



ABN 57 099 496 474

**ANNUAL INFORMATION FORM
OF
MARENGO MINING LIMITED**

For the Financial Year Ended June 30, 2012

September 28, 2012

Unless otherwise indicated, the information in this annual information form is given as of June 30, 2012.

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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; (iv) the risk that the Company will not obtain a renewal of exploration licence 1335; (v) dependence on the Yandera Project; (vi) state equity interest; (vii) limited operating history; (viii) inherent risks of mining; (ix) political instability in developing countries; (x) economic uncertainty in developing countries; (xi) other foreign operations risks; (xii) insurance and uninsured risks; (xiii) environmental risks and regulations; (xiv) potential changes in applicable laws and government regulations; (xv) title to the Company’s mineral properties cannot be guaranteed and may be subject to prior unregistered agreements, transfers or claims and other defects; (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) ability to exercise statutory rights and remedies under Canadian Securities Law; (xxv) enforceability of foreign judgements; (xxvi) structural subordination of the ordinary shares; (xxvii) future sales or issuances of ordinary shares; (xxviii) future sales or issuances of ordinary shares; (xxix) risk of suspension; (xxx) risk of fines and penalties; (xxxi) risk of improper use of funds in local entity; (xxxii) resource estimates and lack of mineral reserves; and (xxxiii) 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 the *SEDAR* website.

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-Gold Project, Madang Province, Papua New Guinea” dated May 14, 2012 (the “**Yandera Technical Report**”), prepared by Stephen Hyland of Ravensgate, Karl Smith of Karl Smith Mine & Geology Consulting, and Paul Kreppold of Arcon Mining Services.

Date of Information

All information in this AIF is as of September 28, 2012 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>Australian dollar per Canadian dollar</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>End of Period</u>
Years Ended June 30, 2012				
2012	1.0027	0.9299	0.9660	0.9587
2011	1.0513	0.8911	0.989	1.0346
2010	1.1583	1.0429	1.0831	1.0672

By quarter for the 2012 fiscal year:

<u>Australian dollar per Canadian dollar</u>	<u>High</u>	<u>Low</u>	<u>Average⁽¹⁾</u>	<u>End of Period</u>
September 2011 quarter	0.9941	0.9532	0.9729	0.9878
December 2011 quarter	0.9977	0.9381	0.9658	0.9593
March 2012 quarter	0.9686	0.9299	0.9469	0.9671
June 2012 quarter	1.0027	0.9587	0.9802	0.9587

Notes:

- (1) The average of the daily noon buying rate of each month during the period.

On September 27, 2012, the Bank of Canada noon spot rate of exchange was C\$1.00 = A\$0.9759

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 Frederick Cook. Mr. Cook is a Fellow of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr. Cook 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 development 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 "**POMS0X**") 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 ("**Marengo PNG**"); Yandera Mining Company (Holdings) Pty Limited ("**Holdings**"); 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. Holdings and YMCL are both wholly-owned by Marengo. Marengo PNG is wholly-owned by Holdings.

GENERAL DEVELOPMENT AND DESCRIPTION OF THE BUSINESS

Overview

Marengo is an exploration and development 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 feasibility study (the “FS”) on the development of the Yandera Project.

As a result of changes in the Yandera Project since 2007, the Company has concluded that the CMS is no longer relevant to its development plans. In particular the Company notes that the CMS is based upon a projected three-year mine life and included capital projects which the Company will not now incorporate in the project, including construction of a railway and a separately located concentrator.

Phase 1 of the FS was completed in April 2008 and comprised a comparative development options analysis study and delivered a number of positive results. Phase 2 of the FS commenced in May 2008 and is ongoing. Phase 2 of the FS 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 FS 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 FS*” below.

The primary focus of the Company for the ensuing 12 months is to finalise Marengo’s feasibility study (“FS”), advance the district exploration program, continue with permitting and commence pre-construction activities relating to the Yandera Project.

Exploration

In 2007 and 2008, the Company acquired additional exploration licences (“**ELs**”) covering an aggregate area of approximately 700 square kilometres (the “**Additional Area**”), increasing the area of the Yandera Project to approximately 1,900 square kilometres. Due to the availability of additional equipment and personnel, commencing in the 2008 drilling season, the Company also expanded its exploration activities beyond the proposed open pit area and initiated a district exploration program of the area surrounding the central resource (which includes the Additional Area). 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 2006, a total of 102 diamond drill holes were completed at the Yandera central porphyry for 33,218 metres by prior explorers. Since the company commenced drilling at Yandera in 2007, it has drilled 432 holes for 133,022 metres.

During 2009, a 10 hole drill program (for 3,666 metres) was completed at the Kombruku Prospect, located 4 kilometres east of 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. Hence it is unlikely further work will be conducted over Kombruku.

Also during 2009, an airborne magnetic and radiometric survey (the “**2009 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 the 2009 Survey 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.

The 2009 Survey produced a suite of exploration targets in the vicinity of the Yandera deposit which will be the focus of future programs.

During the 2011 and 2012 field seasons, diamond drilling focused on extensional and infill drilling of the Yandera Project Central deposit. Since 2007, when Marengo commenced drilling until the end of September 2012, 432 diamond holes have been completed at the Yandera Project for a total of approximately 133,022 metres drilled (YD103-YD534).

During 2011, Marengo undertook a ridge and spur soil sampling program and geological mapping over the Dirigi Mountain area approximately 4km south east of the Yandera Central resource. The results of this work, together with detailed helimag survey interpretations were used for drill hole targeting. Exploration drilling is currently underway in this area with an initial seven hole programme. Geological mapping is also being carried out in the Mumnogui area (midway between Dirigi Mountain and the Yandera project, ie. some 2 km south of Yandera project) and drilling of a 4 hole drill programme which commenced in September 2012 is well advanced. This drilling programme at Mumnogui will be extended depending on results.

Development of Adit Alpha and Adit Bravo at Gremi

Two adits were driven into the Gremi zone at different elevations, Adit Alpha (azimuth 225 degrees magnetic, for 49.4 metres from a portal at elevation 1,776 metres, in 2010) intersected the oxide and mixed zones and Adit Bravo (azimuth 266 degrees, for 70.1 metres, in 2011 at portal elevation of 1,730 metres) intersected oxide, mixed and hypogenes zones. The adits were mapped geologically, surveyed and sampled thoroughly. In addition, around 70 tonnes of bulk sample was extracted from six locations in Adit Bravo and loaded on concrete pads nearby (10 to 14 tonnes each pad) to monitor the weathering behaviour of the rocks from hypogene, mixed and oxide zones respectively, upon exposure to the elements. The six month weathering trial has been completed.

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 Central resource and within the previously identified NW-SE structural corridor. The following map indicates the relative location of the prospects identified to date, in the area surrounding the Yandera central resource:

Yomi (EL1633) exploration recommenced in August 2012 with detailed mapping, ridge and spur soil sampling and rock chip sampling to follow up a defined anomalous gold area returned in stream sediment sampling. The Yakumbu tenement (EL1851) was also covered by reconnaissance stream sediment sampling during August 2012. A helimag (airborne magnetics, radiometrics and digital elevation) survey (the "**2012 Survey**") over Yomi (EL1633) and Togoban (EL1670) was completed in May 2012 and initial interpretation has been completed.

