



**ANNUAL INFORMATION FORM
OF
MARENGO MINING LIMITED**

For the Financial Year Ended June 30, 2011

September 28, 2011

Unless otherwise indicated, the information in this annual information form is given as of June 30, 2011.

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CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

Certain information in this annual information form (“AIF”), 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 annual information form, the Company has made numerous assumptions. The assumptions include, among other things, assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) the accuracy of the Company’s mineral resource estimate; (iv) the future price of copper and molybdenum; and (v) that the supply and demand for copper, molybdenum, and other metals develop as expected. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward looking information will prove to be accurate. By its nature, forward looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company’s actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward looking information. Such risks, uncertainties and other factors include, among other things, the following: (i) need for additional financing to develop the Yandera Project; (ii) decreases in the price of copper and molybdenum; (iii) exploration risk; (iii) the risk that the Company will not obtain a renewal of exploration licence 1335; (iv) dependence on the Yandera Project; (v) state equity interest; (vi) limited operating history; (vii) inherent risks of mining; (viii) political instability in developing countries; (ix) economic uncertainty in developing countries; (xi) other foreign operations risks; (xii) insurance and uninsured risks; (xiii) environmental risks and regulations; (xiv) government regulation; (xv) title to properties; (xvi) hedging policies; (xvii) competition; (xviii) dependence on key personnel; (xix) currency; (xx) repatriation of earnings; (xxi) no production revenues; (xxii) stock exchange prices; (xxiii) conflicts of interest; (xxiv) use of inferred resources in pit optimisation study; (xxv) resource estimates and lack of mineral reserves; and (xxvi) effecting service of process.

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 annual information form, except as may be required by law. All forward looking information disclosed in this annual information form is qualified by this cautionary statement.

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

GENERAL MATTERS

Documents Incorporated by Reference

All references to “**Marengo**” or the “**Company**” refer to Marengo Mining Limited and its subsidiaries.

Information has been incorporated by reference into this AIF from documents filed with the Australian Securities & Investments Commission or similar authorities in Canada. Copies of documents incorporated herein by reference may be obtained upon request without charge from the Company’s Canadian solicitors, Fraser Milner Casgrain LLP 77 King Street West, Suite 400, Toronto-Dominion Centre, Toronto, Ontario M5K 0A1. You may call the Company to request such documents at international +61 8 9429 0000 or copies of documents are also available electronically on the System for Electronic Documents Analysis and Retrieval (“**SEDAR**”) located at www.sedar.com.

The following document is incorporated by reference into this AIF:

- the technical report entitled “Yandera Copper Molybdenum Project, Madang Province, Papua New Guinea” dated April 14, 2011 (the “**Yandera Technical Report**”), prepared by Stephen Godfrey of Golder Associates (“**Golder**”).

Date of Information

All information in this AIF is as of September 28, 2011 unless otherwise indicated.

Currency Presentation

References to “C\$” are to Canadian dollars. References to “A\$” are to Australian dollars. References to “US\$” are to United States dollars. Certain financial information relating to the Company contained herein originated in Australian dollars and has been translated into Canadian dollars based on prevailing exchange rates.

The following table reflects the low and high rates of exchange for one Canadian dollar, expressed in Australian dollars, in effect during the periods noted, the average rates of exchange during such periods and the rates of exchange at the end of such periods, based on the Bank of Canada average noon spot rate of exchange.

<u>Canadian dollar per Australian dollar</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>End of Period</u>
Years Ended June 30				
2011	1.1203	0.9518	1.0113	0.9664
2010	1.1583	1.0181	1.0757	1.1120
2009	1.3291	1.0181	1.1632	1.0680

By quarter for the 2011 fiscal year:

<u>Canadian dollar per Australian dollar</u>	<u>High</u>	<u>Low</u>	<u>Average</u>	<u>End of Period</u>
September 2010 quarter	1.1203	0.9996	1.0635	1.0072
December 2010 quarter	1.0511	0.9823	1.0074	0.9823
March 2011 quarter	1.0300	0.9922	1.0096	0.9935
June 2011 quarter	1.0031	0.9518	0.9724	0.9664

On September 27, 2011, the Bank of Canada nominal noon rate of exchange was C\$1.00 = A\$0.9850.

TECHNICAL INFORMATION

The scientific and technical information contained in this AIF relating to the Company’s Yandera Central copper-molybdenum-gold deposit located in Madang Province, Papua New Guinea (the “**Yandera Project**”) is supported by the Yandera Technical Report.

Where appropriate, certain information contained in this AIF updates information derived from the Yandera Technical Report. Any updates to the scientific or technical information derived from the Yandera Technical Report and any other scientific or technical information contained in this AIF was prepared by or under the supervision of Peter Dendle. Mr. Dendle is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr. Dendle is a “Qualified Person” as defined by National Instrument 43-101 - *Standards of Disclosure for Mineral Projects* (“**NI 43-101**”).

CORPORATE STRUCTURE

Name, Address and Incorporation

Marengo is an exploration and feasibility stage mining company and its principal asset is a 100% interest in the Yandera Project.

Marengo was incorporated under the *Corporations Act 2001 (Cth)* (Australia) (the “**Corporations Act**”) as a proprietary limited company on February 6, 2002 as “Paladin Exploration Pty Limited”. Marengo was re-named “Marengo Mining Pty Limited” on April 23, 2002.

On May 13, 2002, Marengo changed its name to Marengo Mining Limited and changed its status to a public unlisted company on May 30, 2002. Marengo listed on the Australian Securities Exchange (the “**ASX**”) on November 13, 2003 upon the issuance of 17.5 million ordinary shares for gross proceeds of A\$3.5 million and subsequently listed on the Port Moresby Stock Exchange Limited (the “**POMSoX**”) on November 10, 2006. On April 15, 2008, following a public offering of 44,736,843 ordinary shares for gross proceeds of C\$8.5 million by way of long form prospectus, Marengo’s ordinary shares were listed and commenced trading on the Toronto Stock Exchange (the “**TSX**”).

The Company’s registered and head office is located at 9 Havelock Street, First Floor, West Perth, Western Australia 6005.

Intercorporate Relationships

Marengo has three subsidiaries, Marengo Mining (PNG) Limited, Yandera Mining Company (Holdings) Pty Limited, and Yandera Mining Company Limited (previously known as Marengo Mining (PNG) Limited) (“**YMCL**”). YMCL was incorporated under the laws of Papua New Guinea (“**PNG**”) on February 21, 2005. In August 2006, the Company purchased all of the issued and outstanding shares of Belvedere Limited (a private Papua New Guinea company) (“**Belvedere**”). On June 27, 2007, YMCL and Belvedere were amalgamated under the name “Marengo Mining (PNG) Limited”, now known as Yandera Mining Company Limited. YMCL holds the Company’s interest in the Yandera Project.

GENERAL DEVELOPMENT AND DESCRIPTION OF THE BUSINESS

Overview

Marengo is an exploration and feasibility stage mining company and its principal asset is its 100% interest in the Yandera Project. Papua New Guinea is located within the “Ring of Fire”, between West Papua and New Zealand. Management believes each of Barrick Gold Corporation, China Metallurgical Group Corporation, Billiton, Rio Tinto, Newcrest Mining Limited and Harmony Gold Mining Co. Ltd. to be currently operating in Papua New Guinea. The following map highlights the location of the Yandera Project relative to south-east Asia and Australia:

Figure 1: Proximity to Asian Markets



The Company also owns a database of exploration and project evaluation activities (including all exploration and drilling data, assay results from 102 diamond holes totalling 33,000 metres, resource estimates and scoping studies) at the Yandera Project between 1970 and 1989.

History

In April 2005, the Company, through YMCL, reached an agreement to earn a 50% interest in the Yandera Project from Belvedere by spending A\$500,000 on exploration by April 2007. YMCL satisfied this exploration expenditure requirement in early 2006 and earned a 50% interest in the Yandera Project. The agreement provided that thereafter Marengo could earn up to a 90% interest in the property by solely funding a bankable feasibility study.

At the same time, the Company purchased from Triako Resources Limited (“**Triako**”), in exchange for the issue of 400,000 ordinary shares of Marengo, a database of exploration and project evaluation activities (including all exploration and drilling data, assay results from 102 diamond holes totalling 33,000 metres, resource estimates and scoping studies) at the Yandera Project between 1970 and 1989.

In February 2006, the Company, through YMCL, reached an agreement to acquire a 100% interest in the Yandera Project by acquiring all of the issued and outstanding shares of its joint venture partner, Belvedere, for a purchase price of A\$3 million cash, the issue of 12 million ordinary shares of Marengo and the grant of 6 million listed options to acquire ordinary shares of Marengo at a price of A\$0.20 per share which expired on February 28, 2008. The sole asset of Belvedere was its interest in 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 optimization, metallurgical testwork, plant flowsheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a definitive feasibility study (the “**DFS**”) on the development of the Yandera Project.

Phase 1 of the DFS was completed in April 2008 and comprised a comparative development options analysis study and delivered a number of positive results. Phase 2 of the DFS commenced in May 2008 and is ongoing. Phase 2 of the DFS involves metallurgical testwork, mine design, process plant design, tailings and concentrate pipeline design, route selection, geotechnical studies, equipment selection and infrastructure layout. Phase 2 of the DFS also includes identification and consideration of options for project infrastructure, processing facility locations and transportation in order to reduce initial capital costs – see “*General Development of the Business – Recent Developments - Phase 2 of the DFS*” below.

The primary focus of the Company for the ensuing 12 months is to complete the DFS and a district exploration program focusing on the area surrounding the Yandera central resource.

Exploration

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

From discovery in the late 1950s until the end of 2008, over 240 diamond holes) have been completed at the Yandera central porphyry for a total of approximately 80,000 metres drilled. Of these, 97 holes for approximately 28,900 metres were drilled since the commencement of the 2008 drilling season.

During 2009 a 10 hole drill program was completed at the Kombruku Prospect, located 4 kilometres from the Yandera Central deposit, following up on zones of outcropping copper mineralisation, coincident with anomalies from a surface geophysical (Induced Polarisation) survey. No significantly wide intersections were encountered although a number of narrower intersections were made during the program. These and the limited amount of drilling over this extensive prospect warrants further work at a later date.

Also during 2009 an airborne magnetic and radiometric survey was flown over a large section of the Yandera Project tenements northwest and southeast of the Yandera Central deposit. This helicopter mounted survey was flown on 100 metres line spacings at a flying height of between 60 and 80 metres.

The results of this survey have highlighted the importance of the structural evolution of the area in focusing fluid flow and magmatism. Similar structural features are already well recognised in South American porphyry copper belts.

This survey has produced a suite of exploration targets local to the Yandera deposit which will be the focus of future programs.

