*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 December 31, 2014 and June 30, 2014 and results of operations for the three and six months ended December 31, 2014 (**"Q2 2015" and "YTD 2015"** respectively) and December 31, 2013 **("Q2 2014" and "YTD 2014")** . The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements for the three and six months ended December 31, 2014 and with the audited consolidated financial statements and notes thereto of Marengo for the fiscal year ended June 30, 2014 ("**FY 2014**"). 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 International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board ("**IASB**"), including International Accounting Standard, Interim Financial Reporting**("IAS 34")**.*

*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 February10, 2015. 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 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 mining operation, with the objective to maximize shareholder value.

Between 2006 and 2014, the Company drilled 471 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 YTD 2015 and as of the date of this report

During YTD 2015 and to the date of this MD&A, the following highlights the Company's significant events:

- **Financing Activities** – The Company successfully completed two financing agreements with its major shareholder, Sentient Executive GP IV, Limited and its wholly owned subsidiaries (collectively, "Sentient") as follows:
    - On July 15, 2014, 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 Debentures to Sentient in the aggregate principal amount of $10.2 million.
    - On December 18, 2014, the Company completed an additional previously announced issuance of $7.5 million principal amount of 9% unsecured convertible debentures, (the "December Debentures") to Sentient pursuant to the Agreement dated November 14, 2014.
- **Corporate Restructuring** – The Company made the following changes in senior management:
    - 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 LLP, Chartered Professional Accountants, the 5th 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. Mr. Danziger is a past member of the Ontario Securities Commission's Small to Medium Sized Enterprise Advisory Committee and the CPA/PDAC IFRS Taskforce on Mining.
    - On August 20, 2014, the Company announced the resignation of Dean Richardson, Vice President of Investor Relations and Corporate Secretary.
    - On January 6, 2015, the Company announced the resignation of its Chief Operating Officer, Mr. John Mears. Mr. Mears will continue to act as a technical advisor in a consulting role.
    - On January 6, 2015, the Board appointed Alex Dann as interim Corporate Secretary of Marengo.
- **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:
    - Pursuant to a financing agreement with Sentient, dated November 14, 2014, the Company commenced a drilling program at the Yandera Project at its newly identified Rima prospect.
    - The Company has previously described efforts to increase geological knowledge of the site and is pleased to report that this work has resulted in the identification of drilling targets which the Company is currently pursuing. Marengo's geologists have been equipped with advanced tools to analyse, model, interpret and assess the complex geology and mineralization. Training for geology and environmental staff will continue during 2015 with more advanced tools to be added during the year. Transformation and development of both technical and operational teams will continue throughout 2015.

- Further to a comprehensive review completed during the latter part of FY 2014 as described in the *"Company Overview"* section above, in August 2014, as part of the new management's 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 mineralisation with the potential to increase the grade and scale of the resource. This new model has been used to great effect recently and has resulted in the discovery of 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.
- In October, 2014, the Company received confirmation from Mineral Resources Authority that the license for its main tenement, Yandera, was successfully renewed until November, 2015.
- The new financing with Sentient completed on December18, 2014 will support ongoing exploration activity at the Yandera Project.

Yandera Project, Papua New Guinea

The Company's wholly-owned, Yandera Project is located 95 km southwest of the northern seaport of Madang, in 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 624sq 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 National Instrument 43-101 standards. The following table details the Yandera 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 three and six months ended December 31, 2014

In the second quarter of FY 2014, 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 was required in a number of specific areas before a feasibility study could be completed, including further optimization opportunities to enhance project economics, namely:

- Initial starter pit grades insufficient to cover increased capex, revert to exploration in order to locate and improve existing grades.

- Waste to ore strip ratios over inferred resource cause pit slopes to be steepened beyond design parameters. Loss of resources a result. Additional work begun to identify new resources that may improve the waste to ore ratios.
- New conceptual models are being developed that will in turn allow for the creation of new resource models. This may allow the identifying of better or new high grade zones that may form the basis for a new mine plan.
- 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.

During the FY 2015 period and through the date of this report, the Company continues the activities outlined above.

FY 2015 Exploration Program

Announced November 17, 2014, the Company commenced a drilling program at its newly identified Rima prospect in the latter part of the second quarter and completed four-drill holes, for a total of 1,004 meters. The cores from the four drill holes have been sent to an assay lab and the Company anticipates final results in February 2015. The drill program was based on an extensive mapping and sampling program at Rima.

Due to the current rainy season in Papua New Guinea, field work has been suspended and drilling equipment demobilised. An expanded field program is expected to commence during March 2015.

