

# CLAYTON UTZ

Sydney

Melbourne

Brisbane

Perth

Canberra

Darwin

24 December 2010

Australian Stock Exchange  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

**No of pages 88  
(incl.)**

Our reference 15087/80114683

Dear Sirs

## **Notice of Change of Interests of Substantial Holder - Marengo Mining Limited**

Attached is a Form 604 - Notice of change of interests of substantial holder in relation to Marengo Mining Limited.

Yours faithfully



**Mark Williamson, Partner**  
+61 2 9353 4196  
mwilliamson@claytonutz.com

**Attach**

**Form 604**  
Corporations Act 2001  
Section 671B

**Notice of change of interests of substantial holder**

To Company Name/Scheme Marengo Mining Limited

ACN/ARSN 099 496 474

**1. Details of substantial holder (1)**

Name Quantum Partners LP (the "Fund"), its related bodies corporate and the persons referred to in Annexure A (together, the "Holders")

ACN/ARSN (if applicable) Not applicable

There was a change in the interests of the substantial holder on 23/12/2010

The previous notice was given to the company on 01/09/2009

The previous notice was dated 31/08/2009

**2. Previous and present voting power**

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company or scheme, are as follows:

Class of securities (4)	Previous notice		Present notice	
	Person's votes	Voting power (5)	Person's votes	Voting power (5)
Ordinary shares	87,662,878	19.9%	187,514,934	18.87%

**3. Changes in relevant interests**

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

Date of change	Person whose relevant interest changed	Nature of change (6)	Consideration given in relation to change (7)	Class and number of securities affected	Person's votes affected
14/09/2009	Holders	Subscribed for shares under private placement. See Annexure B.	A\$0.095 per share	11,433,056 ordinary shares	11,433,056
12/08/2010	Holders	Subscription under secondary offering. See Annexure C.	C\$0.084 per share	47,619,000 ordinary shares	47,619,000
10/12/2010	Holders	Subscription under secondary offering. See Annexure D.	C\$0.25 per share	17,200,000 ordinary shares	17,200,000
23/12/2010	Holders	Subscription under secondary offering. See Annexure D.	C\$0.25 per share	23,600,000 ordinary shares	23,600,000

**4. Present relevant interests**

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

Holder of relevant interest	Registered holder of securities	Person entitled to be registered as holder (8)	Nature of relevant interest (6)	Class and number of securities	Person's votes
Holders	RBC Dexia Investor Services	The Fund	See Annexure A	40,800,000 ordinary shares	40,800,000
Holders	HSBC Custody Nominees (Australia) Limited	The Fund	See Annexure A	146,714,934 ordinary shares	146,714,934

**5. Changes in association**

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

Name and ACN/ARSN (if applicable)	Nature of association
Not applicable	

**6. Addresses**

The addresses of persons named in this form are as follows:

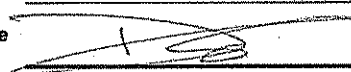
Name	Address
Holders	888 Seventh Avenue, New York, New York 10106
RBC Dexia Investor Services	155 Wellington Street West, Street Level, Toronto, ON Canada, M5V 3L3
HSBC Custody Nominees (Australia) Limited	GPO Box 5302, Sydney NSW 2001

**Signature**

print name David Taylor

capacity Assistant General Counsel

sign here



date 23 /12 / 2010

**DIRECTIONS**

- (1) If there are a number of substantial holders with similar or related relevant interests (eg. a corporation and its related corporations, or the manager and trustee of an equity trust), the names could be included in an annexure to the form. If the relevant interests of a group of persons are essentially similar, they may be referred to throughout the form as a specifically named group if the membership of each group, with the names and addresses of members is clearly set out in paragraph 6 of the form.
- (2) See the definition of "associate" in section 9 of the Corporations Act 2001.
- (3) See the definition of "relevant interest" in sections 608 and 671B(7) of the Corporations Act 2001.
- (4) The voting shares of a company constitute one class unless divided into separate classes.
- (5) The person's votes divided by the total votes in the body corporate or scheme multiplied by 100.
- (6) Include details of:
  - (a) any relevant agreement or other circumstances because of which the change in relevant interest occurred. If subsection 671B(4) applies, a copy of any document setting out the terms of any relevant agreement, and a statement by the person giving full and accurate details of any contract, scheme or arrangement, must accompany this form, together with a written statement certifying this contract, scheme or arrangement; and
  - (b) any qualification of the power of a person to exercise, control the exercise of, or influence the exercise of, the voting powers or disposal of the securities to which the relevant interest relates (indicating clearly the particular securities to which the qualification applies).

See the definition of "relevant agreement" in section 9 of the Corporations Act 2001.
- (7) Details of the consideration must include any and all benefits, money and other, that any person from whom a relevant interest was acquired has, or may, become entitled to receive in relation to that acquisition. Details must be included even if the benefit is conditional on the happening or not of a contingency. Details must be included on any benefit paid on behalf of the substantial holder or its associate in relation to the acquisitions, even if they are not paid directly to the person from whom the relevant interest was acquired.
- (8) If the substantial holder is unable to determine the identity of the person (eg. if the relevant interest arises because of an option) write "unknown".
- (9) Give details, if appropriate, of the present association and any change in that association since the last substantial holding notice.