During the 2010/2011 field season diamond drilling focused on extensional and infill drilling of the Yandera Project Central deposit. As of the end of July 2011, 416 diamond holes have been completed at the Yandera Project deposit for a total of approximately 132,140 metres drilled.

The Company intends to boost its exploration effort for both base metals and gold, with a budgeted allocation of up to A\$5 million for the fiscal year ending June 30, 2012

District Exploration

During the 2008 drilling season, Marengo undertook mapping and sampling programs in the north westerly and south easterly directions to investigate mineralization along strike of the Yandera centre and within the previously identified structural corridor. The following map indicates the relative location of the prospects identified to date, in the area surrounding the Yandera central resource:

Figure 2: Airborne Magnetic Image Yandera Project

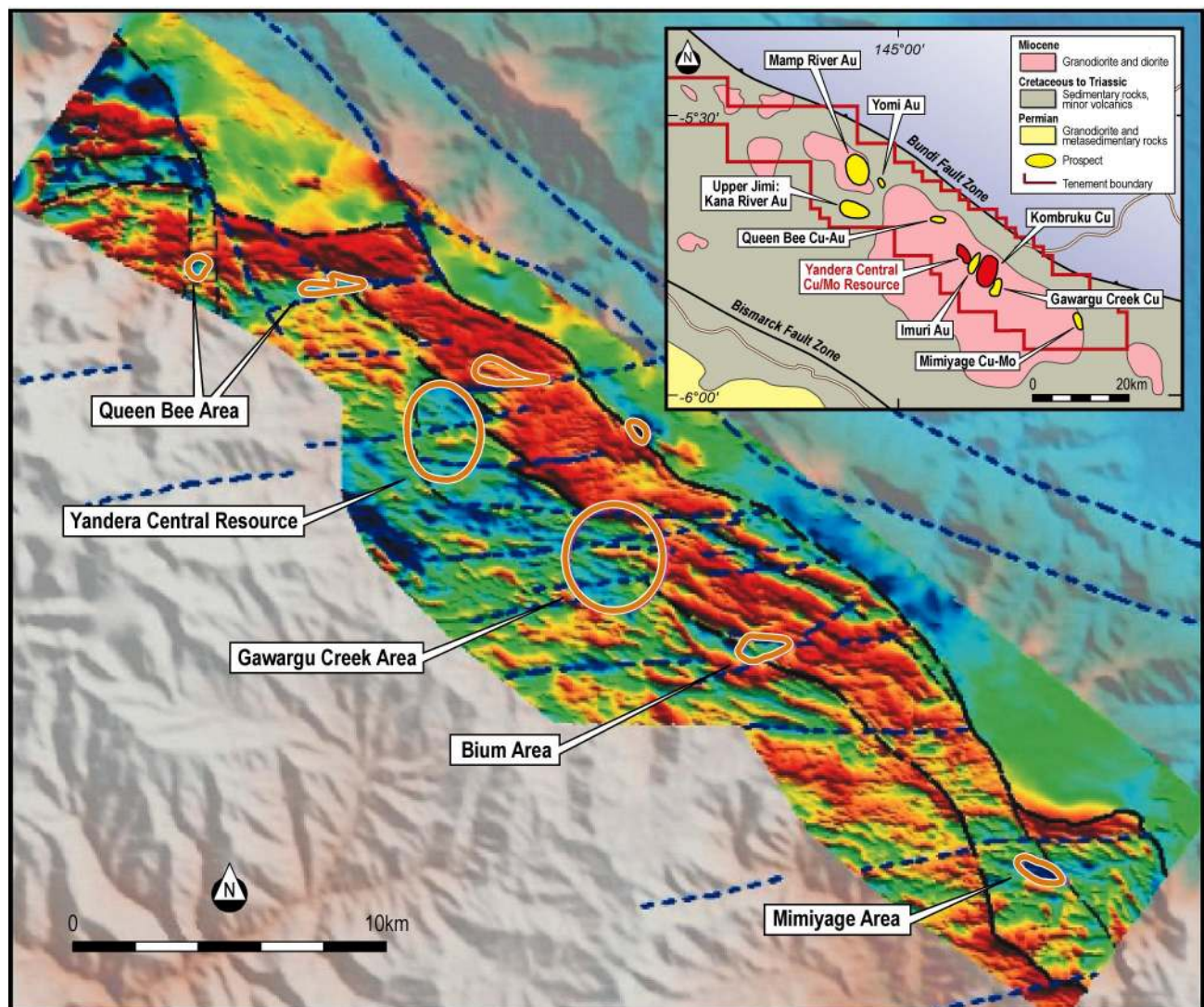
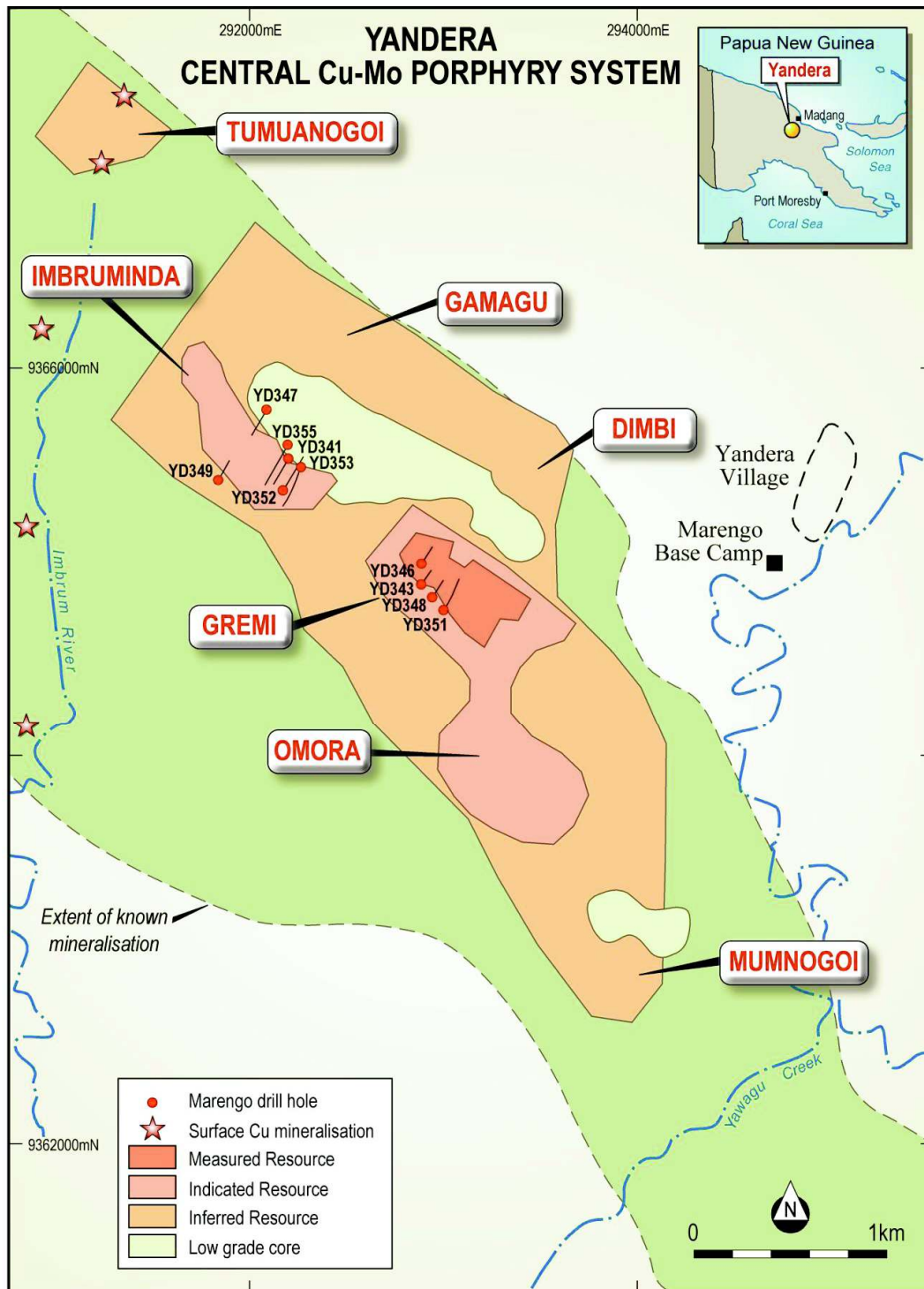


Figure 3 Yandera Central Resource Zones and extent of known mineralisation



Resource Drilling

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

Gamagu and Mumnogoi zones. From this drilling additional zones of mineralization within the central porphyry were identified, particularly at Mumnogoi and Gamagu.

During the 2010 and 2011 field seasons drilling has continued to test strike extensions for the Imbruminda and Dimbi-Gamagu Zones.

Since the commencement of the 2010 field season, additional drilling has focused on testing for depth extensions of the Imbruminda and Gremi zones.

The first of these holes was completed at the Imbruminda zone where hole YD 273 intersected widespread copper and molybdenum mineralisation from near surface to the end of the hole, at 983.7 metres. This produced a drill intersection of 980.7 metres @ 0.38% CuEq. The hole also includes higher grade zones, notably 207 metres @ 0.51% Cu and 118 ppm Mo (0.65% CuEq) and 29.7 metres @ 0.49% Cu and 699 ppm molybdenum from 954 metres to the end of the hole.

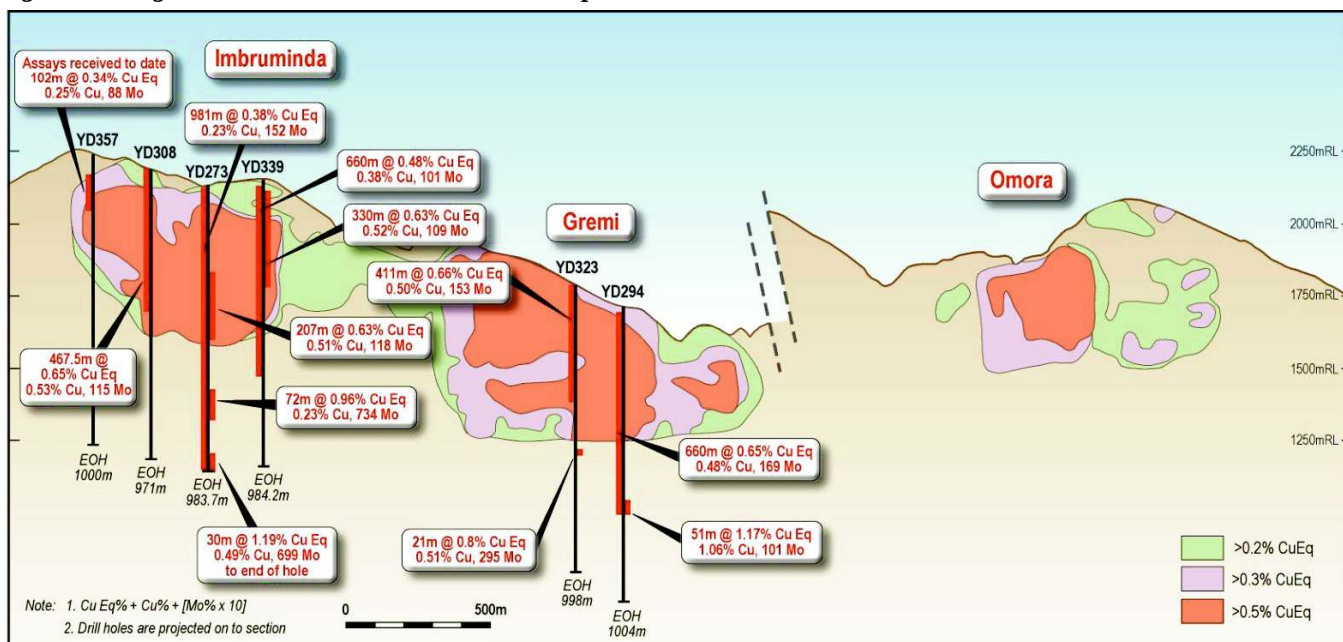
A second hole has now been completed at the Gremi zone (YD 294), to a depth of 1004 metres with results awaited, although significant zones of copper sulphides were encountered.

