



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE QUARTER ENDED SEPTEMBER 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 the unaudited interim consolidated financial statements of Marengo for the quarter ended September 30, 2011 (the "Interim Financial Statements") and related notes thereto (together, the "Financial Statements"). This information is presented as of November, 10 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 quarter ended September 30, 2011, with cash reserves of \$57,323,915 and raised \$604,697 during the quarter through the exercising of warrants issuing 7,331,250 ordinary shares. Funds raised have been used as general working capital in relation to the Company's Yandera Project.

During the quarter, the Company incurred exploration and DFS expenditure of \$10,915,754 (2010: \$6,342,866). In accordance with the Company's accounting policies, all exploration and feasibility costs relating to the Yandera project have been capitalised. Expenditure not relating to the Yandera project has been written off as incurred resulting in a write off during the quarter of \$60,292. The company made an operating loss after income tax for the quarter ended September 30, 2011 of \$997,275 (2010: loss of \$1,277,903).

The Company has a cash balance of \$47,837,572 as at 30 September 2011.

Details of the Company's recent exploration and development activities and overall performance are contained in the September 2011 quarterly report released on October 31, 2011 to the ASX and POMS0X, 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 September 30, 2011 are set out below:

Resource Drilling Results

- Record quarterly drilling total of 13,051 metres
- Diamond drilling at Imbruminda zone intersected:
 - 264 metres @ 0.80% CuEq
 - 64 metres @ 1.20% CuEq
 - 156 metres @ 0.78% CuEq
- Diamond drilling at Gremi zone intersected:
 - 392 metres @ 0.57% CuEq
 - 263 metres @ 0.63% CuEq
 - 90 metres @ 0.80% CuEq
- Diamond drilling at Dimbi zone intersected:
 - 137 metres @ 0.62% CuEq
 - 180 metres @ 0.45% CuEq
- Diamond drilling at Omora zone intersected:
 - 81 metres @ 0.55% CuEq

Yandera Project Development

As set out above, in October 2010, the Company signed a Memorandum of Understanding ("MoU") with China Nonferrous Metal Industry's Foreign Engineering and Construction Co Ltd ("NFC"), a member of the China Nonferrous Group, for the financing, construction and development of the Yandera Project.

As part of its MoU with NFC and Arcon (WA) Pty Ltd ("Arcon"), 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 Definitive Feasibility Study ("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. Arcon will provide supporting engineering services to NFC.

Definitive Feasibility Study [DFS]

The DFS is progressing generally to plan and the revised DFS management structure is working effectively, which should result in completion in mid 2012. Work is also being scheduled to expedite the various environmental submissions and to ensure that they have a firm basis. As usual, a key aspect of these submissions will be the response times by the relevant approving authorities. This matter is being pursued as part of the process of achieving environmental approval.

The Yandera Project DFS will address two basic tailings management options:

- 1 - Deep Sea Tailings Placement (DSTP); and
- 2 - Land based Tailings Storage Facility (TSF).

In these options the tailings are delivered as fine slurry to either a deep offshore canyon or an engineered, purpose built onshore storage facility. The mining, crushing and grinding facilities are the same for both options and would be located at the mine site. The concentrator is the same for both options but would be in a different location for each.

A preferred DSTP site has been identified and three possible locations have been identified for a land based TSF. Further work is in progress to select a preferred TSF location. Preliminary mine planning and process plant design have confirmed the current approach to mining and processing is valid and preliminary engineering studies have confirmed that infrastructure facilities can be developed to support the project.

Environmental and social studies to date have not identified any impediments to the proposed development and meetings with stakeholders have confirmed their enthusiasm for the project.

The previously recovered bulk parcel of representative diamond drill core was delivered to China and Australia for additional confirmatory testwork. In addition a 45 tonne bulk sample was recovered from a very successful adit development within the Gremi zone. This material has been shipped to an Australian metallurgical laboratory where a combined copper / molybdenum concentrate will be produced, prior to separation of copper and molybdenum concentrates.

Various infrastructure studies continued, with a number nearing completion.

EPC Contract

NFC has confirmed their commitment to a fixed-price Engineering Procurement Construction (EPC) contract and will develop their proposal in 2012 with support from Arccon.

Under this arrangement, Marengo will appoint NFC as the principal contractor under a turnkey, lump sum contract and also into a formal financing agreement under which NFC will facilitate financing for the Yandera Project, for at least 70% of the Project Development Costs, through its nominated Chinese financial institution. Marengo continues to be advised in this process by Standard Bank.

