*The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("**MD&A**") of Marengo Mining Limited ("**Marengo**" or the "**Company**") provides a discussion and analysis of the financial condition and results of operations to enable a reader to assess material changes in the financial condition of the Company between June 30, 2013 and June 30, 2014 and results of operations for the three and twelve months ended June 30, 2014 and June 30, 2013. The MD&A should be read in conjunction with the audited consolidated financial statements and notes thereto ("**Financial Statements**") of Marengo for the fiscal years ended June 30, 2014 ("**FY 2014**") and 2013 ("**FY 2013**"). In this MD&A, references to "Company" or "Marengo" are references to Marengo Mining Limited and its wholly-owned subsidiaries.*

*The Financial Statements (and the financial information contained in this MD&A) were prepared in accordance with the International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**").*

*All amounts in this discussion are expressed in millions of United States dollars ("**USD**") except per share data and unless otherwise indicated. All amounts in tables are expressed in thousands of USD, unless otherwise indicated.*

*This MD&A contains forward-looking information within the meaning of Canadian securities legislation (see "Forward Looking Information" below for a full discussion on the nature of forward-looking information). Information regarding the adequacy of cash resources to carry out the Company's exploration and development programs or the need for future financing are forward-looking information. All forward-looking information, including information not specifically identified herein, is made subject to cautionary language at the end of this document. Readers are advised to refer to the cautionary language included at the end of this MD&A under the heading "Forward-Looking Information" when reading any forward-looking information. This MD&A is prepared in accordance with Form 51-102F1 and has been approved by the Company's board of directors (the "**Board of Directors**" or the "**Board**") prior to its release.*

This report is dated as of September 22, 2014. Readers are encouraged to read the Company's other public filings, which can be viewed on the SEDAR website (www.sedar.com).

Company Overview

Marengo is an international mineral exploration and development company listed on the Toronto Stock Exchange (the "**TSX**") (Symbol: MRN), Australian Securities Exchange (the "**ASX**") and the Port Moresby Stock Exchange Limited ("**POMSoX**") (Code: MMC). The Company's principal asset is its Yandera copper-molybdenum-gold project (the "**Yandera Project**") in Papua New Guinea ("**PNG**"). The Company is currently focused on advancing the development of the Yandera Project into a commercially viable copper-molybdenum-gold mining operation, with the objective to maximize shareholder value.

Between 2006 and 2012, the Company drilled 448 exploration, resource and geotechnical drill-holes and drove two adits (50m and 71m long) to test various mineralised zones across the Yandera Project. In September 2006, the Company commissioned a conceptual mining study (the "**CMS**") for the Yandera Project to include a preliminary mine design and open pit optimisation, metallurgical testwork, plant flowsheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a feasibility study. Phase 1 of the work to support a feasibility study was completed in April 2008 and comprised a comparative development options analysis study that delivered positive results.

Marengo commenced work on a feasibility study for the development of Yandera in 2008, based on its published copper resource, the prevailing copper price and state of global financial markets at the time. Since then, global resource markets have increasingly become more competitive, with, among other things, the copper price falling, funding for exploration and development decreasing, and capital and operating costs escalating, bringing into question the economic viability of the development of the 2012 Yandera resource.

During the latter part of FY 2014, the new management team conducted a comprehensive evaluation and review of all aspects of the prior work conducted towards a feasibility study of the Yandera project and concluded that, although progress had been made, further exploration and development work was required in order to finalize the feasibility study and therefore, as a result of this review, the feasibility study was deferred until further work is completed (see *"Outlook"* section).

However, taking into account the review of the 2012 resource, and further drilling, mapping and survey programs completed since the completion of such review, which have yielded new mineralization, management is confident that new and potentially higher grade mineralisation can be found and brought into resources through the implementation of an intensive geologic work program.

Overall Performance

Highlights of the FY 2014 and as of the date of this report

During FY 2014 and to the date of this MD&A, the following highlights the Company's significant events and milestones achieved:

- **Financing Activities** – Over the period the Company successfully completed several loan and financing agreements with its major shareholder, Sentient Executive GP IV, Limited and its subsidiaries (collectively, "**Sentient**"), the most important of which are:
    - On January 15, 2014, the Company completed a refinancing transaction resulting in the issuance of $27.5 million aggregate principal amount of 9% convertible unsecured debentures of the Company(the "**January Debentures**") to its major shareholder, Sentient, pursuant to the Loan Conversion and Debenture Exchange Agreement (the "**LCDE Agreement**") dated November 29, 2013. Pursuant to the terms of the LCDE Agreement, Sentient: converted the unsecured interest-bearing debt plus accrued interest in the amount of $10.4 million into new January Debentures; exchanged the aggregate principal amount outstanding on its previously outstanding debentures plus accrued interest in the amount of $17.1 million for new January Debentures; and Sentient also provided a letter of support to the Company confirming, among other things, financial support for the next 12 month period from February 14, 2014.
    - On April 29, 2014, the Company executed a loan agreement with Sentient (the "**Loan Agreement**"), pursuant to which Sentient provided to the Company an unsecured interest-bearing debt facility in the amount of $3.0 million (the "**Loan**"). Interest on the Loan accrued monthly at a rate of 9% per annum, payable quarterly, and the Loan had a maturity date of December 31, 2014.
    - On July 15, 2014, subsequent to fiscal year-end, the Company closed a previously announced loan conversion and debenture purchase agreement (the "**Agreement**") with Sentient. Pursuant to the terms of the Agreement, the Company converted the principal amount and accrued interest on the Loan ($3.1 million) and issued and sold to Sentient 9% senior unsecured convertible debentures of the Company (the "**July Debentures**") in the principal amount of $7.1 million, inclusive of $0.1 million establishment fee, resulting in the issuance of July Debentures to Sentient in the aggregate principal amount of $10.2 million.

- **Corporate Restructuring** – During FY 2014, the Company significantly strengthened its mine development team with several key appointments, namely:
    - On July 2, 2013, consistent with the Company's continuing shift of most activity to its PNG operations and the re-domicile of its principal corporate office to Toronto, Canada, the Company announced the closure of its Australian corporate office in an effort to further reduce operational and overhead costs.
    - On December 19, 2013, the Company announced the appointment of Mr. Alex Dann as Chief Financial Officer ("**CFO**"), effective January 1, 2014 replacing Marengo's Australian-based CFO following the re-domicile of the Company to Canada. Mr. Dann is a Chartered Professional Accountant ("**CPA, CA**") with over 20 years of experience leading financial operations and strategic planning for publicly listed, multinational companies primarily in the mining sector.
    - On April 3, 2014, the Company appointed Mr. John Mears, P.Geo. as Chief Operating Officer ("**COO**"). Mr. Mears is an experienced licenced geologist in the USA and a Member of AusIMM, has over 20 years experience in the exploration and mining and has been involved in a number of successful mine start-ups.
    - On April 22, 2014, current director and Sentient representative, Mr. Pieter Britz was appointed Chief Executive Officer ("**CEO**"), replacing Mr. Les Emery, Founding Director, President & CEO, who stepped down. Mr. Emery was key in developing a strong working relationship with the local Yandera community and the Provincial and National governments of PNG. Mr. Britz, a registered professional engineer and

member of AusIMM, has over 20 years of experience as a mining executive with a number of resource companies and investment banks.