Figure 2: Airborne Magnetic Image Yandera Project

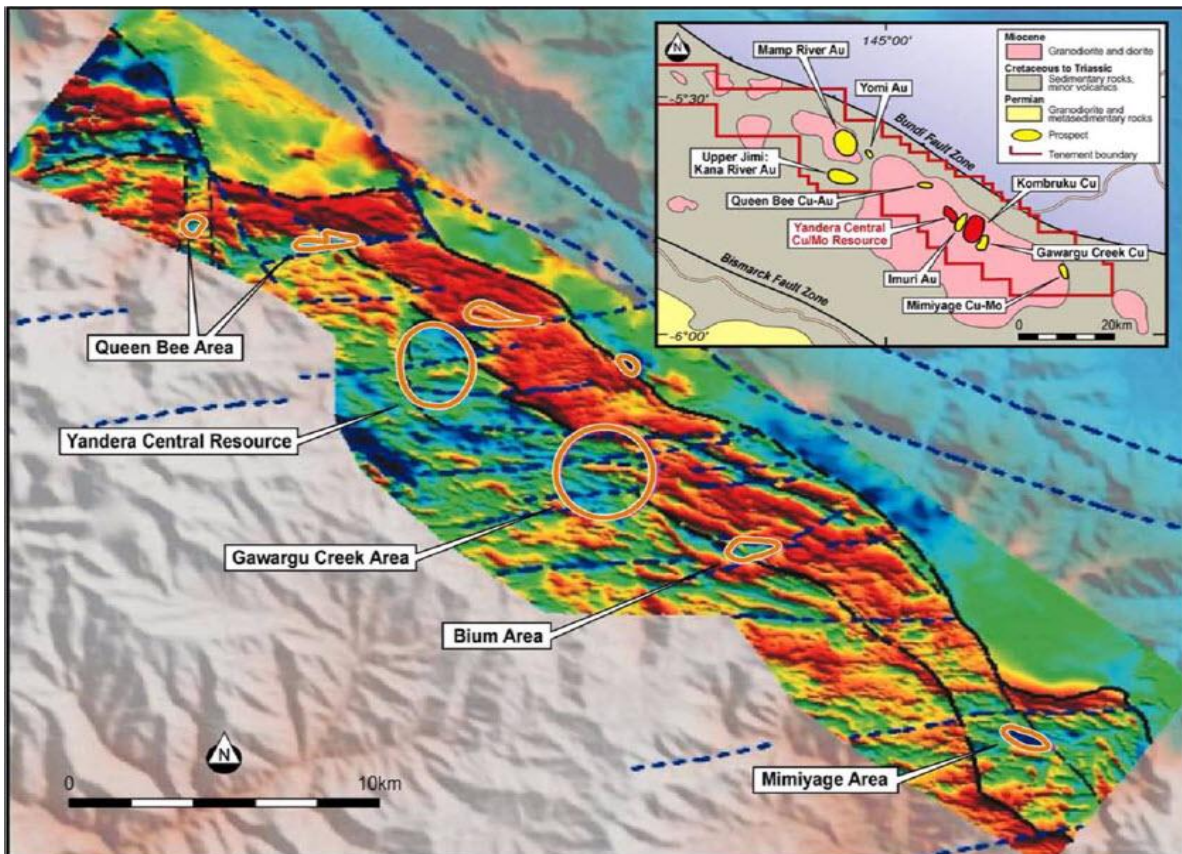
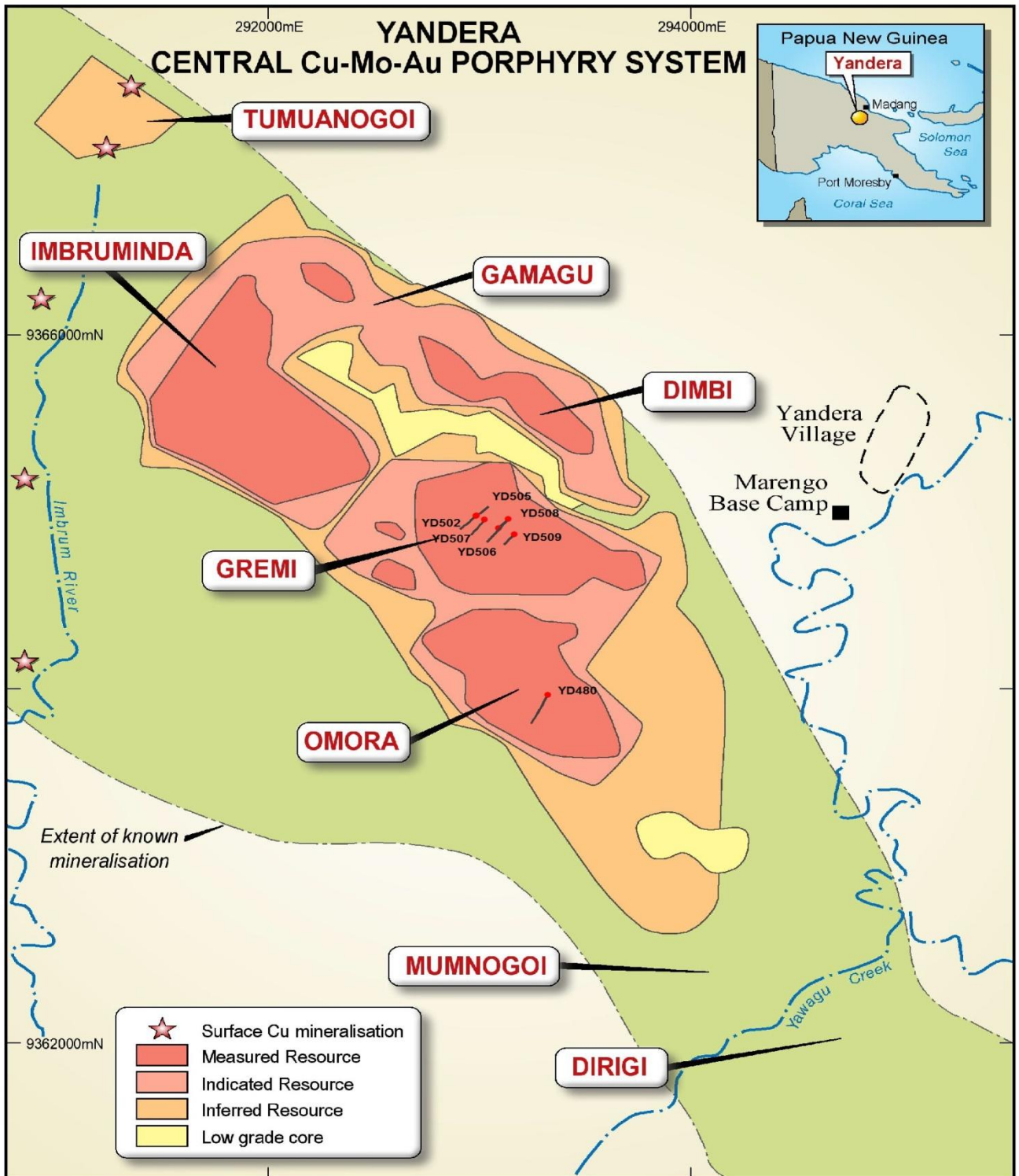


Figure 3 Yandera Central Resource Zones and extent of known mineralisation



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 allow mining of 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 to 2012 field seasons, drilling has continued to test strike extensions for the Imbruminda and Dimbi-Gamagu Zones.

During 2010 and 2011 additional drilling focused on testing for depth extensions of the Imbruminda, Dimbi and Gremi zones. A total of eight deep vertical drill holes were completed in the Imbruminda, Dimbi and Gremi zones each reaching around 1,000m depth. Importantly as well as intersecting intervals of sulphides variously throughout the depth of the holes. Most of the eight holes intersected significant sulphide zones at down-hole depths greater than 500 metres, confirming continuation of the mineral system at depth at both Gremi and Imbruminda 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 metres. This produced a drill intersection of 966 metres @ 0.23% Cu. The hole also includes higher grade zones, notably 207 metres @ 0.51% Cu and 118 ppm Mo, 72 metres @ 0.23% Cu and 734 ppm Mo and 29 metres @ 0.49% Cu and 699 ppm Mo from 954 metres to the end of the hole.

Other deep hole results included:

YD 294 (Gremi) returned 660 metres @ 0.48% Cu and 169 ppm Mo, and 51 metres @ 1.06% Cu and 101 ppm Mo. YD 308 returned 384 metres averaging 0.61% Cu. YD 339 returned 357 metres averaging 0.49% Cu and YD 403 returned 669 metres averaging 0.35% Cu.

Through the 2011 and 2012 drilling programmes, 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 FS engineering purposes. Results from Imbruminda confirm the previous encouraging data and prioritized drilling of this zone continues.

Up to six drilling rigs were used in the drilling and infill programme, during the 2011 field season. As at September 2012, there are three drill rigs on site.

Phase 2 of the Feasibility Study

The primary activity of the Company during the 2011/12 fiscal year was to continue activities relating to the completion of a Feasibility Study on the Yandera Project. This work was running in parallel with the completion of an Environmental Impact Statement (EIS) for submission to the PNG Department of Environment and Conservation.