PNG Government Participation

On 19 September 2011, the Company entered into the Yandera Project Investment and Co-operation Agreement (“the Agreement”) with Petromin PNG Holdings Limited and its wholly owned subsidiary, Eda Kopa (Yandera) Limited (“Petromin”).

As previously announced, Petromin has been nominated by the Government of Papua New Guinea (“PNG Government”) to take up the State’s interest in Marengo’s Yandera Copper-Molybdenum-Gold Project (“the Yandera Project”) in Madang Province, Papua New Guinea.

Petromin is a resource and investment company established by the PNG Government to hold the Government’s interest in, and invest in the development of mining, oil and gas projects in PNG. To date, it holds interests in:

- The PNG-LNG Gas Project;
- The Solwara offshore mining project principally owned by Nautilus Minerals;
- The Tolukuma Gold Project; and
- A number of other gold projects.

The Agreement establishes the process by which a Mining Equity Agreement (MEA) will be developed by the parties to enable Petromin to acquire a 30% contributing interest in the Yandera Project, once the DFS has been completed, the Mining Development Contract (MDC) is entered into and a Financial Investment Decision (FID) is made. At the time of entering into the MEA Petromin will be required to reimburse Marengo a proportionate sum of Marengo's sunk costs on the project.

The Agreement also provides a framework for Marengo and Petromin to work together to facilitate the development of the Yandera Project. This framework will involve the establishment of three committees being:

- a steering committee;
- a technical committee; and
- a finance committee,

with each committee comprising senior management, operations, technical and finance executives of Marengo and Petromin.

Resource Estimate

During the March 2011 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 incorporated 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 (% CuEq)*	Tonnes (million)	CuEq* (%)	Cu (ppm)	Mo (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 (% CuEq)*	Tonnes (million)	Au (g/t)	Ag (g/t)	Re (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.

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 November 10, 2011 was approximately US\$3.40/lb Cu.

Molybdenum prices have also historically fluctuated significantly. The closing price of molybdenum as at November 9, 2011 was approximately US\$14.17/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. Results of Operations

Quarter Ended September 30, 2011 Compared to Quarter Ended September 30, 2010

Revenue from continuing operations for the quarter ended September 30, 2011 was \$704,689 (2010: \$115,941) and is comprised primarily of interest revenue. The increase was primarily due to an increase in the balance of cash deposits earning interest as compared to the previous corresponding quarter.

Salaries and employee benefits expense \$352,193 (2010: \$226,571) has increased primarily due to the recent activity associated with the DFS.

Share based payments expense for the quarter ended September 30, 2011 of \$15,903 (2010: \$31,826) resulted from the amortisation of the value of options issued to Directors, suppliers and employees over their vesting period.

Administration, corporate and other expenditure totalled \$1,333,867 for the quarter (2010: \$1,135,447).

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

Exploration Activities

Exploration expenditure of \$4,024,477 (2010: \$518,063) has increased as activity has focussed on the DFS at Yandera, with the majority of expenditure being capitalised.

Expenditure on the DFS that has been fully capitalised during the quarter was \$6,852,227 (2010: \$5,826,968).

5. 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-Sep-11	30-Jun-11	31-Mar-11	31-Dec-10	30-Sep-10	30-Jun-10	31-Mar-10	31-Dec-09
Total revenue	704,689	807,215	764,375	153,705	115,941	59,498	21,938	42,429
Net profit (loss)	(997,275)	4,706,039	(3,800,245)	(3,458,354)	(1,277,903)	7,825,837	(3,533,389)	(4,147,598)
Basic profit (loss) per share (cents)	(0.10)	0.59	(0.40)	(0.40)	(0.20)	1.79	(0.70)	(0.80)
Diluted profit (loss) per share (cents)	(0.09)	0.59	(0.40)	(0.40)	(0.20)	1.82	(0.70)	(0.80)
Cash and cash equivalents	47,837,572	57,323,915	65,477,232	70,689,969	20,198,921	6,984,582	12,150,800	16,698,257
Total assets	158,443,046	147,238,818	142,886,837	142,872,977	84,411,757	69,647,058	28,279,381	32,863,993
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 Sept. 2011	30 June 2011	High 1 July 2011 to 30 Sept. 2011	Low 1 July 2011 to 30 Sept 2011
AUD / CAD	1.01106	1.0345	1.0503	1.0045
AUD / PGK	2.10850	2.3383	2.4017	2.0914
AUD / USD	0.97915	1.0595	1.1028	0.9755

7. Discussion of Cash Flows

	3 Months to 30 September 2011 \$	3 Months to 30 September 2010 \$
Cash inflows (outflows) from:		
Operating activities	(102,486)	(850,120)
Investing activities	(10,097,206)	(6,111,095)
Financing activities	604,697	20,189,688

Cash outflows from operating activities for the quarter were \$102,486 (2010: 850,120) with the majority of expenditure being for administration and occupancy costs. The decrease in expenditure for the period is mainly due to an increase in interest received from cash deposits.

