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**NEWS RELEASE
APRIL 22, 2010**

**For Immediate Distribution
TSX:MRN, ASX & POMSoX: MGO**

**MARENGO MINING LIMITED FILES PRELIMINARY
SHORT FORM PROSPECTUS**

TORONTO, Ontario (April 22, 2010) – Marengo Mining Limited (“Marengo” or the “Company”) (TSX:MRN, ASX and POMSoX:MGO) announced today that it has filed and received a receipt for a preliminary short form prospectus with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia in connection with a best efforts offering of units (the “Units”) of the Company (the “Offering”), each Unit consisting of one ordinary share of the Company and one subscription receipt (each, a “Subscription Receipt”). Upon receipt of shareholder approval required pursuant to the listing rules of the Australian Securities Exchange (the “Release Condition”), each Subscription Receipt will be automatically converted into a number of ordinary shares of the Company to be determined in the context of the market immediately prior to the filing of the final short form prospectus in respect of the Offering. Pending satisfaction of the Release Condition, that portion of the proceeds received in respect of the Subscription Receipts (the “Escrowed Proceeds”) will be held in escrow. In the event that the Release Condition is not satisfied within 35 days following receipt for the final prospectus, the Escrowed Proceeds, plus interest thereon, will be returned to the holders of the Subscription Receipts.

The net proceeds from the Offering will be used to finance the Company’s district exploration program at the Yandera copper-molybdenum-gold deposit located in Madang Province, Papua New Guinea (the “Yandera Project”), including the preparation of the definitive feasibility study (the “DFS”) on the development of the Yandera Project and for general corporate and working capital purposes.

The Offering will be led by Paradigm Capital Inc. with a syndicate comprising Fraser Mackenzie Limited. Final pricing and determination of the number of Units to be sold pursuant to the Offering will be determined in the context of the market immediately prior to the filing of the final short form prospectus in respect of the Offering.

Marengo is an exploration and feasibility stage mining company with its principal asset being the Yandera Project. The Company’s primary focus for the ensuing 12 months is to complete the DFS and to continue a district exploration program focusing on the area surrounding the Yandera central resource.

Completion of the Subscription Receipt portion of the Offering is subject to receipt of shareholder approval to the issuance of the ordinary shares underlying the Subscription Receipts in accordance with the applicable listing rules of the Australian Securities Exchange.



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The Offering is also subject to the approval of the Australian Securities Exchange, the Toronto Stock Exchange and applicable securities regulatory authorities.

This news release does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the ordinary shares in any state in which such offer, solicitation or sale would be unlawful. The ordinary shares have not been registered and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws. Accordingly, the ordinary shares may not be offered or sold in the United States or to U.S. persons (as such terms are defined in Regulation S under the 1933 Act) unless registered under the 1933 Act and applicable state securities laws or an exemption from the registration requirements is available.

Cautionary Statement Regarding Forward-Looking Information

This news release contains forward looking information. Such forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "believe", "plan", "estimate", "expect" and "intend" and statements that an event or result "may", "will", "should", "could" or "might" occur or to be achieved and any other similar expressions. In providing the forward-looking information in this news release, the Company has made numerous assumptions, including assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) that the results of the DFS continue to be positive; and (iv) that future exploration results are as anticipated. Management believes that these assumptions are reasonable. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from those contained in the forward-looking information. Some of these risks, uncertainties and other factors are described under the heading "Risk Factors" in the Company's annual information form available on www.sedar.com. Forward-looking information is based on estimates and opinions of management at the date the statements are made. Except as required by law, Marengo does not undertake any obligation to update forward-looking information even if circumstances or management's estimates or opinions should change. Readers should not place undue reliance on forward-looking information.

For further information contact:

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Please note that the Head Office of Marengo is located in Western Australia and is 12 hours ahead of Toronto time.

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A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities in those jurisdictions. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended, or any state securities laws and may not be offered or sold in the United States or to United States persons except in compliance with the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws or under exemptions from those laws. See "Plan of Distribution."

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company Secretary of Marengo Mining Limited at Level 2, 9 Havelock Street, West Perth, Western Australia, 6005, telephone +618 9429 0000, and are also available electronically under the Company's profile at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

April 21, 2010



ABN 57 099 496 474

C\$ ●

● Units

This short form prospectus qualifies the distribution (the "**Offering**") by Marengo Mining Limited ("**Marengo**" or the "**Company**") of an aggregate of up to ● Units (the "**Units**") of Marengo, each Unit consisting of one ordinary share of the Company (each, a "**Unit Share**") and one subscription receipt (each, a "**Subscription Receipt**") at a price of C\$ ● per Unit (the "**Offering Price**"), pursuant to the terms of an agency agreement dated as of ●, 2010 (the "**Agency Agreement**") between Marengo and Paradigm Capital Inc. ("**Paradigm**") and Fraser Mackenzie Limited (collectively, the "**Agents**"). Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, ● ordinary shares of the Company (each, a "**Receipt Share**") upon satisfaction of the Release Condition (as defined herein under "*Plan of Distribution*"). The effective price per ordinary share of the Company offered under this short form prospectus is C\$● (the "**Effective Price**").

Upon closing of the Offering, (i) the gross proceeds of the Offering from the sale of the Unit Shares, less the expenses and Agents' Fee (as defined herein) relating thereto, shall be paid to the Company, and (ii) the gross proceeds of the Offering (excluding the Agents' Fee relating thereto) from the sale of the Subscription Receipts (the "**Escrowed Proceeds**") will be deposited with Computershare Trust Company of Canada, as escrow agent (the "**Escrow Agent**"), and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Condition. The funds held by the Escrow Agent, together with all interest earned thereon, are referred to herein as the "**Escrowed Funds**".

Provided that the Release Condition is satisfied at or before 5:00 p.m. (Perth time) on the date that is 35 days following receipt for the final prospectus (the "**Release Deadline**"), the Escrowed Funds will be released to the Company and the Subscription Receipts will be automatically converted into Receipt Shares, without payment of additional consideration or further action on the part of the holders.

In the event that: (i) the Release Condition is not satisfied by the Release Deadline; or (ii) prior to such time, the Company advises the Agents or announces to the public that it does not intend to satisfy the Release Condition (each such event being a "**Termination Event**"), then the Escrow Agent will return to the holders of the Subscription Receipts, on the third business day following the occurrence of such a Termination Event (the "**Termination Date**"), an amount equal to the aggregate Escrowed Proceeds of the Subscription Receipts held by such holder and their pro rata share of interest earned on the Escrowed Proceeds. The Company shall be responsible and liable to such holders for any shortfall between that amount and the Escrowed Funds. See "*Description of Securities Being Distributed—Subscription Receipts*".

No additional consideration will be received by the Company and no commission or fee will be payable by the Company in connection with the Shares issuable upon conversion of the Subscription Receipts. The Offering Price was determined by negotiation between Marengo and Paradigm (for and on behalf of the Agents).

The outstanding ordinary shares of the Company are listed and posted for trading on the Australian Securities Exchange (the “ASX”) and the Port Moresby Stock Exchange (the “POMSoX”) under the symbol “MGO” and on the Toronto Stock Exchange (the “TSX”) under the symbol “MRN”. On April 20, 2010, the last trading day on the ASX before the filing of this short form prospectus, the closing price of the ordinary shares of the Company on the ASX was A\$0.13. On April 20, 2010, the last trading day on the TSX before the filing of this short form prospectus, the closing price of the ordinary shares of the Company on the TSX was C\$0.12.

An investment in the Units is speculative and involves significant risk. In particular, the conversion of the Subscription Receipts into Receipt Shares is subject to the satisfaction of the Release Condition. See “Risk Factors” and “Cautionary Statement Regarding Forward-Looking Information”. Prospective investors should carefully review and evaluate these factors before investing in the Units.

Price: C\$● per Unit

| | Price to the Public | Agents’ Fee ⁽¹⁾ | Net Proceeds to Marengo ⁽²⁾ |
|----------------------------|---------------------|----------------------------|--|
| Per Unit | C\$ ● | C\$ ● | C\$ ● |
| Total ⁽³⁾ | C\$ ● | C\$ ● | C\$ ● |

Notes:

- (1) Pursuant to the Agency Agreement, the Company has agreed to pay to the Agents a cash fee (the “Agents’ Fee”) equal to 6% of the gross proceeds of the Offering, except for any order from Sentient Executive GP II, Limited (“Sentient”) on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date. As additional compensation, the Agents will be granted compensation options (the “Compensation Options”) entitling the Agents to subscribe for ordinary shares of the Company equal to, in the aggregate, up to 5% of the number of Unit Shares and Receipt Shares issued pursuant to the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall be exercisable, subject to satisfaction of the Release Condition, into one ordinary share of the Company (each, an “Option Share”) at a price equal to the Effective Price for period of 24 months following the Closing Date (as defined herein). The distribution of the Compensation Options is subject to approval of the Company’s shareholders and is qualified under this short form prospectus. See “Plan of Distribution”.
- (2) After deducting the Agents’ Fee and before deducting expenses of the Offering, estimated to be C\$500,000, which will be paid from the proceeds of the Offering.
- (3) The Company has granted to the Agents an option (the “Over-Allotment Option”), exercisable in whole or in part at the sole discretion of the Agents for a period of 30 days following the Closing Date, to purchase up to such number of additional Subscription Receipts, at the Effective Price per underlying ordinary share of the Company and on the same terms and conditions of the Offering (including conversion subject to shareholder approval), as are convertible into an aggregate number of ordinary shares of the Company, equal to 15% of the aggregate number of Unit Shares and Receipt Shares issued pursuant to the Offering. This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts (as defined herein). A purchaser who acquires Additional Subscription Receipts forming part of the Agents’ over-allocation position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context requires otherwise, all references to “Units”, “Unit Shares”, “Receipt Shares” and “Option Shares” in this short form prospectus shall include those securities issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public, Agents’ Fee and net proceeds to Marengo will be C\$●, C\$● and C\$●, respectively, before deducting expenses of the Offering. See “Plan of Distribution”.

| Agents’ Position | Maximum Size or Number of Securities Available | Exercise Period | Exercise Price |
|-----------------------------|--|---|----------------|
| Over-Allotment Option | ● | Any time but not later than 30 days after closing of the Offering | C\$ ● |
| Compensation Options | ● | Any time but not later than 24 months after closing of the Offering | C\$ ● |

The Company has applied to list the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX. In accordance with the listing rules of the ASX and the POMSoX, Marengo will also apply for official quotation of the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the ASX and the POMSoX.

The Agents, as principals, conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Company and accepted by the Agents in accordance with the conditions contained in the Agency Agreement referred to under “*Plan of Distribution*” and subject to the approval of certain legal matters on behalf of the Company by Fraser Milner Casgrain LLP, and on behalf of the Agents by Cassels Brock & Blackwell LLP. In connection with the Offering and subject to applicable laws, the Agents may over-allot or effect transactions that are intended to stabilize or maintain the market price of the ordinary shares of the Company at levels other than that which might otherwise prevail in the open market for a limited period after the date on which the Offering is completed. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. See “*Plan of Distribution*”.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Unit Shares and the Subscription Receipts will be issued in registered form on the date of closing, which is expected to occur on or about ●, 2010, or any other date on which the Company and the Agents may agree, but in any event not later than 60 days after the date of the receipt for this short form prospectus (the “**Closing Date**”).

Marengo’s registered and head office is located at Level 2, 9 Havelock Street, West Perth, Western Australia, 6005.

Marengo is incorporated under the laws of a foreign jurisdiction and both the Company and a majority of the directors and officers of Marengo reside outside of Canada. Although the Company and the directors and officers that signed this short form prospectus have appointed Fraser Milner Casgrain LLP, 1 First Canadian Place, 100 King Street West, Suite 3900, Toronto, Ontario, M5X 1B2 as its agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against Marengo or any of its directors or officers residing outside of Canada.

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DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Company Secretary of Marengo at Level 2, 9 Havelock Street, West Perth, Western Australia, 6005, telephone +618 9429 0000, and are also available electronically under the Company's profile at www.sedar.com.

