MARENGO
MINING LIMITED

ABN 57 099 496 474

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2012

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") for Marengo Mining Limited ("**Marengo**" or the "**Company**") should be read in conjunction the audited consolidated financial statements and related notes thereto for the fiscal year ended June 30, 3012 ("FY 2012 Consolidated Financial Statements"). This information is presented as of September, 21 2012. The FY 2012 Consolidated Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with the Australian Accounting Standards ("**AAS**"). AAS are equivalent to International Financial Reporting Standards ("**IFRS**") issued by the international accounting standards board.

All amounts in this discussion are expressed in Australian dollars unless otherwise indicated.

In this MD&A, references to "Company" are references to Marengo Mining Limited and its wholly-owned subsidiaries.

The FY 2012 Consolidated Financial Statements and other information about the Company and its business activities are available on the (Canadian) SEDAR website.

1. Overview

Marengo is an international mineral exploration and development company listed on the Australian Securities Exchange (the "**ASX**"), Port Moresby Stock Exchange Limited ("**POMSoX**") (Code: MGO) and the Toronto Stock Exchange (the "**TSX**") (Code: MRN).

The Company's principal asset is the Yandera copper-molybdenum-gold project (the "**Yandera Project**") in Papua New Guinea. The Company is currently focused on advancing the development of the Yandera Project.

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, the Company commissioned a conceptual mining study (the "**CMS**") for the Yandera Project to include a preliminary mine design and open pit optimisation, metallurgical testwork, plant flowsheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a feasibility study (the "**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 ongoing. Phase 2 of the FS involves metallurgical testwork, 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.

2. Subsequent Events

No matters or circumstances have arisen since period end which will significantly affect, or may significantly affect, the state of affairs or operations, other than the following:

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

(b) On August 21, 2012, the Company announced that it had entered into an agreement to acquire 18 hectares of industrial wharf land at the port of Madang in Papua New Guinea (“**PNG**”). The consideration for the acquisition of control of the leasehold land and ship-loader is 22 million PNG Kina (approximately A$/C$10 million), which is payable in stage payments up to 18 months from the date of the agreement, with the first payment of 0.5 million PNG Kina (approximately A$/C$0.225 million) having been paid on signing. It is envisaged that the Madang site will be utilised for the following components of infrastructure for the project, should it proceed, being:

- Concentrate storage and shipping facilities;
- Power station and associated transformers;
- Office and warehouse facilities; and
- Staff accommodation.

(c) On September 6, 2012, the company allotted 37,400,000 Performance Rights to directors and employees pursuant to a Plan approved by shareholders on September 29, 2011.

3. Overall Performance

The Company began the fiscal year ended June 30, 2012 (“FY 2012”), with cash reserves and term deposits of $57,324,000 and raised a net of $865,000 during the year through the issue of 8,676,500 ordinary shares as a result of unlisted warrants being excised. Funds expended were used to actively advance the Company’s Yandera Project.

The Company recorded an operating loss for the FY 2012 of $2,855,000 (FY 2011: $4,313,000) for the FY 2012.

Details of the Company's recent exploration and development activities and overall performance are contained in the June 2012 quarterly report released on June 27, 2012 to the ASX and POMSoX, and drilling and project updates released on August 15 and 21, 2012, concurrently filed under the Company's profile at the (Canadian) SEDAR website.

In October 2010, the Company entered into a non-binding agreement with one of China's leading construction and engineering groups, China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd ("**NFC**").

Under the terms of the Memorandum of Understanding (MoU), Marengo has agreed to work exclusively with NFC to establish the cost and program for delivery of the Yandera Project in parallel with the completion of the current FS. These discussions will be conducted with a view to entering into:

- a formal construction agreement (Engineering, Procurement and Construction or EPC Contract) under which Marengo will appoint NFC as the principal contractor, under a lump sum turnkey contract, following a detailed evaluation of the project construction costs, to be undertaken by NFC as part of the final stage of the FS;

- a formal financing agreement, subject to agreement on the terms of the construction contract, under which NFC will facilitate at least 70% of the necessary financing for the project development costs of the Yandera Project through Chinese banks.

In addition, the MoU contemplates NFC placing a substantial amount of the project copper and molybdenum concentrate off-take with a variety of customers, including NFC itself, and investing in either Marengo or the Yandera Project or both, on terms to be agreed.

