

# Marengo Mining Limited

## June 2013 Quarterly Activities Report



*Members of the Yandera Community*

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TSX Share Code: MRN - ASX/POMSoX Share Code: MMC

### Yandera Project

- 🕒 Detailed review of the Feasibility Study has commenced focusing on optimal throughput rates, tailings placement and mine planning
- 🕒 Ongoing discussions with third party power providers
- 🕒 Discussions with the PNG Government regarding power supply options
- 🕒 Continuing discussions with Chinese strategic partner (NFC)
- 🕒 Geological mapping of the Yandera Central Porphyry System continuing
- 🕒 Yandera Landowners Association, election of office bearers held

### Corporate & Financial

- 🕒 Shareholder approval received for private placement of US\$15.0 million unsecured convertible debentures to Marengo's major shareholder, The Sentient Group
- 🕒 Quarter end cash balance of US\$6.7 million (excludes final \$6.0 million tranche of convertible debentures)
- 🕒 Board changes including the appointment of new Chairman
- 🕒 Closure of Perth office and review of costs
- 🕒 Corporate Secretary appointment
- 🕒 Relocation of principal corporate office to Toronto

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## YANDERA PROJECT, MADANG PROVINCE, PNG

(MARENGO MINING LIMITED – 100%)

The Yandera Copper-Molybdenum-Gold Project is a world-scale development project located in Madang Province, Papua New Guinea, some 95km south-west of the seaport of Madang within the highly prospective New Guinea copper-gold belt. The Yandera Central Porphyry System contains one of the largest undeveloped porphyry copper-molybdenum-gold systems in the south-west Pacific.

### Strategic Partner

In October 2010, the Company signed a Memorandum of Understanding (MoU) with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd (NFC), for the financing, construction and development of the Yandera Project.

As part of the MoU, NFC agreed with Marengo to undertake the key phase of process plant design work, as well as working with the Company in other areas, for the Yandera Project development.

### Engineering, Procurement & Construction (EPC) Pricing

During the previous quarter, Marengo received from NFC pricing for a lump sum, Engineering, Procurement and Construction (EPC) contract for development of the Yandera Project. This pricing was subsequently incorporated into the Feasibility Study.

NFC prepared its EPC pricing by working in parallel with the Feasibility Study team, as part of the overall development strategy for the Yandera Project.

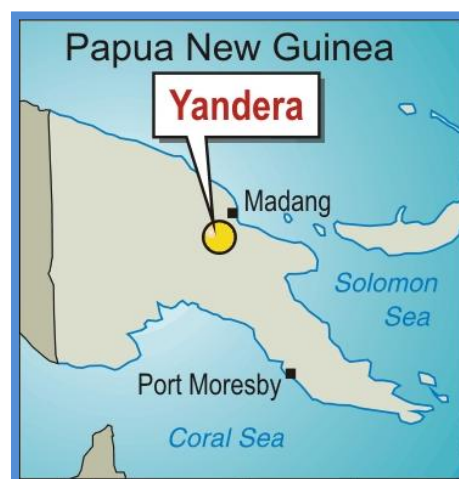
Marengo continues to work with NFC to explore various structures for an ongoing relationship, as the project moves to the next phase.

The President of NFC, Mr Wang Hongqian, recently commented: "Marengo's Yandera Project is a high priority for NFC. We remain fully supportive of Marengo as it advances the development of the project".

### Feasibility Study

Following a review of the technical work in support of the Feasibility Study, the Company's Board of Directors decided that additional work is required in a number of specific areas before a final Feasibility Study can be prepared, including identifying an alternative cost-competitive source of power for the Project, after Marengo's preferred third party power provider decided to withdraw from the proposed power supply arrangements. Discussions on this matter are being held with a number of organisations, including the PNG Government.

The Feasibility Study indicates that Yandera has the potential to generate substantial cash flows, however in the absence of a power solution that can support the Project, it is exposed to escalating capital and operating costs.



Further opportunities to enhance the Project include:

- A review of processing plant throughput rates;
- Reviewing the option of Deep Sea Tailings Placement (DSTP) versus a land-based Tailings Management Facility (TMF); and
- Further optimisation of the mine plan.

The objective of this review is to help ensure that the Yandera Project is robust at all phases of the commodity price cycle.

