



ANNUAL INFORMATION FORM
of
Marengo Mining Limited
For the Financial Year Ended 30 June 2008

19 September 2008

Unless otherwise indicated, the information in this annual information form is given as of 30 June 2008.

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FORWARD - LOOKING STATEMENTS

Certain information in this annual information form (“AIF”) may constitute forward-looking statements. Wherever possible, words such as “anticipate”, “may”, “will”, “expect”, “believe”, “plan” and other similar expressions have been used to identify these forward-looking statements. These statements reflect management’s beliefs and are based on information currently available to management. Forward-looking statements involve significant risks, uncertainties and assumptions. Although the Company believes that these statements are based on reasonable assumptions, a number of factors could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Except to the extent required by applicable law, the Company disclaims any obligation to update or revise any forward-looking statements to reflect new events or circumstances.

CORPORATE STRUCTURE

Name, Address and Incorporation

Marengo Mining Limited (“**Marengo**” or the “**Company**”) was incorporated under the *Corporations Act 2001 (Cth)* (Australia) (the “**Corporations Act**”) as a proprietary limited company on 6 February 2002 as “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 Australian Securities Exchange (the “**ASX**”) and subsequently listed on the Port Moresby Stock Exchange Limited (the “**POMSoX**”) on 10 November 2006 and on the Toronto Stock Exchange (the “**TSX**”) on 15 April 2008.

The Company’s registered and head office is located at 9 Havelock Street, Second Floor, West Perth, Western Australia 6005.

Intercorporate Relationships

Marengo has one subsidiary, Marengo Mining (PNG) Limited (“**Marengo PNG**”). Marengo PNG is wholly and directly owned by Marengo. Marengo PNG was incorporated under the laws of Papua New Guinea on 21 February 2005. In August 2006, the Company purchased all of the issued and outstanding shares of Belvedere Limited (a private Papua New Guinea company) (“**Belvedere**”). On 27 June 2007, Marengo PNG and Belvedere were amalgamated under the name “Marengo Mining (PNG) Limited”. Marengo PNG holds the Company’s interest in the Yandera Project.

Marengo and its subsidiary are collectively referred to herein as “**Marengo**” or the “**Company**” unless otherwise indicated or the context requires otherwise.

GENERAL DEVELOPMENT OF THE BUSINESS

Marengo is an exploration and feasibility stage mining company. Marengo’s principal asset is a 100% interest in the Yandera Project, a copper molybdenum deposit located in Madang Province, Papua New Guinea.

Until April 2005, the Company’s activities were exclusively focused in Australia. At that time, the Company’s project portfolio consisted of: (i) four projects located in the Ashburton Basin in Western Australia (the Kunderong project, the Saltwater Pool project, the Jamie Bore project and the Capricorn project) (collectively, the “**Ashburton Projects**”); (ii) the Mt. Korong gold project; (iii) the Bowgan gold project; (iv) the Minigwal nickel copper project; (v) the Blanche diamond project; and (vi) the Binneringie nickel copper project.

In April 2005, the Company, through Marengo PNG, reached an agreement to earn a 50% interest in the Yandera Project from Belvedere by spending A\$500,000 on exploration by April 2007. Marengo PNG satisfied this exploration expenditure requirement in early 2006 and earned a 50% interest in the Yandera Project. The agreement provided that thereafter Marengo could earn up to a 90% interest in the property by solely funding a bankable feasibility study.

At the same time, the Company purchased from Triako Resources Limited (“**Triako**”), in exchange for the issue of 400,000 ordinary shares of Marengo, 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.

Later in 2005, the Company relinquished its interest in the Ashburton Projects (other than the Jamie Bore project), the Mt. Korong project, the Binneringie project, the Minigwal project and the Blanche project, all in Western Australia. Commencing

in April 2005, the Company focused its activities on the Yandera Project, although limited exploration continued at the Company's Bowgan project.

In February 2006, the Company, through Marengo PNG, reached an agreement to acquire a 100% interest in the Yandera Project by acquiring all of the issued and outstanding shares of its joint venture partner, Belvedere, for a purchase price of A\$3 million cash, the issue of 12 million ordinary shares of Marengo and the grant of 6 million listed options to acquire ordinary shares of Marengo at a price of A\$0.20 per share which expired on 28 February 2008. The sole asset of Belvedere was its interest in the Yandera Project.

Also in early 2006, Sempra Metals & Concentrates Corp. ("**Sempra**") subscribed for 4 million ordinary shares of Marengo at a price of A\$0.30 per share and 4 million unlisted options to acquire ordinary shares of Marengo at a price of A\$0.40 per share expiring on 30 November 2008. Sempra was granted an exclusive right of first negotiation of an off-take agreement for all metal concentrate produced at the Yandera Project expiring on 17 March 2008 and a right of first refusal in respect of such an off-take agreement commencing on 18 March 2008 and expiring on 18 September 2008. Under that same agreement, Marengo agreed to provide Sempra with the CMS (as defined and described below) and any other material information relevant to a decision to mine the Yandera Project.

In April 2006, the Company entered into an agreement with Mega Hindmarsh Pty Ltd ("**Mega**") pursuant to which Mega was granted the right to earn an additional 24% interest in the Bowgan project in the Northern Territory, Australia by spending A\$200,000 on exploration within three years. Thereafter, Hindmarsh is entitled to increase its interest in the Bowgan project to up to 75% by spending an additional A\$400,000 within a further two year period.

Based on the results of its resource drilling program and initial resource estimate 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 definitive feasibility study (the "**DFS**") on the development of the Yandera Project.

In October 2007, the Company committed to proceed with the DFS on the Yandera Project after the completion of a successful CMS which confirmed the potential for a robust, long-life project.

The Phase 1 component of the DFS ("**Phase 1**") was completed in April 2008. Phase 1 comprised a comparative development options analysis study for the Yandera Project and delivered a number of positive outcomes to underpin the Phase 2 component of the Definitive Feasibility Study, which is scheduled to be completed by mid-2009. Key highlights of Phase 1 included:

- open-cut mining of a minimum of 450 million tonnes at a grade of 0.48% copper equivalent over an initial 10-year time frame;
- ore processing commencing at 25Mtpa for the first two years of operations and increasing to a long-term rate of 50Mtpa;
- proposed near and/or in-mine crushing of ore before being conveyed to a near-mine processing plant encompassing separate copper and molybdenum flotation circuits to produce two concentrate streams;
- transportation of the copper concentrate via slurry pipeline to the Port of Madang for drying and storage prior to shipping;
- alternative tailings management options identified; and
- implementation of world-class environmental standards and community relations initiatives to ensure a successful project development for all stakeholders.

DESCRIPTION OF THE BUSINESS

The Yandera Project

The following is a description of the Company's Yandera Project. The information is based on the revised technical report dated 9 November 2007 (the "**Revised Technical Report**") by Stephen Godfrey, Senior Resource Geologist, Golder Associates Pty Ltd ("**Golder**"), David Swain, Mining Engineer, Principal, Swain Associates and Brian McNab, Senior Process Engineer, GRD Minproc Limited, each of whom is a "Qualified Person" as defined in National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") and is independent (within the meaning ascribed to such term in NI 43-101) of Marengo. The Revised Technical Report has been filed with the securities regulatory authorities in each of the provinces of Canada, except Québec, Prince Edward Island and Newfoundland and Labrador. Portions of the following information are based on assumptions, qualifications and procedures which are not fully described herein. Reference should be made to the full text of the Revised Technical Report, which is available for review under Marengo's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") located at www.sedar.com. The Revised Technical Report uses the definitions, classification system and guidelines of the Australasian Code for Reporting of Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Mineral Council of Australia (the "**JORC Code**"). The classification system for mineral resources and reserves under the JORC Code is directly comparable to the classification system for mineral resources and reserves under the CIM Standards on Mineral Resources and Mineral Reserves of the Canadian Institute of Mining, Metallurgy and Petroleum.

The Revised Technical Report has been compiled based on information available up to and including 9 November 2007, and all currency is reported in US dollars unless stated otherwise.

The Revised Technical Report is specifically incorporated by reference into, and except where herein otherwise provided, forms an integral part, of this AIF.

Introduction

The Yandera Project is located 100 kilometres southwest of Madang, in Papua New Guinea. The Yandera central resource lies within exploration licence 1335 ("**EL1335**") which lies within a larger area controlled by the Company covered by exploration licence 1416 ("**EL1416**").

Property Description and Location

The Yandera Project is covered as at the date of the AIF by the following exploration licences and applications:

<i>Name</i>	<i>Status</i>	<i>Minimum Expenditure</i>
EL1335	Exploration Licence – expire 19 November 2009	N/A
EL1416	Exploration Licence – expire 4 June 2010	N/A
EL1633 (Application)	Application lodged 20 December 2007	PGK100,000
EL1665 (Application)	Application lodged 30 May 2008	PGK150,000
EL1670 (Application)	Application lodged 4 July 2008	PGK100,000

As stated below, EL1335 expired on 19 November 2007 and EL1416 expired on 5 June 2008 but applications were made for its renewal. However, since the date of the Revised Technical Report (and hence not addressed in the Revised Technical Report), by operation of mining law in Papua New Guinea, upon applications for renewal of EL1335 and EL1416, the areas covered thereby was reduced by 50%. The Company subsequently made applications for new exploration licences ("**EL1633**" and "**EL1665**") in respect of the relinquished areas. The area that is the subject of EL1633 (and relinquished upon renewal of EL1335) and EL1665 (and relinquished upon renewal of EL1416) does not include the Yandera central resource nor is it required for the development of the Yandera Project as described in this AIF.

A Warden's hearing in respect of the Company's renewal of reduced EL1335 was held on 15 December 2007 and no objections were recorded. The Warden's hearing for EL1633 has been set for 2 April 2008 and EL 1665 has been set for 16 July 2008, where no objections were recorded. EL1633 and EL1665 (once granted) together with existing (and reduced) EL1335 and EL1416, will cover the 1,200 square kilometres described below.