Under the proposed construction agreement, NFC will be permitted, to the extent reasonably practicable, to maximise the use and procurement of engineering services, mechanical equipment, fabricated steel and other construction materials, and mining equipment required for the Yandera Project in China.

The MoU includes an indicative timetable which contemplates the commencement of project construction at Yandera following completion of a formal EPC contract and approved financing.

Other highlights of the Company's activities for the fiscal quarter ended June 30, 2012 ("Q4 2012") are set out below:

Feasibility Study

The primary activity during Q4 2012 was to continue activities relating to the completion of a FS on the Yandera Project. This work is running in parallel with the completion of an Environmental Impact Statement (EIS) for submission to the PNG Department of Environment and Conservation.

It is anticipated that both the FS and the EIS will be completed towards the end of the current quarter ended September 30, 2012 ("Q1 2013"), ahead of an EPC pricing to be submitted by the Company's Chinese strategic engineering partner, NFC, during Q4 2012.

The Yandera Project development concept is for a full open-cut mining operation and subsequent processing operation to be sited at Yandera, with copper concentrate, and by-product magnetite concentrate being delivered to a port facility, in the Madang area, by way of pipeline.

Molybdenum concentrate will be delivered by road transport due to the smaller volumes of this high value product from the proposed mining operation.

An integrated rock waste and process tailings facility is being designed to be located in the vicinity of the Yandera deposit, under stringent criteria, to ensure that the highest levels of environmental integrity are retained.

A power station, also located in the Madang area, is contained within the study, with power being reticulated to site, close to existing roads and then close to a planned road, which will extend up to the Yandera site from the end of existing regional roads.

Revised Resource Estimate

The revised mineral resource estimate, released in May 2012 (the "May 2012 Resource Estimate"), saw a significant increase in measured resource and grade as well as areas of higher grade (+0.5% Cu) some of which has been identified for the initial years of possible production. At a 0.25% Copper cut-off grade the Yandera Resource was reported as:

Table 1: Yandera – May 2012 Resource Estimate

Resource Category	Tonnage (Mt)	% Cu	Contained Copper (M lbs)
Measured & Indicated	362	0.43	3,407
Inferred	218	0.37	1,778

The measured resource category has increased by over 100% and substantial additional resources have been upgraded from the inferred to the indicated category. Also confirmed were significant areas of elevated gold and molybdenum grades. The May 2012 Resource Estimate incorporates assay results from 465 diamond drill holes totalling 145,335 m, which were drilled up until the end of 2011.

The following table shows the comparison between the May 2012 Resource Estimate and the previous estimate (the "April 2011 Resource Esitmate"):

Table 2: Yandera – Comparison to previous Resource Estimate

Total Measured & Indicated	Cut-off	Mt	Cu (%)
May 2012 Resource Estimate	0.25% Cu[1]	362	0.43
April 2011 Resource Estimate	0.30% CuEq[2]	359	0.36
Inferred			
May 2012 Resource Estimate	0.25% Cu[1]	218	0.37
April 2011 Resource Estimate	0.30% CuEq[2]	417	0.38

1) *Ravensgate does not use copper equivalent grade for reporting*
2) *The copper equivalent calculation used by Golder Associates in April 2011 was CuEq = (Cu% + (Mo% x 10))*

In addition, an extensive section of the Yandera deposit shows zones of higher grade gold and molybdenum (refer tables below), which are expected to make a significant positive contribution to the overall project economics. Additional metal inventories for by-product silver and rhenium have not been calculated at this time.

Resource Drilling Results

Drilling continued throughout Q4 2012 with three rigs on site, extending the in-fill drilling program initially at Omora before moving to Imbruminda.

Key results from the drilling programme are presented below:

- Diamond drilling at Omora intersected:
  - 362 metres @ 0.31% Cu
  - 183 metres @ 0.37% Cu
  - 108 metres @ 0.47% Cu

- Diamond drilling results from Imbruminda zone intersected:
  - 177 metres @ 0.30% Cu
  - 66 metres @ 0.36% Cu
  - 30 metres @ 0.65% Cu

Subsequent to end of Q4 2012, outstanding high-grade intersections were recorded from in-fill drilling highlighted by:

- Diamond drilling results from Omora zone intersected:
  - 126 metres @ 0.92% Cu
  - 159 metres @ 0.90% Cu
  - 186 metres @ 0.80% Cu
  - 72 metres @ 0.83% Cu
  - 165 metres @ 0.67% Cu
  - 198 metres @ 1.01% Cu

