COMPANY NO. 822513-3 / ARBN: 161 356 930

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE YEAR ENDED JUNE 30, 2013

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 the audited consolidated financial statements and related notes thereto for the fiscal year ended June 30, 3013 ("FY 2013 Consolidated Financial Statements"). This information is presented as of September 30, 2013. The FY 2013 Consolidated Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board.

All amounts in this discussion are expressed in United States dollars unless otherwise indicated.
In this MD&A, references to "Company" are references to Marengo Mining Limited and its wholly-owned subsidiaries.

The FY 2013 Consolidated 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 Toronto Stock Exchange (the "**TSX**") (Code: MRN), Australian Securities Exchange (the "**ASX**") and the Port Moresby Stock Exchange Limited ("**POMSoX**") (Code: MMC).

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 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 feasibility study (the "**FS**") on the development of the Yandera Project.

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

As announced in the Project Update on May 17, 2013:

The Company's Board of Directors has decided that additional work is required in a number of specific areas before a final FS could be prepared, including:

- Identifying an alternative cost-competitive source of power for the Project after Marengo's preferred third party power provider decided to withdraw from the proposed power supply arrangements.

Further opportunities to enhance the Project include:

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

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.

The Company's $10 million unsecured facility provided by Sentient Global Resources Fund IV, L.P. ("Sentient") in February 2013 is due in December 2013. This debt exceeds the Company's cash forecast in the applicable period. The Company is hopeful discussions with Sentient will give rise to a transaction to resolve this debt, subject to shareholder approval.

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, other than the following:

(a) On August 12, 2013, the Company announced the completion of debenture placement to Sentient. The final tranche of debentures under the Debenture Purchase Agreement (DPA) dated May 27, 2013 consists of 6,000, US$1,000 debentures, convertible, at the option of Sentient at C$.011 per share with 9% interest rate and a maturity date of June 30, 2016 (the "Debentures"). Interest accrued and payable will be satisfied through the issuance of additional Debentures. Under the DPA, an establishment fee of 2% was paid to Sentient through the issuance of additional Debentures.

In addition, the Group issued an additional US$1 million principal amount of Debentures in satisfaction of the interest accrued and payable up to the end of August 2013, under the existing unsecured facility of US$10 million provided by Sentient in February 2013.

3. Overall Performance

The Company began the fiscal year ended June 30, 2013 (“FY 2013”), with cash reserves and term deposits of $11,378,000 and raised a net of $20,256,000 during the year through the issue of 133,333,333 ordinary shares as a result of a capital raising in July 2012 and the exercise of 792,075 options. The Company also raised US$25 million in debt in the form of US$10 million loan and US$15 million Debentures. Funds expended were used to actively advance the Company’s Yandera Project.

The Company recorded an operating loss for the FY 2013 of $8,027,000 (FY 2012: $2,966,000).

Details of the Company’s recent exploration and development activities and overall performance are contained in the June 2013 quarterly report released on July 31, 2012 to the ASX and POMSoX, and drilling and project updates released on February 6 and May 17, 2013, concurrently filed under the Company’s profile at www.sedar.com

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 FS. 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 FS;

- 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 February 2013 the Company received fixed Engineering, Procurement and Construction ("**EPC**") pricing, for processing facilities, mine infrastructure and port from NFC, to form part of the pending FS.

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.

Revised Resource Estimate

The revised mineral resource estimate, released in May 2012 (the "May 2012 Resource Estimate"), saw a significant increase in measured resource and grade. At a 0.25% Copper cut-off grade the Yandera Resource was reported as:

Table 1: Yandera – May 2012 Resource Estimate

Resource Category	Tonnage (Mt)	% Cu	Contained Copper (M lbs)
Measured & Indicated	362	0.43	3,407
Inferred	218	0.37	1,778

The measured resource category has increased by over 100% and substantial additional resources have been upgraded from the Inferred to the Indicated category. Also confirmed were significant areas of elevated gold and molybdenum grades. The May 2012 Resource Estimate incorporates assay results from 465 diamond drill holes totalling 145,335 m, which were drilled up until the end of 2011.