This is Annexure A of 1 page referred to in Form 604 - Notice of change of interests of substantial holder.

Signed: 

Name: David Taylor

Title: Assistant General Counsel

Date: 23/12/2010

The related bodies corporate of the Fund are associates of the Fund within the meaning of section 12(2)(a) of the Corporations Act and have a relevant interest in the shares in which the Fund has a relevant interest pursuant to section 608(3) of the Corporations Act.

Soros Fund Management LLC ("SFM") serves as principal investment manager to the Fund. As such, SFM has been granted investment discretion over portfolio investments, including the ordinary shares, held for the account of the Fund and may be taken to have voting and investment control with respect to the ordinary shares acquired by the Fund.

George Soros serves as Chairman of SFM, Robert Soros serves as Deputy Chairman of SFM and Jonathan Soros serves as President and Deputy Chairman of SFM. As such, each of them may be taken to have voting and investment control with respect to the ordinary shares under section 608(1).

This is Annexure B of 6 pages referred to in Form 604 - Notice of change of interests of substantial holder.

Signed: \_\_\_\_\_

Name: David Taylor

Title: Assistant General Counsel

Date: 23/12/2010



Australian Financial Services  
Licensee Number: 307723  
ACN 121 452 560  
ABN 52 121 452 560



**PRIVATE AND CONFIDENTIAL**

1 September 2009

Mr David Taylor  
Attorney-in-Fact  
Quantum Partners LDC  
c/o Soros Fund Management LLC  
888 Seventh Avenue  
New York, NY 10106  
USA

Email: david.taylor@soros.com

**IMPORTANT!**

Please fax CONFIRMATION/ADVISE  
to (+61 8) 9320 5575 or email to [tlh@newhollandcapital.com.au](mailto:tlh@newhollandcapital.com.au)  
By 10am (WST) Wednesday, 2 September 2009.

EFT / CHEQUES TO NEW HOLLAND BY  
Friday, 4 September 2009

Dear Mr. Taylor;

**PLACEMENT CONFIRMATION LETTER – MARENGO MINING LIMITED**

New Holland Capital Limited (New Holland) has been appointed (under a Placement Mandate) by Marengo Mining Limited (Marengo or the Company) to assist in the placement (Placement) of ordinary shares (Placement Shares) to raise up to A\$5.46 million at an issue price of A\$0.095 per Placement Share. A concurrent raising will also be completed in Canada under a short form prospectus to raise up to an additional C\$14.835 million at A\$0.095 per share.

The Placement Shares are to be issued in accordance with ASX Listing Rule 7.1 (and are expected to settle on the date set out in the Indicative Timetable in Section C). No disclosure document will be lodged or issued in relation to the Placement, however a disclosure document will be lodged to facilitate secondary trading of the Placement Shares.

You hereby irrevocably agree to subscribe for a firm number of Placement Shares subject to the terms and conditions hereof. The purpose of this placement confirmation letter (Placement Confirmation Letter) is to:

- (a) confirm your allocation of Placement Shares (your Allocation); and
- (b) confirm your irrevocable acceptance of that Allocation and irrevocable agreement to subscribe for that Allocation in accordance with and subject to the terms of this Placement Confirmation Letter (such acceptance and irrevocable agreement to subscribe being your

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Firm Commitment).

#### A. USE OF PROCEEDS

The net funds raised will be used to fund exploration on the Kombruku Prospect and surrounding areas, the DFS on the Yandera Project and for working capital purposes.

#### B. NEW HOLLAND CONFIRMATION OF ALLOCATION AND FIRM COMMITMENT

New Holland is pleased to re-confirm:

- (a) your Allocation of Placement Shares (set out below); and
- (b) your irrevocable Firm Commitment

Your Allocation	No. of Placement Shares	Total Amount
Placement Shares at A\$0.095	11,433,056	\$1,086,140.32

#### C. INDICATIVE TIMETABLE

The signed Confirmation Advice must be returned to New Holland by facsimile on (+61 8) 9320 5575 or email to [tloh@newhollandcapital.com.au](mailto:tloh@newhollandcapital.com.au) by 10am (WST) on Wednesday, 2 September 2009.

The indicative timetable in respect of the Placement is:

MILESTONE	DATE
Return of signed Confirmation Advice by	10am (WST) Wednesday, 2 September 2009
Cheque/EFT payment by	Friday, 4 September 2009
Expected trading of Placement Shares	Friday, 11 September 2009

Please note that the above timetable is indicative only and may change without consultation with you and, subject to the terms of this Placement Confirmation Letter, you are bound by the agreement to subscribe for Placement Shares notwithstanding any such changes to the timetable. All times above are references to WST.

#### D. CESSATION OF YOUR OBLIGATIONS IN RESPECT OF YOUR FIRM COMMITMENT

Your obligations in respect of your Firm Commitment will terminate only if Marengo does not proceed with the Placement or if the Placement has not occurred by October 1, 2009.