The Yandera Project is located in Madang Province, Papua New Guinea at latitude 5.75° south and longitude 145.12° east, approximately 100 kilometres southwest of Madang in the Bismarck Range between 1,500 metres and 2,600 metres elevation.

Marengo's interest in the Yandera Project is derived from EL1335 and EL1416. The area covered by EL1335 and EL1416 is approximately 1,200 square kilometres. The Yandera central resource is located within EL1335.

EL1335 was granted to Belvedere for an initial two year term commencing on 20 November 2003 and ending on 19 November 2005. Belvedere was acquired by, and amalgamated with, Marengo PNG. EL1335 was renewed for a further two year period commencing on 20 November 2005 and ending on 19 November 2007. An application was lodged and an extension was granted for EL1335 for a further two year period ending on 19 November 2009.

EL1416, which surrounds EL1335, was granted on 5 June 2006 for a period of two years. This licence was granted to Belvedere (50%) and Marengo PNG (50%). Following the amalgamation of these two entities the licence is now held solely by Marengo PNG. Application for an extension of term was lodged on 30 May 2008 for a further two year period ending on 4 June 2010. The Warden's hearing was held on 15 July 2008 and no objections were recorded.

EL1335 and EL1416 grants Marengo access to the project area for exploration purposes subject to an obligation to compensate the relevant landowner for damages caused by exploration activities.

Annual rent is payable in respect of EL1335 and EL1416 in an aggregate amount of PGK48,330. In addition, the holder of an exploration licence is required to undertake specified minimum exploration activities during the term of the licence and to incur minimum amounts of expenditure. EL1335 and EL1416 require an aggregate minimum annual expenditure of PGK246,800, which has been exceeded to date.

There are no known royalties, back-in payments or other encumbrances to which the Yandera Project area is subject except that upon the issuance of a mining lease or special mining lease a royalty will become payable to the State equal to, by matter of convention and not law, 2.0% of the value of the mined product and the right of the State to acquire up to a 30% interest in the Yandera Project (as described under "*Papua New Guinea – State Equity Interest*").

The Yandera Project contains no known environmental liabilities.

Mineralisation within the Yandera Project area covered by EL1335 has been identified at Yandera, Gogobangu, North and South Bononi and Queen Bee. The Yandera deposit has been tested by surface geochemical sampling, trenching and drilling. EL1416 contains several gold geochemical anomalies which are yet to be tested. There is no existing mine workings or infrastructure within the area of either EL1335 or EL1416.

To commence mining of the Yandera Project, Marengo will need a mining lease and an environmental permit, and to enter into an agreement with the affected landowners for the payment by Marengo of compensation for any damage caused by Marengo's activities on the property. In addition, when undertaking drilling activities an environmental permit allowing the lease holder to "discharge wastes into the environment" is required. Marengo currently holds environment permit for drilling number WD-L2A (105) and environmental permit to extract water number WE-L2A (81) both issued under Section 65 of the *Environment Act 2000* (Papua New Guinea), and expiring on 3 August 2017.

Accessibility, Climate, Local Resources, Infrastructure and Physiography

The Yandera Project can be accessed by road either from the Highlands highway by Kundiawa through Gembogl and Keglsugl or through Banz-and Kol or from the Madang highway, through Brahman and Bundi. The Yandera Project is approximately 100 kilometres by road from Madang (having a population of approximately 90,000) and 67 kilometres by road from Kundiawa, the capital of Simbu Province (having a population of approximately 40,000). The roads are, in general, poorly maintained, so routine access to site is by helicopter. Parts of the Yandera Project area can be accessed by light fixed-wing aircraft from the all-weather strips located at Bundi about 10 kilometres to the east and Keglsugl about 12 kilometres to the

southwest. The remainder of the project area to the northwest and southwest is inaccessible by road or fixed wing aircraft and helicopter or foot access are the only two options.

Although within the tropics, the elevation moderates the climate and temperatures vary between 15° and 25° Celsius throughout the year. The annual rainfall of 3 to 5 metres is heaviest between November and April. Field activities are suspended for three to four months during this rainy period.

Much of the Yandera Project area is heavily forested, but the Gremi and Omora prospect areas are covered by secondary re-growth of kunai grass, pitpit, ferns, etc. Two main tributaries of the Imbrum River, the Imbrumuda to the west and Tai-Aiyor to the east, drain the prospect. Elevations vary from 1,500 metres in the river valleys to about 2,800 metres on the highest peaks. The Yandera Project is about 15 kilometres east of Mt Wilhelm which rises to 4,509 metres.

The area covered by EL1335 and EL1416 is sufficient for development of the Yandera Project. Marengo currently has surface rights over the entire area of EL1335 and EL1416 however, prior to development of the Yandera Project, Marengo will be required to negotiate compensation agreements with the relevant landowners.

Electrical power to the exploration camp is provided by diesel driven generators. The generators are run from daylight to early evening. PNG Power Corporation currently reticulates electricity to the Ramu Valley approximately 15 kilometres north-east of the Yandera Project. It is anticipated that power for the project will ultimately be purchased from the PNG Power Corporation or supplied from an owner-operator facility on-site.

Stream water is used for drinking and cooking. The local creeks flow all year round. A small lake exists above Imbruminda. Water supply for the operation will be assessed when the final location for the processing plant is determined.

Personnel for general camp and exploration tasks are employed on a casual basis from Yandera village and professional staff work on a rostered basis out of Madang, Port Moresby and Lae. Australian expatriate staff work a fly-in fly-out roster from Perth. Upon development of the mine, additional personnel will need to be drawn from further away, principally Madang. Skilled and semi-skilled labour will be drawn from the local region with expatriate personnel employed where necessary.

It is currently proposed that initial waste rock movement will be directed toward the construction of flat areas for the placement of the mine infrastructure. Areas for the disposal of waste rock have been identified in adjacent valleys within the Yandera Project area. It is currently proposed that crushed ore be transported to the coast near Madang for processing. It is currently proposed that tailings will be disposed of off-shore.

History

Since discovery in the 1950s, the Yandera prospect has been explored by a number of companies. The ownership history for the Yandera Project area is summarised below:

Year(s)	Operator
Late 1950s.....	Discovery
1968-1972.....	Kennecott Exploration (Australia) Pty Ltd
1973-1974.....	Kennecott/Triako (Amdex) Joint Venture
1974-1976.....	Kennecott/Triako (Amdex)/BHP Joint Venture
1976-1978.....	Kennecott/Triako (Amdex) Joint Venture
1978-1980.....	Triako
1981-1983.....	Triako/Elf Aquitane Joint Venture
1983-1989.....	Triako
1990-1992.....	No tenement holder
1992-1998.....	Highlands Gold Ltd
1998-2003.....	Highlands Pacific Limited/Cyprus Amax Joint Venture
2003-2005.....	Belvedere
2005-2006.....	Belvedere/Marengo Joint Venture
2006- present.....	Marengo

BMR geologists discovered the Yandera Project in the late 1950s but much of the surface exploration and drilling was completed between 1965 and 1982. Between 1965 and 1969 Kennecott Exploration (Australia) Pty Ltd (“**Kennecott**”) carried out regional sampling and mapping programs and drilled 12 diamond holes. Between 1973 and 1976, the Broken Hill Proprietary Company Limited (now BHP Billiton Limited (“**BHP**”)) pursuant to a joint venture with Kennecott and Triako, a further 75 diamond holes were completed and a non-JORC inferred resource of 338 Mt at 0.42% Cu, 146 ppm Mo and 0.1 g/t Au was defined. This resource estimate does not use either the current JORC Code or CIM classification system and is not reliable or relevant. A recent resource estimate, as at May 2007, is set out below under “*Mineral Resources and Mineral Reserves*”. Between 1977 and 1982 a further 14 shallow holes were completed by BHP and Kennecott, taking the total number of holes to 104. Regional exploration programs for gold were carried out by Aquitaine Limited (“**Aquitaine**”) between 1982 and 1989. The Aquitaine licence lapsed and in 1992 Highlands Gold Ltd (“**Highlands**”) was granted EL1023 (Bundi). Between 1993 and 1994 Highlands carried out limited regional sampling and an aeromagnetic survey. A joint venture between Highlands Pacific Limited and Cyprus Amax (PNG) Holdings Inc. (“**Cyprus Amax**”) reviewed the data in 1998 and 1999, conducted a limited field program within the Gremi and Gamagu zones and concluded that high grade copper mineralisation was confined to narrow structures and dykes and that the target of more than 100 Mt at 1.0% Cu was not attainable. The licence area was subsequently relinquished.

Exploration work undertaken prior to 2003 resulted in the following resource estimates:

Year	Company	Drillholes	Cut off Grade (%Cu)	MTonnes	%Cu	ppm	
						Mo	g/t Au
1975	BHP ⁽¹⁾	75	0.2	338	0.42	146	0.1
1976	Triako ⁽²⁾	~90	0.2	1143	0.33	—	—

Notes:

- (1) Bumstead, E. et al. Yandera Copper Prospect, PNG. Geological Appraisal. The Broken Hill Proprietary Company Limited Australia, Exploration Department, February 1976.
- (2) Greenway, D et al. Review of Yandera Mineralisation Potential, Triako Mines N.L. February 1981.

The 1975 estimate is cited as ‘mineable reserves’ and this material would not be considered a reserve under the current JORC Code or CIM classification scheme. The 1976 Triako resource does not cite a resource classification for the material. These estimates are no longer relevant or reliable. The most recent resource estimate is set out below under “*Description of the Business – Mineral Resources and Mineral Reserves*”.

There has been no mining and metal production from the Yandera Project.