The Company remains committed to the future development of the Yandera Project, and is pleased with the support that we have had from our strategic partner NFC, the PNG Government, as well as the financial support from our major shareholder the Sentient Group.

## **Exploration**

During the present period of Feasibility Study review and optimization, geological field activities have been focused on detailed mapping of a number of zones both marginal to the Yandera Central Porphyry System as well as proximal to the System to the south of Omora.

Early in the period detailed mapping at 1:2500 scale was undertaken at locations in the Yambragami Creek and Dengru Creek drainages nearby to the south of Gremi. The aim of these campaigns was to confirm and refine legacy maps. Tape and compass positioning was employed. Several mineralised breccia outcrops, unsighted by previous workers, were mapped in both the lower Yambragami Creek and in Dengru Creek.

Concurrently, two other mapping teams traversed underexplored proximal areas to the south of Omora mapping parts of Yawagu River and several drainages sourced on Dirigi Mountain, at 1:2500 scale. Tape and compass positioning augmented by GPS was employed.

Upon completion of these campaigns mid-quarter, attention switched to mapping the northern and north-western margins of the Yandera Central Porphyry System, specifically the Iwangu/Dimbi, Gamagu and Imbruminda areas, at 1:1000 scale, using the tape and compass method. Two geological field crews have been undertaking this field work, which will continue into the current quarter, along with interpretation of the field data as they come in. Characterising the mineralised structures mapped in creeks in the Iwangu/Dimbi zone, and determining the grade and extent of disseminated copper sulphide mineralisation noted in Gamagu Creek outcrop, will be priorities.

## **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.

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.

During the Quarter, Government supervised elections were held for the office bearers of the Yandera Landowners Association (LOA). The LOA is the umbrella organisation that will represent landowners in and around any future mining operation at Yandera and as such will represent key stakeholders during the development and operating phases of the Yandera Project.



*Yandera LOA executives sworn in at Madang, witnessed by Madang Governor Hon. Jim Kas and Usino-Bundi MP Hon. Anton Yagama.*

### **Safety, Health and Environment**

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

Even with the current suspension of drilling activities, the Yandera camp clinic continues to be staffed 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.

A total of 1,719 patients were treated at Marengo's Yandera clinic, during the Quarter.



Marengo continues to support a pilot sustainable development program, at the Usino area, near Yandera.

Trial plantings were successful in producing good harvests of various crops and has demonstrated that the future expansion of this initiative into a commercial scale project would have positive impacts on the local community.



**Funding**

Given the extensive nature of the Feasibility Study and the additional optimization opportunities currently being considered, Marengo's major shareholder, Sentient Executive GP IV, Limited for the General Partner of Sentient Global Resources Fund IV, L.P. ("Sentient") initially provided an unsecured, interest-bearing working capital facility of US\$10 million, repayable on or before 31 December 2013.

Subsequently the Company announced on the 30 April 2013 that Marengo and Sentient had entered into a binding term sheet to complete a private placement of US\$15.0 million principal amount of 9.0% unsecured convertible debentures (the "Debentures"), with such Debentures to be issued in two tranches.

On completion of the issue and after Debenture conversion Sentient will see its percentage increase in the Company from 22.0% to 39.1%.

During the Quarter the Company completed the first of two tranches of the placement for a total of US\$9.0 million. Following recent Shareholder approval of the transaction the remaining US\$6.0 million tranche of Debentures will be issued.

**Board Changes**

Subsequent to the end of the Quarter, Messrs Louis Gignac, formerly Chairman of Marengo and Mario Caron resigned as directors to focus their time on their other endeavours. As a result, Mr Pieter Britz has been appointed to the Board, effective July 26, 2013 and Mr John Hick, an independent director since 2008, was appointed Non-executive Chairman.

Mr Britz is a registered professional engineer with a wealth of experience in the resources industry since the early 1990's. He began his career in mining in South Africa in 1992 and has experience in iron ore, coal, base metals and heavy, and industrial minerals. He also had various executive roles in corporate strategy and business consulting and managed various corporate level strategic initiatives. In early 2004 he moved to Australia and set up Royal Bank of Canada's investment banking division in Sydney. He joined The Sentient Group in early 2007 as an investment professional.