- Diamond drilling results from Imbruminda zone intersected:
  - 150 metres @ 0.68% Cu
  - 114 metres @ 0.51% Cu
  - 93 metres @ 0.49% Cu

- Diamond drilling results from Gremi zone intersected:
  - 150 metres
  - 219 metres @ 0.84% Cu
  - 141 metres @ 0.90% Cu
  - 81 metres @ 0.81% Cu
  - 114 metres @ 0.71% Cu
  - 99 metres @ 0.74% Cu

The new intersections, subsequent to quarter end, fall within the current resource envelope at Yandera but are significantly higher grade than the average grade of the current Measured and Indicated Resource (0.43% Cu) and are not included in the recent Resource Update.

These results confirm the prospectivity of high-grade "starter" zones which have the potential to enhance revenues and cash flows in the early stages of mining.

Two rigs are now undertaking exploration drilling at the Dirigi Prospect.

Yandera Exploration

The Company's regional program continued during Q4 2012, with completion of the airborne geophysical survey over EL1633 & 1670 in early May 2012. The data set was delivered by the end of May 2012 and sent for processing. This new data will be combined with the data flown in late 2009 plus the data flown during 2007, as part of the mining sector support program. The final results from this survey are being used to build into the regional program and aid target generation in the Company's north western tenement areas.

Fieldwork started during the quarter on the Queen Bee Prospect with two expeditions taking place to map and sample the drainages in that area. Work concentrated initially on the Marum River and the Kutua River drainage further west, to increase the dataset on the area. Figure 2 shows the geological, geophysical and sample data currently on hand. Anomalous stream sediment samples have been collected and show a distribution related to certain NE-SW to EW orientated magnetic low features within the mass of granodiorite. Further work in this area will target the magnetic lows for detailed mapping as well as the ENE-WSW orientated Dimbuku River structure further to the east of Queen Bee.

With the reduction in the number of drill rigs on site, for the time being, geologists are currently freed up to concentrate on local target areas. One of these, the Moguru Creek, which lies directly south of Omora, saw focussed mapping and sampling during the quarter. The aim was to test extensions to the Omora breccia bodies and identify any mineralised structures in that area that may add to the overall Yandera resource.

Sample Preparation Facility Commissioned

During Q4 2012, a sample preparation facility was commissioned at a location close to Yandera (Frog Camp).

This Marengo constructed and owned facility has streamlined the drill core logging and sample handling process, with a single location being utilised for the receipt of all drill samples, their photography, logging and sample collection.

Once the samples are recovered, they are handed to the sample preparation section of the facility, which is operated under a full quality control regime by ITS (PNG) Limited, a member of the Intertek Laboratory Group. Once sample preparation is complete, a portion of each sample is transported from site for analysis at accredited Intertek laboratories.

With the commissioning of this facility the amount of material transported from site is greatly reduced and the timing for receipt of sample analysis is also reduced.

Community Matters

Marengo is committed to working with the community in all aspects of the current activities and future development plans for the Yandera Project. It maintains an effective and dedicated team to manage its community affairs programs.

During the FS process, the Company has made every effort to ensure that all local PNG stakeholders are fully briefed on the proposed development plans.

Public forums in villages and the Madang town area have enabled all stakeholders to voice their opinions on Marengo’s current and planned activities. During these meetings, it has become obvious that a high level of support continues to be given to the Company.

Regular meetings continue to be held with government departments at both provincial and national level to ensure that these bodies are also made aware, at an early stage, of the development plans for the Yandera Project.

Safety, Health and Environment

Marengo places the highest level of importance on safety, health and environment in all areas where it is active.

It is pleasing to report that during Q4 2012 there has been no significant safety or environmental incidents. The focus of all activities carried out by Marengo staff and consultants is to work safe and a dedicated health and safety management team are engaged in a program of continuous improvement to achieve this goal.

The Company’s Environment Department continues to be heavily involved in a number of aspects of the FS, particularly in areas involving baseline studies to assess the current regimes, in areas where development activities are planned to occur.

The Yandera camp clinic continues to treat Marengo employees and members of the local villages for their health needs, the more serious medical cases being evacuated by helicopter to government medical facilities for further treatment.