Through the 2011 drilling programme, the object has been to increase resource definition and confidence at both Gremi and Imbruminda. The Gremi zone is considered to now have sufficient resource drilling for DFS engineering purposes. Results from Imbruminda confirm the previous encouraging data and the area continues for prioritized drilling. The latest mine planning is showing the Imbruminda zone will play a large part in the early production profile.

Up to six drilling rigs have been mobilized in the drilling and infill programme, during the 2011 field season.

The map set out below indicates the location of the relevant zones and drill holes referred to:

Figure 4: Longitudinal Section – Yandera Central deposit



Phase 2 of the DFS

The Company is continuing to provide update briefings to the PNG Government and other statutory bodies to progress the permitting process for the Yandera Project, which remains the critical path item in terms of the overall project development schedule.

Subject to completion of final permitting Marengo expects to achieve a timetable of commencing development of the Yandera Project, to achieve first production during 2015.

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

Figure 5 Proposed Flotation and Comminution Plant Locations



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

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

Phase 2 of the DFS has also identified alternative tailings management options.

Financing Activities

In August 2009, the Company completed an offering of 172,500,000 ordinary shares for gross proceeds of C\$14.8 million by way of short form prospectus in Canada. In September 2009, the Company completed a private placement to institutional and sophisticated investors in Australia, issuing 57,452,546 ordinary shares for gross aggregate proceeds of approximately A\$5.5 million.

On July 30, 2010, the Company entered into an agency agreement with Paradigm Capital Inc. and Fraser Mackenzie Limited (the “**July Agency Agreement**”) pursuant to which the Company completed an offering of 240,000,000 units (“Units”) at price of C0.084 per Unit raising gross proceeds of C\$20.16 million. Each Unit consisted of one ordinary share of the Company and one-quarter of a one warrant (each whole warrant, a “**Warrant**”). Each Warrant is exercisable to acquire one ordinary share of the Company at a price of C\$0.0116 until August 11, 2013.

On November 30, 2010, the Company entered into an agency agreement with Paradigm Capital Inc. (the “**December Agency Agreement**”) pursuant to which the Company completed an offering of 110,000,000 units (“**Subscription Receipt Units**”) at a price of C\$0.50 per Unit (the “**December Offering**”). Each Subscription Receipt Unit consisted of one ordinary share of the Company and one subscription receipt (a “**Subscription Receipt**”). Each Subscription Receipt was automatically converted into one ordinary share of the Company upon receipt of shareholder approval required pursuant to the listing rules of the ASX at a shareholder meeting held on December 21, 2010. Additionally, the over-allotment option was exercised pursuant to the terms of the December Agency agreement resulting in the issuance of an additional 33,000,000 ordinary shares of the Company. The Company raised gross proceeds of C\$63.25 million pursuant to the December Offering upon conversion of the Subscription Receipts and exercise of the over-allotment option.

Recent Developments

Yandera Project

In February 2011, the Company announced a 32% increase in the contained copper metal at the Yandera Project. The Company filed the Yandera Technical Report to support the increased mineral resource on the Yandera Project in April 2011. For more information, please see “*The Yandera Project*”.

Project Development – Strategic Partner

In October 2010, the Company signed a Memorandum of Understanding (“**MoU**”) with China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd (“**NFC**”), a member of the China Nonferrous group, for the financing, construction and development of the Yandera Project. Discussions are progressing between the Company and NFC with a view to concluding a formal construction agreement and a strategic alliance with NFC (Engineering, Procurement and Construction or EPC Contract) for the Yandera Central Deposit. The other party to the MoU is Perth-based mining engineering group, Arcon WA Pty Ltd (“**Arcon**”), which facilitated the introduction to NFC.

As part of its MOU with NFC and Arcon, these parties have agreed with Marengo to undertake the next key phase of process plant design work, which forms a key component to the DFS. This work will be undertaken at one of NFC's design Institutes in China. The anticipated completion date for Phase 2 of the DFS has been extended to mid 2012.

In addition, the Company is continuing to provide update briefings with the PNG Government and other statutory bodies to progress the permitting process for the Yandera Project, which remains the critical path item in terms of the overall project development schedule.

Subject to completion of final permitting Marengo expects to achieve a timetable of commencing development of the Yandera Project, to achieve first production during 2015.

THE YANDERA PROJECT

The Yandera Project

Detailed information in respect of the Yandera Project is set out in the Yandera Technical Report. The following description of the Yandera Project is derived from the summary of the Yandera Technical Report and readers should consult the Yandera Technical Report to obtain further particulars regarding the Yandera Project.

Property Location and Description

The Yandera Project deposit is located in the Papua New Guinea Highlands approximately 95 km south-west of Madang. The prospect has been explored by a number of parties since the 1960s and has been wholly controlled by Marengo since 2006.

Ownership

The Yandera Project is located on Exploration Licences 1335 owned by YMCL, a subsidiary of Marengo Mining Ltd.

Geology

The Yandera Project contains a porphyry system lying within the core of the Bismarck Intrusive Complex, a Triassic-aged granitic pluton located within the Ramu Fault Zone that runs NW-SE along the northern side of the highlands of Papua New Guinea. Locally the geology consists of dioritic and dacitic porphyries intruding the monzonite-granodiorite. Locally the intrusion has produced zones of brecciation.

Mineralisation

Mineralisation is associated with the intrusion of the porphyries and is characterised by a large marginal alteration halo with an intensely altered core. Copper and molybdenum mineralisation occurs throughout the altered zones, with higher grades associated with the intensive alteration and brecciation.

Exploration Concept

Exploration is focussed on the diamond drill sampling of the alteration zone to identify and model the copper and molybdenum distribution of the deposit. Beyond the known alteration zone, geochemical sampling is ongoing in an effort to identify further resources.

Status of Exploration

In the preparation of the resource estimate, data from 345 diamond drill holes has been used. Marengo has drilled 231 of these holes. The diamond drilling and geochemical sampling programs are ongoing.

Resource

The resource includes estimates for Copper (Cu), Molybdenum (Mo), Gold (Au), Silver (Ag) and Rhenium (Re). Measured, Indicated and Inferred Resources have been reported for Cu and Mo at Copper Equivalent (CuEq) grades. The Au, Ag and Re resource is all inferred.

Yandera Mineral Resource – Cu and Mo

CuEq Cut-off Grade	Mineral Resource Category	Mt	CuEq%	Cu ppm	Mo ppm
0.20	Measured	132	0.53	3,700	167
0.20	Indicated	490	0.35	2,772	89
0.20	Combined Measured + Indicated	622	0.39	2,968	108
0.20	Inferred	1,017	0.33	2,840	68
0.25	Measured	124	0.55	3,826	173
0.25	Indicated	349	0.40	3,126	106
0.25	Combined Measured + Indicated	472	0.44	3,309	125
0.25	Inferred	647	0.39	3,327	81
0.30	Measured	113	0.57	3,980	181
0.30	Indicated	245	0.46	3,468	124
0.30	Combined Measured + Indicated	359	0.50	3,629	143
0.30	Inferred	417	0.45	3,838	96

*CuEq – Cu Equivalent is calculated as (Cu% + (Mo% x 10))

Yandera Mineral Resource – Au Ag Re

CuEq Cut-off Grade	Mineral Resource Category	Mt	Au g/t	Ag g/t	Re ppm*
0.20	Inferred	1,639	0.07	1.50	0.05
0.25	Inferred	1,119	0.08	1.58	0.05
0.30	Inferred	776	0.09	1.68	0.06

**** Re is calculated by regression against Mo**

Development

The Yandera Project is currently in the exploration stage of development with a DFS running concurrently. Local infrastructure is confined to exploration camp facilities.

Operations

Currently no mining or processing operations are in place at the Yandera Project.

Authors' Conclusions

The author concludes that exploration of the Yandera Project deposit has defined and confirmed a significant porphyry copper/molybdenum deposit. Modelling has produced a robust estimate of the contained metal.

Recommendations

Based on the auditors' analyses of the Yandera Project it is recommended the following work be addressed by Marengo:

- 1) Detailed structural and geological interpretations should continue. The detailed geological interpretation that has been completed for the Gremi area should be extended to the rest of the deposit.
- 2) The resource model should be updated when the geological interpretation is complete.
- 3) Investigation into the provenance and reliability of the historical Au and Ag analyses should be undertaken. Pre-Marengo Au and Ag assays records are based on a variety of analyses by several companies. A quality assurance program should be undertaken to confirm the reliability of these results.
- 4) Further Re analyses should be undertaken to confirm the current relationships used to calculate the Re grades in the resource. Re values in the current resource are based on a very limited number of samples. A pulp re-assaying program should be undertaken for a selection of samples over the full extent of the mineralisation and for each of the various lithological units. Approximately 1000 pulps should be re-assayed to enable an assessment of the consistency of the Re and the accuracy off the current correlation with Mo. This represents approximately 10% of the sample population.