It is anticipated that these documents will be completed towards the start of the December 2012 quarter, ahead of Engineering Procurement and Construction (“EPC”) contract pricing to be submitted by the Company’s Chinese strategic engineering partner, NFC, by the end of the same quarter.

The Company has hired Arcon (WA) Pty Ltd to conduct feasibility work and understands that the FS, when available, will include a comprehensive plan for mine development based on current economic assumptions.

The Yandera Project development concept is for a full open-cut mining operation and subsequent processing operation to be sited at Yandera, with copper concentrate, and by-product magnetite concentrate being delivered to a port facility, in the Madang area, by way of pipeline.

Molybdenum concentrate is planned to be delivered by road transport due to the smaller volumes of this high value product from the proposed mining operation.

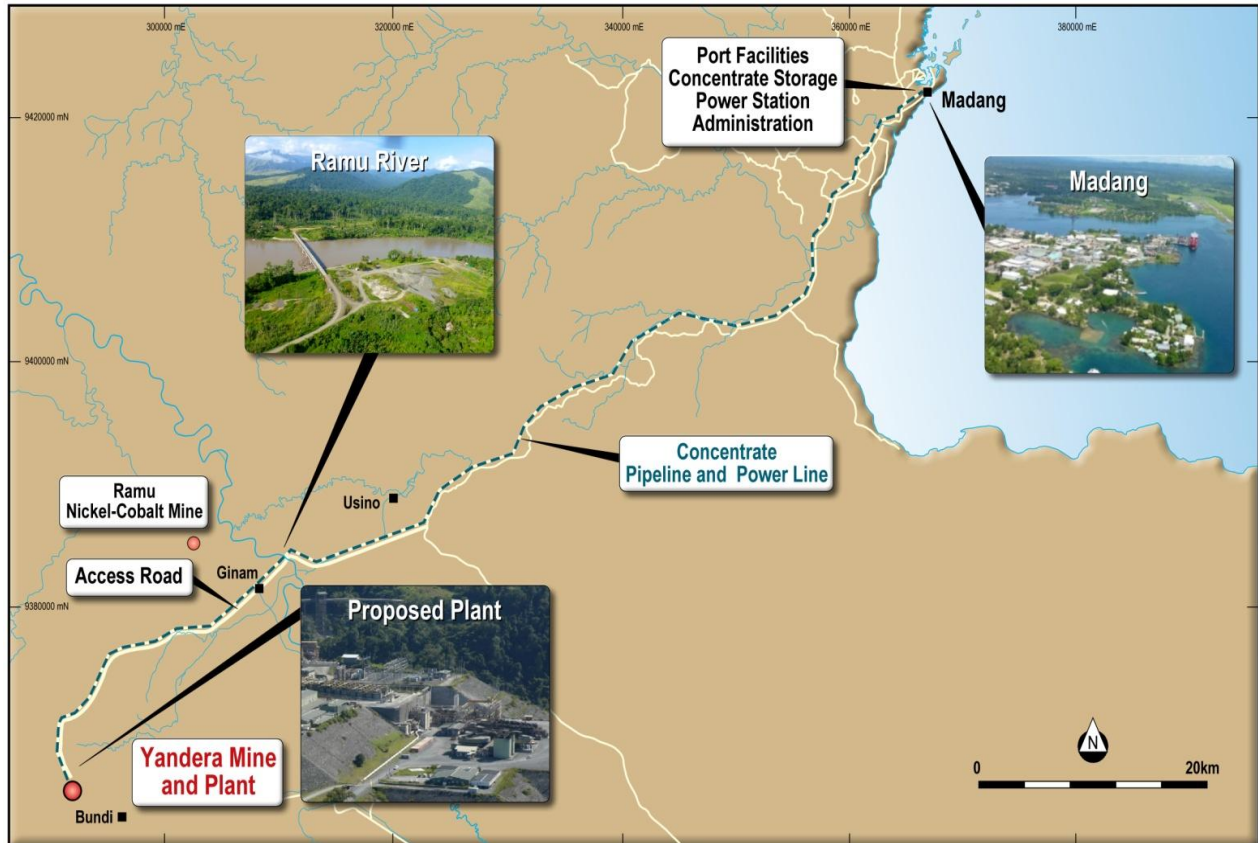
An integrated rock waste and process tailings facility is being designed to be located in the vicinity of the Yandera deposit, under stringent criteria, to ensure that the highest levels of environmental integrity are retained.

A power station, also located in the Madang area, is contained within the study, with power being reticulated to site, close to existing roads and then close to a planned road, which will extend up to the Yandera site from the end of existing regional roads.

Subject to completion of final permitting, Marengo plans to commence production during 2016.

The following map illustrates the proposed flotation and comminution plant locations, as they are currently contemplated:

Figure 4 Proposed Flotation and Comminution Plant Locations



As part of Phase 2 of the FS, comminution metallurgical test-work 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 is on-going.

Project Development – Strategic Partner

In October 2010, the Company signed a non-binding 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 an EPC contract for the construction 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 FS. This work will be undertaken at one of NFC's design Institutes in China. The anticipated completion date for Phase 2 of the FS has been extended to mid 2012.

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

Subject to completion of final permitting, Marengo plans to commence production during 2016.

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.

On July 4, 2012, the Company entered into an agency agreement with Paradigm Capital Inc. and Casimir Capital Ltd (the "July Agency Agreement") pursuant to which the Company completed an offering of 133,333,333 ordinary shares at a price of C\$0.15 per share raising gross proceeds of C\$20 million.

Recent Developments

Canada Re-domicile

On September 24, 2012, the Company announced that it intended to re-domicile the corporate Group from Australia to Canada via the implementation of a Scheme of Arrangement ("**Scheme**"). The restructure will provide the platform for the further financing of the Marengo Group's activities in the global equity markets. Under the Scheme, shareholders will be offered pro-rata equity in a new Canadian specifically incorporated company, which will ultimately be named Marengo Mining Limited. There will be no effect on the assets and liabilities of the Company upon completion of the restructure.

If the Scheme is implemented, Marengo shareholders will receive either shares in Marengo Mining for shareholders whose shares are listed on TSX or one CHESSE Depository Interest (CDI) (required because of the method of registration of shares on TSX) for shareholders whose shares are listed on either the ASX or POMSoX in exchange for each Marengo share held by them. Certain shareholders may be excluded where it is either impractical or not possible to ensure the share exchange can be completed under local laws.

In conjunction with the re-domicile, Marengo's existing employee share option plan and performance rights plan will be continued.

The re-domicile is expected to be completed by late 2012 and will only proceed if the restructure is approved by Marengo shareholders and the Supreme Court of Western Australia.

Yandera Project – Resource Estimate Update

In May 2012, the Company provided an updated resource estimate for the Yandera Project (the “ May 2012 Resource Estimate”). The Company filed the Yandera Technical Report to support the increased mineral resource estimate on the Yandera Project in May 2012. The May 2012 Resource Estimate was prepared in accordance with the JORC Code by minerals industry consultancy group, Ravensgate. The May 2012 Resource Estimate corresponds with Canadian Institute of Mining, Metallurgy and Petroleum classifications. Of particular note was the substantial conversion of copper indicated resources to the measured category with improved grade and the conversion of an additional significant amount of inferred resources to indicated resources. For more information, please see “*The Yandera Project*” below.

Investment and Co-operation Agreement with Petromin

On September 19, 2011, the Company announced that it had entered into the non-binding Yandera Project Investment and Co-operation Agreement (“Petromin Agreement”) with Petromin PNG Holdings Limited and its wholly-owned subsidiary, Eda Kopa (Yandera) Limited (collectively, “Petromin”). Petromin has been nominated by the Government of PNG (“PNG Government”) to take up the State’s interest in the Yandera Project. Petromin is a resource and investment company established by the PNG Government to hold the Government’s interest in, and invest in the development of mining and oil and gas projects in PNG. To date, it holds interests in:

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

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

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

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

Petromin appointed BNP Paribas to advise on the financing options available to Petromin to fund its pro-rata participation in the Yandera Project development.

