canada in writing on or before the Effective Date, Marengo Canada will issue Marengo Canada Shares or CDIs in accordance with your instructions.

In any event if, after completion of the Scheme, you hold:

- (a) Marengo Canada Shares and you wish to hold CDIs or PDIs; or
- (b) CDIs and you wish to hold Marengo Canada Shares or PDIs; or
- (c) PDIs and you wish to hold Marengo Canada Shares or CDIs,

you may contact Marengo Canada's Australian share registry, Canadian registrar and transfer agent or its Papua New Guinea share registry requesting your holding to be transferred to the Australian, Canadian or Papua New Guinea Register as appropriate.

### **9.3 CHESSE Depository Interests**

As noted above, the Scheme Consideration will be issued to Australian Scheme Participants in the form of CDIs.

Canadian Scheme Participants will receive Marengo Canada Shares, rather than CDIs, which can be traded on the TSX.

PNG Scheme Participants will receive PDIs, rather than CDIs, which can be traded on the POMSoX.

CDIs are instruments used to enable an interest in foreign companies, such as Marengo Canada, to be traded on the ASX. The electronic transfer system used to settle ASX trades, CHESSE, cannot be used to transfer securities of foreign companies that do not permit the operation of an uncertificated register therefore depository instruments known as CDIs are used to facilitate the electronic settlement of interests in such securities. CDIs will confer a beneficial interest in Marengo Canada Shares on Scheme Participants whilst the legal title to the Marengo Canada Shares will be held by a depository, CDN, which is a subsidiary of ASX. CDI holders will obtain all of the economic benefits of actual ownership of Marengo Canada Shares. Annexure 6 to this Explanatory Statement provides a further description of the CDIs and the rights and entitlements attaching to the CDIs, including in relation to voting.

### **9.4 PETS Depository Interests**

Subject to the POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs, the Scheme Consideration will be issued to PNG Scheme Participants in the form of PDIs. Further information in relation to the proposed amendments to the POMSoX Rules is set out below.

Like CDIs, PDIs will be instruments used to enable an interest in foreign companies, such as Marengo Canada, to be traded on the POMSoX. The transfer system used to settle POMSoX trades, PETS, cannot be used to transfer securities of foreign companies that do not permit the operation of an uncertificated register. Therefore depository instruments known as PDIs will be used to facilitate the electronic settlement of interests in such securities. PDIs will evidence a PDI holder's interest in Marengo Canada Shares whilst the legal title to the Marengo Canada Shares will be held, as agent for the PDI holder, by a depository nominee, PDN, which will be a subsidiary of POMSoX. PDI holders will obtain all of the economic benefits of actual ownership of Marengo Canada Shares. It is intended that the rights and entitlements that will attach to the PDIs, including

in relation to voting, will be similar to the rights and entitlements attaching to the CDIs as described in Annexure 6.

#### **9.5 Amendment of POMSoX Rules**

The amendment of the POMSoX Rules to support a listing of depository interests on POMSoX can be effected by the passing of a resolution by the POMSoX Board approving the amendment. Marengo will apply to POMSoX for amendments to its listing rules to facilitate the issue of PDIs on terms which reflect the terms of issue of CDIs. If the POMSoX Board approves those amendments POMSoX is obliged, under the Securities Act, to lodge a written notice with the Securities Commission within 21 days after the amendments to the Rules are made.

Following the notification by POMSoX, the Securities Commission may, within 28 days, disallow the whole or a specified part of the amendments.

It is a condition precedent of the Scheme that the POMSoX Rules be amended to support a listing of depository interests, however this condition may be waived by the mutual agreement of Marengo and Marengo Canada.

If POMSoX does not agree to amend the POMSoX Rules to support a listing of depository interests on POMSoX, the amendments are not substantially in accordance with those sought by Marengo, or such amendments will take effect after the date of implementation of the Scheme, Marengo will provide supplementary disclosure to PNG resident shareholders.

#### **9.6 Conversion between CDIs and Marengo Canada Shares**

Upon the Marengo Canada Shares being admitted to trading on the TSX, the Marengo Canada CDIs being quoted on the ASX and the Marengo Canada PDIs being quoted on the POMSoX, securities can then be moved between the registers of Marengo Canada Shares maintained in Canada, Australia and Papua New Guinea.

Marengo Shareholders contemplating a register move should contact their stockbroker or the relevant share registry where their Marengo Canada Shares, CDIs and PDIs are maintained in order to obtain the applicable documentation.

Movements between registers may take some time, and as such, Marengo Shareholders should not trade in the Marengo Canada Shares, CDIs or PDIs (as appropriate) once a request has been made to move the securities and prior to receiving confirmation from the share registry that the move has been completed.

#### **9.7 Listing of Marengo Canada on the ASX, the TSX and the POMSoX**

Application will be made for the admission of Marengo Canada to the official list of the ASX and for quotation of the CDIs on the stock market conducted by the ASX. The fact that the ASX may admit Marengo Canada to its official list is not in any way an indication of the merits of Marengo Canada. The ASX does not take any responsibility for the contents of this Scheme Booklet.

Subject to the POMSoX agreeing to amend the POMSoX Rules to accommodate PDIs (which is a condition precedent to the Scheme), application will be made for the admission of Marengo Canada to the official list of the POMSoX and for quotation of the PDIs on the stock market conducted by the POMSoX. The fact that the POMSoX may admit Marengo Canada to its official list is not in any way an indication of the merits of Marengo Canada. The POMSoX does not take any responsibility for the contents of this Scheme Booklet.

Marengo Canada will make application for admission to listing on the TSX and for listing of the Marengo Canada Shares on the stock market conducted by the TSX.

Marengo Canada will be subject to the listing rules of the ASX, the TSX and the POMSx.

Further information in relation to the TSX is set out below.

## **9.8 The Toronto Stock Exchange**

The TSX Group Inc. (the "**TSX Group**") owns and operates Canada's two national stock exchanges, the TSX serving the senior equity market, and the TSX Venture Exchange serving the public venture equity market. From its domestic base, the TSX Group's reach extends internationally, providing the global financial community with access to Canada's equity capital market.

In general, issuers initially list on the TSX either in connection with their initial public offerings or by graduating from the TSX Venture Exchange. Listing on the TSX provides these issuers with a range of benefits, including opportunities to access public equity capital efficiently, liquidity for existing investors and the prestige and market exposure associated with being listed on Canada's senior exchange.

Companies listed on the TSX are "reporting issuers" for the purposes of applicable Canadian securities legislation. Both applicable securities legislation and the rules of the TSX prescribe timely and continuous disclosure obligations for listed companies, which include the requirement to prepare and file the following:

- (a) quarterly financial statements and management's discussion and analysis thereon;
- (b) annual financial statements and management's discussion and analysis thereon;
- (c) an annual information form;
- (d) notice of shareholders' meetings and related proxy materials; and
- (e) a report of a "material change" to accompany a press release disclosing a material change.

## **9.9 Canadian securities laws**

This Scheme Booklet sets out the necessary disclosure for the purposes of meeting the applicable Australian law requirements.

Solely for the purposes of complying with Canadian securities laws, and in accordance with, and as required by Canadian securities laws, information has been incorporated by reference in this Scheme Booklet from documents filed with the securities commissions or similar authorities in Canada. Any statement contained in this Scheme Booklet which is inconsistent with the disclosure contained in any of the documents incorporated by reference shall be deemed to have modified, replaced or superseded such disclosure. Any statement so modified or superseded shall not be deemed, except as so modified, replaced or superseded, to constitute a part of this Scheme Booklet. The modifying, replacing or superseding statement need not state that it has modified, replaced or superseded a prior statement or include any other information set out in the document that it modifies, replaces or supersedes. The making of a modifying, replacing or superseding statement shall not be deemed an admission for any purposes that the modified, replaced or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

The following documents are specifically incorporated by reference in, and form an integral part of, this Scheme Booklet:

- (a) the annual information form of Marengo for the financial year ended 30 June 2012 except for the sections entitled “General Development and Description of the Business” and “The Yandera Project” which are not incorporated by reference in this Scheme Booklet;
- (b) the audited annual consolidated financial statements of Marengo as at, and for the financial year ended 30 June 2012, together with the auditors’ report thereon dated 22 September 2012 and the notes thereto;
- (c) management’s discussion and analysis of financial condition and results of operations of Marengo for the financial year ended 30 June 2012; and
- (d) the management information circular of Marengo dated 28 September 2012 (as amended by an addendum dated 23 October 2012), prepared in connection with the annual general meeting of Marengo Shareholders to be held on 8 November 2012.

Any other documents of the type described above, or other disclosure documents required to be incorporated by reference into a prospectus filed under National Instrument 44-101 *Alternative Forms of Prospectus*, that are filed by Marengo with the securities commissions or similar authorities in any province or territory of Canada subsequent to the date of this Scheme Booklet and prior to the Scheme Meeting shall be deemed to be incorporated by reference into this Scheme Booklet.

Copies of the documents incorporated herein by reference may be obtained on request without charge from Marengo’s Company Secretary at Level 1, 9 Havelock Street, West Perth, Western Australia, telephone number +(618) 9429 0000 and are also available electronically under Marengo’s profile at [www.sedar.com](http://www.sedar.com). The filings of Marengo available through SEDAR are not incorporated by reference in this Scheme Booklet except as specifically set out in this Scheme Booklet.

#### **9.10 Restrictions in the Constitution of Marengo**

There are no restrictions on the right to transfer Marengo Shares in the Constitution of Marengo.

#### **9.11 Effect of Scheme on Marengo creditors**

The Scheme will not materially prejudice the ability of Marengo to pay its creditors. Marengo is solvent and trading in a normal commercial manner.

#### **9.12 Marengo Directors’ interests in Marengo Securities**

The following table sets out the relevant securities in Marengo held by or on behalf of each Marengo Director<sup>8</sup>:

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<sup>8</sup> The securities held by John Horan are not set out in the table as Mr Horan will retire on 8 November 2012. As at 18 October 2012 Mr Horan has a relevant interest in the following Marengo securities: 1,360,000 Shares are held by South Nominees Pty Ltd as trustee for the JP & C Horan Super Fund A/c of which Mr Horan is a beneficiary; 1,250,000 unlisted options exercisable at 50 cents each and expiring on 15 August 2013 are held by South Nominees Pty Ltd as trustee for the JP & C Horan Super Fund A/c of which Mr Horan is a beneficiary; and 500,000 Performance Rights expiring 6 September 2017 are held by South Nominees Pty Ltd as trustee for the JP & C Horan Super Fund A/c of which Mr Horan is a beneficiary.

Directors	Shares		Options		Performance Rights	
	Direct	Indirect	Direct	Indirect	Direct	Indirect
Louis P. Gignac	-					
Les Emery	4,125,000	1,810,000 <sup>1</sup>	1,500,000 <sup>2</sup>	-	10,750,000 <sup>3</sup>	-
John Hick	-	-	500,000 <sup>4</sup>	-	500,000 <sup>5</sup>	-
Elizabeth Martin	-	-	500,000 <sup>6</sup>	-	500,000 <sup>7</sup>	-
Rabbie Namaliu	-	210,200 <sup>8</sup>	1,000,000 <sup>9</sup>	-	500,000 <sup>10</sup>	-
Mario Caron	-	-	-	-	-	-
Keith Morrison	-	-	-	-	-	-
Ian Hume	-	-	-	-	-	-

**Notes:**

- 1,710,000 Shares are held by Ruthless Pty Ltd as trustee for the Emery Super Fund A/c of which Mr Emery is a beneficiary. 100,000 Shares are held by Ruth Emery who is Mr Emery's spouse.
- 1,500,000 unlisted options exercisable at A\$0.50 each and expiring on 15 August 2013.
- 750,000 Performance Rights expiring 6 September 2017. 10,000,000 Performance Rights expiring 6 September 2017.
- 500,000 unlisted options exercisable at A\$0.50 each and expiring on 15 August 2013.
- 500,000 Performance Rights expiring 6 September 2017.
- 500,000 unlisted options exercisable at A\$0.50 each and expiring on 15 August 2013.
- 500,000 Performance Rights expiring 6 September 2017.
- 10,200 Shares are held by Sir Rabbie Namaliu's spouse. 100,000 Shares are held by Tobit Investment Ltd of which Sir Rabbie Namaliu is director. 100,000 Shares are held by RDN International Ltd of which Sir Rabbie Namaliu is a director.
- 1,000,000 unlisted options exercisable at A\$0.50 each and expiring on 15 August 2013.
- 500,000 Performance Rights expiring 6 September 2017.

**9.13 Marengo Directors' interests in Marengo Canada securities**

Other than John Hick who holds the subscriber share that was issued to effect incorporation of Marengo Canada (**Subscriber Share**), none of the Marengo Directors have any interests in any securities of Marengo Canada. The Subscriber Share be gifted back to Marengo Canada and cancelled immediately prior to the issue of the Marengo Canada Shares to the Scheme Participants in accordance with the Scheme.

**9.14 Marengo Canada's relevant interest in Marengo securities and voting power**

As at the date of this Scheme Booklet Marengo Canada had:

- no relevant interest or voting power in any of Marengo Shares; and
- no relevant interest or voting power in any of Marengo Options.

**9.15 Acquisition by Marengo Canada of Marengo Shares during previous four months**

Except for the consideration to be provided under the Scheme, during the period of four months before the date of this Scheme Booklet, neither Marengo Canada nor any associate of Marengo Canada has provided, or agreed to provide, consideration for any Marengo Shares.

**9.16 Inducing benefits given by Marengo Canada during previous four months**

Except as set out in this Scheme Booklet, during the period of four months before the date of this Scheme Booklet, neither Marengo Canada nor any associate of Marengo Canada, gave, or offered to give or agreed to give a benefit to another person that is not available to all Marengo Shareholders and was likely to induce the other person, or an associate of the other person, to:

- (a) vote in favour of the Scheme; or
- (b) dispose of Marengo Shares.

#### **9.17 Payments or other benefits to any Marengo Director, secretary or executive officer**

Other than as set out below and the retirement benefits payable by Marengo to Marengo Directors as detailed in Section 9.18, payments of consideration for the transfer of Marengo Options to those Marengo Directors who hold Marengo Options as detailed in Section 9.12 and as set out below in this Section, no payment or other benefit will be given or made to any Director, secretary or executive officer of Marengo or a Related Body Corporate of Marengo for loss of, as compensation or consideration for, or otherwise in connection with, their retirement from office in Marengo or in a Related Body Corporate, if the Scheme becomes effective.

#### **9.18 Retirement benefits payable to any Marengo Director, secretary or executive officer**

No Marengo Director, secretary or executive officer will receive any benefit in connection with the Scheme other than the Scheme Consideration allocated in accordance with the terms and conditions set out in this Scheme Booklet, payments of consideration for the transfer of Marengo Options to those Marengo Directors, secretary or executive officers who hold Marengo Options as detailed in Section 9.12 or as otherwise set out in this Section 9.18.

#### **9.19 Agreements or arrangements between Marengo Directors**

Other than as set out in Section 9.18, there are no other agreements made between any Marengo Director and any other person in connection with or conditional on the outcome of the Scheme.

#### **9.20 Interests of Marengo Directors in any contract with Marengo Canada**

No Marengo Director has an interest in any contract entered into by Marengo Canada or its Related Bodies Corporate other than holding Marengo Canada Group securities as set out in Section 9.13.

#### **9.21 Effect on Creditors**

Marengo Canada intends for its business to consist entirely of the business of Marengo, as detailed in Section 4.3. Therefore, the Restructure will not have an adverse impact on the interests of Marengo's creditors, and no material liability will be incurred by Marengo under or by reason of the Restructure, other than the costs of implementing the Scheme. Marengo has paid and is paying all of its creditors within normal terms of trade. It is solvent and is trading in an ordinary commercial manner.

#### **9.22 Consents**

The following parties have given and have not, before the time of lodgement of this Scheme Booklet with the ASIC, withdrawn their written consent to be named as follows in this Scheme Booklet and, where applicable, to the inclusion of the following information in this Scheme Booklet:

- Marengo Canada in the form and context in which it is named and inclusion of information in Sections 4 and 5;
- Gilbert + Tobin as Australian legal advisers to Marengo;
- Fraser Milner Casgrain LLP as Canadian legal advisors to Marengo;
- Allens as Papua New Guinea legal advisers to Marengo;



- PricewaterhouseCoopers as the auditors of Marengo and to the inclusion of extracts from the audited accounts of Marengo as at 30 June 2012;
- Stantons International to the inclusion of references to the audited accounts of Marengo as at 30 June 2011;
- BDO Corporate Finance (WA) Pty Ltd as the Independent Expert and to the inclusion of its Independent Expert's Report;
- Computershare Investor Services Pty Ltd as the Australian Registrar, who has had no involvement in the preparation of any part of the Scheme Booklet other than being named as Australian Registrar;
- Computershare Trust Company of Canada as the Canadian Registrar, who has had no involvement in the preparation of any part of the Scheme Booklet other than being named as Canadian Registrar;
- PNG Registries Limited as the PNG Registrar, who has had no involvement in the preparation of any part of the Scheme Booklet other than being named as PNG Registrar,

nor have they authorised or caused the issue of this Scheme Booklet or make any representation regarding, and to the extent permitted by law exclude any responsibility for, any statements in or omissions from any other part of this Scheme Booklet other than to being named in the form and context in which they are named.

This Scheme Booklet includes or is accompanied by statements which are made in, or based on, statements made in documents lodged with the ASIC or on Marengo's announcement platform of the ASX. If you would like to receive a copy of any of these documents please contact Marengo by email at [marengo@marengoming.com](mailto:marengo@marengoming.com) or by phone on +61 8 9429 0000 and you will be sent copies free of charge.

#### **Competent Persons statement**

The information in this Scheme Booklet is based on information compiled by Mr. Stephen Hyland and Mr Karl Smith, both fellows of the Australasian Institute of Mining and Metallurgy.

Mr. Hyland is an employee of Ravensgate Minerals Industry Consultants. Mr Smith is an employee of Karl Smith Mine and Geology Consulting.

Each of Mr. Hyland and Mr Smith has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity, which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Each of Mr. Hyland and Mr Smith consents to the inclusion in this Scheme Booklet of information compiled by him in the form and context in which it appears.

#### **9.23 Documents available for inspection**

Copies of the following documents are available for inspection at the registered office of Marengo during normal business hours on any Business Day until the Record Date:

- Constitution of Marengo;
- Financial statements of Marengo for the financial year ending 30 June 2012; and
- 2012 Marengo Annual Report.

**9.24 Information Disclosed to the ASX**

Marengo is a "disclosing entity" under the Corporations Act and is subject to the regime of continuous disclosure and periodic reporting requirements. Specifically, as a listed company, Marengo is subject to the ASX Listing Rules which require continuous disclosure to the market of any information possessed by Marengo which a reasonable person would expect to have a material effect on the price or value of its shares.

All announcements made by Marengo are publicly available and can be viewed at the ASX internet site (<http://www.asx.com.au>).

**9.25 Exemptions, waivers and modifications**

Marengo has applied to the PNG Securities Commission (on its own behalf and, where applicable, on behalf of Marengo Canada and other relevant persons) for an exemption from section 55 and other relevant provisions of the Securities Act to allow Marengo Canada to offer securities to the public of PNG without a registered prospectus.

**9.26 Other material information**

Other than as disclosed within this Scheme Booklet, there is no other information within the knowledge any Marengo Director material to the making of a decision in relation to the Scheme that has not previously been disclosed to Marengo Shareholders.

Other than as disclosed within this Scheme Booklet, there is no other information known to Marengo Canada material to the making of a decision in relation to the Scheme that has not previously been disclosed to Marengo Shareholders.

## SECTION 10 GLOSSARY

**A\$** means Australian dollars.

**Announcement Date** means 24 September 2012 being the date that Marengo announced that Marengo and Marengo Canada had signed the Scheme Implementation Agreement.

**Australian Register** means the register of Marengo Shareholders maintained in Australia by the Australian Registrar.

**Australian Registrar** means Computershare Investor Services Pty Limited.

**Australian Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the Australian Register as at the Record Date.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited ACN 008 624 691, and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** means the listing rules of ASX.

**AWST** means Australian western standard time.

**Business Day** means a weekday on which trading banks are open for business in Perth, Australia and Toronto, Canada and Port Moresby, Papua New Guinea and which is also a business day as defined by the ASX Listing Rules, POMSoX Rules and TSX Listing Rules.

**Canadian Beneficial Holder** means a non-registered beneficial holder of Marengo Shares that are held on its behalf by an intermediary on the Canadian register.

**Canadian Register** means the register of Marengo Shareholders maintained in Canada by the Canadian Registrar.

**Canadian Registrar** means Computershare Trust Company of Canada.

**Canadian Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the Canadian Register as at the Record Date.

**CBCA** means the Canada Business Corporations Act.

**CDIs** means CHESS Depository Interests and means a unit of beneficial ownership in Marengo Canada Shares, registered in the name of CHESS Depository Nominees Pty Ltd.

**CDN** means CHESS Depository Nominees Pty Ltd, a subsidiary of the ASX.

**CDS** means CDS Clearing and Depository Services Inc.

**CHESS** stands for Clearing House Electronic Subregister System.

**CGT** means capital gains tax.

**CMS** means conceptual mining study.

**Company** or **Marengo** means Marengo Mining Limited ACN 107 061 343.

**Corporations Act** means Corporations Act 2001 (Cth).

**Corporations Regulations** means Corporations Regulations 2001 (Cth).

**Court** means the Federal Court of Australia (WA Registry).

**Deed Poll** means the deed poll set out in Annexure 3 of this Scheme Booklet.

**Effective Date** means the date of coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) of the Corporations Act in relation to the Scheme, but in any event at no time before an office copy of the order of the Court is lodged with ASIC.

**EL** means exploration licence.

**End Date** means 31 January 2013 or such other date as is agreed by Marengo and Marengo Canada.

**FS** means feasibility study.

**Implementation Date** means the fifth Business Day after the Record Date.

**Independent Expert** means BDO Corporate Finance (WA) Pty Ltd.

**Independent Expert's Report** means the report prepared by the Independent Expert dated 10 October 2012 which is included in Annexure 5 to this Scheme Booklet.

**Indicated Resource** has the meaning ascribed to that term in the JORC Code.

**Ineligible Foreign Shareholder** means a Scheme Participant whose address in the Registers is a place outside Australia, Canada, New Zealand, Papua New Guinea and the United States of America, unless Marengo Canada is satisfied that the laws of that shareholder's country of residence (as shown in the Registers) do not prevent the issue and allotment of Marengo Canada Shares to that shareholder in respect of their Marengo Shares (or do not prevent the issue and allotment of Marengo Canada Shares to that shareholder except after compliance with conditions that Marengo Canada regards as unduly onerous).

**Inferred Resource** has the meaning ascribed to that term in the JORC Code.

**JORC** or **JORC Code** means the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC 2004 edition).

**Marengo or Company** means Marengo Mining Limited ACN 099 496 474.

**Marengo Board** means the board of directors of Marengo at the date of this Scheme Booklet.

**Marengo Canada** means Marengo Mining Canada Limited, corporation no. 822513-3, a company incorporated under the federal laws of Canada, with a registered office at Suite 400, 77 King Street West, Toronto, Ontario, Canada.

**Marengo Canada Board** means the board of directors of Marengo Canada.

**Marengo Constitution** means Marengo's constitution.

**Marengo Directors** means the directors of Marengo from time to time.

**Marengo Option** means an option to acquire Marengo Shares issued by Marengo.

**Marengo Optionholder** means a holder of Marengo Options.

**Marengo Performance Rights** means a performance right to acquire Marengo Shares issued by Marengo.

**Marengo Performance Right holder** means a holder of Marengo Performance Rights.

**Marengo PNG** means Marengo Mining (PNG) Limited a company incorporated in PNG and having registration number 1-76844.

**Marengo Share** means a fully paid ordinary share in the capital of Marengo.

**Marengo Shareholder** means a registered holder of Marengo Shares.

**Marengo Shareholder Approval** means a resolution in favour of the Scheme passed by Marengo Shareholders pursuant to Section 411(4)(a)(ii) of the Corporations Act, being

- (a) a majority in number (more than 50%) of those Marengo Shareholders present and voting at the Scheme Meeting in person, by proxy, attorney or (in the case of a corporate Marengo Shareholder) by a corporate representative; and
- (b) at least 75% of the total number of votes cast on the Resolution at the Scheme Meeting by Marengo Shareholders.