FY 2014 Dimbi Drilling Campaign

In September 2013, the Company initiated a planned 9 hole, approximately 2,000 meter 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 had 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).

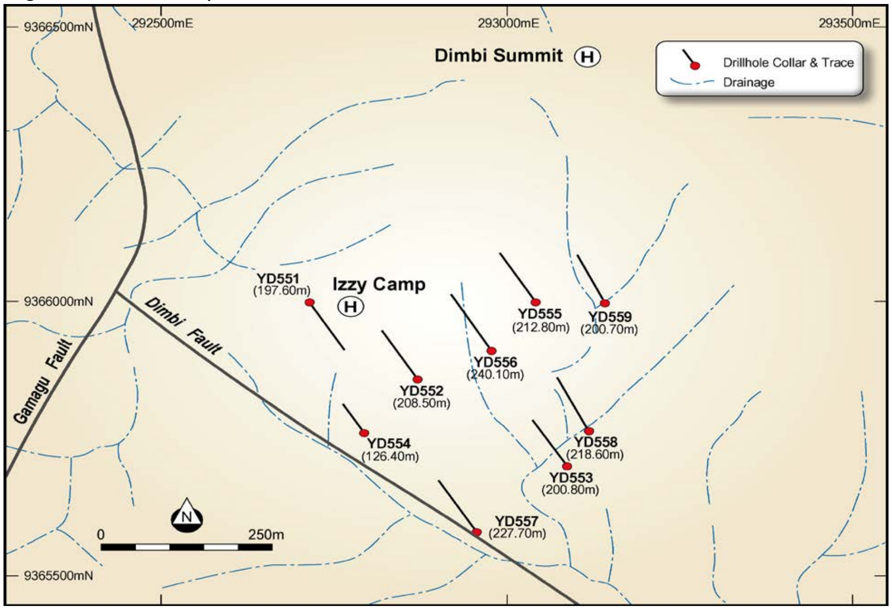
The holes drilled at Dimbi during the 2013-2014 campaign which intersected elevated copper grades (and also variously the other target metals, Mo, Ag and Au), are contained within a roughly rectangular 500m x 300m area with its long axis parallel to Dimbi Fault and sitting on the hanging wall. The table 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

Management 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 stages over the next three years:

- In stage one, the Company intends to focus efforts on understanding alternative geological concepts and pursuing potential new prospects. 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.

During YTD 2015 and through the date of this report, the Company continues to advance the activities in relation to the three stages to achieve the desired objective. The work program for 2015 will continue to focus primarily on analysing geologic evidence from previously completed work, to plan new field programs, to identify areas prospective for high-grade mineralization, and develop additional drill targets. All work is focused on improving the economic viability of 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 YTD 2015, the Company incurred a comprehensive loss of $11.4 million (YTD 2014 - $23.9 million) and reported accumulated comprehensive losses of $76.6 million (FY 2014 - $65.2 million). As at December 31, 2014, the Company had a working capital deficiency of $4.1 million (at FY 2014 - $19.9 million). The Company's sole source of funding during YTD

2015 has been the issuances of convertible debt instruments to Sentient.

As at December 31, 2014, the Company had $8.9 million in available cash and cash equivalents (June 30, 2014 - $0.4 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 provided financial assistance to the Company. 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 and financing transactions 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 additional 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 December 31, 2014. Different basis of measurement may be appropriate when a Company is not expected to continue operations for the foreseeable future.

Selected Financial Information

The amounts are derived from the unaudited condensed interim consolidated financial statements prepared under IFRS.

In thousands of US dollars, except per share amounts	**Three months ended December 31,**		**Six months ended December 31,**	
	2014	**2013**	**2014**	**2013**
Interest income	**1**	31	**1**	46
Other gain	**12,956**	568	**10,457**	106
Income (loss) from continuing operations	**8,064**	(1,269)	**746**	(3,596)
Basic income (loss) per share	**0.01**	(0.00)	**0.00**	(0.00)
Diluted Income (loss) per share	**0.00**	(0.00)	**0.00**	(0.00)

Results of Operations

Other gain is comprised of a gain due to the movement in fair value of the derivative liability in relation to the conversion option feature contained in the convertible debentures.

Net income in YTD 2015 of $0.7 million was $4.3 million higher than in YTD 2014 due primarily to a higher gain on fair value of the derivative liability of $10.4 million in YTD 2015 compared to a gain of $0.1 million in YTD 2014. The income was offset by higher interest / accretion expense on the convertible debentures ($4.7 million higher period-over-period), higher general and administrative expenses ($0.3 million higher period-over-period) resulting from terminations and the related severance expenses, and lower share-based compensation recovery of nominal value in YTD 2015 (less than $0.1 million compared to $0.5 recovery in YTD 2014). The higher share-based compensation recovery during YTD 2014 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 staff related to the closure of the Company's Perth office.