The following documents of the Company, filed with the securities commissions or similar authorities in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia, are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) annual information form of the Company dated September 28, 2009 for the financial year ended June 30, 2009 (the "**Annual Information Form**");
- (b) audited annual consolidated financial statements of the Company as at, and for the financial year ended June 30, 2009, together with the auditors' report thereon dated September 17, 2009 and the notes thereto;
- (c) management's discussion and analysis of financial condition and results of operations for the financial year ended June 30, 2009;
- (d) unaudited interim consolidated financial statements of the Company as at, and for the half year ended December 31, 2009, together with the notes thereto;
- (e) management's discussion and analysis of financial condition and results of operations for the half year ended December 31, 2009;
- (f) explanatory statement and management information circular of the Company dated June 30, 2009 prepared in connection with the general meeting of shareholders held on July 30, 2009, together with the addendum thereto dated July 9, 2009;
- (g) management information circular of the Company dated September 30, 2009 prepared in connection with the annual general meeting of shareholders held on November 5, 2009; and
- (h) material change report of the Company filed on September 10, 2009 in connection with the completion of the Company's 2009 Canadian prospectus offering and Australian private placement.

A reference herein to this short form prospectus also means any and all documents incorporated by reference in this short form prospectus. Any document of the type referred to above, including audited annual consolidated financial statements, unaudited interim consolidated financial statements and the related management's discussion and analysis, material change reports (excluding confidential material change reports), any business acquisition reports, the content of any news release disclosing financial information for a period more recent than the period for which financial information is deemed incorporated by reference in this short form prospectus and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of National

Instrument 44-101 of the Canadian Securities Administrators filed by the Company with the securities commissions or similar regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this short form prospectus.

Any statement contained in this short form prospectus or in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not constitute a part of this short form prospectus, except as so modified or superseded. The modifying or superseding statement need not state that it has modified or superseded a prior statement or includes any other information set forth in the document that it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain information in this short form prospectus, 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 short form prospectus, 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) exploration and development risks; (iii) the risk that the proceeds of the Offering are not applied effectively; (iv) the risk that the Company will not obtain a renewal of exploration licence 1335; (v) sustained or continued decreases in the price of copper and molybdenum; (vi) current global economic conditions; (vii) structural subordination of ordinary shares; (viii) dilution from the future issue or sale of ordinary shares; and (ix) the risk that shareholder approval for the issuance of the Receipt Shares upon conversion of the Subscription Receipts is not obtained.

This short form prospectus (see “*Risk Factors*”) and the Company’s interim and annual management’s discussion and analysis incorporated herein by reference 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 short form prospectus, except as may be required by law. All forward-looking information disclosed in this short form prospectus is qualified by this cautionary statement.

Additional information about the Company and its business activities is available under the Company’s profile on SEDAR at www.sedar.com.

ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agents, provided that the Unit Shares are listed on a “designated stock exchange”, as defined in the *Income Tax Act* (Canada) (the “**Tax Act**”), which includes the ASX and the TSX, on the Closing Date, the Unit Shares will, on that date, be qualified investments (“**Qualified Investments**”) under the Tax Act and the regulations thereunder for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“**TFSA**s”), each as defined in the Tax Act (collectively, “**Plans**”). The Subscription Receipts will be a Qualified Investment for a Plan provided the Receipt Shares are listed on a designated stock exchange as referred to above and the Company deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under the Plan.

Provided that the Receipt Shares issuable upon conversion of the Subscription Receipts are also listed on a designated stock exchange at the time of conversion of the Subscription Receipts, the Receipt Shares will, at that time, be Qualified Investments for the Plans.

Notwithstanding the foregoing, a holder of Unit Shares, Subscription Receipts or Receipt Shares will be subject to a penalty tax if the Unit Shares, the Subscription Receipts or the Receipt Shares, as the case may be, are held in a TFSA and are a “prohibited investment” for such TFSA under the Tax Act. However, the Unit Shares, the Subscription Receipts and the Receipt Shares will not be prohibited investments for a TFSA held by a particular holder provided that the holder deals at arm’s length with the Company for purposes of the Tax Act, and does not have a “significant interest” (as defined in the Tax Act) in the Company or in any corporation, partnership or trust that does not deal at arm’s length with the Company for purposes of the Tax Act. Holders should consult their own tax advisors as to whether the Unit Shares, the Subscription Receipts or the Receipt Shares will be a “prohibited investment” in their particular circumstances.

CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

The Company reports in Australian dollars. Accordingly, unless otherwise indicated, all references to “**A\$**” or “dollars” in this short form prospectus refer to Australian dollars, “**C\$**” refers to Canadian dollars, “**US\$**” refers to United States dollars and “**PGK**” refers to Papua New Guinean kinas.

The high, low, average and closing exchange rates for Canadian dollars in terms of Australian dollars and Canadian dollars in terms of United States dollars for each of the two years ended June 30, 2009 and 2008 and the six month periods ended December 31, 2009 and 2008, as quoted by the Bank of Canada, were as follows:

| <u>Canadian dollar per Australian dollar</u> | <u>High</u> | <u>Low</u> | <u>Average⁽¹⁾</u> | <u>Closing</u> |
|--|-------------|------------|------------------------------|----------------|
| Year ended June 30 | | | | |
| 2009 | \$0.9822 | \$0.7524 | \$0.8633 | \$0.9363 |
| 2008 | \$0.9782 | \$0.8389 | \$0.9054 | \$0.9740 |
| Six Months ended December 31 | | | | |
| 2009 | \$0.9822 | \$0.8845 | \$0.9372 | \$0.9395 |
| 2008 | \$0.9822 | \$0.7524 | \$0.8696 | \$0.8550 |

| <u>Canadian dollar per United States dollar</u> | <u>High</u> | <u>Low</u> | <u>Average⁽¹⁾</u> | <u>Closing</u> |
|---|-------------|------------|------------------------------|----------------|
|---|-------------|------------|------------------------------|----------------|

Year ended June 30

| <u>Canadian dollar per Australian dollar</u> | <u>High</u> | <u>Low</u> | <u>Average⁽¹⁾</u> | <u>Closing</u> |
|--|-------------|------------|------------------------------|----------------|
| 2009 | \$1.3000 | \$1.0016 | \$1.1656 | \$1.1625 |
| 2008 | \$1.0755 | \$0.9170 | \$1.0104 | \$1.0186 |
| Six Months ended December 31 | | | | |
| 2009 | \$1.1655 | \$1.0292 | \$1.0779 | \$1.0466 |
| 2008 | \$1.2969 | \$1.0016 | \$1.1250 | \$1.2246 |

Notes:

(1) Calculated as an average of the daily noon rates for each period.

On April 20, 2010, the Bank of Canada noon spot exchange rate for the purchase of one Australian dollar using Canadian dollars was C\$0.9298 (C\$1.00 = A\$1.0755).

On April 20, 2010, the Bank of Canada noon spot exchange rate for the purchase of one United States dollar using Canadian dollars was C\$0.9986 (C\$1.00 = US\$1.0014).

On April 20, 2010, the Reserve Bank of Australia exchange rate for the purchase of one Papua New Guinean kina using Australian dollars with A\$0.4004 (A\$1.00 = PGK 2.4987).

FINANCIAL INFORMATION

The financial statements of the Company incorporated by reference in this short form prospectus are reported in Australian dollars and have been prepared in accordance with International Financial Reporting Standards rather than Canadian generally accepted accounting principles and may not be comparable to financial statements of Canadian issuers. Marengo has not, and is not required to, provide a reconciliation of its financial statements to Canadian generally accepted accounting principles.

THE COMPANY

Corporate Structure

Marengo was incorporated under the *Corporations Act 2001 (Cth)* (Australia) on February 6, 2002. Marengo listed on the ASX on November 13, 2003 upon the issuance of 17.5 million ordinary shares for gross proceeds of A\$3.5 million and subsequently listed on the POMSx on November 10, 2006. On April 15, 2008, following a public offering of 44,736,843 ordinary shares for gross proceeds of C\$8.5 million by way of a long form prospectus, Marengo's ordinary shares were listed and commenced trading on the TSX.

Marengo has one subsidiary, Marengo Mining (PNG) Limited ("**Marengo PNG**"). Marengo PNG is wholly and directly owned by Marengo. Marengo PNG was incorporated under the laws of Papua New Guinea on February 21, 2005. Marengo PNG holds the Company's interest in the Yandera Project (as defined below).

Unless the context otherwise requires, references in this short form prospectus to the "Company" are references to Marengo and Marengo PNG, together.

Overview

Marengo is an exploration and feasibility stage mining company. Marengo's principal asset is a 100% interest in a copper-molybdenum-gold deposit located in Madang Province, Papua New Guinea (the "**Yandera Project**"). Papua New Guinea is located within the "Ring of Fire", between West Papua and New Zealand. Management believes each of Barrick Gold Corporation, China Metallurgical Group Corporation, Lihir Gold Limited, Newcrest Mining Limited and Harmony Gold Mining Co. Ltd. to be currently operating in Papua New Guinea. The following map highlights the location of the Yandera Project relative to south-east Asia and Australia:



The Company also owns a database of exploration and project evaluation activities (including all exploration and drilling data, assay results from 102 diamond holes totaling 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 test work, 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 test work, 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 primary focus of the Company for the ensuing 12 months is to complete the DFS and to continue a district exploration program focusing on the area below and surrounding the Yandera Central Porphyry.

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.

RECENT DEVELOPMENTS

The scientific and technical information contained in this section of this short form prospectus 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 National Instrument 43-101 “*Standards of Disclosure for Mineral Projects*” (“**NI 43-101**”). Mr. Dendle verified the data underlying the information in this short form prospectus 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 refer to the Revised Technical Report (as defined below) and the section of this short form prospectus titled “*Details of the Yandera Project*”.

Exploration

In 2007 and 2008, the Company acquired additional exploration licences (“**ELs**”) covering an aggregate area of approximately 700 square kilometres (the “**Additional Area**”), increasing the area of the Yandera Project to approximately 1,900 square kilometres. Due to the availability of additional equipment and personnel, commencing in the 2008 drilling season, the Company also expanded its exploration activities beyond the proposed open pit area and initiated a district exploration program of the area surrounding the central resource (which includes the Additional Area) as part of the district exploration program.

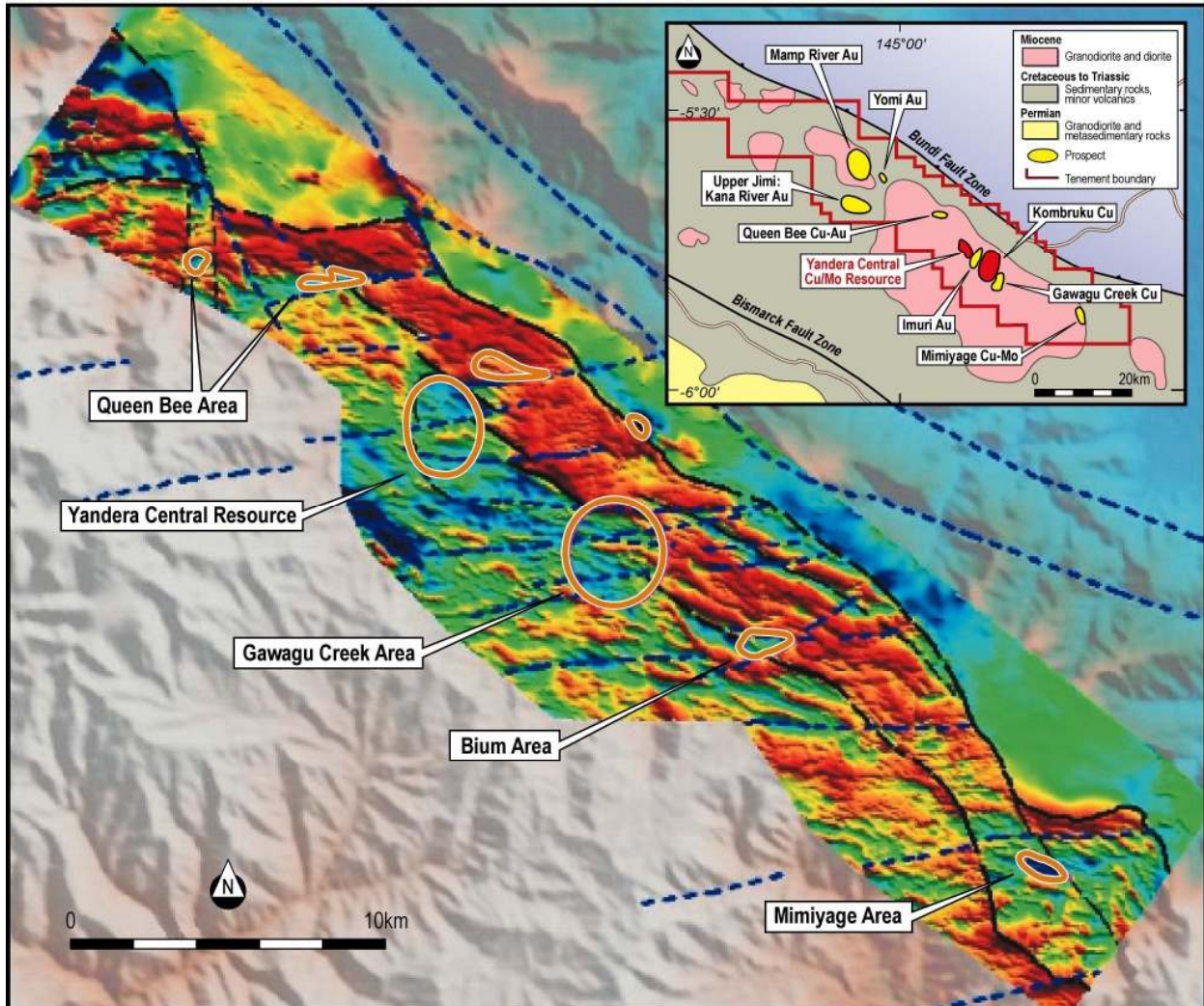
From discovery in the late 1950s until March 2010, 263 diamond holes (including approximately 59 holes not included in the Revised Technical Report) have been completed at the Yandera Central Porphyry for a total of approximately 83,840 metres drilled.