- o Subsequent to its fiscal year end, on August 20, 2014, the Company announced the resignation of Dean Richardson, Vice President of Investor Relations and Corporate Secretary.
- o On July 30, 2014, the Company announced the appointment of Mr. David Danziger as a director and Chairman of the Audit and Risk Committee effective immediately, filling the vacancy resulting from the resignation of director Ms. Elizabeth Martin. Mr. Danziger, CPA, CA is the Senior Vice President of Assurance as well as the National Leader of Public Companies for MNP LLC, Chartered Professional Accountants, the 6th largest accounting firm in Canada. He has been an accounting professional since 1980, with extensive audit and compliance experience. He has served from time to time as a director of various TSX, TSXV, NYSE and AMEX listed public companies, a number of which are in the mining sector. David is a member of the Ontario Securities Commission's Small to Medium Sized Enterprise Advisory Committee.

- **Exploration & Development Activities** – In keeping with the Company's objective of advancing and optimizing the Yandera Project economics and to build on its resource potential, the following progress at the Company's PNG operations has been made:
  - o In September 2013, the Company commenced a 9 hole, approximately 2,000 metre diamond drilling program targeting the Dimbi zone of the Yandera Central Porphyry System. The objective of the program is to identify near surface higher grade resources that may enhance a starter pit for a Yandera mining operation. See details of the results in the section below "2013-2014 Dimbi Drilling Campaign".
  - o On October 15, 2013, the Company entered into a non-binding Memorandum of Understanding ("**MOU**") with the Madang Development Corporation ("**MDC**"), the business arm of the Madang Provincial Government, to cooperate with, and explore MDC becoming an off-take party in relation to a power supply solution for industrial and domestic electricity consumers in Madang Province.
  - o Further to a comprehensive review completed during the latter part of FY 2014 as described in *"Company Overview"* section above, in August 2014, as part of the new management's comprehensive review of the known resource, it is emerging that a new structural model that controls mineralisation is becoming evident. This new understanding is being used by management with the objective of predicting new discoveries and management is hopeful for an increase in grade to occur. This new model has been used to great effect recently and has resulted in new mineralization of potentially higher grade outcrops at what is being called Rima Block. Extensive mapping and sampling in this new area has revealed potential wide zones of mineralisation and alteration that exhibit abundant bornite and chalcopyrite within both potassic and phyllic alteration zones.

Yandera Project, Papua New Guinea

The Company's wholly-owned, Yandera Project is located 95 km southwest of the northern seaport of Madang, in west Papua New Guinea and situated within the highly prolific New Guinea Copper-Gold Belt that is host to many major producing mines. The Yandera porphyry system is located within the southern portion of the granted 1,500 sq km exploration licences that cover over 100 km of strike over the highly prospective Bundi Fault zone.

In May 2012, Marengo announced an updated mineral resource estimate utilizing the JORC and of National Instrument 43-101 standards. The following table details the Yandera copper-molybdenum-gold project resources:

Copper Resource (0.25% Cu cut-off)

Category	Tonnes (M)	Cu Grade (%)	Contained Cu (M lbs)
Measured	248	0.43	2,350
Indicated	114	0.42	1,056
Total Measured & Indicated	362	0.43	3,406
Inferred	218	0.37	1,778

Molybdenum Resource (40 ppm Mo cut-off)

Category	Tonnes (M)	Mo Grade (ppm)	Contained Mo (M lbs)
Measured	354	129	101
Indicated	178	100	39
Total Measured & Indicated	532	119	140

By-product Metals: Gold (0.1 g/t Au cut-off)

Category	Tonnes (M)	Au Grade (g/t)	Contained Au (ozs)
Measured	155	0.17	842,172
Indicated	44	0.18	254,633
Total Measured & Indicated	199	0.17	1,096,805

Exploration & Development Activities for the Year Ended June 30, 2014

In the second quarter of this fiscal year, following a review of the technical work conducted to date in support of a feasibility study for the Yandera Project, the board of directors of the Company decided that additional work is required in a number of specific areas before a feasibility study can be completed, including further optimization opportunities to enhance project economics, namely:

- Identifying an alternative cost-competitive source of power for the Yandera Project after Marengo's preferred third party power provider withdrew from the proposed power supply arrangements;
- A review of processing plant throughput rates;
- Reviewing the option of Deep Sea Tailings Placement (DSTP) versus a land-based Tailings Management Facility (TMF); and
- Further optimization of the mine plan.

2013 – 2014 Dimbi Drilling Campaign

In September 2013, the Company initiated the planned 9 hole, approximately 2,000 metre diamond drill program targeting potential near surface resources at the Dimbi zone of the Yandera Central Porphyry System. The objective of the program was to identify near surface resources that could potentially enhance a starter pit for a Yandera mining operation.

Due to the challenging terrain, the Dimbi zone has received less attention as an exploration target than the other zones (Gremi, Imbruminda and Omora) that make up the Yandera Central Porphyry System. As a result, a detailed field mapping program was mounted in mid- calendar year 2013, to improve the geological understanding of the Dimbi zone, the rock types, and especially the nature, extent and orientation of recently identified, outcropping mineralized structures (refer to Figure 1).

A fundamental north-westerly striking structure, the Dimbi Fault, which dips at a high angle to the north-east, bounds the Dimbi zone on the southwest. This early fault established a conduit for mineralized fluid flow into the Dimbi zone, along a later set of north-east trending faults. Drill holes are testing projections of interpreted northeast striking mineralized structures in the hanging wall of the Dimbi Fault, as well as elevated copper intercepts in several nearby existing holes. An elongated copper-in-soil geochemical anomaly runs parallel to, and overlies the hanging wall of the Dimbi Fault, reinforcing the logic of this current drilling strategy.

In December 2013, the Dimbi drilling campaign was completed. The results from the nine hole (1,834 m) drilling program indicated significant copper grades were intersected in seven drill holes; YD 551, YD 552, YD 553, YD 554, YD 556, YD 557 and YD 558. These drill holes were collared on the hanging wall of Dimbi Fault, which dips steeply northeast, and strikes northwest. (Refer to Figure 2)

The holes drilled at Dimbi during the 2013-2014 campaign which intersected elevated copper grades (and also variously the other target metals, Mo, Ag and Au), are contained within a roughly rectangular 500m x 300m area with its long axis parallel to Dimbi Fault and sitting on the hanging wall. The table below is a summary of core sample analyses for the nine hole campaign carried out in the fiscal year ended June 30, 2014.

From (m)	To (m)	Width (m)	Cu (%)	Mo (ppm)	Au (g/t)	Ag (g/t)	Zn (%)
YD 551							
69.0	197.6	128.6	0.53	70	-	2.45	-
Including							
105	132	27	0.71	121	0.085	3.5	-
YD 552							
48	78	30	0.42	-	-	-	-
and							
174	204	30	0.56	-	-	-	-
YD 553							
153	198	45	0.45	-	-	-	-
YD 554							
87	99	12	0.42	184	0.2	-	-
YD 555							
0	213	213	-	-	-	-	0.15
Including							
51	153	102	-	-	-	-	0.24
YD 556							
168	240	72	0.60	-	-	-	-
YD 557							
93	135	42	0.82	100	-	2.34	-
and							
186	198	12	0.40	-	-	-	-
YD 558							
42	72	30	0.51	224	-	-	-
YD 559							
0	200.7	200.7	-	-	-	-	0.21

The following two figures show additional resource targets (Figure 1) and a map of drill hole locations (Figure 2).