The following table shows the comparison between the May 2012 Resource Estimate and the previous estimate (the "April 2011 Resource Estimate"):

Table 2: Yandera – Comparison to previous Resource Estimate

Total Measured & Indicated	**Cut-off**	**Mt**	**Cu (%)**
May 2012 Resource Estimate	0.25% Cu[1]	362	0.43
April 2011 Resource Estimate	0.30% CuEq[2]	359	0.36
Inferred			
May 2012 Resource Estimate	0.25% Cu[1]	218	0.37
April 2011 Resource Estimate	0.30% CuEq[2]	417	0.38

1) *Ravensgate does not use copper equivalent grade for reporting*
2) *The copper equivalent calculation used by Golder Associates in April 2011 was CuEq = (Cu% + (Mo% x 10))*

In addition, an extensive section of the Yandera deposit shows zones of higher grade gold and molybdenum (refer tables below), which are expected to make a significant positive contribution to the overall project economics. Additional metal inventories for by-product silver and rhenium have not been calculated at this time.

Other highlights of the Company's activities for the fiscal quarter ended June 30, 2013 ("Q4 2013") are set out below:

Feasibility Study

On May 17, 2013 the Company announced that the Board of Directors had decided that additional work is required in a number of specific areas before a FS can be prepared, specifically identifying an alternative cost-competitive source of power for the Project after Marengo's preferred third party power provider decided to withdraw from the proposed power supply arrangements.

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

A detailed review of recent technical work in support of a FS will be undertaken by the technical committee established by Marengo and Sentient to implement a programme to enhance project returns. The objective of this review is to help ensure that the Yandera Project is robust at all phases of the commodity price cycle.

Marengo has already commenced high-level discussions with the PNG Government regarding other potential power supply options for the Yandera Project. Power is a major issue currently confronting a number of PNG mining companies seeking to develop major new resource projects in-country.

Marengo will continue to work closely with the PNG Government to resolve the power issue and also to explore other strategic options for Yandera's development.

The Company's Chinese partner, the major engineering, construction and mining company, NFC, has also reiterated its support for the Project and will be closely involved in working with Marengo and Sentient during the next phase of technical optimisation.

The EPC pricing provided by NFC in February 2013 provides a strong foundation for project development and Yandera remains one of NFC's premier offshore development projects.

The Company has initiated a review of administration, consultant and corporate overheads in order to ensure that costs are controlled and maintained at an appropriate level for this next phase of activity.

The Yandera Project development concept is for a full open-cut mining operation and subsequent processing operation to be sited at Yandera, with copper concentrate being delivered to a port facility, in the Madang area, by way of pipeline.

Molybdenum concentrate will be delivered by road transport due to the smaller volumes of this high value product from the proposed mining operation.

An integrated rock waste and process tailings facility has been designed to be located in the vicinity of the Yandera deposit. The Company is however continuing to review the alternative option of DSTP, to ensure that the highest levels of environmental integrity are retained.

The Company anticipates that a power station, also located in the Madang area, is likely to be completed in the FS, with power being reticulated to site, close to existing roads and then close to a planned road, which will extend up to the Yandera site from the end of existing regional roads.

Resource Drilling

While exploration drilling has recommenced, resources drilling is on hold at Yandera pending the finalisation of the FS, in the meantime; final assay results from the 2012 drilling program were received with the highlights reported below.

This suite of assay results is from the in-fill drilling program at the Imbruminda deposit of the Yandera Project:

YD529 (Imbruminda)

Collar 292165E 9365361N Azimuth (AMG) 215 @ -65; E.O.H 281.6m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
18	**39**	**21**	0.17	20	**0.47**	<0.5
33	51	18	0.40	3	0.11	<0.5
213	**237**	**24**	**0.60**	56	0.24	2.33

This hole commences with two overlapping intervals: one with notable Au, the other with Cu. The third intersection is polymetallic and occurs towards the end of the hole.