In thousands of US dollars, except per share amounts	**December 31, 2014**	**June 30, 2014**
Total assets	**162,614**	162,303
Non-current financial liabilities	**34,362**	17,222
Investment in exploration and evaluation assets	**2,570**	4,929
Cash flows from financing activities, net of direct costs	**14,161**	5,978

Total Assets

Total assets during the YTD 2015 period increased by a net amount of $0.3 million from the end of FY 2014. This change is largely attributed to an increase to cash and cash equivalents position by $8.5 million and increase to exploration and evaluation assets additions of $2.7 million offset by a net increase to a negative currency translation adjustments of $10.9 million arising from the translation of foreign denominated assets, mainly attributed to exploration and evaluation assets of $10.3 million.

Non-Current Liabilities

Non-current liabilities are comprised of the debt component of the January, July and December Debentures. Non-current liabilities increased by $17.2 million during YTD 2015 compared to FY 2014 balance of $17.2 million due to the transactions completed on July 15, 2014 and December 18, 2014 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. During YTD 2015, the Company spent $2.7 million offset by an increase of $10.3 million in negative translation adjustments arising from the translation of a foreign denominated balance and write-down of exploration and evaluation assets by $0.5 million resulting in a net reduction of $8.1 million.

Cash Flows from Financing Activities

As a result of financing transactions with Sentient completed in July and December 2014, respectively, the Company received net proceeds from borrowings of $14.2 million during YTD 2015. During YTD 2014, net proceeds received from financing were $6.0 million.

Quarterly Results of Operations

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

In thousands of US dollars, except per share amounts	**2015 2nd quarter**	**2015 1st quarter**	**2014 4th quarter**	**2014 3rd quarter**
Statement of (Loss) / Profit				
Interest income	1	-	1	12
Other income (expenses)	12,956	(2,499)	4,278	(5,962)
Net income (loss)	8,064	(7,318)	(72)	(9,980)
Net income (loss) per share - basic	0.01	(0.01)	(0.00)	(0.01)
Net income (loss) per share - diluted	0.00	(0.01)	(0.00)	(0.01)
Statement of Financial Position				
Cash, cash equivalents and short term deposits	8,989	4,195	520	935
Total assets	162,614	163,038	162,303	141,090
Total non-current financial liabilities	34,362	23,086	17,222	15,256

In thousands of US dollars, except per share amounts	2014 2nd quarter	2014 1st quarter	2013 4th quarter	2013 3rd quarter
Statement of (Loss) / Profit				
Interest income	31	15	(147)	106
Other income (expenses)	589	(462)	1,785	-
Net (loss)	(1,269)	(2,327)	(1,005)	(2,322)
Net (loss) per share - basic and diluted	(0.00)	(0.00)	(0.00)	(0.00)
Statement of Financial Position				
Cash, cash equivalents and short term deposits	3,944	7,278	6,692	6,065
Total assets	164,561	161,154	182,470	184,602
Total non-current financial liabilities	14,967	14,273	6,833	9,900

Three months ended December 31, 2014 and December 31, 2013

Other income in Q2 2015 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 gain in Q2 2015 when compared to the prior fiscal year's second quarter is mainly due to the increased balance of the convertible debentures resulting from the issuance of debentures in January 2014 and issuance of new debentures in July 2014 and December 2014. Changes in fair value of the derivative liability are impacted by changes in assumptions and inputs used to determine the fair value, the most significant of which are the Company's share price, volatility and life of the options.

Net income of $8.1 million in Q2 2015 compared to a net loss $1.3 million in Q2 2014 resulted in an increase of $9.4 million and was due to the following events:

- Finance costs in Q2 2015 of $3.4 million were higher by $2.6 million when compared to Q2 2014 finance costs of $0.8 million. The increase resulted from higher debt loads compared to the prior year's quarter.

- Fair value adjustment on the derivative liability resulted in a $13.0 million gain in Q2 2015 compared to $0.6 million gain in Q2 2014. The increase is mainly due to the increased balance of convertible debentures as a result of corporate restructuring transactions completed on January 15, 2014, July 15, 2014 and December 18, 2014 and movement in the fair value of the derivative liability contained in the conversion option feature within the convertible debentures.

- Share-based payments were a recovery of $0.1 million in Q2 2014 compared to a nominal recovery in Q2 2015 of less than a $0.1 million. The higher recovery in Q2 2014 resulted from forfeited options and performance rights as well as the probability of the vesting conditions being re-assessed and reduced from 100% to 30% mainly due to terminations of the staff resulting from closure of the Company's Perth office.