Figure 1 – Map showing additional resource targets utilizing proof of concept developed at Dimbi Zone

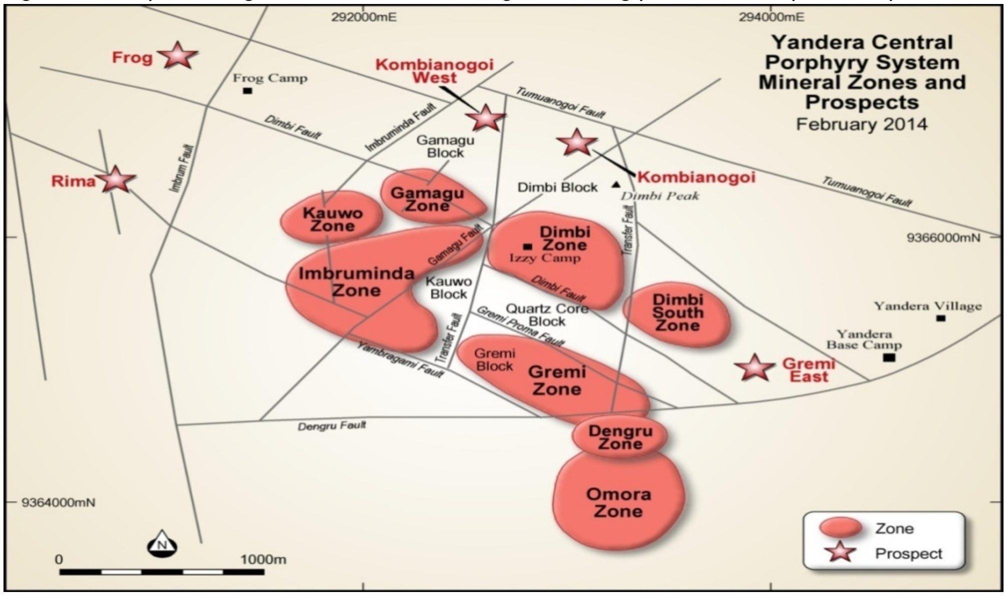
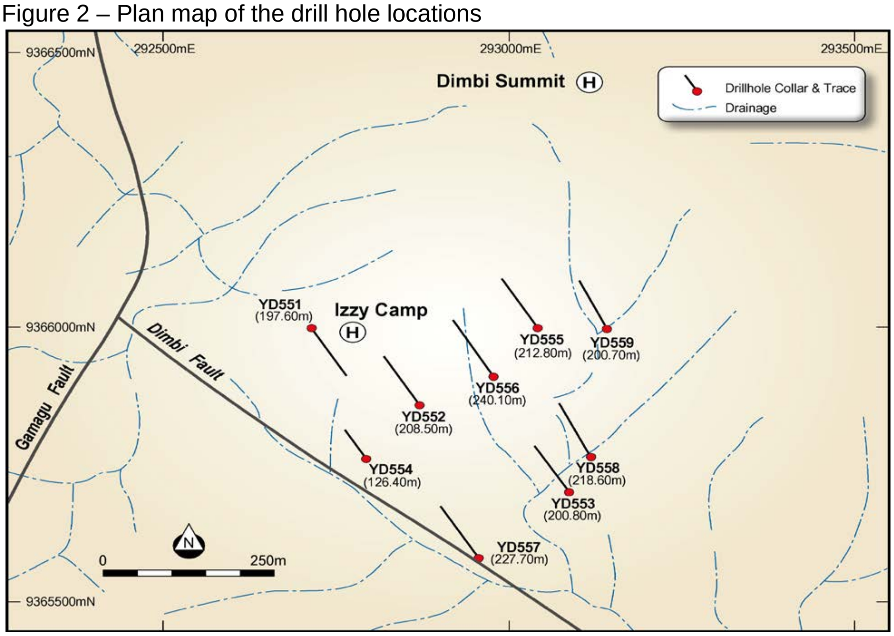


Figure 2 – Plan map of the drill hole locations



Outlook

The new management team recognizes that additional and improved resources are required to elevate the Yandera deposit to one that is economically robust and to justify proceeding with the feasibility study. To obtain that objective the Company has decided to implement the following over the next three years:

- In stage one, the Company intends to focus efforts on understanding other ideas and pursuing potential additional discoveries. This is intended to be carried out through training, comprehensive data and field reviews, mapping and sampling of new areas, and potentially exploratory drilling;

- In stage two, the Company intends to follow this with larger scale mapping and sampling programmes to continue to define new drill targets. New targets will be prioritized and drilled after completing drilling and field studies; and
- Stage three is intended to be used for proving up additional resources and completing an updated resource model and potentially finalizing a feasibility study for the Yandera Project.

Financial Capability

The Company is an exploration and development stage entity and has not yet achieved profitable operations. It is subject to risks and challenges similar to companies in a comparable stage of development. These risks include, but are not limited to the challenges of securing adequate capital to fund its activities, operations risks inherent in the mining industry, and global economic and commodity price volatility. The underlying value of the Yandera Project and the recoverability of the related capitalized costs are dependent on the Company's ability to successfully develop the Project by, among other things, securing necessary permits, obtaining the required financing to complete the development and construction, and upon future profitable production from, or the proceeds from the disposition of, its mineral property.

For FY 2014, the Company incurred a comprehensive loss of $32.8 million (FY 2013 - $33.7 million) and reported accumulated comprehensive losses of $65.2 million (FY 2013 - $30.7 million). As at June 30, 2014, the company had a working capital deficiency of $19.9 million (at June 30, 2013 - $7.8 million). The Company's sole source of funding in FY 2014 has been the issuance of convertible and other debt instruments to Sentient.

As at June 30, 2014, the Company had $0.5 million in available cash and cash equivalents and short term deposits (June 30, 2013 - $6.7 million). There are no sources of operating cash flows. Given the Company's current financial position and the ongoing exploration and evaluation expenditures on the Yandera Project, Marengo's major shareholder, Sentient has to date agreed to provide financial assistance to the Company, formally until February 14, 2015. The section below under the header *"Liquidity and Capital Resources – Financing Activities"* sets out the details of the restructuring of the Company's financial commitments with Sentient.

The Company will need to raise additional capital through equity issuance or other available financing alternatives in parallel with financial support provided by Sentient in order to continue funding its operating, exploration and evaluation activities, and eventual development of the Yandera Project. Although the Company has been successful in its past fund-raising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Company to fulfil its exploration and development activities and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

Management expects that funding will be provided from Sentient or other sources, and therefore the Financial Statements have been prepared on the basis that the Company will continue as a going concern. The going concern basis of presentation assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business for the foreseeable future, which is at least, but not limited to, one year from June 30, 2014. Different basis of measurement may be appropriate when a Company is not expected to continue operations for the foreseeable future.

