



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for Marengo Mining Limited ("Marengo" or the "Company") should be read in conjunction with the unaudited interim consolidated financial statements of Marengo for the three months ended 30 September 2008 (the "Interim Financial Statements") and with the Company's audited consolidated financial statements for the year ended 30 June 2008 (the "Year-End Financial Statements") and related notes thereto (together, the "Financial Statements"). This information is presented as of 11 November 2008. The Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with the Australian equivalents of International Financial Reporting Standards ("IFRS").

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

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

The Financial Statements and other information about the Company and its business activities, including the Company's annual information form ("AIF") are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**1. Overview**

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

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

In July 2007, a conceptual mining study ("CMS") was completed in respect of the Yandera Project and, based on the positive results thereof, the Company determined to proceed with a DFS on the development of the Yandera Project.

Phase 1 of the Definitive Feasibility Study ("DFS") 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. Key highlights of Phase 1 included:

- an open-cut mining operation an initial 10-year time frame;
- ore processing commencing at 25Mtpa with the ability to increase throughput over the life of the operation;

- proposed near and/or in-mine crushing of ore before being conveyed to a 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.

Phase 2 of the DFS commenced in May 2008 and continues at this time.

## **2. Overall Performance**

Details of the Company's recent exploration and development activities and overall performance are contained in the September 2008 quarterly report released on 31 October 2008 to the ASX and concurrently filed under the Company's profile at [www.sedar.com](http://www.sedar.com). Highlights of the Company's activities for the quarter ended 30 September 2008 are set out below:

- an upgraded Mineral Resources Estimate (including initial by-product resource estimate) for the Yandera Central Porphyry;
- continued progress on Phase 2 of the DFS;
- first drilling results from Mumnogoi zone provide positive results, with best intercept of 77m @ 0.44% CuEq; and
- drilling results from Gremi and Omora zones include:
  - 412 metres @ 0.50% CuEq
  - 197 metres @ 0.91% CuEq

[CuEq% = Cu% + (Mo% x 10), Au and Ag not included].

The Company began the three month period ended 30 September 2008 with cash reserves of \$23,352,570 and no additional funds were raised during the period. Funds expended were used to actively advance the Company's Yandera Project.

During the quarter ended 30 September 2008, the Company incurred exploration expenditures of \$5,621,223 (2007: \$2,346,690). In accordance with the Company's accounting policies, all exploration expenditures other than acquisition and feasibility costs, were written off as incurred resulting in a write off of \$3,916,105 (2007: \$2,346,690) during the three month period ended 30 September 2008. This resulted in an operating loss after income tax for the three month period ended 30 September 2008 of \$4,167,816 (2007: \$2,604,603).

As at 30 September 2008, the Company's consolidated cash reserves was \$19,207,764. The Company anticipates that its cash on hand will be sufficient for the Company to continue the DFS, satisfy its minimum exploration expenditure obligations and meet all of its other corporate and administrative costs for the balance of the financial year.

If the DFS is positive, additional funding through a combination of equity and/or debt will be required to finance the development of the Yandera Project, including construction of plant and other infrastructure, minimum pre-strip and working capital.

Marengo has established a project finance committee to deal with the financing of the Yandera Project on the longer term. Project financing for the Yandera Project will be dependent on world economic markets in the future.

In particular, commodity price fluctuations may significantly affect the ability of the Company to fund the development of the Yandera Project in the future. Fluctuations in commodity prices may also impact the results of operations once mining commences and the Company's forecasts and expectations regarding the economic viability of developing its mineral deposit. The monitoring of price movements and trends for the Company's target mineral is essential to understand and monitor the viability of the Company's assets.

Copper prices have historically fluctuated significantly. The closing price as at 11 November 2008 was US\$1.81 /lb Cu. Between 1993 and 2007, copper prices fluctuated from a low of US\$0.65/lb Cu (2001) to a high of US\$4.00/lb Cu (2006).

Molybdenum prices have historically fluctuated significantly. The closing price as at 11 November 2008 was approximately US\$24 lb/Mo. Molybdenum prices were volatile during calendar 2005 and 2006 fluctuating between a high of US\$40.00 per pound and a low of US\$22.00 lb/Mo. Between 1993 and 2007, molybdenum prices fluctuated even more dramatically, from a low of US\$5.00 lb/Mo (1999) to a high of US\$50.00 lb/Mo (2005).