The following table provides an estimate of the expected cost of this work:

Task	Estimated Cost (A\$)
1) Geology (two geologist plus supervision, 6 months)	\$150,000
2) Resource Model Update (Consultant)	\$30,000
3) Au/Ag Quality Assurance (Geologist/DBA – 3 months)	\$50,000
4) Re Analysis (~1000 pulps)	\$50,000

PAPUA NEW GUINEA

Overview of Papua New Guinea

Papua New Guinea is located in the southwest Pacific near Australia with a land area of approximately 462,000 square kilometres and a population of approximately 6.1 million. English is the official language of government and commerce, although the majority of Papua New Guineans speak Pidgin. Additionally, there are more than 700 local languages spoken. Papua New Guinea gained independence from Australia in 1975 and rapidly assumed full management of its own affairs. Since independence, Papua New Guinea has engaged in regular general elections, undergoing several democratic changes of government. The most recent election occurred in June and July of 2007 and resulted in the re-election of Michael Somare

as Prime Minister, a position he has held since 2002. A parliament vote on August 2, 2011 appointed Peter O’Neil as Prime Minister

Despite its relatively short period of exposure to western influences and the mining industry, Papua New Guinea has attained credibility as a mineral producer based on the presence of several major mines, beginning with the Bulolo gold dredging operation in the 1930s. There are currently three world class mines in operation, two smaller mines in production, and several projects about to commence production.

The Australian Bureau of Mineral Resources (“**BMR**”) provided geological services to Papua New Guinea from 1948 to 1972. The BMR contribution to the geological understanding of Papua New Guinea was significant. In the late 1950s, BMR geologists discovered the Yandera copper mineralisation, were responsible for the preparation of most of the 1:250,000 scale geological maps of Papua New Guinea, and in 1962 discovered the Ramu lateritic nickel-copper deposit, currently under development 20 kilometres from the Yandera Project site.

Systematic mineral exploration of Papua New Guinea commenced in the late 1960s with attention largely directed towards finding porphyry copper deposits. By the mid-1970s, three world-class deposits and several smaller systems had been discovered. In the 1980s, attention shifted to gold exploration in previously known and unexplored areas, and resulted in recognition of the Porgera and Morobe Goldfields world-class gold deposits, each containing more than 200 tonnes of gold, and numerous smaller deposits of economic interest.

Since the early 1980s, mining and petroleum have become the driving force of the Papua New Guinea economy, contributing significantly to total exports, government revenue and gross domestic product. Papua New Guinea has been ranked as the 11th largest gold producer in the world over the past few years and is a significant copper producer.

Employment directly attributable to mining is estimated to account for 5% of the total available workforce, representing approximately 20% of the total formal rural workforce. The indirect employment figure derived from support services, such as contractors not classified as ‘mining’ but engaged on mining related projects, makes the overall employment figure due to mining significantly higher.

Mining Law and Tenure

Under the *Mining Act* (1992) (the “**Mining Act**”), all minerals existing on, in, or below the surface of any land in Papua New Guinea, including any minerals contained in any water lying on any land in Papua New Guinea, are the property of the State. The Mining Act establishes a regulatory regime for the exploration for, and production of, minerals and is administered by the Mineral Resources Authority. The Mineral Resources Authority was established under the *Mineral Resources Authority Act* (2005) (which also established the Mining Advisory Council) as a self-funded body to replace the Department of Mining as administrator of the Mining Act. The Mineral Resources Authority is not a department of the National Public Service of Papua New Guinea.

The types of mining tenements that may be granted include exploration licences, special mining leases and mining leases.

Land

Approximately 97% of land in Papua New Guinea is held by traditional owners under customary principles of land ownership. The specific elements and rules of the system of customary land tenure vary from place to place. However, customary land ownership generally recognises the traditional users of land and their personal and clan arrangements for land use.

While it is not possible to purchase or lease customary land from its traditional owners, a mining tenement may be granted over customary land under the Mining Act. The tenement holder is liable to compensate the land owners as required by the Mining Act before entering onto or occupying the land the subject of the tenement, as discussed below.

The balance of the land in Papua New Guinea is known as alienated land. Alienated land is land that has either been acquired from customary owners by the State either for its own use or for private development, or in some rare cases, is held as freehold other than by the State.

Exploration Licences

An exploration licence entitles the licensee to exclusive occupation of the land which is the subject of the licence for the purpose of carrying out exploration for minerals on that land in accordance with any conditions to which it may be subject, including that the licensee complies with an exploration program approved by the Minister for Mining (the “**Minister**”). In particular, the licensee may extract, remove and dispose of such quantity of rock, earth, soil or minerals as permitted under an approved exploration program (subject to the power of the Mineral Resources Authority to require the licensee to deliver to it all cores and drilling samples taken in the licence area). The licensee must also meet minimum annual expenditure requirements in connection with the approved exploration program, and meet certain reporting obligations. An exploration licence is issued for a period of two years, which may be extended for additional two year periods provided that: (i) the

licensee has complied with the conditions of the licence, paid compensation as required by the Mining Act, and submitted an exploration program for the proposed extended term to the Mining Advisory Council; and (ii) the Mining Advisory Council has recommended such exploration program for approval. On a renewal application, at least half of the area of the licence, as at the commencement of the previous term, must be relinquished until such time as the area is not more than 30 sub-blocks (approximately 100 square kilometres), after which no further relinquishment is required.

Special Mining Leases and Mining Development Contracts

Where the Minister considers that the size or distribution of a mineral deposit, the method of mining or treatment, the required infrastructure or financial or economic considerations make a mining development contract necessary, the Minister may require that the mining of a deposit occur pursuant to a special mining lease and a mining development contract. A mining development contract may contain provisions concerning the exercise by governmental authorities of certain discretions, the settlement of disputes between the developer and the State and such other matters as may be considered necessary by the parties, including provisions in respect of authorisations, taxation, the provision of facilities, the environment, local training, business development, supply and procurement requirements and the suspension of project operations.

A special mining lease is issued to the holder of an exploration licence that is also party to a mining development contract, by the Head of State acting on the advice of the National Executive Council after considering the recommendation of the Mining Advisory Council and after the Minister approves the applicant's proposals for development. A special mining lease entitles the holder to exclusive occupancy of a specified area of land for mining and mining purposes and to ownership of all minerals lawfully mined from that land. A special mining lease may have a term of up to 40 years and may be extended for periods of up to 20 years. It is a condition of each special mining lease that the holder comply with the approved proposals for development. A special mining lease may also include such other conditions, consistent with the mining development contract, as may be determined by the Head of State. The area of a special mining lease must not be more than 60 square kilometres and must be of a rectangular or polygonal shape.

Mining Leases

A mining lease is issued by the Minister after considering a recommendation of the Mining Advisory Council, and after the Minister approves the applicant's proposals for development. A mining lease entitles the holder to exclusive occupancy of a specified area of land for mining and mining purposes and to ownership of all minerals lawfully mined from that land. A mining lease may have a term of up to 20 years and may be extended for periods of up to 10 years. It is a condition of each mining lease that the holder comply with the proposal for development. A mining lease may also include such other conditions as may be determined by the Minister.

Cancellation

A tenement may be cancelled by the Minister if, after receiving a notice that the holder has breached the Mining Act or a condition of the tenement for which the tenement holder fails to show cause. However, a special mining lease cannot be cancelled unless the associated mining development contract has also been terminated.

Royalties

The holder of a mining lease or a special mining lease is required to pay a royalty to the State equal to 2.0% of the value of mined product.

Compensation

Under the Mining Act, a tenement holder is liable to compensate the owners of the land subject to the tenement, any adjoining land or improvements and land or improvements in the vicinity of the tenement, for its entry onto, or occupation of the land and for loss and damage caused or foreseen to be caused by exploration, mining or related activities. Compensation arrangements, either by way of agreement between the parties or a determination by a warden, must be finalised and compensation payments must be current before the tenement holder may enter onto, or occupy, the land.

State Equity Interest

As a matter of policy, the State reserves in every exploration licence granted under the Mining Act, the right to elect, at any time prior to the commencement of mining, to make a single purchase of up to a 30% equitable interest in any mineral discovery arising from the exploration licence at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a pro rata basis, unless otherwise agreed. The Company is not aware of the State ever having exercised its right to acquire the entire 30% equity interest although on occasion the State has exercised its right and acquired a 20% equity interest in a project.

Environmental Law

Activities that have an impact on the environment of Papua New Guinea are regulated by specific environmental legislation which is administered by the Department of Environment and Conservation. All mine developments require an environment permit issued pursuant to the *Environment Act* (2000), which normally must be issued before the relevant tenement is granted.

Taxation

Commencing on January 1, 2001, the corporate tax rate applicable to resident companies such as Marengo PNG is 30% of income from mining and non-mining activities. A withholding tax at the rate of 10% is payable by resident companies carrying on mining activities on dividends paid out of mining income. Interest income earned prior to the commencement of commercial operations is not taxed but instead reduces “allowable capital expenditure” relating to that project. Interest income earned by an exploration company is generally not taxed but is instead offset against carry forward exploration expenditure.

RISK FACTORS

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Marengo and the value of the ordinary shares. These include risks that are widespread risks associated with any form of business and specific risks associated with Marengo’s business and its involvement in the exploration and mining industry generally and in Papua New Guinea in particular. Please see “*Papua New Guinea*”. While most risk factors are largely beyond the control of Marengo and its directors, the Company will seek to mitigate the risks where possible, for example by maintaining its key relationships with Papua New Guinea’s federal and regional governments and local people. However, an investment in the Offered Shares is considered speculative due to the nature of Marengo’s business and the present stage of its development.

Additional Funding may be required

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

Decreases in the Price of Copper and Molybdenum

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

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

Exploration Risks

The exploration for and development of mineral deposits involves significant risks, which even a combination of careful evaluations, experience and knowledge may not eliminate. Although the discovery of a mineral body may result in substantial rewards, few properties explored are ultimately developed into producing mines. It is impossible to ensure that the current exploration program planned by Marengo will result in a profitable commercial mining operation.

Company may not obtain Renewal of EL1335

The Company’s interest in the Yandera Project is derived from two EIs, EL1335 and EL1416. The Yandera central resource is located on EL1335. EL1335 expires on November 19, 2011. EL1335 may be renewed for an additional two year term, upon

an application being made prior to November 19, 2011, failing which the Company's rights to the area of EL1335 may be forfeited. Although the Company has no reason to believe that EL1335 will not be renewed for an additional two year term, there can be no assurance that will be the case. Any failure to renew EL1335 would have a material adverse effect on the Company's financial condition and results of operations.

Dependence on the Yandera Project

Marengo's activities are focused primarily on the Yandera Project. Any adverse changes or developments affecting this project, such as, but not limited to, Marengo's inability to successfully complete the DFS, obtain financing on commercially suitable terms, hire suitable personnel and mining contractors, or secure an off-take agreement on commercially suitable terms or at all, may have a material adverse effect on Marengo's financial performance and results of operations.

State Equity Interest

As a matter of policy, the State reserves in every exploration licence granted under the Mining Act, the right to elect, at any time prior to the commencement of mining, to make a single purchase of up to a 30% equitable interest in any mineral discovery arising from the exploration licence at a price pro rata to the accumulated exploration expenditures and then to contribute to further exploration and development in relation to the lease on a pro rata basis, unless otherwise agreed. The Company is not aware of the State ever having exercised their right in respect of the entire 30% although on occasion the State has exercised its right in respect of 20% of a project. There can be no assurance that the State will not exercise this right in whole or in part, or at all. See "*Papua New Guinea – State Equity Interest*".