YD535 (Imbruminda)

Collar 292126.8E 9365376.7N Azimuth (AMG) 215 @ -60; E.O.H 321.0m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
216	237	21	1.21	194	0.10	2.97
261	276	15	0.63	26	0.03	3.84

YD538 (Imbruminda)

Collar 291825E 9365568N Azimuth (AMG) 215 @ -60; E.O.H 361.6m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
36	**117**	**81**	**0.42**	92	0.03	0.61
Within this broad intersection						
96	**111**	**15**	**0.64**	**207**	0.02	1.22
Further down hole:						
279	300	21	0.37	55	0.11	1.14

YD539 (Imbruminda)

Collar 291933E 9365309N Azimuth (AMG) 215 @ -60; E.O.H 293.8m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
81	**150**	**69**	**0.53**	**93**	0.12	1.85
Within this broad intersection						
129	**150**	**21**	**0.90**	45	0.30	3.51
165	216	51	0.19	160	0.03	0.99

This hole is marked by a Cu-Au-driven intersection followed by Mo only.

YD541 (Imbruminda)

Collar 291844E 9365762N Azimuth (AMG) 215 @ -60; E.O.H 308m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
18	42	24	0.35	40	0.05	0.8
81	96	15	0.36	105	0.04	0.72

YD542 (Imbruminda)

Collar 292023E 9365684N Azimuth (AMG) 215 @ -75; E.O.H 408m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
9	162	153	0.26	221	0.28	1.10
Overlapping this broad intersection is the following with enhanced Mo:						
39	207	168	0.28	248	0.24	1.11
Within this is the following higher grade						
114	150	36	0.43	301	0.30	1.85

YD546 (Imbruminda)

Collar 292217E 9365598N Azimuth (AMG) 215 @ -65; E.O.H 417.6m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
153	408	255	0.42	88	0.14	2.72
The above broad intersection contains the following higher grade domains						
153	174	21	0.57	521	0.42	2.89
207	297	90	0.67	90	0.24	4.00
Within the last intersection above is the following:						
231	252	21	1.27	142	0.50	6.71

YD547 (Imbruminda)

Collar 292020.7E 9365699.2N Azimuth (AMG) 219 @ -60; E.O.H 311.8m

From (m)	To (m)	Width (m)	Cu %	Mo ppm	Au g/t	Ag g/t
69	312	243	0.15	278	0.11	1.10
Within this broad intersection, the following:						
69	120	51	0.31	574	0.30	1.84

Yandera Exploration

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

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

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

Upon completion of these campaigns mid-quarter, attention switched to mapping the northern and north-western margins of the Yandera Central Porphyry System, specifically the Iwangu/Dimbi, Gamagu and Imbruminda areas.

As of September 11, 2013, the Company announced commencement of a planned diamond drilling campaign, of approximately 2000 metres, targeting the Dimbi zone of the Yandera Central Porphyry System.

Community Matters

Marengo is committed to working with the community in all aspects of the current activities and future development plans for the Yandera Project. It maintains an effective and dedicated team to manage its community affairs programs.

Regular meetings continue to be held with government departments at both provincial and national level to ensure that these bodies are also made aware, at an early stage, of the development plans for the Yandera Project.

During the June 2013 quarter, Government supervised elections were held for the office bearers of the Yandera Landowners Association (LOA). The LOA is the umbrella organisation that will represent landowners in and around any future mining operation at Yandera and as such will represent key stakeholders during the development and operating phases of the Yandera Project.

Safety, Health and Environment

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

Even with the current suspension of drilling activities, the Yandera camp clinic continues to be staffed to treat Marengo employees and members of the local villages for their health needs. The more serious medical cases are being evacuated by helicopter to Government medical facilities for further treatment.
Marengo continues to support a pilot sustainable development program, at the Usino area, near Yandera. Trial plantings were successful in producing good harvests of various crops and have demonstrated that the future expansion of this initiative into a commercial scale project would have positive impacts on the local community.

Fund raising

On May 27, 2013 the Company entered into a DPA with Sentient, under the agreement the Company issued 15,000 Debentures for $15 million in three tranches with a 2% establishment fee. The notes are convertible into ordinary shares of the Company, at the option of the holder, or repayable at the earlier of June 30, 2016 and three years following the closing date of the third tranche. As at June 30, 2013 tranche 1 & 2 have been drawn to a total of $9 million.

