ABN 57 099 496 474

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2011

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 June 30, 2011 audited consolidated financial statements (the "**Year-End Financial Statements**") and related notes thereto (together, the "**Financial Statements**"). This information is presented as of September, 23 2011. 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 subsidiaries.

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

1. Overview

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

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

The Company also owns a database of exploration and project evaluation activities (including all exploration and drilling data, assay results from 102 diamond holes totalling 33,000 metres, resource estimates and scoping studies) at the Yandera Project between 1970 and 1989.

In September 2006, the Company commissioned a conceptual mining study (the "**CMS**") for the Yandera Project to include a preliminary mine design and open pit optimization, 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.

Phase 1 of the DFS was completed in April 2008 and comprised a comparative development options analysis study and delivered a number of positive results. Phase 2 of the DFS commenced in May 2008 and is ongoing. Phase 2 of the DFS involves metallurgical testwork, mine design, process plant design, tailings and concentrate pipeline design, route selection, geotechnical studies, equipment selection and infrastructure layout. Phase 2 of the DFS also includes identification and consideration of options for project infrastructure, processing facility locations and transportation in order to reduce initial capital costs.

The Company currently has no source of earnings other than interest paid to it on its current cash position. In order to fund its ongoing exploration efforts and operations, Marengo has historically raised funds through the issuance of equity securities.

2. Subsequent Events

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

3. Overall Performance

The Company began the year ended June 30, 2011, with cash reserves of $6,984,582 and successfully raised a net of $80,727,788 during the year through the issue of 496,257,751 ordinary shares in capital raising placements and unlisted options being excised. Funds expended were used to actively advance the Company's Yandera Project.

At the end of the financial year June 30, 2011 the Company recorded an operating loss of $4,310,453 (2010: $3,718,510) with cash reserves of $57,323,915.

During the year, the Company has resolved a change in accounting policy to capitalise expenditure on the Yandera E1335 project previously written off. The change has left a capital DFS & exploration asset of $86,741,633 in the balance sheet.

Details of the Company's recent exploration and development activities and overall performance are contained in the March 2011 quarterly report released on April 29, 2011 to the ASX and POMSoX, and concurrently filed under the Company's profile at the (Canadian) SEDAR website.

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

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

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

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

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

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

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

Other highlights of the Company’s activities for the quarter ended June 30, 2011 are set out below:

Resource Drilling Results

- Diamond drilling results from Imbruminda zone intersected:
    - 243 metres @ 0.88% CuEq
    - 171 metres @ 0.72% CuEq
    - 156 metres @ 0.90% CuEq
- Diamond drilling at Gremi intersected 318 metres @ 0.42% CuEq

Project Development

As part of its MoU with NFC and Arccon (WA) Pty Ltd (“Arccon”), their Australian engineering partner, these parties have agreed with Marengo to undertake the next key phase of process plant design work, which forms a key component of the DFS.This work will be undertaken at one of NFC’s Design Institutes in China, which employ some 2,500 engineers, who are focused on the many offshore engineering and construction projects being undertaken by NFC at any one time. Arccon will provide supporting engineering services to NFC.

Marengo is currently in the process of shipping bulk parcels of representative diamond drill core from the Yandera Project to China to enable additional metallurgical testwork to be completed. The results of this work represent a key input to the DFS and to finalising the process flow sheet and plant design.

The latest mine planning is showing the Imbruminda zone will play a much larger part in the early production profile at Yandera and accordingly additional diamond drill core has been obtained from this zone, as part of the current program. Additional drilling at Imbruminda has enhanced the potential of this zone of the Yandera Central deposit to provide significant tonnage, at elevated copper grades.

The decision to award the process design work to NFC/Arccon reflects the continued close cooperation between the two groups on all aspects associated with the completion of the DFS, as well as the financing and construction of the Yandera Project.

The decision has also been made after taking into consideration the ability of Australian consultants who have been involved with the DFS to date, to complete the process design and metallurgical testwork program in a timely fashion. There is currently a significant backlog of work at most major groups in Australia due to the high levels of activity within the resource sector.

The other components of the DFS are progressing as planned.

In addition, the Company is continuing to provide update briefings to the PNG Government and other statutory bodies to progress the permitting process for the Yandera Project, which remains the critical path item in terms of the overall project development schedule.

Subject to completion of final permitting Marengo expects to achieve a timetable of commencing development of the Yandera Project, to achieve first production during 2015.