Limited Operating History

The Company has no history of producing metals from its current mineral properties. As a result, the Company is subject to all of the risks associated with establishing new mining operations and business enterprises including:

- the timing and cost of the construction of mining and processing facilities;
- the availability and costs of skilled labour and mining equipment;
- the availability and cost of appropriate smelting and/or refining arrangements;
- the need to obtain necessary environmental and other governmental approvals and permits, and the timing of those approvals and permits; and
- the availability of funds to finance construction and development activities.

It is common in new mining operations to experience problems and delays during construction, development and mine start-up. In addition, delays in the commencement of mineral production often occur. Accordingly, there are no assurances that the Company's activities will result in profitable mining operations or that the Company will successfully establish mining operations or profitably produce metals at any of its properties.

Inherent Risks of Mining

The Company's business operations are subject to risks and hazards inherent in the mining industry. The exploration for and the development of mineral deposits involves significant risks, including, but not limited to: environmental hazards, industrial accidents, metallurgical and other processing problems, unusual or unexpected rock formations, structure cave-in or slides, flooding, fires and interruption due to inclement or hazardous weather conditions. These risks could result in damage to, or destruction of, mineral properties, production facilities or other properties, personal injury or death, environmental damage, delays in mining, increased production costs, monetary losses and possible legal liability.

Whether income will result from projects undergoing exploration and development programs depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and commodity prices affect successful project development. In addition, few properties that are explored are ultimately developed into producing mines.

Political Instability in Developing Countries

The Company's mineral interests are in Papua New Guinea and may be affected by varying degrees of social and political instability. These risks and uncertainties include political and labour unrest, fluctuations in currency exchange rates, inflation, hostage taking and expropriation. The Company's mining exploration and development activities may be affected by these uncertainties and the nature of various government regulations relating to the mining industry. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect its business and/or its holdings. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, expropriation of property, environmental legislation and safety factors. The Company's operations in Papua New Guinea entail governmental, economic, social, medical and other risk factors common to

all developing countries. See “*Risk Factors - Economic Uncertainty in Developing Countries*”. The status of Papua New Guinea as a developing country may make it more difficult for the Company to obtain any required financing because of the investment risks associated with these countries.

Economic Uncertainty in Developing Countries

The Company’s future operations in Papua New Guinea may be adversely affected by economic uncertainty characteristic of developing countries. There can be no assurance that any governmental action to control inflationary or deflationary situations will be effective in ensuring economic stability, or that future governmental actions will not trigger inflationary or deflationary cycles. Additionally, changes in inflation rates or deflation and governmental actions taken in response to such changes can also affect currency values in such countries. Any such changes could have a material effect on the Company’s results of operations and financial condition.

Other Foreign Operations Risks

Changes, if any, in mining or investment policies or shifts in political attitude in Papua New Guinea may affect the operations or profitability of Marengo. Operations may be affected in varying degrees by government regulations with respect to, but not limited to, restrictions on production, price controls, export controls, currency remittance, income taxes, expropriation of property, foreign investment, maintenance of claims, environmental legislation, land use, land claims of local people, water use and mine safety.

Failure to comply strictly with applicable laws, regulations and local practices relating to mineral rights applications and tenure, could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests.

The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.

Insurance and Uninsured Risks

The business of Marengo is subject to a number of risks and hazards generally, including adverse environmental conditions, industrial accidents, labour disputes, unusual or unexpected geological conditions, ground or slope failures, cave-ins, changes in the regulatory environment and natural phenomena such as inclement weather conditions, floods and earthquakes. Such occurrences could result in damage to mineral properties or production facilities, personal injury or death, environmental damage to properties of Marengo or others, delays in mining, monetary losses and possible legal liability.

Although Marengo maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will unlikely cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and Marengo may decide not to insure against certain risks because of high premiums or other reasons. Moreover, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to Marengo or to other companies in the mining industry on acceptable terms. Losses from these events may cause Marengo to incur significant costs that could have a material effect upon its financial performance and results of operations.

Environmental Risks and Regulations

All phases of Marengo’s operations are subject to environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects, and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect Marengo’s operations. Environmental hazards may exist on the properties on which Marengo holds interests which are unknown to Marengo at present and which have been caused by previous or existing owners or operators of the properties.

Government approvals and permits are currently and may in the future be required in connection with the operations of Marengo. To the extent such approvals are required and not obtained, Marengo may be curtailed or prohibited from continuing its mining operations or from proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations or in the exploration or development of mineral properties may be required to compensate those suffering

loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining and exploration companies, or more stringent implementation thereof, could have a material impact on Marengo and cause increases in exploration expenses, capital expenditures or production costs, or reduction in levels of production at producing properties, or require abandonment or delays in development of new mining properties.

Government Regulation

The mining, processing, development and mineral exploration activities of Marengo are subject to various laws governing prospecting, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use, land claims of local people, and other matters. Although the exploration and development activities of Marengo are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development. Amendments to current laws and regulations governing operations and activities of mining and milling or more stringent implementation thereof could have a substantial impact on Marengo.

Title to Properties

Although the Company has obtained title opinions with respect to its material properties there can be no assurances that the Company's interest in its properties is free from defects or that the material contracts between the Company and the entities owned or controlled by foreign government will not be unilaterally altered or revoked. The Company has investigated its rights as described in this annual information form and believes that these rights are in good standing. There is no assurance, however, that such rights and title interests could not be revoked or significantly altered to the detriment of the Company. There can be no assurances that the Company's rights and title interests will not be challenged or impugned by third parties.

Hedging Policies

The Company has not entered into any forward sales or hedging agreements for copper or molybdenum or any other minerals, but may enter into such contracts in the future. The Company has entered into forward foreign currency contracts. The use of currency hedges involves special risks including the possible default by the other party to the transaction, illiquidity and the extent to which the Company's assessment of certain market movements is incorrect and the risk that the use of hedges could result in losses greater than if hedging had not been used. The hedging arrangements may have the effect of limiting or reducing the total returns of the Company if the Company's expectations concerning future events or market conditions prove to be incorrect. In addition, costs associated with the hedging program may outweigh the benefits of the arrangements in some circumstances.

The risks associated with fluctuations in the price of metals and foreign exchange rates will be managed by the Company's risk management policy, as determined from time to time, and detailed budgets, forecasts and mine plans, but the Company cannot guarantee the effectiveness of its present or future hedging policies.

Competition

The Company competes with other companies, some which have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. The Company competes with other mining companies for the acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and other personnel. Many of the Company's competitors not only explore for and produce minerals, but also carry out downstream operations on these and other products on a worldwide basis. There can be no assurance that the Company can compete effectively with these companies.

Dependence on Key Personnel

The Company is reliant on key personnel employed or engaged by the Company. Loss of such personnel may have a material impact on the performance of the Company. In addition, the recruiting of qualified personnel is critical to the Company's success. As the Company's business grows, it will require additional key financial, administrative, mining, marketing and public relations personnel as well as additional staff for operations. While the Company believes that it will be successful in attracting and retaining qualified personnel, there can be no assurance of such success.

Currency

The Company's expected future revenue will be in United States dollars while most of its expenditures are in the local currencies of Papua New Guinea and Australia. As a result of the use of these different currencies, the Company is subject to foreign currency fluctuations. Foreign currencies are affected by a number of factors that are beyond the control of the Company. These factors include economic conditions in the relevant country and elsewhere and the outlook for interest rates,

inflation and other economic factors. Foreign currency fluctuations may materially affect the Company's financial position and operating results.

The Company has not hedged against fluctuations in exchange rates as yet, though the Company may enter into some hedge contracts, particularly in relation to foreign currencies, at a later date.

Repatriation of Earnings

There is no assurance that Papua New Guinea or any other foreign country in which the Company may operate in the future will not impose restrictions on the repatriation of earnings to foreign entities.

No Production Revenues

To date, the Company has not recorded any revenues from its mining projects nor has the Company commenced commercial production on any of its properties. There can be no assurance that significant additional losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as needed consultants, personnel and equipment associated with advancing exploration, development and commercial production of its properties are added. The amounts and timing of expenditures will depend on the progress of ongoing exploration and development, the results of consultants' analyses and recommendations, the rate at which operating losses are incurred, the execution of any joint venture agreements with strategic partners, the Company's acquisition of additional properties and other factors, some of which are beyond the Company's control. The Company expects to continue to incur losses unless and until such time as its properties enter into commercial production and generate sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct the exploration and development of properties. There can be no assurance that the Company will generate any revenues or achieve profitability.

Stock Exchange Prices

The market price of a publicly traded stock is affected by many variables not all of which are directly related to the success of the Company. In recent years, the securities markets have experienced a high level of price and volume volatility, and the market price of securities of many companies, particularly those considered to be development stage companies, has experienced wide fluctuations which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that such fluctuations will not affect the price of Marengo's securities.

Conflicts of Interest

Certain directors of Marengo are, and may continue to be, involved in the mining and mineral exploration industry through their direct and indirect participation in corporations, partnership or joint ventures which are potential competitors of Marengo. Situations may arise in connection with potential acquisitions or investments where the other interests of these directors may conflict with the interests of Marengo. Directors of Marengo with conflicts of interest will be subject to and will follow the procedures set out in applicable corporate and securities legislation, regulations, rules and policies.

Use of Inferred Resources in Pit Optimisation Study

The pit optimisation study referred to in this annual information form and from which the economic analysis of the Yandera Project was derived is preliminary in nature and includes inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorised as mineral reserves, and there is no certainty that the results described in the study will be realised.

Resource Estimates and Lack of Mineral Reserves

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when made, may change significantly upon new information becoming available. In addition, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. Should the Company encounter mineralisation or formations different from those predicted by past sampling and drilling, resource estimates may have to be adjusted and mine plans may have to be altered in a way which could have a negative effect on the Company's operations. The Company does not have any mineral reserves and there is no assurance that mineral reserves will be established. A mineral resource is not the equivalent of a commercially mineable orebody or a mineral reserve.

Effecting Service of Process

Certain of Marengo's directors reside outside of Canada. Substantially all of the assets of these persons are located outside of Canada. It may not be possible for investors to effect service of process within Canada upon certain of the directors, officers and experts named in this annual information form. It may also not be possible to enforce against Marengo, certain of its directors and officers, and certain experts named herein, judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable securities laws in Canada.

DIVIDENDS

Marengo has not, since the date of its incorporation, declared or paid any dividends on its shares, and does not currently have a policy with respect to the payment of dividends. For the foreseeable future, Marengo anticipates that it will retain future earnings and other cash resources for the operation and development of its business. The payment of dividends in the future will depend on the earnings, if any, and the financial condition of the Company and such other factors as the directors of Marengo consider appropriate.