Annual Summary

The annual summary is set out in the following table. The amounts are derived from the Financial Statements prepared under IFRS.

In thousands of US dollars, except per share amounts	**2014**	**2013**	**2012**
Interest income	**59**	361	1,832
Other income/(expenses)	**(1,578)**	1,785	501
Loss from continuing operations	**(13,648)**	(8,027)	(2,966)
Loss per share (basic and diluted)	**(1.20)**	(0.71)	(0.35)
Total assets	**162,303**	182,470	174,434
Non-current financial liabilities	**17,222**	6,833	-
Investment in exploration and evaluation assets	**8,616**	30,293	45,671
Cash flows from financing activities, net of direct costs	**8,529**	36,144	556

Results of Operations

Interest income in FY 2014 decreased by $0.3 million from FY 2013 due to a decrease in the balance of cash deposits earning interest. Cash balance in term deposits was $10.4 million, $5.0 million and $0.1 million as at June 30, 2012, 2013 and 2014 respectively.

Other income (expenses) is comprised of gains or losses due to the movement in fair value of the derivative liability in relation to the conversion option feature contained in the convertible debentures.

Net loss in FY 2014 was $5.6 million higher than FY 2013 due to higher interest / accretion expense on the convertible debentures ($5.4 million higher year-over-year), offset by lower general and administrative expenses ($1.1 million lower year-over-year) resulting from the closure of the Perth office and share-based compensation recovery of $0.8 compared to $1.3 million share-based expense in the prior year. The recovery resulted from forfeited options and performance rights as well as adjustments related to management's estimated probability of the vesting conditions being met, which was re-assessed and reduced to 30% mainly due to terminations of the staff resulting from closure of the Company's Perth office. The loss on fair value of derivative liability of $1.6 million in FY 2014 compared to a gain in FY 2013 of $1.8 million resulted in an additional increase to the loss in FY 2014. The change is due to the movement in the fair value of the derivative liability due to changes to inputs used to determine the fair value.

Total Assets

Total assets at the end of fiscal year 2014 decreased by $20.2 million from the end of fiscal year 2013. The decrease is largely attributed to negative currency translation adjustments of $19.2 million arising from the translation of foreign denominated assets, a decrease in cash held by $6.2 million, and a decrease in other assets by $1.1 million, offset by an increase to exploration and evaluation assets of $8.6 million as a result of additional expenditures in the year.

Non-Current Liabilities

Non-current liabilities are comprised of the debt component of the January Debentures. Non-current liabilities increased by $10.4 million in FY 2014 compared to FY 2013 due to internal restructuring and transactions with the Company's major shareholder, Sentient. The section below under the header *"Liquidity and Capital Resources – Financing Activities"* sets out details of these transactions.

Investment in Exploration and Evaluation Assets

Investment in exploration and evaluation assets relates entirely to the Yandera Project. In FY 2014, the Company spent $8.6 million compared to $30.3 million and $45.7 million spent in FY 2013 and FY 2012, respectively. The lower expenditures in FY 2014 reflect the reduction of activity in tandem with Management's revised 3 year strategy. See *"Outlook"*.

Cash Flows from Financing Activities

The Company received net proceeds from borrowings of $8.5 million in FY 2014 and $17.5 million in FY 2013. The Company also raised proceeds from the issue of common shares ($18.7 million in FY 2013 and $0.5 million in FY 2012).

Quarterly Results of Operations

The results of operations from the eight most recently completed quarters are summarized in the following tables, which have been derived from the financial statements of the Company in accordance with IFRS.

In thousands of US dollars, except per share amounts	**2014 4th quarter**	**2014 3rd quarter**	**2014 2nd quarter**	**2014 1st quarter**
Statement of (Loss) / Profit				
Interest income	1	12	31	15
Other income (expenses)	4,278	(5,962)	589	(483)
Net (loss)	(72)	(9,980)	(1,269)	(2,327)
Net (loss) per share - basic and diluted	(0.01)	(0.88)	(0.11)	(0.21)
Statement of Financial Position				
Cash, cash equivalents and short term deposits	520	935	3,944	7,278
Total assets	162,303	141,090	164,561	161,154
Total non-current financial liabilities	17,222	15,256	14,967	14,273

In thousands of US dollars, except per share amounts	**2013 4th quarter**	**2013 3rd quarter**	**2013 2nd quarter**	**2013 1st quarter**
Statement of (Loss) / Profit				
Interest income	(147)	106	109	293
Other income (expenses)	1,785	-	-	-
Net (loss)	(1,005)	(2,322)	(2,551)	(2,148)
Net (loss) per share - basic and diluted	(0.09)	(0.20)	(0.23)	(0.23)
Statement of Financial Position				
Cash, cash equivalents and short term deposits	6,692	6,065	5,760	17,053
Total assets	182,470	184,602	180,576	183,868
Total non-current financial liabilities	6,833	9,900	-	-

Three months ended June 30, 2014 and June 30, 2013

Other income in the three month period ended June 30, 2014("**Q4 2014**") is comprised of a gain due to the movement in fair value of the derivative liability in relation to the conversion feature option contained in the convertible debentures. The increased balance of this gain when compared to the prior fiscal year's fourth quarter ("**Q4 2013**") is mainly due to the increased balance of the convertible debentures resulting from January 15, 2014 transactions relating to the extinguishment of the previous debt and issuance of the new debenture instruments. Changes in fair value of the derivative liability are impacted by fluctuations in assumptions and inputs used to determine the fair value with most significant being the Company's share price, volatility and life of the option,

Net loss of $0.1 million in Q4 2014 compared to a net loss $1.0 million in Q4 2013 resulted from the following events:

- Salaries and employee benefits expense in Q4 2014 increased by $1.0 million due primarily to severance benefits of $1.7 million offset by reduction of salaries by $0.3 million.

  Interest expense in Q4 2014 of $2.4 million was higher by $2.2 million when compared to Q4 2014 interest of $0.2 million. The increase results from higher debt loads compared to the prior year.

- Fair value adjustment on the derivative liability resulted in a $4.3 million gain in Q4 2014 compared to $1.8 million gain in Q4 2013. The increase is mainly due to the increased balance of convertible debentures as a result of a corporate restructuring transaction completed on January 15, 2014 and movement in the fair value of the derivative liability contained in the conversion options feature contained in the convertible debentures.

- Exploration and evaluation assets written-off during Q4 2014 were lower by $0.2 million when compared to Q4 2013. The decrease is mainly due to a lower number of mining tenements abandoned and or lapsed.

- Corporate expenses of $0.1 million in Q4 2014 were lower by $0.4 million when compared to Q4 2013 of $0.5 million. The decrease is due to the reduction in overhead costs resulting from the closure of the Company's Perth office and other reductions of personnel.

- Share-based payments were a recovery of $0.4 million in Q4 2014 compared to an expense of $0.3 million in Q4 2013. The recovery resulted from forfeited options and performance rights as well as probability of the vesting conditions being re-assessed and reduced to 30% mainly due to terminations of the staff resulting from closure of the Company's Perth office.