Renewal of Exploration Licences

The Company's interest in the Yandera Project is derived from one Exploration Licence (“**EL**”), namely, EL1335. On June 21, 2010 the Papua New Guinea Mineral Resources Authority granted the Company a renewal of EL1335, within which the Yandera Central Porphyry is located. EL1335 expired on November 19, 2011. An application for renewal for an additional two year term was made prior to November 19, 2011. Although YMCL was properly the applicant for the renewal, the application was made under its former name, but under its correct company number. This administrative error may create doubt as to whether the MRA will consider the application properly made. However, YMCL has since reconfirmed to the Mineral Resources Authority (the “**MRA**”) that it was the applicant for the renewal. The application to the MRA to waive or vary the relinquishment requirements under EL1335 was made subsequent to the application for renewal, on March 9, 2012. The Company has no information suggesting that EL1335 will not be renewed for an additional two year term.

Two renewal applications filed by the Company on August 8, 2011 in relation to non-material licences that do not form part of the Yandera Project were refused by the Minister of Mines in PNG on April 22, 2012, without providing reasons. The Company is seeking judicial review of the decisions to reject the renewal applications. Court documents were filed on May 4, 2012 and the PNG National Court granted leave for those decisions to be reviewed and ordered that the decisions be stayed pending the determination of the proceedings. A hearing is scheduled for the coming months but in the interim the Company is maintaining dialogue with the MRA on the matter.

Acquisition of Harbourside Land and Ship-loader

On August 21, 2012, the Company announced it had entered into an agreement with a PNG wood-chip operations company, Jant Limited to purchase a State Lease, covering approximately 18 hectares of waterfront land, adjacent to the Madang Port. The purchase agreement also covers a ship-loader and wharf facility within the Madang Port area. The consideration for the acquisition of control of the leasehold land and ship-loader is 22,000,000 PNG Kina (approximately A\$/C\$10M), which is payable in stage payments up to 18 months from the date of the agreement, with the first payment of 500,000 PNG Kina (approximately A\$/C\$225,000) having been paid on signing. A condition of the purchase is that YMCL will make application to the PNG Government for a replacement lease, over the land, together with any necessary rezoning, for the purpose of establishing infrastructure related to the development of the Yandera Project.

CEO Employment Agreement

On December 23, 2011 shareholders approved a new Employment Agreement for the Chief Executive Officer, Mr Les Emery. The Board had recommended to shareholders that the best way for the Company to be certain of retaining Mr Emery's services at a crucial juncture in the Company's evolution, was to provide him with security of tenure. Under the new Employment Agreement, Mr Emery will be paid a termination benefit equivalent to three years' base salary in the event his employment is terminated without cause.

Appointment of new Chairman Elect

On September 24, 2012, the Company announced the appointment of highly experienced international mining executive, Dr Louis P. Gignac, to its Board as a non-executive Director and Chairman-elect after the Company's founding Chairman, Mr John Horan, advised his intention to retire from the Board following the Company's Annual General Meeting on 8 November 2012.

THE YANDERA PROJECT

The following information is derived from and should be read in conjunction with the Yandera Project Technical Report, incorporated by reference into this Annual Information Form.

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Property Description and Ownership

The resource is located in the Madang province of Papua New Guinea at an elevation of about 1,800m in the Bismarck Mountain range approximately 70km inland from the north coast. Present road access is by an unmaintained four wheel drive track. The reliability of access by this means is very low and exploration activities are almost entirely supported by helicopter.

Madang, with a population of about 35,000, is the capital of Madang province. Madang has facilities such as a harbour, airport, hospital, schools, and university and with road access to the ports of Lae to the east, Wewak to the west and connection to the Highlands Highway through Goroka and Mt Hagen. The resource is about 95km directly southwest of Madang city and 25km from the road network connecting Madang and Lae.

Marengo currently is the holder of five exploration licenses, three exploration licenses for which renewals have been lodged and three exploration license applications. The total area of these 11 licenses is in excess of 1,700 square kilometres. Of the three applications for renewal, two (Koinambe and Togoban) have been refused by the PNG Minister for Mining without giving reasons. In proceedings brought by Marengo the PNG National Court has ordered that the decision be stayed pending the decision being reviewed.

An exploration license entitles the holder to exclusively explore for minerals for a period of two years as well as the right to apply for a mining lease (ML) or a special mining lease (SML). An ML permits the holder to exclusively mine the lease for a period of up to 20 years with the right to apply for a renewal up to 10 years. An SML is for large scale mining operations.

The Yandera Porphyry Cu-Mo-Au resource is located on EL1335 with an area of 246.5 square kilometres. This tenement was first granted on 20 November 2003. The expiry date was the 19 November 2011. Application for

renewal was made in a timely manner and, as is standard practice, the grant is taken to be continuing as the application is processed. However, 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.

The closest granted licenses are listed below:

- EL193 held by Ramu Nickel is located 20km north northeast of Yandera and is the lateritic nickel deposit supporting the Ramu Nickel Mine.
- EL1304 held by Daehan Resources Development Ltd. It is located approximately 50 km northwest of Yandera.
- EL1596 held by Frontier Gold (PNG) Ltd. It is located approximately 70km west of Yandera.
- EL 1755 held by Australian PNG Minerals (APM). It is located approximately 75km northwest of Yandera. APM is targeting gold, copper, nickel and platinum.

Geology and Mineralisation

Yandera lies in the New Guinea Copper fold belt, a province comprised predominantly of deformed Mesozoic and Tertiary rocks. Lithologies within the belt include clastic sediments, mafic to intermediate volcanic and minor limestones. These lie within an elongate northwest striking belt dominated by northwest striking structural fabric related to collision of the Indo-Australian plate with island arc complexes in Miocene to Pliocene times.

Locally, the Yandera porphyry Cu-Mo-Au deposit lies within the core of the Miocene Bismarck Intrusive complex. The deposit has undergone a complex history of mineralisation and deformation. Earliest porphyry phases were intruded when the complex was relatively deeply buried (>3km) with subsequent porphyry mineralisation and alteration phases reflecting progressively shallower depositional levels related to an overall extensional tectonic regime. Breccias are locally observed as being important controls on mineralisation.

Alteration is extensive and has occurred in multiple over-printing phases with multiple mineralisation sources. Five main mineralisation styles are identified at Yandera including oxide, transition (oxide plus sulphide material), supergene (re-deposition of leached copper to the oxide/sulphide interface), enriched (deposition of covellite or chalcocite from acidic magmatic fluids) and hypogene. Of note is that the major economic elements (Cu, Mo and Au) are partitioned and distributed differently due to the complex nature and distribution of alteration and mineralisation.

Status of Exploration, Development and Operations

The Yandera project has been drilled by several companies over the history of the project. Initial exploration was undertaken by Kennecott Exploration from 1966 to 1972 when 12 diamond holes (DDH001 -DDH01 2) for 2,275m were completed. From 1973 to 1980 a BHP/Amdex Australia JV completed an additional 90 diamond holes (DDH13 – DDH102) for 30,942m. No further drilling was done on the project until 2007 when Marengo began drilling. Since then Marengo has completed, as of 28 September 2012, an additional 432 diamond holes for 133,022 metres (YD103-YD534).

An airborne magnetic and radiometric survey was flown late 2009 over the Yandera Central area and another flown in April-May 2012 over regional areas to the north-west of Yandera. The two areas flown are contiguous. From these surveys the significance of structure acting as a conduit for fluid flow and magmatism has been emphasised. This has led to the identification of a number of exploration targets.

During the first half of 2011, Marengo undertook a ridge and spur soil sampling programme over the Dirigi Mountain area approximately 4km southeast of the Yandera Deposit. The results of this programme were used for drill targeting and exploration drilling is currently underway in this area with an initial seven hole programme.

During the second half of 2011, a stream sediment programme in the Yomi (EL1633) and Togoban (EL1670) areas was designed and implemented. The Yomi sampling was mostly completed by the end of 2011 and will recommence during the dry season of 2012. Follow up work is currently underway.

Processing

For the purposes of metallurgical characterisation, mineralised materials from the Yandera deposit may be generally classified into three main types, ie: oxide, mixed (transitional) and hypogene. The hypogene material type represents the majority of available material (+80%) and contains primary copper sulphide mineralisation such as chalcopyrite and bornite. Oxide material contain oxide and secondary sulphide copper minerals and mixed material contains both oxidised and sulphide minerals. Hypogene material does not contain oxide minerals. The distinction of these three material types relates to the mineral types within the rock as compared to the weathering nature of the host material.