In addition, most of the costs incurred by the Company are denominated in Australian dollars, Canadian dollars and Papua New Guinea kina. Revenue from product sales is expected to be quoted and earned in US dollars. The relative exchange rates of these currencies therefore affect the results of the operations of the Company.

### **3. Results of Operations**

Revenue from continuing operations for the quarter ended 30 September 2008 was \$976,115 as compared to \$372,190 for the quarter ended 30 September 2007. The increase was primarily due to foreign exchange gains and an increase in interest income from an increase in the average level of cash balances compared to the quarter ended 30 September 2007.

Exploration expenditure for the quarter ended 30 September 2008 was \$3,916,105 as compared to \$2,346,690 for the quarter ended 30 September 2007. The increase was primarily due to increases in the number of personnel and drill rigs at the Yandera Project.

Expenditure on the DFS in the quarter ended 30 September 2008 was \$1,705,118. The budget for the year ending 30 June 2009 for the DFS is \$13.7 million. No amounts were expended on the DFS in the quarter ended 30 September 2007.

Administration costs for the quarter ended 30 September 2008 was \$214,278 as compared to \$143,670 for the quarter ended 30 September 2007. Corporate expenditures for the quarter ended 30 September 2008 was \$373,870 as compared to \$165,848 for the quarter ended 30 September 2007. Salaries and employee benefits expenditures for the quarter ended 30 September 2008 was \$356,661 as compared to \$191,561 for the quarter ended 30 September 2007. These increases were primarily due to the additional staff required for, and compliance costs associated with, the Company's listing on the TSX.

Marengo undertakes certain transactions denominated in foreign currencies and, as a result, is subject to volatility in exchange rates. Exchange rate exposure is managed utilising forward foreign exchange contracts. See “*Financial Instruments and Other Instruments*”.

Inflation and price changes have not had a material impact on Marengo’s revenues and net income or loss.

#### **4. Summary of Quarterly/Half-Yearly Results**

The following table sets out the financial results for the Company’s most recently completed three quarters and of its three most recently completed half years. The financial data is derived from the Financial Statements.

##### **Summary of Quarterly/Half-Yearly Results**

	Quarter 30 September 2008	Quarter 30 June 2008	Quarter 31 March 2008	Half-Year 31 December 2007	Half-Year 30 June 2007	Half-Year 31 December 2006
	(A\$)					
Net loss .....	(4,167,816)	(3,759,487)	(5,071,913)	(4,927,108)	(3,500,879)	(4,380,539)
Basic loss per share (cents) .....	(6.3)	(5.9)	(10.9)	(3.2)	(2.2)	(5.4)
Diluted loss per share (cents) .....	(6.3)	(5.9)	(10.9)	(3.2)	(2.2)	(5.4)
Cash and cash equivalents.....	19,207,764	23,352,570	20,541,245	16,556,956	7,171,035	10,616,463
Total assets.....	35,292,600	34,973,168	32,637,340	24,426,286	14,570,807	18,289,830
Total long-term financial liabilities.....	Nil	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share .....	Nil	Nil	Nil	Nil	Nil	Nil

Marengo became a reporting issuer in April 2008. Prior to becoming a reporting issuer in Canada quarterly financial statements had not been prepared by Marengo as they are not required under the *Corporations Act Cth* (Australia). Accordingly only quarterly results for the most recently completed three quarters has been included herein.

Marengo primarily incurs costs in Australian dollars, Canadian dollars and Papua New Guinea kina and as such is subject to exchange rate risk. Over the last three months, movements in exchange rates were as follows:

	30 June 2008	30 September 2008	High – 30 June 2008 to 30 September 2008	Low – 30 June 2008 to 30 September 2008
<b>AUD / CAD</b>	0.97220	0.85250	0.98330	0.85010
<b>AUD / PGK</b>	2.54770	2.13840	2.66200	2.06760
<b>AUD / USD</b>	0.96150	0.82110	0.98490	0.78000

## 5. Discussion of Cash Flows

	<b>Three Month Period Ended</b>	
	<b>September 2008</b>	<b>September 2007</b>
	\$	\$
<hr/>		
Cash flows from:		
Operating activities	(1,932,579)	(2,272,148)
Investing activities	(2,126,824)	(71,440)
Financing activities	(185,791)	14,243,375

Cash outflow from operating activities was \$1,932,579 for the quarter ended 30 September 2008 as compared to \$2,272,148 for the quarter ended 30 September 2007. The net decrease was primarily due to a foreign exchange gain with an offsetting increase in the number of personnel and drill rigs at the Yandera Project.