Fiscal year ended June 30, 2014 compared to Fiscal year ended June 30, 2013

Interest Income

Interest income in FY 2014 decreased by $0.3 million due to a decrease in the balance of cash deposits earning interest.

Other Income

Other income is comprised of changes in fair value of the derivative liability in relation to the conversion option feature of the convertible debentures. The movement in the fair value is driven by changes in assumptions and inputs used to determine the fair value such as interest free rate, volatility and remaining life of the debentures. Note 2 of the Financial Statements sets out the details of inputs and assumptions used to fair value the derivative liability at each reporting period.

Expenses

Total expenses for FY 2014 were $12.1 million compared to $10.2 million for FY 2013. The increase of $1.9 million resulted from the following:

- Salaries and employee benefits expense in FY 2014 was $2.8 million compared to $2.0 million in FY 2013, resulting in an increase of $0.8 million. The net increase is due to severance benefits of $1.7 million, offset by a reduction of salaries of $0.9 million.

- Interest expense in FY 2014 was $6.3 million compared to $0.9 million in FY 2013, resulting in an increase of $5.4 million. The increase results from the corporate restructuring transaction, namely, the loan conversion and the issuance of convertible debentures. See *"Liquidity and Capital Resources – Financing Activities".*

- Exploration and evaluation assets written-off during FY 2014 were $0.2 million, compared to $0.4 million in FY 2013. The decrease of $0.2 million is mainly due to lower number of mining tenements abandoned and/or lapsed.

- Other, corporate and administrative expenses totalled $2.8 million in FY 2014 compared to $4.7 million in FY 2013. The decrease is due to the reduction in overhead costs resulting from the closure of the Company's Perth office and other staff and overhead cost reductions.

- Share-based payments was a recovery of $0.8 million in FY 2014 compared to share-based payments expense of $1.3 million in FY 2013. The recovery resulted from forfeited options and performance rights as well as probability of the vesting conditions being re-assessed and reduced to 30% due to terminations of the staff resulting from the closure of the Company's Perth office.

- During FY 2014, the Company also incurred $0.5 million expense in relation to forfeited deposits made on the land purchases resulting from the Company's abandonment of a land purchase agreement entered into on August 20, 2012. The Company withdrew from the agreement due to circumstances relating to non-rezoning of the land, as well the Company's internal restructuring.

As a result of the above, the Company recognized a net loss of $13.6 million for FY 2014 (FY 2013 - $8.0 million).

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, term deposits, stock options exercises, equity issuances and debt instrument issuances. As at June 30, 2014, cash and cash equivalents were $0.4 million compared to $1.7 million at June 30, 2013 (as well as $5.0 million of term deposits at June 30, 2013).

The Company's principal requirements for cash over the next twelve months will be to fund the ongoing exploration costs on the Yandera Project, general corporate and administrative costs and to service the Company's current obligations. The Company will defer discretionary expenditures, as required, in order to manage and conserve cash.

Working Capital

As at June 30, 2014, the Company had a working capital deficiency of $19.9 million (June 30, 2013 - $7.8 million), calculated as total current assets less total current liabilities. The increase in working capital deficiency relates mainly to use of cash for expenditures on the Yandera Project and increase to current liabilities.

As at June 30, 2014, the Company had current liabilities of $20.7 million (June 30, 2013 - $15.4 million). The year-over-year increase of $5.3 million relates to an increase of the derivative financial instrument by $14.0 million, offset by the decrease in accounts payable, accrued liabilities and provisions by $1.1 million and a reduction in loans by $7.6 million.

The Company's contractual obligations as at the end of June 30, 2014 are set out below:

Contractual Obligations *In thousands of US dollars*	**Total**	**Less than 1 year**	**1 – 2 years**	**After 2 years**
Trade and other payables	2,402	2,402	-	-
Provisions	663	663	-	-
Loans	3,046	3,046	-	-
Derivative financial instrument	14,581	14,581	-	-
9% convertible debentures[1]	17,222	-	17,222	-
Total contractual obligations	**37,914**	**20,692**	**17,222**	**-**

[1] The 9% convertible debentures issued to Sentient represent unsecured debt and mature on June 30, 2016. The debt is convertible into common shares at the option of the holder, or repayable by the Company on the due date. The presentation shown above assumes payment is made in cash and also assumes no conversions of the 9% convertible debentures into common shares by the holders prior to the maturity date.

Financing Activities

On January 15, 2014, the Company completed the issuance of $27.5 million principal amount of convertible unsecured debentures to its major shareholder, Sentient; pursuant to the LCED Agreement.

Pursuant to the terms of the LCDE Agreement, Sentient: (i) converted the unsecured interest-bearing debt facility in the aggregate principal amount $10.0 million, dated February 6, 2013, as amended, due on January 15, 2014, along with interest of $0.4 million thereon, into new January Debentures; (ii) exchanged its aggregate principal amount of $16.3 million outstanding debentures (the "**Sentient Outstanding Debentures**") issued pursuant to the debenture purchase agreement, dated as of May 27, 2013, along with interest of $0.8 million thereon, for new January Debentures; and (iii) provided a letter of support to the Company, confirming, among other things, that Sentient will ensure the Company has sufficient funds to maintain solvency for a period of 12 months from the date of approval, being February 14, 2014, of the Company's December 31, 2013 interim consolidated financial statements.

Each $1,000 (one thousand) face value of January Debentures was convertible, at the option of the holder, into common shares or Chess Depositary Interests ("**CDIs**") of the Company at a conversion price of C$0.02 per common share or CDI. The conversion price of the January Debentures was to be adjusted in the event there is a reorganisation of capital or an issue of new shares at below the conversion price. Pursuant to the issuance of July Debentures on July 15, 2014, the conversion price of the January Debentures was adjusted from CDN$0.02 to CDN$0.015.

The January Debentures mature on June 30, 2016. The January Debentures bear interest at 9% per annum compounding daily, payable in new debentures semi-annually in arrears on April 30 and October 30 of each year or on the maturity date, commencing April 30, 2014. Pursuant to the issuance of July Debentures, the interest due dates had been amended to reflect the interest payable from semi-annually to due on maturity date. On the maturity date of June 30, 2016, the holder of the January Debentures will have a right to convert any or all of the principal amount and/or accrued interest into fully paid and non-assessable common shares of the Company. The convertible portion of the January Debentures was accounted for as a derivative financial instrument valued at $14.6 million at June 30, 2014.

On April 29, 2014, Marengo entered into the Loan Agreement with Sentient, pursuant to which Sentient provided the Loan. Under the terms of the Loan Agreement, Sentient provided Marengo with a loan facility of $3.0 million. The Loan accrued interests monthly at a rate of 9% per annum, payable quarterly. The maturity date of the Loan was December 31, 2014.

On July 15, 2014, the Company completed the issuance of $10.2 million principal amount of July Debentures to its major shareholder, Sentient, pursuant to the Agreement (a loan conversion and debenture purchase agreement dated June 2, 2014, between the Company (together with its wholly-owned subsidiaries Yandera Mining Company Limited and Marengo Mining (PNG) Limited), and Sentient).