District Exploration

During 2009, a helicopter mounted magnetic and radiometric survey was completed over a significant portion of the Yandera Project area. This survey was flown on 100 metres line spacing, at an approximate flying height of 60 to 80 metres.

The following map shows areas of mineral prospectivity identified by the magnetic and radiometric survey, relative to the Yandera Project area:

Yandera Project – Airborne Geophysics



Processing of the airborne geophysical data was recently completed and indicates a number of potential regional targets for follow up exploration, in addition to those previously identified from earlier regional exploration programs.

The first drilling undertaken on a prospect outside of the Yandera Central Porphyry was carried out at the Kombruku prospect during the latter part of 2009 and a 10 hole diamond drilling program was completed by December 2009, resulting in a number of narrow mineralized intercepts, the best of which was 3 metres @ 0.46% Cu. A reappraisal of a dataset from an Induced Polarization geophysical program, previously completed at the Kombruku prospect, has indicated the possible presence of an as yet untested porphyry target.

The Company will continue to focus its district exploration programs in areas where any discoveries could have an impact on the Yandera Central Porphyry, however, general prospecting work is also planned for the more regional strike extensions to the north-west and south-east.

Resource Drilling

Drilling initially focused on infilling the Gremi and Omora zones of the central porphyry system. In-pit drilling in the Gremi and Omora zones identified some higher grade intercepts, highlighting the potential to enhance the mine design to target higher grade zones earlier thereby accelerating potential cash flow. During the latter part of the 2008 drilling season, exploration continued along the strike extensions to the north-west and south-east targeting the Gremi-Omora, Imbruminda, Gamagu and Mumnogoi zones. From this drilling, additional zones of mineralization within the central porphyry were identified, particularly at Mumnogoi and Gamagu.

The more significant of the results obtained are set out below:

| <u>Hole</u> | <u>Zone</u> | <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo</u> <u>ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu</u> <u>Eq%</u> ⁽¹⁾ |
|-------------|-------------|---------------------------|-------------------------|----------------------------|------------|-------------------------|---------------|---------------|--|
| YD 214 | Gremi-Omora | 45 | 57 | 12 | 0.91 | 223 | 0.14 | 5.53 | 1.13 |
| YD 228 | Gamagu | 60 | 78 | 18 | 0.94 | 188 | 0.21 | 5.55 | 1.13 |
| | | 123 | 183 ⁽²⁾ | 60 | 0.66 | 67 | 0.1 | 3.52 | 0.73 |
| YD 229 | Gamagu | 54 | 147 ⁽³⁾ | 93 | 0.36 | 10 | 0.25 | 2.75 | 0.37 |
| YD 237 | Mumnogoi | 18 | 108 | 90 | 0.29 | 71 | 0.02 | 2.64 | 0.36 |
| YD 238 | Mumnogoi | 171 | 201 | 30 | 0.30 | 61 | 0.02 | 2.71 | 0.36 |
| YD 240 | Imbruminda | 303 | 412.8 ⁽⁴⁾ | 109.8 | 0.30 | 68 | 0.08 | 1.31 | 0.36 |

Notes:

(1) Copper equivalent (%) calculated as Cu%+ (Mo% x 10). Gold and silver values not included.

(2) This intersection included

| <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu Eq%</u> ⁽¹⁾ |
|---------------------------|-------------------------|----------------------------|------------|---------------|---------------|---------------|------------------------------|
| 165 | 177 | 12 | 1.53 | 144 | 0.3 | 10.58 | 1.68 |

(3) This intersection included

| <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu Eq%</u> ⁽¹⁾ |
|---------------------------|-------------------------|----------------------------|------------|---------------|---------------|---------------|------------------------------|
| 87 | 123 | 36 | 0.39 | 10 | 0.49 | 3.99 | 0.40 |

(4) Within this intersection the following higher grade zones were noted

| <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu Eq%</u> ⁽¹⁾ |
|---------------------------|-------------------------|----------------------------|------------|---------------|---------------|---------------|------------------------------|
| 303 | 327 | 24 | 0.44 | 135 | 0.06 | 1.50 | 0.58 |
| 360 | 387 | 27 | 0.23 | 29 | 0.11 | 1.04 | 0.26 |
| 396 | 412.8 | 16.8 | 0.42 | 94 | 0.17 | 1.53 | 0.51 |

Management believes that the foregoing results indicate that potential exists to increase the resource at the Yandera Central Porphyry system, by expanding the known limits of mineralization and thereby enhancing the near-term economics of the Yandera Project.

The maps set out on the following pages indicate the location of the relevant zones and drill holes referred to above.

Limited resource drilling was undertaken during the 2009 drilling season, whilst a focus was placed on drill sterilization of possible infrastructure areas together with exploration drilling at the Kombruku prospect, as detailed above.

One hole drilled during the 2009 field season (YD 245) targeted an area between the Dimbi and Gamagu zones at the Yandera Central Porphyry. This drill hole produced the following results:

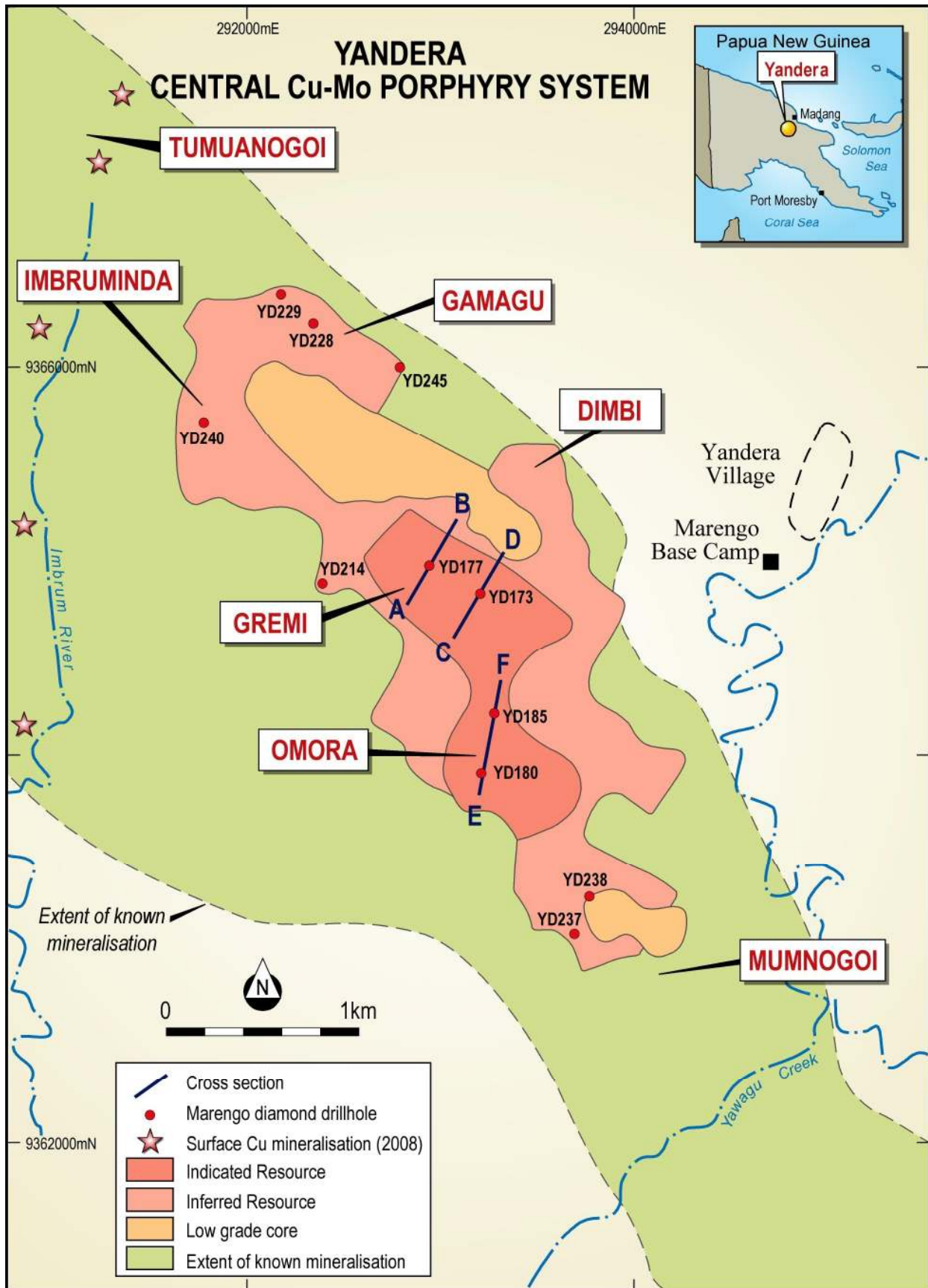
| <u>Hole</u> | <u>Zone</u> | <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo</u> <u>ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu Eq%⁽¹⁾</u> |
|-------------|-------------------|---------------------------|-------------------------|----------------------------|------------|-------------------------|---------------|---------------|-----------------------------|
| YD 245 | Dimbi - Gamagu | 48 | 405 ⁽²⁾ | 357 | 0.44 | 96 | 0.07 | 2.35 | 0.45 |