Cash outflow from investing activities for the quarter ended 30 September 2008 was \$2,126,824 as compared to \$71,440 for the quarter ended 30 September 2007. The increase in outflow was primarily due to no DFS expenditure in the prior corresponding period.

In the quarter ended 30 September 2008 costs associated with the DFS were \$1,705,118 while there were no such costs in the quarter ended 30 September 2007 or prior to that.

Cash outflow from financing activities for the quarter ended 30 September 2008 was \$185,791 as compared to cash inflow of \$14,243,375 for the quarter ended 30 September 2007. The decrease was primarily due to no shares having been issued in the quarter ended 30 September 2008.

## 6. Discussion of Financial Position

	<b>30 September 2008</b>	<b>30 June 2008</b>
	\$	\$
<hr/>		
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	19,207,764	23,352,570
Trade and other receivables	712,466	828,723
<b>TOTAL CURRENT ASSETS</b>	<hr/> 19,920,230	<hr/> 24,181,293
<b>NON CURRENT ASSETS</b>		
Other financial assets	829,092	817,301
Plant and equipment	771,870	622,054
Mining properties	13,771,408	9,352,520
<b>TOTAL NON CURRENT ASSETS</b>	<hr/> 15,372,370	<hr/> 10,791,875
<b>TOTAL ASSETS</b>	<hr/> 35,292,600	<hr/> 34,973,168
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,791,670	2,745,003
Provisions	400,177	240,608
<b>TOTAL CURRENT LIABILITIES</b>	<hr/> 4,191,847	<hr/> 2,985,611
<b>TOTAL LIABILITIES</b>	<hr/> 4,191,847	<hr/> 2,985,611

**EQUITY**

31,100,753

31,987,557

**Cash and Cash Equivalents**

Cash and cash equivalents decreased to \$19,207,764 as at 30 September 2008 as compared to \$23,352,570 as at 30 June 2008 primarily because the Company did not raise funds in the quarter ended 30 September 2008 and only expended funds in a manner consistent with its business objectives.

**Trade and Other Receivables**

Trade and other receivables decreased to \$712,466 as at 30 September 2008 as compared to \$828,723 as at 30 June 2008 primarily due to a decrease in sundry receivables and prepayments.

**Other Financial Assets**

Other financial assets increased to \$829,092 as at 30 September 2008 as compared to \$817,301 as at 30 June 2008 primarily due to the recognition of the fair value of the loan to Mr Les Emery.

**Plant and Equipment**

Plant and equipment increased to \$771,870 as at 30 September 2008 as compared to \$622,054 as at 30 June 2008 primarily due to the purchase of fixed assets in the normal course of business.

**Mining Properties**

Mining properties increased to \$13,771,408 as at 30 September 2008 as compared to \$9,352,520 as at 30 June 2008 primarily due to the capitalisation of the DFS costs and favourable foreign exchange rate movements.

**Trade and Other Payables**

Trade and other payables increased to \$3,791,670 as at 30 September 2008 as compared to \$2,745,003 as at 30 June 2008 primarily due to increased expenditures and timing of payments in respect of the Yandera Project.

**Provisions**

Provisions increased to \$400,177 as at 30 September 2008 as compared to \$240,608 as at 30 June 2008 primarily due to the increased staffing levels.

**Equity**

Equity decreased to \$31,100,753 as at 30 September 2008 as compared to \$31,987,557 as at 30 June 2008 primarily due to a loss of \$4,167,816 after being partially offset by an increase in reserves of \$3,466,803.

**7. Liquidity and Capital Resources**

The Company's principal requirements for cash over the next twelve months will be for the development of the Yandera Project, namely completion of the DFS. The Company anticipates that its cash on hand will be sufficient for the Company to continue the DFS, satisfy its minimum exploration expenditure obligations and meet all of its other corporate and administrative costs for the balance of the financial year.