Geological Setting

The Yandera Project porphyry system lies within the core of the Bismarck intrusive complex, an early Miocene granitic pluton located within the Ramu fault zone that runs northwest to southeast along the northern side of the highlands of Papua New Guinea. The fault system comprises a 50 kilometre broad zone of convergence with translational, normal and reverse fault movements over time that has resulted in flower style fault structures on both sides of the faulted complex. The Bismarck intrusive complex lies towards the south-eastern edge of the fault complex and is bounded to the east by up-thrust marine sediments and the Ramu ophiolite complex. The northwest to southeast elongation of the Bismarck pluton and the Yandera porphyry complex mimics the general trend of the Ramu fault to the east of the Yandera Project area.

The main area of interest in the Yandera Project is divided into three principal areas: Imbruminda, Gremi and Omora. At the local scale, the geology consists of Dioritic and Dacitic porphyries intruding the monzonite-granodiorite of the Bismarck intrusive complex. The porphyries follow the general northwest to southeast regional trend and are cross cut by southwest to northeast dislocations and later intrusives. Associated with the main porphyries are breccia zones principally identified at Omora and Gremi to date. The porphyries and breccias are coincident with the mineralizing event. The southwest to northeast trending leucocratic quartz diorite porphyry dykes are un-mineralised. The porphyry events show a poorly developed concentric structure normally associated with this type of deposit, with the ‘barren’ quartz core located immediately north of Gremi.

Exploration

Marengo commenced diamond drilling in May 2006. The objective of the first year of drilling was to establish the geological model, confirm the mineralisation grades as indicated by the previous drilling, and produce a resource in accordance with the JORC Code. Current drilling is focused on improving the understanding of the geology and increasing the extents of the defined mineralisation in the area of the conceptual mining pit.

During the year ended 30 June 2008, 20,667 metres were drilled in 73 holes.

Gogobangu Prospect

The Gogobangu prospect is located approximately two kilometres east of the Yandera central resource. The Gogobangu prospect is a distinct gold anomaly with five samples returning values greater than 0.2 ppm (g/t) Au. The highest value of 19.1 ppm (g/t) Au also returned 75.7 ppm (g/t) Ag, 0.12% Cu, 247 ppm Mo, 0.78% Pb and 3.76% Zn. Several other samples returned anomalous zinc, lead and molybdenum. The geological setting is yet to be established, however the area may be considered strike parallel to the Yandera central resource, rather than a strike extension. The sample results were all undertaken by the Company.

Sample results from the Gogobangu prospect are set out below:

Sample#	Rock Type	Au ppm	Ag ppm	Cu ppm	Mo ppm
YE0120	Float	0.52	6.9	24	140
YE0125	Float	1.71	13.7	75	161
YE0126	Float	0.81	31.0	60	171
YE0130	Chip	0.36	1.8	95	<1
YE0131	Chip	4.87	5.9	53	111
YE0134	Chip	19.10	75.7	1,200	247
YE0141	Chip	0.21	0.6	145	1

North and South Bononi Prospects

The North and South Bononi prospects are located approximately four kilometres southeast of the Yandera central resource. Anomalous samples are spread out over a north south extent of approximately two kilometres; however, these are not as coherent as the Gogobangu anomaly. Rock chip samples returned up to 0.2 ppm (g/t) Au, 271 ppm (g/t) Ag, 12.1% Cu and 8,330 ppm Mo. Follow-up geochemistry and geological mapping is warranted and will be carried out on completion of the regional sampling program. The sample results were all undertaken by the Company.

Selected anomalous samples are set out below:

Sample#	Rock Type	Au ppm	Ag ppm	Cu ppm	Mo ppm
YE0168	Chip	0.20	185.0	121,000	<1
YE0171	Chip	0.10	271.0	15,400	<1
YE0193	Float	0.01	2.3	3,570	<1
YE0199	Float	0.08	11.8	8,260	2
YE0210	Chip	0.08	25.5	51,400	8,330
YE0211	Chip	0.01	0.8	2,530	5
YE0212	Chip	0.08	3.6	6,870	677

Queen Bee Prospect

The Queen Bee prospect may be divided into the Queen Bee South and Queen Bee Marum areas, located approximately four kilometres and eight kilometres, respectively, northwest along strike from the Yandera central resource. The geological setting is similar although detailed geological mapping has yet to be completed.

Geochemical sampling at Queen Bee returned up to 2.55 ppm (g/t) Au, 49.3 ppm (g/t) Ag, 9.89% Cu, 13.7% Mo and 9.75% Zn. The sample results were all undertaken by the Company.

Initial results of geochemical sampling at the Queen Bee prospect are set out below:

Sample#	Au ppm	Ag ppm	Cu %	Mo ppm	Pb ppm	Zn ppm
QE0343	0.095	11.1	1.82	6	54	246
QB0407	0.039	2.70	0.08	137,000	39	49
QB0412	0.119	49.3	9.89	445	34	304
QB0413	0.576	30.2	6.80	14	9	361
QE0376	2.550	39.0	1.13	5	1,650	97,500

Mineralisation

The Yandera Project mineralisation is hosted by a porphyry copper complex. The mineralisation is intimately associated with alteration throughout the complex. The three key alteration facies in relation to the mineralisation at Yandera include potassic, intermediate argillic and sericite alteration. The alteration is widespread and zoned, from a central potassic (secondary biotite-k-felspar) into an overall envelope of propylitic (chlorite-epidote) alteration. Pervasive structurally controlled phyllic alteration occurs mainly as an overprint over potassic alteration. Potassic alteration also develops outside the main zone but along structures. This structurally controlled potassic alteration halo varies in width, up to 50 metres, enveloped by an outer propylitic alteration.

The structural dislocation at Yandera, and specifically extensional tectonics provided the plumbing for the emplacement of multiple mineralizing intrusives. The mineralisation events appear to have occurred across an extended time frame. As a result, almost all lithologies are mineralized and in many instances multiple mineralisation events are locally over printed such that it is not unusual to note multiple alteration events and four or more mineralisation styles with cross cutting relationships.

Significant drill hole copper intercepts have been obtained from the Gremi, Dimbi, Omora and Imbruminda zones. Rather than these mineralized zones representing separate small individual bodies, evidence points to them being part of one very large multiphase porphyry copper system. The mineralisation comprises mainly pyrite, chalcopyrite and bornite in the hypogene zone and in the oxide and mixed zones minor malachite, chrysocolla, and some chalcocite are the main copper minerals. Occasional native copper is noted at Omora. Molybdenum mineralisation is dominantly molybdenite as fracture coatings. Gold and silver are present throughout the system in relatively minor quantities, however significant precious metal concentrations formed late and appear to be localised within structural zones.

The mineralisation, like the alteration, shows concentric zoning. A general correlation between better copper and molybdenum grades with stronger sericite-chlorite alteration holds and a correlation of strong copper in areas of intense potassic alteration and stronger molybdenum grades with weaker potassic hold true in the principal target areas.

The weathering profile varies with topography but is generally shallow. Supergene mineralisation is only weakly developed at Yandera.

Drilling

In 1966 and 1967, Kennecott drilled 9 vertical AXWL diamond holes at Gremi. In 1970 a further three NQ and BQ holes were drilled at Omora following up IP anomalies. The first nine holes are noted as having generally poor recovery while the balance are recorded as having excellent recovery. In 1973 two holes were drilled at Omora testing the Omora Hill “target zone” by Amdex Mining Ltd (“**Amdex**”), a subsidiary of Triako.

In 1974 and 1975, BHP funded the drilling of 76 diamond holes as part of an arrangement with Triako and Buka Minerals N.L. The work was again carried out by Amdex. Drilling was focused on Gremi, Omora and Imbruminda. A total of 25,268 metres of NQ core was drilled by up to five drill rigs working at any one time.

Between 1977 and 1982, a further 14 holes were completed for a total of 104 holes. The holes were drilled with helicopter supported Longyear 38 and 48 rigs. These mostly NQ holes were oriented in a wide variety of directions with inclinations varying from -30° to vertical. The 14 holes totalled 3,782 metres. No further drilling sampling was undertaken until Marengo's drilling in 2006.

During the year ended 30 June 2008, 20,667 meters were drilled in 73 holes. Where practicable, drill holes are drilled across the general strike of the deposit towards 035° or 225° to grid north. Holes vary in inclination from -57° to vertical. Holes are drilled at HQ3 size and reduced to NQ3 only if required.

Drilling in the New Guinea highlands is challenging. Access is limited with most operations requiring helicopter support for the delivery of supplies and to move equipment. With no access for earthmoving equipment in the rugged terrain all drill pads are cut by hand, a time consuming operation requiring considerable forward planning.

The nature of a porphyry deposit is such that mineralisation is present in varying intensity throughout the altered zones. Zones of intense alteration and brecciation are generally associated with higher grade copper and molybdenum intersections. In general, drill holes have been oriented to cross cut the regional and local southeast to northwest geological (and mineralisation) trend. Because of the mountainous conditions this is not always possible. As a result drill hole orientations have been quite variable in order to get maximum coverage across the deposit. Drill samples are taken nominally every three metres. Within the alteration halo which has a true thickness of up to one kilometre this provides adequate resolution.

Sampling and Analysis

No historical core, sample splits or pulps are available for re-sampling. The core remaining after sampling was originally stored on site but has over time been discarded and the core trays re-cycled.

Drilling has sampled 7.2 kilometres of strike length and 2.8 kilometres of width of the Yandera Project porphyry. Most sampling is concentrated in the Omora to Gremi central area over a 3.9 kilometre strike length and 800 metre width. Samples average three metres in length throughout the deposit. Smaller samples are taken where geological logging indicates a significant change.

All of the Marengo drill holes at Yandera are diamond cores. On retrieval, continuous core is marked with an orientation line by the driller, boxed and labelled at the drill site then transported by helicopter to the main camp for processing.