Pursuant to the terms of the Loan Agreement, the Company: (i) converted the Loan in the aggregate principal amount of $3.0 million dated April 29, 2014 and due on December 31, 2014, along with interest of $0.1 million thereon into July Debentures (9.0% senior unsecured convertible debentures of the Company) in the principal amount of $3.1 million (the "**Loan Debentures**"); and (ii) issued and sold to Sentient July Debentures in the principal amount of $7.0 million (the "**Investment Debentures**").

In connection with the transaction, the Company also paid to Sentient an establishment fee of 2% of the amount of Investment Debentures, which fee was satisfied by the Company through the issuance of $0.1 million principal amount of 9% senior unsecured convertible debentures (the "**Establishment Fee Debentures**", and together with the Loan Debentures and the Investment Debentures, the "**Debentures**").

All Debentures will mature on June 30, 2016 (the "**Maturity Date**") and bear interest from and including the date of issuance at the rate of 9% per annum, payable on Maturity Date. Interest payable on the Debentures will be paid by the Company through the issuance of additional debentures (the "**Interest Debentures**") which will be issued in substantially the same terms as the Debentures.

The Debentures and Interest Debentures are convertible, at the option of Sentient, into common shares or CDIs of the Company at a conversion price of CDN$0.015 per common share or CDI. The conversion price of the Debentures and Interest Debentures will be adjusted in the event there is a re-organization of capital or an issue of new common shares below the conversion price. The Debentures have been and the Interest Debentures will be jointly issued by the Company and the PNG Subsidiaries and are and will be, as applicable, guaranteed by Marengo Mining (Australia) Limited and Yandera Mining Company (Holdings) Pty Limited (both wholly-owned subsidiaries of the Company).

Sentient and its related entities currently hold approximately 22% of the issued and outstanding common shares of the Company and would hold approximately 80% of the common shares of the Company, assuming the conversion of all the Debentures issued in connection with the restructuring transaction (including the Interest Debentures issued to pay interest payments on the Debentures), as well as the conversion by Sentient of all debentures issued and issuable under the prior debenture financing between the Company and Sentient completed earlier in 2014 (i.e., January Debentures

In summary, on June 30, 2014, as a result of financings and re-financings with Sentient, the Company had (i) $3.0 million loan, initially due on December 31, 2014 and subsequently converted into Loan Debentures on July 15, 2015 as described above, (ii) $17.2 million of convertible debenture (the January Debentures), due on June 30, 2016. In addition, the Company had a derivative financial liability balance of $14.6 million resulting from the conversion option feature contained in the debentures.

The Company expects to use the funds from the debenture financing towards the development of the Yandera Project, including ongoing exploration, funding its working capital requirements and for general corporate purposes.

Uses of Cash

During FY 2014, the Company used $6.1 million in operating activities, primarily for the payment of operating expenses such as salaries, and other general, corporate and administrative expenses. In addition, during FY 2014, the Company used net $3.6 million for investing activities; $4.9 million cash generated from the maturity of term deposits and $0.1 million received in interest offset by $8.6 million of expenditures for the continuing exploration and development activities at the Yandera Project. The Company also generated $8.5 million in financing activities, representing the net proceeds from borrowings.

During FY 2013, the Company used $10.6 million in operating activities and $25.4 million in investing activities, of which $30.3 million was for exploration and development expenditures at the Yandera Project. The Company generated $5.3 million cash from the maturity of term deposits. The Company also generated $36.1 million in financing activities, representing the net proceeds from borrowings of $17.5 million and net proceeds from the issuance of common shares of $18.6 million.

Commitments and Contingencies

The Company has certain commitments to meet the minimum expenditure requirements on the mineral exploration assets in which it has an interest. The Company expects to use the funds received from the debenture financing completed on July 15, 2014 to meet these commitments.

The Perth office in Australia represented a significant lease commitment in prior years. The lease expired in FY 2014 and the office was closed. All other operating lease commitments relating to premises in PNG have also expired during FY 2014 and have not been renewed. These premises are currently leased on month-to-month contract basis.

The Company had no contingent liabilities as at June 30, 2014 or 2013 respectively.

Future minimum payments as at June 30, 2014 under agreements to which the Company is a party are as follows:

In thousands of US dollars	**Less than 1 year**	**1 - 5 years**	**Total**
Exploration commitments	112	338	450
Total	**112**	**338**	**452**

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at June 30, 2014.

Critical Accounting Estimates and Judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that can affect reported amounts of assets, liabilities revenues and expenses and the accompanying disclosures. Estimates and assumptions are continuously evaluated and are based on management's historical experience and on other assumptions believed to be reasonable under the circumstances. However, different judgments, estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are:

Going Concern

The underlying value of the Company's exploration and evaluation assets is dependent upon the existence, and economic recovery of mineral reserves in the future and the ability of the Company to raise funds to continue and complete the development of the Yandera Project and to obtain all necessary permits. In addition, the Yandera Project may be subject to political and economic instability risks, unfavourable changes in existing government regulations, adverse metal market prices, etc.

As at June 30, 2014, the Company had no sources of operating cash flows and did not have sufficient cash to fund the development of the Yandera Project. The Company will need to raise additional capital through equity issuance or other financing alternatives in parallel with financial support provided by its major shareholder, Sentient, in order to continue funding its operating, exploration and evaluation activities, and the eventual development of the Yandera Project. Although, the Company has been successful in its past fundraising activities, there is no assurance as to the success of future fundraising efforts or as to the sufficiency of funds raised in the future. If funds are not raised, it would result in further curtailment of activities and Yandera Project delays.

These circumstances, along with other risks relevant to exploration companies, such as continuing losses, result in material uncertainty which lends significant doubt as to the ability of the Company to fulfil its exploration and development activities and, accordingly, the appropriateness ultimately of the use of the accounting principles applicable to a going concern.

Considering the risks listed above, management's balanced assessment of the Company is that it remains a going concern. The Company has been accounted for as a going concern in the Financial Statements.

Recoverability of Exploration and Evaluation Assets

The ultimate recoverability of the exploration and evaluation assets of $160.9 million carrying value at June 30, 2014 is dependent upon the Company's ability to obtain the necessary financing and permits to complete the development and commence profitable production at the Yandera Project, or alternatively, upon the Company's ability to dispose of its interest therein on an advantageous basis. A review of indicators of potential impairment is carried out at least at each period end.

Management undertakes a periodic review of these assets to determine whether any indication of impairment exists. Where an indicator of impairment exists, a formal estimate of the recoverable amount of the assets is made. An impairment loss is recognized when the carrying value of the assets is higher than the recoverable amount and when mineral license tenements are relinquished or have lapsed. In undertaking this review, management of the Company is required to make significant estimates of, among other things, discount rates, commodity prices, availability of financing, future operating and capital costs and all aspects of project advancement. These estimates are subject to various risks and uncertainties, which may ultimately have an effect on the expected recoverability of the carrying values of the assets.

Fair Value of Derivative Liability

The embedded derivative conversion option feature contained within the convertible debentures is valued using the Black-Scholes model. The inputs to this model are taken from observable markets where possible, but if this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of inputs such as expected volatility and the expected life of the conversion feature option. Changes in assumptions about these factors could affect the reported fair value of the derivative liabilities.