If the DFS is positive, additional funding through a combination of equity and/or debt will be required to finance the development of the project, including construction of plant and other infrastructure, minimum pre-strip and working capital. The success and pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at the time, the outcome of the DFS or any other relevant feasibility studies and exploration programs.

The Company expects to continue to fund its planned growth and development through a combination of its cash balance of \$19,207,764 as at 30 September 2008, from various financing facilities, from the capital markets.

The Company's contractual obligations are set out below:

Contractual Obligations – A\$	Payments due by Period			
	Total	Less than 1 year	1 – 5 years	After 5 years
Long term Debt	-	-	-	-
Operating Leases	\$339,989	\$310,818	\$29,171	-
Capital Lease Obligations	-	-	-	-
Purchase Obligations	-	-	-	-
Other Long Term Obligations	\$18,507,583	\$13,449,083	\$5,058,500	-
<b>Total Contractual Obligations</b>	<b>\$18,847,572</b>	<b>\$13,759,901</b>	<b>\$5,087,671</b>	-

Reference should be made to note 20 of the Financial Statements.

## 8. Financial Instruments and Other Instruments

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

The Company has not entered into any forward sales or hedging agreements for copper or molybdenum or any other metals. In the quarter ended 30 September 2008 the Company did, however, have in place a forward currency contract for the purchase of PGK 1,500,000 (at an exchange rate of A\$1.00 = PGK2.455) which matured on 20 October 2008 and now has expired. The Company has no other forward currency contracts.

The risk of currency hedges involves risks such as default by the other party, illiquidity and the extent to which the Company's assessment of certain market movements is incorrect and the risk that the use of hedges could result in losses greater than if hedging had not been used.

The risks associated with fluctuations in the price of metals and foreign exchange rates will be managed by the Company's management, 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 practices.

The currency hedges are not accounted for as specific hedges and consequently movements in the fair value or mark-to-market position since inception have been reflected in the statement of income (loss).

As at 30 September 2008, the currency hedge has been recorded at \$0 in the balance sheet. The unrecognised gain on the currency hedge as at 30 September 2008 was \$90,472.

## **9. Off-Balance Sheet Arrangements**

There are no off-balance sheet arrangements as at 30 September 2008.

## **10. Transactions with Related Parties**

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

The principal terms of the loan provide as follows:

- If Mr Emery's employment ceases for any reason other than death, permanent disability or removal from office, the loan becomes payable within one month of such cessation. If Mr Emery's employment ceases because of death, permanent disability or removal from office, the loan becomes payable within 6 months of such cessation. The Board retains discretion to extend these time periods;
- Any dividends must be applied to reduce the outstanding loan; and
- The loan will be limited recourse. That is, in the event the shares obtained under the loan are sold for an amount less than the amount of the loan, the maximum amount Mr Emery will be required to repay would be the amount of the sale proceeds. In this way, Mr Emery is protected against a decline in the Company's share price.

## **11. Critical Accounting Estimates**

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

### *Share based payment transactions*

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 28 to the Financial Statements.

### *Exploration and evaluation costs*

Exploration and evaluation costs are written off in the year they are incurred except for acquisition costs which are carried forward where right of tenure of the area of interest is current and in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, an assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available.

## **12. Changes in Accounting Policies including Initial Adoption**

Marengo has transitioned its accounting policies and financial reporting from Australian generally accepted accounting standards to IFRS, which have been applied effective 1 July 2005. Comparatives for



the year ended 30 June 2004 have been restated in accordance with the Australian equivalent standards for IFRS.

Under Australian income tax legislation, exploration expenditure is generally regarded as an immediate tax deduction. Also, under IFRS, the benefit of any carry forward tax losses cannot be brought to account in the financial statements of the Company unless realisation of the benefit is probable. As at 30 September 2008, the Company had estimated income tax losses of \$31.0 million (2007: \$16.4 million) which may be available to offset taxable income in future years. These losses are expected to be realised at an applicable company tax rate of 30%. The future income benefit of these losses will only be obtained if:

- (a) the Company satisfies the same business test by carrying on the same business, at all times during the financial year in which it seeks to recuperate the loss, as it did just prior to a change in 50% or more of the ownership of the Company;
- (b) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (c) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (d) no changes in legislation adversely affect the Company in realising the benefit.