- Exploration and evaluation assets resulted in write-off of $0.5 million in Q2 2015 compared to a zero write-off balance in Q2 2014. The write-off in Q2 2015 related to three tenements that were relinquished.

Six months ended December 31, 2014 and December 31, 2013

The Company incurred net income of $0.7 million for YTD 2015 compared to a net loss of $3.6 million in the corresponding prior year's period. The key item contributing to the net income in YTD 2015 was a gain of $10.5 million resulting from the fair value adjustment on the derivative liability compared to a gain of $0.1 million in YTD 2014. The increased gain in YTD 2015 resulted from changes in fair value of the derivative liability, which are impacted by fluctuations in assumptions and inputs used to determine the fair value such as the Company's share price, volatility and life of the option. The gain on the derivative liability was primarily reduced by the following expenditures:

- Financing costs during YTD 2015 period were $6.7 million, higher by $4.7 million when compared to $2.0 million expense in YTD 2014. The increase resulted from higher debt loads compared to the prior year's period.

- General and administration expenses of $2.4 million in YTD 2015 were higher by $0.3 million when compared to the YTD 2014 balance of $2.1 million. The increase is primarily due to severance benefits of $0.6 million offset by reduction of salaries by $0.3 million.

- Share-based payments were a nominal recovery of less than $0.1 million during YTD 2015 compared to recovery of $0.5 million in YTD 2014.
- Exploration and evaluation assets resulted in $0.5 million write-off during YTD 2015 compared to a nil expense in YTD 2014.

Liquidity and Capital Resources

The main sources of liquidity are the Company's cash and cash equivalents, investments in term deposits, stock options exercises, equity issuances and debt instrument issuances. As at December 31, 2014, cash and cash equivalents and investments in term deposits were $8.9 million compared to $0.4 million at June 30, 2014.

The Company's principal requirements for cash over the next twelve months will be to fund the ongoing exploration costs at 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.

The new financing with Sentient completed on December 18, 2014 has improved the liquidity and increased the capital resources of the Company.

Working Capital

As at December 31, 2014, the Company had a working capital deficiency of $4.1 million (June 30, 2014 - $19.9 million), calculated as total current assets less total current liabilities. The decrease in working capital deficiency of $15.8 million relates mainly due to an increase to cash and cash equivalents of $8.5 million and a decrease in current liabilities by $7.4 million.

As at December 31, 2014, the Company had current liabilities of $13.3 million (June 30, 2014 - $20.7 million). The decrease of $7.4 million is due to a decrease in the amount of derivative financial instruments by $4.0 million with a further decrease in accounts payable, accrued liabilities, provisions by $0.4 million and a reduction in current portion of loans by $3.0 million.

The Company's contractual obligations as at the end of December 31, 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	2,565	2,565	-	-
Provisions	155	155	-	-
Derivative financial instrument	10,621	10,621	-	-
9% convertible debentures[1]	34,362	-	29,259	5,103
Total contractual obligations	**47,703**	**13,341**	**29,259**	**5,103**

[1] The 9% convertible debentures issued to Sentient represent unsecured debt. Debentures issued in January and July of 2014 mature on June 30, 2016 and debentures issued in December 2014 mature on June 30, 2017. 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 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 Loan 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"). In aggregate, the Company incurred $0.3 million of financing costs directly attributable to this transaction which were netted against the financial liability balance.

The Debentures issued in January and July of 2014 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 were convertible, at the option of Sentient, into common shares or Chess Depositary Interests ("CDIs") of the Company at a conversion price of C$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).

On December 18, 2014, the Company completed the previously announced issuance of $7.5 million principal amount of convertible unsecured debentures, (the " December Debentures") to Sentient pursuant to the Agreement dated November 14, 2014, between the Company (together with its wholly-owned subsidiaries Yandera Mining Company Limited and Marengo Mining (PNG) Limited), and Sentient.

The December Debentures will mature on June 30, 2017 and bear interest from and including the date of issuance at the rate of 9% per annum, payable on Maturity Date.

The December Debentures are convertible, at the option of Sentient, into common shares or CDIs of the Company at a conversion price of C$0.01 per common share or CDI. The conversion price of the Debentures will be adjusted in the event there is a reorganisation of capital or an issue of new common shares below the conversion price.

The conversion price of all existing outstanding debentures of the Company held by Sentient pursuant to the terms of prior debenture financings between the Company and Sentient completed earlier this year was also adjusted to C$0.01 per common share or CDI.