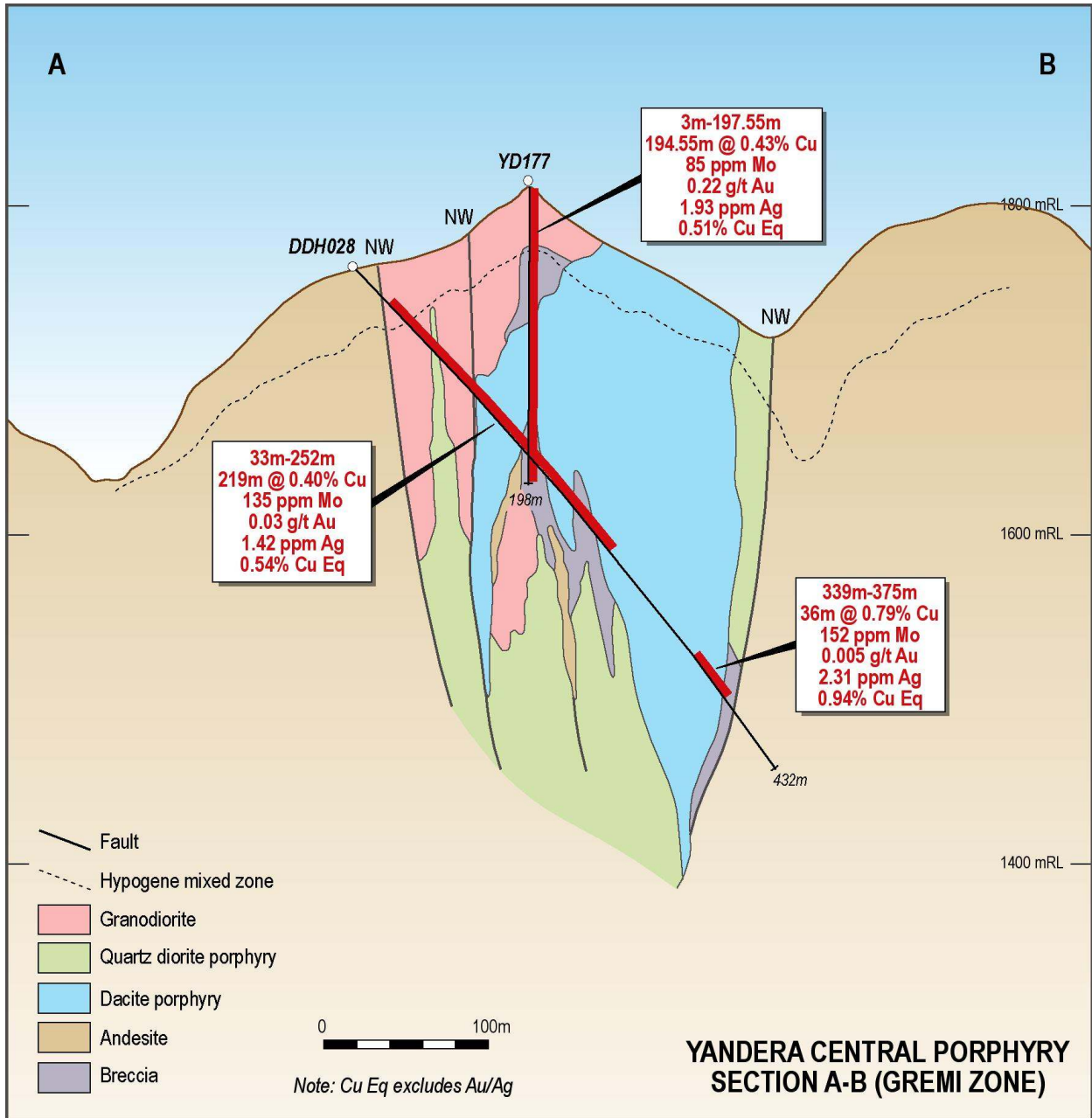
Notes:

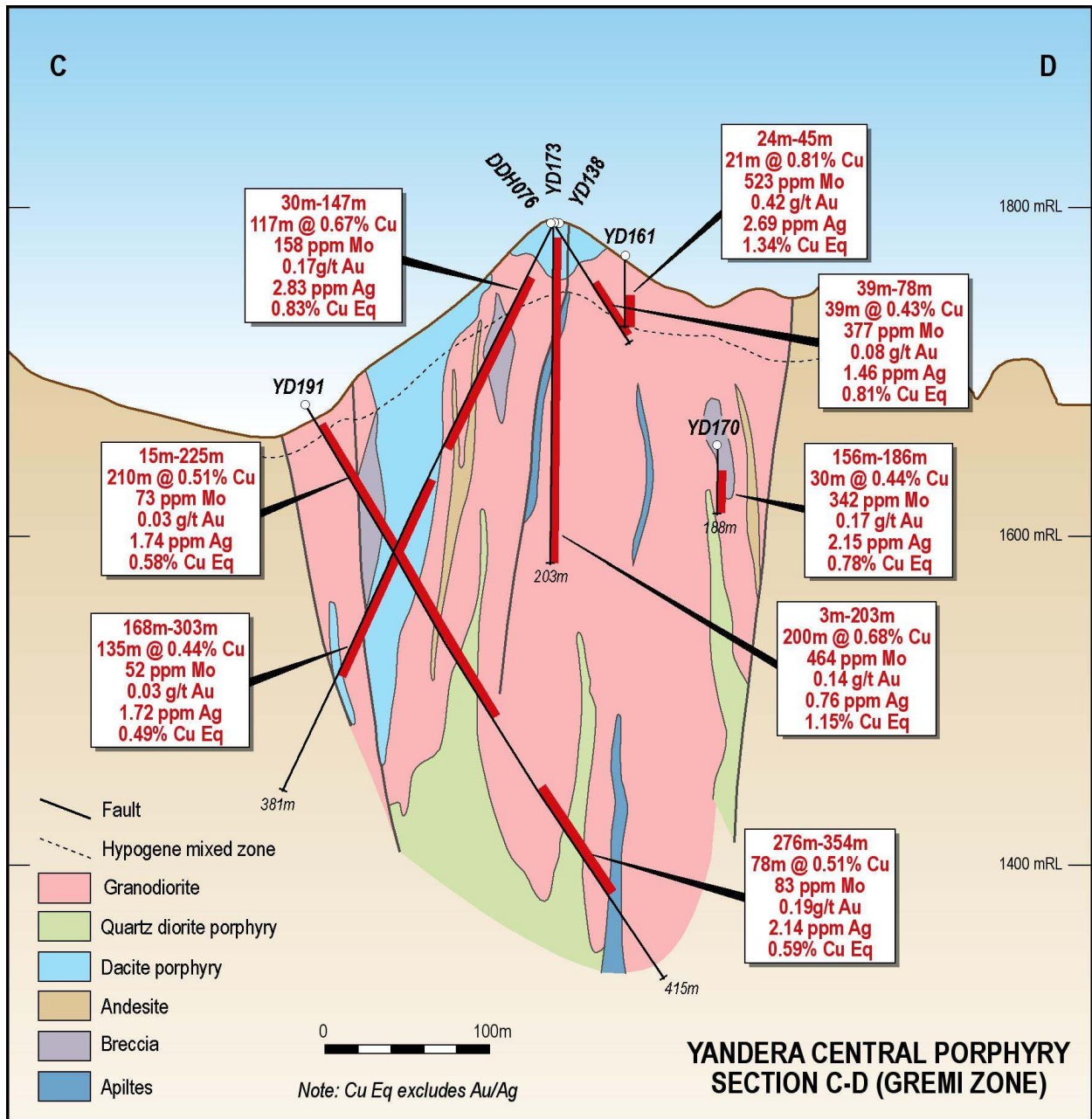
(1) Copper equivalent (%) calculated as Cu% + (Mo% x 10). Gold and silver values not included.

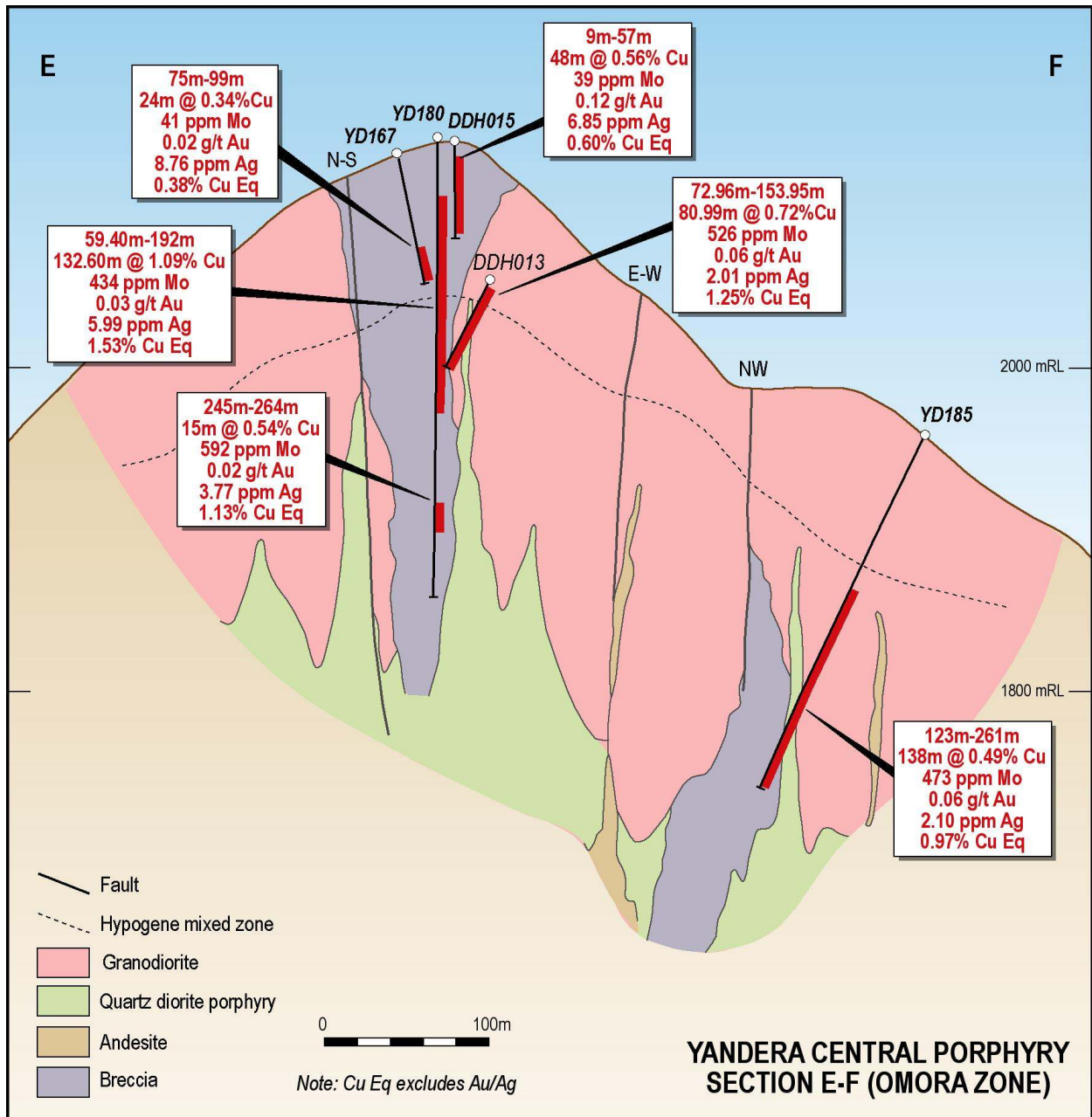
(2) This intersection included the following higher grade zones

| <u>From</u> <u>(m)</u> | <u>To</u> <u>(m)</u> | <u>Width</u> <u>(m)</u> | <u>Cu%</u> | <u>Mo</u> <u>ppm</u> | <u>Au g/t</u> | <u>Ag g/t</u> | <u>Cu Eq%⁽¹⁾</u> |
|---------------------------|-------------------------|----------------------------|------------|-------------------------|---------------|---------------|-----------------------------|
| 192 | 405 | 213 | 0.54 | 140 | 0.09 | 2.42 | 0.55 |
| 258 | 291 | 33 | 1.04 | 101 | 0.08 | 3.20 | 1.05 |
| 381 | 402 | 19 | 0.67 | 190 | 0.27 | 3.04 | 0.86 |