Equity Financing

On July 11, 2012, the Company announced the completion of a best efforts offering (the "**Offering**"), previously announced on March 13, 2012. The Offering was led by Paradigm Capital Inc of Toronto and included Casimir Capital Limited of New York.

The Company raised gross proceeds of C$20,000,000 by the issue of 133,333,333 ordinary shares at C$0.15 per share.

The issue was supported by a number of Marengo's existing shareholders, together with a number of new investors, including JP Morgan Asset Management (UK) Limited which took up an amount of the issue sufficient to give it an interest of 5.7% of the Company's issued capital subsequent to the offering.

Substantial shareholders in Marengo currently comprise:

Sentient Global Resources Funds	22.20%
Quantum Partners LDC	16.49%
OMERS (Ontario Municipal Employees Retirement System)	6.54%
JP Morgan Asset Management (UK) Limited	5.70%

Appointment of Chief Operating Officer

During the quarter, Marengo announced the appointment of Mr Paul Korpi to the newly created position of Chief Operating Officer. This appointment is consistant with the company's strategy to build its executive management team.

Appointment of PNG Country Manager

Subsequent to the end of Q4 2012, Marengo has announced the appointment of Mr Stevie T.S. Nion to the newly created position of PNG Country Manager, further strengthening its executive management team.

New Website Launched

The Company has launched a new website. This functional site contains up to date information on Marengo, its people, its project and its plans.

In addition it contains revised Corporate Governance policies, capital structure details and a corporate directory.

The website can be accessed at www.marengomining.com

4. Selected Financial Information

The table below sets forth selected financial data relating to the Company's financial years ended June 30, 2012, June 30, 2011, June 30, 2010 and June 30, 2009. This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with the Australian equivalents of IFRS.

Earnings and Deficit	Year Ended			
	30 June 2012 $'000	30 June 2011 $'000	30 June 2010 $'000	30 June 2009 $'000
REVENUE	**1,774**	**1,841**	160	697
Other income	**486**	**-**	**-**	563
EXPENDITURE				
Administration costs	**(1,173)**	**(647)**	(658)	(647)
Corporate expenditure	**(1,264)**	**(1,657)**	(889)	(843)
Depreciation expense	**(298)**	**(240)**	(220)	(197)
Exploration expenditure	**(7)**	**(306)**	(397)	(253)
Net foreign exchange losses	**(78)**	**(1,578)**	(190)	**-**
Insurance expenditure	**(316)**	**(217)**	(170)	(205)
Occupancy expenditure	**(377)**	**(254)**	(166)	(165)
Salaries and employee benefits	**(1,482)**	**(960)**	(962)	(962)
Share-based payment expense	**(120)**	**(285)**	(226)	(358)
LOSS BEFORE INCOME TAX	**(2,855)**	**(4,313)**	(3,718)	(2,370)
Basic and Diluted loss per share	**(0.28)**	**(0.51)**	(0.81)	(0.85)
Balance Sheet				
Total Assets	**166,718**	**147,240**	69,647	58,940
Total Liabilities	**(7,616)**	**(4,872)**	(3,326)	(1,404)
Shareholders' Equity	**159,102**	**142,368**	66,321	57,536

5. Results of Operations

Fiscal Year Ended June 30, 2012 ("FY 2012") Compared to Fiscal Year Ended June 30, 2011 ("FY 2011")

Revenue from continuing operations for the FY 2012 was $1,774,000 (FY 2011: $1,841,000) and is comprised of interest revenue. The decrease was due to a lower amount of interest income resulting from the decreased level of cash deposits as compared to the FY 2011 following the recent capital raisings.

During FY 2012, the Company expensed exploration expenditures of $7,000 (FY 2011: $306,000). During FY 2011, the Company changed its accounting policy from expensing all exploration costs to capitalising all expenditure directly attributable to the Yandera EL335 project. The decrease in exploration expenditure is due to higher levels of exploration being capitalised to the balance sheet.

Salaries and employee benefits expense for FY 2012 was $1,482,000 (FY 2011: $960,000) and has increased reflecting an increase in salaries and the recruitment of key management staff. It should be noted that salaries and wages costs directly related to mining properties have been capitalised and will not show in the Profit and Loss of the Company.

Share based payments expense for FY2012 was $120,000 (FY 2011: $285,000) being amortisation of the value of options issued to Directors and employees that vested during the financial year.