Other activity underway includes an in-depth comparison of various options for tailings disposal, already considered by the Project. These options include deep sea and land-based tailings disposal. The Company is confident that this work will result in the most favourable environmental option for tailings disposal being selected, and a method that will achieve early permitting.

During the quarter, Marengo appointed experienced project development executive Mr Bernard Bent as Project Director, to manage completion of the Yandera DFS.

Mr Bent has an outstanding track record of project development spanning a career of some 40 years, during which time he has managed a number of major West Australian mining projects, particularly for the Rio Tinto Group. In his 30 plus years with Rio Tinto he was responsible for most of Hamersley Iron's major expansion projects, ranging from the initial construction of the Paraburdoo mine to the establishment of the Marandoo and Yandicoogina mines.

He was also the initial General Manager of the Channar Joint Venture, as well as undertaking engineering and construction of this project. This was one of the first Chinese offshore mining joint ventures. In addition, Mr Bent led the feasibility study and construction of the Argyle diamond mine.

Mr Bent also managed feasibility studies on the Tethyan Copper Project in western Pakistan, prior to the takeover of Tethyan Copper Company by Barrick Gold and Antofagasta Minerals.

During the previous quarter an updated resource estimate was prepared in accordance with the JORC Code and National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* ("**NI 43-101**") by international mining consultancy group, Golder Associates Pty Ltd ("**Golder**"), which also prepared Marengo's October 2008 resource update. The updated resource estimate corresponds with Canadian Institute of Mining, Metallurgy and Petroleum classifications. This resource estimate incorporates assay results from 345 diamond drill holes totalling 113,716 metres, which were drilled up until the end of 2010. **Additionally, Marengo reported an Inferred Resource estimate of 776 million tonnes containing by-product metals, comprising gold (Au), silver (Ag) and rhenium (Re), for 2.2 million ounces of gold, 42 million ounces of silver and 1.5 million ounces of rhenium.**

These by-product metals have not been included in the copper equivalent values stated above, and are expected to make a significant positive contribution to the overall Project economics.

Importantly, the updated resource **does not contain any resource estimate for the mineralised zones indentified from the deeper diamond drill holes** completed during the latter part of 2010 and being continued this year.

This drilling identified mineralisation to a depth of 981 metres at the Imbruminda zone, some 400 metres below the base of the current resource estimate, and down to a depth of 660 metres at the Gremi zone, some 200 metres below the base of the current resource estimate at the Imbruminda zone.

The updated resource estimate has confirmed the Company's belief that the Yandera Project will continue to grow in scale and has justified the continued focus on drilling at the Yandera Central Porphyry deposit. With the contained copper inventory increasing by some 32% the Yandera Project has the potential to achieve the Company's goal of developing a project with a minimum operating life of at least 20 years.

YANDERA PROJECT

Table 1 Copper-Molybdenum

Cut-off	Tonnes	CuEq*	Cu	Mo
(% CuEq)*	(million)	(%)	(ppm)	(ppm)
MEASURED RESOURCE				
0.30	**113**	**0.57**	**3,980**	**181**
0.25	124	0.55	3,826	173
0.20	132	0.53	3,700	167
INDICATED RESOURCE				
0.30	**245**	**0.46**	**3,468**	**124**
0.25	349	0.40	3,126	106
0.20	490	0.35	2,772	89
INFERRED RESOURCE				
0.30	**417**	**0.45**	**3,838**	**96**
0.25	647	0.39	3,327	81
0.20	1,017	0.33	2,840	68
*CuEq. Calculated as [Cu + (10 x Mo): Refer Notes.				

Table 2 By-Products**

The Copper-Molybdenum resource includes the following by-product metals:

Cut-off	Tonnes	Au	Ag	Re
(% CuEq)*	(million)	(g/t)	(g/t)	(ppm)
INFERRED RESOURCE				
0.30	**776**	**0.09**	**1.68**	**0.06**
0.25	1,119	0.08	1.58	0.05
0.20	1,639	0.07	1.50	0.05
**Not included in CuEq.				

Note: The by-product resource is contained within Inferred resource in Table 2. Au and Ag grades have been estimated from a smaller set of data than the Cu and Mo grades. Re has been calculated by regression against Mo based on a limited amount of sampling. Uncertainty is in the characterisation of the Au, Ag and Re metal content of the resource has resulted in no part of the by product resource being classified as Indicated or Measured.

A NI 43-101 compliant technical report in connection with the updated resource was subsequently filed on the Company's website and on the (Canadian) SEDAR website at www.sedar.com.