Samples are taken on nominal three metre intervals from the drill core which Golder believes adequately samples the mineralisation with the marginal alteration halo and the higher grade breccias in the core area of intense alteration. Golder also considers the sample quality and representivity to be adequate for the resource as currently defined. 12,600 samples have been analysed for copper and 10,800 for molybdenum.

At the core shed the core is laid out on racks for processing. Core marker blocks are checked and core measured, recording losses and gains. The core is marked and labelled every three metres. The orientation line is checked and down hole arrows marked on the core. The whole core is photographed.

Drill core from the drilling programs undertaken by Marengo is sawed in half on site with one half retained on site in core racks and the other bagged and labelled by Marengo personnel and transported to Brahman Mission by helicopter.

Broken core is reassembled and taped together to ensure a representative sampling during cutting. All core is sawed in half, keeping the right hand side of the core with the orientation markings intact. The half core is photographed and geologically logged in detail. Core is stored on site for later reference and check sampling.

Core recovery is reasonable however, broken core may result in loss of molybdenum which commonly occurs on fractures and joints. Similarly molybdenum can be lost during core sawing. There should be minimal impact on copper which occurs more commonly as sulphides disseminated through the core. Marengo has yet to investigate and quantify any molybdenum loss during sample preparation.

Samples are transported by a contractor by road to the Intertek sample preparation facilities in Lae. The samples are dried, crushed, split and pulverised in Lae. A split of the pulp is sent to Intertek's laboratory in Jakarta for analysis. The remaining coarse split and pulp is returned to Marengo's storage facility at Brahman Mission.

The Intertek laboratory in Jakarta analyses all samples in two passes. A 50 gram fire assay fusion with an AAS finish for gold analysis is run initially (FA50). A second ICP analysis is run for a large suite of elements including copper and molybdenum.

The Intertek laboratory in Jakarta is accredited by KAN (Kommittee Acreditasi Nasional), the Indonesian version of NATA, to ISO 17025. Both are members of APLAC. The laboratories accreditation is assessed on an annual basis. Accreditation does not cover the sample preparation facility in Lae.

For the historical drilling the available quality assurance/quality control (“QAQC”) data is limited to a series of repeat gold assays for selected samples. Repeatability in this data is generally poor. No QAQC data for copper and molybdenum assaying is available, however it should be noted that the assaying technique is different to that used for gold. Historical reports have no mention of any QAQC issues with the data.

For the Marengo drilling programs, a sampling QAQC protocol is in place. The protocol includes the submission of duplicates, replicates and standards.

A series of quarter core samples have been analysed for comparison against the original half core samples. Comparison of the quarter core results shows some variance between the samples, particularly for molybdenum, indicating a slight ‘nuggety’ nature to the mineralisation.

In addition to the duplicate and standards submitted by Marengo, the laboratory analyses its own sets of standards and repeats. These are reported to their clients on a regular basis and have shown no anomalous results or other areas of concern.

After the receipt of sample assays the core is reviewed and re-logged if required. All logging is done on paper and transcribed to a computer based spreadsheet on site. The compiled spreadsheet is validated against the paper logs. This data-entry spreadsheet is electronically transmitted to Marengo’s Perth office where the Data Administrator performs a further validation of the data checking for internal consistency. Any anomalies in the data are referred back to site for correction or confirmation. The validated data-entry spreadsheet is electronically transmitted to Maxwell Geoservices Pty Ltd for further processing.

All data is entered into the Datashed database by Maxwell Geoservices Pty Ltd after validation by the site geologists and the Marengo Data Administrator. The completed DataShed database is checked by the Marengo Data Administrator after each update. Intermittently the current database is cross checked against the equivalent database from the previous year as a further check that no discrepancies have appeared.

As part of the ongoing resource modelling and data management being undertaken, Golder receives copies of assay results directly from the Intertek laboratory. These are routinely viewed by Golder and spot checked against the main database.

In the Revised Technical Report the author states that Marengo’s sample preparation and analytical procedures to be of high standard. The author of the Revised Technical Report however also stated that some ongoing validation of the historical data is required and recommended a further validation of the geological logging together with a detailed verification of available assay certificates against the current database.

Security of Samples

Outgoing samples are stored in a locked building until the samples for a complete hole(s) are ready for shipment. Core storage on site is in a locked core farm facility.

Mineral Resources and Mineral Reserves

The assumptions, parameters and methods used for determining the resource estimate in the Revised Technical Report may be summarised as follows:

Assumptions

- Mineralisation is confined to the alteration zones.
- Higher grade mineralisation exists in the intense alteration zones.

- Highest grades are in the brecciated and texturally destroyed zones.
- Lithology has limited control on mineralisation.
- Copper and molybdenum mineralizing events are independent.
- Copper equivalent grades are calculated as $Cu+(Mo*10)$, ppm or percent.

Parameters and Methods

- 3D model of the mineralized domains was constructed and used in coding a block model of the deposit.
- Five metre composite samples were used in analyses and estimation.
- The Yandera Project resource has been estimated using Ordinary Kriging.
- Kriging parameters have been derived from variographic analysis of the composited drill data.
- Alteration and lithological domains have been estimated independently.
- High grade cutting was used to control the influence of high grade outlier samples.
- Density was assigned to the model by lithology based on measurements made by Marengo.
- Resources were reported at a copper equivalent cut-off of 3,000 ppm (0.3% Cu Eq).

At Yandera it is recognised that the copper-molybdenum mineralisation is associated with a broad relatively low grade alteration halo. Examination of the average grades within the alteration zones by lithology shows that higher grade material can be found associated with the Quartz Sericite, Potassic and to a lesser degree the Propylitic alteration. The Breccia and Dacitic porphyry rock types appear to be preferred mineralisation hosts across a range of alteration types.

In order to honour these observations, mineralisation domaining of the Yandera deposit was broken down globally by the degree of alteration – intense or marginal; and by local geological influences – the Breccias and the Dacitic porphyry.

Alteration was interpreted as marginal or intense outlines, the intense zone generally coincident with the Quartz Sericite alteration and increased mineralisation grades. On the sections all significant geological units were defined. The opportunistic nature of the drill hole locations and the variety of hole orientations used make a 2D sectional interpretation difficult. To overcome this, the sectional interpretation was then further analysed in 3D and the interpretation refined to honour the drilling in all dimensions. From this interpretation 3D wireframe models were constructed for the marginal and intense alteration zones. Geological models were constructed for the Breccias and the Dacitic porphyry.

The resource estimates for the Yandera Project as at May 2007 and as contained in the Revised Technical Report are set out below.

Classification ⁽¹⁾⁽²⁾⁽³⁾	Mt	Cu Eq (%) ⁽⁴⁾	Cu (%)	Mo (%)
Indicated	163.6	0.49	0.34	0.015
Inferred	497.7	0.48	0.34	0.013

Notes:

- (1) Using a 0.3% Cu Eq (3,000 ppm Cu Eq) cut-off.
- (2) The mineral resources have been categorised in accordance with the JORC Code.
- (3) Mineral resources that are not mineral reserves do not have demonstrated economic viability.
- (4) Copper equivalent is based on a molybdenum/copper price ratio of 10:1.

The estimate of in-situ mineral resource is not materially affected by any known environmental, permitting, legal, title, taxation, socio economic, marketing, political or other relevant issues.

Exploration and Development

Exploration at the Yandera central resource is currently focused on the diamond drill sampling of the alteration zone to identify and model the copper and molybdenum distribution of the deposit.

Geochemical sampling is also ongoing at the satellite prospects surrounding the Yandera central resource, namely the Gogobangu, North and South Bononi and Queen Bee prospects.

Bowgan Project

The Company has focused its activities on the Yandera Project, although limited exploration continues at the Company's 49% interest in the Bowgan project.

Marengo previously farmed out its Bowgan project to Mega Hindmarsh Pty Ltd ("Mega"), whereby Mega can earn up to a 75% interest in this project.

Mega has elected to sole fund an additional A\$400,000 to earn a 75% interest.

Competitive Conditions

The Company's mineral exploration and development business is competitive with other entities engaged in the same business. The Company competes with a number of other entities in the search for and the acquisition of mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resource companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favourable to the Company.

Employees

As at 30 June 2008, Marengo had 14 employees and 4 consultants.

Environmental Protection

Marengo believes that the financial and operational effects of environmental protection requirements on the capital expenditures, earnings and competitive position of the Company in the current financial year and the expected effect in future years is not material to impact on the Company's financial position.

Social Policies

Marengo takes pride in its approach to community relations and at all times is sensitive to the needs of all stakeholders as it moves forward with development of the Yandera Project.

The Company's site based Community Relations team is undertaking all of the long term studies and projects, as required by the statutory authorities of Papua New Guinea. This work is being performed to a very high standard, which should produce a positive response from local communities, as well as provincial and national governments. In addition Marengo has engaged an experienced anthropologist to assist in preparing, amongst other things, a census of the main population areas within the project boundaries, together with a report on the current and projected social impacts of site activities.

Marengo continues to place a major emphasis on community relations and information flow to all of the Yandera Project stakeholders.

PAPUA NEW GUINEA

Overview of Papua New Guinea

Papua New Guinea is located in the southwest Pacific near Australia with a land area of approximately 462,000 square kilometres and a population of approximately 5.8 million. English is the official language of government and commerce, although the majority of Papua New Guineans speak Pidgin. Additionally, there are more than 700 local languages spoken. Papua New Guinea gained independence from Australia in 1975 and rapidly assumed full management of its own affairs. Since independence, Papua New Guinea has engaged in regular general elections, undergoing several democratic changes of government. The most recent election occurred in June and July of 2007 and resulted in the re-election of Michael Somare as Prime Minister, a position he has held since 2002.

Despite its relatively short period of exposure to western influences and the mining industry, Papua New Guinea has attained credibility as a mineral producer based on the presence of several major mines, beginning with the Bulolo gold dredging operation in the 1930s. There are currently three world class mines in operation, two smaller mines in production, and several projects about to commence production.