CAPITAL STRUCTURE

Description of Ordinary Shares

Under the Corporations Act and the Company's constitution, the Company is authorised to issue an unlimited number of ordinary shares. However, under the ASX listing rules, in order for a corporation listed on the ASX to issue an amount of shares greater than 15% of the total number of existing shares then issued and outstanding, the corporation must seek separate shareholder approval. At the date of this annual information form, Marengo has an aggregate of 1,002,399,863 fully paid ordinary shares issued and outstanding. No other shares in the capital of Marengo of any other classes are issued or outstanding.

The holders of ordinary shares in Marengo are entitled:

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

The ordinary shares do not carry any pre-emptive, subscription, retraction, purchase for cancellation or surrender, redemption, exchange or conversion rights, nor do they contain any sinking fund or purchase fund provisions. Furthermore, the ordinary shares do not have attached thereto any provisions permitting or restricting the issuance of additional securities or any other material restrictions or provisions requiring a shareholder to contribute additional capital.

Description of Warrants

On August 11, 2010, the Company issued 60,000,000 Warrants pursuant to the terms of the August Agency Agreement. Each Warrant is exercisable to acquire one ordinary share of the Company at a price of C\$0.116 until August 11, 2013.

Description of Unlisted Options

The unlisted options granted, exercised and cancelled during the year ended June 30, 2011, are as follows:

	Number of Options
Balance, as at June 30, 2010	18,280,000
Granted	67,396,050
Exercised	(3,257,750)
Cancelled/Lapsed	(200,000)
Balance, as at June 30, 2011	<u>82,218,300</u>

At June 30, 2011, 79,218,300 unlisted share purchase options had vested and were exercisable.

PRIOR SALES

During the financial year ended June 30, 2011, the Company issued securities or granted options to purchase ordinary shares under the Company's share option plan. The options granted and the securities issued and described below are not listed on any marketplace.

<u>Date Issued</u>	<u>Number of Securities</u>	<u>Security</u>	<u>Price per Security</u>
August 12, 2010	6,421,050 ⁽⁴⁾	Stock Option	C\$0.084 ⁽¹⁾
August 12, 2010	60,000,000 ⁽⁵⁾	Warrants	C\$0.116 ⁽²⁾
October 25, 2010	475,000 ⁽⁶⁾	Stock Options	A\$0.22 ⁽¹⁾
December 7, 2010.....	110,000,000 ⁽⁷⁾	Subscription Receipts	C\$0.25 ⁽³⁾
February 23, 2011.....	500,000 ⁽⁸⁾	Stock Option	A\$0.32 ⁽¹⁾

Notes:

- (1) Price per security reflects exercise price of options granted.
- (2) Price per security reflects exercise price of Warrants.
- (3) Price per security reflects the effective price upon conversion of the Subscription Receipts.
- (4) Grant of unlisted options expiring August 11, 2012.
- (5) Warrants expiring August 11, 2013.
- (6) Grant of unlisted options expiring October 25, 2015.
- (7) Each Subscription Receipt was automatically converted into one ordinary share of the Company upon receipt of shareholder approval required pursuant to the listing rules of the ASX at a shareholder meeting held on December 21, 2010.
- (8) Grant of unlisted options expiring February 23, 2016.

MARKETS FOR SECURITIES

The Company's ordinary shares are listed for trading on the TSX under the symbol "MRN" and on the ASX and POMSoX under the symbol "MGO".

The following table sets forth the reported high and low sale prices and trading volume for the Company's ordinary shares on the ASX for each of the months indicated.

<u>Month</u>	<u>High (A\$)</u>	<u>Low (A\$)</u>	<u>Volume</u>
July 2010	0.11	0.09	2,487,000
August 2010	0.10	0.09	8,295,600
September 2010	0.19	0.09	43,535,400
October 2010	0.34	0.17	57,517,300
November 2010	0.31	0.24	21,853,400
December 2010	0.43	0.28	46,173,400
January 2011	0.42	0.34	30,650,700
February 2011	0.36	0.27	19,118,100
March 2011	0.35	0.23	43,281,000
April 2011	0.40	0.30	43,047,400
May 2011	0.32	0.27	21,010,500
June 2011	0.31	0.23	23,112,200

The following table sets forth the reported high and low sale prices and trading volume for the Company's ordinary shares on the TSX for each of the months and other periods indicated.

Month	High (C\$)	Low (C\$)	Volume
July 2010	0.095	0.080	4,100
August 2010	0.11	0.07	872,500
September 2010	0.19	0.08	3,869,400
October 2010	0.305	0.16	4,167,400
November 2010	0.315	0.225	2,940,200
December 2010	0.40	0.26	8,950,100
January 2011	0.44	0.33	8,687,800
February 2011	0.36	0.295	3,872,000
March 2011	0.345	0.20	7,461,000
April 2011	0.37	0.315	7,175,500
May 2011	0.35	0.26	4,244,000
June 2011	0.32	0.24	6,433,100

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The names, province or state and country of residence, offices and positions held with Marengo and principal occupations during the five preceding years of the directors and executive officers of Marengo, as of the date of this annual information form, are as follows:

Name and of Residence⁽¹⁾	Municipality	Position with the Company and Period Served	Principal Occupation
JOHN HORAN ⁽²⁾⁽⁴⁾	South Australia, Australia	Non-Executive Chairman since April 23, 2002	Principal of Adelaide Resource Management Pty Limited (provides consulting services to various public and private companies including Marengo)
LESLIE EMERY ⁽³⁾	Western Australia, Australia	Managing Director since April 23, 2002	Managing Director of Marengo Mining Limited
DOUGLAS DUNNET ⁽²⁾	New South Wales, Australia	Non-Executive Director since April 23, 2002	Geologist, currently retired, formerly providing consulting services
SIR RABBIE NAMALI ⁽³⁾	East New Britain, Papua New Guinea	Non-Executive Director since February 11, 2008	Director of various public companies and former member of PNG National Parliament
SUSANNE SESSELMANN.....	Bavaria, Germany	Non-Executive Director since May 15, 2008	Director of the Sentient Group (a private equity resources fund)
JOHN HICK ⁽⁴⁾	Ontario, Canada	Non-Executive Director since June 10, 2008	Independent consultant and director of various public companies
ELIZABETH MARTIN ⁽²⁾⁽⁴⁾	Ontario, Canada	Non-Executive Director since June 10, 2008	Corporate director.
JOHN RIBBONS	Western Australia, Australia	Chief Financial Officer and Company Secretary since March 30, 2009	Associate of DWCorporate Pty Ltd. (a specialist provider of company secretarial and chief financial officer services)

Notes:

- (1) The information as to residence, principal occupation is not within the knowledge of the management of the Company and has been furnished by the respective directors and officers.
- (2) Member of the Audit Committee.
- (3) Member of the Safety, Health and Environment Committee established July 31, 2008.
- (4) Member of the Remuneration Committee established September 12, 2008.

Each of the directors of Marengo will hold office until his or her office is vacated in accordance with the Company's Constitution, the ASX Listing Rules, the provisions of the Corporations Act or terms of their service agreements with the Company, whichever is earlier. Each director's (except the Managing Director's) term of office expires on the later of the third annual general meeting of shareholders of the Company or three years after that director's last election or appointment. In addition, one-third of directors (except the Managing Director) must retire at each annual general meeting. Retiring directors are eligible for re-election. The present term of office of John Horan and Elizabeth Martin expires at the next annual general meeting of the shareholders of the Company, to be held on or before November 30, 2011, whereupon each will be eligible for re-election.

To the knowledge of the Company, as of the date hereof, all directors and executive officers of the Company as a group, beneficially own, directly or indirectly, or exercise control or direction over 8,257,069 ordinary shares, or approximately 0.82% of the Company's issued and outstanding shares.

Corporate Cease Trade Orders or Bankruptcies

No director or executive officer of the Company is, as at the date hereof or has been within the ten years prior to the date hereof, a director, chief executive officer or chief financial officer of any company that was (1) the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days while that person was acting in that capacity; or (2) the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

No director or executive officer of the Company or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company is, as at the date hereof or has been within the ten years prior to the date hereof, a (1) a director or executive officer of any company that while that person was acting in that capacity or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee to hold its assets or (2) other than noted has, within the ten years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr John Hick was a director and non-executive Chairman of the Board of Tamaya Resources Limited, an Australian incorporated and ASX listed company, which made a Voluntary Appointment of an Administrator, Ernst & Young (Australia), as a result of becoming insolvent. As a result of the Voluntary Administration, effective upon the appointment of the Administrators on October 26, 2008, the appointed Administrators immediately assumed all legal powers, rights and obligations of the directors of Tamaya and the directors had no legal rights with respect to the administration or management of Tamaya or its assets.

Penalties or Sanctions

No director or executive officer of the Company or shareholders holding a sufficient number of securities of the Company to affect materially the control of the Company has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities authority, or has had any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

Certain directors and officers of the Company are, or may become, directors or officers of other companies with businesses which may conflict with the business of the Company.

Directors are required to act honestly and in good faith with a view to the best interest to the company and to abstain from voting in connection with the matter. To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company and any director or officer of the Company as a result of their outside business interest at the date hereof. However, certain of the directors and officers serve as directors and/or officers of other companies. Accordingly, conflicts of interest may arise which would influence these persons in evaluating possible acquisitions or in generally acting on behalf of the Company.

Audit Committee

The Board of Directors (the “**Board**”) has established an Audit Committee, which operates under a charter approved by the Board. A copy of the full charter is attached hereto as Appendix A. It is the Board’s responsibility to ensure that an effective internal control framework exists within the Company. The Audit Committee has been formed to assist the Board to meet its oversight responsibilities in relation to the Company’s financial reporting and external audit function, internal control structure and risk management procedures. In doing so, it is the responsibility of the Audit Committee to maintain free and open communication between the committee, the external auditors and the management of the Company.

The Audit Committee reviews the effectiveness of the Company’s financial reporting and internal control policies and its procedures for the identification, assessment, reporting and management of risks. The Committee oversees and appraises the quality of the external audit and the internal control procedures, including financial reporting and practices, business ethics, policies and practices, accounting policies, and management and internal controls. The Audit Committee also meets with external auditors and reviews the Company’s relationship with the external auditors.

The charter of the Audit Committee requires that all members be independent within the meaning of the National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”), which provides that a member shall not have a direct or indirect material relationship with the Company which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.

The members of the Audit Committee are Dr. Dunnet (Chairman), Mr. Horan and Ms. Martin, each of whom is “financially literate” and “independent”, in each case, within the meaning of section 1.6 of NI 52-110.