Valuation of Share-Based Compensation

The Company estimates the fair value of convertible securities such as warrants and options using the Black-Scholes option pricing model which requires significant estimation around assumptions and inputs such as expected term to maturity, expected volatility and expected forfeiture rates. The accounting policy in Note 2(e) as well as Note 15 of the Financial Statements contain further details of significant assumptions applied to these areas of estimation.

Transactions with Related Parties

The Company's related parties as defined by International Accounting Standard 24 "**Related Party Disclosures**" ("IAS 24"), include the Company's subsidiaries, executive and non-executive directors, senior officers and key management personnel. Transactions with related parties are measured at fair value, which is the amount of consideration established and agreed upon by the related parties. All related party transactions entered into by the Company have been approved by the Board of Directors of the Company.

Key management personnel are defined as directors and senior officers of the Company.

Transactions with related parties during the years ended June 30, 2014 and 2013 were as follows:

a) Compensation of Key Management Personnel:

In thousands of US dollars	**For the years ended June 30,**	
	2014	**2013**
Salaries, fees, wages and other benefits	1,346	2,691
Severances	1,709	-
Share-based compensation	-	1,166
Total	**3,055**	**3,857**

The severances result from changes in executive management.

(b) Transactions with Sentient

The Company entered into convertible debenture transactions and a loan facility agreement with its major shareholder, Sentient. Details of these transactions are described in Note 11 of the Financial Statements and under the heading *"Liquidity and Capital Resources – Financing Activities"* above.

Financial Instruments

In thousands of US dollars

	Fair Value at June 30, 2014	Basis of Measurement	Associated Risks
Cash and cash equivalents and short-term deposits	520	Loans and receivables	Credit and foreign exchange
Accounts receivable and other current assets	318	Loans and receivables	Credit, foreign exchange
Trade and other payables	2,402	Amortized cost	Foreign exchange
Provisions	663	Amortized cost	Foreign exchange
Derivative financial instrument	14,581	Fair value through profit and loss	Interest, foreign exchange
Loans and borrowings	20,271	Amortized cost	Interest, foreign exchange

Loans and receivables- Cash and cash equivalents, short-term deposits, accounts receivables and other current assets, trade and other payables and provisions mature in the short term and their carrying values approximate their fair values.

Amortized cost - The debt component of the convertible debentures subsequent to its initial recognition at fair value, is measured at amortized cost as described above.

Fair value through profit or loss - The debt component of the 9% convertible debentures is initially measured at fair value, net of direct expenses, through profit or loss, then subsequently at amortized cost. The convertible debentures contain embedded derivatives due to the conversion option feature that significantly modify the cash flows that otherwise would be required by the contract.

Embedded derivatives are segregated from the host liability debt component and accounted for separately. The conversion feature is recognized initially and subsequently at the end of each reporting period at fair value using the Black-Scholes option pricing model. Any changes in fair value of the derivatives are recognized as profit or loss in the consolidated statement of comprehensive loss. Up-front costs and fees related to the convertible debentures are netted against the host liability.

The risk free interest rate used in the fair value computation is the interest rate on Canadian marketable bonds with maturity similar to the remaining life of the convertible debenture. The discount rate used is determined by adding management's estimate of the Company's risk premium to the risk free interest rate. Volatility is calculated based on the daily volatility of the Company's share price observable on the Toronto Stock Exchange ("the TSX MKT") for a historical period equal to the remaining life of the 9% Convertible Debentures. For the three months ended June 30, 2014, a revaluation gain of $4.3 million was recorded while a revaluation loss of $1.6 million was included in the consolidated statement of loss and comprehensive loss for the year ended June 30, 2014.

Risk Management

The Company's exposure to financial instruments includes, but is not limited to, the following risks:

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's 9% convertible debentures bear interest at a fixed rate and are not subject to changes in interest payments.

Foreign Currency Exchange Rate Risk

Currency risk is risk that the fair value of future cash flows will fluctuate because of changes in foreign currency exchange rates. In addition, the value of cash and cash equivalents and other financial assets and liabilities denominated in foreign currencies can fluctuate with changes in currency exchange rates. The Company is also exposed to foreign exchange risk in the normal course of its business operations.

The Company undertakes transactions denominated in foreign currencies such as Canadian dollar, Australian dollar and Papua New Guinea kina, and consequently is exposed to exchange rate risks. Exchange risks are managed by matching levels of foreign currency balances and related obligations and by maintaining operating cash accounts in non-US dollar currencies. The rate published by the Bank of Canada at the close of business on June 30, 2014 was 1.0671 USD to CAD, 0.9247 AUD to USD and 0.4031 PGK to USD (June 30, 2013 - 1.0512 USD to CAD, 0.9146 AUD to USD and 0.4594 PGK to USD). Based on the balances at June 30, 2014, total loss would change by approximately $13 thousand given a 5% increase or decrease in the CAD, AUD and PGK currencies to USD dollar.

As at June 30, 2014, the cash and cash equivalents and short term deposits are denominated in the following currencies:

In thousands of US dollars	**As of June 30, 2014**	**2013**
Denominated in U.S. dollars	217	-
Denominated in Canadian dollars	140	653
Denominated in Australian dollar	97	5,132
Denominated in Papua New Guinea kina	66	907
Total cash and cash equivalents and short term deposits	**520**	**6,692**

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's credit risk is primarily associated with liquid financial assets. The Company limits exposure to credit risk on liquid financial assets by holding cash, cash equivalents, restricted cash and deposits at highly-rated financial institutions.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company manages the liquidity risk inherent in these financial obligations by regularly monitoring actual cash flows to annual budget which forecast cash needs and expected cash availability to meet future obligations.

The Company will need to raise additional capital through equity issuances or debt financing in order to continue funding its operations, exploration and evaluation activities and for the eventual development of the Yandera Project.

Capital Risk Management

The Company manages its capital to ensure that it will be able to continue as a going concern, so that adequate funds are available or are scheduled to be raised to carry out the Company's exploration program and to meet its ongoing administrative costs. This is achieved by the Board of Directors' review and acceptance of a budget that is achievable within existing resources and the timely matching and release of the next stage of expenditures with the resources made available from capital raisings and debt funding from related parties. In doing so, the Company may issue new shares, or restructure or issue new debt.

The Company is not subject to any externally imposed capital requirements imposed by a regulator or a lending institution.

In the management of capital, the Company includes the components of equity, loans and borrowings, net of cash and cash equivalents.

	As of June 30,	
In thousands of US dollars	**2014**	**2013**
Equity	124,389	160,224
Current debt	20,692	15,413
Long term debt	17,222	6,833
	162,303	182,470
Cash and cash equivalents	(421)	(1,667)
Investments - term deposits(1)	(99)	(5,025)
	161,783	**175,778**

(1) At June 30, 2014, the Company set aside $0.1 million (June 30, 2013 - AUD$0.1 million) as restricted cash in term deposits relating to the bank guarantees with a third-party supplier.