Interest accrued and payable will be satisfied through the issuance of additional Debentures. Under the DPA, an establishment fee of 2% was paid to Sentient through the issuance of additional Debentures.

In addition, the Company issued an additional US$1 million principal amount of debentures in satisfaction of the interest accrued and payable under the existing unsecured facility of US$10m provided by Sentient in February 2013.

Appointment and resignation of directors

On October 4, 2012, Ms Susan Sesselmann and Mr Douglas Dunnet resigned from the Board of Directors and the Company announced the appointment of Dr Louis P. Gignac, Mario Caron and Keith Morrison to its Board.

In November 2012, Mr John Horan retired from the Board of Directors.

Mr Louis Gignac and Mr Mario Caron resigned from the Board of the Company effective June 30, 2013.

On July 26, 2013 Mr Pieter Britz was appointed to the Board of Directors and Mr John Hick, an independent director since 2008, was appointed Non-executive Chairman.

4. Selected Annual Information

The table below sets forth selected financial data relating to the Company's financial years ended June 30, 2013, June 30, 2012 and June 30, 2011 (all restated into USD). This financial data is derived from the Company's audited consolidated financial statements, which are prepared in accordance with IFRS.

Earnings and Deficit	**Year Ended**		
USD	**June 30, 2013 $'000**	**June 30, 2012 $'000**	**June 30, 2011 $'000**
REVENUE	361	1,832	1,802
Other income	1,785	501	-
EXPENDITURE			
Administration costs	(1,411)	(1,194)	(633)
Corporate expenditure	(2,830)	(1,324)	(1,622)
Depreciation expense	(328)	(315)	(234)
Exploration expenditure	(410)	(7)	(300)
Net foreign exchange losses	(322)	(80)	(1,544)
Insurance expenditure	(243)	(331)	(213)
Occupancy expenditure	(473)	(391)	(248)
Salaries and employee benefits expense	(2,048)	(1,533)	(940)
Share-based payment expense	(1,257)	(124)	(279)
Interest expense	(851)	-	-
LOSS BEFORE INCOME TAX	**(8,027)**	**(2,966)**	**(4,212)**
Basic and Diluted loss per share (cents)	(0.71)	(0.35)	(0.49)
Balance Sheet			
Total Assets	182,470	174,434	156,030
Total Liabilities	(22,246)	(7,865)	(5,162)
Shareholders' Equity	160,224	166,569	150,868

5. Results of Operations

Fiscal Year Ended June 30, 2013 ("FY 2013") Compared to Fiscal Year Ended June 30, 2012 ("FY 2012")

Revenue from continuing operations for the FY 2013 was $361,000 (FY 2012: $1,832,000) and is comprised of interest revenue. The decrease was due to a lower amount of interest income resulting from the decreased level of cash deposits as compared to the FY 2012.

Other income for the FY 2013 was $1,785,000 (FY 2012: $484,000) is due to the movement in fair value of the derivative liability in relation to the conversion option of the Convertible Debentures.

During FY 2013, the Company expensed $410,000 of its exploration expenditure (FY 2012: $7,000) due to the abandonment of 3 tenements.

Salaries and employee benefits expense for FY 2013 was $2,048,000 (FY 2012: $1,533,000) and has increased reflecting an increase in salaries and the recruitment of key management staff. 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 FY 2013 was $1,257,000 (FY 2012: $124,000) being amortisation of the value of options issued to Directors and employees that vested during the financial year. The large expense in the current year relates in part to options issued to PNG employees that vested immediately in addition to employee performance rights that vest over 5 years.

Administration, corporate and other expenditure totalled $5,279,000 for FY 2013 (FY2012: $3,303,000) and has increased due to higher corporate and administration costs in FY 2013.

Inflation and price changes have not had a material impact on Marengo's revenues and net income or loss during FY 2012.

As discussed under the heading "Fund Raising", Sentient holds convertible securities of the Company.

As discussed under the heading "Overview", Sentient operates the Yandera Project.