**Marengo Warrants** means a warrant to acquire Marengo Shares issued by Marengo.

**Marengo Warrantholder** means a holder of Marengo Warrants.

**Mining Act** means the Papua New Guinea *Mining Act* (1992).

**MRA** means the Mineral Resources Authority of Papua New Guinea.

**New Zealand Shareholder** means a Scheme Participant whose registered address as shown in the Register is in New Zealand.

**Non Scheme Securities Offers** means the offers to be made by Marengo Canada for the Marengo Options and Marengo Performance Rights in accordance with clause 3.3 of the Implementation Agreement.

**Notice of Meeting** means the notice of meeting dated 30 October 2012 convening the Scheme Meeting, set out in Annexure 4 to this Scheme Booklet.

**PDIs** stands for PETS Depository Interests being an interest in Marengo Canada Shares, registered in the name of PDN (as agent for the PDI holders).

**PDN** means the company to be established as a subsidiary of POMSoX for the purpose of fulfilling the functions of a depository nominee and agent for the PDI holders.

**Petromin** means Petromin PNG Holdings Limited, a company incorporated in PNG and having registration number 1-59327.

**Petromin Agreement** means the Yandera Project Investment and Co-operation Agreement dated 19 September 2011 between Marengo and Petromin.

**PETS** stands for Port Moresby Stock Exchange Electronic Trading System.

**PNG Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the PNG Register as at the Record Date.

**PNG Register** means the branch register of Marengo Shareholders maintained in Papua New Guinea by the PNG Registrar.

**PNG Registrar** means PNG Registries Limited.

**POMSoX** means the Port Moresby Stock Exchange.

**POMSoX Business Rules** means the business rules of the POMSoX.

**POMSoX Listing Rules** means the listing rules of the POMSoX.

**POMSoX Rules** means the POMSoX Business Rules and the POMSoX Listing Rules.

**Record Date** means 5.00pm AWST time on the fifth Business Day following the Effective Date or such other date as Marengo and Marengo Canada agree.

**Registers** means each of or all of the Australian Register, the Canadian Register and then PNG Register as the context requires.

**Related Body Corporate** has the meaning given to that term in section 50 of the Corporations Act.

**Resolution** means a resolution to be considered at the Scheme Meeting.

**Restructure** means the restructure and re-domicile of Marengo to be effected by the Scheme, pursuant to which Marengo will become a wholly owned subsidiary of Marengo Canada and Marengo Canada will replace Marengo as the listed entity on ASX and TSX.

**Scheme** and **Scheme of Arrangement** means the scheme of arrangement under Part 5.1 of the Corporations Act which is proposed to be entered into between Marengo and Marengo Shareholders, a copy of which is set out in Annexure 2 to this Scheme Booklet.

**Scheme Booklet** means this Scheme Booklet dated 30 October 2012.

**Scheme Consideration** means one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date.

**Scheme Implementation Agreement** means the scheme implementation agreement dated 24 September 2012 as varied by a deed of variation dated 10 October 2012 (such deed of variation effecting the correction of two minor typographical errors and amending the definitions of “PDI” and “PDN”) and a deed of variation dated 18 October 2012 (such deed effecting a change to reflect the appointment of the Marengo Board as directors of Marengo Canada) between Marengo and Marengo Canada, a copy of which is set out in Annexure 1 to this Scheme Booklet.

**Scheme Meeting** means the meeting of Marengo Shareholders convened by the Court under section 411(1) of the Corporations Act.

**Scheme Participant** means each person who is registered in the Australian Register, the Canadian Register or PNG Register as the holder of a Marengo Share as at the Record Date.

**Scheme Order** means the orders of the Court under section 411 of the Corporations Act approving the Scheme.

**Second Court Date** means the day on which the Court makes an order pursuant to section 411(4)(b) of the Corporations Act approving the Scheme.

**Securities Act** means the Papua New Guinea *Securities Act* 1997.

**Subsidiary** has the meaning it has in the Corporations Act.

**TSX** means The Toronto Stock Exchange.

**Voting Instruction Form** means the voting instruction form sent to Non-Objecting Shareholders from the Canada Registry seeking voting instructions in relation to their Marengo Shares.

**Yandera Project** means the copper-molybdenum-gold deposit located in Madang Province, Papua New Guinea.

**YMCHL** means Yandera Mining Company (Holdings) Pty Limited ACN 147 330 336.

**YMCL** means Yandera Mining Company Limited a company incorporated in PNG and having registration number 1-53202.

**ANNEXURE 1**  
**SCHEME IMPLEMENTATION AGREEMENT**

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# Scheme Implementation Agreement

Marengo Mining Limited ABN 57 099 496 474  
Marengo Mining Canada Limited 822513-3



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## Contents

	Page	
1	Defined terms and interpretation	1
1.1	Definitions	1
1.2	Interpretation	4
2	Conditions Precedent	5
2.1	Conditions Precedent	5
2.2	Waiver of conditions precedent	6
2.3	Best endeavours	6
2.4	Independent Expert's report	7
2.5	Conditions precedent not met	7
3	Agreement to Propose Scheme of Arrangement and make Non Scheme Securities Offers	7
3.1	Marengo to Propose Schemes	7
3.2	Marengo Canada to Assist	7
3.3	Non Scheme Securities Offers	7
3.4	Scheme Steps	8
4	Marengo Canada Consideration	8
4.1	Scheme Consideration	8
5	Implementation of Scheme	9
5.1	Marengo's obligations	9
5.2	Marengo Canada's obligations	11
5.3	Appointment of directors	11
6	Representations and Warranties	11
6.1	Mutual representations	11
6.2	Survival of Representations	12
7	Public Announcements	12
7.1	Announcement of Scheme	12
8	Termination	12
8.1	Termination by Marengo Canada or Marengo	12

8.2	Effect of termination	12
9	Notices	13
9.1	Notices of other matters	13
10	General	13
10.1	Further Acts	13
10.2	Notices	13
10.3	Expenses	14
10.4	Amendments	14
10.5	Governing Law	14
10.6	Business Day	14
10.7	Waiver	14
10.8	Consents	15
10.9	Counterparts	15
Schedule 1	— Marengo Canada Deed Poll	16
Schedule 2	— Scheme of Arrangement	17
	Execution page	18

## Parties

- 1 **Marengo Mining Limited ABN 57 099 496 474** a company incorporated in Australia of Level 1, 9 Havelock Street, West Perth, Australia (**Marengo**).
- 2 **Marengo Mining Canada Limited**, corporation no. 822513-3, a company incorporated under the federal laws of Canada, with a registered office at Suite 400, 77 King Street West, Toronto, Ontario, Canada (**Marengo Canada**).

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## Background

- A Marengo is listed on the ASX, TSX and POMSx. As at the date of this agreement, Marengo has on issue 1,137,720,551 Marengo Shares and 9,650,000 Marengo Options, 56,860,750 Marengo Warrants and 37,400,000 Marengo Performance Rights.
- B Marengo Canada is a company incorporated under the federal laws of Canada. As at the date of this Agreement, Marengo Canada has one share, the Subscriber Share, on issue. Other than the Subscriber Share, Marengo Canada has not issued any other shares and has not granted any options or other convertible securities.
- C The directors of Marengo have resolved to propose to Marengo Shareholders a restructure of Marengo by way of scheme of arrangement under Part 5.1 of the Corporations Act whereby Marengo will become a wholly owned subsidiary of Marengo Canada. Upon implementation of the Scheme, Marengo Canada will apply for listing on the TSX, ASX and POMSx.
- D Marengo Canada and Marengo have agreed in good faith to implement the Scheme upon the terms and conditions of this Agreement.

### The parties agree

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## 1 Defined terms and interpretation

### 1.1 Definitions

In this Agreement:

**Agreement** means this scheme implementation agreement.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context permits the Australian Securities Exchange operated by ASX Limited.

**ASX Listing Rules** means the official ASX Listing Rules of ASX.

**Business Day** means a weekday which is not a civic or statutory holiday, on which trading banks are open for business in Perth, Australia and Toronto, Canada and Port Moresby, Papua New Guinea and which is also a business day as defined by the ASX Listing Rules, POMSx Rules and TSX Listing Rules.

**Canadian Resident Participant** means a Scheme Participant who is a resident of Canada for the purposes of the *Income Tax Act* (Canada) (**Tax Act**) and whose address on the Registers as at the Record Date is within Canada.

**Canadian Securities Laws** means collectively, and as the context may require, the securities legislation in each of the provinces and territories of Canada and the rules, regulations, policies, instruments and, where applicable, blanket orders published or promulgated thereunder, as such may be amended from time to time, and the term “applicable” with respect to such Canadian Securities Laws and in the context that refers to one or more persons, means any such Canadian Securities Laws that apply to such person or persons or its or their business, assets, property or securities.

**CDI** means a CHESSE Depository Interest, being a unit of beneficial ownership in a Marengo Canada Share registered in the name of CDN.

**CDN** means Chess Depository Nominees Pty Ltd (I 071 346 506).

**CHESSE** means the clearing house electronic sub-register system of share transfers operated by ASX Settlement and Transfer Corporation Pty Ltd.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Court** means a court of competent jurisdiction under the Corporations Act.

**Effective** means, when used in relation to the Scheme, the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.

**Effective Date** means the date on which the Scheme becomes Effective.

**Eligible Foreign Scheme Participant** has the meaning set out in clause 4.1(c).

**End Date** means 31 January 2013, or such later date as may be agreed between the parties in writing.

**Execution Date** means the date upon which the last party to this Agreement executes this Agreement.

**Governmental Agency** means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency or entity.

**Implementation Date** means a date after the Record Date but no later than the tenth Business Day after the Effective Date.

**Independent Expert** means an independent expert chosen by Marengo.

**Ineligible Foreign Shareholder** means a Scheme Participant whose address in the Registers is a place outside Australia, Canada, New Zealand, Papua New Guinea and the United States of America, unless Marengo Canada is satisfied that the laws of that shareholder’s country of residence (as shown in the Registers) do not prevent the issue and allotment of Marengo Canada Shares to that shareholder in respect of their Marengo Shares (or do not prevent the issue and allotment of Marengo Canada Shares to that shareholder except after compliance with conditions that Marengo Canada regards as unduly onerous).

**Marengo Board** means the board of directors of Marengo.

**Marengo Canada Shares** means common shares in the capital of Marengo Canada.

**Marengo Canada Board** means the board of directors of Marengo Canada.

**Marengo Canada Information** means such information regarding Marengo Canada and Marengo Canada Shares provided by Marengo Canada to Marengo in writing for inclusion in the Scheme Booklet so as to enable Marengo to comply with its obligations under clause 5.1(a).

**Marengo Indemnified Parties** means Marengo and its directors and employees.

**Marengo Performance Rights** means a performance right to acquire Marengo Shares issued by Marengo.

**Marengo Option** means an option to acquire a Marengo Share issued by Marengo.

**Marengo Warrant** means a warrant to acquire a Marengo Share issued by Marengo.

**Marengo Shareholder Approval** means a resolution in favour of the Scheme passed by Marengo Shareholders pursuant to Section 411(4)(a)(ii) of the Corporations Act.

**Marengo Shareholders** means the holders of Marengo Shares.

**Marengo Shares** means fully paid ordinary shares in Marengo.

**NI 54-101** means *National Instrument 54-101 – Communications with Beneficial Owners of Securities of a Reporting Issuer*.

**NOBO (non objecting beneficial owner)** has the meaning given in NI 54-101.

**Non Scheme Securities Offers** means the offers to be made by Marengo Canada for the Marengo Options and Marengo Performance Rights in accordance with clause 3.3.

**OBO (objecting beneficial owner)** has the meaning given in NI 54-101.

**PDIs** stands for PETS Depository Interests being an interest in Marengo Canada Shares, registered in the name of PDN (as agent for the PDI holders).

**PDN** means the company to be established as a subsidiary of POMSoX for the purpose of fulfilling the functions of a depository nominee and agent for the PDI holders.

**PETS** means the Port Moresby Stock Exchange Electronic Trading System.

**POMSoX** means the Port Moresby Stock Exchange.

**POMSoX Business Rules** means the business rules of the POMSoX.

**POMSoX Listing Rules** means the listing rules of the POMSoX.

**POMSoX Rules** means the POMSoX Business Rules and the POMSoX Listing Rules.

**Record Date** means the fifth Business Day after the Effective Date.

**Regulator's Draft** means the draft Scheme Booklet to be provided to ASIC for review pursuant to section 411(2) of the Corporations Act.

**Regulatory Approvals** means the approvals set out in clause 2.1(a).

**Scheme** means a scheme of arrangement between Marengo and the Scheme Participants under section 411 of the Corporations Act substantially in the form of Schedule 2 to give effect to the terms of this document, subject to:

- (a) any alterations or conditions made or required under Section 411(6) of the Corporations Act; and
- (b) any other alterations or conditions approved in writing by each party.

**Scheme Booklet** means the information described in clause 5.1(a) to be approved by the Court and despatched to Marengo Shareholders.

**Scheme Consideration** has the meaning set out in clause 4.1(a).

**Scheme Meeting** means the meeting to be convened by the Court in relation to the Scheme pursuant to Section 411(1) of the Corporations Act.

**Scheme Order** means the orders of the Court to approve the Scheme pursuant to section 411(4) of the Corporations Act.

**Scheme Participants** means Marengo Shareholders as at the Record Date.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme is heard.

**Securities Act** means the Papua New Guinea *Securities Act* 1997.

**Subscriber Share** means the one Marengo Canada Share issued to effect incorporation of Marengo Canada.

**TSX** means the Toronto Stock Exchange.

**TSX Listing Rules** means the listing rules of the TSX as set out in the TSX Company Manual.

## 1.2 Interpretation

In this Agreement the following rules of interpretation apply unless the contrary intention appears:

- (c) headings are for convenience only and do not affect the interpretation of this agreement;
- (d) the singular includes the plural and vice versa;
- (e) words that are gender neutral or gender specific include each gender;
- (f) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (g) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (h) a reference to:

- (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
  - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
  - (iii) a party includes its successors and permitted assigns;
  - (iv) a document includes all amendments or supplements to that document;
  - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this agreement;
  - (vi) this agreement includes all schedules and attachments to it;
  - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity or a rule of ASX, TSX or POMS0X and is a reference to that law as amended, consolidated or replaced;
  - (viii) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and
  - (ix) a monetary amount is in Australian dollars;
- (i) an agreement on the part of two or more persons binds them severally;
  - (j) when the day on which something must be done is not a Business Day, that thing must be done on the preceding Business Day;
  - (k) in determining the time of day, where relevant to this agreement, the relevant time of day is:
    - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
    - (ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located; and
  - (l) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it.

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## 2 Conditions Precedent

### 2.1 Conditions Precedent

Subject to this clause 2, the obligations of the parties under this Agreement are subject to the satisfaction of each of the following conditions precedent:

- (a) before 5.00 pm on the day before the Second Court Date:
  - (i) ASIC, ASX, TSX, POMS0X and the Papua New Guinea Securities Commission issue or provide such consents or approvals or do other acts which Marengo and Marengo Canada agree are necessary or desirable to implement the Scheme;

- (ii) all other approvals of a Governmental Agency which Marengo and Marengo Canada agree are necessary or desirable to implement the Scheme are obtained,

(together **Regulatory Approvals**);

- (b) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Scheme will be in effect at 5.00 pm on the day before the Second Court Date;
- (c) approval for the quotation of the CDIs on the official list of ASX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (d) approval for the listing of the Marengo Canada Shares on the TSX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (e) before 5.00 pm on the day before the Second Court Date POMS0X agreeing to amend the POMS0X Rules to accommodate the listing of depository interests on POMS0X;
- (f) approval for quotation of the PDIs on the official list of POMS0X being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act, the Scheme taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (g) all holders of Marengo Options and Marengo Performance Rights accepting the Non Scheme Securities Offers;
- (h) the Independent Expert's report is obtained by Marengo which concludes the Scheme is in the best interests of Marengo Shareholders;
- (i) the Marengo Shareholder Approval is obtained;
- (j) the Court makes orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme; and
- (k) lodgement with the ASIC of an office copy of the Scheme Order.

## **2.2 Waiver of conditions precedent**

The conditions precedent in clause 2.1 are for the benefit of each party and any breach or non-fulfilment of those conditions may only be waived with the written consent of both parties. The conditions precedent in clauses 2.1(i), 2.1(j) and 2.1(k) are not capable of waiver.

## **2.3 Best endeavours**

Subject to clause 2.5 each of Marengo and Marengo Canada will use its best endeavours to:

- (a) procure that each of the conditions precedent in clause 2.1 is satisfied as soon as practicable after the Execution Date to the extent it is within their respective control



or continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and

- (b) not take any action or refrain from taking any action that will or is likely to hinder or prevent the satisfaction of the conditions precedent in clause 2.1 without the prior consent of the other Party, except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, or is required by law.

#### **2.4 Independent Expert's report**

Notwithstanding clause 2.3 or any other provision of this Agreement, Marengo will be under no obligation to apply for orders from the Court convening the Scheme Meeting, or to take any other steps to obtain the Marengo Shareholder Approval, if the Marengo Independent Expert's report concludes that the Scheme are not in the best interests of Marengo Shareholders.

#### **2.5 Conditions precedent not met**

If any of the conditions precedent contained in clause 2.1 are not satisfied or waived by the date specified in this Agreement for its satisfaction, or if the Scheme is not Effective by the End Date, then either party may terminate this Agreement and this Agreement will be of no further force and effect, but that termination will not affect any right or claim of any party in respect of this Agreement which has arisen before termination.

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### **3 Agreement to Propose Scheme of Arrangement and make Non Scheme Securities Offers**

#### **3.1 Marengo to Propose Schemes**

Marengo agrees to propose the Scheme to Marengo Shareholders upon and subject to the terms and conditions of this Agreement.

#### **3.2 Marengo Canada to Assist**

Marengo Canada agrees to assist Marengo in proposing the Scheme upon and subject to the terms and conditions of this Agreement.

#### **3.3 Non Scheme Securities Offers**

- (a) Subject to this clause 3.3, Marengo Canada must no later than 5 Business Days after the Scheme Booklet is dispatched to Marengo Shareholders make an offer to each holder of Marengo Options to acquire their Marengo Options in consideration of Marengo Canada issuing to each such holder one option in Marengo Canada for each Marengo Option acquired, such options in Marengo Canada to be on substantially similar terms as the Marengo Options acquired under the Non Scheme Securities Offer.
- (b) Subject to this clause 3.3, Marengo Canada must no later than 5 Business Days after the Scheme Booklet is dispatched to Marengo Shareholders make an offer to each holder of Marengo Performance Rights to acquire their Marengo Performance Rights in consideration of Marengo Canada issuing to each such holder one performance right in Marengo Canada for each Marengo Performance Right acquired, such performance rights in Marengo Canada to be on substantially similar terms as the Marengo Performance Rights acquired under the Non Scheme Securities Offer.

- (c) The conditions of the Non Scheme Securities Offers (which may be waived by mutual agreement between Marengo and Marengo Canada) will include the following:
  - (i) that the Schemes become Effective; and
  - (ii) that all of the Marengo Options and Marengo Performance Rights are acquired by Marengo Canada pursuant to the Non Scheme Securities Offers.
- (d) The Non Scheme Securities Offers will expire on the Effective Date.
- (e) The consideration payable under the Non Scheme Securities Offers will be payable on or about the same date as the consideration payable under the Scheme is payable to Scheme Participants.

### 3.4 Scheme Steps

- (a) Marengo must propose the Scheme to Marengo Shareholders'.
- (b) Under the Scheme of Arrangement all of the Marengo Shares held by Scheme Participants will be transferred to Marengo Canada and the Scheme Participants will be entitled to receive either Marengo Canada Shares, CDIs or PDIs calculated in accordance with clause 4.1.

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## 4 Marengo Canada Consideration

### 4.1 Scheme Consideration

- (a) Subject to clause 4.1(d), Marengo Canada covenants in favour of Marengo (in its own right and on behalf of the Scheme Participants) that in consideration for the transfer of each Marengo Share held by a Scheme Participant under the terms of the Scheme, Marengo Canada will issue to such Scheme Participant either one Marengo Canada Share or one CDI or one PDI for each Marengo Share held at the Record Date in accordance with the terms of the Scheme (**Scheme Consideration**).
- (b) Unless Marengo Canada is satisfied that the laws of a Ineligible Foreign Shareholder's country of residence (as shown in the Registers) permit the issue and allotment of Marengo Canada Shares to the Ineligible Foreign Shareholder, either unconditionally or after compliance with conditions which Marengo Canada in its sole discretion regards as acceptable and not unduly onerous, the Marengo Canada Shares to which a Ineligible Foreign Shareholder shall become entitled will be allotted to a nominee approved by Marengo who will sell those Marengo Canada Shares and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Ineligible Foreign Shareholder.
- (c) If Marengo Canada is satisfied that the laws of a Ineligible Foreign Shareholder's country of residence (as shown in the Registers) permit the issue and allotment of Marengo Canada Shares to the Ineligible Foreign Shareholder, either unconditionally or after compliance with conditions which Marengo Canada in its sole discretion regards as acceptable and not unduly onerous (**Eligible Foreign Scheme Participant**), Marengo Canada will issue to such Eligible Foreign Scheme Participant one Marengo Canada Share for each Marengo Share held at the Record Date in accordance with the terms of the Scheme.