Future Accounting Standards and Pronouncements

IFRIC 21 "Levies"

IFRIC 21, Accounting for levies imposed by government clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This standard is effective for annual periods beginning on or after January 1, 2014. The Company is currently assessing the impact of this interpretation.

IAS 32 "Financial Instruments: Presentation"

IAS 32 Financial instruments: presentation was amended to address inconsistencies in current practice when applying the offsetting criteria in IAS 32. Under this amendment, the meaning of "currently has a legally enforceable right of set-off" was clarified as well as providing clarification that some gross settlement systems may be considered equivalent to net settlement. This amendment is effective for annual periods beginning on or after January 1, 2014 and is not expected to have a significant impact on the Company.

IFRS 9 "Financial Instruments"

IFRS 9 Financial Instruments, addresses classification and measurement of financial assets. It replaces the multiple category and measurement models in IAS 39, financial instruments - Recognition and Measurement, for debt instruments with a new mixed measurement model having only two categories: amortized cost and fair value through profit and loss. IFRS 9 also replaces the models for measuring equity instruments. Such instruments are either recognized at fair value through profit or loss or at fair value through other comprehensive income. Where equity instruments are measured at fair value through other comprehensive income, dividends are recognized in the statement of earnings to the extent that they do not clearly represent a return of investment; however, other gains and losses (including impairments) associated with such instruments remain in accumulated comprehensive income indefinitely. Requirements for financial liabilities were added to IFRS 9 in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss are generally recorded in other comprehensive income. This standard is effective for annual periods beginning on or after January 1, 2018. The Company is still assessing the impact of this standard.

IAS 36 "Impairment of Assets"

The IASB has amended IAS 36 to remove the requirement to disclose recoverable amount when a cash generating unit ("**CGU**") contains goodwill or indefinite lived intangible assets but there has been no impairment. The amendment requires additional disclosure of the recoverable amount of an asset or CGU when an impairment loss has been recognized or reversed; and detailed disclosure of how the fair value less costs of disposal has been measured when an impairment loss has been recognized or reversed.

Risk and Uncertainties

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 common 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 PNG in particular. Please see "*Papua New Guinea"* in the Company's annual information form dated September 22, 2014 (the "**AIF**"), a copy of which is available on SEDAR at www.sedar.com. 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 PNG's federal and regional governments and local people. However, an investment in the common shares of the Company is considered speculative due to the nature of Marengo's business and the present stage of its development.

The Company is subject to the following risks and uncertainties which are discussed in detail in the AIF, available on SEDAR at www.sedar.com, and should be reviewed in conjunction with this document.

- The Company has negative operating cash flows and might not be able to continue as a going concern;
- The Company will require additional funding in the future and no assurances can be given that such funding will be available at all or on the terms acceptable to the Company;
- The Company's ability to maintain its obligations under the terms of its convertible debentures and other debt obligations;
- The speculative nature of resource exploration and development projects;
- The uncertainty of mineral resource estimates and the Company's lack of mineral reserves;
- The Company's ability to successfully establish mining operations and profitably produce copper, molybdenum and gold;
- Dependence on the Yandera Project;
- Operations of the Company are carried out in geographical areas which are subject to various other risk factors;
- The economic uncertainty of operating in developing country such as PNG, such as the availability of local labor, local and outside contractors and equipment when required to carry out the Company's exploration and development activities;
- Other foreign operations risks; potential changes in applicable laws and government regulations and potential changes in PNG's mining or investment policies;
- The Company is not insured against all possible risks;
- Environmental risks and hazards;
- The title of the Company's mineral properties cannot be guaranteed and may be subject to prior unregistered agreements, transfers and other defects, and the risk of obtaining a mining permit and the successful renewal of currently pending renewal applications;
- The commodity prices may affect the Company's value, changes in and volatility of commodity prices and its hedging policies;
- Increased competition in the mineral resource sector;
- The Company may have difficulty recruiting and retaining key personnel;
- Currency fluctuations risk;
- Repatriation of earnings, no assurances that PNG or any other foreign country that the Company may operate in the future will not impose restrictions on repatriation of earnings to foreign entities;
- No production revenues;
- Stock exchange prices;
- Conflicts of interest;
- Ability to exercise statutory rights and remedies under Canadian securities law;
- Enforceability of foreign judgements;
- Unforeseen litigation;
- Structural subordination of the Company's common shares;
- The Company's future sales or issuance of common shares;
- Risk of suspension of public listing due to failure to comply with local securities regulations;

- Risk of fines and penalties; and
- Risk of improper use of funds in local entity.

Share Capital Information

As at the date of this MD&A, the following number of common shares of the Company and other securities of the Company exercisable for common shares of the Company are outstanding:

Securities	Common shares on exercise
Common shares	1,137,870,521
Stock options and performance rights	13,450,000
9% Convertible debentures	3,300,056,318
Fully diluted share capital	**4,451,376,839**

Corporate Responsibility for Financial Reports

Disclosure Controls

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to Management as appropriate to allow timely decision-making regarding required disclosures. The Company's CEO and CFO have concluded, based on their evaluation of the effectiveness of the Company's disclosure controls and procedures, that these controls and procedures provide reasonable assurance that material information is made known to them by others within the Company. However, a control system, no matter how well conceived, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

Internal Control over Financial Reporting

The Company's CEO and CFO are responsible for establishing, maintaining and certifying internal control over financial reporting ("**ICFR**") as required by Multilateral Instrument 52-109 – "*Certification of Disclosure in Issuers' Annual and Interim Filings*". The Company's ICFR is intended to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable IFRS. ICFR should include those policies and procedures that:

- Pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of assets;
- Provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS, and that receipts and expenditures are being made only in accordance with authorizations of the Company's Management and Board; and
- Provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of assets that could have a material effect on the financial statements.

Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives due to its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to error, collusion, or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis. It is possible to design into the financial reporting process safeguards to reduce, though not eliminate, this risk.

Management, including the CEO and CFO, has assessed the effectiveness of internal controls over financial reporting as of June 30, 2014 and concluded, subject to the limitations noted above, that the Company has sufficient controls to meet the requirements as stated above.

Changes in Internal Controls

During the fiscal year, the Company underwent a corporate restructuring and made changes to its executive management team including new CFO, COO and CEO as described under the header *"Overall Performance - Corporate Restructuring"*. These changes strengthened the Company's mine development team and internal controls over financial reporting.

Forward-Looking Information

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

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

The Company's AIF dated September 22, 2014 contains additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of, this MD&A except as may be required by law. All forward-looking information disclosed in this MD&A is qualified by this cautionary statement.

Additional Information

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

Qualified Person and Technical Information

The scientific and technical information contained in this MD&A was prepared by or under the supervision of Mr. John Mears. Mr. Mears is a licensed geologist in the USA and also a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr. Mears is a "Qualified Person" as defined by NI 43-101. Mr. Mears verified the data underlying the information in this MD&A.

For further information relating to the Yandera Project, please see the technical report titled "Technical Report on the Yandera Copper-Molybdenum-Gold Project, Madang Province, Papua New Guinea for Marengo Mining Limited" dated May 14, 2012 and prepared by Ravensgate Minerals Industry Consultants, which is available under the Company's issuer profile on SEDAR at sedar.com.