The Company continues to be exposed to typical risks applicable to mining companies at a comparable stage of development and in particular risks with respect to commodity prices. See further discussion under the heading "Risk Factors".

6. Summary of Quarterly Results

The following table sets out the financial results for the Company's most recently completed eight quarters (all restated in USD). The financial data is derived from the unaudited quarterly Financial Statements.

Summary of Quarterly Results (USD)

	Quarter 30-Jun-13 $'000	Quarter 31-Mar-13 $'000	Quarter 31-Dec-12 $'000	Quarter 30-Sep-12 $'000	Quarter 30-Jun-12 $'000	Quarter 31-Mar-12 $'000	Quarter 31-Dec-11 $'000	Quarter 30-Sep-11 $'000
Total revenue	(147)	106	109	293	180	368	542	742
Net profit (loss)	(1,009)	(2,322)	(2,551)	(2,148)	(650)	(1,095)	(171)	(1,050)
Basic earnings (loss) per share	(0.09)	(0.21)	(0.23)	(0.20)	(0.06)	(0.11)	(0.12)	(0.11)
Diluted earnings (loss) per share	(0.09)	(0.21)	(0.23)	(0.20)	(0.06)	(0.11)	(0.12)	(0.09)
Cash reserves	6,692	6,065	5,760	17,053	11,378	23,088	33,148	46,848
Total assets	182,470	84,602	180,576	183,868	174,434	165,559	159,990	155,163
Total long term financial liabilities	6,833	-	-	-	-	-	-	-
Cash dividends declared per share	-	-	-	-	-	-	-	-

Marengo primarily incurs costs in Unites States dollars (USD), Australian dollars (AUD), Canadian dollars (CAD) and Papua New Guinea kina (PGK). The accounts are presented in United States dollars (USD) and as such are subject to exchange rate risk where transactions are in a currency other than the functional currency of the company. During Q4 2013, movement in exchange rates were as follows:

	June 30, 2013	March 31, 2013	High – March 31 to June 30, 2013	Low – March 31 to June 30, 2013
USD / CAD	1.0526	1.0180	1.0555	1.0013
USD / PGK	2.2999	2.1572	2.3320	2.1351
AUD / USD	0.9146	1.0423	1.0581	0.9112

7. Discussion of Cash Flows

	12 Months June 30, 2013 $'000	12 Months June 30, 2012 $'000 (Restated)
Cash inflows (outflows) from:		
Operating activities	(7,782)	(4,851)
Investing activities	(27,054)	(5,235)
Financing activities	36,144	556

Cash outflows from operating activities for FY 2013 were $7,782,000 (FY 2012: $4,851,000) with the majority of expenditure being for administration and occupancy costs. The increase in expenditure for the year is mainly due to an increase in employee and occupancy cost due to increased feasibility study activity related to the FS.

Cash outflows from investing activities during FY 2013 were $27,054,000 (FY 2012: $5,235,000). The majority of this expenditure is being the funds on deposit used for expenditure on the FS and exploration activities.

Cash inflows from financing activities during FY 2013 was $36,144,000 (FY 2012: $556,000) being the net proceeds from capital raisings during the year and from the debt raised during the year of $25 million, of which $19 million was drawn down at June 30, 2013.

The Company has reduced its administration and occupancy costs through the expenditure restructuring announced on January 11, 2013.

8. Discussion of Financial Position

	June 30, 2013 $'000	June 30, 2012 $'000 (Restated)
CURRENT ASSETS		
Cash and cash equivalents	1,667	1,014
Investments – term deposits	5,025	10,364
Trade and other receivables	957	743
TOTAL CURRENT ASSETS	**7,649**	**12,121**
NON CURRENT ASSETS		
Plant and equipment	1,154	1,432
Exploration and evaluation	173,667	160,881
TOTAL NON CURRENT ASSETS	**174,821**	**162,313**
TOTAL ASSETS	**182,470**	**174,434**
CURRENT LIABILITIES		
Trade and other payables	3,094	6,819
Provisions	1,040	1,046
Loans and borrowings	10,668	-
Derivative Liability	611	-
TOTAL CURRENT LIABILITIES	**15,413**	**7,865**
NON CURRENT LIABILITIES		
Loans and borrowings	6,833	-
TOTAL NON CURRENT LIABILITIES	**6,833**	**-**
TOTAL LIABILITIES	**22,246**	**7,865**
EQUITY	**160,224**	**166,569**

Cash and Cash Equivalents

Cash and cash equivalents at June 30, 2013 increased to $1,667,000 compared to June 30, 2012 of $1,014,000 primarily due to additional funds raised through borrowings.

