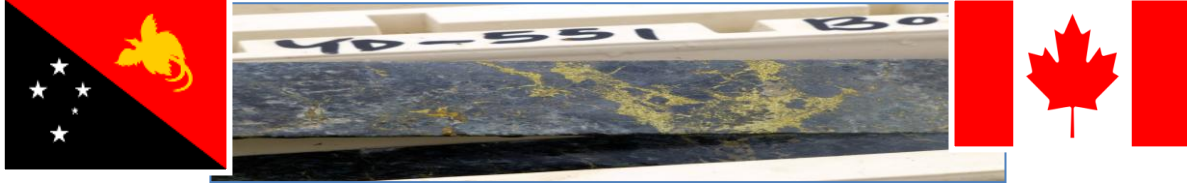


# Marengo Mining Limited

## September 2013 Quarterly Activities Report



*Copper Mineralisation – Dimbi drill hole YD551*

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

### Yandera Project

- 🕒 **Commencement of ten hole diamond drill campaign at Yandera Dimbi Zone to identify near surface resources that may enhance a starter pit for a Yandera mining operation**
- 🕒 **First drilling results from Dimbi produce:**
  - **129m @ 0.53% Cu from 69m (including 27m @ 0.71% Cu)**
- 🕒 **MoU with Madang Development Corporation with the view to identifying a power solution for a number of industries in Madang Province**
- 🕒 **Optimization work on Feasibility Study continuing**

### Corporate & Financial

- 🕒 **Relocation of principal corporate office to Toronto concluded**
- 🕒 **Completion of final tranche of the private placement of US\$15.0 million unsecured convertible debentures to Marengo's major shareholder, The Sentient Group**
- 🕒 **Discussions commence regarding \$10 million loan facility with The Sentient Group**
- 🕒 **Release of Annual Report to Shareholders including Audited Consolidated Financial Report, Annual Information Form (AIF) and Management Discussion & Analysis (MD&A)**
- 🕒 **Quarter end cash balance of US\$7.3 million**

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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**

Earlier this year, 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.

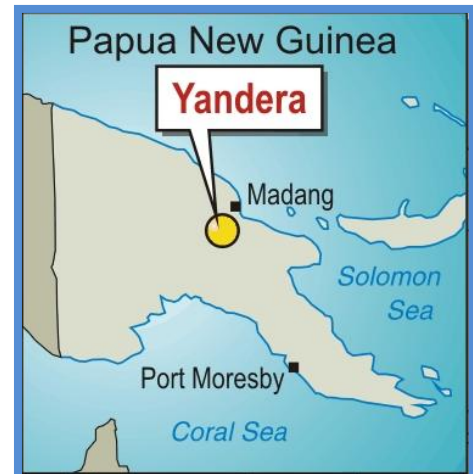
The President of NFC, Mr Wang Hongqian, commented: "Marengo's Yandera Project is a high priority for NFC. We remain fully supportive of Marengo as it advances the development of the project".

### **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.

Marengo has recently entered into a non-binding Memorandum of Understanding (MOU) with the Madang Development Corporation, the business arm of the Madang Provincial Government, to identify potential power solutions for a number of industries in the Madang Province

So far, work on 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**

As previously announced during the Quarter, Marengo commenced the first diamond drill hole of its 2013 campaign.

A 2,000m (10-hole) diamond drilling campaign commenced at Dimbi Zone in mid-September with the objective of identifying near-surface resources, with the potential to delineate a starter pit for the Yandera mining operation which could further enhance the Yandera Project.

The new drill-holes have been designed to target projections of interpreted north-east striking mineralised structures in the hanging wall of the Dimbi Fault, a major north-westerly striking structure which dips to the north-east and bounds the Dimbi Zone on the south-west.

This early fault established a conduit for mineralised fluid flow into the Dimbi Zone, along a later set of north-east trending faults. The current drill holes have been carefully sited to test these recently mapped mineralised structures as well as up-dip projections of elevated copper intercepts at depth in several nearby existing drill-holes.

The Dimbi drilling program has been progressing well with four drill holes (YD551, YD552, YD553 and YD554) completed to date and the fifth hole (YD555) currently in progress. Assay results have been received for the first hole YD551, as summarised below:

The assay results for YD 551 were outstanding with a 128.6m copper intersection returning 0.53% Cu including 27m at 0.71%, and a 192m molybdenum intersection at 69ppm Mo including 30m at 118ppm Mo. Precious metals intersections were significant too; 144m of 2.5g/t Ag and 21m of 0.22g/t Au.