PNG Corporate Structure

During the previous quarter, and as part of the planning for the development of the Yandera Project, Marengo continued to restructure its subsidiary structure, principally by the formation of a dedicated operating company for the Yandera mine, Yandera Mining Company Limited ("**YMCL**"). It is envisaged that YMCL will operate the Yandera Project and hold all of the assets of the mine, including the mine lease, plant and infrastructure licences.

Marengo will continue to hold and operate the current and future PNG exploration assets through Marengo Mining (PNG) Limited.

Marengo will require further capital from external sources to develop any newly discovered mineral deposits and/or, if the DFS is positive, to develop the Yandera Project. Marengo intends to raise any such funds through debt and/or equity financing. There can be no assurance that additional financing will be available at all or on terms acceptable to the Company to develop any newly discovered mineral deposits and to finance the development of the Yandera Project.

In particular, commodity price fluctuations may significantly affect the ability of the Company to fund the development of the Yandera Project and the Company's forecasts and expectations regarding the economic viability of developing its mineral deposit. Fluctuations in commodity prices may also impact the results of operations once mining commences. 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 of copper as at September 23, 2011 was approximately US$3.30/lb Cu.

Molybdenum prices have also historically fluctuated significantly. The closing price of molybdenum as at September 23, 2011 was approximately US$14.29/lb molybdenum oxide. Molybdenum prices were especially volatile during calendar 2005 and 2006 fluctuating between a high of US$40.00/lb and a low of US$22.00/lb molybdenum oxide.

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.

4. <u>Selected Financial Information</u>

The table below sets forth selected financial data relating to the Company's financial years ended June 30, 2011, June 30, 2010, June 30, 2009 and June 30, 2008. This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with the Australian equivalents of IFRS.

Earnings and Deficit		Year Ended		
	Jun-11	Jun-10	Jun-09	Jun-08
		$	$	$
REVENUE FROM CONTINUING OPERATIONS	**1,841,236**	160,772	697,008	819,479
Other income	-	-	563,977	214,589
EXPENDITURE				
Administration costs	**(643,078)**	(648,646)	(646,688)	(761,355)
Corporate expenditure	**(1,656,744)**	(888,446)	(842,765)	(1,028,270)
Depreciation expense	**(240,830)**	(219,413)	(197,628)	(70,298)
Exploration expenditure	**(306,072)**	(397,308)	(253,865)	(63,086)
Net foreign exchange losses	**(1,577,897)**	(190,925)	-	-
Insurance expenditure	**(217,340)**	(170,022)	(205,091)	(54,126)
Occupancy expenditure	**(253,562)**	(166,236)	(165,469)	(86,118)
Other expenses	**(11,604)**	(9,626)	-	-
Salaries and employee benefits expense	**(959,983)**	(962,504)	(962,111)	(668,909)
Share-based payment expense	**(284,579)**	(226,156)	(358,066)	-
LOSS BEFORE INCOME TAX	**(4,310,453)**	(3,718,510)	(2,370,698)	(1,698,094)
Loss per share (cents)	**(0.51)**	(0.81)	(0.85)	(0.75)
Balance Sheet				
Total Assets	**147,238,818**	69,647,058	58,940,746	54,468,978
Total Liabilities	**4,871,178**	3,326,211	1,404,228	2,141,828
Shareholders' Equity	**142,367,640**	66,320,847	57,536,518	52,327,149

5. <u>Results of Operations</u>

Year Ended June 30, 2011 Compared to Year Ended June 30, 2010

Revenue from continuing operations for the year ended June 30, 2011 was $1,841,236 (2010: $160,772) and is comprised primarily of interest revenue. The increase was due to a higher amount of interest income resulting from the increased level of cash deposits as compared to the year ended June 30, 2010 following the recent capital raisings.

During the year ended June 30 2011, the Company expensed exploration expenditures of $306,072 (2010: $397,308). During the financial year, the Company changed its accounting policy from expensing all exploration costs to capitalising all expenditure directly attributable to the Yandera EL335 project. This had a net effect of reducing losses for the financial year leaving capitalised mining assets of $86,741,633 in the balance sheet.

Salaries and employee benefits expense for the year was $959,983 (2010: $962,504) with similar staff levels as in the previous year. It should be noted that salaries and wages costs directly related to mining properties have been capitalised and will not show in the Profit and Loss of the Company.

Share based payments expense for the year was $248,579 (2010: $226,156) being amortisation of the value of options issued to Directors and employees that vested during the financial year.