Cash outflows from investing activities was \$10,097,206 (2010: \$6,111,095) for the period. The majority of this expenditure related to the DFS and Exploration activities.

Cash inflows from financing activities was \$604,697 (2010: \$20,189,688) being the net proceeds from issue of shares during the quarter from the excising of warrants.

8. Discussion of Financial Position

	30 September 2011	30 June 2010
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	47,837,574	57,323,915
Trade and other receivables	1,072,973	1,687,846
TOTAL CURRENT ASSETS	48,910,547	59,011,761
NON CURRENT ASSETS		
Other financial assets	529,268	514,793
Plant and equipment	1,152,542	970,631
Mining properties	107,850,689	86,741,633
TOTAL NON CURRENT ASSETS	109,532,499	88,227,057
TOTAL ASSETS	158,443,046	147,238,818
CURRENT LIABILITIES		
Trade and other payables	6,030,539	3,892,348
Provisions	784,189	978,830
TOTAL CURRENT LIABILITIES	6,814,728	4,871,178
TOTAL LIABILITIES	6,814,728	4,871,178
EQUITY	151,628,318	142,367,640

Cash and Cash Equivalents

Cash and cash equivalents decreased to \$47,837,574 at September 30, 2011 from \$57,323,915 at June 30, 2011 primarily due to the expenditure on DFS and Exploration activities.

Trade and Other Receivables (Current)

Trade and other receivables decreased to \$1,072,973 as at September 30, 2011 as compared to \$1,687,846 as at June 30, 2011 primarily due to a decrease in sundry receivables and prepayments.

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

Other financial assets increased to \$529,268 as at September 30, 2011 as compared to \$514,793 as at June 30, 2011 due to the recognition of the fair value of the loan to Mr Les Emery.

Plant and Equipment

Plant and equipment increased to \$1,152,542 as at September 30, 2011 as compared to \$970,631 as at June 30, 2011 primarily due to purchases and depreciation of fixed assets in the normal course of business.

Mining Properties

Mining properties increased to \$107,850,689 as at September 30, 2011 as compared to \$86,741,633 as at June 30, 2011 due to expenditure being capitalised in relation to the DFS and positive movement in foreign exchange rates of \$9,637,353.

Trade and Other Payables

Trade and other payables increased to \$6,030,539 as at September 30, 2011 as compared to \$3,892,348 as at June 30, 2011 primarily due to increased expenditures and timing of payments in respect of the Yandera Project.

Provisions

Provisions decreased to \$784,189 as at September 30, 2011 as compared to \$978,830 as at June 30, 2011 primarily due to decrease in staff leave entitlements during the quarter.

Equity

Equity increased to \$151,628,318 as at September 30, 2011 as compared to \$142,367,640 as at June 30, 2011 due to the net share issue \$604,697 partially offset by a loss of \$997,275 for the three months, and a increase in reserves of \$9,653,256 primarily due to foreign exchange rate movements of \$9,637,353.

9. Liquidity and Capital Resources

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

The Company had a cash balance of \$47,834,572 at September 30, 2011.

The Company's contractual obligations are set out below:

Contractual Obligations – A\$	Payments due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term Debt	-	-	-	-	-
Operating Leases	\$1,864,179	\$937,269	\$926,909	-	-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Total Contractual Obligations	\$1,864,179	\$937,269	\$926,909	-	-

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, molybdenum or gold 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 September 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 September 30 2011, the loan to Mr Emery is still outstanding.

14. Risk Factors

The Company's risk factors are discussed in detail in the Company's AIF dated September 28, 2011 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 September 30, 2011, the only class of shares of the Company outstanding is ordinary shares. As at September 30, 2011, the Company had 1,002,399,863 ordinary shares outstanding and 74,762,050 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 September 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 September 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, molybdenum and gold; and (v) that the supply and demand for copper, gold, 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) PNG State equity interest.

This MD&A and the Company's AIF dated September 28, 2011 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).

It should be noted that the Memorandum of Understanding between Marengo and NFC referred to in this report is non-binding and that no party is under any obligation to proceed. Accordingly, there is no certainty that a transaction will proceed.

It should be noted that the Investment and Co-operation Agreement between Marengo and Petromin, referred to in this report is non-binding on Petromin and that Petromin is not under any obligation to proceed. Accordingly, there is no certainty that a transaction will proceed.