The Australian Bureau of Mineral Resources (“BMR”) provided geological services to Papua New Guinea from 1948 to 1972. The BMR contribution to the geological understanding of Papua New Guinea was significant. In the late 1950s, BMR geologists discovered the Yandera copper mineralisation, were responsible for the preparation of most of the 1:250,000 scale geological maps of Papua New Guinea, and in 1962 discovered the Ramu lateritic nickel-copper deposit, currently under development 20 kilometres from the Yandera Project site.

Systematic mineral exploration of Papua New Guinea commenced in the late 1960s with attention largely directed towards finding porphyry copper deposits. By the mid-1970s, three world-class deposits and several smaller systems had been discovered. In the 1980s, attention shifted to gold exploration in previously known and unexplored areas, and resulted in recognition of the Porgera and Morobe Goldfields world-class gold deposits, each containing more than 200 tonnes of gold, and numerous smaller deposits of economic interest.

Since the early 1980s, mining and petroleum have become the driving force of the Papua New Guinea economy, contributing significantly to total exports, government revenue and gross domestic product. Papua New Guinea has been ranked as the 11th largest gold producer in the world over the past few years and is a significant copper producer.

Employment directly attributable to mining is estimated to account for 5% of the total available workforce, representing approximately 20% of the total formal rural workforce. The indirect employment figure derived from support services, such as contractors not classified as ‘mining’ but engaged on mining related projects, makes the overall employment figure due to mining significantly higher.

Mining Law and Tenure

Under the *Mining Act* (1992) (the “**Mining Act**”), all minerals existing on, in, or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State. The Mining Act establishes a regulatory regime for the exploration for, and production of, minerals and is administered by the Mineral Resources Authority. The Mineral Resources Authority was established under the *Mineral Resources Authority Act* (2005) (which also established the Mining Advisory Council) as a self-funded body to replace the Department of Mining as administrator of the Mining Act. The Mineral Resources Authority is not a department of the National Public Service of Papua New Guinea.

The types of mining tenements that may be granted include exploration licences, special mining leases and mining leases.

Land

Approximately 97% of land in Papua New Guinea is held by traditional owners under customary principles of land ownership. The specific elements and rules of the system of customary land tenure vary from place to place. However, customary land ownership generally recognises the traditional users of land and their personal and clan arrangements for land use.

While it is not possible to purchase or lease customary land from its traditional owners, a mining tenement may be granted over customary land under the Mining Act. The tenement holder is liable to compensate the land owners as required by the Mining Act before entering onto or occupying the land the subject of the tenement, as discussed below.

The balance of the land in Papua New Guinea is known as alienated land. Alienated land is land that has either been acquired from customary owners by the State either for its own use or for private development, or in some rare cases, is held as freehold other than by the State.

Exploration Licences

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, including that the licensee complies with an exploration program approved by the Minister for Mining (the “**Minister**”). In particular, the licensee may extract, remove and dispose of such quantity of rock, earth, soil or minerals as permitted under an approved exploration program (subject to the power of the Mineral Resources Authority to require the licensee to deliver to it all cores and drilling samples taken in the licence area). 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: (i) the licensee has complied with the conditions of the licence, paid compensation as required by the Mining Act, and submitted an exploration program for the proposed extended term to the Mining Advisory Council; and (ii) the Mining Advisory Council has recommended such exploration program for approval. On a renewal application, at least half of the area of the licence, as at the commencement of the previous term, must be relinquished until such time as the area is not more than 30 sub-blocks (approximately 100 square kilometres), after which no further relinquishment is required.

Special Mining Leases and Mining Development Contracts

Where the Minister considers that the size or distribution of a mineral deposit, the method of mining or treatment, the required infrastructure or financial or economic considerations make a mining development contract necessary, the Minister may require that the mining of a deposit occur pursuant to a special mining lease and a mining development contract. A mining development contract may contain provisions concerning the exercise by governmental authorities of certain discretions, the settlement of disputes between the developer and the State and such other matters as may be considered necessary by the parties, including provisions in respect of authorisations, taxation, the provision of facilities, the environment, local training, business development, supply and procurement requirements and the suspension of project operations.

A special mining lease is issued to the holder of an exploration licence that is also party to a mining development contract, by the Head of State acting on the advice of the National Executive Council after considering the recommendation of the Mining Advisory Council and after the Minister approves the applicant’s proposals for development. A special mining lease entitles the holder to exclusive occupancy of a specified area of land for mining and mining purposes and to ownership of all minerals lawfully mined from that land. A special mining lease may have a term of up to 40 years and may be extended for periods of up to 20 years. It is a condition of each special mining lease that the holder comply with the approved proposals for development. A special mining lease may also include such other conditions, consistent with the mining development contract, as may be determined by the Head of State. The area of a special mining lease must not be more than 60 square kilometres and must be of a rectangular or polygonal shape.

Mining Leases

A mining lease is issued by the Minister after considering a recommendation of the Mining Advisory Council, and after the Minister approves the applicant’s proposals for development. A mining lease entitles the holder to exclusive occupancy of a specified area of land for mining and mining purposes and to ownership of all minerals lawfully mined from that land. A mining lease may have a term of up to 20 years and may be extended for periods of up to 10 years. It is a condition of each mining lease that the holder comply with the proposal for development. A mining lease may also include such other conditions as may be determined by the Minister.

Cancellation

A tenement may be cancelled by the Minister if, after receiving a notice that the holder has breached the Mining Act or a condition of the tenement for which the tenement holder fails to show cause. However, a special mining lease cannot be cancelled unless the associated mining development contract has also been terminated.

Royalties

The holder of a mining lease or a special mining lease is required to pay a royalty to the State equal to 2.0% of the value of mined product.

Compensation

Under the Mining Act, a tenement holder is liable to compensate the owners of the land subject to the tenement, any adjoining land or improvements and land or improvements in the vicinity of the tenement, for its entry onto, or occupation of the land and for loss and damage caused or foreseen to be caused by exploration, mining or related activities. Compensation arrangements, either by way of agreement between the parties or a determination by a warden, must be finalised and compensation payments must be current before the tenement holder may enter onto, or occupy, the land.

State Equity Interest

As a matter of policy, the State 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 its right to acquire the entire 30% equity interest although on occasion the State has exercised its right and acquired a 20% equity interest in a project.

Environmental Law

Activities that have an impact on the environment of Papua New Guinea are regulated by specific environmental legislation which is administered by the Department of Environment and Conservation. All mine developments require an environment permit issued pursuant to the Environment Act (2000), which normally must be issued before the relevant tenement is granted.

Taxation

Commencing on 1 January 2001, the corporate tax rate applicable to resident companies such as Marengo PNG is 30% of income from mining and non-mining activities. A withholding tax at the rate of 10% is payable by resident companies carrying on mining activities on dividends paid out of mining income. Interest income earned prior to the commencement of commercial operations is not taxed but instead reduces “allowable capital expenditure” relating to that project. Interest income earned by an exploration company is generally not taxed but is instead offset against carry forward exploration expenditure.

RISK FACTORS

Fluctuations in Metal Prices

The prices of molybdenum and copper, other base metals and other minerals fluctuate and are affected by many factors beyond the control of Marengo such as industrial and retail supply and demand, exchange rates, inflation rates, 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 the Yandera Project, is dependent upon the price of molybdenum, copper, other base metals and other minerals being adequate to make these properties economic. Future price declines in the market value of molybdenum, copper, other base metals or other minerals could cause continued development of, and eventually commercial production from, the Yandera Project and the Company’s other properties to be rendered uneconomic. Depending on the price of molybdenum, copper, other base metals and other minerals, Marengo could be forced to discontinue production or development and may lose its interest in, or may be forced to sell, some of its properties. There is no assurance that, even as commercial quantities of molybdenum, copper and other base metals are produced, a profitable market will exist for them.

In addition to adversely affecting the reserve estimates of Marengo and its financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if a project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

Dependence on the Yandera Project

Marengo’s activities are focused primarily on the Yandera Project. Any adverse changes or developments affecting this project, such as, but not limited to, Marengo’s inability to successfully complete the DFS, 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.

State Equity Interest

As a matter of policy, the State 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. See "*Papua New Guinea – State Equity Interest*".

Additional Financing

The funds of the Company currently available and to be raised under the Offering are not designated for development of the Yandera Project. Accordingly, if the DFS is successful, the Company 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, outcome of the DFS or any other relevant feasibility studies and exploration programs and upon the requirement to attract significant amounts of debt and equity financing by 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 the Company. Any debt financing, if available, may involve financial covenants upon the Company's operations. If the Company cannot obtain such additional capital, the Company may not be able to complete the development of its projects or may be required to reduce the scope of any expansion which could adversely affect its business, operating results and financial condition.

Limited Operating History

The Company has no history of producing metals from its current mineral properties. As a result, the Company is subject to all of the risks associated with establishing new mining operations and business enterprises including:

- the timing and cost of the construction of mining and processing facilities;
- the availability and costs of skilled labour and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and
- the availability of funds to finance construction and development activities.

It is common in new mining operations to experience problems and delays during construction, development and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations or that the Company will successfully establish mining operations or profitably produce metals at any of its properties.

Additional Licences, Permits and Agreements

The Company's mining exploration activities are dependent upon the grant or, as the case may be, the renewal of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. There is no assurance that such renewals will be given as a matter of course and there is no assurance that new conditions will not be imposed in connection therewith. The development of the Yandera Project is also dependent on the negotiation of surface rights agreements with relevant landowners. Although the Company has no reason to believe that such agreements will not be reached expeditiously and on reasonable commercial terms, there is no assurance that such will be the case.