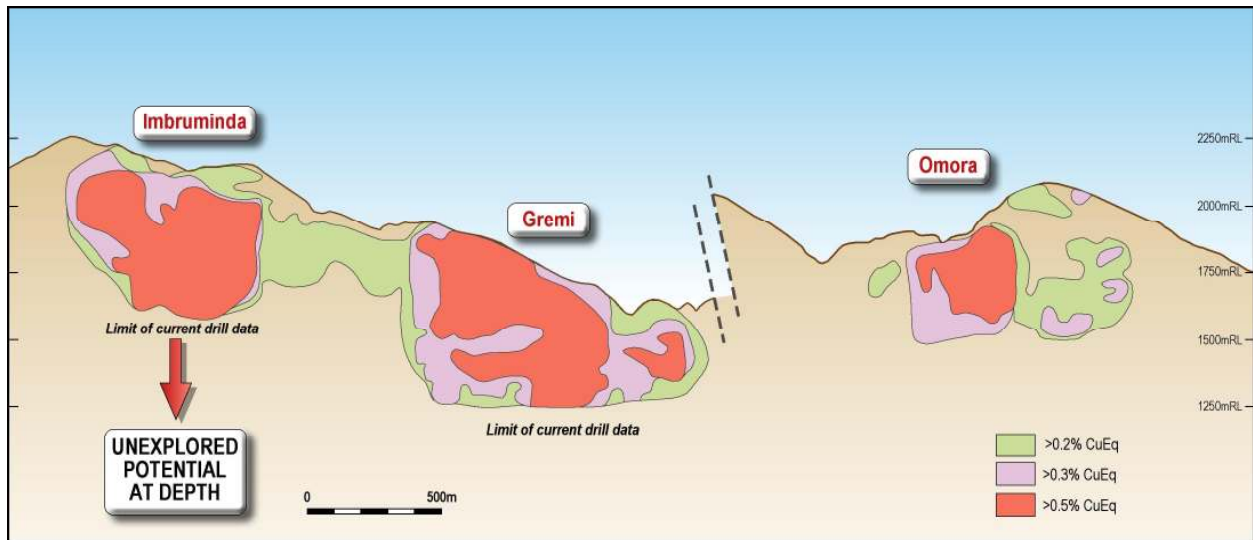








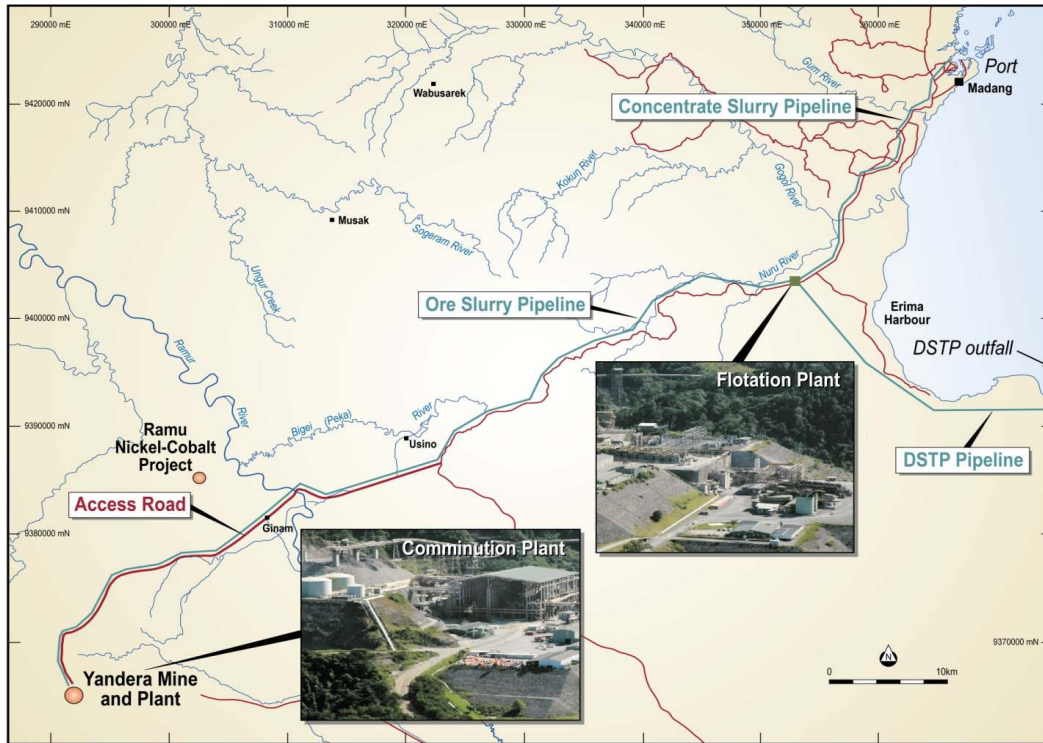
The Company is currently undertaking a deeper diamond drilling program at the Imbruminda zone, to test for possible depth extensions of the currently identified zone of mineralization. The drilling is in the form of a vertical hole to approximately 1,000 metres in depth, in an area of high grade mineralization, where previous shallower drill holes terminated in mineralization.



Phase 2 of the DFS

In November 2008, the Company expanded the scope of Phase 2 of the DFS and extended its anticipated completion date from mid-2009 to December 31, 2010 to consider new options for project infrastructure, processing facility locations and transportation.

Work completed as part of Phase 2 of the DFS includes consideration of several mine site process plant locations including geotechnical investigation of the initially proposed site and a mineral processing trade-off study to refine the plant layout. It is currently suggested that relocating a portion of the processing plant to a coastal location thereby separating the process site with comminution located at the mine site and flotation located nearer the coast, may have a positive impact on capital cost estimates for the Yandera Project. The map set out below illustrates the proposed flotation and comminution plant locations:



As part of Phase 2 of the DFS, all comminution metallurgical test work was completed revealing that the ore is of average specific density, of moderate to low competence and low abrasion potential. As a result, it is anticipated that a more relaxed grind size of 150 microns will be possible, thereby potentially reducing capital and operating costs.

Also, metallurgical test work carried out on whole core samples from the Gremi and Omora zones returned high copper recoveries of up to 92%. The test work also revealed a clean concentrate with low impurities below smelter penalty levels, fast flotation kinetics, and good grind and abrasion characteristics. Work on by-product mineral recoveries for molybdenum, gold, silver and rhenium has not yet been completed.

Phase 2 of the DFS has also identified alternative tailings management options. The current preference is for deep sea tailings placement which management believes to have been recently approved for use at a nearby nickel-cobalt project and is currently being utilized at a number of other mining operations in Papua New Guinea.

Work completed to date as part of Phase 2 of the DFS suggests that the Yandera Project has reasonable hydro-electric potential. As a result, Marengo initiated a scoping study to examine possible dam locations and prepare capital cost estimates for producing commercially economic power for the Yandera Project. The scoping study identified 100 megawatts of potential hydro-electric power capable of delivering 82 megawatts. The scoping study also suggested that there may be potential to sell power to third parties. A contract has now been awarded to the Company to complete a study into the hydro-electric potential of this region to a DFS level.

DETAILS OF THE YANDERA PROJECT

Detailed information in respect of the Yandera Project is set out in the revised and restated technical report on the Yandera Project (the “**Revised Technical Report**”) originally dated December

2008 and revised and restated January 2009, prepared by Stephen Godfrey, senior resource geologist of Golder Associates Pty Ltd (Australia) (“**Golder**”) and a summary of the Revised Technical Report is set out at pages 10 to 15 of the Annual Information Form. See “*Documents Incorporated by Reference*”.

CONSOLIDATED CAPITALIZATION

There have been no material changes in the Company’s share or loan capital, on a consolidated basis, since December 31, 2009. The following table sets forth the consolidated capitalization of the Company as at the dates indicated before and after completion of the Offering. This table should be read in conjunction with the consolidated financial statements of the Company (including the notes thereto) incorporated by reference into this short form prospectus.

| | Outstanding as at June 30, 2009 ⁽¹⁾ | Outstanding as at December 31, 2009 ⁽¹⁾ | Outstanding as at December 31, 2009 after giving effect to the Offering ⁽²⁾ |
|--|--|--|--|
| | (Audited) | (Unaudited) | (Pro Forma - Unaudited) |
| Long-Term Debt | NIL | NIL | NIL |
| Ordinary Shares ⁽³⁾ (authorized: unlimited) | 268,016,975 | 498,810,862 | ● |
| Contributed Equity | \$ 58,511,763 | \$ 78,280,833 | \$ ● |
| Reserves | \$ 5,079,457 | \$ 3,839,819 | \$ ● |
| Accumulated Losses | \$ (42,669,220) | \$ (50,680,178) | \$ ● |
| TOTAL EQUITY | \$ 20,922,000 | \$ 31,440,474 | \$ ● |

Notes:

- (1) Before giving effect to the Offering.
- (2) After deducting expenses of the Offering, estimated to be C\$500,000 million, and the Agents’ Fee.
- (3) Not including shares issuable upon exercise of options which remained unexercised on June 30, 2009, December 31, 2009 and the date hereof, respectively.

USE OF PROCEEDS

On the Closing Date, the Escrowed Proceeds will be deposited with the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Condition.

The net proceeds to the Company from the Offering will be approximately C\$● after deducting the Agents’ Fee of C\$● and the estimated expenses of the Offering of C\$500,000. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering will be C\$● after deducting the Agents’ Fee of C\$● and the estimated expenses of the Offering of C\$500,000. See “*Plan of Distribution*”.

The Company intends to use the net proceeds to advance the exploration of the Yandera Project and for general corporate and working capital purposes. As a result, the proceeds from the Offering will be used by the Company as follows:

| | |
|---|----------------|
| Exploration (including the expansion in the scope of the DFS) | C\$ 16 million |
| General corporate and working capital | C\$ ● |
| Total: | C\$ ● |

The proposed exploration program at the Yandera Project involves a continued focus on the district exploration program, in addition to continuing to drill at the Yandera Central Porphyry, to test for any possible depth extensions of mineralization. In addition, further drilling is proposed adjacent to the known resource to test for strike extensions.

The district exploration program at the Yandera Project will focus on those targets identified from the 2009 airborne magnetic and radiometrics program, together with targets identified from earlier field reconnaissance, such as the Queen Bee prospect. If results are positive, the methodology (detailed geological mapping, ground geophysics and systematic geochemistry) will be applied to these target areas.

The amount and nature of the exploration program will depend on the progress and results of the program. The entire exploration program at the Yandera Project will be financed using proceeds from the Offering.

As a result of the expansion in the scope of the DFS, the cost of completing the DFS is currently estimated to be approximately A\$16.2 million (approximately C\$15.1 million). See “*Recent Developments —Phase 2 of the DFS*”. The cost to complete the DFS will be financed using cash on hand and a portion of the proceeds of the Offering. The Company currently has cash and cash equivalents on hand of approximately A\$10,300,000.

Mr. Peter Dendle, a “Qualified Person” as defined by NI 43-101 and a full-time employee of Marengo holding the position of Project Manager, has been involved in the preparation of Marengo’s work plan and the decision to proceed with the proposed district exploration program has been, in part, based upon the recommendation of Mr. Dendle.

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 or to finance the capital costs to develop the Yandera Project.

Marengo intends to hold the net proceeds from the Offering, including the Escrowed Funds upon satisfaction of the Release Condition, in term deposits at major Australian banks pending their expenditure.

Although Marengo intends to expend the net proceeds from the Offering as set out in the above table, the actual allocation of the net proceeds may vary from that set out above, depending on future developments in Marengo’s mineral properties or unforeseen events.

DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of ● Units. Each Unit consists of one Unit Share and one Subscription Receipt. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, ● Receipt Shares upon satisfaction of the Release Condition.

Subscription Receipts

The following summary of the material attributes and characteristics of the Subscription Receipts does not include a description of all of the terms of the Subscription Receipts, and reference should be made to the Subscription Receipt Agreement (as defined herein) for a complete description of the terms of the Subscription Receipts. A copy of the Subscription Receipt Agreement will be available for review on the SEDAR website located at www.sedar.com under the Company's profile following the Closing Date.

The Subscription Receipts will be issued on the Closing Date pursuant to a subscription receipt agreement to be entered into on the Closing Date among the Company, Paradigm (on behalf of the Agents) and the Escrow Agent (the "**Subscription Receipt Agreement**"). The Escrowed Proceeds will be delivered to and held by the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Condition. Provided that the Release Condition is satisfied on or before the Release Deadline, upon such occurrence the Escrowed Funds will be released to the Company and the Subscription Receipts will be automatically converted into Receipt Shares, without payment of additional consideration or further action on the part of the holders.

In connection with the satisfaction of the Release Condition, the Escrow Agent will release the Escrowed Funds to the Company upon: (i) an irrevocable direction of the Company to Computershare Investor Services Inc. (in its capacity as Canadian registrar and transfer agent for the ordinary shares of the Company) to issue the Receipt Shares to holders of record of Subscription Receipts as at the date and time that the Release Condition is satisfied; and (ii) a notice from the Company and Paradigm, on behalf of the Agents, to the Escrow Agent, confirming that the Release Condition has been satisfied. The Company shall issue a press release setting out the date the Release Condition is satisfied.

In the event that the Release Condition is not satisfied by the Release Deadline or if prior to such time, the Company advises the Agents or announces to the public that it does not intend to satisfy the Release Condition, the Escrow Agent will return to the holders of Subscription Receipts, on the Termination Date, an amount equal to the aggregate Escrowed Proceeds of the Subscription Receipts held by such holder and their pro rata share of interest earned on the Escrowed Proceeds. The Company shall be responsible and liable to such holders for any shortfall between that amount and the Escrowed Funds.

Holders of Subscription Receipts will not have any voting or pre-emptive rights or other rights as shareholders of the Company and will not be entitled to receive any dividends of the Company in respect of such Subscription Receipts prior to the issuance of the Receipt Shares upon conversion of such Subscription Receipts, if at all.

The Subscription Receipt Agreement will also provide for, and contain provisions for, adjustment to the amount and kind of securities or other properties issuable upon exercise of the Subscription Receipts if there is: (a) any subdivision, consolidation or change of the ordinary shares of the Company; (b) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification or change of the ordinary shares of the Company into other shares; or (c) any sale, lease, exchange or transfer of all or substantially all of the Company's assets to another entity, pursuant to which each holder of a Subscription Receipt which is thereafter converted shall receive, in

lieu of Receipt Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such Subscription Receipt had been converted prior to the event.