Sufficient metallurgical testwork has been conducted on samples from these material types over three separate programmes to develop preliminary process flowsheets and, in most cases, major equipment selections for the various corresponding unit processes. However, further testing is either yet to be formally reported or be completed. This may alter the overall approach and, almost certainly, will be used to further refine the processing equipment details.

In general, the preliminary process flowsheet consists of:

- Primary gyratory crushing and transfer to a 16 hour live capacity coarse material stockpile.
- Primary crushed feed reclaim to twin, parallel, single stage SAG (semi-autogenous grinding) milling and hydrocyclone classification circuits for grinding to a product size of 80% passing 150 microns (P80 of 150 μ m).
- Rougher/scavenger flotation, bulk concentrate regrind and copper (Cu) cleaner flotation for the production of a cleaned copper, molybdenum (Mo) and gold (Au) concentrate.
- Cu/Mo concentrate regrind and separation of a Mo concentrate via a Mo roughing and multi-stage cleaning flotation circuit, with that circuit tail stream representing a final Cu concentrate.
- Rougher magnetic separation of the bulk flotation tails followed by regrind, cleaner magnetic separation and reverse flotation of a magnetite concentrate.
- Separate transfer of Cu and magnetite concentrates via a slurry pipeline to a filtration and bulk concentrate storage facility at Madang.
- Ship-loading facility for the transfer of the bulk, filtered Cu and magnetite concentrates.
- Thickening, filtration, bagging and containerisation of the Mo concentrate at the Yandera site for road transport to Lae.
- Tailings thickening and disposal to an integrated tailings disposal and mine waste storage facility.
- Reagent preparation and distribution facilities.
- Services including water supply and reticulation, air supply and reticulation and grinding media storage and loading equipment.

Plant performance (under simulated conditions to the flowsheet described above) is, at this stage, envisaged to include:

- Rougher-scavenger flotation Cu and Mo recoveries of approximately 95% and approaching 90%, respectively, for the hypogene material types.
- Final Cu recoveries of between 84% and 93% for the hypogene feeds (pending ongoing testwork results) to a cleaned Cu concentrate at saleable grades.
- Reasonable gold and silver recoveries to a Cu concentrate of around 75% and 60%, respectively.
- Production of a saleable Mo concentrate at a grade of over 47% Mo with corresponding recoveries of approximately 80% for the hypogene feeds.
- Potential Rhenium credits for the Mo concentrate.
- Poorer metal recoveries for the oxide feed types with improvement potential probably limited.
- Potential for the relatively simple production of a saleable magnetite concentrate grading above 65% Fe.

Additional metallurgical testwork is either underway or planned for the near future with the aims of further optimisation of flotation and magnetic separation parameters to further improve final metal recoveries via flowsheet modifications or conditions refinement, verify operating consumables usage projections and to provide engineering related data for major equipment selection.

Mineral Resource and Mineral Reserve Estimates

The Yandera deposit Mineral Resources reported herein are for copper, molybdenum and gold. The effective date of these reported resources is 12 April 2012 and the drill hole data cut-off date was the 10 February 2012.

The Yandera area geological interpretation and subsequent modelling was carried out by Mr. Gabriel Liam of Marengo in conjunction with Mr. Sam Ulrich of Ravensgate. Mr. Karl Smith of Karl Smith Mine and Geology Consulting established the strategy for developing kriging domains. The mineralisation and geological interpretation work used all available surface mapping, data from drill hole logging as well as some mapping and samples from two adits.

The resource estimation carried out for this study utilised MineSight[™] software. One large block model was constructed for the deposit which covered and extended where necessary beyond the current extent of drilling. In addition to the underlying geological and material type coding in the model a set of grade interpolation items for Cu, Mo and Au were incorporated. The method of grade interpolation used for all elements was the Ordinary Kriging technique which used calculation parameters based upon localised geostatistical and associated variography studies.

Table 1 and Table 2 summarise the tonnes and copper grade reported from the block modelling at a range of copper lower cut-off grades.

Table 1 Resource Summary – Yandera Cu-Mo-Au Block Model
Measured and Indicated Resources as at April 12th, 2012 at Varying Lower Cut-Off Grades
(OK Block Model) Reporting Item CUPC1 – ZONEA=1-7 Zones Only

Copper Cut-off Grade	Measured Resources					Indicated Resources					Total Measured and Indicated Resources				
% Cu	Volume (Mm3)	Tonnes (Mt)	Cu (%)	Mo (ppm)	Au (ppm)	Volume (Mm3)	Tonnes (Mt)	Cu (%)	Mo (ppm)	Au (ppm)	Volume (Mm3)	Tonnes (Mt)	Cu (%)	Mo (ppm)	Au (ppm)
0.20%	124	314	0.38	104.6	0.085	67	172	0.35	52.7	0.048	191	486	0.37	86.2	0.07
0.30%	76	192	0.48	122.8	0.099	31	81	0.48	63.2	0.059	107	273	0.48	105.2	0.09
0.40%	44	111	0.57	140.3	0.111	16	42	0.61	72.3	0.069	60	153	0.58	121.7	0.10
0.50%	24	62	0.68	152.7	0.122	9	23	0.74	79.4	0.077	33	85	0.70	132.6	0.11
0.70%	8	20	0.90	170.7	0.136	3	9	1.01	65.1	0.086	11	29	0.93	137.7	0.12
0.80%	5	12	1.01	173.9	0.142	3	7	1.10	61.5	0.094	8	19	1.05	133.8	0.12
1.00%	2	4	1.24	162.2	0.145	1	3	1.37	69.3	0.080	3	7	1.30	124.7	0.12

Note: M is an abbreviation for million

Table 2 Resource Summary – Yandera Cu-Mo-Au Block Model

Inferred Resources as at April 12th, 2012 at Varying Lower Cut-Off Grades (OK Block Model) Reporting Item CUPC1 – ZONEA=>7Zones Only

Lower Cut-off THEK CUPC1	Volume (Mm³)	Tonnes(Mt)	Cu (%)	Mo (ppm)	Au (ppm)
0.20% Cu	135	347	0.31	37.8	0.03
0.30% Cu	56	144	0.42	41.9	0.04
0.40% Cu	23	59	0.54	49.7	0.05
0.50% Cu	11	28	0.65	58.3	0.06
0.70% Cu	3	8	0.88	25.7	0.05
0.80% Cu	2	5	0.94	17.7	0.06
1.00% Cu	0.5	1	1.22	29.1	0.05

Note: M is an abbreviation for million

Table 3 and Table 4 summarise the tonnes and molybdenum grade reported from the block modelling at a range of molybdenum lower cut-off grades.

Table 3 Resource Summary – Yandera Cu-Mo-Au Block Model

Measured and Indicated Resources as at 12 April 2012 at varying Mo (ppm) Lower Cut-off Levels - ZONEB=>9 Mo Zones only - (MOKR1 Block Model Reporting Item)

Mo(ppm) Cut-Off Grade	Measured Resources			Indicated Resources			Total Measured and Indicated Resources		
	Volume Mm3	Tonnes (Mt)	Mo (ppm)	Volume Mm³	Tonnes (Mt)	Mo (ppm)	Volume (Mm3)	Tonnes (Mt)	Mo (ppm)
20	194	494	100.3	116	298	71.0	310	792	89.3
40	138	354	128.7	69	178	99.8	207	532	119.0
60	109	279	150.0	47	120	124.7	156	399	142.4
80	85	218	172.4	33	84	149.0	118	302	165.9
100	64	164	199.9	23	59	174.1	87	223	193.1
150	30	77	289.1	10	25	248.6	40	102	279.2
200	18	47	364.7	5	13	320.9	23	60	355.2

Note: M is an abbreviation for million

Table 4 Resource Summary - Yandera Cu-Mo-Au Block Model			
Inferred Resources as at 12 April 2012 at varying Mo (ppm) Lower cut-off Levels			
- ZONEB=1→9			
(Mo) Zones Only - (MOKR1 Block Model Reporting Item)			
Lower Cut-off MOKR1	Inferred Resources		
	Volume (Mm ³)	Tonnes (Mt)	Mo (ppm)
20	286	737	58.1
40	167	431	86.0
60	100	259	117.6
80	67	173	146.9
100	47	121	176.3
150	40	104	189.4
200	20	51	262.8

Note: M is an abbreviation for million

Table 5 and Table 6 summarise the tonnes and gold grade reported from the block modelling at a range of gold lower cut-off grades.