Inherent Risks of Mining

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including, but not limited to: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Political Instability in Developing Countries

The Company's mineral interests are in Papua New Guinea and may be affected by varying degrees of social and political instability. These risks and uncertainties include political and labour unrest, fluctuations in currency exchange rates, inflation, hostage taking and expropriation. The Company's mining exploration and development activities may be affected by these uncertainties and the nature of various government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business and/or its holdings. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. The Company's operations in Papua New Guinea entail governmental, economic, social, medical and other risk factors common to all developing countries. See "*Economic Uncertainty in Developing Countries*". The status of Papua New Guinea as a developing country may make it more difficult for the Company to obtain any required financing because of the investment risks associated with these countries.

Economic Uncertainty in Developing Countries

The Company's future operations in Papua New Guinea may be adversely affected by economic uncertainty characteristic of developing countries. There can be no assurance that any governmental action to control inflationary or deflationary situations will be effective in ensuring economic stability, or that future governmental actions will not trigger inflationary or deflationary cycles. Additionally, changes in inflation rates or deflation and governmental actions taken in response to such changes can also affect currency values in such countries. Any such changes could have a material effect on the Company's results of operations and financial condition.

Other Foreign Operations Risks

Changes, if any, in mining or investment policies or shifts in political attitude in Papua New Guinea may affect the operations or profitability of Marengo. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Insurance and Uninsured Risks

The business of Marengo is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Marengo or others, delays in mining, monetary losses and possible legal liability.

Although Marengo maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will unlikely cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Marengo may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Marengo or to other companies in the mining industry on acceptable terms. Losses from these events may cause Marengo to incur significant costs that could have a material effect upon its financial performance and results of operations.

Environmental Risks and Regulations

All phases of Marengo's operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Marengo's operations. Environmental hazards may exist on the properties on which Marengo holds interests which are unknown to Marengo at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently and may in the future be required in connection with the operations of Marengo. To the extent such approvals are required and not obtained, Marengo may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, 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, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material 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.

Government Regulation

The mining, processing, development and mineral exploration activities of Marengo are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of Marengo are currently 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. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial impact on Marengo.

Title to Properties

Although the Company has obtained title opinions with respect to its material properties there can be no assurances that the Company's interest in its properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. The Company has investigated its rights as described in this AIF and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests could not be revoked or significantly altered to the detriment of the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties.

Hedging Policies

The Company has not entered into any forward sales or hedging agreements for copper or molybdenum or any other minerals, but may enter into such contracts in the future. The Company has entered into forward foreign currency contracts. The use of currency hedges involves special risks including the possible default by the other party to the transaction, 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 hedging arrangements may have the effect of limiting or reducing the total returns of the Company if the Company's expectations concerning future events or market conditions prove to be incorrect. In addition, costs associated with the hedging program may outweigh the benefits of the arrangements in some circumstances.

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

Competition

The Company competes with other companies, some which have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. The Company competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Many of the Company's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

Dependence on Key Personnel

The Company is reliant on key personnel employed or engaged by the Company. Loss of such personnel may have a material impact on the performance of the Company. In addition, the recruiting of qualified personnel is critical to the Company's success. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Currency

The Company's expected future revenue will be in United States dollars while most of its expenditures are in the local currencies of Papua New Guinea and Australia. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations. Foreign currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates, inflation and other economic factors. Foreign currency fluctuations may materially affect the Company's financial position and operating results.

The Company has not hedged against fluctuations in exchange rates as yet, though the Company may enter into some hedge contracts, particularly in relation to foreign currencies, at a later date.

Repatriation of Earnings

There is no assurance that Papua New Guinea or any other foreign country in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

No Production Revenues

To date, the Company has not recorded any revenues from its mining projects nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed 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, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control. The Company 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 the Company's properties will require the commitment of substantial resources to conduct the exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability.

Stock Exchange Prices

The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of the Company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Marengo's securities.

Conflicts of Interest

Certain directors of Marengo are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of Marengo. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors may conflict with the interests of Marengo. Directors of Marengo with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Use of Inferred Resources in Pit Optimisation Study

The pit optimisation study referred to in this AIF and from which the economic analysis of the Yandera Project was derived is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the results described in the study will be realised.

Resource Estimates and Lack of Mineral Reserves

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly upon new information becoming available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mine plans may have to be altered in a way which could have a negative effect on the Company's operations. The Company does not have any mineral reserves and there is no assurance that mineral reserves will be established. A mineral resource is not the equivalent of a commercially mineable orebody or a mineral reserve.

Effecting Service of Process

Certain of Marengo's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon certain of the directors, officers and experts named in this AIF. It may also not be possible to enforce against Marengo, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

DIVIDENDS

Marengo has not, since the date of its incorporation, declared or paid any dividends on its shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Marengo anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and the financial condition of the Company and such other factors as the directors of Marengo consider appropriate.

CAPITAL STRUCTURE

Description of Ordinary Shares

Under the Corporations Act and the Company's constitution, the Company is authorised to issue an unlimited number of ordinary shares. However, under the ASX listing rules, in order for a corporation listed on the ASX to issue an amount of shares greater than 15% of the total number of existing shares then issued and outstanding, the corporation must seek separate shareholder approval. At the date of this AIF, Marengo has an aggregate of 268,016,975 fully paid ordinary shares issued and outstanding. No other shares in the capital of Marengo of any other classes are issued or outstanding.

The holders of ordinary shares in Marengo are entitled:

- (i) to vote at all meetings of shareholders of Marengo;
- (ii) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo, any dividends declared by Marengo; and
- (iii) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo, the remaining property of Marengo upon the liquidation, dissolution or winding-up of Marengo, whether voluntary or involuntary.

The ordinary shares do not carry any pre-emptive, subscription, retraction, purchase for cancellation or surrender, redemption, exchange or conversion rights, nor do they contain any sinking fund or purchase fund provisions. Furthermore, the ordinary shares do not have attached thereto any provisions permitting or restricting the issuance of additional securities or any other material restrictions or provisions requiring a shareholder to contribute additional capital.

Description of Unlisted Options

The unlisted options granted, exercised and cancelled since 1 July 2007, are as follows:

	Number <u>of Options</u>
Balance, as at 30 June 2007	15,300,000
Granted	2,194,970
Exercised	(4,000,000)
Cancelled/Lapsed	=
Balance, as at 30 June 2008	<u>13,494,970</u>

At 30 June 2008, 13,494,970 unlisted share purchase options had vested and were exercisable.

On 15 August 2008 5,750,000 unlisted \$0.50 options exercisable on or before 15 August 2013 as approved by shareholders at a general meeting of shareholders held on 31 July 2008.

MARKETS FOR SECURITIES

The Company's ordinary shares are listed for trading on the TSX under the symbol "MRN" and on the ASX and POMSoX under the symbol "MGO".

The following table sets forth the reported high and low sale prices and trading volume for the Company's ordinary shares on the ASX for each of the months indicated.

<u>Month</u>	<u>High (A\$)</u>	<u>Low (A\$)</u>	<u>Volume</u>
July 2007.....	0.45	0.35	9,188,200
August 2007.....	0.38	0.25	8,662,200
September 2007.....	0.37	0.29	6,050,200
October 2007.....	0.43	0.36	10,133,600
November 2007.....	0.40	0.31	5,029,900
December 2007.....	0.40	0.31	3,578,000
January 2008.....	0.35	0.19	4,174,200
February 2008.....	0.25	0.19	8,498,000
March 2008.....	0.23	0.19	9,693,100
April 2008.....	0.30	0.20	12,334,400
May 2008.....	0.35	0.26	17,751,000
June 2008.....	0.35	0.27	4,408,600

The following table sets forth the reported high and low sale prices and trading volume for the Company's ordinary shares on the TSX for each of the months and other periods indicated.

<u>Month/Period</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
April 15 – April 30, 2008.....	0.35	0.25	79,800
May 2008.....	0.31	0.26	41,000
June 2008.....	0.33	0.30	142,800

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The names and municipalities of residence, offices and positions held with Marengo and principal occupations during the five preceding years of the directors and executive officers of Marengo, as of the date of this AIF, are as follows:

<u>Name and of Residence⁽¹⁾</u>	<u>Municipality</u>	<u>Position with the Company and Period Served</u>	<u>Principal Occupation</u>
JOHN HORAN ⁽²⁾⁽⁴⁾	Adelaide, South Australia	Non-Executive Chairman since 23 April 2002	Principal of Adelaide Resource Management Pty Limited (provides consulting services to various public and private companies including Marengo)
LESLIE EMERY ⁽³⁾	Perth, Western Australia	Managing Director since 23 April 2002	Managing Director of Marengo Mining Limited
DOUGLAS DUNNET ⁽²⁾	Toronto, New South Wales	Non-Executive Director since 23 April 2002	Geologist, currently retired, formerly providing consulting services
SIR RABBIE NAMALIU ⁽³⁾	Kokopo, Papua New Guinea	Non-Executive Director since 11 February 2008	Director of various public companies and former member of PNG National Parliament

Name and of Residence⁽¹⁾	Municipality	Position with the Company and Period Served	Principal Occupation
SUSANNE SESSELMANN	Munich, Germany	Non-Executive Director since 15 May 2008	Director of the Sentient Group (a private equity resources fund) and the Meridiam Infrastructure Fund (a private equity investment fund)
JOHN HICK ⁽⁴⁾	Ontario, Canada	Non-Executive Director since 10 June 2008	Independent consultant and director of various public companies
ELIZABETH MARTIN ⁽²⁾⁽⁴⁾	Ontario, Canada	Non-Executive Director since 10 June 2008	Professional accountant and director of Aura Minerals Inc. and Manicouagan Minerals Inc.
ANDREW MELONCELLI	Perth, Western Australia	Chief Financial Officer and Company Secretary since 28 April 2008	Formerly, Manager - finance & treasury for the Company (appointed 12 November 2007), Chief Financial Officer of Golden West Resources Ltd. and Chief Financial Officer and Company Secretary of Carpathian Resources Ltd and Impress Energy Ltd.