From time to time while the Subscription Receipts are outstanding, the Company, Paradigm and the Escrow Agent, without the consent of the holders of the Subscription Receipts, may amend or supplement the Subscription Receipt Agreement for certain purposes, including making any change that does not adversely affect the rights of the holders of the Subscription Receipts.

The Subscription Receipt Agreement will provide for other modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of a resolution approved by more than 66 2/3% of the votes cast in person or by proxy by Subscription Receipt holders.

The Company may from time to time purchase for cancellation, by private contract or otherwise, any of the Subscription Receipts.

Ordinary Shares

Subject to certain prescribed exceptions under the *Corporations Act 2001 (Cth)* (Australia) and the Company's constitution, the Company is authorized to issue an unlimited number of ordinary shares. At the date of this short form prospectus, Marengo has an aggregate of ● fully paid ordinary shares issued and outstanding. No other shares in the capital of Marengo of any other classes are issued or outstanding.

The holders of Marengo's ordinary shares are entitled:

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

The Company's ordinary shares do not carry any pre-emptive, redemption, retraction, purchase for cancellation or surrender, conversion or exchange rights, nor do they contain any sinking fund or purchase fund provisions, provisions permitting or restricting the issuance of additional securities or provisions requiring a securityholder to contribute additional capital.

Under the ASX listing rules, a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of securities would exceed 15% of the total number of ordinary securities on issue at the commencement of that 12 month period. Two of the aforementioned exceptions are (i) an issue of securities which is approved in advance by the shareholders at a general meeting or an issue that is subsequently approved by shareholders at a general meeting; or (ii) an issue of convertible securities where the conversion of such securities is subject to shareholder approval.

As of the date of this short form prospectus, the Company does not have sufficient capacity under this 15% limit to issue the Unit Shares and the Receipt Shares to be issued upon conversion of the Subscription Receipts. Accordingly, a meeting of Marengo's shareholders is scheduled to be held on May 31, 2010, at which the shareholders will vote on a resolution to approve the issuance of up to an aggregate of ● ordinary shares issuable upon conversion of the Subscription Receipts and upon due exercise of the

Over-Allotment Option and the issue of the Compensation Options (the “**Shareholder Approval**”). The resolution to be presented to the Company’s shareholders in this regard must be passed by a simple majority of the votes cast thereon, either in person or by proxy.

Compensation Options

The Agents will be granted Compensation Options, subject to the Shareholder Approval, entitling the Agents to subscribe for ordinary shares of the Company equal to, in the aggregate, up to 5% of the number of the Unit Shares and Receipt Shares issued pursuant to the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall be exercisable, subject to satisfaction of the Release Condition, into one Option Share at a price equal to the Effective Price for a period of 24 months following the Closing Date.

PRIOR SALES

The following table summarizes the details of ordinary shares and securities convertible into ordinary shares issued by the Company within the 12 months prior to the date of this short form prospectus.

| <u>Date Issued</u> | <u>Number of Securities</u> | <u>Security</u> | <u>Price per Security</u> |
|--------------------------|-----------------------------|-----------------|----------------------------|
| August 31, 2009 | 172,500,000 | Ordinary Shares | C\$0.086 ⁽¹⁾ |
| August 31, 2009 | 8,625,000 | Stock Option | C\$0.086 ⁽²⁾⁽³⁾ |
| September 9, 2009 | 30,741,550 | Ordinary Shares | A\$0.095 ⁽⁴⁾ |
| September 10, 2009 | 26,710,995 | Ordinary Shares | A\$0.095 ⁽⁴⁾ |
| September 15, 2009 | 1 | Ordinary Shares | A\$0.095 ⁽⁴⁾ |
| October 15, 2009 | 841,341 | Ordinary Shares | C\$0.19 ⁽⁵⁾ |
| November 30, 2009 | 475,000 | Stock Option | A\$0.25 ⁽²⁾⁽⁶⁾ |
| April 1, 2010 | 150,000 | Stock Option | A\$0.25 ⁽²⁾⁽⁷⁾ |
| April 16, 2010 | 650,000 | Stock Option | A\$0.25 ⁽²⁾⁽⁸⁾ |

Notes:

- (1) Issuance of ordinary shares of the Company pursuant to a public offering.
- (2) Price per security reflects exercise price of options granted.
- (3) Unlisted options expiring August 31, 2011.
- (4) Issuance of ordinary shares of the Company pursuant to a private placement.
- (5) Issuance of ordinary shares of the Company upon an exercise of options.
- (6) Unlisted options expiring November 30, 2014.
- (7) Unlisted options expiring March 22, 2015.
- (8) Unlisted options expiring March 31, 2015.

TRADING PRICE AND VOLUME

Set forth below are the volume and high and low trading prices of the ordinary shares of the Company on the TSX for each of the 12 months prior to the date of this short form prospectus.

| <u>Month</u> | <u>High (C\$)</u> | <u>Low (C\$)</u> | <u>Volume</u> |
|----------------------|-------------------|------------------|---------------|
| April 2009 | 0.055 | 0.055 | 4,165 |
| May 2009 | - | - | - |
| June 2009 | - | - | - |
| July 2009 | 0.05 | 0.05 | 3,000 |
| August 2009 | 0.12 | 0.07 | 17,845 |
| September 2009 | 0.28 | 0.11 | 1,263,751 |
| October 2009 | 0.215 | 0.175 | 99,408 |
| November 2009 | 0.195 | 0.18 | 61,000 |
| December 2009 | 0.18 | 0.14 | 440,607 |
| January 2010 | 0.18 | 0.14 | 158,000 |

| <u>Month</u> | <u>High (C\$)</u> | <u>Low (C\$)</u> | <u>Volume</u> |
|---------------------------|-------------------|------------------|---------------|
| February 2010 | 0.17 | 0.17 | 2,000 |
| March 2010 | 0.14 | 0.12 | 11,300 |
| April 1 to 20, 2010 | 0.12 | 0.12 | 18,000 |

Set forth below are the volume and high and low trading prices of the ordinary shares of the Company on the ASX for each of the 12 months prior to the date of this short form prospectus.

| <u>Month</u> | <u>High (A\$)</u> | <u>Low (A\$)</u> | <u>Volume</u> |
|---------------------------|-------------------|------------------|---------------|
| April 2009 | 0.12 | 0.05 | 8,558,745 |
| May 2009 | 0.13 | 0.09 | 3,259,393 |
| June 2009 | 0.15 | 0.10 | 4,332,516 |
| July 2009 | 0.15 | 0.10 | 4,752,736 |
| August 2009 | 0.11 | 0.10 | 5,032,699 |
| September 2009 | 0.24 | 0.10 | 61,320,992 |
| October 2009 | 0.22 | 0.18 | 15,644,523 |
| November 2009 | 0.19 | 0.16 | 10,072,449 |
| December 2009 | 0.17 | 0.14 | 5,942,221 |
| January 2010 | 0.16 | 0.13 | 5,630,810 |
| February 2010 | 0.15 | 0.11 | 4,444,028 |
| March 2010 | 0.13 | 0.10 | 5,445,835 |
| April 1 to 20, 2010 | 0.13 | 0.11 | 2,858,782 |

PLAN OF DISTRIBUTION

Subject to the terms and conditions of the Agency Agreement, the Company has agreed to sell and the Agents have agreed to act as agents to offer for sale to the public on a reasonable best efforts basis, on the Closing Date, being ●, 2010 or any other date on which the Company and the Agents may agree but in any event not later than 60 days after the receipt for this short form prospectus, 2010, ● Units at a price of \$● per Unit. The Offering Price was determined by negotiation between Marengo and Paradigm (for and on behalf of the Agents).

Upon closing of the Offering (i) the gross proceeds of the Offering from the sale of the Unit Shares, less the expenses and Agents' Fee relating thereto, shall be paid to the Company, and (ii) the Escrowed Proceeds will be deposited with the Escrow Agent and invested in short-term obligations of, or guaranteed by, the Government of Canada (and other approved investments), pending satisfaction of the Release Condition.

Provided that the Company obtains the Shareholder Approval (the "**Release Condition**") at or before the Release Deadline, the Escrowed Funds will be released to the Company and the Subscription Receipts will be automatically converted into Receipt Shares, without payment of additional consideration or further action on the part of the holders.

In the event that a Termination Event occurs, the Escrow Agent will return to the holders of the Subscription Receipts, on the Termination Date, an amount equal to the aggregate Escrowed Proceeds of the Subscription Receipts held by such holder and their pro rata share of interest earned on the Escrowed Proceeds. The Company shall be responsible and liable to such holders for any shortfall between that amount and the Escrowed Funds.

Pursuant to the Agency Agreement, the Company has agreed to pay to the Agents the Agents' Fee equal to 6% of the gross proceeds of the Offering, except for any order from Sentient on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date. As additional compensation, the Agents will be granted Compensation Options entitling the Agents to

subscribe for ordinary shares of the Company equal to, in the aggregate, up to 5% of the number of the Unit Shares and Receipt Shares issued pursuant to the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall be exercisable, subject to satisfaction of the Release Condition, into one Option Share at a price equal to the Effective Price for a period of 24 months following the Closing Date. The distribution of the Compensation Options is subject to approval of the Company's shareholders and is qualified under this short form prospectus.

The Agents have agreed to use their reasonable best efforts to sell the Units, on a several basis, but they are not obligated to purchase any such Units. The obligations of the Agents under the Agency Agreement are several and may be terminated at their discretion on the basis of their assessment of the state of the financial markets or upon the occurrence of certain stated events.

Pursuant to policies of certain Canadian securities regulators, the Agents may not, throughout the period of distribution under this short form prospectus, bid for or purchase ordinary shares of the Company for their own account or for accounts over which they exercise control or direction. The foregoing restriction is subject to certain exceptions as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in, or raising the price of the ordinary shares of the Company. These exceptions include a bid or purchase permitted under the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made for, or on behalf of, a customer where the order was not solicited during the period of distribution. The Company has been advised that, in connection with the Offering and subject to the foregoing, the Agents may over-allot or effect transactions which stabilize or maintain the market price of the ordinary shares of the Company at levels above that which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time.

As a result of the foregoing, the Company will, subject to receipt of the Shareholder Approval, grant to the Agents the Over-Allotment Option, exercisable in whole or in part at the sole discretion of the Agents for a period of 30 days following the Closing Date, to purchase up to such number of additional Subscription Receipts, at the Effective Price per ordinary share of the Company and on the same terms and conditions of the Offering, as are convertible, into an aggregate number of ordinary shares of the Company equal to 15% of the number of Unit Shares and Receipt Shares sold pursuant to the Offering (the "**Additional Subscription Receipts**"). This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts. A purchaser who acquires Additional Subscription Receipts forming part of the Agents' over-allocation position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. The Unit Shares, the Subscription Receipts and the Receipt Shares have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the "**U.S. Securities Act**"), or any state securities laws. Accordingly, the Unit Shares, the Subscription Receipts and the Receipt Shares may not be offered or sold within the United States or to, or for the account or benefit of, a U.S. person (as defined in Regulation S under the U.S. Securities Act), except in transactions exempt from the registration requirements of the U.S. Securities Act and applicable state securities laws. The Agency Agreement permits the Agents to offer the Units for sale directly by the Company to certain institutional "accredited investors" that satisfy the requirements of Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act, provided such offers and sales are made in compliance with Rule 506 of Regulation D under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, any offer or sale of the Unit Shares, the Subscription Receipts or the Receipt Shares within the United States

by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act, unless made pursuant to an exemption from the registration requirements of the U.S. Securities Act.

Under the terms of the Agency Agreement, the Agents, their affiliates and their respective directors, officers, employees, shareholders and agents will be indemnified by the Company against certain liabilities and expenses or the Company will contribute to payments that the Agents may be required to make in respect thereof.

The Company has agreed with Paradigm that it shall not issue any further securities or agree to do so, save and except: (i) as contemplated by the Agency Agreement; (ii) pursuant to the grant of options pursuant to the Company's stock option plan; (iii) pursuant to the exercise of options outstanding as at the date hereof; or (iv) in connection with the bona fide acquisition by the Company of the shares or assets of other corporations or entities, in each case, at any time during the period from the date hereof until 90 days following the Closing Date, without the prior written consent of Paradigm (for and on behalf of the Agents), not to be unreasonably withheld.