Consistent with the Company's accounting policy, the convertible debentures were initially measured at fair value, net of direct expenses, then subsequently at amortized cost. The fair value, net of direct costs of the convertible debentures issued on July 15, 2014 and December 18, 2014 was $5.3 million and $5.0 million respectively.

The transaction completed on July 15, 2014 resulted in a substantial modifications of the terms of an existing convertible unsecured debentures issued on January 15, 2014. The conversion price was reduced from C$0.02 to C$0.015 and the maturity date of the loan dated April 29, 2014 was amended from December 31, 2014 to June 30, 2016. The modified terms significantly change the discounted present value of cash flows. As a result, the existing debentures were extinguished and new fair value of the convertible debentures was recognized.

The transaction completed on December 18, 2014 contributed further to a substantial modification of the terms of an existing convertible debentures issued on January 15, 2014 and July 15, 2014. The conversion prices were reduced from C$0.015 to C$0.01. The modified terms significantly change the discounted present value of cash flows. As a result, the existing debentures were extinguished and new fair values of the convertible debentures were recognized. An extinguishment of the original financial liability of $20.2 million resulted in an $8.7 million increase to the fair value of the new financial liability of $28.9 million.

The total cumulative interest on convertible debentures recognized and expensed in the statement of consolidated statements of loss and comprehensive loss was $6.7 million for the period ended December 31, 2014 (December 31, 2013 - $2.0 million).

In summary, on December 31, 2014, as a result of financings and re-financings with Sentient, the Company had (i) nil balance of the loan facility, initially due on December 31, 2014 and subsequently converted into Loan Debentures on July 15, 2015 as described above, (ii) $29.3 million of convertible debentures resulting from an extinguishment of the original January and July Debenture due on June 30, 2016 and recognition of new financial liability and issuance of new $5.1 million, the December Debentures. In addition, the Company had a derivative financial liability balance of $10.6 million resulting from the conversion option feature contained in the debentures.

Uses of Cash

During YTD 2015, the Company used $2.9 million in operating activities, primarily for the payment of operating expenses such as salaries, and other general, corporate and administrative expenses. In addition, during YTD 2015, the Company used net $2.5 million in investing activities primarily relating to expenditures for the continuing exploration and development activities at the Yandera Project. The Company also generated $14.2 million in financing activities, representing the net proceeds from borrowings.

During YTD 2014, the Company used $2.3 million in operating activities and $3.0 million in net investing activities, of which $6.0 million was for exploration and development expenditures at the Yandera Project. The Company utilized $3.0 million cash from the maturity of term deposits and also generated $6.0 million in financing activities, representing the net proceeds from borrowings.

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 December 18, 2014 to meet these commitments.

The Perth office in Australia represented a significant lease commitment in prior periods. 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 December 31, 2014.

Future minimum payments as at December 31, 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	81	243	324
Total	**81**	**243**	**324**

Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2014.

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 YTD 2015 and YTD 2014 were as follows:

a) Compensation of Key Management Personnel:

In thousands of US dollars	**Six months ended December 31,**	
	2014	**2013**
Salaries, fees, wages and other benefits	671	1,032
Severances	654	-
Share-based compensation	62	-
Total	**1,387**	**1,032**

The severances result from changes in executive management.

(b) Transactions with Sentient

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

Financial Instruments

In thousands of US dollars

	Fair Value at December 31, 2014	**Basis of Measurement**	**Associated Risks**
Cash and cash equivalents	8,938	Loans and receivables	Credit and foreign exchange
Investments in term deposits	51	Loans and receivables	Credit and foreign exchange
Accounts receivable and other current assets	301	Loans and receivables	Credit, foreign exchange
Trade and other payables	2,565	Amortized cost	Foreign exchange
Provisions	155	Amortized cost	Foreign exchange
Derivative financial instrument	10,621	Fair value through profit and loss	Interest, foreign exchange
Loans and borrowings	34,362	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 loan liability balance.

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 weekly 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 six months ended December 31, 2014, a revaluation gain of $10.5 million was recorded.

Future Accounting Standards and Pronouncements

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.

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	11,650,000
9% Convertible debentures	6,004,243,120
Fully diluted share capital	**7,153,763,641**

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 and maintaining adequate internal control over financial reporting ("**ICFR").** 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. The Company's ICFR includes 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.

Any disclosure control and procedures or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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 the inherent limitations in all control systems, there is a risk that misstatements due to error or fraud may occur and not detected on a timely basis.

Changes in Internal Control Over Financial Reporting

There has been no changes in the Company's design of internal controls and procedures over financial reporting that had materially affected, or is reasonable likely to materially affect the Company's internal control over financial reporting during the period covered by this MD&A.

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 provides technical advisory consultancy services to 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.