Administration, corporate and other expenditure totalled $3,019,000 for FY 2012 (FY2011: $4,601,000) and has decreased due to lower realised foreign exchange losses in FY2012.

Inflation and price changes have not had a material impact on Marengo's revenues and net income or loss during FY 2012.

6. <u>Summary of Quarterly Results</u>

The following table sets out the financial results for the Company's most recently completed eight quarters. The financial data is derived from the Financial Statements.

Summary of Quarterly Results (AUD)

	Quarter 30-Jun-12 $'000	Quarter 31-Mar-12 $'000	Quarter 31-Dec-11 $'000	Quarter 30-Sep-11 $'000	Quarter 30-Jun-11 $'000	Quarter 31-Mar-11 $'000	Quarter 31-Dec-10 $'000	Quarter 30-Sep-10 $'000
Total revenue	187	352	534	705	807	764	154	116
Net profit (loss)	(650)	(1,038)	(169)	(997)	4,706	982	(3,458)	(1,278)
Cash and cash equivalents	989	2,027	3,874	9,138	10,124.	12,277	3,723	11,272
Investments – term deposits	10,200	20,200	28,700	38,700	47,200	53,200	66,967	8,927
Total assets	166,715	159,391	157,223	158,443	147,239	142,977	142,872,977	84,412
Cash dividends declared per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Earnings (Loss) per share (cents)								
Basic	(0.06)	(0.10)	(0.12)	(0.22)	0.59	0.51	(0.40)	(0.20)
Diluted	(0.06)	(0.10)	(0.12)	(0. 21)	0.59	0.51	(0.40)	(0.20)

Marengo primarily incurs costs in Australian dollars (AUD), Canadian dollars (CAD) and Papua New Guinea kina (PGK) and as such is subject to exchange rate risk. During Q4 2012, movement in exchange rates were as follows:

	30 June 2012	**31 March 2012**	**High – 31 March 2012 to 30 June 2012**	**Low – 31 March 2011 to 30 June 2012**
AUD / CAD	1.0414	1.0357	1.0414	0.9984
AUD / PGK	2.0427	2.1255	2.1329	1.9393
AUD / USD	1.0160	1.0386	1.0472	0.9682

7. Discussion of Cash Flows

	12 Months 30 June 2012 $'000	**12 Months 30 June 2011 $'000**
Cash inflows (outflows) from:		
Operating activities	(4,697)	(3,130)
Investing activities	(5,189)	(69,242)
Financing activities	539	80,728

Cash outflows from operating activities for FY 2012 were $4,697,000 (FY 2011: $3,130,000) with the majority of expenditure being for administration and occupancy costs. The increase in expenditure for the year is mainly due to an increase in employee and occupancy cost due to increased feasibility study activity.

Cash outflows from investing activities during FY 2012 were $5,189,000 (FY 2011: $69,242,000). The majority of this expenditure related to the FS, Exploration activities and cash investments in Term deposits. The decrease in expenditure for the year is primarily due to a reduction in the availability of cash to invest in money markets.

Cash inflows from financing activities during FY 2012 was $539,000 (FY 2011: $80,728,000) being the net proceeds from capital raisings during the year.

8. Discussion of Financial Position

	30 June 2012 $'000	30 June 2011 $'000
CURRENT ASSETS		
Cash and cash equivalents	**989**	10,122
Investments – term deposits	**10,200**	47,200
Trade and other receivables	**726**	1,688
TOTAL CURRENT ASSETS	**11,915**	59,012
NON CURRENT ASSETS		
Other financial assets	**-**	515
Plant and equipment	**1,372**	971
Exploration and evaluation	**153,431**	86,742
TOTAL NON CURRENT ASSETS	**154,803**	88,228
TOTAL ASSETS	**166,718**	147,240
CURRENT LIABILITIES		
Trade and other payables	**6,597**	3,893
Provisions	**1,019**	979
TOTAL CURRENT LIABILITIES	**7,616**	4,872
TOTAL LIABILITIES	**7,616**	4,872
EQUITY	**159,102**	142,368

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2012 decreased to $989,000 compared to June 30, 2011 of $10,122,000 primarily due to no other substantial funds being raised since the issue of ordinary shares during the quarters ended September 30 and December 31 2010, respectively and funds being held in term deposits.