In connection with the Offering, Marengo will cause each of the its executive officers, directors and their respective associates to enter into agreements on terms and conditions satisfactory to Paradigm, acting reasonably, in which they will covenant and agree that they will not, for a period commencing on the date hereof and ending 90 days following the Closing Date, directly or indirectly, offer, sell, contract to sell, lend, swap, or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any ordinary shares or other securities of the Company held by them, directly or indirectly, unless: (i) they first obtain the prior written consent of Paradigm (for and on behalf of the Agents); or (ii) there occurs a take-over bid or similar transaction involving a change of control of the Company.

In the event that the Company and the Agents cannot agree upon the Offering Price and the Offering is cancelled, but within 90 days of such cancellation the Company either completes an offering at the same or lower price as contemplated for under the Offering or completes an offering to investors that were introduced to the Company by Paradigm prior to the cancellation of the Offering or, if, following allocation, the Company declines to complete the Offering for whatever reason, and within 90 days of such cancellation an Alternative Transaction (as defined herein) is entered into or announced by the Company, the Company shall pay to the Agents a fee equal to 100% of the maximum Agents' Fee, based on an offering size of C\$25,000,000, together with all of the Agents' expenses and disbursements incurred to the date of such agreement or transaction. Any such payment hereunder shall be made upon the closing date of the Alternative Transaction.

For the purposes hereof, an "**Alternative Transaction**" means a transaction which involves the issuance of securities of the Company in excess of 20% of the number of securities currently outstanding on a fully-diluted basis or a business transaction involving a change of control of the Company or any material subsidiary including a merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture, sale of all or substantially all assets, exchange of assets or any similar transactions.

The Offering is being made concurrently in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia. In addition, the Agents may offer the Units outside of Canada, subject to compliance with the local securities law requirements.

The Company has applied to list the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX. In accordance with the listing rules of the ASX and the POMS0X, Marengo will also apply for official quotation of the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the ASX and the POMS0X. **There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.**

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agents, the following is, as of the date of this short form prospectus, a general summary of the principal Canadian federal income tax considerations generally applicable to an investor (a “**Holder**”) who acquires Units pursuant to the Offering who, for purposes of the Tax Act and any applicable income tax treaty or convention and at all relevant times, is or is deemed to be resident in Canada and will hold the Unit Shares and the Subscription Receipts issued under this short form prospectus and the Receipt Shares issuable upon conversion of the Subscription Receipts (collectively, “**Securities**”) as capital property and deals at arm’s length with, and is not affiliated with, the Company and the Agents or a subsequent purchaser of the Securities. Generally, Securities will be considered to be capital property to a Holder provided that the Holder does not hold such Securities in the course of carrying on a business of buying and selling securities and has not acquired such Securities as an adventure or concern in the nature of trade.

This summary is not applicable to a Holder (i) that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules; (ii) an interest in which is a “tax shelter investment” as defined in the Tax Act; (iii) that is a “specified financial institution” as defined in the Tax Act; (iv) in relation to which the Company is a “foreign affiliate” as defined in the Tax Act; or (v) that reports its Canadian tax results in a currency other than Canadian currency. This summary does not address the deductibility of interest by a Holder who borrows money to acquire Units. **Such Holders should consult their own tax advisors.**

This summary is of general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular investor. This summary is not exhaustive of all Canadian federal income tax considerations. There may also be tax considerations for investors under the laws of Australia or the laws of any other jurisdiction in which the investor resides or to which the investor is subject that are not addressed by this summary. Accordingly, prospective purchasers are urged to consult their own tax advisors with respect to their particular circumstances.

This summary is based on the current provisions of the Tax Act and the regulations thereunder. This summary takes into account all specific proposals to amend the Tax Act and the regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the “**Proposals**”) and counsel’s understanding of the current administrative policies and assessing practices of the Canada Revenue Agency (the “**CRA**”) publicly available prior to the date hereof. No assurance can be given that the Proposals will be enacted in their current form or at all. This summary does not otherwise take into account any changes in law or in the administrative policies or assessing practices of the CRA, whether by legislative, governmental or judicial decision or action, nor does it take into account or consider any provincial, territorial or foreign income tax considerations. The provisions of provincial income tax legislation vary from province to province in Canada and in some cases differ from federal income tax legislation.

For the purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Securities (including dividends received or deemed to have been received, adjusted cost base and proceeds of disposition) must be determined in Canadian dollars based on the exchange rates as determined in accordance with the Tax Act.

Allocation of Offering Price

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the Subscription Receipt comprising the Unit to determine the cost of each for purposes of the Tax Act. For its purposes, the Company intends to allocate \$● of the Offering Price as consideration for the issue of each Unit Share and \$● of the Offering Price as consideration for the issue of each Subscription Receipt. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share comprising a part of each Unit will be determined by averaging the cost allocated to the Unit Share with the adjusted cost base to the Holder of all of the Company's ordinary shares owned by the Holder as capital property immediately prior to such acquisition.

Acquisition of Shares Pursuant to Subscription Receipts

No gain or loss will be realized by a Holder on the acquisition of a Share pursuant to the provisions of a Subscription Receipt. The cost of a Share acquired by a Holder pursuant to a Subscription Receipt acquired pursuant to the Offering will be equal to the cost of the Subscription Receipt to the Holder immediately prior to the issuance. The adjusted cost base to the Holder of Receipt Shares so acquired will be determined by averaging the cost of such Receipt Shares with the adjusted cost base of all other ordinary shares of the Company owned at that time by the Holder as capital property.

Termination of Subscription Receipts

In the event that the Release Condition is not satisfied by the Release Deadline or prior to such time the Company advises the Agents or announces to the public that it does not intend to satisfy the Release Condition, Holders of Subscription Receipts will be entitled to receive from the Escrow Agent an amount equal to the aggregate Escrowed Proceeds of the Subscription Receipts held by such Holder plus their pro rata share of the interest earned on the Escrowed Proceeds. In that event, the amount of such interest received or receivable by a Holder of Subscription Receipts must be included in the income of the Holder. Australian withholding tax, if any, payable by a Holder in respect of any such interest may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances described in the Tax Act. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

Dividends on Unit Shares and Receipt Shares

Any dividends received or deemed to be received on the Unit Shares or Receipt Shares by a Holder who is an individual will be included in the individual's income and will not be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to taxable dividends received from taxable Canadian corporations. Dividends received or deemed to be received on the Unit Shares or Receipt Shares by a Holder that is a corporation will be included in computing the corporation's income and generally will not be deductible in computing the corporation's taxable income.

Australian non-resident withholding tax or other Australian income tax payable by a Holder in respect of dividends received on the Unit Shares or Receipt Shares may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances prescribed in the Tax Act.

Dispositions of Securities

A Holder who disposes of or is deemed to dispose of the Securities will generally realize a capital gain (or a capital loss) to the extent that the Holder's proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such Securities to the Holder immediately before the disposition. One-half of any capital gain (the "**taxable capital gain**") realized by a Holder will be included in the Holder's income for the year of disposition. One-half of any capital loss realized (the "**allowable capital loss**") generally must be deducted by the Holder against taxable capital gains realized by the Holder for the year of disposition. Any excess of allowable capital losses over taxable capital gains for the year of disposition generally may be carried back up to three taxation years or forward indefinitely and deducted against net taxable capital gains in those other years to the extent and in the circumstances prescribed in the Tax Act.

Australian tax, if any, levied on any gain realized on the disposition of the Securities may be eligible for a foreign tax credit under the Tax Act to the extent and under the circumstances prescribed in the Tax Act.

Capital gains realized by a Holder that is an individual or trust, other than certain specified trusts, may give rise to alternative minimum tax under the Tax Act.

Additional Refundable Tax

Corporations that are "Canadian-controlled private corporations", as defined in the Tax Act, may be subject to an additional refundable 6 $\frac{2}{3}$ percent tax on their "aggregate investment income" which is defined in the Tax Act to include an amount in respect of taxable capital gains, interest and certain dividends.

Foreign Property Information Reporting

In general, a "specified Canadian entity", as defined in the Tax Act, for a taxation year or fiscal period whose total cost amount of "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds C\$100,000, is required to file an information return for the taxation year or fiscal period disclosing prescribed information, including the cost amount and any income in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year, other than a corporation or trust exempt from tax under Part I of the Tax Act, will be a specified Canadian entity. The Securities will be specified foreign property to a Holder. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information be available for audit use. Revised legislation reflecting such proposal has not yet been released. **The reporting rules in the Tax Act are complex and this summary does not purport to explain all circumstances in which reporting may be required by any investor. Accordingly, Holders should consult their own tax advisors regarding compliance with these rules including any expansion thereof pursuant to the afore-mentioned 2010 Federal Budget proposal.**

Foreign Investment Entity and Offshore Investment Fund Property Rules

Former Bill C-10 contained proposed amendments to the Tax Act that would have introduced new rules regarding the taxation of certain interests in non-resident entities that constitute "foreign investment entities" and repealed certain existing tax rules with respect to "offshore investment fund property" (as defined in the Tax Act). However, Bill C-10 was not passed into law. As part of the March 4, 2010 Federal Budget, the Minister of Finance (Canada) announced that, rather than implement the

previously proposed rules regarding foreign investment entities, it would retain existing tax rules with respect to “offshore investment fund property”, with certain limited enhancements. Based on counsel’s understanding of the facts, including certain representations made to counsel by the Company, currently the Securities should not be offshore investment fund property. Provided a Security is not an offshore investment fund property at any relevant time in the future, an investment by a Holder in a Security will not be subject to the provisions in the Tax Act relating to investments in offshore investment fund property.

Even if a Security is offshore investment fund property, the existing offshore investment fund property rules would not apply to a particular Holder provided that none of the main reasons for the Holder acquiring the Security was to derive a benefit from portfolio interests in assets in such a way that the income, profits and gains from such assets would be significantly less than the tax under Part I of the Tax Act that would have been payable by the Holder if the Holder had acquired the assets directly. Holders should consult their own advisors with respect to whether they satisfy this test.

CERTAIN AUSTRALIAN INCOME TAX CONSIDERATIONS

The following is a summary of the principal Australian federal income tax considerations generally applicable under Australian tax laws and practices (“**Australian Tax Laws**”) to a purchaser who acquires Unit Shares, Subscription Receipts or Receipt Shares (the “**Offered Securities**”) pursuant to the Offering and who, for purposes of the Australian Tax Laws and at all relevant times, holds Offered Securities on capital account, as an “equity” instrument for Australian debt vs. equity purposes and who deals at arm’s length with, and is not affiliated with, either the Company or the Agents. This summary does not address issues for purchasers who hold Offered Securities on revenue account. All purchasers should consult their own tax advisors with respect to their particular circumstances.

This summary is based upon Australian Tax Laws and practices of the Authorities in Australia as at the date of this short form prospectus. Any changes in the laws or interpretation of tax laws subsequent to the date of this short form prospectus may alter the information below.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any prospective purchaser or holder of Offered Securities, and no representations with respect to the income tax consequences to any prospective purchaser or holder are made. Consequently, prospective purchasers of Offered Securities should consult their own tax advisors with respect to their particular circumstances.

Taxation for Holders of Offered Securities - Resident in Australia for Tax Purposes

This portion of the summary applies to holders of Offered Securities who, for the purpose of Australian Tax Laws and at all relevant times, are, or are deemed to be, resident in Australia.

Dividends on Offered Securities

Generally, dividends received by security holders will be required to be included in the assessable income of the security holder in the income year in which the dividend is paid.

Broadly, dividends paid on the Offered Securities may be “franked”, “partially franked” or “unfranked”. Franked dividends have franking credits attached. A dividend may be franked to the extent underlying Australian corporate tax has been paid on the profits distributed. To the extent a dividend is “unfranked”, no franking credits are attached. Subject to certain exceptions, including but not limited to

the Offered Securities not being held for at least 45 days “at risk”, a tax offset will generally be allowed equal to the amount of the franking credits attached to the franked dividend.

Individual security holders and complying superannuation funds may receive a tax refund if the franking credits attached to the dividend exceed their tax liability for the income year.

Where the security holder is a corporate entity, the security holder will not be entitled to a tax refund for any franking credits that exceed their tax liability for the income year, but may be entitled to convert the excess franking credits into a current year tax loss which could be carried forward to be offset against taxable income in a later year, subject to satisfying certain tests. The receipt of a franked dividend will also generally give rise to a credit in the corporate entity’s franking account to the extent the dividend is franked.