Administration, corporate and other expenditure totalled $4,601,055 for the year (2010: $2,471,209) and has increased due to the increased activity of the Company as it progresses its feasibility study.

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

6. Summary of Quarterly Results

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

Summary of Quarterly Results (AUD)

	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter
	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09	30-Sep-09
Total revenue	807,215	764,375	153,705	115,941	59,498	21,938	42,429	36,907
Net profit (loss)	4,706,039	(3,800,245)	(3,458,354)	(1,757,893)	7,825,837	(3,533,389)	(4,147,598)	(3,863,360)
Basic profit (loss) per share (cents)	0.59	(0.40)	(0.40)	(0.30)	1.79	(0.70)	(0.80)	(1.10)
Diluted profit (loss) per share (cents)	0.59	(0.40)	(0.40)	(0.30)	1.82	(0.70)	(0.80)	(1.10)
Cash and cash equivalents	57,323,915	65,477,232	70,689,969	20,198,921	6,984,582	12,150,800	16,698,257	21,174,297
Total assets	147,238,818	142,886,837	142,872,977	87,210,086	69,647,058	28,279,381	32,863,993	37,458,419
Total long-term financial liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

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

	30 June 2011	31 March 2011	High – 31 March 2011 to 30 June 2011	Low – 31 March 2011 to 30 June 2011
AUD / CAD	1.0345	1.0027	1.0513	0.9977
AUD / PGK	2.3383	2.6895	2.6394	2.2983
AUD / USD	1.0595	1.0311	1.0966	1.0333

7. Discussion of Cash Flows

	12 Months 30 June 2011 $	12 Months 31 June 2010 $
Cash inflows (outflows) from:		
Operating activities	(2,166,339)	(2,906,681)
Investing activities	(28,206,857)	(15,097,669)
Financing activities	80,727,788	19,987,600

Cash outflows from operating activities for the year were $2,166,339 (2010: 2,906,681) with the majority of expenditure being for administration and occupancy costs. The decrease in expenditure for the year is mainly due to an increase in interest received from cash deposits.

Cash outflows from investing activities were $28,206,857 (2010: $15,097,669) for the year. The majority of this expenditure related to the DFS and Exploration activities.

Cash inflows from financing activities was $80,727,788 (2010: $19,987,600) being the net proceeds from capital raisings during the year.

8. Discussion of Financial Position

	31 June 2011 $	30 June 2010 $
CURRENT ASSETS		
Cash and cash equivalents	**57,323,915**	6,984,582
Trade and other receivables	**1,687,846**	702,068
TOTAL CURRENT ASSETS	**59,011,761**	7,686,650
NON CURRENT ASSETS		
Other financial assets	**514,793**	468,028
Plant and equipment	**970,631**	760,945
Mining properties	**86,741,633**	60,731,435
TOTAL NON CURRENT ASSETS	**88,227,057**	61,960,408
TOTAL ASSETS	**147,238,818**	69,647,058
CURRENT LIABILITIES		
Trade and other payables	**3,892,348**	2,801,962
Provisions	**978,830**	524,249
TOTAL CURRENT LIABILITIES	**4,871,178**	3,326,211
TOTAL LIABILITIES	**4,871,178**	3,326,211
EQUITY	**142,367,640**	66,320,847

Cash and Cash Equivalents

Cash and cash equivalents increased to $57,323,915 compared to June 2010 of 6,984,582 primarily due to the funds raised from the issue of ordinary shares during the September and December 2010 quarters.

Trade and Other Receivables (Current)

Trade and other receivables increased to $1,687,846 as at June 30, 2011 as compared to $702,086 as at June 30, 2010 primarily due to an increase in interest receivable for larger cash deposits and prepayments.

Trade and Other Receivables (Non-Current)

Trade and other receivables decreased to $3,892,348 as at June 30, 2010 as compared to $2,801,962 as at June 30, 2010 primarily due to fluctuations in foreign exchange rate movements.

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

Other financial assets increased to $514,793 as at June 2011, as compared to $468,028 as at June 30, 2010 due to the movement in the fair value of the loan to the Managing Director, Mr Les Emery.

Plant and Equipment

Plant and equipment increased to $970,631 as at June 30, 2011 as compared to $760,945 as at June 30, 2010 primarily due to the purchase of fixed assets in the normal course of business.