- (d) Marengo Canada agrees to make joint elections with certain Canadian Resident Participants as described in the Scheme Booklet who request a tax instruction letter in respect of the dispositions of their Marengo Shares pursuant to Section 85 of the Tax Act (or any similar provision of any provincial tax legislation) in accordance with the procedures and within the time limits set out in the Scheme Booklet. Marengo Canada further agrees that the agreed amount under such joint elections shall be determined by each Canadian Resident Participant in its sole discretion within the limits set out in the Tax Act.
- 

## 5 Implementation of Scheme

### 5.1 Marengo's obligations

Marengo must take all necessary steps to implement the Scheme as soon as is reasonably practicable, including without limitation taking each of the following steps:

- (a) promptly prepare and dispatch a Scheme Booklet in respect of the Scheme to the Marengo Shareholders which complies with the requirements of:
  - (i) the Corporations Act and the Corporations Regulations;
  - (ii) ASIC Regulatory Guide 60;
  - (iii) the ASX Listing Rules;
  - (iv) applicable Canadian Securities Laws;
  - (v) the TSX;
  - (vi) the POMSoX Listing Rules; and
  - (vii) the Securities Act,and which will include:
  - (viii) the Scheme;
  - (ix) a statement that the Marengo Board unanimously recommends the approval of the Scheme;
  - (x) notice of meeting and proxy and, where applicable, election forms; and
  - (xi) a report from the Independent Expert,

and which Marengo will send directly to Marengo Shareholders, Marengo Shareholders who are non objecting beneficial owners (**NOBOs**) and indirectly to Marengo Shareholders who are objecting beneficial owners (**OBOs**) in accordance with NI 54-101;

- (b) promptly:
  - (i) appoint the Independent Expert; and
  - (ii) provide assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Scheme Booklet;

- (c) as soon as practicable after the preparation of an advanced draft of the Scheme Booklet suitable for review by ASIC, procure that a meeting of the Marengo Board (or a duly appointed committee of the Marengo Board) is convened to approve that draft as being in a form appropriate for provision to ASIC for review;
- (d) as soon as practicable after the resolution referred to in clause 5.1(c) is passed, provide the Regulator's Draft, to ASIC, and:
  - (i) liaise with ASIC during the period of its consideration of that draft of the Scheme Booklet;
  - (ii) promptly keep Marengo Canada informed of any matters raised by ASIC in relation to the Scheme Booklet, and use all reasonable endeavours in cooperation with Marengo Canada to resolve any such matters: and
  - (iii) at Marengo Canada's request, allow Marengo Canada to attend meetings and discussions with ASIC or ASX, TSX and POMS0X or the Papua New Guinea Securities Commission (provided that ASIC and ASX, TSX and POMS0X and the Papua New Guinea Securities Commission express no objection to same);
- (e) if it becomes aware of information after the date of despatch of the Scheme Booklet, that is material for disclosure to Marengo Shareholders in deciding whether to approve the Scheme or that is required to be disclosed to Marengo Shareholders under any applicable law, as soon as reasonably practicable
  - (i) inform Marengo Shareholders of the information in an appropriate and timely manner, and in accordance with applicable law and after consultation with Marengo Canada as to the manner of provision of that information to Marengo Shareholders; and
  - (ii) to the extent it is reasonably practicable to do so, provide Marengo Canada with drafts of any documents that it proposes to issue to Marengo Shareholders under this clause 5.1(e) and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments received in a timely manner from Marengo Canada on those drafts;
- (f) apply to ASIC for the production of a statement pursuant to section 411(17)(b) of the Corporations Act in respect of the Scheme stating that ASIC has no objection to the Scheme;
- (g) apply to the Court for orders directing Marengo to convene the Scheme Meeting ;
- (h) convening the Scheme Meeting;
- (i) seeking the Marengo Shareholder Approval;;
- (j) subject to all conditions other than Court approval being satisfied or waived, as soon as practicable apply to the Court for orders approving the Scheme under Section 411(4)(b) of the Corporations Act;
- (k) if the Court makes an order under Section 411(4)(b) of the Corporations Act approving the Scheme, lodge, as soon as practicable thereafter, with the ASIC and ASX an office copy of the relevant orders of the Court under section 411(10) of the Corporations Act;

- (l) once duly executed, register all transfers of Marengo Shares to Marengo Canada referred to in the Scheme on the Implementation Date;
- (m) apply to TSX for approval of the documents described in clause 5.1(a)(viii) ;
- (n) apply to TSX for conditional approval of the substitutional listing of Marengo Canada Shares;
- (o) not apply to ASX, TSX or POMS0X for Marengo to be delisted until after the final implementation of the Scheme; and
- (p) do any act or acts or transaction or transactions on behalf of each Marengo Shareholder which are within its power and are necessary or desirable to implement the transfer of the Marengo Shares pursuant to the Scheme and to implement the Scheme.

## **5.2 Marengo Canada's obligations**

Marengo Canada must take all necessary steps to assist Marengo implement the Scheme as soon as is reasonably practicable including, without limitation, taking each of the following steps:

- (a) apply to TSX for conditional approval of the substitutional listing of Marengo Canada Shares;
- (b) apply to ASX for approval for listing of the CDIs on ASX;
- (c) apply to POMS0X for approval for listing of the PDIs on POMS0X;
- (d) promptly provide the Marengo Canada Information to Marengo for inclusion in the Scheme Booklet; and
- (e) prior to the despatch of the Scheme Booklet, enter into a deed poll in the form of Schedule 2 (or in such other form as is agreed between Marengo and Marengo Canada).

## **5.3 Appointment of directors**

As soon as practicable after the Second Court Date Marengo Canada will take all actions necessary to cause the appointment of Dr Louis P. Gignac, Mr Leslie Emery, Sir Rabbie Namaliu, Ms Elizabeth Martin, Mr Mario Caron, Mr Keith Morrison and Mr Ian Hume to the Marengo Canada Board.

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# **6 Representations and Warranties**

## **6.1 Mutual representations**

Each party represents and warrants to the other each of the matters set out below as at the Execution Date and the Second Court Date:

- (a) it is a validly existing corporation registered under the laws of its place of incorporation;
- (b) the execution and delivery of this Agreement by it has been properly authorised by all necessary corporate action and it has full corporate power and lawful authority

to execute and deliver this Agreement and to perform or cause to be performed its obligations under this Agreement; and

- (c) (subject to laws generally affecting creditors' rights and the principles of equity) this Agreement constitutes legal, valid and binding obligations on it and this Agreement does not result in a breach of or default under any agreement or deed or any writ, order or injunction, rule or regulation to which it or any of its subsidiaries is a party or to which they are bound.

## **6.2 Survival of Representations**

Each representation and warranty in clause 6.1:

- (a) is severable;
- (b) will survive the termination of this Agreement; and
- (c) is given with the intent that liability thereunder will not be confined to breaches which are discovered prior to the date of termination of this Agreement.

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## **7 Public Announcements**

### **7.1 Announcement of Scheme**

Immediately after the execution of this Agreement, Marengo will issue a public announcement regarding the Scheme on the ASX, TSX and POMSoX.

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## **8 Termination**

### **8.1 Termination by Marengo Canada or Marengo**

Unless otherwise agreed by the parties in writing, either Marengo Canada or Marengo may terminate this Agreement by giving written notice to the other party at any time prior to the Effective Date if:

- (a) the other party is in material breach of any clause, including a warranty, of this Agreement which is incapable of being remedied, or if the breach is capable of being remedied, continues to exist for more than 10 Business Days;
- (b) a Court or other Governmental Agency has issued a final and non-appealable order, decree or ruling or taken other action which permanently restrains or prohibits the Scheme; or
- (c) any condition precedent referred to in clause 2.1 has not been satisfied or waived in accordance with this Agreement.

### **8.2 Effect of termination**

In the event of termination of this Agreement by either Marengo or Marengo Canada pursuant to clause 8 (including without limitation pursuant to clause 2.5), this Agreement will become void and have no effect, other than in respect of any liability for an antecedent breach of this Agreement and provided that clauses 6.1, 6.2, 10.3 and 10.5 survive termination.

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## 9 Notices

### 9.1 Notices of other matters

Marengo and Marengo Canada will promptly advise each other in writing of:

- (a) a failure to satisfy a condition precedent in clause 2.1 or of any event that will prevent a condition precedent in clause 2.1 being satisfied;
- (b) a representation or warranty provided in this Agreement by either party becoming false; or
- (c) a breach of this Agreement by it.

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## 10 General

### 10.1 Further Acts

Each party will promptly do and perform all further acts and execute and deliver all further documents (in form and content reasonably satisfactory to that party) required by law or reasonably requested by any other party to give effect to this Agreement.

### 10.2 Notices

Any communication under or in connection with this Agreement:

- (a) must be in writing;
- (b) must be addressed as shown below:

#### **Marengo**

Address: Level 1, 9 Havelock Street  
WEST Perth WA 6005  
Australia  
Fax no: +61 8 9429 0099  
Attention: Managing Director

#### **Marengo Canada**

Address: Suite 400  
77 King Street West  
Toronto, Ontario  
Canada  
Fax no: 416 863 4592  
Attention: Chief Financial Officer

(or as otherwise notified by that party to the other party from time to time);

- (c) must be signed by the party making the communication or by a person duly authorised by that party;
- (d) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 10.2(b); and

- (e) will be deemed to be received by the addressee:
  - (i) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
  - (ii) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
  - (iii) (in the case of delivery by hand) on deliver at the address of the addressee as provided in clause 10.2(b), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

### **10.3 Expenses**

Except as otherwise provided in this Agreement, Marengo will pay all costs and expenses in connection with the negotiation, preparation, execution and performance of this Agreement and the Scheme Booklet and the proposed, attempted or actual implementation of this Agreement.

### **10.4 Amendments**

This Agreement may only be varied by a document signed by or on behalf of each of the parties.

### **10.5 Governing Law**

- (a) This Agreement is governed by and will be construed according to the laws of Western Australia.
- (b) Each party irrevocably submits to the non-exclusive jurisdiction of the courts of Western Australia and of the courts competent to determine appeals from those courts.

### **10.6 Business Day**

Except where otherwise expressly provided, where under this Agreement the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing will be done on the next Business Day.

### **10.7 Waiver**

- (a) Failure to exercise or enforce or a delay in exercising or enforcing of the partial exercise or enforcement of any right, power or remedy provided by law or under this Agreement by any party will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this Agreement.
- (b) Any waiver or consent given by any party under this Agreement will only be effective and binding on that party if it is given or confirmed in writing by that party.



- (c) No waiver of a breach of any term of this Agreement will operate as a waiver of another breach of that term or of a breach of any other term of this Agreement.

#### **10.8 Consents**

Any consent referred to in, or required under, this Agreement from any party may not be unreasonably withheld, unless this Agreement expressly provides for that consent to be given in that party's absolute discretion.

#### **10.9 Counterparts**

This Agreement may be executed in any number of counterparts and by the parties on separate counterparts. Each counterpart constitutes the Agreement of each party who has executed and delivered that counterpart.

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**Schedule 1**   
**Marengo Canada Deed Poll**

[NOT REPRODUCED]

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## Schedule 2 — Scheme of Arrangement

[NOT REPRODUCED]

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## Execution page

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Signed for **Marengo Mining Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

\_\_\_\_\_  
Signature of director

LES EMERY

\_\_\_\_\_  
Name of director (print)

\_\_\_\_\_  


\_\_\_\_\_  
Signature of director/secretary

MARK CHURCHWARD

\_\_\_\_\_  
Name of director/secretary (print)

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Signed for **Marengo Mining Canada Limited** by authority of a Director in accordance with its constituent documents:

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Name of director (print)

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## Execution page

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Signed for **Marengo Mining Limited** in accordance with section 127 of the *Corporations Act 2001* (Cth) and by:

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Signature of director

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Signature of director/secretary

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Name of director (print)

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Name of director/secretary (print)

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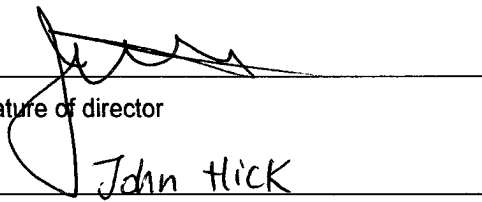
Signed for **Marengo Mining Canada Limited** by authority of a Director in accordance with its constituent documents:

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Signature of director

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Name of director (print)



John Hick

**ANNEXURE 2  
SCHEME OF ARRANGEMENT**

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# Scheme of arrangement

# Scheme of Arrangement made under section 411 of the *Corporations Act 2001 (Cth)*

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## Parties

- 1 **Marengo Mining Limited ABN 57 099 496 474** a company incorporated in Australia of Level 1, 9 Havelock Street, West Perth, Western Australia (**Marengo**)
  - 2 **Each Scheme Participant.**
- 

## Background

- A Marengo is listed on the ASX, TSX and POMSx. As at 30 October 2012, Marengo has on issue 1,137,720,551 Marengo Shares, 9,650,000 Marengo Options, 56,860,750 Marengo Warrants and 47,400,000 Marengo Performance Rights.
- B Marengo Canada is a company incorporated under the federal laws of Canada. As at the date of this Scheme, Marengo Canada has one share, the Marengo Canada Subscriber Share, on issue. Other than the Marengo Canada Subscriber Share, Marengo Canada has not issued any other shares and has not granted any options or other convertible securities. The Marengo Canada Subscriber Share will be gifted back to Marengo Canada and cancelled immediately prior to the issue of the Marengo Canada Shares to Marengo Shareholders in accordance with the Scheme.
- C If this Scheme becomes Effective, then:
  - (a) the Marengo Shares will be transferred to Marengo Canada in consideration for the issue by Marengo Canada to each Scheme Participant of one Marengo Canada Share, CDI or PDI for each Marengo Shares held on the Record Date; and
  - (b) on the transfer of all of the Marengo Shares to Marengo Canada, Marengo will become a wholly owned subsidiary of Marengo Canada.
- D Marengo and Marengo Canada entered into the Implementation Agreement to evidence their agreement to implement the terms of the Scheme.
- E Marengo Canada has entered into the Deed Poll in favour of the Scheme Participants pursuant to which it has covenanted, amongst other things, to carry out the obligations contemplated of it under this Scheme.

The parties agree

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## 1 Definitions and interpretation

### 1.1 Definitions

The following definitions apply in this document:

**ASIC** means the Australian Securities and Investments Commission.



**ASX** means ASX Limited (ABN 98 008 624 691) and, where the context permits the Australian Securities Exchange operated by ASX Limited.

**Australian Register** means the register of Marengo Shareholders maintained in Australia.

**Australian Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the Australian Register as at the Record Date.

**Business Day** means a weekday which is not a statutory or civic holiday on which trading banks are open for business in Perth, Australia and Toronto, Canada and Port Moresby, Papua New Guinea and which is also a business day as defined by the ASX Listing Rules, POMSoX Rules and TSX Listing Rules.

**Canadian Register** means the register of Marengo Shareholders maintained in Canada.

**Canadian Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the Canadian Register as at the Record Date.

**CDIs** stands for CHESS Depository Interests and means a unit of beneficial ownership in Marengo Canada Shares, registered in the name of CDN.

**CDN** means CHESS Depository Nominees Pty Ltd.

**CHESS** stands for Clearing House Electronic Subregister System.

**Close of Trading** means 5pm WST on the Effective Date and, with respect to the Marengo Shares trading on the TSX, means two Business Days after the Effective Date.

**Court** means a court of competent jurisdiction under the Corporations Act.

**Corporations Act** means the *Corporations Act 2001* (Cth).

**Corporations Regulations** means the *Corporations Regulations 2001* (Cth).

**Deed Poll** means the deed poll dated 18 October 2012, executed by Marengo Canada in favour of the Scheme Participants.

**Effective** when used in relation to the Scheme, means the coming into effect, pursuant to section 411(10) of the Corporations Act, of the order of the Court made under sections 411(4)(b) and 411(6) in relation to the Scheme.

**Effective Date**, when used in relation to the Scheme, means the date on which the Scheme becomes Effective.

**Eligible Foreign Scheme Participant** has the meaning set out in clause 3.1(e)(v).

**Governmental Agency** means any government or governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency or entity.

**Ineligible Foreign Shareholder** means a Scheme Participant whose address in the Registers is a place outside Australia, Canada, New Zealand, Papua New Guinea and the United States of America, unless Marengo Canada is satisfied that the laws of that shareholder's country of residence (as shown in the Registers) do not prevent the issue and allotment of Marengo Canada Shares to that shareholder in respect of their Marengo Shares (or do not prevent the issue and allotment of Marengo Canada Shares to that

shareholder except after compliance with conditions that Marengo Canada regards as unduly onerous).

**Implementation Agreement** means the implementation agreement dated 24 September 2012 as varied by deeds of variation dated 10 October 2012 and 18 October 2012 between Marengo and Marengo Canada.

**Implementation Date** means a date after the Record Date but no later than the tenth Business Day after the Effective Date.

**Independent Expert** means an independent expert chosen by Marengo.

**Listing Rules** means the official Listing Rules of ASX.

**Non Scheme Securities Offers** means the offers to be made by Marengo Canada for the Marengo Options and Marengo Performance Rights in accordance with clause 3.3 of the Implementation Agreement.

**Marengo Canada** means Marengo Mining Canada Limited, corporation number 822513-3, a company incorporated under the federal laws of Canada, with a registered address at 77 King Street West, Suite 400, Toronto, Ontario, Canada.

**Marengo Canada Shares** means common shares in the capital of Marengo Canada.

**Marengo Canada Subscriber Share** means one common share in the capital of Marengo Canada, which was issued to John Hick and will be gifted back to Marengo Canada and cancelled immediately prior to the issue of the Marengo Canada Shares to the Scheme Participants in accordance with the Scheme.

**Marengo Performance Rights** means a performance right to acquire Marengo Shares issued by Marengo.

**Marengo Option** means an option to acquire a Marengo Share issued by Marengo.

**Marengo Share** means a fully paid ordinary share in Marengo.

**Marengo Shareholder Approval** means a resolution in favour of the Scheme passed by Marengo Shareholders pursuant to Section 411(4)(a)(ii) of the Corporations Act.

**Marengo Shareholders** means each person who is registered in the Registers from time to time as the holder of a Marengo Share.

**PDI**s stands for PETS Depository Interests being an interest in Marengo Canada Shares, registered in the name of PDN (as agent for the PDI holders).

**PDN** means the company to be established as a subsidiary of POMSoX for the purpose of fulfilling the functions of a depository nominee and agent for the PDI holders.

**PETS** means the Port Moresby Stock Exchange Electronic Trading System.

**PNG Broker** means a stock broker appointed by Marengo, such stock broker registered to operate on POMSoX under PNG law and being a participating organisation for the purposes of, and as defined in, the POMSoX Business Rules.

**PNG Scheme Participant** means a Scheme Participant (other than an Ineligible Foreign Shareholder) who is registered on the PNG Register as at the Record Date.

**PNG Register** means the branch register of Marengo Shareholders maintained in Papua

New Guinea.

**POMSoX** means the Port Moresby Stock Exchange.

**POMSoX Business Rules** means the business rules of the POMSoX.

**POMSoX Listing Rules** means the listing rules of the POMSoX.

**POMSoX Rules** means the POMSoX Business Rules and the POMSoX Listing Rules.

**Record Date** means 5.00 pm WST time on the fifth Business Day after the Effective Date.

**Registers** means each of or all of the Australian Register, the Canadian Register and the PNG Register as the context requires.

**Registrar** means the person for the time being responsible for the maintenance of the Registers.

**Second Court Date** means the first day on which an application made to the Court for an order pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme is heard.

**Scheme** means this scheme of arrangement subject to any alterations or conditions made or required to be made by the Court pursuant to section 411(6) of the Corporations Act and agreed or consented to by Marengo and Marengo Canada.

**Scheme Booklet** means, in respect of the Scheme, a document which is to be dispatched to the holders of the Marengo Shares and which must include an explanatory statement complying with the requirements of the Corporations Act and the Corporations Regulations, a report by the Independent Expert, the Scheme, the Deed Poll, the Implementation Agreement, notices of meeting and proxy form.

**Scheme Consideration** means the Marengo Canada Shares, CDIs or PDIs to be issued to the Scheme Participants for the transfer of their Marengo Shares, being one Marengo Canada Share, CDI or PDI for each Marengo Share held on the Record Date.

**Scheme Meeting** means the meeting of Marengo Shareholders ordered by the Court to be convened pursuant to section 411(1) of the Corporations Act to consider, and if thought fit, to approve the Scheme.

**Scheme Order** means the orders of the Court to approve the Scheme pursuant to section 411(4) of the Corporations Act.

**Scheme Participant** means each person who is registered in the Australian Register, the Canadian Register or PNG Register as the holder of a Marengo Share as at the Record Date.

**TSX** means The Toronto Stock Exchange.

**TSX Listing Rules** means the listing rules of the TSX as set out in the TSX Company Manual.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## 1.2 Interpretation

Unless expressed to the contrary:

- (a) the singular includes the plural and vice versa;
- (b) each gender includes each other gender;
- (c) a reference to a statute or to any section or provision thereof shall include any statutory amendment, modification or re-enactment thereof or any statutory provision substituted therefor;
- (d) references to clauses, sub-clauses, paragraphs and appendices are references to clauses, sub-clauses, paragraphs and appendices of this Scheme;
- (e) terms binding more than one person shall be construed as binding them jointly and severally;
- (f) references to persons include references to corporations;
- (g) headings and sub-headings shall not affect the construction of the substantive provisions of this document; and
- (h) terms defined in the Corporations Act shall bear their defined meaning where used in this Scheme.

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## 2 Conditions Precedent

### 2.1 Conditions

This Scheme is conditional on each of the following conditions precedent:

- (a) the Implementation Agreement and the Deed Poll being and remaining at all times in full force and effect;
- (b) the conditions set out in clause 2.1 of the Implementation Agreement having been satisfied or waived in accordance with the terms of the Implementation Agreement by the time indicated in the Implementation Agreement;
- (c) before 5.00 pm on the day before the Second Court Date:
  - (i) ASIC, ASX, TSX, POMSx and the Papua New Guinea Securities Commission issue or provide such consents or approvals or do other acts which Marengo and Marengo Canada agree are necessary or desirable to implement the Scheme;
  - (ii) all other approvals of a Governmental Agency which Marengo and Marengo Canada agree are necessary or desirable to implement the Scheme are obtained,(together **Regulatory Approvals**);
- (d) no temporary restraining order, preliminary or permanent injunction or other order issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the Scheme will be in effect at 5.00 pm on the day before the Second Court Date;

- (e) approval for the quotation of the CDIs on the official list of ASX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (f) approval for the listing of the Marengo Canada Shares on the TSX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act and taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (g) before 5.00 pm on the day before the Second Court Date POMSoX agreeing to amend the POMSoX Rules to accommodate the listing of depository interests on POMSoX;
- (h) approval for quotation of the PDIs on the official list of POMSoX being obtained subject only to the Scheme being approved by the Court under section 411 of the Corporations Act, the Scheme taking effect and such other conditions as are acceptable to the boards of Marengo and Marengo Canada;
- (i) all holders of Marengo Options and Marengo Performance Rights accepting the Non Schemed Securities Offers;
- (j) the Independent Expert's report is obtained by Marengo which concludes the Scheme is in the best interests of Marengo Shareholders;
- (k) the Marengo Shareholder Approval is obtained;
- (l) the Court makes orders pursuant to Section 411(4)(b) of the Corporations Act approving the Scheme; and
- (m) lodgement with the ASIC of an office copy of the Scheme Order.

## **2.2 Certificate**

At the hearing by the Court of the application for the Scheme Order, Marengo and Marengo Canada will each provide to the Court a certificate confirming whether or not all of the conditions precedent in clause 2.1 (other than the conditions precedent in clause 2.1(k), clause 2.1(l) and clause 2.1(m)) have been satisfied or waived.

## **2.3 Waiver of conditions precedent**

The conditions precedent in clause 2.1 are for the benefit of each party and any breach or non-fulfilment of those conditions may only be waived with the written consent of both parties. The conditions precedent in clauses 2.1(k), 2.1(l) and 2.1(m) are not capable of waiver.

## **2.4 Non-fulfilment of conditions precedent**

The conditions in clause 2.1 are conditions precedent to the binding effect of this Scheme to the extent that, unless all of those conditions are fulfilled or waived (if capable of waiver) by 31 January 2013 or such later date as may be agreed between the Parties in writing, the Scheme shall have no effect and shall not be binding on the Marengo Shareholders.

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## 3 Scheme

### 3.1 Scheme

Subject to the conditions in clause 2.1 being satisfied and on this Scheme becoming binding in accordance with clause 7, the following will occur to give effect to this Scheme:

- (a) Marengo will appoint the PNG Broker;
- (b) Marengo, on behalf of each Scheme Participant registered on the PNG Register, authorises and directs the PNG Broker to effect a transfer of the Marengo Shares on the PNG Register to Marengo Canada on the Implementation Date;
- (c) ownership of all the Marengo Shares on the Australian Register and the Canadian Register will be transferred to and vest in Marengo Canada on the Implementation Date;
- (d) Marengo must record in the PNG Register the transfers from the Scheme Participants to Marengo Canada of all the Marengo Shares on the PNG Register on the Implementation Date;
- (e) on the Implementation Date (but prior to completion of the transfers referred to in paragraph (c)), Marengo Canada will issue the Scheme Consideration to each Scheme Participant, other than Ineligible Foreign Shareholders, as follows:
  - (i) to the Australian Scheme Participants, one CDI for each Marengo Share held on the Record Date;
  - (ii) to the Canadian Scheme Participants, one Marengo Canada Share for each Marengo Share held on the Record Date;
  - (iii) if the conditions precedent in clause 2.1(g) and 2.1(h) have been satisfied, to the PNG Scheme Participants, one PDI for each Marengo Share held on the Record Date;
  - (iv) if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived, to the PNG Scheme Participants, one CDI for each Marengo Share held on the Record Date; and
  - (v) if Marengo Canada is satisfied that the laws of a Ineligible Foreign Shareholder's country of residence (as shown in the Registers) permit the issue and allotment of Marengo Canada Shares to the Ineligible Foreign Shareholder, either unconditionally or after compliance with conditions which Marengo Canada in its sole discretion regards as acceptable and not unduly onerous (**Eligible Foreign Scheme Participant**), Marengo Canada will issue to such Eligible Foreign Scheme Participant one Marengo Canada Share for each Marengo Share held at the Record Date.