Notes:

- (1) The information as to residence, principal occupation is not within the knowledge of the management of the Company and has been furnished by the respective directors and officers.
- (2) Member of the Audit Committee.
- (3) Member of the Safety and Environment Committee established 31 July 2008.
- (4) Member of the Remuneration Committee established 12 September 2008.

Each of the directors of Marengo will hold office until his or her office is vacated in accordance with the Company's Constitution, the ASX Listing Rules, the provisions of the Corporations Act or terms of their service agreements with the Company, whichever is earlier. Each director's (except the Managing Director's) term of office expires on the later of the third annual general meeting of shareholders of the Company or three years after that director's last election or appointment. In addition, one-third of directors (except the Managing Director) must retire at each annual general meeting. Retiring directors are eligible for re-election. The present term of office of Dr. Dunnet expires at the next annual general meeting of the shareholders of the Company, to be held on or before 30 November 2008, whereupon he will be eligible for re-election.

To the knowledge of the Company, as of the date hereof, all directors and senior officers of the Company as a group, beneficially own, directly or indirectly, or exercise control or direction over 6,807,967 ordinary shares, or approximately 2.54% of the Company's issued and outstanding shares.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, as at the date hereof or has been within the ten years prior to the date hereof, a director or executive officer of any company that, while that person was acting in that capacity was (1) the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; (2) subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the Company the subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days; or (3) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee to hold its assets.

Penalties or Sanctions

No director or executive officer of the Company or shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities

authority, or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Personal Bankruptcies

No director or executive officer of the Company or shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has during the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets.

Conflicts of Interest

Certain directors and officers of the Company are, or may become, directors or officers of other companies with businesses which may conflict with the business of the Company.

Directors are required to act honestly and in good faith with a view to the best interest to the company and to abstain from voting in connection with the matter. To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company as a result of their outside business interest at the date hereof. However, certain of the directors and officers serve as directors and/or officers of other companies. Accordingly, conflicts of interest may arise which would influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company.

Audit Committee

The Board of Directors (the "**Board**") has established an Audit Committee, which operates under a charter approved by the Board. A copy of the full charter is attached hereto as Appendix A. It is the Board's responsibility to ensure that an effective internal control framework exists within the Company. The Audit Committee has been formed to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting and external audit function, internal control structure and risk management procedures. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the committee, the external auditors and the management of the Company.

The Audit Committee reviews the effectiveness of the Company's financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks. The Committee oversees and appraises the quality of the external audit and the internal control procedures, including financial reporting and practices, business ethics, policies and practices, accounting policies, and management and internal controls. The Audit Committee also meets with external auditors and reviews the Company's relationship with the external auditors.

The charter of the Audit Committee requires that all members be independent within the meaning of the Canadian Multilateral Instrument 52-110 – *Audit Committees* ("**MI 52-110**"), which provides that a member shall not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. The members of the Audit Committee are: Dr Dunnet (Chairman), Mr Horan and Ms Martin.

Douglas Dunnet, B.Sc. (Hons), PhD. F.AusIMM

Dr Douglas Dunnet is a geologist with over 40 years experience. Dr Dunnet has a strong background in managing mining projects in Australia and North America, including 14 years with the Anaconda (USA) group of companies, culminating in his appointment as exploration manager for its Australian subsidiary between 1980 and 1983. In particular, Dr Dunnet has extensive experience in the archaean and proterozoic rocks of Australia and North America.

In 1984, Dr Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987, Dr Dunnet initiated the listing of, and became Managing Director of, Orion Resources NL ("**Orion**") and a director of Ranger Minerals Ltd. Dr Dunnet was instrumental in Orion's acquisition of a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to a market capitalisation of over \$130 million, prior to its acquisition by Sons of Gwalia NL.

Dr Dunnet was formerly Chairman (Non Executive) of Paladin Energy Limited, a uranium company listed on the ASX and TSX.

John Horan, FCPA, FCIS

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

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

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

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

Elizabeth Martin, C.M.A. – Non Executive Director

Ms Elizabeth Martin is a Toronto based, professional accountant with a strong background in international exploration and mining companies. Ms Martin has held senior management positions 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 a director of Aura Minerals Inc and Manicouagan Minerals Inc. Ms Martin 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, both located in Toronto.

Pre-approve Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The audit committee may delegate that authority to any member of the committee, provided that a report on any such pre-approval is made to the committee at its next scheduled meeting.

The Audit Committee must also confirm with the external auditor the external auditor's judgement of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting.

Audit Fees

The aggregate fees billed by Stantons International, the Company's auditors, in each of the last two financial years was A\$25,560 for the financial year ended June 30, 2008 and A\$26,427 for the financial year ended June 30, 2007.

Audit-Related Fees

The aggregate fees billed by Stantons International, the Company's auditors, in each of the last two financial years, for annual reporting and services that are reasonably related to the performance of the audit as a review of the Company's financial statements and are not reported under "Audit Fees" above was A\$23,611 for the financial year ended June 30, 2008 and A\$11,664 for the financial year ended June 30, 2007.

Tax Fees

The aggregate fees billed in the last two financial years for professional services rendered by Stantons International, the Company's auditors, for tax compliance, tax advice and tax planning was A\$0 for the financial year ended June 30, 2008 and A\$331 for the financial year ended June 30, 2007.

All Other Fees

The aggregate fees billed in the last two financial years for products and services provided by Stantons International, the Company's auditors, other than services reported in "Audit Fees", "Audit Related Fees" and "Tax Fees", referred to above, paid by the Company was A\$49,171 for the financial year ended June 30, 2008 and A\$38,422 for the financial year ended June 30, 2007.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

No director or executive officer of the Company or person or company that is the direct or indirect beneficial owner of, or who exercises control and direction over, more than 10% of the issued and outstanding shares of the Company; or any associate or affiliate of any of the persons or companies referred to above, has a material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company or during the current financial year of the Company, that has materially affected or will materially affect the Company.

TRANSFER AGENT AND REGISTRAR

The Company's Canadian transfer agent and registrar is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia. The Company's Australian share registrar is Computershare Investor Services Pty Ltd at its office in Perth, Western Australia.

LEGAL PROCEEDINGS

Marengo is not and was not a party to, and none of its property is or was the subject of, any legal proceeding during the most recently completed financial year.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the only material contracts which the Company has entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect are as follows:

- (i) an agency agreement dated as of 1 April 2008 between Marengo, Paradigm Capital Inc., Fraser Mackenzie Limited and Jennings Capital Inc. in connection with the Company's public offering of 44,736,846 ordinary shares pursuant to a prospectus dated 1 April 2008;
- (ii) subscription agreement between Marengo and Sempra dated 1 March 2006, as amended by agreements dated 17 July 2007, 19 October 2007, 21 December 2007 and 12 March 2008, pursuant to which Marengo granted Sempra an exclusive right of first negotiation of an off take agreement and for all metal produced from the Yandera Project and a right of first refusal in respect of such an off take agreement; and
- (iii) share acquisition deed dated 12 May 2006 between the former shareholders of Belvedere and Marengo PNG pursuant to which Marengo PNG acquired all of the issued and outstanding shares of Belvedere, the registered holder of EL1335.

INTERESTS OF EXPERTS

Information of a scientific or technical nature regarding the Yandera Project included in this AIF is based upon the Revised Technical Report. The Revised Technical Report was prepared by Stephen Godfrey, Senior Resource Geologist, Golder Associates, David Swain, Mining Engineer, Principal, Swain Associates and Brian McNab, Senior Process Engineer, GRD Minproc Limited, each of whom is a "Qualified Person" as defined in NI 43-101. None of the authors of the Revised Technical Report has a direct or indirect interest in the Yandera Project or of any associate or affiliate of Marengo.

Scientific and technical information in this AIF other than that relating to the resource estimate for the Yandera Project, was prepared by Mr Peter Dendle (the "**Non Resource Data**"). Mr Dendle is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo Mining Limited. Mr Dendle has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a

Competent Person as defined in the JORC Code. Mr Dendle also has sufficient experience to qualify as a Qualified Person under NI 43-101.

Mr Dendle has verified the Non Resource Data, including sampling, analytical and test data underlying the Non Resource Data contained in this AIF against the drilling and sampling database.

Mr Dendle consents to the disclosure of the Non Resource Data in this AIF, in the form and context in which it appears.

Mr Dendle is an employee of Marengo but does not have an interest in the property of Marengo except that Mr Dendle is the registered or beneficial owner (direct or indirect) of 50,000 ordinary shares of Marengo and 500,000 options to purchase ordinary shares of Marengo.

ADDITIONAL INFORMATION

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, securities authorised for issuance under equity compensation plans, if applicable, is contained in the Company's information circular for its upcoming annual general meeting of securityholders, a copy of which is being filed on SEDAR at www.sedar.com contemporaneously with this AIF.

Additional financial information is available in the Company's audited financial statements and accompanying management's discussion and analysis for the financial year ended June 30, 2008, a copy of which is being filed on SEDAR at www.sedar.com contemporaneously with this AIF. For copies of documents, please contact the Company at 9 Havelock Street, Second Floor, West Perth, Western Australia 6005 (Telephone +61 8 9429 0000, Fax (61) 8 9429 0099), Attn: Company Secretary.

APPENDIX A

AUDIT COMMITTEE CHARTER

Adopted: 12 September 2008

1. ROLE

The audit committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Marengo Mining Limited (the “**Company**”) fulfil its corporate governance and oversight responsibilities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditors, and the management of the Company.

2. ADMINISTRATION OF COMMITTEE

2.1 Membership

- 2.1.1 The members of the Committee shall be appointed by the Board for one-year terms and may serve consecutive terms.
- 2.1.2 The Committee shall be composed of not less than three (3) members. If a member of the Committee retires, is removed or resigns from the Board, that member shall cease to be a member of the Committee.
- 2.1.3 Each member of the Committee shall:
 - 1. be a member of the Board;
 - 2. unless otherwise determined by the Board, in accordance with Canadian Multilateral Instrument 52-110 – Audit Committees (“**MI 52-110**”), be independent within the meaning of MI 52-110; and
 - 3. unless otherwise determined by the Board in accordance with MI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the Company's financial statements.