Dispositions of Offered Securities

Australian resident security holders who hold Offered Securities on capital account will be taxed under the Australian capital gains tax (“CGT”) provisions upon disposition of their Offered Securities. An Australian resident security holder will incur a capital gain where the proceeds received on disposition exceed the cost base of the Offered Securities disposed. Any net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) is included in the security holder’s assessable income.

Similarly, a security holder will incur a capital loss on the disposition of an Offered Security where the proceeds received are less than the reduced cost base of the Offered Security for CGT purposes. Capital losses can only be used to offset capital gains. Any unapplied capital losses may be carried forward to offset future capital gains subject to satisfying certain tests.

Tax Treatment of Capital Gains and Capital Losses

A capital gains discount may apply to reduce the amount of net capital gains included in a security holder’s assessable income.

For security holders that are individuals and trustees (other than trustees of complying superannuation funds) a 50% CGT discount is available if the Offered Securities are held for at least 12 months. This concession will result in only 50% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

For complying superannuation funds a 33¹/₃% capital gains discount is available if the Offered Securities are held for at least 12 months. This concession will result in only 66²/₃% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

Taxation for Holders of Offered Securities – Non Resident of Australia for Tax Purposes

This portion of the summary applies to holders of Offered Securities who, for the purpose of Australian Tax Laws and at all relevant times, are not, or are not deemed to be, residents of Australia.

Dividends on Offered Securities

The tax treatment of dividends received by non resident security holders will generally be determined based on the relevant legislation in their country of residence.

Dividends received by security holders may either be “fully franked”, “partially franked” or “unfranked”. Fully franked dividends paid by the Company to non-resident security holders are generally not subject to Australian dividend withholding tax. Unfranked dividends paid to non-resident security holders will generally be subject to withholding tax at a rate of 30% on the unfranked component of the dividend paid. The withholding tax rate is generally reduced to 15% (lower for certain countries) where there is an applicable double tax treaty. However, the Australia – Canada double tax agreement (“DTA”) provides for Australian dividend withholding tax that is not to exceed a rate of 5% for franked dividends paid to a company that holds directly at least 10% of the voting power in the Company. The DTA further provides that in all other cases, the dividend withholding tax rate shall not exceed 15%.

Where a withholding tax applies the Company will be required to deduct the appropriate amount of withholding tax prior to making the dividend payment.

In certain circumstances, security holders may be eligible to claim a foreign tax credit for any Australian tax paid relating to the dividend received.

The Australian income tax system does contain one important exemption from the withholding tax system for unfranked dividends that are declared to be conduit foreign income (“CFI”). In broad terms, CFI is foreign income that is not otherwise taxable in Australia due to the operation of specific provisions. Under the CFI measures, an Australian company may pay this income to foreign security holders free of Australian dividend withholding tax.

Dispositions of Offered Securities

Disposition of the Offered Securities will result in a CGT event. This will result in either a capital gain or capital loss arising for the security holder.

Security holders who are non residents of Australia for income tax purposes will generally not have any Australian CGT implications unless the security holder holds (together with their associates) an interest of at least 10% in the Company (non portfolio interest) at the time of disposition, or for any continuous 12 month period during the two years immediately preceding the disposition, and certain other conditions are satisfied.

Non-Australian resident security holders must seek specific advice based on their particular circumstances with respect to Australian capital gains tax on the disposal of Offered Securities in the Company.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Marengo and the value of the ordinary shares of the Company. These include risks that are widespread risks associated with any form of business and specific risks associated with Marengo’s business and its involvement in the exploration and mining industry generally and in Papua New Guinea in particular. While most risk factors are largely beyond the control of Marengo and its directors, the Company will seek to mitigate the risks where possible, for example by maintaining its key relationships with Papua New Guinea’s federal and regional governments and local people. However, an investment in the Units is considered speculative due to the nature of Marengo’s business and the present stage of its development. A prospective investor should carefully consider in light of their own financial circumstances, the factors set out herein, as well as other information contained or incorporated by reference in this short form prospectus, including, in particular, the “*Risk Factors*” section on pages 18

to 22 of the Annual Information Form and the management's discussion and analysis of financial condition and results of operations incorporated by reference in this short form prospectus.

Failure to Satisfy Release Condition

There can be no assurance that the Release Condition will be satisfied by the Release Deadline or that another Termination Event will not occur.

The Release Condition requires Shareholder Approval under the ASX Listing Rules. ASX Listing Rule 7.1 provides that a company must not, without the approval of its ordinary security holders (and subject to a number of exceptions including the issue of convertible securities where conversion of such securities is subject to shareholder approval), issue or agree to issue securities that, in any rolling 12-month period, amount to more than 15% of its ordinary securities. As the Company proposes to issue more than 15% of its ordinary shares on issue under the Offering, it is required to obtain the Shareholder Approval.

Details of the approval required will be contained in the notice of meeting (and accompanying explanatory memorandum) convening a general meeting of shareholders, expected to be sent to the shareholders of the Company on or about ●, 2010.

There can be no certainty, nor can the Company provide any assurance whatsoever, that the shareholders will approve the issuance of up to an aggregate of ● ordinary shares issuable upon conversion of the Subscription Receipts. If they do not, then the Company will be unable to satisfy the Release Condition by the Release Deadline, resulting in a Termination Event. A Termination Event may have a material adverse effect on the market price and value of the ordinary shares of the Company and on the financial condition of the Company.

If the Release Condition is not satisfied by the Release Deadline or another Termination Event occurs, the Escrow Agent must repay to holders of Subscription Receipts an amount equal to the Escrowed Proceeds thereof plus a *pro rata* share of the interest earned on the Escrowed Proceeds.

The Company is responsible and liable for any shortfall between the Escrowed Funds and the amount due to be paid to the holders of the Subscription Receipts. There can be no assurance that the Company will be able to fund such shortfall.

No Market for Subscription Receipts

The Company has applied to list the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX. In accordance with the listing rules of the ASX and the POMS0X, Marengo will also apply for official quotation of the Unit Shares, the Receipt Shares issuable upon conversion of the Subscription Receipts and the Option Shares issuable upon exercise of the Compensation Options on the ASX and the POMS0X. However, there is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell the Subscription Receipts distributed under this short form prospectus.

Additional Funding may be Required

The funds of the Company currently available and to be raised under the Offering are not designated for development of the Yandera Project. Accordingly, if the DFS is successful, the Company

will need to raise further capital and/or debt financing to develop the Yandera Project. The success and the pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at that time, the outcome of the DFS or any other relevant feasibility studies and exploration programs and upon the availability of significant amounts of debt and equity financing to a company without significant projects already in production. Further, Marengo may require further capital from external sources to develop any newly discovered mineral deposits. If additional capital is raised by an issue of securities, this may have the effect of diluting shareholders' interests in the Company. Any debt financing, if available, may involve financial covenants upon the Company and its operations. If the Company cannot obtain such additional capital, the Company will not be able to complete the development of the Yandera Project or further explore any newly discovered mineral deposits or may be required to reduce the scope of any expansion which could adversely affect its business, operating results and financial condition.

Exploration and Development Risks

A portion of the net proceeds of the Offering will be used to finance the Company's district exploration program at the Yandera Project. The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluations, experience and knowledge may not eliminate. Although the discovery of a mineral body may result in substantial rewards, few properties explored are ultimately developed into producing mines. It is impossible to ensure that the current exploration program planned by Marengo will result in a profitable commercial mining operation.

Discretion in the Use of Proceeds

Management will have discretion concerning the use of proceeds of the Offering as well as the timing of their expenditures. As a result, investors will be relying on the judgment of management as to the application of the proceeds of the Offering. Management may use the net proceeds of the Offering in ways that an investor may not consider desirable. The results and effectiveness of the application of the proceeds are uncertain. If the proceeds are not applied effectively, the Company's results of operations may suffer.

Company may not Obtain Renewal of EL1335

The Company's interest in the Yandera Project is derived from two ELs, EL1335 and EL1416. The Yandera central resource is located on EL1335. EL1335 expired on November 19, 2009. An application for renewal for an additional two year term was made prior to November 19, 2009. Although the Company has no reason to believe that EL1335 will not be renewed for an additional two year term, there can be no assurance that will be the case. Any failure to renew EL1335 would have a material adverse effect on the Company's financial condition and results of operations.

Sustained or Continued Decreases in the Price of Copper and Molybdenum

The price of copper and molybdenum fluctuates widely and is affected by numerous factors beyond the control of Marengo such as industrial and retail supply and demand, exchange rates, inflation rate fluctuation, changes in global economies, confidence in the global monetary system, forward sales of metals by producers and speculators as well as other global or regional political, social or economic events. The supply of metals consists of a combination of new mine production and existing stocks held by governments, producers, speculators and consumers. Future production from Marengo's mining properties, including in particular the Yandera Project, is dependent upon the price of copper and molybdenum being adequate to make it economic.

Future price declines in the market price of copper or molybdenum could cause development of the Yandera Project to be rendered uneconomic. Declining metal prices will also adversely affect the Company's ability to obtain financing both now and in the long-term. As a result, further declines in copper or molybdenum prices could force Marengo to discontinue exploration of the Yandera Project and the DFS.

Current Global Economic Conditions

Current global economic conditions have been characterized by volatility and several financial institutions have either gone into bankruptcy or have had to be rescued by governmental authorities. Access to financing has been negatively impacted by many factors as a result of the global financial crisis. This may impact the Company's ability to obtain financing in the future on favourable terms. Additionally, global economic conditions may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. If such volatility and market turmoil continue, the Company's operations and financial condition could be adversely impacted.

Structural Subordination of the Ordinary Shares

In the event of a bankruptcy, liquidation or reorganization of the Company, certain trade creditors will generally be entitled to payment of their claims from the assets of the Company before any assets are made available for distribution to the shareholders. The ordinary shares will be effectively subordinated to most of the other indebtedness and liabilities of the Company. The Company will be limited in its ability to incur secured or unsecured indebtedness.

Future Sales or Issuances of Ordinary Shares

The Company may sell additional ordinary shares or other securities in subsequent offerings. The Company may also issue additional securities to finance future activities. The Company cannot predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the ordinary shares. Sales or issuances of substantial numbers of ordinary shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the ordinary shares. With any additional sale or issuance of ordinary shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

INTEREST OF EXPERTS

Certain Canadian legal matters relating to the Offering will be passed upon at the date of closing on behalf of the Company by Fraser Milner Casgrain LLP and on behalf of the Agents by Cassels Brock & Blackwell LLP. As at the date hereof, the partners and associates of Fraser Milner Casgrain LLP and Cassels Brock & Blackwell LLP, each as a group, beneficially own, directly or indirectly, less than 1% or none of the outstanding securities of the Company.

Peter Dendle is a full-time employee of Marengo but does not have, never has had, and will not receive, an interest in the property of Marengo. Mr. Dendle is the registered or beneficial owner (direct or indirect) of 150,000 ordinary shares of Marengo and 500,000 options to purchase ordinary shares of Marengo.

Stephen Godfrey, the author of the Revised Technical Report, did not hold at the time of preparation of the Revised Technical Report, and did not and will not receive after that time, a registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of any associate or affiliate of the Company. As at the date hereof, the aforementioned person and the directors,

officers, employees and partners of Golder Associates Pty Ltd, beneficially owned, directly or indirectly, less than 1% or none of the outstanding securities of the Company.

Stantons International Pty Ltd is the independent registered auditors of the Company.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the short form prospectus of Marengo Mining Limited (the “**Company**”) dated ●, 2010 relating to the issue and sale of units of the Company. We have complied with Canadian generally accepted standards for an auditor’s involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated balance sheets of the Company as at 30 June 2009 and 30 June 2008, and the consolidated income statements, statements of changes in equity and cash flow statements for the years ended June 30, 2009 and June 30, 2008, such report is dated September 17, 2009.

West Perth, Western Australia
●, 2010

STANTONS INTERNATIONAL PTY LTD

CERTIFICATE OF THE COMPANY

Dated: April 21, 2010

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia.

(Signed) LESLIE EMERY
Managing Director

(Signed) JOHN RIBBONS
Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) DOUGLAS DUNNET
Director

(Signed) JOHN HORAN
Director

CERTIFICATE OF THE AGENTS

Dated: April 21, 2010

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick and Nova Scotia.

PARADIGM CAPITAL INC.

By: *(Signed)* ANDREW PARTINGTON

FRASER MACKENZIE LIMITED

By: *(Signed)* J.C. ST-AMOUR