### 3.2 Ineligible Foreign Shareholders

If an Ineligible Foreign Shareholder holds Marengo Shares on the Record Date, then:

- (a) Marengo Canada will be under no obligation to issue and allot Marengo Canada Shares, CDIs or PDIs to any such Ineligible Foreign Shareholder;

- (b) Marengo Canada will instead issue and allot the Marengo Canada Shares to which that Ineligible Foreign Shareholder shall become entitled to a nominee appointed by Marengo, who will sell those Marengo Canada Shares as soon as reasonably practicable and will take all reasonable care to ensure that the Marengo Canada Shares are sold for a reasonable price that is reasonably obtained having regard to the circumstances existing when the Marengo Canada Shares are sold; and
- (c) the nominee must account and pay the proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Ineligible Foreign Shareholder, in full satisfaction of the Ineligible Foreign Shareholder's rights.

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## **4 Suspension of Marengo Shares, Issue and Trading of Marengo Canada Shares, CDIs and PDIs**

### **4.1 Suspension of trading of Marengo Shares**

It is expected that trading in Marengo Shares on the ASX and POMSoX will be suspended no later than the Close of Trading.

### **4.2 Delisting of Marengo Shares on ASX and POMSoX**

On the first Business Day after the Implementation Date, Marengo will apply for termination of the official quotation of Marengo Shares on ASX and POMSoX.

### **4.3 Delisting of Marengo Shares on TSX**

Immediately following the Scheme becoming Effective, Marengo will notify the TSX that the Scheme has become Effective and will request the delisting of the Marengo Shares from the TSX as of the second Business Day after the Effective Date.

### **4.4 Issue of Marengo Canada Shares**

Subject to clause 4.7, the obligation of Marengo Canada to issue Marengo Canada Shares to the Canadian Scheme Participants or Eligible Foreign Scheme Participants (if any) shall be satisfied by Marengo Canada:

- (a) no earlier than the Record Date and no later than 10 Business Days after the Effective Date causing the name of each Canadian Scheme Participant entitled to receive Marengo Canada Shares to be entered on the register of Marengo Canada as the holder of the Marengo Canada Shares to be issued to that Canadian Scheme Participant or that Eligible Foreign Scheme Participant (if any) (as applicable); and
- (b) no earlier than the Record Date and no later than 10 Business Days after the Effective Date procuring the dispatch to each Canadian Scheme Participant and each Eligible Foreign Scheme Participant (if any) by ordinary mail to the address of that Canadian Scheme Participant and that Eligible Foreign Scheme Participant (if any) (as applicable) a certificate in the name of that Canadian Scheme Participant or that Eligible Foreign Scheme Participant (if any) representing the number of Marengo Canada Shares issued to that Canadian Scheme Participant or that Eligible Foreign Scheme Participant (if any) (as applicable).

#### 4.5 Issue of CDIs

Subject to clause 4.7, the obligation of Marengo Canada to issue Marengo Canada Shares to the Australian Scheme Participants (and to the PNG Scheme Participants if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) shall be satisfied by Marengo Canada no earlier than the Record Date and no later than 10 Business Days after the Effective Date:

- (a) causing CDN's name to be entered on the register of Marengo Canada as the holder of the Marengo Canada Shares issued to CDN to hold on trust for Australian Scheme Participants (and on trust for the PNG Scheme Participants if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) entitled to Marengo Canada Shares;
- (b) procuring the dispatch to CDN by express delivery a certificate in the name of the CDN representing the Marengo Canada Shares issued to CDN;
- (c) causing the name of each Australian Scheme Participant (and each PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) to be entered on the records maintained by CDN as the holder of the CDIs issued to that Australian Scheme Participant (and to that PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) (as applicable); and
- (d) procuring the dispatch to each Australian Scheme Participant (and to each PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) by ordinary mail to the address of that Australian Scheme Participant (and to that PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) recorded in the Registers as at the Record Date an uncertificated holding statement in the name of the Australian Scheme Participant (or the PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) (as applicable) representing the number of CDIs issued to that Australian Scheme Participant (or the PNG Scheme Participant if the conditions precedent in clause 2.1(g) and 2.1(h) have not been satisfied but have been waived) (as applicable).

#### 4.6 Issue of PDIs

Subject to clause 4.7 and the satisfaction of the conditions set out in clause 2.1(g), the obligation of Marengo Canada to issue Marengo Canada Shares to the PNG Scheme Participants shall be satisfied by Marengo Canada no earlier than the Record Date and no later than 10 Business Days after the Effective Date:

- (a) causing PDN's name to be entered on the register of Marengo Canada as the holder of the Marengo Canada Shares issued to PDN to hold on trust for PNG Scheme Participants entitled to Marengo Canada Shares;
- (b) procuring the dispatch to PDN by express delivery a certificate in the name of the PDN representing the Marengo Canada Shares issued to PDN;
- (c) causing the name of each PNG Scheme Participant to be entered on the records maintained by PDN as the holder of the PDIs issued to that PNG Scheme Participant; and
- (d) procuring the dispatch to each PNG Scheme Participant by ordinary mail to the address of that PNG Scheme Participant recorded in the Registers as at the



Record Date an uncertificated holding statement in the name of the PNG Scheme Participant representing the number of PDIs issued to that PNG Scheme Participant.

#### **4.7 Election to receive Marengo Canada Shares, CDIs or PDIs**

If:

- (a) an Australian Scheme Participant advises Marengo in writing on or before the Effective Date that it wishes to receive Marengo Canada Shares or PDIs instead of CDIs; or
- (b) a Canadian Scheme Participant or an Eligible Foreign Scheme Participant (if any) advises Marengo in writing on or before the Effective Date that it wishes to receive CDIs or PDIs instead of Marengo Canada Shares; or
- (c) a Papua New Guinea Scheme Participant advises Marengo in writing on or before the Effective Date that the shareholder wishes to receive Marengo Canada Shares or CDIs instead of PDIs,

Marengo Canada will issue to the relevant Scheme Participant, in accordance with the instructions of the Scheme Participant, Marengo Canada Shares, CDIs or PDIs in accordance with clause 4.4, 4.5 or 4.6 of this Scheme. The obligation to issue PDIs in accordance with this clause will only be effective if the conditions precedent in clause 2.1(g) and 2.1(h) have been satisfied.

#### **4.8 Trading**

Marengo Canada will use its best endeavours to procure that:

- (a) the Marengo Canada Shares to be listed on the TSX will be listed for quotation with effect from the third Business Day following the Effective Date;
- (b) the CDIs to be listed on ASX will be listed for quotation with effect from the Business Day following the Record Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis (subject to ASX approval); and
- (c) the PDIs to be listed on POMSoX will be listed for quotation with effect from the Business Day following the Record Date, initially on a deferred settlement basis and thereafter on an ordinary settlement basis (subject to POMSoX approval).

#### **4.9 Appointment of Marengo Canada as attorney**

Each Scheme Participant shall be deemed to have irrevocably appointed Marengo Canada and each of its directors and officers (jointly and severally) as its attorneys for the purpose of executing any form of application required for the Marengo Canada Shares, CDIs or PDIs.

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## **5 Dealing in Marengo Shares**

### **5.1 No dealing after Close of Trading**

No Marengo Shareholder shall dispose of or purport or agree to dispose of any Marengo Shares or any interest therein after the Close of Trading and any dealing in Marengo Shares after the Close of Trading shall not be recognised by the Registrar.

## **5.2 Registrar to determine Scheme Participants**

In the interval between the Close of Trading and the Record Date, the Registrar shall determine who are the Scheme Participants.

## **5.3 Dealings which will be recognised**

For the purpose of establishing who are the Scheme Participants as at the Record Date, dealings in Marengo Shares will only be recognised if:

- (a) in the case of dealings of the type to be effected using CHESSE, the dealing is effected on or before Close of Trading and the transferee is registered in the Registers as the holder of the relevant Marengo Shares by the Record Date; and
- (b) in all other cases, if registrable transmission applications or transfers in respect of dealings effected on or before Close of Trading are received on or before the Record Date at the place where the Registers are kept.

## **5.4 Transfer or transmission after Record Date**

The Registrar shall not recognise any other transfer or transmission application in respect of Marengo Shares received after the Record Date, other than a transfer to Marengo Canada in accordance with this Scheme.

## **5.5 Maintenance of the Registers**

For the purpose of determining entitlements to the Scheme Consideration and other interests under the Scheme, Marengo will, until the Scheme Consideration has been issued, maintain the Registers in accordance with the provisions of this clause 5 and the Registers in this form will solely determine entitlements to the Scheme Consideration, and any other interests under this Scheme.

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# **6 Implementation of the Scheme**

## **6.1 Marengo Canada Shares**

The Marengo Canada Shares to be allotted and issued to the Scheme Participants pursuant to this Scheme will be common shares.

## **6.2 Holding Statements for Marengo Shares**

After the Effective Date, holding statements for Marengo Shares will cease to be valid other than as evidence of entitlement to Marengo Canada Shares, CDIs or PDIs.

## **6.3 Registrar to notify Marengo Canada of Marengo Shareholders**

The Registrar shall advise Marengo Canada immediately after the Record Date of each Scheme Participant and shall provide Marengo Canada with all the information including addresses in its possession necessary to enable Marengo Canada to notify the Scheme Participants and to issue to the Scheme Participants the Marengo Canada Shares, CDIs or PDIs to which that Scheme Participant is entitled pursuant to clause 3.

## **6.4 Joint holders**

In the case of joint holders of Marengo Shares, the Registrar shall advise Marengo Canada of the address of the joint holder whose name appears first in the Registers and

Marengo Canada shall issue Marengo Canada Shares, CDIs or PDIs in accordance with the Scheme to the joint holders but shall only be required to forward the certificates or holding statements for the Marengo Canada Shares, CDIs or PDIs in favour of the joint holders to the person whose name appears first in the Registers.

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## **7 When Scheme becomes binding**

### **7.1 Court order**

The Scheme will become binding on Marengo and each Scheme Participant only if the Court makes an order under section 411(4)(b) of the Corporations Act approving the Scheme, that order becomes effective under section 411(10) and the other conditions set out in clause 2 are satisfied.

### **7.2 Lodgement**

Unless Marengo and Marengo Canada agree on a more conveniently practicable date, Marengo must lodge with ASIC an office copy of the Scheme Order by 5.00pm on the First Business Day after the day on which the Court approves the Scheme.

### **7.3 Assigning, transferring and dealing with Marengo Shares**

A holder of Marengo Shares (and any person claiming through that holder) may only assign, transfer or otherwise deal with those Marengo Shares on the basis that the rights so assigned, transferred or dealt with are limited in the manner described in clause 5 where the Scheme becomes binding as provided in clause 7.1.

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## **8 General**

### **8.1 Amendments to Scheme**

Marengo by its counsel or solicitors, but with the prior approval of Marengo Canada, may consent on behalf of all persons concerned to any modification of or addition to this Scheme or to any condition which the Court may think fit to approve or impose.

### **8.2 Notice**

Where a notice, transfer, transmission application, direction or other communication referred to in this Scheme is sent by post to Marengo, it shall not be deemed to be received in the ordinary course of post or on a date other than the date (if any) on which it is actually received at Marengo's registered office or at the Marengo share registry.

### **8.3 Accidental omission to give notice**

The accidental omission to give notice of the Scheme Meeting to any Marengo Shareholder or the non-receipt of such notice by any Marengo Shareholder shall not, unless so ordered by the Court, invalidate the Scheme Meeting or the proceedings of the Scheme Meeting.

### **8.4 Scheme binding**

The Scheme Participants agree to the transfer of their Marengo Shares to Marengo Canada in accordance with the terms of this Scheme and this Scheme binds Marengo and all Scheme Participants (including those who do not attend the Scheme Meeting or do not vote at that meeting).

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## **8.5 Scheme overrides Marengo's constitution**

This Scheme overrides Marengo's constitution and binds Marengo and the Scheme Participants.

## **8.6 Marengo Shares to be free from mortgages, charges etc**

The Marengo Shares transferred to Marengo Canada under this Scheme will, to the extent permitted by law, be transferred free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise. The Marengo Shareholders are deemed to have warranted to Marengo Canada that all their Marengo Shares (including any rights attaching to those Shares) which are transferred to Marengo Canada under this Scheme will, at the date of the transfer of them to Marengo Canada, be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Marengo Shares together with any rights attaching to such shares.

## **8.7 Marengo Canada beneficially entitled to Marengo Shares**

Marengo Canada will be beneficially entitled to the Marengo Shares transferred to it under this Scheme as at Close of Trading and will remain beneficially entitled pending registration by Marengo of Marengo Canada in the Registers as the holder of the Marengo Shares.

## **8.8 Scheme Participants bound by Marengo Canada by-laws**

Scheme Participants acquiring Marengo Canada Shares under this Scheme agree to be bound by and accept the Marengo Canada Shares subject to the articles and by-laws of Marengo Canada.

## **8.9 Liability**

Neither Marengo nor Marengo Canada nor any officer of either of those companies will be liable for anything done or for anything omitted to be done in performance of this Scheme and in good faith.

## **8.10 All things necessary for implementation**

The Scheme Participants consent to Marengo doing all things necessary for the implementation and performance of its obligations under this Scheme. Marengo must execute all deeds and other documents and do all acts and things as may be necessary or expedient on its part to implement this Scheme in accordance with its terms.

## **8.11 Appointment of Marengo as attorney and agent**

Each Scheme Participant, without the need for any further act, irrevocably appoints Marengo, and all of its directors and officers (jointly and severally) as its attorney and agent for the purpose of executing any documents and doing such acts as are necessary to give effect to this Scheme including, without limitation, executing a proper instrument of transfer of its Marengo Shares for the purposes of section 1071B of the Corporations Act which may be by master transfer(s) of part or all the Marengo Shares.

## **8.12 Stamp duty**

Any stamp duty payable in connection with the transfer of the Marengo Shares to Marengo Canada will be payable by Marengo Canada.

### **8.13 Governing law**

The proper law of this Scheme is the law of the State of Western Australia.

**ANNEXURE 3  
DEED POLL**

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# Deed Poll

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## Contents

	Page	
1	Definitions and interpretation	1
2	Nature of deed poll	2
3	Conditions	2
4	Acquisition of Marengo Shares and timing of Scheme Consideration	3
5	Marengo Canada representations and warranties	3
6	Continuing obligations	3
7	General	4
	Execution page	6



## Parties

**Marengo Mining Canada Limited**, corporation number 822513-5, a company incorporated under the federal laws of Canada, with a registered officer at Suite 400, 77 King Street West, Toronto, Ontario, Canada (**Marengo Canada**).

**IN FAVOUR OF THE SCHEME PARTICIPANTS.**

---

## Background

- A The Marengo Board considers that it is in the interests of Marengo that Scheme Participants should consider approving the Scheme.
- B Accordingly, the Marengo Board has resolved that Marengo should propose the Scheme.
- C On 24 September 2012, Marengo and Marengo Canada entered into an agreement entitled "Implementation Agreement" as varied by deeds of variation dated 10 October 2012 and 18 October 2012 (**Implementation Agreement**) to implement the Scheme.
- D Under the Implementation Agreement and the Scheme:
  - (a) Marengo Canada will acquire all of the Marengo Shares from the Scheme Participants; and
  - (b) Marengo Canada will provide the Scheme Consideration,  
  
subject to the satisfaction of certain conditions and in accordance with the Implementation Agreement and the Scheme.
- E Marengo Canada is entering into this deed poll for the purpose of covenanting in favour of each Scheme Participant that it will perform its obligations under the Scheme, including providing the Scheme Consideration.

The parties agree

---

## 1 Definitions and interpretation

- (a) Save to the extent the contrary intention appears, words and phrases used in this deed poll have the same meanings given to them in the Implementation Agreement.
- (b) In this deed poll unless the context otherwise requires:
  - (i) references to a recital, clause, schedule, annexure or exhibit is to a recital, clause, schedule, annexure or exhibit of or to this deed poll;
  - (ii) a reference to this deed poll or another instrument includes any variation or replacement of any of them;
  - (iii) a reference to any statute shall include any amendment, replacement or re-enactment of such statute for the time being in force and any by-laws,

statutory instruments, rules, regulations, notices, orders, directions, consents or permissions made under such statute and any conditions attaching to them;

- (iv) the singular includes the plural and vice versa;
  - (v) a reference to any gender includes all genders;
  - (vi) a reference to a person includes a reference to the person's executors, administrators, substitutes, successors and permitted assigns;
  - (vii) a covenant, representation or warranty in favour of two or more persons is for the benefit of them jointly and severally;
  - (viii) a covenant, representation or warranty on the part of two or more persons binds them jointly and severally;
  - (ix) a reference to currency is to the currency of Australia;
  - (x) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning; and
  - (xi) the words "including", "such as", "particularly" and similar expressions do not imply limitation.
- (c) In this deed poll, headings are for convenience of reference only and do not affect interpretation.
  - (d) In the interpretation of this deed poll, no rules of construction shall apply to the disadvantage of one party on the basis that that party put forward this deed poll or any part of this deed poll.
  - (e) If the day on which any act, matter or thing is to be done under or pursuant to this deed poll is not a Business Day, that act, matter or thing may be done on the next Business Day.

---

## 2 Nature of deed poll

- (a) Marengo Canada acknowledges that:
  - (i) this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participant is not party to it; and
  - (ii) each Scheme Participant appoints Marengo as its agent and attorney to enforce this deed poll against Marengo Canada on behalf of that Scheme Participant.

---

## 3 Conditions

- (a) Marengo Canada's obligations under clause 4 are subject to the Scheme becoming binding on the Scheme Participants in accordance with sections 411(4), 411(6) (if applicable) and 411(10) of the Corporations Act.

- (b) Marengo Canada's obligations under this deed poll will automatically terminate if the Scheme does not become binding on the Scheme Participants in accordance with sections 411(4), 411(6) (if applicable) and 411(10) of the Corporations Act on or before the End Date.
  - (c) If this deed poll is terminated under clause 3(b) then, in addition and without prejudice to any other rights, powers or remedies available to it:
    - (i) Marengo Canada is released from its obligations to further perform this deed poll except those obligations contained in clause 7(g) and any other obligations which by their nature survive termination; and
    - (ii) Scheme Participants retain the rights they have against Marengo Canada in respect of any breach of this deed poll which occurs before it is terminated.
- 

## **4 Acquisition of Marengo Shares and timing of Scheme Consideration**

Subject to clause 3, in consideration for the transfer to Marengo Canada of all of the Marengo Shares and all rights and entitlements attaching to them by each Scheme Participant, Marengo Canada must provide the Scheme Consideration to the Scheme Participants in accordance with, and covenants to act in accordance with, clause 4.1 of the Implementation Agreement.

---

## **5 Marengo Canada representations and warranties**

- (a) Marengo Canada represents and warrants that:
    - (i) it is a corporation validly existing under the laws of its place of incorporation;
    - (ii) it has the corporate power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
    - (iii) it has taken all necessary corporate action to authorise its entry into this deed poll and has taken or will take all necessary corporate action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll; and
    - (iv) this deed poll is valid and binding upon it.
- 

## **6 Continuing obligations**

- (a) This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until:
  - (i) Marengo Canada has completely performed its obligations under this deed poll; or
  - (ii) the earlier termination of this deed poll under clause 3(b).

---

## 7 General

- (a) Without limiting anything in clause 4, Marengo Canada will be bound by and will comply with all provisions of the Scheme.
- (b) Marengo Canada will promptly do and perform all further acts and execute and deliver all further documents required by law or reasonably requested by any other party (in form and content reasonably satisfactory to that party) to:
  - (i) give effect to this deed poll; and
  - (ii) do all things necessary on its part to implement the Scheme
- (c) Any communication under or in connection with this deed poll:
  - (i) must be in writing;
  - (ii) must be addressed as shown below:

### **Marengo Canada**

Address: Suite 400  
77 King Street West  
Toronto, Ontario  
Canada  
Fax no: 416 863 4592  
Attention: Chief Financial Officer

- (iii) must be signed by the party making the communication or by a person duly authorised by that party
- (iv) must be delivered or posted by prepaid post to the address, or sent by fax to the number, of the addressee, in accordance with clause 7(c)(ii); and
- (v) will be deemed to be received by the addressee:
  - (A) (in the case of prepaid post) on the third Business Day after the date of posting to an address within Australia, and on the fifth Business Day after the date of posting to an address outside Australia;
  - (B) (in the case of fax) at the local time (in the place of receipt of that fax) which then equates to the time at which that fax is sent as shown on the transmission report which is produced by the machine from which that fax is sent and which confirms transmission of that fax in its entirety, unless that local time is not a Business Day, or is after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day; and
  - (C) (in the case of delivery by hand) on deliver at the address of the addressee as provided in clause 7(c)(ii), unless that delivery is not made on a Business Day, or after 5.00pm on a Business Day, when that communication will be deemed to be received at 9.00am on the next Business Day.

- (d) The rights, powers and remedies of Marengo Canada and Scheme Participants under this deed poll are cumulative with the rights, powers or remedies provided by law independently of this deed poll.
- (e) No provision of this deed poll may be varied unless:
  - (i) before the Second Court Date, the variation is consented to by Marengo; or
  - (ii) on or after the Second Court Date, the variation is consented to by Marengo and is approved by the Court,in which event Marengo Canada will enter into a further deed poll in favour of the Scheme Participants giving effect to such amendment.
- (f)
  - (i) Failure to exercise or enforce or a delay in exercising or enforcing or the partial exercise or enforcement of any right, power or remedy provided by law or under this deed poll by Marengo Canada or a Scheme Participant will not in any way preclude, or operate as a waiver of, any exercise or enforcement, or further exercise or enforcement of that or any other right, power or remedy provided by law or under this deed poll.
  - (ii) Any waiver or consent given by Marengo Canada or a Scheme Participant will only be effective and binding on that person if it is given or confirmed in writing by that person.
- (g) Marengo Canada must:
  - (i) pay all stamp duties and any related fines and penalties in respect of this deed poll, the performance of this deed poll and each transaction effected by or made under or pursuant to this deed poll; and
  - (ii) indemnify each Scheme Participant against any liability arising from failure to comply with clause 7(g)(i).
- (h) The governing law of this deed poll is the law in force in Western Australia.
- (i) Marengo Canada submits to the non-exclusive jurisdiction of the courts of Western Australia, the Federal Court of Australia and each Court and the courts of appeal from them. Marengo Canada waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.
- (j) The rights and obligations of Marengo Canada and Scheme Participants under this deed poll are personal. They cannot be assigned, charged or otherwise dealt with, and no person must attempt or purport to do so.

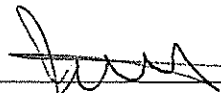
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## Execution page

Executed as a deed poll.

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Signed for **Marengo Canada Limited** by  
authority of a Director in accordance with its  
constituent documents:



---

Signature of director

**JOHN HICK**

---

Name of director (print)

**ANNEXURE 4  
NOTICE OF MEETING**

**MARENGO MINING LIMITED  
ABN 57 099 496 474**

**NOTICE OF COURT ORDERED MEETING OF HOLDERS OF ORDINARY SHARES IN MARENGO MINING LIMITED ("SCHEME MEETING")**

**NOTICE OF MEETING**

Notice is hereby given that by an order of the Federal Court of Australia ("Court") made on 29 October 2012 pursuant to section 411(1) of the Corporations Act 2001 (Cth) ("Corporations Act"), a meeting of the holders of ordinary shares ("Marengo Shareholders") in Marengo Mining Limited (ABN 57 099 496 474) ("Marengo") will be held at the Lower Pavilion, Next Generation Club, Kings Park, 21 Kings Park Road, West Perth, Australia on 6 December 2012 at 4.00pm AWST for the purpose of transacting the business referred to in this Notice of Scheme Meeting.