Douglas Dunnet, B.Sc. (Hons), PhD. F.AusIMM

Dr. Douglas Dunnet is a geologist with over 40 years experience. Dr. Dunnet has a strong background in managing mining projects in Australia and North America, including 14 years with the Anaconda (USA) group of companies, culminating in his appointment as exploration manager for its Australian subsidiary between 1980 and 1983. In particular, Dr. Dunnet has extensive experience in the archaean and proterozoic rocks of Australia and North America.

In 1984, Dr. Dunnet became a principal of Aurex Pty Ltd, a contracting and consulting company. In 1987, Dr Dunnet initiated the listing of, and became Managing Director of, Orion Resources NL (“**Orion**”) and a director of Ranger Minerals Ltd. Dr Dunnet was instrumental in Orion’s acquisition of a 45% interest in the Yilgarn Star Gold Mine near Southern Cross and guiding Orion to a market capitalisation of over \$130 million, prior to its acquisition by Sons of Gwalia NL.

Dr. Dunnet was formerly Chairman (Non Executive) of Paladin Energy Limited, a uranium company listed on the ASX and TSX.

John Horan, FCPA, FCIS

Mr. John Horan is a Fellow of CPA Australia, a Fellow of the Chartered Institute of Secretaries in Australia, a Member of the Finance and Treasury Association Limited and a Member of the Australian Mining and Petroleum Law Association. He has many years experience in the financial, corporate, technical and management areas of the mining industry.

Mr. Horan has been a director of a number of mining and exploration companies in Australia and internationally. He is currently a director of Adelaide Resources Limited, listed on the ASX.

From 1987 until June 1993, Mr. Horan was the finance director of Homestake Gold of Australia Limited (now Barrick Gold Corporation), one of Australia’s largest gold producers. He first joined Homestake in 1978 and was responsible for financial, commercial and corporate management functions prior to 1987 when he played a substantial role in the float of the Australian subsidiary. He also fulfilled key responsibilities in subsequent very large debt and equity capital raisings. In July 1993, he established Adelaide Resource Management Pty Ltd to provide corporate advisory services to the mining industry.

From the early 1960s until the second half of the 1970s he held various financial, corporate administrative and management positions in Poseidon Limited and CRA Limited (now Rio Tinto Limited), following initial technical experience in CRA’s mining operations at Broken Hill.

Elizabeth Martin, C.M.A. – Non Executive Director

Ms. Elizabeth Martin is a Toronto based, professional accountant with a strong background in international exploration and mining companies. She has held senior and executive management roles in base metal and precious metal companies such as Northgate Mines Inc., Western Mining Corporation Limited, IAMGOLD Corporation and High River Gold Mines Ltd.

Ms. Martin is currently on the Board of Aura Minerals Inc. She is past Chair of the Board of St. John's Rehabilitation Hospital and is currently on the Board of Directors of Sunnybrook Health Sciences Centre, Sunnybrook Research Institute as well as the HealthCare Insurance Reciprocal of Canada, all located in Toronto.

Pre-approve Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The audit committee may delegate that authority to any member of the committee, provided that a report on any such pre-approval is made to the committee at its next scheduled meeting.

The Audit Committee must also confirm with the external auditor the external auditor's judgement of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting.

Audit Fees

The aggregate fees billed by Stantons International ("Stantons"), the Company's external auditors, in each of the last two financial years for audit services was A\$47,576 for the financial year ended June 30, 2010 and A\$42,101 for the financial year ended June 30, 2011.

Audit-Related Fees

The aggregate fees billed by Stantons in each of the last two financial years for annual reporting and services that are reasonably related to the performance of the audit as a review of the Company's financial statements and are not reported under "Audit Fees" above was A\$15,599 for the financial year ended June 30, 2010 and A\$17,252 for the financial year ended June 30, 2011.

Tax Fees

The aggregate fees billed in the last two financial years for professional services rendered by Stantons for tax compliance, tax advice and tax planning was A\$nil for the financial year June 30, 2010 and A\$nil for the financial year ended June 30, 2011.

All Other Fees

The aggregate fees billed in the last two financial years for products and services provided by Stantons, other than services reported in "Audit Fees", "Audit Related Fees" and "Tax Fees", referred to above, paid by the Company was A\$13,784 for the financial year ended June 30, 2010 and A\$10,071 for the financial year ended June 30, 2011.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed below, no director or executive officer of the Company or person or company that is the direct or indirect beneficial owner of, or who exercises control and direction over, more than 10% of the issued and outstanding shares of the Company; or any associate or affiliate of any of the persons or companies referred to above, has a material interest, direct or indirect, in any transaction within the three most recently completed financial years of the Company or during the current financial year of the Company, that has materially affected or is reasonably expected to materially affect the Company.

Prior to the December Offering, Sentient Executive GP II, Limited (as the general partner of Sentient Global Resources Fund II, L.P. and as custodian of Sentient Global Resources Trust II) (collectively, "**Sentient II**"), the largest existing shareholder of the Company, controlled or directed 196,595,080 ordinary shares representing 26.64% of the total issued and outstanding ordinary shares of the Company. As part of the December Offering, Sentient II acquired control or direction over an additional 24,024,000 ordinary shares, representing approximately 2.39% of the outstanding shares of the Company. After giving effect to the December Offering, Sentient II controls or directs 220,619,080 ordinary shares representing approximately 22.20% of the issued and outstanding ordinary shares of the Company.

Prior to the December Offering, Quantum Partners LDC ("**Quantum**") controlled or directed 146,855,934 ordinary shares representing 19.88% of the total issued and outstanding ordinary shares of the Company. As part of the December Offering, Quantum acquired control or direction over an additional 40,659,000 ordinary shares, representing approximately 4.09% of the outstanding shares of the Company. After giving effect to the December Offering, Quantum controls or directs 187,514,934 ordinary shares representing approximately 18.87% of the issued and outstanding ordinary shares of the Company.

TRANSFER AGENT AND REGISTRAR

The Company's Canadian transfer agent and registrar is Computershare Investor Services Inc. at its principal offices in Vancouver, British Columbia. The Company's Australian share registrar is Computershare Investor Services Pty Ltd at its office in Perth, Western Australia.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

To the knowledge of the Company, there are no legal proceedings or regulatory actions material to the Company to which the Company is a party, or was a party to in the financial year ended June 30, 2011, or of which any of its properties is the subject matter of in the financial year ended June 30, 2011, nor are there any such proceedings known to the Company to be contemplated.

There have been no penalties or sanctions imposed against the Company in the financial year ended June 30, 2011 by: (i) a court relating to securities legislation; (ii) a securities regulatory authority; or (iii) any other court or regulatory body where the penalty or sanction would likely be considered important to a reasonable investor in making an investment decision. The Company has not entered into any settlement agreements with a court or securities regulatory authority in the financial year ended June 30, 2011.

MATERIAL CONTRACTS

Other than as disclosed below, the Corporation currently has no existing material contracts other than those entered into in the ordinary course of business:

- The August Agency Agreement. Please see “*General Development and Description of the Business – Financing Activities*”; and
- The December Agency Agreement. Please see “*General Development and Description of the Business – Financing Activities*”.

INTERESTS OF EXPERTS

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

Stephen Godfrey, the author of the Revised Technical Report, did not hold at the time of preparation of the Revised Technical Report, and did not and will not receive after that time, a registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of any associate or affiliate of the Company. As at the date hereof, the aforementioned person and the directors, officers, employees and partners of Golder, beneficially owned, directly or indirectly, less than 1% or none of the outstanding securities of the Company.

ADDITIONAL INFORMATION

Additional information, including directors’ and officers’ remuneration and indebtedness, principal holders of the Company’s securities, securities authorised for issuance under equity compensation plans, if applicable, is contained in the Company’s information circular for its upcoming annual general meeting of securityholders, a copy of which is will be available on SEDAR at www.sedar.com.

Additional financial information is available in the Company’s audited financial statements and accompanying management’s discussion and analysis for the financial year ended June 30, 2011, a copy of which is being filed on SEDAR at www.sedar.com contemporaneously with this annual information form. For copies of documents, please contact the Company at 9 Havelock Street, First Floor, West Perth, Western Australia 6005 (Telephone +61 8 9429 0000, Fax (61) 8 9429 0099), Attn: Company Secretary.

APPENDIX A

AUDIT COMMITTEE CHARTER

Adopted: 12 September 2008

1. ROLE

The audit committee (the “**Committee**”) will assist the Board of Directors (the “**Board**”) of Marengo Mining Limited (the “**Company**”) fulfil its corporate governance and oversight responsibilities. In doing so, it is the responsibility of the Committee to maintain free and open communication between the Committee, the external auditors, and the management of the Company.

2. ADMINISTRATION OF COMMITTEE

2.1 Membership

- 2.1.1 The members of the Committee shall be appointed by the Board for one-year terms and may serve consecutive terms.
- 2.1.2 The Committee shall be composed of not less than three (3) members. If a member of the Committee retires, is removed or resigns from the Board, that member shall cease to be a member of the Committee.
- 2.1.3 Each member of the Committee shall:
 - 1. be a member of the Board;
 - 2. unless otherwise determined by the Board, in accordance with Canadian Multilateral Instrument 52-110 – Audit Committees (“**MI 52-110**”), be independent within the meaning of MI 52-110; and
 - 3. unless otherwise determined by the Board in accordance with MI 52-110, have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the accounting issues that can reasonably be expected to be raised by the Company’s financial statements.

2.2 Chairman

- 2.2.1 The members of the Committee shall appoint a person from among its members to act as the chairman of the Committee (the “**Chairman**”). The Chairman shall be approved for a one-year term;
- 2.2.2 The Chairman is responsible for:
 - a) ensuring the Committee adequately addresses each of its functions and responsibilities, on an on-going basis;
 - b) ensuring the Board and, if appropriate, the Managing Director/CEO and the Finance Director are aware of concerns of the Committee;
 - c) liaise with the chairperson of the Board to coordinate the raising of Committee matters with the Board;
 - d) communicate with the Board to keep it apprised of all major developments involving audit and financial reporting matters;
 - e) chair and manage meetings of the Committee;
 - f) set and assess periodically the frequency of Committee meetings; and

- g) on an on-going basis, evaluate the Committee's objectives, duties and the effectiveness of its performance.

2.3 Meetings

- 2.3.1 The Committee shall meet as frequently as required, but not less than four times per year.
- 2.3.2 The Chairman, in consultation with management, shall appoint a secretary to the Committee (the "Secretary");
- 2.3.3 The Secretary must call a meeting of the Committee if requested to do so by any member of the Committee;
- 2.3.4 The agenda for Committee meetings will be determined by the Chairman in consultation with management and members of the Committee;
- 2.3.5 The Secretary shall forward a notice of each meeting of the Committee to each Committee member as many days as possible and not less than three days prior to the date of the meeting;
- 2.3.6 Minutes and resolutions of meetings of the Committee shall be maintained by the Secretary and distributed to all Committee members and the Chairman following the approval of such minutes and resolutions by the Chairman; and
- 2.3.7 Committee minutes may be made available to any member of the Board following a request to the Chairman, providing no conflict of interest exists.