Table 5 Resource Summary – Yandera Cu-Mo-Au Block Model									
Measured and Indicated Resources as at 12 April 2012 at varying Au (ppm) Lower cut-off Levels									
– ZONEC=1→10 (Au) Zones Only - (AUKR1 Block Model Reporting Item)									
Gold Cut-off Grade	Measured Resources			Indicated Resources			Total Measured and Indicated Resources		
Au(ppm)Cut-Off	Volume Mm ³	Tonnes (Mt)	Au (ppm)	Volume Mm ³	Tonnes (Mt)	Au (ppm)	Volume (Mm ³)	Tonnes (Mt)	Au (ppm)
0.20	13	33	0.28	4	10	0.34	17	43	0.29
0.30	4	9	0.41	2	4	0.48	6	13	0.43
0.40	1	3	0.54	0.9	2	0.61	1.9	5	0.57
0.50	0.6	2	0.67	0.6	1	0.70	1.2	3	0.68
0.70	0.2	0.5	0.88	0.2	0.4	0.98	0.4	0.9	0.92
0.80	0.1	0.3	0.99	0.1	0.3	1.11	0.2	0.6	1.05
1.00	0.04	0.1	1.17	0.07	0.2	1.29	0.11	0.3	1.25

Note: M is an abbreviation for million

Table 6 Resource Summary - Yandera Cu-Mo-Au Block Model			
Inferred Resources as at 12 April 2012 at varying at varying Au (ppm) Lower cut-off Levels - ZONEC=1→10 (Au) Zones Only - (AUKR1 Block Model Reporting Item)			
Lower Cut-off AUKR1	Inferred Resources		
	Volume Mm3	Tonnes (Mt)	Au (ppm)
0.20	4	10	0.67
0.30	2	6	0.91
0.40	2	5	1.01
0.50	2	4	1.05
0.70	1	3	1.18
0.80	1	3	1.20
1.00	0.01	0.03	1.71

Note: M is an abbreviation for million

This mineral resource statement has also been compiled in accordance with the guidelines defined in the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code, 2004 Edition).

Stephen Hyland is a fellow of the Australasian Institute of Mining and Metallurgy. Stephen has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in The JORC Code, 2004 Edition.

Interpretation, Conclusions and Recommendations

The Yandera Copper-Molybdenum-Gold Project reviewed as a part of this 2012 updated resource modelling study has demonstrated and confirmed that this area contains significant amounts of copper mineralisation. The tonnages reported, for example above a nominal 0.50% Cu lower cut-off, and the coincident contained metal tonnages, are significant.

It is recommended that further programs of resource drilling be carried out, directed towards preliminary grade control planning for initial extraction of some of the higher grade copper resources, particularly near surface. Additional resource definition, within the Inferred portions of the deposit, is required to assist decisions related to determining more accurately the defining mineralisation and mining boundaries. It is Ravensgate's opinion that the localised copper distribution variances tend to be fairly high and this may not be immediately evident in sparsely drilled areas. A close spaced grade control drilling pattern across selected areas of the Yandera deposit area will be most beneficial in confirming the localised copper variance characteristics of the deposit and helping to calibrating specific parts of the Yandera Resource Block Model to date.

Whilst there has been ongoing focus on the overall observed copper mineralisation, it has also become clear that the extent of the lithologically controlled ancillary elements molybdenum and gold will benefit from additional study. Some re-definition of the lithology and structural controls in conjunction with associated alteration geochemistry may be useful.

Future modelling studies should be carried out periodically, as part of best industry practice as it relates to continuous improvement. This additional modelling would be enhanced by refined rock mass and structural modelling as updated structural mapping becomes available in conjunction with a copper mineralisation distribution review that will follow additional drilling. These up-dates should ideally be incorporated before commencement of detailed mine planning prior to project construction.

Comparison with similar deposits indicates that the Yandera Project has the characteristics to enable it to become a viable large scale mining operation delivering marketable quality copper and molybdenum concentrates and magnetite. The very recent completion of the resource model has not provided the opportunity for a detailed examination of the economics which, consequently, are not further discussed herein.

The deposit has attracted the attention of a large Chinese construction group which is interested in promoting the project in the Chinese banking community and, after appropriate further study, providing an offer for development which contains a large fixed price element of costs.

The PNG community, from national to local level, has expressed positive views about the desirability of development.

It is recommended that the studies on the project be carried forward to Feasibility Study level and that the documents and supporting activities, such as the Environmental Impact Statement and others required to initiate the full project permitting process, also be progressed to completion. Advancing the study to that point would require the expenditure of approximately US\$5M. Should that study show that application for permits is the logical next step then that should be done and the supplementary work required to obtain a proposal for a Development Contract with the majority of the construction activities undertaken for a fixed price should also be undertaken. It is estimated that a further US\$5M would be required to advance the technical and commercial aspects of the project to that stage.

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 2012 and resulted in the re-election of 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 (by MMC) 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 PNG Government (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.

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 FS is successful, the Company will need to raise further capital and/or debt financing to develop the Yandera Project. In any event, the Company will need to raise further capital from external sources for general working capital, exploration or to develop any newly discovered mineral assets. 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 FS 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. 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 PNG 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 PNG 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 PNG as a developing country may make it more difficult for the Company to obtain any required financing because of the investment risks associated with such 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 PNG 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.

Potential Changes in Applicable Laws and Government Regulations

The Company's mineral exploration and planned development activities are subject to various laws governing title, tenement interests, prospecting, mining rights, land ownership, development, production, taxes, labour standards and occupational health, mine safety, toxic substances, land use, water use and other matters. Although the Company's exploration and planned development activities are currently believed by the Company to be 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.

Many of the mineral rights and interests of the Company are subject to governmental approvals, licenses and permits. The granting and enforcement of the terms of such approvals, licenses and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental officials. No assurance can be given that the Company will be successful in maintaining any or all of the various approvals, licenses and permits in full force and effect without modification

or revocation. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from continuing or proceeding with planned exploration or development of mineral properties.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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 and regulations governing operations, title matters, land ownership, tenement interests or mining rights or more stringent implementation thereof could have a substantial adverse impact on the Company 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.

Title to the Company's Mineral Properties Cannot be Guaranteed and May be Subject to Prior Unregistered Agreements, Transfers or Claims and Other Defects

The Company cannot guarantee that title to its properties will not be challenged. Title insurance is generally not available for mineral properties and the Company's ability to ensure that it has obtained secure claim to individual mineral properties or mining concessions may be constrained. The Company's mineral properties may be subject to prior unregistered agreements, transfers or claims, and title may be affected by, among other things, undetected defects. The Company has not conducted complete surveys of all of the tenements in which it holds direct or indirect interests. A successful challenge to the precise area and location of these tenements could result in the Company being unable to operate on its properties as permitted or being unable to enforce its rights with respect to its properties.

Although the Company has obtained title opinions from what it believes to be appropriately qualified legal counsel in the local jurisdictions, such opinions are subject to the assumptions and limitations contained therein and are current only as at the date such opinions are rendered, with no obligation on legal counsel to update the information contained in such opinions going forward. In addition, 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 not entered into forward foreign currency contracts but may enter into such contracts in the future. 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. 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 hedging programs 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. The Company had negative cash flow from operations for the year ended June 30, 2012. 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.

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 mineral reserves.

Ability to Exercise Statutory Rights and Remedies under Canadian Securities Law

The Company and its subsidiaries are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction outside of Canada. Certain of the officers and directors of the Company and its subsidiaries reside outside of Canada. This may limit an investor's ability to exercise statutory rights and remedies under Canadian securities laws. In particular, a Canadian court may determine that it does not have jurisdiction over a claim by an investor against the Company and/or its officers and directors, or that another foreign jurisdiction is the more convenient forum to adjudicate the claim.