The Court has directed that Vincent Ian Masterton-Hume act as Chairperson of the Scheme Meeting (or, failing him, Leslie Sydney George Emery) and has directed the Chairman to report the result of the meeting to the Court.

**Business of the Meeting**

***Resolution – Arrangement for acquisition of Marengo by Marengo Canada***

To consider, and if thought fit, to pass the following resolution in accordance with section 411(4)(a)(ii) of the Corporations Act:

*"That pursuant to and in accordance with section 411 of the Corporations Act, the scheme of arrangement proposed between Marengo and the holders of its fully paid ordinary shares, designated the "Scheme", as contained in and more particularly described in Annexure 2 of the Scheme Booklet accompanying the Notice of Scheme Meeting, is agreed to and the Board of Directors of Marengo are authorised to agree to such alterations or conditions as are thought fit by the Court, and subject to approval of the Scheme by the Court, to implement the Scheme with any such alterations or conditions."*

By order of the Court

Mr John Ribbons  
Company Secretary  
30 October 2012

## ***Explanatory Notes***

These notes should be read in conjunction with this Notice of Scheme Meeting.

## ***Terms***

Capitalised terms which are defined in Section 8 of the Scheme Booklet which accompanies this Notice of Scheme Meeting have the same meaning when used in this Notice of Scheme Meeting unless the context requires otherwise.

## ***Purpose of the meeting***

The purpose of the meeting is to consider and, if thought fit, to agree (with or without any modification required by the Court to which Marengo and Marengo Canada Limited ("Marengo Canada") agree) to the scheme of arrangement proposed to be made between Marengo and the holders of ordinary shares in Marengo ("Scheme").

To enable you to make an informed voting decision, further information on the Scheme is set out in the Scheme Booklet accompanying this Notice of Scheme Meeting. A copy of the Scheme is set out in Annexure 1 of the Scheme Booklet and its purpose and effect are discussed throughout that document. If Marengo Shareholders are in doubt as to how to vote, they should seek advice from their professional advisers prior to voting.

## ***Majorities required***

In accordance with section 411(4)(a)(ii) of the Corporations Act, the resolution contained in this notice of Scheme Meeting must be passed by:

- a) a majority in number of the Marengo Shareholders present and voting (either in person or by proxy) at the Scheme Meeting; and
- b) at least 75% of the votes cast on the resolution contained in this notice of Scheme Meeting.

## ***Court Approval***

In accordance with section 411(4)(b) of the Corporations Act, the Scheme (with or without modification) is subject to the approval of the Court, if the resolution put to this meeting is approved by the requisite majorities noted above and the relevant conditions of the Scheme are satisfied or waived by the time required under the Scheme, Marengo intends to apply to the Court for approval of the Scheme.

## ***Information about voting***

Please read the important information about voting which accompanies this Notice of Scheme Meeting. A proxy form is also enclosed for the use of Marengo Shareholders. Marengo Shareholders should carefully read the instructions for submitting a proxy form.



## **Voting Entitlements**

Only Marengo Shareholders are entitled to vote at the Scheme Meeting. In accordance with regulation 7.11.37 of the Corporations Regulations 2001, Marengo determines that Marengo Shares held as at 4.00 pm AWST on 4 December 2012 will be taken, for the purposes of the Scheme Meeting, to be held by the persons who held them at that time.

## **Quorum**

The constitution of Marengo provides that the quorum for a members' meeting of Marengo is 2 members (in person or by proxy).

## **Voting by poll**

The vote will be conducted by a poll. On a poll Marengo Shareholders will be entitled to 1 vote per Marengo Share.

## **How to vote**

Marengo Shareholders can vote at the Scheme Meeting in one of the following ways:

- (a) by attending the Scheme Meeting and voting in person;
- (b) by appointing an attorney to attend and vote on their behalf;
- (c) in the case of corporations, by appointing an authorised corporate representative to attend and vote on their behalf; or
- (d) by appointing a proxy to attend and vote on their behalf, using the proxy form accompanying this Notice of Scheme Meeting.

## **Voting in person or by authorised corporate representative**

Marengo Shareholders or their authorised corporate representatives who plan to attend the Scheme Meeting are asked to arrive at the venue in good time, so that shareholdings may be checked against Marengo's share register and attendances noted without delaying the Scheme Meeting.

In order to vote in person at the Scheme Meeting, a Marengo Shareholder which is a corporation may appoint an individual to act as its representative. The appointment must comply with section 250D of the *Corporations Act 2001* (Cth), meaning that Marengo will require a Certificate of Appointment of Corporate Representative executed in accordance with the *Corporations Act 2001* (Cth). A specimen of such a Certificate may be obtained from Marengo's Share Registry. The completed Certificate should be lodged with Marengo's Share Registry before the Scheme Meeting or at the registration desk on the day of the meeting.

## **Voting by attorney**

Attorneys must provide Marengo with the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Scheme Meeting. The power of attorney appointing the attorney must be duly executed and must specify the name of the Marengo Shareholder, Marengo and the attorney, and also specify the meetings at which the appointment may be used. The appointment may be a standing one. The original or a certified copy of the power of attorney must be provided to Marengo's Share Registry in the same manner as proxy forms and must be received by Marengo's Share Registry by 4.00pm AWST on 4 December 2012.

## **Voting by proxy**

Instructions on how to appoint a proxy are set out on the attached proxy form.

For the appointment of a proxy to be effective, the proxy form accompanying this Notice of Scheme Meeting or a corresponding additional or replacement form obtained from Marengo (together with any power of attorney or other authority under which the proxy form is signed or a copy of that power of attorney or authority certified as a true copy by statutory declaration) should be completed and received by Marengo's Share Registry by 4.00pm AWST on 4 December 2012.

### ***Voting by Canadian Beneficial Holders***

If you are not registered as a Marengo Shareholder but you are a Canadian Beneficial Holder and wish to attend and vote at the Scheme Meeting, you should read this section for directions on how to vote. Other beneficial holders should consider **the above instructions** and consult their nominee or trustee.

If you are a Canadian Beneficial Holder, you must be appointed by the applicable intermediary as a proxyholder to attend and vote in person at the Scheme Meeting.

Canadian Beneficial Holders who have not objected to their intermediary disclosing certain ownership information about themselves to Marengo are referred to as Non-Objecting Beneficial Shareholders. Those Canadian Beneficial Holders who have objected to their intermediary disclosing ownership information about themselves to Marengo are referred to as Objecting Beneficial Shareholders.

In accordance with applicable Canadian securities legislation, Marengo has elected to seek voting instructions directly from Non-Objecting Beneficial Shareholders. As a result, Non-Objecting Beneficial Shareholders can expect to receive a Voting Instruction Form together with the Scheme Booklet from the Proxy Solicitation Agent. The Voting Instruction Form is not a proxy and cannot be used as a proxy at the Scheme Meeting. This Voting Instruction Form should be completed and returned to the Proxy Solicitation Agent in accordance with its instructions. The Proxy Solicitation Agent will tabulate the results of the Voting Instruction Forms received from Non-Objecting Beneficial Shareholders and provide appropriate instructions at the Scheme Meeting with respect to the Marengo Shares represented by such Voting Instruction Forms.

Marengo has distributed copies of the Scheme Booklet to intermediaries for distribution to all Objecting Beneficial Shareholders who have not waived their rights to receive these materials. Often, intermediaries will use a service company to forward such documents to Objecting Beneficial Shareholders. Together with the Scheme Booklet, the intermediaries will provide Objecting Beneficial Shareholders with a Voting Instruction Form. The Voting Instruction Form is not a proxy and cannot be used as a proxy at the Scheme Meeting. When properly completed this Voting Instruction Form will constitute voting instructions which the intermediary must follow.

The mechanisms described above for Marengo Shareholders to attend and vote at the Scheme Meeting, cannot be used by Canadian Beneficial Holders and the instructions on the Voting Instruction Form must instead be followed. The Voting Instruction Form is provided instead of a personalised proxy form. By returning the Voting Instruction Form in accordance with its instructions, a Canadian Beneficial Holder is able to direct how his, her or its Marengo Shares are to be voted at the Scheme Meeting. However, the Voting Instruction Form does not allow the shareholder to attend the Scheme Meeting or to vote in person at the Scheme Meeting (except as described in this section).

Proxies returned by intermediaries as "non-votes" because the intermediary has not received instructions from the Canadian Beneficial Holder with respect to the voting of certain Marengo Shares or, where under applicable stock exchange or other rules, the intermediary does not have the discretion to vote those Marengo Shares on one or more of the matters that come before the Scheme Meeting, will be treated as not entitled to vote on any such matter and will not be counted as having been voted in respect of any such matter.

All proxy-related material sent by Marengo to Canadian Beneficial Holders has been sent using information (as to name, address and shareholdings) obtained from the intermediaries pursuant to, and in accordance with, applicable securities legislation. By electing to send materials directly to Non-Objecting

Beneficial Shareholders, Marengo (and not the intermediary) has assumed responsibility for (i) delivering the Scheme Booklet to you; and (ii) executing proper voting instructions.

**ANNEXURE 5**  
**INDEPENDENT EXPERT'S REPORT**



**MARENGO MINING LIMITED**  
**Independent Expert's Report**

10 October 2012



## Financial Services Guide

10 October 2012

BDO Corporate Finance (WA) Pty Ltd ABN 27 124 031 045 (“BDO” or “we” or “us” or “ours” as appropriate) has been engaged by Marengo Mining Limited (“Marengo”) to provide an independent expert’s report on the proposed Scheme of Arrangement between Marengo and the holders of Marengo Securities. You will be provided with a copy of our report as a retail client because you are a shareholder of Marengo.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

## **Fees, Commissions and Other Benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee for this engagement is approximately \$35,000 (excluding GST).

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

## **Other Services**

An entity that is associated with BDO Corporate Finance (WA) Pty Ltd, BDO Corporate Tax (WA) Pty Ltd provides taxation advice to Marengo. Over the two years to 30 June 2012, BDO Corporate Tax (WA) Pty Ltd has charged \$76,592 (excluding GST).

## **Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from Marengo for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

## **Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

## **Complaints resolution**

### *Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 Subiaco WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

## **Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service (“FOS”). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

## **Contact details**

You may contact us using the details set out at the top of our letterhead on page 1 of our Report.



## TABLE OF CONTENTS

1.	Introduction	1
2.	Summary and Opinion	1
3.	Scope of the Report	4
4.	The Proposed Scheme	5
5.	Profile of Marengo Mining Limited	8
6.	Profile of TSX	19
7.	Economic Analysis	24
8.	Impact of the Proposed Transaction	25
9.	Do the Advantages of the Scheme outweigh the Disadvantages?	27
10.	Conclusion	33
11.	Sources of Information	34
12.	Independence	34
13.	Qualifications	34
14.	Disclaimers and consents	35

Appendix 1 - Glossary

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10 October 2012

The Directors  
Marengo Mining Limited  
Level 1, 9 Havelock Street  
West Perth, WA 6005

Dear Sirs

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

The directors of Marengo Mining Limited ("**Marengo**" or "**the Company**") have resolved to propose to Marengo shareholders ("**Shareholders**") a restructure of Marengo by means of a scheme of arrangement under Part 5.1 of the Corporations Act, the effect of which will be to make Marengo a wholly-owned subsidiary of a newly formed Canadian incorporated company, to be called Marengo Mining Limited ("**Marengo Canada**") and to be listed on the Toronto Stock Exchange ("**TSX**") and to have secondary listings on the Australian Securities Exchange ("**ASX**") and the Port Moresby Stock Exchange ("**POMSoX**").

If Shareholders approve the Scheme, all shares held by Marengo Shareholders will be exchanged for shares in Marengo Canada, which will act as the holding company of Marengo.

Under the Scheme existing Shareholders will receive one Marengo Canada share ("**Marengo Canada Share**"), or one Marengo Canada CHES Depository Interest ("**CDI**") or one Marengo Canada PETS Depository Interest ("**PDI**") for every Marengo share held.

Warrantholders' entitlements to acquire ordinary shares in Marengo will be amended to an entitlement to acquire ordinary shares in Marengo Canada on the substantially the same terms. Optionholders will receive options over ordinary shares in Marengo Canada on substantially the same terms as the existing options that they will replace. Performance Right holders will receive performance rights in Marengo Canada on substantially the same terms as the existing performance rights that they will replace.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

BDO Corporate Finance (WA) Pty Ltd ("**BDO**") has been engaged by the directors of Marengo to prepare an independent expert's report ("**our Report**") to express an opinion as to whether or not the Scheme of Arrangement ("**the Scheme**") to undertake a restructure of its capital which would result in the transfer of all Marengo securities to Marengo Canada, is fair and reasonable and therefore in the best interests of the Shareholders of Marengo.

Our Report is prepared pursuant to Section 411 of the Corporations Act 2001 Cth (“the Act”) and is to be included in the Scheme Booklet for Marengo in order to assist the Shareholders in their decision whether to approve the Scheme.

## 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission (“ASIC”) Regulatory Guide 60 (“RG 60”) ‘Schemes of Arrangements, Regulatory Guide 111 (“RG 111”), ‘Content of Expert’s Reports’ and Regulatory Guide 112 (“RG 112”) ‘Independence of Experts’.

RG111 does not specify the basis of evaluation for a change of domicile transaction but does indicate that the basis of evaluation selected by the expert must be appropriate for the nature of each specific transaction, that is, the expert must consider the substance of the proposed transaction and not the legal form when evaluating the proposed transaction.

Upon implementation of the Scheme, there will be no change in the economic interests of Shareholders in eligible jurisdictions, who effectively retain their interests in the assets of the Company. The Scheme merely represents a restructure changing the geographic location of the incorporation of the entity and as such we do not consider it appropriate to analyse the Scheme as a control transaction.

RG111 provides further guidance on forming an opinion as to whether a transaction is in the best interests of security holders. The range of transactions regulated by RG111 includes transactions not involving a change of control, such as demergers and demutualisations. RG111 indicates that for these types of transactions the issue of value is of secondary importance and the expert should provide an opinion as to whether the advantages of the transaction outweigh the disadvantages. It provides that if the demerger or demutualisation involves schemes of arrangement and the expert concludes that the advantages of the transaction outweigh the disadvantages, the expert should conclude that the scheme is in the best interests of shareholders.

Based on the guidance provided by RG111, we consider that the most appropriate approach to assess whether the Scheme is in the best interests of Shareholders is to consider whether the advantages of the Scheme outweigh the disadvantages.

## 2.3 Opinion

We have determined that the advantages of the Scheme outweigh the disadvantages and therefore the Scheme is in the best interests of Shareholders.

The respective advantages and disadvantages that we considered are summarised below:

ADVANTAGES AND DISADVANTAGES			
Section	Advantages	Section	Disadvantages
9.1.1	Exposure to Canadian institutional investors and deeper pools of capital	9.2.1	Additional cost and administrative burden
9.1.2	Potential for improved company structure	9.2.2	Change in jurisdiction which Australian shareholders may not be familiar with
9.1.3	Market profile	9.2.3	Some ineligible overseas shareholders may not be able to receive Marengo Canada shares
9.1.4	Potential for increased levels of trading liquidity		
9.1.5	Familiarity with local exchange		

## 2.4 Other considerations

We have also considered the following key matters in determining whether the Scheme is in the best interests of Shareholders:

Section	Description
9.3.1	Foreign exchange implications
9.3.2	Failure to approve the Scheme
9.3.3	Impacts on investment portfolios and risk preferences
9.3.4	Potentially higher volatility of TSX listed mining stocks
9.3.5	Recent performance of TSX mining stocks
9.3.6	Alternative funding sources
9.3.7	Comparable shareholder protection and regulations
9.3.8	Tax implications

## 3. Scope of the Report

### 3.1 Purpose of the Report

The Scheme is to be implemented pursuant to Section 411 of the Corporations Act 2001 Cth (“the Act”). Part 3 of Schedule 8 to the Corporations Act Regulations prescribes the information to be sent to shareholders in relation to schemes of arrangement pursuant to Section 411 of the Act (“Section 411”).

Schedule 8 of the Act requires an independent expert’s report if:

- The corporation that is the other party to the scheme has a common director or directors with the company which is the subject of the scheme; or
- The corporation that is the other party is entitled to more than 30% of the voting shares in the subject company.

The expert must be independent and must state whether or not, in his or her opinion, the proposed scheme is in the best interests of the members of the company subject of the scheme and setting out his or her reasons for that opinion.

In the case of Marengo the requirement arises as Marengo Canada will acquire all the shares, warrants and options of Marengo and they will retain common directors.

### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act define the meaning of “in the best interests of”. In determining whether the Scheme is in the best interests of Shareholders, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

Schemes of arrangement pursuant to Section 411 can encompass a wide range of transactions. Accordingly, “in the best interests” must be capable of a broad interpretation to meet the particular circumstances of each transaction. This involves a judgment on the part of the expert as to the overall commercial effect of the transaction, the circumstances that have led to the transaction and the alternatives available. The expert must weigh up the advantages and disadvantages of the proposed transaction and form an overall view as to whether security holders are likely to be better off if the proposed transaction is implemented than if it is not. An opinion of ‘in the best interests’ does not imply the best possible outcome for security holders.

In determining whether the advantages of the Scheme outweigh the disadvantages, we have had regard to the views expressed by ASIC in RG 111. This Regulatory Guide suggests that an opinion as to whether the advantages of a transaction outweigh the disadvantages should focus on the purpose and outcome of the transaction, that is, the substance of the transaction rather than the legal mechanism to affect it.

We have considered the Scheme for Shareholders as a whole and have not considered the effect of the Scheme on the particular circumstances of individual shareholders. Individual shareholders will have different circumstances and will have different investment and risk profiles. Accordingly what might be in the best interests of shareholders as a whole may not be in the best interests of an individual shareholder.

## 4. The Proposed Scheme

### 4.1. Rationale for the Scheme

Marengo has previously raised equity in the Canadian markets to fund the exploration and feasibility study phases of the Yandera Project. Marengo requires further and larger amounts of equity and debt capital to progress the Yandera Project and proposes to raise this from the Canadian markets.

Marengo considers that its ability to access equity from the Canadian market will be improved if the ultimate holding company in the Marengo Mining Group is a Canadian resident. In particular, Marengo wants an investment in its shares to be considered as a Canadian investment by Canadian funds rather than being part of the “foreign fund pool”.

A “top-hat” restructure is therefore proposed through the Scheme whereby a new Canadian resident company will become the holding company for Marengo and its subsidiaries.

### 4.1. The Terms of the Scheme

The directors have proposed to resolve the restructure of Marengo by means of a scheme of arrangement for Marengo Shareholders. If the Scheme is approved Marengo Shareholders will receive one Marengo Canada share or Marengo Canada Chess Depository Interest (“CDI”) for every one Marengo share held. Under the Scheme all Marengo securities will be transferred to Marengo Canada, a company incorporated in Canada for the specific purpose of becoming the holding company of Marengo therefore rendering Marengo a wholly-owned subsidiary of Marengo Canada.

If the Scheme is approved then Marengo Canada will apply to be listed on the TSX, the POMSoX and the ASX. As Marengo will be delisted, Marengo Canada will effectively replace it on the ASX and POMSoX with trading being undertaken in the form of CDI’s.

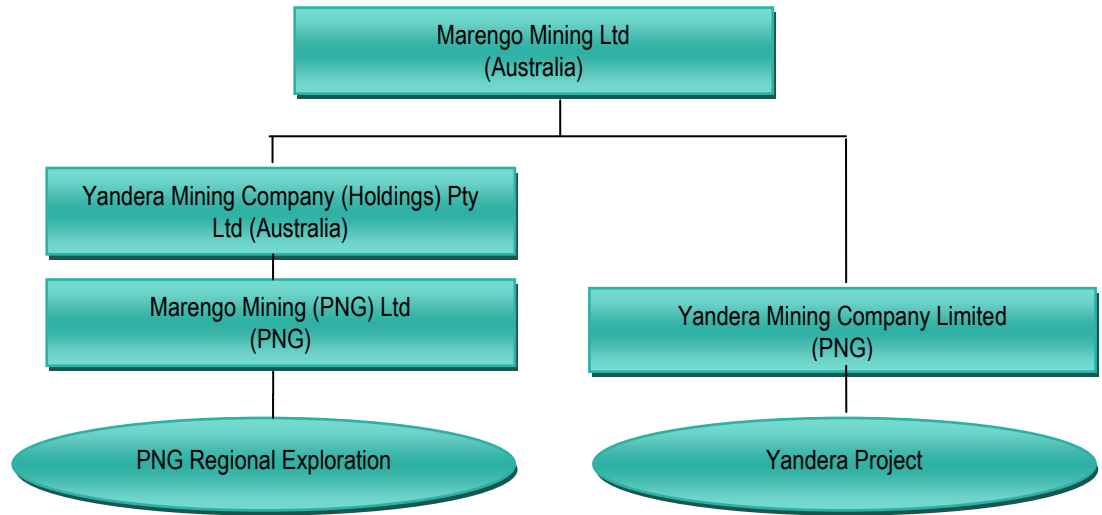
Under the Scheme existing Shareholders will receive one Marengo Canada share, one Marengo Canada CDI or one Marengo Canada PDI for every Marengo share held. Immediate listing on the POMSoX will be subject to POMSoX amending its rules to allow for the listing of depository interests. If this is not achieved prior to final Court approval of the Scheme, Marengo shareholders who would have been issued with PDIs tradable on POMSoX will be issued with CDIs tradable on ASX. In such circumstances, it is intended that Marengo Canada will continue to pursue a POMSoX listing post completion of the Scheme

The Scheme is subject to various conditions, the most significant being:

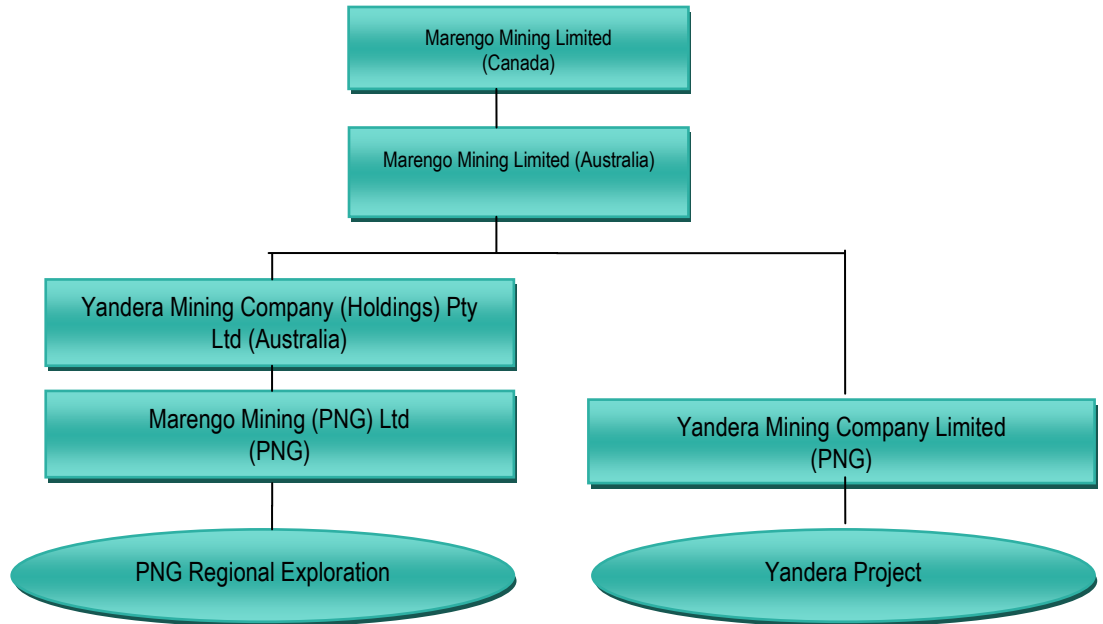
- the receipt of all necessary regulatory approvals from ASIC, ASX, TSX and POMSoX;
- approval for the listing of the new CDIs on the ASX;
- POMSoX amending its rules to allow the listing of depository interests;
- Approval for the listings of the new PDIs on POMSoX
- approval for the listing of shares in Marengo Canada on TSX; and
- approval of the Scheme by Shareholders.