2.2 Chairman

- 2.2.1 The members of the Committee shall appoint a person from among its members to act as the chairman of the Committee (the “**Chairman**”). The Chairman shall be approved for a one-year term;
- 2.2.2 The Chairman is responsible for:
 - a) ensuring the Committee adequately addresses each of its functions and responsibilities, on an on-going basis;
 - b) ensuring the Board and, if appropriate, the Managing Director/CEO and the Finance Director are aware of concerns of the Committee;
 - c) liaise with the chairperson of the Board to coordinate the raising of Committee matters with the Board;
 - d) communicate with the Board to keep it apprised of all major developments involving audit and financial reporting matters;
 - e) chair and manage meetings of the Committee;
 - f) set and assess periodically the frequency of Committee meetings; and

- g) on an on-going basis, evaluate the Committee's objectives, duties and the effectiveness of its performance.

2.3 Meetings

- 2.3.1 The Committee shall meet as frequently as required, but not less than four times per year.
- 2.3.2 The Chairman, in consultation with management, shall appoint a secretary to the Committee (the "Secretary");
- 2.3.3 The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee;
- 2.3.4 The agenda for Committee meetings will be determined by the Chairman in consultation with management and members of the Committee;
- 2.3.5 The Secretary shall forward a notice of each meeting of the Committee to each Committee member as many days as possible and not less than 3 days prior to the date of the meeting;
- 2.3.6 Minutes and resolutions of meetings of the Committee shall be maintained by the Secretary and distributed to all Committee members and the Chairman following the approval of such minutes and resolutions by the Chairman; and
- 2.3.7 Committee minutes may be made available to any member of the Board following a request to the Chairman, providing no conflict of interest exists.

2.4 Attendance at Meetings

- 2.4.1 A quorum will comprise any two (2) Committee members.
- 2.4.2 Each member shall have one vote and the Chairman shall not have a second or casting vote.
- 2.4.3 The Managing Director/CEO, Finance Director, the Company secretary, representative(s) of the external auditors, members of management or other parties deemed necessary by the Committee to provide information may attend meetings by invitation.

3. RESPONSIBILITIES

3.1 The Committee shall:

Financial Reporting

- 3.1.1 periodically assess and review the effectiveness of the Company's financial reporting and internal control policies;
- 3.1.2 ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- 3.1.3 periodically assess the procedures referred to in subsection 3.1.2 above;
- 3.1.4 monitor and review the Company's compliance with legal and regulatory requirements;
- 3.1.5 review, prior to public disclosure, the Company's annual and interim financial statements, MD&A and earnings press releases, taking into account:
 - a) critical accounting policies and practices and any changes therein;
 - b) decisions requiring a major element of judgment;

- c) the extent to which the financial statements are affected by any unusual transactions;
 - d) the clarity of disclosures;
 - e) significant adjustments resulting from the audit;
 - f) the going concern assumption;
 - g) compliance with accounting standards; and
 - h) compliance with stock exchange and other legal requirements;
- 3.1.6 review and approve any financial reporting required to be made to any lenders or strategic investors;
- 3.1.7 review the consistency of the Company's accounting policies both on a year-to-year basis and across the Company and its subsidiaries and the impact of changes in the accounting standards and legislation on the Company's accounting policies, and where the Committee deems it necessary, adopt changes to the Company's accounting policies in response thereto;
- 3.1.8 obtain reasonable assurance, from discussions with and reports from management and external auditors, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively and that the Committee is fully apprised of all unrecorded audit adjustments and the rationale for any judgement calls made in relation to the Company's financial statements;
- 3.1.9 ensure the Company's external reporting complies with the Company's accounting policies, the *Corporations Act 2001 (Cth)*, International Financial Reporting Standards and all other applicable policies and rules and securities laws;
- 3.1.10 discuss any significant matters arising from the audit, management judgments and accounting estimates with management and internal auditors (if any), and external auditors;
- 3.1.11 review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company's financial statements and disclosure documents;
- 3.1.12 obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information.
- 3.1.13 review the contents of any prospectus or similar document, including the financial statements contained therein, and after such review and where deemed appropriate, shall recommend to the Board the approval of any financial statements contained therein that have not previously been approved;
- 3.1.14 monitor the policies of the Company in respect of compliance with corporate, environmental, mineral and resource, trade practices and other relevant laws and regulations;
- 3.1.15 provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit policies and practices;
- 3.1.16 review and recommend to the Board the appointments of the Finance Director and any other key financial members of management;
- 3.1.17 recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board;

- 3.1.18 ensure that the Company complies with all legal requirements relating to the declaration and payment of dividends;

External Auditor

- 3.1.19 recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- 3.1.20 recommend to the Board the compensation of the external auditor;
- 3.1.21 oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- 3.1.22 ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company;
- 3.1.23 engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor;
- 3.1.24 ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards;
- 3.1.25 develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues;
- 3.1.26 meet on a regular basis with the external auditor, without management present;
- 3.1.27 confirm with the external auditor the external auditor's judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting, including without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials;
- 3.1.28 either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Committee at its first scheduled meeting after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Committee's responsibilities to management;
- 3.1.29 review the planning and results of the external audit, including:
- a) the external auditor's engagement letter;
 - b) the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;
 - c) the post-audit management letter;
 - d) the form and content of the audit report; and

- e) any other related audit engagements;
- 3.1.30 ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information;
- 3.1.31 assess management's response to, and action on, the external auditor's post-audit reporting letter;
- 3.1.32 assess the external auditor's performance;
- 3.1.33 direct the external auditors' examinations to additional particular areas, where appropriate;
- 3.1.34 where appropriate, request that the external auditors to undertake special examinations;
- 3.1.35 review control weaknesses identified by the external auditors, together with management's response;
- 3.1.36 review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor;

Reporting

- 3.1.37 report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues.
- 3.1.38 on an annual basis, report to the Board and shareholders of the Company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the Australian Securities Exchange, the Port Moresby Stock Exchange and the Toronto Stock Exchange addressing all matters relevant to the committee's role and responsibilities, including:
 - a) whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
 - b) the management processes supporting external reporting;
 - c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - d) recommendations for the appointment or removal of an auditor;
 - e) the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - f) the performance and objectivity of the internal audit function; and
 - g) the results of its review of risk management and internal compliance and control systems.

Whistle Blowing

- 3.1.39 establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 3.1.40 establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

Risk Management

- 3.1.41 provide the Board with advice and recommendations regarding the establishment and implementation of:
- a) a risk management system; and
 - b) a risk profile for the Company that describes the material risks (including financial and non-financial risks) which the Company faces;
- 3.1.42 provide the Board with advice and recommendations regarding the roles and respective accountabilities of the Board, the Committee, management and the internal audit function (if any) in respect of the Company's risk management system;
- 3.1.43 periodically assess and review the effectiveness of the Company's procedures for the identification, assessment, reporting and management of risks including the areas of crisis management, capital expenditure, taxation strategy, funding, commodity and foreign exchange and interest rate exposure, insurance coverage, fraud and information systems technology
- 3.1.44 ensure that adequate procedures are in place to achieve the Company's objectives as to the effectiveness and efficiency of operations and to safeguard the Company's assets; and
- 3.1.45 regularly review and update the Company's risk profile;

Internal Audit

- 3.1.46 periodically assess, review the need for an internal audit function on a regular basis;
- 3.1.47 if the Committee determines that it is appropriate to do so, it shall establish an internal audit function whose purpose is to analyse the effectiveness of:
- a) the Company's risk management and internal compliance and control system; and
 - b) the implementation of the Company's risk management and internal compliance and control system;
- 3.1.48 if the Company has an internal audit function, the Committee shall:
- a) review the results and effectiveness of the internal audit programs;
 - b) recommend the scope of the internal audit for Board approval;
 - c) review and approve the appointment and dismissal of senior internal audit executives;
 - d) ensure the internal audit function is independent of the external auditor;
 - e) ensure that the internal audit function has all necessary access to management and the right to seek information and explanations;
 - f) receive summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
 - g) ensure no management or other restrictions are placed on the internal auditors;
 - h) ensure that appropriate resources are made available to the internal auditors;

General

3.1.49 comply with and carry out all other duties of an audit committee as prescribed the Australian *Corporations Act 2001 (Cth)*, Australian and Canadian accounting standards and other applicable legislative and regulatory provisions.

4. REVIEW OF COMMITTEE PERFORMANCE

4.1 The Board shall review the effectiveness of the Committee annually.

4.2 The Board will review this Charter annually and revise it as appropriate.

5. AUTHORITY OF THE COMMITTEE

5.1 The Committee has the authority to:

5.1.1 engage at the Company's expense, independent counsel and other advisors, such as external legal counsel, as it determines necessary to carry out its duties;

5.1.2 set and pay the compensation for any advisors employed by the audit committee;

5.1.3 conduct any investigations it considers necessary and seek explanations and additional information from any employee of the Company and/or from the external auditor;

5.1.4 approve accounting policies and procedures and auditing methodology (issues of material importance, however, will be referred to the Board with the Committee's recommendation); and

5.1.5 communicate directly with the external auditor and any internal auditor and have unrestricted access to management, internal auditor (if any) and external auditors and all company records for the purpose of carrying out its duties and responsibilities under this Charter.

6. CONFLICT

In the event of any conflict between this charter and any other relevant legal requirements, including those of the ASX, POMS0X or the TSX (as applicable), the *Corporations Act 2001 (Cth)*, and applicable securities laws, the Committee shall immediately bring the conflict to the attention of the Board which shall resolve such conflict upon consultation with the Company's legal advisors.