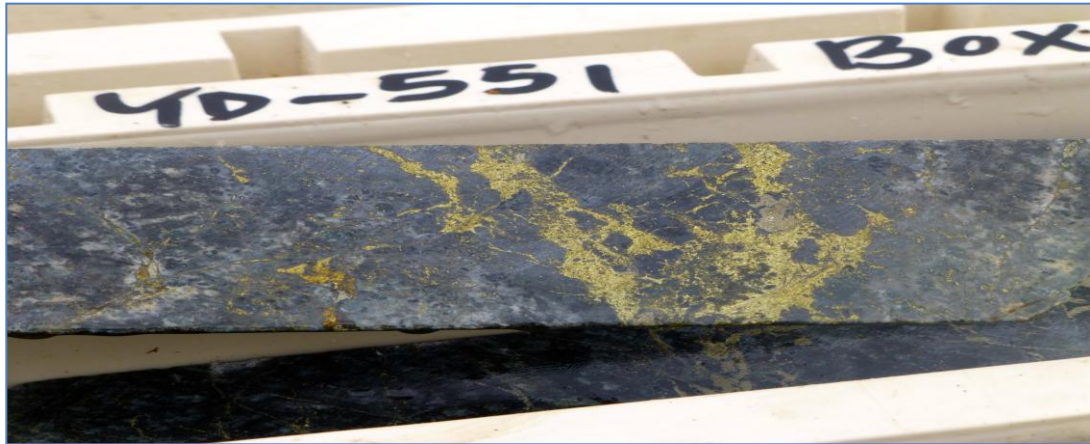
Peak assays for three elements were recorded for the 3m intersection 120m – 123m; viz 1.95% Cu, 398ppm Mo and Ag 9.7g/t Ag. Gold peaked at 0.58g/t Au from 15m – 18m.

YD 551 was terminated prematurely at 197.6m due to drilling problems.

**YD551 (Dimbi)**

*Collar co-ordinates 292715E, 9365998N; Azimuth 150° (AMG) dip -60°*

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
69	197.6	128.6	0.53	70	0.054	2.45
and						
6	197.6	191.6		69		
including						
105	132	27	0.71	121	0.085	3.5
168	197.6	29.6		118		
6	27	21			0.22	
45	189	144				2.5



**Figure 1: Photograph showing closely spaced chalcopyrite veins in hole YD 551 at Dimbi. This intersection lies within the 3m interval 156m – 159m, which returned a grade of 1.32% Cu.**



**Figure 2: Rig drilling YD 551 on azimuth of 150° (AMG), depressed at -60°**

## 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.

## Safety, Health and Environment

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

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.

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

Trial planting was 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**

During the Quarter the Company completed the last tranche of the previously advised private placement of US\$15 million principal amount of Debentures.

Each US\$1,000 face value Debenture is convertible, at the option of Sentient, into common shares or Chess Depositary Interests ("CDIs") of the Company at a conversion price of CDN\$0.11 per common share or CDI. The conversion price of the Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new shares at below the conversion price. The Debentures will mature on June 30, 2016 and bear interest at a rate of 9% per annum, which interest shall be satisfied through the issuance of additional Debentures.

## **Financing**

Marengo has entered into discussions regarding the \$10 million loan provided by The Sentient Group, in advance of the December 31, 2013 maturity date for the facility. Discussions have been positive to date, and we expect to have a further update regarding these discussions in the coming weeks.

## **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\$7.3 million



**Les Emery**  
**President & CEO**

*October 31, 2013*

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

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*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**  
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**NOTES:**

This document contains certain "forward-looking statements" and "forward-looking information" under applicable Canadian securities laws concerning the proposed transaction and the business, operations and financial performance and condition of Marengo Mining Limited ("Marengo"). Forward-looking statements and forward-looking information include, but are not limited to, statements with respect to the prospects for and success of exploration activities; the benefits of the development potential of the properties of Marengo; the future price of molybdenum, gold and copper; the estimation of mineral reserves and resources; the realization of mineral reserve estimates; the timing and amount of estimated future production; costs of production; and currency exchange rate fluctuations. Except for statements of historical fact relating to Marengo, certain information contained herein constitutes forward-looking statements. Forward-looking statements are frequently characterized by words such as "plan," "expect," "project," "intend," "believe," "anticipate," "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are based on a number of assumptions and subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. Many of these assumptions are based on factors and events that are not within the control of Marengo and there is no assurance they will prove to be correct.

Factors that could cause actual results to vary materially from results anticipated by such forward-looking statements include the actual results of exploration activities, changes in market conditions, risks relating to international operations, fluctuating metal prices and currency exchange rates, and other risks of the mining industry. Although Marengo has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Marengo undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change except as required by applicable securities laws. The reader is cautioned not to place undue reliance on forward-looking statements. Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent they involve estimates of the mineralization that will be encountered if the property is developed. Reference is made to the most recent annual information form of Marengo filed with Canadian securities regulators which includes further discussion of the risk factors which may impact the business and operations of Marengo.

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.