Warrantholders’ entitlements to acquire ordinary shares in Marengo will be amended to an entitlement to acquire ordinary shares in Marengo Canada on substantially the same terms. Optionholders will receive options over ordinary shares in Marengo Canada under substantially the same terms as the existing options that they will replace. These securities will not form part of the Scheme.

The existing ownership structure of the Marengo Mining Group, together with the places the companies were incorporated and their tax residency, is summarised below:



If the Scheme is approved then Marengo Shareholders will exchange their shares in Marengo for shares in Marengo Canada and Marengo will become a 100% subsidiary of Marengo Canada. Following the implementation of the Scheme, the group structure will be as shown below:



## 5. Profile of Marengo Mining Limited

### 5.1 Overview

Marengo Mining Limited was incorporated in Australia on 6 February 2002 and was admitted to the Official List of Australian Stock Exchange Limited on 11 November 2003. At IPO, Marengo issued 17.5 million ordinary shares and raised \$3.5 million. Marengo then listed on the Port Moresby Stock Exchange on 10 November 2006. On 15 April 2008, following a public offering of 51,447,369 ordinary shares to raise C\$9,775,000, Marengo's shares were listed on the Toronto Stock Exchange ("TSX").

Marengo has two subsidiaries incorporated in Papua New Guinea ("PNG") and one incorporated in Australia. Marengo's interest in the Yandera project is held by its 100% owned subsidiary Yandera Mining Company Limited.

Exploration initially focused on projects located in Western Australia, however the Company is now focused on bringing the Yandera Copper-Molybdenum-Gold Project in Papua New Guinea into production.

The Company has raised equity initially in Australia and more recently in Canada to fund the Yandera Project. The Company's fund raising history is summarised below:

Date	Public offer / private placement	Australia	Canada	Papua New Guinea	Total
Nov 2003	ASX IPO	\$3.5m	-	-	\$3.5m
Nov 2005	Placement	\$6.0m	-	-	\$6.0m
Oct 2006	Placement	\$12.5m	-	-	\$12.5m
Nov 2006	Listing on POMSx	-	-	-	\$Nil
Aug 2007	Placement	\$9.5m	\$5.5m	-	\$15.0m
Apr 2008	TSX IPO	-	\$10.4m	-	\$10.4m
Sep 2009	Placement	\$5.4m	\$16.3m	-	\$21.7m
Aug 2010	Placement	-	\$21.4m	-	\$21.4m
Dec 2010	Placement	-	\$64.5m	-	\$64.5m
Jul 2012	Placement	-	\$19.1m	-	\$19.1m
	<b>Total</b>	<b>\$36.9m</b>	<b>\$137.2m</b>	<b>-</b>	<b>\$174.1m</b>

Source: Marengo Management

The directors estimate that the funding requirement to develop the Yandera Project will be in the order of A\$1.8-2.2 billion with approximately A\$600 million expected to be sourced from equity funding and A\$1.4 billion from debt.

Marengo signed a memorandum of understanding in October 2010 with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd ("NFC") to assist with the financing, construction and development of the Yandera Project. NFC will facilitate at least 70% of all project development costs with financing to be provided by Chinese banks.



In September 2011, the Company entered into an agreement with the PNG Government's investment vehicle, Petromin PNG Holdings Limited ("Petromin"). Under this agreement Petromin may acquire a 30% contributing interest in the Yandera Project once the feasibility study has been completed, the mining development contract is entered into and a financial investment decision is made. Petromin will be required to reimburse Marengo a pro-rata sum of Marengo's sunk costs on the Yandera Project.

## 5.2 Yandera Project

Marengo has focused its attention on the highly significant Yandera Project in PNG, located 95 kilometres southwest of the northern seaport of Madang and situated within the highly prospective New Guinea Copper-Gold Belt.



The Yandera Project, which comprises granted exploration licences, covers some 1,500 square kilometres and was the subject of intensive, drill based exploration programs during the 1970's by a number of companies.

This activity, which included the completion of 102 diamond drill holes totalling 33,000 metres, culminated in the preparation of a mining study. This study identified the Yandera Porphyry System as containing one of the largest undeveloped porphyry copper-molybdenum systems in the south west Pacific.

Although a number of resource estimates were generated, these estimates pre-date the JORC Code and were never publicly reported.

An updated resource estimate was issued in May 2012 and is summarised below.

At a 0.25% copper cut-off grade the Yandera copper resource was reported as:

Resource category	Tonnes (Mt)	Copper Grade (%)	Contained Copper (M lbs)
Measured	248	0.43	2,350
Indicated	114	0.42	1,056
Inferred	218	0.37	1,778
<b>Total</b>	<b>580</b>	<b>0.41</b>	<b>5184</b>

Source: Company announcements

At a 40ppm molybdenum cut-off grade the Yandera molybdenum resource was reported as:

Resource category	Tonnes (Mt)	Molybdenum Grade (ppm)	Contained Molybdenum (M ppm)
Measured	354	129	101
Indicated	178	100	39
<b>Total</b>	<b>532</b>	<b>119</b>	<b>140</b>

Source: Company announcements

At a 0.1g/t gold cut-off grade the Yandera gold resource was reported as:

Resource category	Tonnes (Mt)	Gold Grade (g/t)	Contained Gold (Troy Oz)
Measured	155	0.17	847,172
Indicated	44	0.18	254,633
<b>Total</b>	<b>199</b>	<b>0.17</b>	<b>1,101,805</b>

Source: Company announcements

The Company anticipates that the feasibility study will be delivered in the next four months. It is intended that the feasibility study will include a comprehensive plan for mine development based on current economic assumptions. The Company anticipates the following timeline:

Stage	Timing
Completion of feasibility study	October 2012
Fixed price EPC contract from NFC	4 <sup>th</sup> Quarter 2012
Mining Approvals	3 <sup>rd</sup> Quarter 2013
Environmental Approval	3 <sup>rd</sup> Quarter 2013
Complete Project Financing	3 <sup>rd</sup> Quarter 2013
Complete Construction	3 <sup>rd</sup> Quarter 2015
Commissioning	4 <sup>th</sup> Quarter 2015
Production	2016

Source: Company investor presentation 2 August 2012 and ASX announcement 21 August 2012

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. The purchase agreement also covers a ship loader and wharf facility. The consideration is approximately 22 million PNG Kina (approximately A\$10 million) which is payable in instalments over a period of up to 18 months.

### 5.3 Historical Statement of Financial Position

Consolidated Balance Sheet	Audited as at 30-Jun-12 \$'000	Audited as at 30-Jun-11 \$'000	Audited as at 30-Jun-10 \$'000
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	989	10,004	1,783
Investments - term deposits	10,200	47,320	5,202
Trade and other receivables	726	1,688	702
<b>TOTAL CURRENT ASSETS</b>	<b>11,915</b>	<b>59,012</b>	<b>7,687</b>
<b>NON-CURRENT ASSETS</b>			
Other financial assets	-	515	468
Plant and equipment	1,372	971	761
Exploration and evaluation	153,431	86,742	60,731
<b>TOTAL NON-CURRENT ASSETS</b>	<b>154,803</b>	<b>88,228</b>	<b>61,960</b>
<b>TOTAL ASSETS</b>	<b>166,718</b>	<b>147,240</b>	<b>69,647</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	6,597	3,893	2,802
Provisions	1,019	979	524
<b>TOTAL CURRENT LIABILITIES</b>	<b>7,616</b>	<b>4,872</b>	<b>3,326</b>
<b>TOTAL LIABILITES</b>	<b>7,616</b>	<b>4,872</b>	<b>3,326</b>
<b>NET ASSETS</b>	<b>159,102</b>	<b>142,368</b>	<b>66,321</b>
<b>EQUITY</b>			
Issued capital	159,108	158,569	78,109
Reserves	18,658	(392)	(289)
Accumulated losses	(18,664)	(15,809)	(11,499)
<b>TOTAL EQUITY</b>	<b>159,102</b>	<b>142,368</b>	<b>66,321</b>

Source: Audited financial reports for the years ended 30 June 2011 and 2012.

During the year ended 30 June 2011 Marengo successfully raised a total of A\$85.9 million (C\$83.4 million) through a share placement of A\$21.4 million (C\$20.2 million) in August 2010 and a further share placement of A\$64.5 million (C\$63.2 million) in December 2010. Both of these share placements were substantially introduced by Canadian brokers. These funds have allowed the Company to increase expenditure on the Yandera project with the capitalised expenditure on mining properties increasing by A\$92.7 million over the two years to 30 June 2012.

## 5.4 Historical Statement of Comprehensive Income

Statement of Comprehensive Income	Audited for the year ended 30-Jun-12	Audited for the year ended 30-Jun-11	Audited for the year ended 30-Jun-10
	\$'000	\$'000	\$'000
<b>Revenue</b>			
Interest revenue	1,774	1,841	161
Share based payment reclassification	486	-	-
<b>Expenses</b>			
Depreciation	(298)	(240)	(219)
Salaries and employee benefit expenses	(1,482)	(960)	(963)
Exploration expenses	(7)	(306)	(397)
Corporate expenses	(1,264)	(1,657)	(888)
Occupancy expenses	(377)	(254)	(166)
Insurance expenses	(316)	(217)	(170)
Administration expenses	(1,173)	(654)	(649)
Share based payments expenses	(120)	(285)	(226)
Net foreign exchange losses	(78)	(1,578)	(191)
Other expenses	-	(11)	(10)
<b>Loss before income tax</b>	<b>(2,855)</b>	<b>(4,313)</b>	<b>(3,718)</b>
Income tax expense	-	-	-
<b>Loss after income tax</b>	<b>(2,855)</b>	<b>(4,313)</b>	<b>(3,718)</b>
Exchange differences on translation of foreign operations	19,929	(656)	(7,740)
<b>Total comprehensive profit/(loss) for the year</b>	<b>17,074</b>	<b>(4,969)</b>	<b>(11,458)</b>

Source: Source: Audited financial reports for the years ended 30 June 2011 and 2012.

The Company's main source of revenue is interest earned on the funds it holds. The only other revenue recorded in the six months ended 31 December 2011 related to the reclassification of a director's loan as an option.

The large movement in the exchange differences on translation of foreign operations arise from the translation of PNG subsidiaries' financial statements. The A\$19.9million gain reflects a significant depreciation in the value of the Australian dollar against the PNG kina during the year ended 30 June 2012

## 5.5 Capital Structure

The share structure of Marengo, as at 31 August 2012, is outlined below:

The range of shares held in Marengo, as at 31 August 2012, is as follows:

Range of Shares Held	No. of Ordinary Shareholders	No. of Ordinary Shares	% Issued Capital
1-1,000	141	52,978	0.00%
1,001-5,000	596	1,993,846	0.18%
5,001-10,000	611	5,250,356	0.46%
10,001-100,000	1,801	69,183,039	6.08%
100,001 - and over	458	1,061,240,332	93.28%
<b>TOTAL</b>	<b>3,607</b>	<b>1,137,720,551</b>	<b>100%</b>

Source: Share register as at 31 August 2012

The share registry shows that, as at 31 August 2012, there were 554 holders of unmarketable parcels (that is holders of less than 4,167 shares each) totalling 1,157,406 shares.

The ordinary shares held by the most significant shareholders, as at 31 August 2012, are detailed below:

Name	No of Ordinary Shares Held	Percentage of Issued Shares (%)
Sentient Global Resources Fund	252,431,415	22.20%
Quantum Partners LDC	187,504,236	16.49%
OMERS (Ontario Municipal Employees Retirement System)	74,364,930	6.54%
JP Morgan Asset Management (UK) Limited	64,813,471	5.70%
<b>Total Top 4</b>	<b>579,114,053</b>	<b>50.90%</b>
Others	558,606,498	49.10%
<b>Total Ordinary Shares on Issue</b>	<b>1,137,720,551</b>	<b>100%</b>

Source: Share register as at 31 August 2012

The ordinary shares held by shareholders on each of the three stock exchanges, as at 31 August 2012, are detailed below:

Register	No of Ordinary Shares	Percentage of Issued Shares (%)
Canada	589,699,776	51.8%
Australia	543,270,827	47.8%
Papua New Guinea	4,749,948	0.4%
<b>Total</b>	<b>1,137,720,551</b>	<b>100%</b>

Source: Share register as at 31 August 2012

The Company has the following options outstanding at 31 August 2012:

Details	Number	Cash raised if options exercised (A\$)
Warrants exercisable at C\$0.116 on or before 11/08/13	56,860,750	6,229,052
Options exercisable at A\$0.50 on or before 15/08/13	5,750,000	2,875,000
Options exercisable at A\$0.25 on or before 18/12/13	1,300,000	325,000
Options exercisable at A\$0.25 on or before 31/03/14	350,000	87,500
Options exercisable at A\$0.25 on or before 30/11/14	275,000	68,750
Options exercisable at A\$0.25 on or before 22/03/15	125,000	31,250
Options exercisable at A\$0.25 on or before 31/03/15	650,000	162,500
Options exercisable at A\$0.22 on or before 25/10/15	350,000	77,000
Options exercisable at A\$0.32 on or before 23/02/16	400,000	128,000
Options exercisable at A\$0.19 on or before 10/11/16	175,000	33,250
Options exercisable at A\$0.24 on or before 24/02/17	275,000	66,000
<b>Total</b>	<b>66,510,750</b>	<b>10,083,302</b>

The Company has 37.4 million performance rights on issue which were issued pursuant to a performance rights plan and which expire on 6 September 2017.

## 5.6 Share Price Analysis

In the two years prior to the date of this report, the daily closing price of Marengo's shares has ranged from a low of \$0.115 on 8 August 2012 to a high of \$0.430 on 30 December 2010.

The following chart provides a summary of the share price movement over the two years prior to the date of this report.



Source: Bloomberg

During this period, a number of announcements were made to the market. The key announcements are set out below:

Date	Announcement	Closing Share Price Following Announcement \$ (movement)	Closing Share Price Three Days After Announcement \$ (movement)
20/09/2012	High Grade Copper Results at Yandera	0.110 (► Nil)	NA
21/08/2012	Marengo Acquires PNG Port Area for Yandera Project	0.120 (▼ 4.0%)	0.130 (▲ 4.2%)
15/08/2012	High Grade Drilling Results from Yandera Project	0.130 (▲ 4.2%)	0.130 (► Nil)
31/07/2012	Fourth Quarter Cashflow Report - 30 June 2012	0.120 (▼ 4.0%)	0.115 (▼ 4.2%)
30/07/2012	Fourth Quarter Activities Report - 30 June 2012	0.125 (▼ 3.8%)	0.120 (▼ 4.0%)
5/07/2012	Marengo files Final Prospectus	0.150 (▼ 3.2%)	0.140 (▼ 6.7%)
12/06/2012	Preliminary Short Form Prospectus (11 June 2012)	0.155 (▼ 3.1%)	0.150 (▼ 3.2%)
30/05/2012	Yandera Resource Update	0.180 (► Nil)	0.155 (▼ 13.9%)
30/04/2012	Quarterly Cashflow & Activities Report to 31 March 2012	0.215 (▼ 2.3%)	0.210 (▼ 2.3%)
21/03/2012	Reinstatement to Official Quotation	0.245 (▼ 9.3%)	0.245 (► Nil)



21/03/2012	Terms of Equity Financing	0.245 (▼ 9.3%)	0.245 (► Nil)
16/03/2012	Suspension from Official Quotation	0.270 (► Nil)	0.270 (► Nil)
15/03/2012	Marengo Announces Price of Equity Financing	0.270 (► Nil)	0.270 (► Nil)
14/03/2012	Trading Halt	0.270 (► Nil)	0.270 (► Nil)
2/03/2012	Response to ASX Price and Volume Query	0.290 (▲ 11.5%)	0.280 (▼ 3.4%)
31/01/2012	Quarterly Cashflow Report to 31 December 2011	0.230 (▲ 2.2%)	0.230 (► Nil)
30/01/2012	Second Quarter Activities Report to 31 December 2011	0.225 (▼ 2.2%)	0.235 (▲ 4.4%)
31/10/2011	Quarterly Cashflow & Activities Report 30 September 2011	0.200 (▼ 2.4%)	0.200 (► Nil)
19/09/2011	Signs Investment and Cooperation Agreement with Petromin	0.210 (▼ 2.3%)	0.200 (▼ 4.8%)
29/07/2011	Fourth Quarter Cashflow & Activities Report - 30 June 2011	0.220 (► Nil)	0.225 (▲ 2.3%)
27/07/2011	Yandera Project - Development Update	0.225 (▼ 2.2%)	0.225 (► Nil)
29/04/2011	Quarterly Cashflow & Activities Report to 31 March 2011	0.320 (▼ 7.2%)	0.325 (▲ 1.6%)
14/04/2011	Yandera Resource Update-Golder Assoc 43-101 Report	0.325 (▼ 1.5%)	0.330 (▲ 1.5%)
4/03/2011	SandP Announces March SP/ASX Rebalance	0.330 (▼ 5.7)	0.315 (▼ 4.5%)
28/02/2011	Resource Estimate Update for Yandera Project	0.340 (▲ 13.3%)	0.350 (▲ 2.9%)
31/01/2011	Quarterly Cashflow & Activities Report to 31 December 2010	0.340 (▼ 4.2%)	0.345 (▲ 1.5%)
21/12/2010	Yandera Drilling Continues Solid Results	0.340 (▲ 9.7%)	0.340 (► Nil)
1/12/2010	Marengo files Final Prospectus	0.285 (▲ 1.8%)	0.315 (▲ 10.5%)
23/11/2010	Marengo Announces Terms of Equity Financing	0.280 (▲ 12.0%)	0.280 (► Nil)
23/11/2010	Reinstatement to Official Quotation	0.280 (▲ 12.0%)	0.280 (► Nil)
22/11/2010	Suspension from Official Quotation	0.250 (► Nil)	0.280 (▲ 12.0%)
22/11/2010	Trading Halt	0.250 (► Nil)	0.280 (▲ 12.0%)
19/11/2010	Marengo files Preliminary Short Form Prospectus in Canada	0.250 (► Nil)	0.250 (► Nil)
19/11/2010	Trading Halt	0.250 (► Nil)	0.250 (► Nil)
21/10/2010	Yandera Deep Drilling Continues to Produce Results	0.255 (▲ 10.9%)	0.290 (▲ 13.7%)
20/10/2010	Response to ASX Query Letter	0.230 (► Nil)	0.290 (▲ 26.1%)
18/10/2010	Reinstatement to Official Quotation	0.245 (▼ 9.3%)	0.255 (▲ 4.1%)
18/10/2010	MOU signed with major Chinese construct. and eng. group	0.245 (▼ 9.3%)	0.255 (▲ 4.1%)
14/10/2010	Suspension from Official Quotation	0.270 (► Nil)	0.245 (▼ 9.3%)
13/10/2010	Price Query Response	0.270 (▲ 25.6%)	0.245 (▼ 9.3%)
13/10/2010	Trading Halt	0.270 (▲ 25.6%)	0.245 (▼ 9.3%)
23/09/2010	Exploration Update	0.155 (▲ 19.2%)	0.165 (▲ 6.5%)
15/09/2010	Response to ASX Query	0.135 (▲ 3.8%)	0.130 (▼ 3.7%)
12/08/2010	Secondary Trading Prospectus (Australia)	0.095 (▲ 1.1%)	0.093 (▼ 2.1%)

An analysis of the volume of trading in Marengo's shares for the six months to 9 August 2012 is set out below:

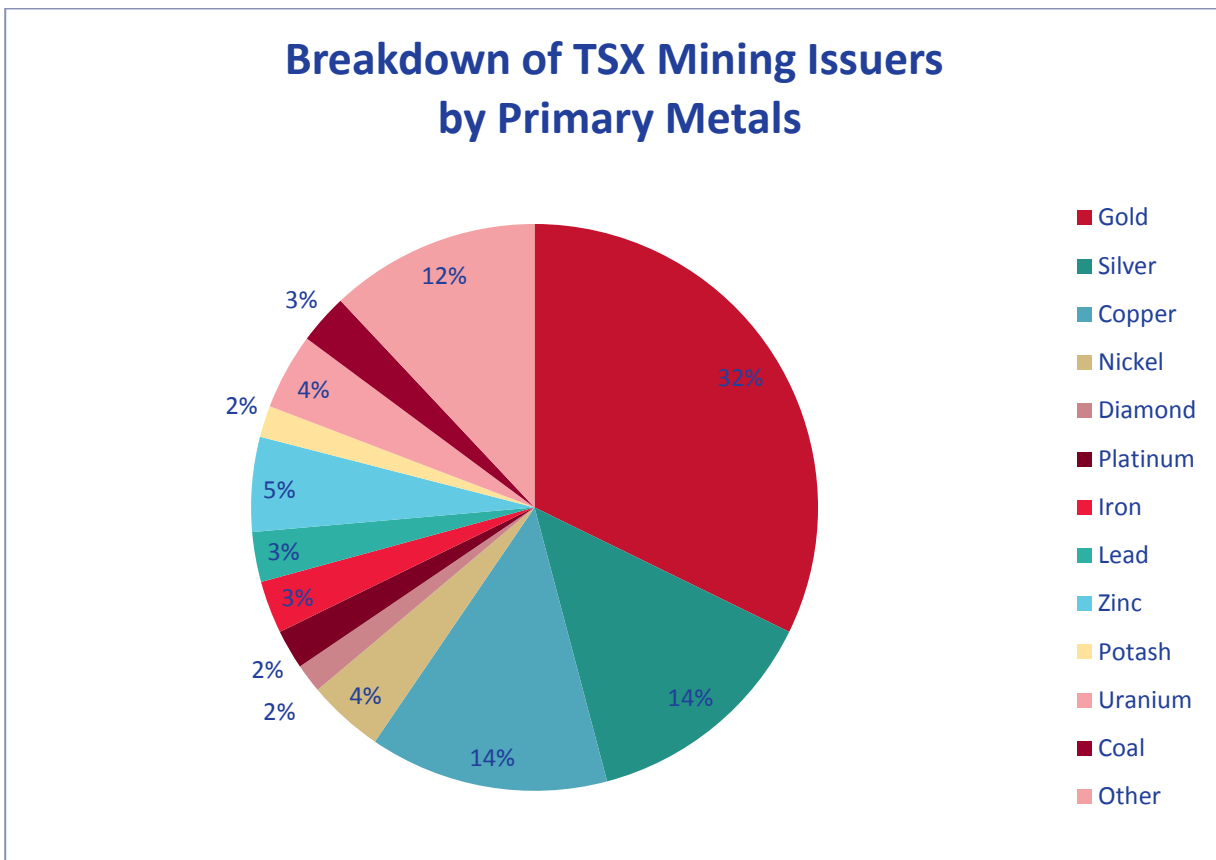
	Share price low	Share price high	Cumulative Volume traded	As a % of Issued capital
1 Day	\$0.120	\$0.120	233,695	0.02%
10 Days	\$0.115	\$0.130	5,468,715	0.48%
30 Days	\$0.115	\$0.145	11,893,550	1.05%
60 Days	\$0.115	\$0.180	19,741,378	1.74%
90 Days	\$0.115	\$0.210	26,748,666	2.35%
180 Days	\$0.115	\$0.300	63,838,703	5.61%

The liquidity of trading in Marengo's shares has fallen since September 2011 in line with the majority of other similar company's shares that are listed on the ASX. This table indicates that Marengo's shares display a low level of liquidity recently, with 5.61% of the Company's current issued capital being traded in a six month period. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. This level of liquidity also reflects the large proportion of shares which are held by institutional investors who generally hold their investments in the Company for longer periods. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

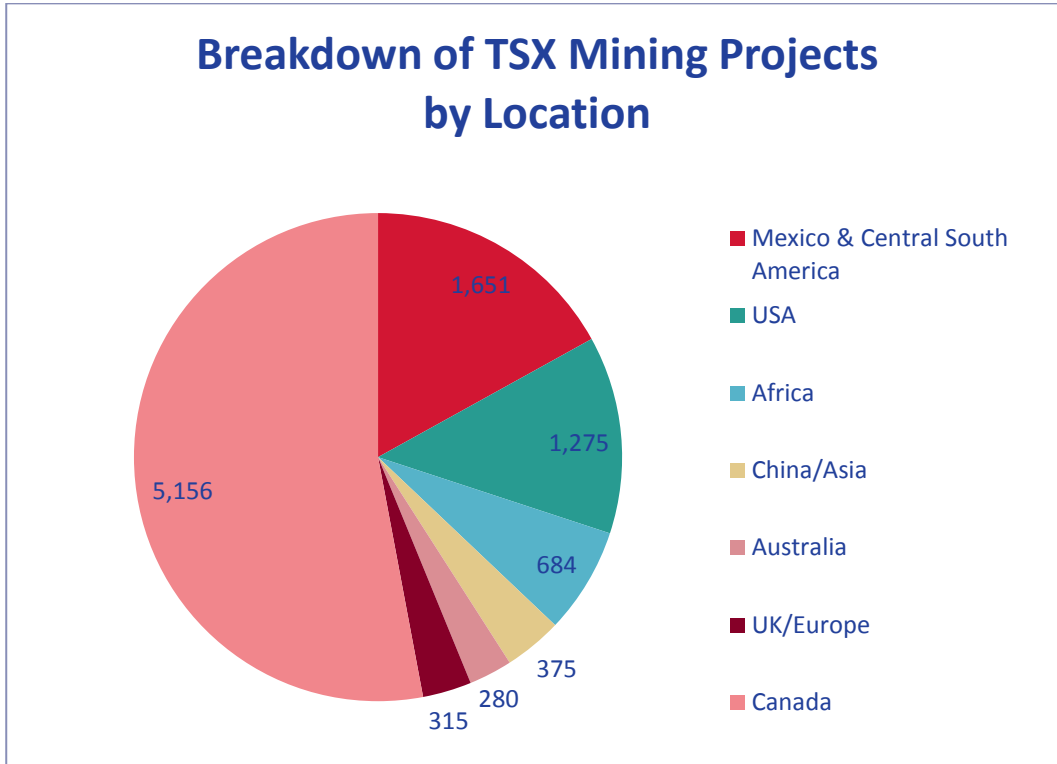
## 6. Profile of TSX

The TSX is the largest stock exchange of Canada, the third largest in North America (after NYSE and NASDAQ) and the eighth largest in the world by market capitalisation. There are 1,280 companies currently listed on the TSX (not including the TSXV) with 297 of these companies belonging to the Global Industry Classification Standard (GICS) Metals and Mining industry. The mining sector, in particular those companies with projects in Africa consider the TSX as the primary exchange in terms of capital raisings. The chart below shows the diversity of the TSX mining sector however it is evident that a majority of the TSX mining issuers specialise in gold.