2.4 Attendance at Meetings

- 2.4.1 A quorum will comprise any two (2) Committee members.
- 2.4.2 Each member shall have one vote and the Chairman shall not have a second or casting vote.
- 2.4.3 The Managing Director/CEO, Finance Director, the Company secretary, representative(s) of the external auditors, members of management or other parties deemed necessary by the Committee to provide information may attend meetings by invitation.

3. RESPONSIBILITIES

3.1 The Committee shall:

Financial Reporting

- 3.1.1 periodically assess and review the effectiveness of the Company's financial reporting and internal control policies;
- 3.1.2 ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements;
- 3.1.3 periodically assess the procedures referred to in subsection 3.1.2 above;
- 3.1.4 monitor and review the Company's compliance with legal and regulatory requirements;
- 3.1.5 review, prior to public disclosure, the Company's annual and interim financial statements, MD&A and earnings press releases, taking into account:
 - a) critical accounting policies and practices and any changes therein;
 - b) decisions requiring a major element of judgment;

- c) the extent to which the financial statements are affected by any unusual transactions;
 - d) the clarity of disclosures;
 - e) significant adjustments resulting from the audit;
 - f) the going concern assumption;
 - g) compliance with accounting standards; and
 - h) compliance with stock exchange and other legal requirements;
- 3.1.6 review and approve any financial reporting required to be made to any lenders or strategic investors;
 - 3.1.7 review the consistency of the Company's accounting policies both on a year-to-year basis and across the Company and its subsidiaries and the impact of changes in the accounting standards and legislation on the Company's accounting policies, and where the Committee deems it necessary, adopt changes to the Company's accounting policies in response thereto;
 - 3.1.8 obtain reasonable assurance, from discussions with and reports from management and external auditors, that the Company's accounting systems are reliable and that the prescribed internal controls are operating effectively and that the Committee is fully apprised of all unrecorded audit adjustments and the rationale for any judgement calls made in relation to the Company's financial statements;
 - 3.1.9 ensure the Company's external reporting complies with the Company's accounting policies, the *Corporations Act 2001 (Cth)*, International Financial Reporting Standards and all other applicable policies and rules and securities laws;
 - 3.1.10 discuss any significant matters arising from the audit, management judgments and accounting estimates with management and internal auditors (if any), and external auditors;
 - 3.1.11 review with management and the external auditor and, as considered appropriate by the Committee, with outside legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a material effect upon the financial position or operating results of the Company, and the manner in which any such litigation, claim or contingency has been disclosed in the Company's financial statements and disclosure documents;
 - 3.1.12 obtain reasonable assurance from management about the process for ensuring the reliability of public disclosure documents that contain audited and unaudited financial information;
 - 3.1.13 review the contents of any prospectus or similar document, including the financial statements contained therein, and after such review and where deemed appropriate, shall recommend to the Board the approval of any financial statements contained therein that have not previously been approved;
 - 3.1.14 monitor the policies of the Company in respect of compliance with corporate, environmental, mineral and resource, trade practices and other relevant laws and regulations;
 - 3.1.15 provide the Board with advice and recommendations regarding the appropriate material and disclosures to be included in the corporate governance section of the Company's annual report which relates to the Company's audit policies and practices;
 - 3.1.16 review and recommend to the Board the appointments of the Finance Director and any other key financial members of management;
 - 3.1.17 recommend to the Board the policies and practices for the payment, monitoring and review of the expenses of the Board and officers of the Company who report directly to the Board;

- 3.1.18 ensure that the Company complies with all legal requirements relating to the declaration and payment of dividends;

External Auditor

- 3.1.19 recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company;
- 3.1.20 recommend to the Board the compensation of the external auditor;
- 3.1.21 oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company, including the resolution of disagreements between management and the external auditor regarding financial reporting;
- 3.1.22 ensure that the external auditor is independent and objective and that the Committee receives from the external auditor a formal written statement describing any and all relationships between the external auditor and the Company;
- 3.1.23 engage in a dialogue with the external auditor with respect to any disclosed relationships or services that could impact the objectivity and independence of the external auditor and may take, or recommend that the Board take, appropriate action to ensure the independence of the external auditor;
- 3.1.24 ensure that the external auditor is satisfied that the accounting estimates and judgments made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards;
- 3.1.25 develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues;
- 3.1.26 meet on a regular basis with the external auditor, without management present;
- 3.1.27 confirm with the external auditor the external auditor's judgment of the acceptability and quality of the Company's accounting principles as applied in the Company's financial reporting, including without limitation, disclosure, degree of aggressiveness or conservatism in the accounting principles and underlying estimates, and other significant decisions made by management in preparing the Company's financial reporting and disclosure materials;
- 3.1.28 either (i) pre-approve all services to be provided to the Company or its subsidiaries by the external auditor (however the Committee may delegate authority to pre-approve non-audit services to one or more members of the Committee however, pre-approval of any non-audit services must be presented by any member to whom authority has been delegated to the full Committee at its first scheduled meeting after such approval); or (ii) adopt specific policies and procedures for the engagement of non-audit services provided that: (1) the policies and procedures are detailed as to the particular service; (2) the Committee is informed of each non-audit service; and (3) the procedures do not include delegation of the Committee's responsibilities to management;
- 3.1.29 review the planning and results of the external audit, including:
- a) the external auditor's engagement letter;
 - b) the scope of the audit, including materiality, locations to be visited, audit reports required, areas of audit risk, timetable, deadlines;
 - c) the post-audit management letter;
 - d) the form and content of the audit report; and
 - e) any other related audit engagements;

- 3.1.30 ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information;
- 3.1.31 assess management's response to, and action on, the external auditor's post-audit reporting letter;
- 3.1.32 assess the external auditor's performance;
- 3.1.33 direct the external auditors' examinations to additional particular areas, where appropriate;
- 3.1.34 where appropriate, request that the external auditors to undertake special examinations;
- 3.1.35 review control weaknesses identified by the external auditors, together with management's response;
- 3.1.36 review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor;

Reporting

- 3.1.37 report to the Board, at the first Board meeting subsequent to each Committee meeting, regarding the proceedings of each Committee meeting, the outcomes of the Committee's reviews and recommendations and any other relevant issues;
- 3.1.38 on an annual basis, report to the Board and shareholders of the Company on all matters relevant to the performance of its role and the discharge of its duties during the period, having regard to corporate governance guidelines and best practice recommendations established by the Australian Securities Exchange, the Port Moresby Stock Exchange and the Toronto Stock Exchange addressing all matters relevant to the committee's role and responsibilities, including:
 - a) whether external reporting is consistent with the Committee members' information and knowledge and is adequate for shareholder needs;
 - b) the management processes supporting external reporting;
 - c) procedures for the selection and appointment of the external auditor and for the rotation of external audit engagement partners;
 - d) recommendations for the appointment or removal of an auditor;
 - e) the performance and independence of the external auditors and whether the audit committee is satisfied that independence of this function has been maintained having regard to the provision of non-audit services;
 - f) the performance and objectivity of the internal audit function; and
 - g) the results of its review of risk management and internal compliance and control systems.

Whistle Blowing

- 3.1.39 establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters;
- 3.1.40 establish procedures for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

Risk Management

- 3.1.41 provide the Board with advice and recommendations regarding the establishment and implementation of:
- a) a risk management system; and
 - b) a risk profile for the Company that describes the material risks (including financial and non-financial risks) which the Company faces;
- 3.1.42 provide the Board with advice and recommendations regarding the roles and respective accountabilities of the Board, the Committee, management and the internal audit function (if any) in respect of the Company's risk management system;
- 3.1.43 periodically assess and review the effectiveness of the Company's procedures for the identification, assessment, reporting and management of risks including the areas of crisis management, capital expenditure, taxation strategy, funding, commodity and foreign exchange and interest rate exposure, insurance coverage, fraud and information systems technology;
- 3.1.44 ensure that adequate procedures are in place to achieve the Company's objectives as to the effectiveness and efficiency of operations and to safeguard the Company's assets; and
- 3.1.45 regularly review and update the Company's risk profile;

Internal Audit

- 3.1.46 periodically assess, review the need for an internal audit function on a regular basis;
- 3.1.47 if the Committee determines that it is appropriate to do so, it shall establish an internal audit function whose purpose is to analyse the effectiveness of:
- a) the Company's risk management and internal compliance and control system; and
 - b) the implementation of the Company's risk management and internal compliance and control system;
- 3.1.48 if the Company has an internal audit function, the Committee shall:
- a) review the results and effectiveness of the internal audit programs;
 - b) recommend the scope of the internal audit for Board approval;
 - c) review and approve the appointment and dismissal of senior internal audit executives;
 - d) ensure the internal audit function is independent of the external auditor;
 - e) ensure that the internal audit function has all necessary access to management and the right to seek information and explanations;
 - f) receive summaries of significant reports to management prepared by internal audit, the management response and the recommendations of internal audit;
 - g) ensure no management or other restrictions are placed on the internal auditors;
 - h) ensure that appropriate resources are made available to the internal auditors;

General

- 3.1.49 comply with and carry out all other duties of an audit committee as prescribed the Australian *Corporations Act 2001 (Cth)*, Australian and Canadian accounting standards and other applicable legislative and regulatory provisions.

4. REVIEW OF COMMITTEE PERFORMANCE

- 4.1 The Board shall review the effectiveness of the Committee annually.
- 4.2 The Board will review this Charter annually and revise it as appropriate.

5. AUTHORITY OF THE COMMITTEE

5.1 The Committee has the authority to:

- 5.1.1 engage at the Company's expense, independent counsel and other advisors, such as external legal counsel, as it determines necessary to carry out its duties;
- 5.1.2 set and pay the compensation for any advisors employed by the audit committee;
- 5.1.3 conduct any investigations it considers necessary and seek explanations and additional information from any employee of the Company and/or from the external auditor;
- 5.1.4 approve accounting policies and procedures and auditing methodology (issues of material importance, however, will be referred to the Board with the Committee's recommendation); and
- 5.1.5 communicate directly with the external auditor and any internal auditor and have unrestricted access to management, internal auditor (if any) and external auditors and all company records for the purpose of carrying out its duties and responsibilities under this Charter.

6. CONFLICT

In the event of any conflict between this Charter and any other relevant legal requirements, including those of the ASX, POMSIX or the TSX (as applicable), the *Corporations Act 2001 (Cth)*, and applicable securities laws, the Committee shall immediately bring the conflict to the attention of the Board which shall resolve such conflict upon consultation with the Company's legal advisors.