Investments - Term Deposits

Investments in term deposits at June 30, 2012 have decreased to $10,200,000 compared to June 30, 2011 of $47,200,000 primarily due to the utilisation of funds to further the Company's Yandera FS.

Trade and Other Receivables (Current)

Trade and other receivables decreased to $726,000 as at June 30, 2012 as compared to $1,688,000 as at June 30, 2011 primarily due to an increase in interest receivable for larger cash deposits and prepayments in the previous year.

Other Financial Assets (refer Section 12 – Transactions with Related Parties)

Other financial assets decreased to Nil as at June 30, 2012, compared to $515,000 as at June 30, 2011 due to the reclassification of a loan receivable.

Plant and Equipment

Plant and equipment increased to $1,372,000 as at June 30, 2012 as compared to $971,000 as at June 30, 2011 primarily due to the purchase of fixed assets in the normal course of business.

Exploration and Evaluation

Exploration and evaluation increased to $153,431,000 as at June 30, 2012 as compared to $86,742,000 as at June 30, 2011 primarily due to expenditure being capitalised in relation to the FS and exploration, including $25 million attributable to foreign exchange gain as a result of a 20% appreciation in the value of the PNG Kina throughout the year.

Trade and Other Payables

Trade and other payables increased to $6,597,000 as at June 30, 2012 as compared to $3,893,000 as at June 30, 2011 primarily due to the timing of payments in respect of the Yandera Project.

Provisions

Provisions increased to $1,019,000 as at June 30, 2012 as compared to $979,000 as at June 30, 2011 primarily due to an increase in staff leave entitlements during the year.

Equity

Equity increased to $159,102,000 as at June 30, 2012 as compared to $142,368,000 as at June 30, 2011 due to net capital raisings of $539,000 partially offset by a loss of $2,855,000 for the 12 months and an increase in reserves of $19,929,000 due to foreign exchange rate movements.

9. Liquidity and Capital Resources

The Company's principal requirements for cash over the next twelve months will be for the development of the Yandera Project.

The Company had a combined cash and term deposit investments balance of $11,188,000 at June 30, 2012.

The Company's contractual obligations are set out below:

	Payments due by Period				
Contractual Obligations A$'000	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long term Debt	-	-	-	-	-
Operating Leases	1,431	975	456	-	-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Total Contractual Obligations	**1,431**	**975**	**456**	**-**	**-**

The Company has implemented a rigorous planning and budgeting process to help determine the funding requirements to support its current operations and expansion and development plans. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short term requirements.

As of the date of this MD&A, the Company has cash and cash equivalents to assist financing its regional exploration program and completion of the FS on the Yandera Project and its general administrative expenses.

The Company's ability to continue its operations in the normal course of business is dependent upon its ability to raise additional debt and/or equity.

In addition, if the FS is positive, additional funding through a combination of equity and/or debt will be required to finance the development of the project, including construction of plant and other infrastructure, pre-strip and working capital.

The success and pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at the time, the outcome of the FS or any other relevant feasibility studies and exploration programs. Although the Company has been successful in raising additional funds in the past, there is no assurance that it will be able to do so in the future.

10. Financial Instruments and Other Instruments

The Company is exposed to commodity price risk and foreign exchange risk in the normal course of its business operations.

The Company has not entered into any forward sales or hedging agreements for copper or molybdenum or any other metals.

Currency hedges involve risks such as default by the other party, illiquidity and the extent to which the Company's assessment of certain market movements is incorrect and the risk that the use of hedges could result in losses greater than if hedging had not been used. The Company currently has no currency hedges in place.

The risks associated with fluctuations in the price of metals and foreign exchange rates are managed by the Company's management, as determined from time to time, using detailed budgets, forecasts and mine plans, but the Company cannot guarantee the effectiveness of its present or future hedging practices.

11. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at June 30, 2012.

12. Transactions with Related Parties

On June 11, 2008, the Company entered into a loan agreement with the Managing Director, Mr Les Emery, to lend $1,000,000 interest free for a 10 year loan term. The purpose of the loan was for Mr Emery to exercise 4,000,000 unlisted options expiring November 30, 2008. This agreement was approved by shareholders at the Company's general meeting on November 28, 2007.