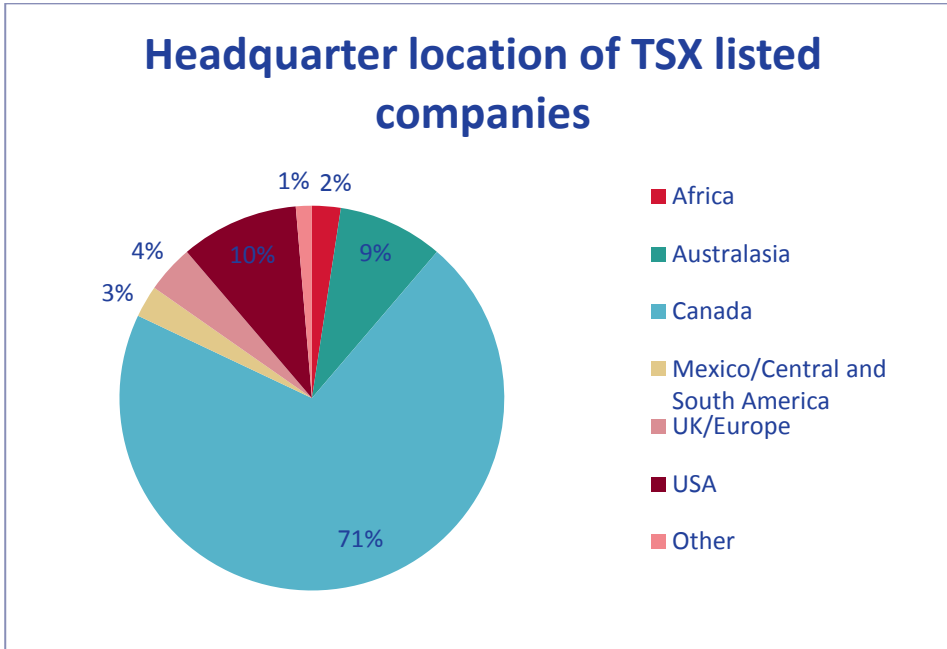
Source: TMX mining presentation, dated 31 December 2011

The chart below indicates that TSX listed mining companies have a majority of their projects based in Canada however the TSX still provides a viable platform for companies raising finance for projects located outside of Canada with 17% located in Mexico and Central South America and 13% from the USA.



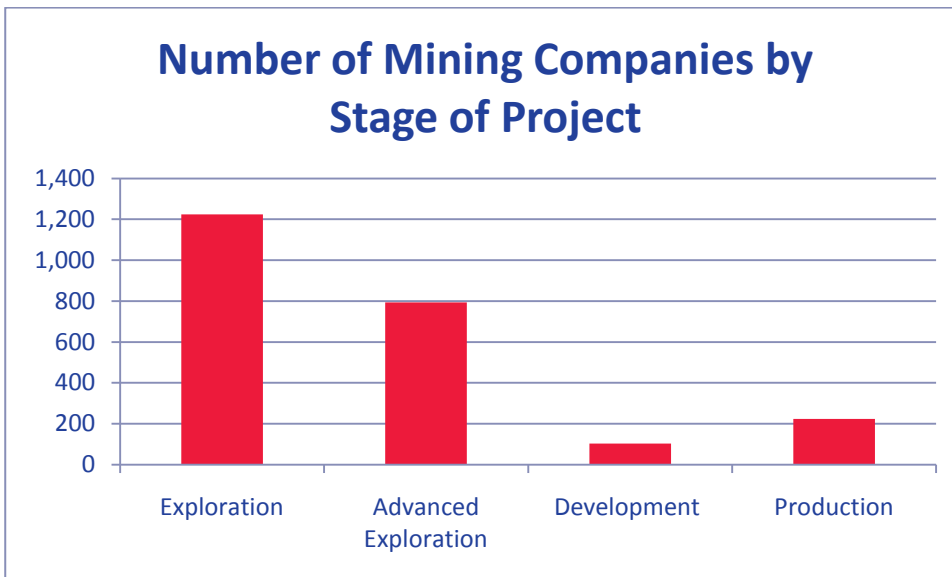
Source: TMX mining presentation, dated 31 December 2011

Similarly a majority of TSX listed companies are headquartered in Canada as illustrated below, with 10% and 9% being headquartered in USA and Australasia (Australia, New Zealand and Papua New Guinea) respectively.



Source: TMX mining presentation, dated 31 December 2011

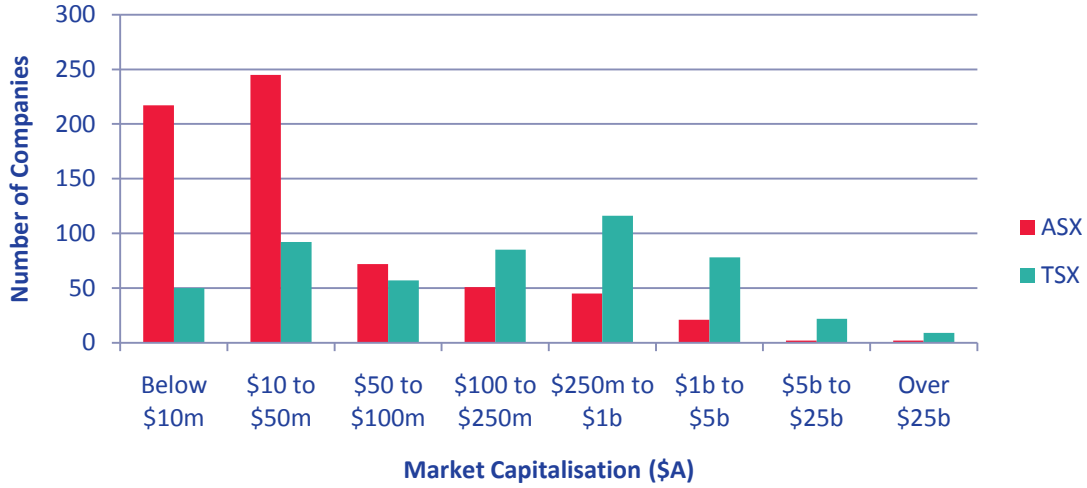
A majority of the mining companies listed on the TSX are in either the exploration or advanced exploration stage as is evidenced by the chart below.



Source: TMX mining presentation, dated 31 December 2011

The chart below outlines the number of ASX and TSX listed mining companies in each market capitalisation band as at 30 June 2012.

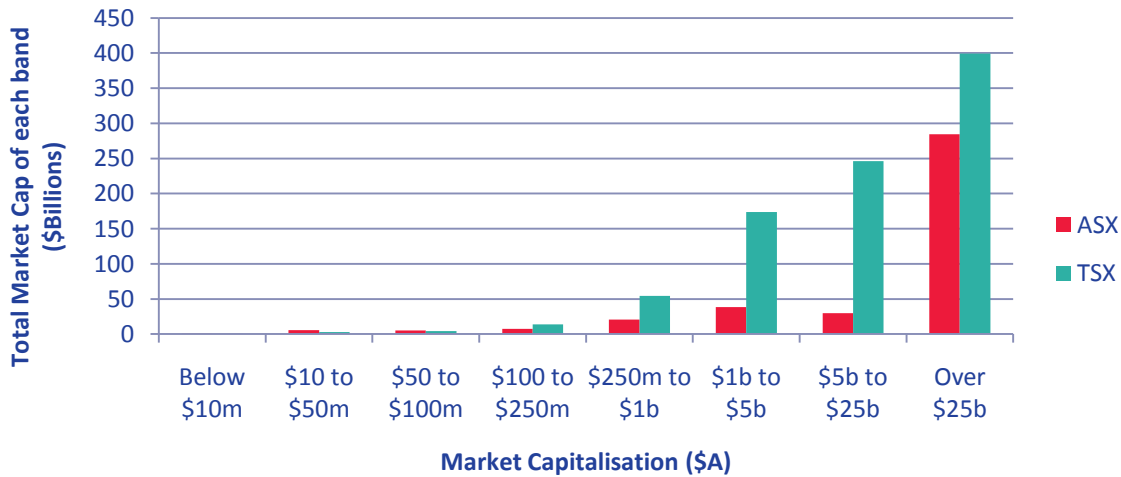
## Size Profile of Mining Companies



Source: Bloomberg and BDO analysis

The chart below illustrates the total market value of ASX and TSX listed mining companies in each of the specified market capitalisation bands as at 30 June 2012.

## Size Profile of Mining Companies



Source: Bloomberg and BDO analysis

The Australian mining sector is dominated by two major players, being BHP Billiton and Rio Tinto. This is reflected by the fact that, as at the date of this report, the market capitalisation of these two companies comprises approximately 76% of the total market capitalisation of all mining companies listed on the ASX.

The TSX however is more evenly spread with the ten largest companies comprising 66% of the total market capitalisation of all TSX listed mining companies.

The Mining sector of the TSX market had an average annual turnover of 102% in the 2011 calendar year meaning that on average the total value of these mining stocks were turned over during 2011. This ratio was calculated based on the total value of metals and mining stocks traded on the TSX divided by the average market capitalisation of those stocks over the 2011 calendar year. The corresponding ratio for ASX listed metals and mining stocks was 76% indicating a lower level of trading activity and thus liquidity.

We have also considered the number and value of public equity raisings for companies operating in the Metals and Mining Industry on both the ASX and TSX for the 2011 calendar year. The results of this analysis are tabulated below:

Exchange	Number of Financings	Value of Financings (A\$ million)
ASX	304	5,003
TSX	103	10,975

Despite the TSX having just over a third of the number of equity financings as the ASX, the value of these raisings accounts for more than twice the value raised on the ASX. The chart below indicates that this trend was also evident in the 2009 and 2010 calendar years indicating that the TSX provides a viable platform for raising equity funding for companies in the metals and mining industry. It is also evident from this table that equity raisings on the TSX tend to be higher value and higher volume raisings.

### Value of Mining Sector Equity Financings 2008-2011



## 7. Economic Analysis

### 7.1 Current Economic Conditions

#### Global Economy

Having picked up in the early months of 2012, growth in the world economy has since softened. Current assessments are that global GDP will grow at no more than average pace in 2012. Most commodity prices have declined which has helped to reduce inflation and provided scope for some countries to ease macroeconomic policies.

China's growth has moderated to a more sustainable pace, but does not appear to be slowing further. Conditions in other parts of Asia have recovered from the effects of last year's natural disasters, though the ongoing trend is unclear and could be dampened by the effects of slower growth outside the region. Growth in the United States continues, but at only a modest pace. The most significant area of weakness continues to be Europe, where economic activity has been contracting and policymakers confront the very difficult task of seeking to put both bank and sovereign balance sheets onto a sound footing, while promoting conditions for improved long-term growth.

Financial markets have responded positively to signs of progress, but Europe will remain a potential source of adverse shocks for some time. Low appetite for risk has seen long-term interest rates faced by highly rated sovereigns, including Australia, decline to exceptionally low levels. Nonetheless, capital markets remain open to corporations and well-rated banks and Australian banks have had no difficulty accessing funding, including on an unsecured basis. Share markets have remained volatile, though in net terms they have generally risen over the past couple of months.

#### Australian Economy

In Australia, most indicators suggest growth close to trend overall. Labour market data show moderate employment growth, even with job shedding in some industries, and the rate of unemployment has thus far remained low.

Inflation remains low, with underlying measures near 2 per cent over the year to June, and headline CPI inflation lower than that. The effects of the price on carbon will start to affect these measures over the next couple of quarters. The Reserve Bank's assessment of the outlook for inflation is unchanged: it is expected to be consistent with the target over the next one to two years. Maintaining low inflation over the longer term will, however, require growth in domestic costs to continue their recent moderation as the effects of the earlier exchange rate appreciation wane.

As a result of the sequence of earlier decisions, monetary policy is easier than it was for most of 2011, with interest rates for borrowers a little below their medium-term averages. While it is too soon to see the full impact of those changes, dwelling prices have firmed a little over the past couple of months, and business credit has over the past six months recorded its strongest growth for several years. The exchange rate, however, has remained high, despite the observed decline in the terms of trade and the weaker global outlook.

At its August 2012 meeting, the Reserve Bank of Australia Board judged that, with inflation expected to be consistent with the target and growth close to trend, but with a more subdued international outlook than was the case a few months ago, the stance of monetary policy remained appropriate.

Source: [www.rba.gov.au](http://www.rba.gov.au) Statement by Glenn Stevens, Governor: Monetary Policy Decision 7 August 2012.



## Canadian Economy

The pace of growth of the Canadian economy is expected to be moderate going forward despite uncertainty about the global economic and financial environment. The Canadian economy is expected to grow in line with its production potential in the short run, with the Bank of Canada estimating that the economy will grow by 2.1 per cent in 2012, 2.3 per cent in 2013 and 2.5 per cent in 2014. The economy is expected to reach full capacity in the second half of 2013. Consumption and business investment are expected to drive growth in the economy. Net exports are expected to contribute little to growth and are projected to remain below their pre-recession peak until the beginning of 2014. This reflects moderate foreign demand and ongoing competitiveness challenges, including the persistent strength of the Canadian dollar. In addition housing activity is expected to slow down. The Bank of Canada estimates that core inflation is expected to remain steady at approximately 2.0 per cent between 2012 and 2014. Total CPI inflation however is expected to fall as low as 1.5 per cent in the first half of 2013 given the recent drop in gasoline prices and with futures prices suggesting persistently lower oil prices. Total CPI inflation is expected to return to the target level of 2.0 per cent in the second half of 2013.

Source: <http://www.bankofcanada.ca> Monetary Policy Report Summary July 2012

## 8. Impact of the Proposed Transaction

We have summarised below the implications of the Scheme to Marengo and the Shareholders.

### 8.1 Ownership structure

If the Scheme is approved then the shares that Shareholders hold in Marengo will be swapped for shares in Marengo Canada and Marengo Canada will become the 100% holder of Marengo. Marengo Canada will apply for a primary TSX listing. Australian Shareholders will be issued CDIs which will be listed on the ASX and PNG shareholders will be issued with new PDIs which will be listed on POMSoX.

The substance of the Scheme is that there is no change in the economic interests of Shareholders, who will effectively retain their existing interest in the assets of Marengo including the Yandera Project.

### 8.2 Fund raising - Investment in Foreign Securities By Canadian Investors

As discussed in section 6 the Canadian market for equity funds is larger and deeper than the Australian market. The Company has already taken advantage of this and through its secondary TSX listing has historically raised A\$137.2million on the Canadian market.

Much of the funds available for investment in Canada are held by pooled funds. The term “pooled fund” has no legal definition under Canadian provincial securities legislation. However, the term generally refers to a Canadian unit trust established under a trust indenture, which is not required to have a prospectus, in which institutional, sophisticated or high net worth investors contribute funds that are invested and managed by an investment manager. A pooled fund, which is not a reporting issuer, falls within the securities law definition of a “mutual fund”. There are no foreign content restrictions found in the securities legislation with regards to mutual funds.

In 2005, the 30% foreign content limit imposed under the Canadian Income Tax Act on pension plans and other tax-deferred plans was eliminated. Regardless of the elimination, many pooled funds continue to limit the amount of foreign issues in their “Canadian equity” portfolios to manage their international market risk.

A "foreign issuer" is a reporting issuer, other than an investment fund, that is incorporated or organized outside of Canada, unless the issuer has more than 50% of its voting shares held by Canadian residents and any one of following is true:

- the majority of its executive officers or directors are Canadian residents;
- more than 50% of its consolidated assets are located in Canada; or
- the business is principally administered in Canada.

Currently, Marengo has to compete with other large "foreign issuers" for the non-Canadian portion of the investment pools. It is often more likely that these limited funds will be invested in larger competitors who are perceived to be less risky than Marengo. As Marengo Canada would be incorporated in Canada, it will not be a foreign issuer and therefore should have full access to the capital pools of Canadian institutional investors. The capacity of Canadian institutions to invest in Marengo would be considerably increased if the investment could be made from their domestic funds pool rather than their foreign funds pool.

### 8.3 Legal implications

If the Scheme is approved Shareholders will no longer hold shares in an Australian entity as they will exchange them for shares in Marengo Canada which will be a Canadian company. Canada has a federal system of government, with power divided between the federal government and the provinces. Securities law is principally governed at the provincial level with each province having its own securities legislation, although securities legislation is similar across all of the provinces. Also the provincial regulators have a system to enable them to cooperate with each other.

Companies can be incorporated in Canada at either the federal level (under the Canada Business Corporations Act ("CBCA")) or under one of the provincial statutes. There is substantial consistency between the corporate requirements of the CBCA and the various provincial statutes. Marengo Canada was incorporated at the federal level under the CBCA.

Canadian and Australian takeovers laws are broadly similar with a 20% shareholding threshold triggering the requirement for a takeover bid in both countries and the benchmark for compulsory acquisition being 90%.

A summary of differences of the rights of shareholders' between holding shares in a company incorporated under the Corporations Act and the CBCA is set out in section 8.2 of the Scheme Booklet.

### 8.4 Tax implications

The Australian and Canadian income tax consequences for Shareholders of implementing the Scheme will depend upon whether the shares are held on capital account, on revenue account or as trading stock. A distinguishing feature of shares held on capital account and shares held either on revenue account or as trading stock is the purpose for which they were acquired:

- shares held on revenue account, or as trading stock, are acquired for resale at a profit in the short term; whereas
- shares held on capital account are acquired for the purpose of deriving dividend income and long term appreciation of value.

The implementation of the Scheme should not crystallise Australian or Canadian income tax liabilities for shareholders who hold their shares on capital account. This is due to the availability of scrip-for-scrip roll-over relief in Australia and deferral in Canada.

However, there is no roll-over relief or deferral available for Australian or Canadian income tax purposes for scrip-for-scrip exchanges of shares held on revenue account or as trading stock. Accordingly, Australian or Canadian income tax liabilities may be crystallised by shareholders who hold their shares on revenue account or as trading stock.

Shareholders are directed to section 7 of the Scheme Booklet for a more detailed explanation of the tax implications of the Scheme for Shareholders.

## **8.5 Costs**

The process of implementing the Scheme has a number of steps and involves one-off transactions costs which the directors estimate to be approximately A\$500,000.

However, most of these costs have already been incurred, or will be incurred by the date of the meeting to approve the Scheme, regardless of whether the Scheme is approved or not. As a consequence the costs of the Scheme are not considered to be material to the decision to be made by Shareholders.

There will be additional costs of a further company being added to the group structure. However, we are not aware of there being a material change to the ongoing operating costs of the group if the Scheme is approved. The Company already has listings on TSX, ASX and POMSoX and the directors do not anticipate any material increase in operating costs if the Scheme is approved.

## **9. Do the Advantages of the Scheme outweigh the Disadvantages?**

If the proposed Scheme is approved then there will be no material change in value to Shareholders. Consequently, in order to determine whether the Scheme is in the best interests of Shareholders we have considered the advantages, disadvantages and other factors that are likely to impact Shareholders.

### **9.1 Advantages of the Scheme**

We have considered the following advantages when assessing the Scheme:

#### **9.1.1 Exposure to Canadian institutional investors and deeper pools of capital**

The principal advantage of the Scheme (and the change of domicile) is that Marengo would obtain direct and full access to the capital market in Canada and the Company's prospects in seeking equity capital for the Yandera Project would be improved. The Directors have considered the financing alternatives and believe that the required level of equity funding would be difficult to achieve in the Australian market or in the Canadian market as a foreign domiciled company or indeed in other offshore markets such as Hong Kong or London.

A change in domicile to Canada would increase the attractiveness of the Company to an equity market which has a strong interest in mining projects across the world and which has provided equity for junior mining companies with projects in developing countries. The change in domicile to Canada will also make the Company more attractive to those institutional investors and pooled funds who continue to limit the amount of foreign issues in their "Canadian equity" portfolios to manage their international market risk.

Currently Marengo has to compete with other large “foreign issuers” for the non-Canadian portion of the investment pools. It is often more likely that these limited funds will be invested in larger competitors who are perceived to be less risky than Marengo. As Marengo Canada will be incorporated in Canada, it will not be a foreign issuer and therefore should have full access to the capital pools of Canadian institutional investors. The capacity of Canadian institutions to invest in Marengo would be considerably increased if the investment could be made from their domestic funds pool rather than their foreign funds pool.

This increased potential to access capital is an advantage to Shareholders and at worst could be considered neutral in its effect.

Shareholders should be aware however that there is no guarantee that Marengo would be successful in obtaining the required funding following the completion of the Scheme.

### **9.1.2 Potential for Improved Company Structure**

The appetite for larger scale equity investment is higher in Canada than in Australia and by re-domiciling to Canada Marengo may have improved access to equity financing.