Mining Properties

Mining properties increased to $86,741,633 as at June 30, 2011 as compared to $60,731,435 as at June 30, 2010 primarily due to expenditure being capitalised in relation to the DFS. The Group changed its accounting policy relating to the capitalisation of exploration expenditure for the financial year ending 30 June 2011. Previously exploration and evaluation costs were written off in the year they were incurred, with only acquisition and feasibility study costs being accumulated. The Group has now elected to capitalise all exploration, evaluation, acquisition and feasibility costs in accordance with the Australian equivalent of *IFRS 6 Exploration for and Evaluation of Mineral Resources*. The impact of the change in the accounting policy is disclosed in Note 1 to the Company's Annual Financial Report.

Trade and Other Payables

Trade and other payables increased to $3,892,348 as at June 30, 2011 as compared to $2,801,962 as at June 30, 2010 primarily due to the timing of payments in respect of the Yandera Project.

Provisions

Provisions increased to $978,830 as at June 30, 2011 as compared to $524,249 as at June 30, 2010 primarily due to an increase in staff leave entitlements during the year.

Equity

Equity increased to $142,367,640 as at June 30, 2011 as compared to $66,320,846 as at June 30, 2010 due to net capital raisings of $80,727,788 partially offset by a loss of $4,310,453 for the 12 months, and a increase in reserves of $102,140 due to unfavourable foreign exchange rate movements and the issue of options.

9. Liquidity and Capital Resources

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

The Company had a cash balance of $57,323,915 at June 30, 2011.

The Company's contractual obligations are set out below:

	Payments due by Period				
Contractual Obligations – A$	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long term Debt	-	-	-	-	-
Operating Leases	$2,983,336	$2,625,971	$357,365	-	-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Total Contractual Obligations	**$2,983,336**	**$2,625,971**	**$357,365**	-	-

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

As of the date of this MD&A, the Company has cash and cash equivalents to assist financing its regional exploration program and completion of the DFS on the Yandera Project and its general administrative expenses for the ensuing twelve month period. During this period, the Company will monitor and adjust funding requirements should the need arise.

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

In addition, 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, 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. Although the Company has been successful in raising additional funds in the past, there is no assurance that it will be able to do so in the future.

10. Financial Instruments and Other Instruments

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

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

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

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

11. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at June 30, 2011.

12. Transactions with Related Parties

On 11 June 2008, the Company entered into a loan agreement with the Managing Director, Mr Les Emery, to lend $1,000,000 interest free for a 10 year loan term. The purpose of the loan was for Mr Emery to exercise 4,000,000 unlisted options expiring 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 six months of such cessation. The Board retains discretion to extend these time periods;

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

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

As at June 30 2011, the loan to Mr Emery is still outstanding.

13. Changes in Accounting Policies including Initial Adoption

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

14. Risk Factors

The Company's risk factors are discussed in detail in the Company's AIF dated September 28, 2010 which is available on the (Canadian) SEDAR website at www.sedar.com and should be reviewed in conjunction with this document.

15. Outstanding Share Data

As at June 30, 2011, the only class of shares of the Company outstanding is ordinary shares. As at June 30, 2011, the Company had 995,068,613 ordinary shares outstanding and 82,268,300 options to acquire ordinary shares at various exercise prices.

16. Critical Accounting Estimates

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

Share based payment transactions

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

Exploration and evaluation costs

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

17. Corporate Responsibility for Financial Reports

The Company's Managing Director ("**MD**") and Chief Financial Officer ("**CFO**") are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting. Access to material information with respect to the Company is facilitated by the small size of the Company's senior management team. The MD and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as of June 30, 2011, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that (i) material information relating to the Company is made known to them by others particularly during the period covered by this MD&A; (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in securities legislation, and (iii) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in our internal control over financial reporting for the three months ended June 30, 2011, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

18. Cautionary Note Regarding Forward-Looking Information

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

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

This MD&A and the Company's AIF dated September 28, 2010 contain additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of, this MD&A except as may be required by law. All forward-looking information disclosed in this MD&A is qualified by this cautionary statement.

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

19. Scientific and Technical Information

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

For a description of: (i) the quality assurance program and quality control measures applied during Marengo's work programs; (ii) a summary description of the geology, mineral occurrences and nature of mineralization found; (iii) a summary description of rock types, geological controls and dimensions of mineralized zones at the Yandera Project; and (iv) a summary description of the type of analytical or testing procedures utilized, sample size and the name and location of each analytical or testing laboratory used please refer to the revised and restated technical report on the Yandera Project originally dated December 2008 and revised and restated, January 2009 and April 2011, prepared by Stephen Godfrey, Associate and Principal Resource Geologist of Golder Associates Pty Ltd (Australia).