Enforceability of Foreign Judgments

The Company and its subsidiaries are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction outside of Canada. Certain of the officers and directors of the Company and its subsidiaries reside outside of Canada. Although the Company has appointed Fraser Milner Casgrain LLP as its agents for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada or foreign arbitral awards against the Company and its subsidiaries or such persons.

Structural Subordination of the Ordinary Shares

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

Future Sales or Issuances of Ordinary Shares

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

Risk of Suspension

Like all reporting issuers, the Company may be subject to potential suspension from listing due to a failure to comply with local regulations, resulting from changes in policy or otherwise. To mitigate these risks, the Company monitors local regulations governing companies through its local counsel experienced in corporate law to ensure that it continues to comply with such regulations.

Risk of Fines and Penalties

The Company may be subject to potential fines and penalties in local jurisdictions where it conducts business, resulting from changes in policy or otherwise. To mitigate these risks, the Company monitors compliance with local regulations governing companies through its local legal counsel experienced in corporate law.

Risk of Improper Use of Funds in Local Entity

The Company operates in a number of jurisdictions, and, as result, is exposed to potential misappropriation of funds by a local entity. To mitigate this risk, the Company keeps cash balances to a minimum and completes a reconciliation of all bank accounts on a regular basis, as well as independent verification of all funds used. The Company has implemented an internal approval process with respect to all payments made.

DIVIDENDS

Marengo has not, since the date of its incorporation, declared or paid any dividends or distributions 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 1,137,720,551 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.

During the financial year ended June 30, 2012, 1,345,250 warrants were exercised (2011: 1,794,000). At June 30, 2012, the number of warrants outstanding was 56,860,750.

Description of Unlisted Options

The unlisted options granted, exercised for ordinary shares and cancelled during the year ended June 30, 2012, are as follows:

	Number of Options
Balance, as at June 30, 2011	24,012,320
Granted	500,000
Exercised	(7,331,250)
Cancelled/Lapsed	<u>(1,110,000)</u>
Balance, as at June 30, 2012	<u>16,071,050</u>

At June 30, 2012, 14,661,050 unlisted share purchase options had vested and were exercisable.

PRIOR SALES

During the financial year ended June 30, 2012, the Company issued securities or granted options to purchase ordinary shares under the Company's share option plan:

Date Issued	Number of Securities	Security	Price per Security
November 10, 2011	225,000	Stock Options	A\$0.19 ⁽¹⁾
February 24, 2012	275,000	Stock Options	A\$0.24 ⁽²⁾

Notes:

- (1) Grant of unlisted options expiring November 10, 2016.
- (2) Grant of unlisted options expiring February 24, 2017.

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.

Month	High (A\$)	Low (A\$)	Volume
July 2011	0.27	0.21	24,463,100
August 2011	0.24	0.15	21,131,900
September 2011	0.25	0.17	21,626,300
October 2011	0.22	0.175	8,414,786
November 2011	0.205	0.165	7,910,593
December 2011	0.24	0.175	22,936,613
January 2012	0.25	0.195	8,419,108
February 2012	0.275	0.205	16,448,815
March 2012	0.30	0.24	13,525,100
April 2012	0.25	0.22	4,588,500
May 2012	0.22	0.17	10,785,400
June 2012	0.18	0.12	8,756,000

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.

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
July 2011	0.265	0.235	8,310,521
August 2011	0.26	0.117	6,945,916
September 2011	0.26	0.13	3,124,500
October 2011	0.23	0.185	2,760,477
November 2011	0.22	0.118	5,022,150
December 2011	0.24	0.20	5,022,150
January 2012	0.26	0.195	1,310,500
February 2012	0.295	0.23	1,219,708
March 2012	0.30	0.250	2,754,791
April 2012	0.255	0.22	5,628,791
May 2012	0.22	0.155	5,697,952
June 2012	0.180	0.150	6,965,502

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:

<u>Name and Municipality of Residence⁽¹⁾</u>	<u>Position with the Company and Period Served</u>	<u>Principal Occupation</u>
JOHN HORAN ⁽⁴⁾⁽⁵⁾ 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 and Chief Executive Officer 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 NAMALIU ⁽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 ⁽²⁾⁽³⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Non-Executive Director since June 10, 2008	Independent consultant and Corporate Director
ELIZABETH MARTIN ⁽²⁾⁽⁴⁾⁽⁵⁾ Ontario, Canada	Non-Executive Director since June 10, 2008	Corporate director.
MARK CHURCHWARD Western Australia, Australia	Chief Financial Officer since September 12, 2011 and Joint Company Secretary since February 24, 2012	CFO of Marengo Mining Limited
JOHN RIBBONS Western Australia, Australia	Chief Financial Officer until September 11, 2011 and Joint 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 and Risk Committee.
- (3) Member of the Safety, Health and Environment Committee.
- (4) Member of the Human Resources and Compensation Committee .
- (5) Member of the Corporate Governance and Nominating Committee.

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 November 8, 2012, 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 8,191,921 ordinary shares, or approximately 0.72% of the Company's issued and outstanding shares.

Corporate Cease Trade Orders or Bankruptcies

Other than as disclosed below, 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) 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. The reasons for the insolvency are summarized in the Questionnaire and Report to the Administrators dated November 14, 2008, as filed with the ASX. 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.

Mr. Hick was also a director of Timminco Limited which was granted protection under the Companies Creditors Arrangement Act (“CCAA”) on January 3, 2012. As a result of the CCAA filing, the TSX delisted the company effective February 6, 2012. On August 17, 2012, with the approval of the Judge overseeing the CCAA process, a professional Receiver was appointed to manage the voluntary bankruptcy and winding up of Timminco and all of the Directors resigned effective that date.

Other than as disclosed below, 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.

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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 and Risk Committee

The Board of Directors (the "**Board**") has established an Audit and Risk 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 and Risk 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 and Risk Committee to maintain free and open communication between the committee, the external auditors and the management of the Company.

The Audit and Risk 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 and Risk Committee also meets with external auditors and reviews the Company's relationship with the external auditors.

The charter of the Audit and Risk 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 and Risk Committee are Ms. Martin (Chair), Dr. Dunnet and Mr Hick each of whom is "financially literate" and "independent", in each case, within the meaning of section 1.6 of NI 52-110.

Elizabeth Martin, C.M.A.ICD.D. – 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 financial 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 has held numerous roles on Audit Committees of publicly traded corporations and other organizations. She is currently on the Board of Aura Minerals Inc. (a TSX listed company) and chairs their Audit Committee.

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.

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

Dr. Douglas Dunnet has considerable experience in both senior management and director capacities with a number of public companies, in a career spanning over 40 years.

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 Hick, B.A, LLB

Mr. Hick has considerable experience in both senior management and director capacities with a number of public companies over the last 26 years, prior to which he was actively engaged in the practice of law in Ontario. During his career, he has been the President and/or CEO of the following public companies where he had direct involvement in and responsibilities for the financial results and reporting of such companies: Grafton Group Limited; TVX Gold Inc., Geomaque Explorations Ltd., Defiance Mining Corporation, Rio Narcea Gold Mines Ltd. And Medoro Resources Inc. In addition, to serving as a director,

he has served, or is currently serving, on the audit committees of the following public companies: Carpathian Gold Inc., Eurotin Inc., First Bauxite Corporation, First Uranium Corporation, Hudson Resources Inc., International Minerals Corp., St Andrew Goldfields Ltd., Rayrock Yellowknife Gold Mines Ltd., Cambior Inc., Rio Narcea Gold Mines Ltd., Southern Cross Resources Inc., Queenstake Resources Ltd., Areoquest International Ltd., and Revett Minerals Inc.

Pre-approve Policies and Procedures

The Audit and Risk Committee must pre-approve all non-audit services to be provided to the Company by its external auditors. The Audit and Risk 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 and Risk 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.

Reliance on Certain Exemptions

Since the commencement of the Company's most recently completed financial year, the Company has not relied upon any exemptions contained in NI 52-110.

Audit Committee Oversight

Since the commencement of the Company's most recently completed financial year, the Board has not failed to adopt a recommendation of the Audit Committee to nominate or compensate an external auditor.

Audit Fees

At the Annual General Meeting of shareholders of the Company, held on November 10, 2011, PricewaterhouseCoopers were appointed as auditors of the Company.