Investments - Term Deposits

Investments in term deposits at June 30, 2013 have decreased to $5,025,000 compared to June 30, 2012 of $10,364,000 primarily due to the utilisation of funds to further the Company's Yandera FS.

Trade and Other Receivables (Current)
Trade and other receivables increased to $957,000 as at June 30, 2013 as compared to $743,000 as at June 30, 2012 primarily due to an increase in prepayments in the current year.

Plant and Equipment
Plant and equipment decreased to $1,154,000 as at June 30, 2013 as compared to $1,432,000 as at June 30, 2012 primarily due depreciation and foreign exchange as part of the normal course of business.

Exploration and Evaluation
Exploration and evaluation increased to $173,667,000 as at June 30, 2013 as compared to $160,881,000 as at June 30, 2012 primarily due to expenditure being capitalised in relation to the FS and exploration.

Trade and Other Payables
Trade and other payables decreased to $3,094,000 as at June 30, 2013 as compared to $6,819,000 as at June 30, 2012 primarily due to the timing of payments in respect of the Yandera Project.

Provisions
Provisions decreased slightly to $1,040,000 as at June 30, 2013 as compared to $1,046,000 as at June 30, 2012 primarily due to a decrease in staff leave entitlements during the year.

Borrowings
During the year borrowings were established, the balance as at June 30, 2013 was $17,501,000. The borrowings consist of two separate loans; one unsecured $10 million loan and one unsecured $15 million convertible debentures. As at June 30, 2013 $19 million has been drawn down.

Derivative Liability
As part of the unsecured $15 million convertible debentures there is an option for the holder of the debentures to convert the debt into shares in the Company. As at June 30, 2013, the option is valued at $611,000 (2012: Nil). This right is valued at fair value through the profit and loss.

Equity
Equity decreased to $160,224,000 as at June 30, 2013 as compared to $166,569,000 as at June 30, 2012 due to net capital raisings of $18,651,000 offset by a loss of $8,027,000 for the 12 months and a decrease in reserves of $24,378,000 due to foreign exchange rate movements.

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.

The Company had a combined cash and term deposit investments balance of $6,692,000 at June 30, 2013.

The Company's contractual obligations are set out below:

	Payments due by Period				
Contractual Obligations US$'000	**Total**	**Less than 1 year**	**1 – 3 years**	**4 – 5 years**	**After 5 years**
Long term Debt	33,003	15,553	17,450	-	-
Operating Leases	456	456	-	-	-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Total Contractual Obligations	**33,459**	**16,009**	**17,450**	**-**	**-**

As at 30 June 2013, the Group had a working capital deficiency of $7,153,000 (2012: a positive working capital of 4,256,000). The Group also recorded a loss of $8,027,000 (2012: $2,966,000), had net cash outflows from operations of $7,782,000 (2012: $4,851,000), and also incurred expenditure of $30,948,000 (2012: $45,671,000) on the ongoing feasibility study being undertaken at the Yandera Project.

Given the extensive nature of the feasibility study and the additional optimisation opportunities currently being considered, Marengo's major shareholder, Sentient Executive GP IV (Sentient) initially provided an unsecured, interest bearing working capital facility of $10 million, repayable on December 31, 2013. On May 27, 2013 Marengo also entered into a debenture purchase agreement with Sentient, whereby Marengo issued 15,000 convertible notes for $15 million in three tranches. As at June 30, 2013 tranche one and two have been drawn for a total of $9 million (see note 13). The third tranche of $6 million was subsequently drawn down post year end on August 12, 2013 (see note 22).