The principal terms of the loan provide as follows:

- If Mr Emery's employment ceases for any reason other than death, permanent disability or removal from office, the loan becomes payable within one month of such cessation. If Mr Emery's employment ceases because of death, permanent disability or removal from office, the loan becomes payable within six months of such cessation. The Board retains discretion to extend these time periods;

- Any dividends must be applied to reduce the outstanding loan; and

- The loan is limited recourse. That is, in the event the shares obtained under the loan are sold for an amount less than the amount of the loan, the maximum amount Mr Emery will be required to repay is the amount of the sale proceeds. In this way, Mr Emery is protected against a decline in the Company's share price.

The loan has been accounted for as an option in the current fiscal year and as at June 30, 2012, the loan to Mr Emery is still outstanding.

13. Changes in Accounting Policies including Initial Adoption

Recently issued accounting pronouncements and their impact on the Company's accounting policies are disclosed in Note 1 to the Company's Annual Financial Report.

14. Risk Factors

The Company's risk factors are discussed in detail in the final prospectus dated July 4, 2012 and Company's Annual Information Form dated September 28, 2011 which is available on the (Canadian) SEDAR website at www.sedar.com and should be reviewed in conjunction with this document.

15. Outstanding Share Data

As at June 30, 2012, the only class of shares of the Company outstanding is ordinary shares. As at June 30, 2012, the Company had 1,003,745,113 ordinary shares outstanding, 16,071,050 options and 56,860,750 warrants to acquire ordinary shares at various exercise prices.

16. Critical Accounting Estimates

The accounting policies that involve significant management judgement and estimates are discussed in this section. For a complete list of the critical accounting estimates and judgements, reference should be made to note 1(u) of the FY 2012 Consolidated Financial Statements.

Share based payment transactions

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

Exploration and evaluation costs

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

17. Corporate Responsibility for Financial Reports

The Company's Managing Director ("**MD**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting. Access to material information with respect to the Company is facilitated by the small size of the Company's senior management team. The MD and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as of June 30, 2012, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that (i) material information relating to the Company is made known to them by others particularly during the period covered by this MD&A; (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarised and reported, within the time periods specified in securities legislation, and (iii) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with AAS. There were no changes in our internal control over financial reporting for the three months ended June 30, 2012, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

18. Cautionary Note Regarding Forward-Looking Information

Certain information in this MD&A, including all statements that are not historical facts, constitutes forward-looking information within the meaning of applicable Canadian securities laws. Such forward-looking information includes, but is not limited to, information which reflect management's expectations regarding Marengo's future growth, results of operations (including, without limitation, future production and capital expenditures), performance (both operational and financial) and business prospects (including the timing and development of new deposits and the success of exploration activities) and opportunities. Often, this information includes words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate" or "believes" or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved.

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. The assumptions include, among other things, assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) the accuracy of the Company's mineral resource estimate; (iv) the future price of copper and molybdenum; and (v) that the supply and demand for copper, molybdenum, and other metals develop as expected. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, the following: (i) need for additional financing to develop the Yandera Project; (ii) decreases in the price of copper and molybdenum; (iii) exploration risk; (iv) the risk that the Company will not obtain a renewal of Exploration Licence 1335;

(v) dependence on the Yandera Project; and (vi) state equity interest.

This MD&A and the Company's AIF dated September 30, 2011 contain additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of, this MD&A except as may be required by law. All forward-looking information disclosed in this MD&A is qualified by this cautionary statement.

Additional information about the Company and its business activities is available under the Company's profile on the (Canadian) SEDAR website.

19. <u>Scientific and Technical Information</u>

The scientific and technical information contained in this MD&A was prepared by or under the supervision of Peter Dendle. Mr Dendle is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr Dendle is a "Qualified Person" as defined by NI 43-101. Mr Dendle verified the data underlying the information in this MD&A prepared by him.

For a description of: (i) the quality assurance program and quality control measures applied during Marengo's work programs; (ii) a summary description of the geology, mineral occurrences and nature of mineralisation found; (iii) a summary description of rock types, geological controls and dimensions of mineralised zones at the Yandera Project; and (iv) a summary description of the type of analytical or testing procedures utilised, sample size and the name and location of each analytical or testing laboratory used please refer to the technical report on the Yandera Project dated May 2011, prepared by Mr Stephen Hyland of Ravensgate Minerals Industry Consultants and Mr Karl Smith of Karl Smith Mine and Geology Consulting. Mr Hyland and Mr Smith are Fellows of the Australasian Institute of Mining and Metallurgy.