**Corporate Secretary Appointment / Toronto Corporate Office**

During the Quarter, the Company's Vice President – Investor Relations, Mr Dean Richardson was also appointed as Corporate Secretary for Marengo and its applicable subsidiaries.

With the re-domicile of the Company to Canada and his appointment as Corporate Secretary, Mr Richardson is relocating to Toronto to head up Marengo's Toronto office, which is in process.

**Closure of the Company's Perth Office**

Consistent with the Company's re-domicile to Canada and the continuing shift of most activity to PNG, as of June 30, 2013 Marengo will no longer operate an office in Perth, Western Australia.

## Cash Reserves

At Quarter end, the Company had cash reserves of US\$6.7 million (exclusive of the US\$6.0 million final tranche of the recent private placement of debentures, which is scheduled to be received shortly).



**Les Emery**  
President & CEO

July 30, 2013

[www.marengominig.com](http://www.marengominig.com)

## CORPORATE DIRECTORY

### DIRECTORS

**John W Hick**  
*Chairman*

**Les Emery**  
*President & CEO*

**Sir Rabbie Namaliu**  
*Non-Executive Director*

**Elizabeth Martin**  
*Non-Executive Director*

**Ian Hume**  
*Non-Executive Director*

**Keith Morrison**  
*Non-Executive Director*

**Pieter Britz**  
*Non-Executive Director*

**CHIEF OPERATING OFFICER**  
Paul Korpi

**CORPORATE SECRETARIES**  
Dean Richardson  
Sander Grieve

**PNG COUNTRY MANAGER**  
Stevie Nion

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**NOTES:**

Certain statements in this report contain forward-looking information. These statements address future events and conditions and, as such, involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the statements. Such factors include, among others, the results of future exploration, risks inherent in resource estimates, increases in various capital costs, availability of financing and the acquisition of additional licences, permits and surface rights. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date the statements were made, and readers are advised to consider such forward looking statements in light of the risks set forth in the company's continuous disclosure filings as found at the (Canadian) *SEDAR* website.

Scientific and technical information in this report including that relating to drilling intercepts and mineralization were prepared by Mr Frederick Cook. Mr Cook is a Fellow of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo Mining Limited. Mr Cook 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 (The JORC Code, 2004 Edition). Mr Cook consents in writing to the issue of this report, to the extent of matters based on his information in the form and context in which it appears.

Except to the extent not set out herein, for a (i) summary description of rock types, geological controls and dimensions of mineralised zones, and the identification of any significantly higher grade intervals within a lower grade intersection; (ii) a summary of the relevant analytical values, widths and, to the extent known, the true widths of the mineralised zones; (iii) a summary description of the geology, mineral occurrences and nature of the mineralization found; and (iv) a summary description of the type of analytical or testing procedures utilized, sampled, sample size, the name and location of each analytical or testing laboratory used and any relationship of the laboratory to the issuer please refer to the Company's technical report filed on *SEDAR* and dated November 9, 2007. There is no drilling, sampling, recovery or other factors that could materially affect the accuracy or reliability of the data referred to herein.

.For further information on the Project and the resources contained therein, please refer to the Company's Canadian NI 43-101 and Australian JORC technical report "Yandera Copper Project, Madang Province, Papua New Guinea" (dated April 2012) which is available on the Company's website and at the (Canadian) *SEDAR* website.

It should be noted that the Memorandum of Understanding between Marengo and NFC referred to in this report is non-binding and that no party is under any obligation to proceed. Accordingly, there is no certainty that a transaction will proceed.

For further information on the Yandera Project, including a description of Marengo's standard data verification processes, quality assurance and quality control measures, and details of the key assumptions, parameters and methods used to estimate the mineral resources set out in this report and the extent to which the estimate of previously declared mineral resources set out herein may be materially affected by any known environmental, permitting, legal, title, taxation, socio-political, marketing or relevant issues, readers are directed to the technical report entitled "Technical Report on the Yandera Copper-Molybdenum-Gold Project Madang Province, Papua New Guinea", dated May 14, 2012, lodged concurrently on the *SEDAR* website. The resources disclosed herein are preliminary in nature and include inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them to be categorized as mineral reserves. There is no certainty that the mineral resources disclosed herein will be realized or converted to mineral reserves. Mineral Resources which are not mineral reserves do not have demonstrated economic viability.