The Group had available cash and term deposits of $6,692,000 (2012: $11,378,000) at June 30, 2013, with an additional drawdown under the convertible note facility of US$6 million to provide for on-going expenditure relating to:
• finalising the Group's feasibility study; and
• advancing the Group's district exploration program at the Yandera Project.

The Directors continue to seek new or additional sources of funding in parallel with debt rearrangement discussions with Sentient regarding the working capital facility of $10 million currently repayable on 31 December 2013. The $7,153,000 working capital deficiency reflected on the statement of financial position as at 30 June 2013 was predominantly a result of this maturing liability. There is no certainty or contractual obligation yet agreed with respect to debt restructuring however, the Directors advise that negotiations are progressing positively.

The continuing viability of the Group and its ability to continue as a going concern and meet its debts and commitments as they fall due are dependent upon the Group being successful in:

i) receiving the continuing support of its shareholders, particularly for the Group's effort to restructure the maturity of the $10 million working capital facility that is currently repayable on 31 December 2013; and
ii) raising additional funds as necessary, either through debt, asset sales, or equity.

The Directors remain of the opinion that the lender (Sentient) will agree to a restructure of these financial commitments and it is on this basis, with the benefit of the knowledge of initial discussions with the lender, that the Directors have formed a view of the Group's ability to continue as a going concern. The Directors acknowledge that equity markets have continued to be particularly challenging in recent times.

As a result of these matters, there continues to be material uncertainty related to events or conditions that may cast significant doubt on whether the Group will continue as a going concern and, therefore, may not be able to realise its assets and settle its liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

However, the Directors are of the opinion that, as at the date of these consolidated financial statements, the Group is a going concern and, as a result, the financial report for the year ended June 30, 2013 does not include any adjustments relating to the recoverability and classification of the recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

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, 2013.

12. Transactions with Related Parties

On June 11, 2008, the Company entered into a loan agreement with the Managing Director, Mr Les Emery, to lend A$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 November 30, 2008. This agreement was approved by shareholders at the Company's general meeting on November 28, 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.

The loan was accounted for as an option in the prior fiscal year and as at June 30, 2013, 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 2013 Consolidated Financial Statements.

14. Risk Factors

The Company’s risk factors are discussed in detail in the final prospectus dated July 4, 2012 and Company’s Annual Information Form dated September 30, 2013 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, 2013, the only class of shares of the Company outstanding is ordinary shares. As at June 30, 2013, the Company had 1,137,870,521 ordinary shares outstanding, 55,550,000 options and 56,710,780 warrants to acquire ordinary shares at various exercise prices. During August 2013 56,710,780 warrants and 5,750,000 options expired. As at September 24, 2013 the Company has 1,137,870,521 ordinary shares outstanding, 49,800,000 options and Nil warrants outstanding.

16. Critical Accounting Estimates

The accounting policies that involve significant management judgement and estimates are discussed in this section.

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.

Derivative Financial Instruments
The fair value of the embedded derivative liability is determined based on Black Scholes option pricing model to value this liability at each reporting period.

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, 2013, 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, summarised 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 IAS. There were no changes in our internal control over financial reporting for the three months ended June 30, 2013, 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 Licence 1335; (v) dependence on the Yandera Project; and (vi) state equity interest.

This MD&A and the Company's AIF dated September 30, 2013 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 Frederick Cook. Mr Cook is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr Cook is a "Qualified Person" as defined by NI 43-101. Mr Cook 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 mineralisation found; (iii) a summary description of rock types, geological controls and dimensions of mineralised zones at the Yandera Project; and (iv) a summary description of the type of analytical or testing procedures utilised, sample size and the name and location of each analytical or testing laboratory used please refer to the technical report on the Yandera Project dated May 14, 2012, titled "Technical Report on the Yandera Copper-Molybdenum-Gold Project, Madang Province, Papua New Guinea for Marengo Mining Limited" prepared by Mr Stephen Hyland of Ravensgate Minerals Industry Consultants and Mr Karl Smith of Karl Smith Mine and Geology Consulting. Mr Hyland and Mr Smith are Fellows of the Australasian Institute of Mining and Metallurgy.