The aggregate fees billed by PricewaterhouseCoopers ("PWC") and 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, 2011 and A\$97,134 for the financial year ended June 30, 2012.

Audit-Related Fees

The aggregate fees billed by PWC and 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\$Nil for the financial year ended June 30, 2011 and Nil for the financial year ended June 30, 2012.

Tax Fees

The aggregate fees billed in the last two financial years for professional services rendered by PWC and Stantons for tax compliance, tax advice and tax planning was A\$nil for the financial year June 30, 2011 and A\$119,446 for the financial year ended June 30, 2012.

All Other Fees

The aggregate fees billed in the last two financial years for products and services provided by PWC and Stantons, other than services reported in "Audit Fees", "Audit Related Fees" and "Tax Fees", referred to above, paid by the Company was A\$10,071 for the financial year ended June 30, 2011 and A\$74,644 for the financial year ended June 30, 2012.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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.

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

Two renewal applications filed by the Company on August 8, 2011 in relation to non-material exploration licences that do not form part of the Yandera Project were refused by the Minister of Mines in PNG on April 22, 2012, without providing reasons. The Company is seeking judicial review of the decisions to reject the renewal applications. Court documents were filed on May 4, 2012 and the PNG National Court granted leave for those decisions to be reviewed and ordered that the decisions be stayed pending the determination of the proceedings. A hearing is scheduled in the coming months and the Company is in on-going discussion with the Mineral Resources authority of PNG in relation to this matter.

Other than this, 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, 2012, or of which any of its properties is the subject matter of in the financial year ended June 30, 2012, 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, 2012 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, 2012.

MATERIAL CONTRACTS

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

- Purchase Agreement for the acquisition of harbourside land and ship-loader.

The above contract is further summarized in other sections of this Annual Information Form.

INTERESTS OF EXPERTS

Frederick Cook 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 Cook is the registered or beneficial owner (direct or indirect) of 40,000 ordinary shares of Marengo and 300,000 performance rights to acquire ordinary shares of Marengo upon achieving certain vesting conditions.

Stephen Hyland, Karl Smith and Paul Kreppold, the authors of the May 2102 Technical Report, did not hold at the time of preparation of the 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 persons and the directors, officers, employees and partners of Ravensgate, Karl Smith Mine & Geology Consulting and Arcon Mining Services 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 security holders, 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, 2012, 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 AND RISK COMMITTEE CHARTER

1. ROLE

The Audit and Risk Committee (“the **Committee**”) will assist the Board of Directors (the “**Board**”) of Marengo Mining Limited (the “**Company**”) fulfil its financial reporting, 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. The Committee is, however, independent from the Board and shall have the ability to determine its own agenda.

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. Such appointment will be set annually at the first board meeting held after the Annual General Meeting.
- 2.1.2. The Committee shall comprise 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:
 - (a) be a member of the Board;
 - (b) unless otherwise determined by the Board, in accordance with Canadian Multilateral Instrument 52-110 – Audit Committees (“**MI 52-100**”), be independent within the meaning of MI 52-100; and
 - (c) unless otherwise determined by the Board in accordance with MI 52-100, have the ability to read and understand a set of financial statements that presents 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 annually appoint a person from among its members to act as the chairman of the Committee (the “**Chairman**”). The Chairman is responsible for managing the Committee including:
 - (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 CFO are aware of concerns of the Committee;
 - (c) liaising with the chairperson of the Board to coordinate the raising of Committee matters with the Board;
 - (d) communicating with the Board to keep it apprised of all major developments involving audit and financial reporting matters;
 - (e) chairing and managing meetings of the Committee;
 - (f) setting and assessing periodically the frequency of the Committee meetings; and
 - (g) on an on-going basis, evaluating the Committee’s objectives, duties and the effectiveness of its performance. Such evaluation will occur as part of the Board’s overall annual evaluation process

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 48 hours prior to the date of the meeting.
- 2.3.6. Minutes and resolutions of the 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 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 compromise 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, CFO, 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

The Committee shall:

3.1. 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 financial results, taking into account:
 - (a) critical accounting policies and practises and any changes thereto;
 - (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 and/or review;

- (f) the going concern assumption;
 - (g) compliance with accounting standards; and
 - (h) compliance with ASX, TSX and POMSx stock exchanges 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 relevant laws and regulations as they relate to financial matters.
- 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 the appointments of the CFO and, if required, 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 the CEO.
- 3.1.18. Ensure that the Company complies with all legal requirements relating to the declaration and payment dividends.

3.2. External Auditor

- 3.2.1. 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.
- 3.2.2. Review and recommend to the Board the compensation paid to the external auditor.

- 3.2.3. 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 the disagreements between management and the external auditor regarding financial reporting.
- 3.2.4. 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.
- 3.2.5. 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.
- 3.2.6. Ensure that the external auditor is satisfied that the accounting estimates and judgements made by management, and management's selection of accounting principles, reflect an appropriate application of International Financial Reporting Standards.
- 3.2.7. Develop a relationship with the external auditor that allows for full, frank and timely discussion of all material issues.
- 3.2.8. Hold discussions with the external auditor at the conclusion of each Committee meeting, without management present.
- 3.2.9. 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.
- 3.2.10. Approve, or recommend to the Board for approval, all audit, audit related and non-audit engagement fees and terms of the engagement of the independent auditor prior to the commencement of the engagement. The Committee may delegate The Chairman of the Committee the authority to pre-approve engagements, provided that the decision to do so is presented to the full Committee at its next scheduled meeting.
- 3.2.11. Notwithstanding the pre-approval process above, the Committee will ensure that the external auditors are prohibited from providing the following non-audit services and will determine which other non-audit services the external auditors are prohibited from providing:
 - (a) bookkeeping or other services related to the accounting records or financial statements of the Company;
 - (b) financial information systems design and implementation;
 - (c) appraisal or valuation services, fairness opinions, or contribution in-kind reports;
 - (d) management functions or human resources;
 - (e) broker, dealer, investment advisor or investment banking services;
 - (f) legal services and expert services unrelated to the audit; and
 - (g) any other service that the Committee determines to be impermissible.
- 3.2.12. Review the planning and result 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 engagement.
- 3.2.13. Ensure that the external auditor has direct access to the Committee and unrestricted access to the Company's information.
- 3.2.14. Assess management's response to, and action on, the external auditor's post-audit reporting letter.
- 3.2.15. Assess the external auditor's performance.
- 3.2.16. Direct the external auditor's examinations to additional particular areas, where appropriate.
- 3.2.17. Where appropriate, request the external auditors to undertake special examinations.
- 3.2.18. Review control weakness identified by the external auditors, together with management's response;
- 3.2.19. Review and approve the Company's hiring policies regarding current and former partners and employees of the present and former external auditor.

3.3. Reporting

- 3.3.1. Reporting 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 relevant issues.
- 3.3.2. 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 Committees' 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 any auditor;
 - (e) the performance and independence of the external auditors and whether the 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.

3.4. Risk Management

- 3.4.1. Provide the Board with 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.

- 3.4.2. Provide the Board with 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.
- 3.4.3. Periodically access 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.
- 3.4.4. 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.
- 3.4.5. Regularly review and update the Company's risk profile.

3.5. Internal Audit

- 3.5.1. Periodically assess, review the need for an internal audit function on a regular basis.
- 3.5.2. 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 systems; and
 - (b) the implementation of the Company's risk management and internal compliance and control systems;
- 3.5.3. 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 that 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 retractions are placed on the internal auditors;
 - (h) ensure that appropriate resources are made available to the internal auditors.

3.6. General

- 3.6.1. 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.
- 3.6.2. The Committee will review this Charter annually and revise it as appropriate.

4. AUTHORITY OF THE COMMITTEE

4.1. The Committee has authority to:

- 4.1.1. 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.

- 4.1.2. Set and pay the compensation for any advisors employed by the Committee.
- 4.1.3. Conduct any investigations it considers necessary and seek explanations and additional information from any employee of the Company and/or from the external auditor.
- 4.1.4. 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
- 4.1.5. 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.

5. CONFLICT

In the event of any conflict between this Charter and any other relevant legal requirements, including those of the ASX, POMS0X 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.

Approved by the Board on July 19, 2012.