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

### **13. Risk Factors**

The Company's operations and results are subject to a number of different risks at any given time. These risk factors, include but are not limited to: fluctuations in metal prices; dependence on the Yandera Project; state equity interest; additional financing; limited operating history; additional licences, permits and agreements; inherent risks of mining; political instability in developing countries; economic uncertainty in developing countries; other foreign operations risks; insurance and uninsured risks; environmental risks and regulations; government regulation; title to properties; hedging policies; competition; dependence on key personnel; currency; repatriation of earnings; no production revenues; stock exchange prices; conflicts of interest; use of inferred resources in pit optimisation study; no Canadian public market for the shares; resource estimates and lack of mineral reserves; and effecting service of process.

The Company's risk factors are discussed in detail in the Company's AIF dated 19 September 2008 which is available on SEDAR at [www.sedar.com](http://www.sedar.com) and should be reviewed in conjunction with this document.

### **14. Outstanding Share Data**

As at 11 November 2008, the only class of shares of the Company outstanding is ordinary shares. As at 11 November 2008, the Company had 268,016,975 ordinary shares outstanding and 19,244,970 options to acquire ordinary shares at various exercise prices.

### **15. Corporate Responsibility for Financial Reports**

The Company's Managing Director (MD) and Chief Financial Officer (CFO) are responsible for establishing and maintaining the Company's disclosure controls and procedures. Access to material information with respect to the Company is facilitated by the small size of the Company's senior

management team. The MD and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as of 30 September 2008, have concluded that the Company's disclosure controls and procedures were adequate and effective to (i) ensure that material information relating to the Company and its subsidiaries would have been made known to them; and (ii) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

#### **16. Cautionary Note Regarding Forward-Looking Statements**

This document contains “forward-looking information” which may include, but is not limited to, statements with respect to the future financial or operating performances of Marengo, its subsidiaries and their respective projects, the future price of copper and molybdenum, the estimation of mineral reserves and resources, the realisation of mineral reserve estimates, the timing and amount of estimated future production, estimated costs of future production, capital, operating and exploration expenditures, costs and timing of the development of the Yandera Project, the costs of Marengo’s hedging policy, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, and limitations of insurance coverage.

Often, but not always, forward-looking information can be identified by the use of words such as “plans”, “expects”, “is expected”, “is expecting”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “believes”, or variations (including negative variations) of such words and phrases, or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will” be taken, occur or be achieved.

The purpose of forward-looking information is to provide the reader with information about management’s expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Marengo and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, those factors discussed in the section entitled “Risk Factors” in this MD&A.

Although Marengo has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking information contained herein are made as of the date of this document based on a number of assumptions which the Company believes are reasonable (but may prove to be incorrect). These assumptions include, but are not limited to, assumptions that there is no material deterioration in general business and economic conditions, that there is no unanticipated fluctuation of interest rates and foreign exchange rates, the supply and demand for copper and molybdenum develop as expected, that the Company receives regulatory approvals for its Yandera Project on a timely basis, that capital costs for the Company’s Yandera’s Project are not incorrectly estimated or affected by unforeseen circumstances and that the Company is able to hire the personnel it requires.

Except as required by law, Marengo disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers

should not place undue reliance on forward looking information.

### **17. Scientific and Technical Information**

Copper equivalent (CuEq) values are estimated on the basis of  $CuEq = Cu + [Mo \times 10]$ , i.e. copper @ US\$2/lb and molybdenum @ US\$20/lb. Adjustment factors to account for differences in relative metallurgical recoveries will depend upon the completion of definitive metallurgical testing. Metallurgical recoveries and net smelter returns are assumed to be 100%. By Product metal values (i.e. gold, silver and rhenium) are not incorporated in the copper equivalent value.

Scientific and technical information in this MD&A including that relating to drilling intercepts and mineralisation were prepared by Mr Peter Dendle. 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 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition). Mr Dendle is also a "Qualified Person" as defined by National Instrument 43-1-1 "*Standards of Disclosure for Mineral Projects*" ("NI 43-101") Mr Dendle verified the data underlying the information in this report prepared by him.

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

Mr Dendle consents in writing to the issue of this MD&A, in the form and context in which it appears.