With greater access to equity financing comes less reliance on debt which in turn will reduce the cost of debt which Marengo needs to leverage for the financing of the Yandera Project. Greater access to equity financing also means that the company limits its exposure to financial risk, providing a safer platform for investors.

### **9.1.3 Market profile**

The Scheme provides an opportunity to create a new profile for Marengo in the larger, more diverse North American market. As a Canadian incorporated company, Marengo Canada will be eligible for inclusion on all major Canadian indices therefore increasing its media coverage and market presence. This can be regarded an advantage to Shareholders in the sense that a greater market presence can lead to an improvement in the Company’s ability to raise future capital which in turn can accelerate growth in the Company and create additional value to Shareholders in the long run. This may also result in a re-rating of the Company’s share price, although this is not certain.

Canadian analysts appear to have a greater understanding of copper porphyry, copper gold and copper molybdenum deposits than their counterparts in Australia. This is largely because of the number of copper deposits in Latin America which Canadian companies invest in.

As discussed above, Marengo Canada will have greater access to equity finance through public offerings which will have the effect of increasing the market capitalisation of the company. This increased market capitalisation is likely to provide greater media and analysts’ coverage and an increased liquidity of its stock. With the increased coverage, the Company may have a greater ability to obtain debt and equity finance, including an increased level of investment interest in the financial markets and possibly an access to a wider range of investors.

### **9.1.4 Increased liquidity**

The Mining sector of the TSX market is highly liquid with an average annual turnover of 102% in the 2011 calendar year meaning that on average the total value of these stocks in mining companies were turned over during 2011. This ratio was calculated based on the total value of metals and mining stocks traded on the TSX divided by the average market capitalisation of those stocks over the 2011 calendar year. The

corresponding ratio for ASX listed metals and mining stocks was 76% indicating a lower level of trading activity and thus liquidity. This implies that shareholders of Marengo may experience an increase in the liquidity of their holdings if the Scheme is approved and Marengo was to have a primary listing on the TSX. This advantage will only be experienced by those Shareholders who elect to convert their shares in Marengo to the TSX listed shares in Marengo Canada and not those who elect to hold the ASX listed CDI's, however Shareholders may elect to convert their CDI's to Marengo Canada shares at any time.

### **9.1.5 Familiarity of local exchange**

Marengo Canada will apply for a primary listing on the TSX and will maintain secondary listings on the ASX and POMSoX. Therefore following the Scheme, Shareholders will continue to be able to hold their interests on the exchange with which they are most familiar.

Marengo Canada will be required to comply with the listing rules in Australia, including disclosure requirements under the continuous disclosure rules and lodgement of financial statements and quarterly reports.

## **9.2 Disadvantages of the Scheme**

We have considered the following disadvantages when assessing the Scheme:

### **9.2.1 Additional cost and administrative burden**

If the Scheme is approved the Company will incur the transaction costs associated with the restructure. These include initial listing fees payable to the TSX and ASX which are estimated by the Company at A\$500,000. However, most of these costs have already been incurred, or will be incurred by the date of the meeting to approve the Scheme, regardless of whether the Scheme is approved or not. As a consequence the costs of the Scheme are not considered to be material to the decision to be made by Shareholders.

The Company must also bear the cost of any ongoing compliance, administration and operating costs as a result of the restructure. These costs are not anticipated to be material.

### **9.2.2 Change in jurisdiction**

If the Scheme is approved, Marengo Shareholders will become Shareholders in Marengo Canada. Marengo Canada, as a company incorporated in Canada, will not be subject to all of the provisions of the Corporations Act to which Marengo is currently subject and to which Marengo Shareholders are familiar. Whilst the provisions of the CBCA are broadly similar to the provisions of the Corporations Act, some Marengo Shareholders may not be familiar with the Canadian provisions to which Marengo Canada will be subject and thus could cause a degree of unrest amongst investors. A summary of differences of the rights of shareholders' between holding shares in a company incorporated under the Corporations Act and the CBCA is set out in Section 8.2 of the Scheme Booklet.

Under the Scheme Marengo Canada will retain the management team of Marengo whose prior experience is centred on Australian incorporated mining companies. As a result a reduced familiarity with Canadian statutory requirements may result in an increased compliance costs as external advisors and consultants will need to be used more regularly.

### **9.2.3 Some ineligible shareholders may not be able to receive Marengo Canada shares**

An Ineligible Overseas Shareholder for the purposes of the Scheme is a Marengo Shareholder whose address shown on the Register is a place outside Australia and New Zealand or their external territories, the United States of America, Canada, Hong Kong, Singapore and Switzerland unless Marengo Canada and Marengo are satisfied that the laws of that Scheme Shareholder's country of residence permit the issue and allotment of Marengo Canada Shares to that Scheme Shareholder. Without incurring undue expense in preparing a disclosure document in the relevant jurisdiction, some Ineligible Overseas Shareholders may not be able to receive Marengo Canada Shares due to their local securities laws. The Marengo Canada Shares to which those Ineligible Overseas Shareholders would be otherwise entitled to receive under the Scheme will be issued to a nominee, who will sell those shares and pay out the sale proceeds, after deducting any brokerage, stamp duty and other taxes and charges, to those Ineligible Overseas Shareholders.

## **9.3 Other considerations**

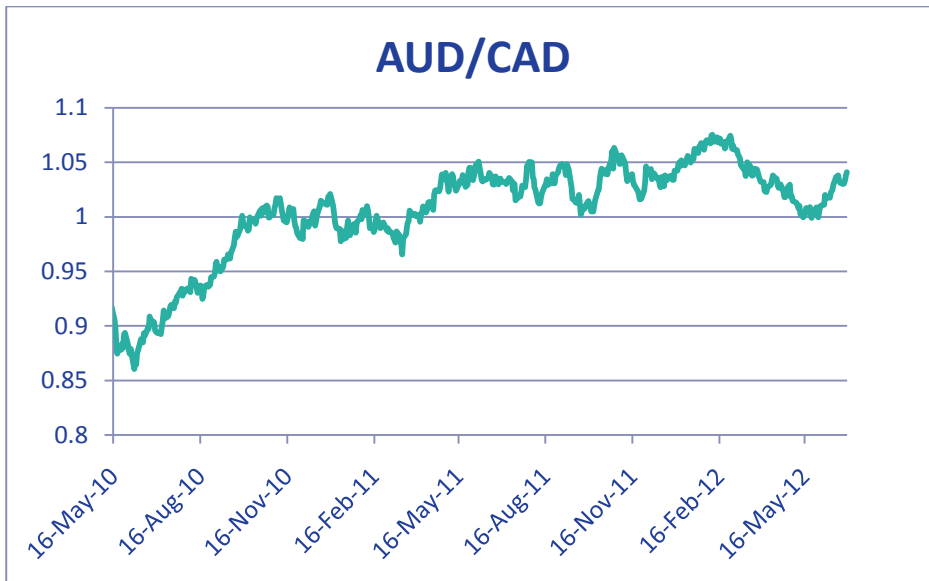
We have considered the following factors when assessing whether the advantages of the Scheme outweigh the disadvantages:

### **9.3.1 Foreign exchange implications**

Under the Scheme Marengo will have a primary listing on the TSX and secondary listings on the ASX and POMSoX. This will give existing Marengo Shareholders the option whether to apply for TSX listed Marengo Canada shares, POMSoX PDIs or ASX listed CDIs.

If the Australian shareholders elect to subscribe to the TSX listed stock they will be exposed to foreign exchange risk when converting Canadian dollar denominated returns into Australian Dollars. It cannot be strictly considered a disadvantage to all investors, as Canadian shareholders now eliminate their exposure to foreign exchange risk as their returns will now be denominated in their domestic currency. As noted in section 5.5, 51.8% of all Marengo shareholders hold shares listed on TSX.

The chart below indicates the degree of volatility of the Australian Dollar presented against the Canadian Dollar and thus highlights the uncertainty of returns, giving rise to additional risk that will be borne by the Australian and other non-Canadian resident investors.



Source: Bloomberg

### 9.3.2 Failure to approve the Scheme

In the event the Scheme is not approved Marengo will remain as an Australian entity listed on the ASX, TSX and POMSoX and Shareholders will retain their direct interest in Marengo. As such the Company will need to continue to attract the required interest of investors to raise the funds necessary for the continued development of the Yandera Project. The potential pool of investors will be restricted to those that are currently available to the Company. Essentially there will be no change to the current situation that the Company finds itself in. However, it should be noted that the funds that are required to be raised by the Company as it moves into the development of the Yandera Project are substantially greater in the future than in the past (the estimated capital costs of the Yandera Project are A\$1.8 billion to A\$2.2 billion).

To increase the likelihood of obtaining this funding it is reasonable for the Company to maximise the pool of possible investors.

Certain transaction costs will have been incurred regardless of whether the Scheme is approved. Management estimate these costs to be A\$500,000.

### 9.3.3 Impacts on investment portfolios and risk preferences

The proposed Scheme will have potential impact on the investment portfolio of Shareholders who may have preferences with regard to the jurisdiction of their investments. Similarly institutional investors and fund managers have requirements to hold a certain percentage of stocks from particular exchanges or from particular market capitalisation bands. If the Scheme is approved then for certain investors these requirements may no longer be met and a restructure of their portfolio may need to occur. We have not considered this to be a disadvantage as the Company's current share register does not include many such Australian investors and the Company is looking for this transaction to give it exposure to such investors in Canada who are considered to be a more prospective source of the large future funds required.

### 9.3.4 Potentially higher volatility of TSX listed mining stocks

A perfectly efficient global capital market would imply that the returns of a stock would be identical regardless of which exchange it trades on however in reality market imperfections arise which can violate this theoretical assumption. If the Scheme is approved then Marengo Canada will be exposed to different market wide factors than those that Marengo is currently subject to. We have conducted an analysis of the volatility of returns of the ASX300 Metals and Mining Index and compared that with the TSX Composite Mining Index. The table below sets out the one, two and three year volatilities of these indices.

Volatilities	ASX300 Metals & Mining Index	TSX Composite Index
1 year	27%	31%
2 year	25%	28%
3 year	26%	31%
<b>Average</b>	<b>26%</b>	<b>30%</b>

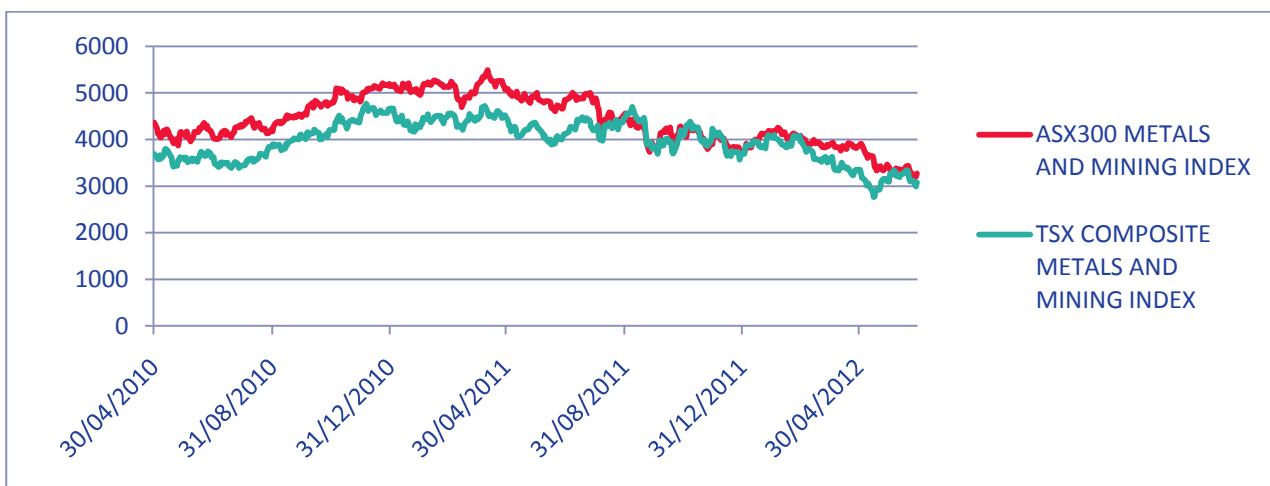
Source: Bloomberg and BDO analysis

If we were to assume that this historical volatility trend was to continue going forward and that Marengo Canada will be subject to a similar increase in volatility then Shareholders may be differently affected. However, we recognise that Marengo already has a secondary listing on TSX and that Shareholders currently, and will continue to, have a choice as to which exchange they hold and trade their shares on.

As the volatility of a stock increases, the level of risk associated with holding that stock also increases as there is a greater amount of uncertainty regarding the expected returns of that stock. Depending on each individual shareholder's risk preference this can be either an advantage or a disadvantage. For this reason as well as the fact that we cannot accurately predict the future volatility of Marengo Canada we have considered this as another consideration rather than a strict advantage or disadvantage.

### 9.3.5 Recent Performance of TSX Mining Stocks

Historically ASX listed mining companies are highly correlated with the mining stocks listed on the TSX. This is evidenced in the chart below with the Australian mining companies being represented by the ASX300 Metals and Mining Index and the TSX listed mining companies by the TSX Composite Metals and Mining Index.



Source: Bloomberg



Despite this historically close relationship the ASX300 Metals and Mining Index is outperforming the TSX Composite Metals and Mining Index in 2012. As a non-Canadian company Marengo is not eligible for inclusion in the TSX Composite Index. As a Canadian domiciled company Marengo Canada will be eligible for inclusion in this index. This means that a factor for Shareholders to consider is that upon re-domiciling to Canada, Marengo Canada may be subject to index related factors that Marengo would otherwise not be subject to. We have included this as another consideration rather than an advantage or disadvantage as we acknowledge that Marengo Canada could be impacted by either positive or negative Canadian market specific factors going forward.

### **9.3.6 Alternative Funding Sources.**

The cost to develop the Yandera Project is in the order of A\$1.8 to \$2.2 billion of which it is estimated that approximately A\$600 million will be equity funding. The directors of Marengo have considered and researched alternative avenues to pursue to source this funding. We are informed that this has included investigating the London, Hong Kong and Middle East markets in particular. This investigation has led the directors to consider that a re-domicile to Canada to be the optimum route to gaining access to the funds required by Marengo to develop the Yandera Project.

### **9.3.7 Comparable shareholder protection and regulations**

Marengo Canada is regulated under the Canada Business Corporation Act (“CBCA”). Canadian and Australian takeovers laws are broadly similar with a 20% shareholding threshold triggering the requirement for a takeover bid in both countries and the benchmark for compulsory acquisition being 90%.

We do not consider this to be an advantage or a disadvantage to Shareholders as there will not be a significant impact.

### **9.3.8 Tax implications**

An overview of the tax implications for Australian shareholders is set out in section 8.4 of this Report. Shareholders are directed to section 7 of the Scheme Booklet for a more detailed explanation of the tax implications of the Scheme for Shareholders. We emphasise that the tax circumstances of each shareholder can differ significantly and individual shareholders are advised to obtain their own specific advice.

## **10. Conclusion**

**We have considered the terms of the Scheme as outlined in the body of this report and have concluded that the advantages of the Scheme outweigh the disadvantages, therefore the Scheme is in the best interests of the Marengo Shareholders.**

The most significant advantage for Shareholders in approving the Scheme and consequent change in domicile to Canada is the potential to make the Company more attractive to those institutional investors and pooled funds who continue to limit the amount of foreign issues in their “Canadian equity” portfolios to manage their international market risk. Through this the potential for the Company to raise the funds required to develop the Yandera Project will be increased.

## 11. Sources of Information

This report has been based on the following information:

- Draft Share Scheme Booklet on or about the date of this report;
- Draft Scheme Implementation Deed;
- Audited financial statements of Marengo for the years ended 30 June 2010 and 30 June 2011;
- Reviewed financial statements of Marengo for the half year ended 31 December 2011;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Marengo.

## 12. Independence

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of \$35,000 (excluding GST and reimbursement of out of pocket expenses). Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Marengo in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd's reliance on information provided by the Marengo, including the non provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Marengo and any of their respective associates with reference to ASIC Regulatory Guide 112 "Independence of Experts". In BDO Corporate Finance (WA) Pty Ltd's opinion it is independent of Marengo and their respective associates.

A draft of this report was provided to Marengo and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

BDO is the brand name for the BDO International network and for each of the BDO Member firms.

BDO (Australia) Ltd, an Australian company limited by guarantee, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of Independent Member Firms. BDO in Australia, is a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International).

## 13. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of

independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 170 public company independent expert's reports under the Corporations Act or ASX Listing Rules. These expert's reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 14 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert's reports and valuations in general for companies in a wide number of industry sectors.

## 14. Disclaimers and consents

This report has been prepared at the request of Marengo for inclusion in the Scheme Booklet which will be sent to all Marengo Shareholders. Marengo engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the proposal to undertake a restructure of its capital which would result in the transfer of all Marengo shares to Marengo Canada is in the best interests of Shareholders.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Scheme Booklet. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Scheme Booklet other than this report.

BDO Corporate Finance (WA) Pty Ltd has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit or review of Marengo in accordance with standards issued by the Auditing and Assurance Standards Board. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting the appropriate due diligence. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Scheme, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Marengo, or any other party.



The statements and opinions included in this report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this report for events occurring subsequent to the date of this report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

**Sherif Andrawes**  
Director

A handwritten signature in blue ink, appearing to read 'Adam Myers', written in a cursive style.

**Adam Myers**  
Director

# Appendix 1 - Glossary of Terms

Reference	Definition
A\$	Australian Dollars
ASIC	Australian Securities and Investments Commission
ASX	Australian Securities Exchange
BDO	BDO Corporate Finance (WA) Pty Ltd
CBCA	Canada Business Corporations Act
CDI	CHESS Depository Interest
CHESS	Clearing House Electronic Subregister System
C\$	Canadian Dollars
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FOS	Financial Ombudsman Service
FSG	Financial Services Guide
Marengo	Marengo Mining Limited, the existing Australian company
Marengo Canada	Newly formed holding company of Marengo Mining Limited to be listed on the TSX, POMSx and ASX.
NASDAQ	NASDAQ Stock Market
NYSE	New York Stock Exchange
Our Report	This Independent Expert's Report prepared by BDO
PDI	PETS Depository Interest
Petromin	Petromin PNG Holdings Limited
PETS	Port Moresby Stock Exchange Trading System
PNG	Papua New Guinea

POMSoX	Port Moresby Stock Exchange
RG111	Regulatory Guide 111, 'Content of Expert's Reports'
RG112	Regulatory Guide 112, 'Independence of Experts'
RG60	Regulatory Guide 60, 'Schemes of Arrangements'
The Act	Corporations Act 2001 Cth
The Company	Marengo Mining Limited
The Scheme	The proposal to undertake a restructure of Marengo's capital which would result in the transfer of all Marengo shares and options to Marengo Canada. Under the Scheme equity holders of Marengo will receive one Marengo Canada share, CDI or PDI for every Marengo share held.
Section 411	Part 3 of Schedule 8 to the Act
Shareholders	Shareholders of Marengo Mining Limited
TSX	Toronto Stock Exchange
VWAP	Volume Weighted Average Price

## ANNEXURE 6

### RIGHTS ATTACHING TO CHESS DEPOSITARY INTERESTS

#### 1. Definitions

Capitalised terms used in this Annexure and not otherwise defined have the same meaning as set out in the Glossary of the Explanatory Statement.

#### 2. Introduction

Upon implementation of the Schemes, Marengo Canada intends to participate in the electronic transfer system known as CHESS operated by ASX Settlement and Transfer Corporation Pty Ltd. Clearing House Electronic Subregister System (**CHESS**) cannot be used directly for the transfer of securities of companies domiciled in certain foreign jurisdictions, such as Canada. To enable companies such as Marengo Canada to have their securities cleared and settled electronically through CHESS, depositary interests called CDIs are issued.

CDIs confer holders with beneficial ownership in foreign securities such as Marengo Canada Shares, with the legal title to such shares held by an Australian depository entity. Marengo Canada will appoint CHESS Depository Nominees Pty Ltd (**CDN**), a subsidiary of ASX, to act as its Australian depository. A summary of the rights and entitlement of Marengo Canada CDI holders and CDI holders generally is set out below.

#### 3. Number of CDIs issued

Each CDI will be economically equivalent to one ordinary share in Marengo Canada. Accordingly, each Scheme Participant will receive the same number of CDIs as they would Marengo Canada Shares.

#### 4. Cessation of trading in Shares

Suspension of trading on the ASX in Marengo Shares will occur from the close of trading on the date on which Marengo lodges the Court order approving the Scheme with the ASIC (being the Effective Date).

#### 5. Trading in CDIs on the ASX

Marengo Canada will, prior to implementation of the Scheme, apply for quotation of the CDIs on ASX. However, there is no guarantee as to when this will occur or that it will occur at all. Accordingly, a Scheme Participant should be aware that immediately following implementation of the Schemes, there may not be a market for trading CDIs. However, if this occurs, Scheme Participants will receive Marengo Canada Shares.

#### 6. Voting

If holders of CDIs wish to attend general meetings of Marengo Canada, they will be able to do so as and from the commencement of trading of CDIs on ASX. Under the ASX Listing Rules, Marengo Canada, as an issuer of CDIs, must allow CDI holders to attend any meeting of the holder of the underlying securities unless relevant Canadian law at the time of the meeting prevents CDI holders from attending those meetings.

In order to vote at such meetings, CDI holders have the following options:

- (a) instructing CDN, as the legal owner, to vote the Marengo Canada Shares underlying

their CDIs in a particular manner;

- (b) informing Marengo Canada that they wish to nominate themselves or another person to be appointed as CDN's proxy for the purposes of attending and voting at the general meeting; or
- (c) converting their CDIs into a holding of Marengo Canada Shares and voting these at the meeting. This must be done prior to the record date for the meeting.

**7. Converting from a CDI holding to a direct holding of Marengo Canada Shares**

CDI holders who wish to convert their CDIs to Marengo Canada Shares can do so by instructing Marengo Canada's share registry, either:

- (a) directly in the case of CDIs on the issuer sponsored sub-register operation by Marengo Canada; or
- (b) indirectly, through their controlling participant (usually your broker) in the case of CDIs which are sponsored on the CHESSE sub-register.

Marengo Canada will then arrange for the transfer of Marengo Canada Shares from CDN to the former CDI holder and issue to the former CDI holder a corresponding share certificate. This will cause Marengo Canada Shares to be registered in the name of the holder on the Marengo Canada share register and trading on the ASX will no longer be possible.

It is expected that this process will be completed in a relatively short time period, however, no guarantee can be given about the time for this conversion to take place.

**8. Converting from a direct holding of Marengo Canada to a CDI**

If holders of Marengo Canada Shares wish to convert their holdings to CDIs, they can do so by contacting the Marengo Canada share registry. In this instance, underlying Marengo Canada Shares will be transferred to CDN and a holding statement for the CDIs will be issued to the relevant security holder. For CHESSE holders that statement will be issued in the days following the end of the calendar month in which the conversion is effected. No trading in the CDIs should take place on the ASX until this transfer process is complete.

**9. Communication with CDI holders**

CDI holders will be sent all notices and company announcements that Marengo Canada Shareholders are entitled to receive from Marengo Canada.

**10. Dividends and entitlements**

The ASX Settlement Operating Rules have effect as a contract under seal by virtue of the Corporations Act. These rules grant CDI holders the right to receive any dividends and other entitlements which attach to Marengo Canada Shares. Despite legal title to Marengo Canada Shares being vested with CDN, the ASX Settlement Operating Rules provide that CDI holders are to be sent all direct economic benefits and other entitlements in relation to the underlying shares (such as the right to receive the same dividends, rights issues and bonus issues).



**11. Takeovers**

If a takeover bid is made in respect of Marengo Canada Shares of which CDN is the registered holder, under the ASX Settlement Operating Rules, CDN must not accept the offer made under the takeover bid except to the extent that acceptance is authorised by the relevant CDI holder.