#### E. ALLOCATION PERSONAL – PLACEMENT SHARES

Your Allocation of Placement Shares, your Firm Commitment and the agreement arising from this Placement Confirmation Letter is personal to you and does not constitute an offer to any other person or to the public generally in Australia or anywhere else. You may not assign, transfer, or in any other manner, deal with your Allocation of Placement Shares, or your rights or obligations under

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this Placement Confirmation Letter except to your affiliates without the prior written agreement of New Holland and in accordance with all relevant legal requirements.

#### F. TRADING IN PLACEMENT SECURITIES

The Company will apply to ASX for the Placement Shares to be admitted to official quotation and they will rank pari passu in all respects with the existing listed stapled securities of the Company. Please note that Market Participants (as defined in the ASX Market Rules) cannot deal in the Placement Shares, either as principal or agent, until quotation is granted by the ASX in respect of the Placement Shares.

The National Guarantee Fund will not cover settlement of transactions in the Placement Securities before commencement of trading of the Placement Shares on SEATS.

#### G. REPRESENTATIONS, WARRANTIES AND AGREEMENTS BY INVESTORS

You represent, warrant and agree for the benefit of the Company, New Holland and their respective affiliates, that as at the date you return the Confirmation Advice to New Holland and as at the date of settlement of the Placement Shares that:

(a) You are one of the following:

- (i) a "Sophisticated Investor" under section 708(8) of the Corporations Act 2001 (Corporations Act);
- (ii) a "Professional Investor" under section 708(11) of the Corporations Act; or
- (iii) a "Financial Services Licensee" under section 708(10) of the Corporations Act.

☒ You do not require a disclosure document under the Corporations Act in relation to the Placement and you acknowledge that no prospectus or other disclosure document has been prepared in connection with the Placement. A disclosure document will be lodged to facilitate secondary trading of the Placement Shares.

- (c) You have made and relied upon your own assessment of the Company and have conducted your own investigations with respect to the Placement Shares and the Company including, without limitation, the particular tax consequences of purchasing, owning or disposing of the Placement Shares in light of your particular situation as well as any consequences arising under the laws of any other taxing jurisdiction.
- (d) You have such knowledge and experience in financial and business matters that you are capable of evaluating the merits and risk of a subscription for Placement Shares for yourself and each other person (if any) for whose accounts you are subscribing for any Placement Shares and you have determined that the Placement Shares are a suitable investment for yourself and each other person (if any) for whose accounts you are acquiring any Placement Shares, both in nature and the number of Placement Shares being acquired.
- (e) You and each other person (if any) for whose account you are acquiring any Placement Shares have the financial ability to bear the economic risks of the investment in the Placement Shares.
- (f) You acknowledge that no formal offering memorandum, prospectus or other disclosure document has been or will be prepared, lodged with the Australian Securities and Investment

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Commission or delivered to you in connection with the Placement under the Corporations Act or any other law or regulation of any jurisdiction.

- (g) You acknowledge that this Offer does not constitute a securities recommendation or financial product advice with respect to securities and that New Holland and the Company have not had regard to, and you have had regard to, your particular objectives, financial situation or needs.
- (h) You acknowledge that an investment in the Placement Shares involves risk and confirm that you have considered such risk in deciding whether to purchase any Placement Shares.
- (i) You acknowledge and agree that New Holland is not responsible for the accuracy or completeness of, and have no obligation to enforce, the representations and warranties given by the Company to New Holland in the Placement Mandate.
- (j) You acknowledge and agree that the Placement Shares will be issued to you with a view that offers for sale of the Placement Shares can be made in reliance on section 708A of the Corporations Act.
- (k) You have informed yourself as to the terms of section 708A of the Corporations Act. In particular, you confirm that you understand that there may be restrictions on resale of the Placement Shares without a disclosure document within 12 months issue if a placement exemption does not apply or ceases to apply. However, as a disclosure document will be lodged to facilitate secondary trading of the Placement Shares no such resale restrictions will apply with respect to the Placing Shares.
- (l) You are aware that publicly available information about the Company, its securities, the Placement and the use of proceeds can be obtained from the Australian Investments and Securities Commission and ASX (including ASX's website at <http://www.asx.com.au>). You acknowledge that the content of any website has not been approved by New Holland.
- (m) Except for any liability which cannot by law be excluded, you acknowledge that none of New Holland, the Company, or any of their respective related bodies corporate, or any directors, officers, employees or advisers of New Holland or the Company, or any of their respective related bodies corporate, accept any responsibility or form of liability in relation to the Placement and the Placement Shares and that the Company and New Holland will have no liability to you should you not be able to offer for sale the Placement Shares at any time or from time to time in the event that any class order does or does not continue to apply to any such offer for sale of the Placement Shares by yourself. You agree to release New Holland, the Company and all of their respective related bodies corporate, and any directors, officers, employees and advisers of any of them, from all claims, demands and proceedings ("Claims") which you may have or claim to have against New Holland, its related bodies corporate, or the Company in connection with the Placement, except in connection with any Claims arising out of the negligence, fraud or wilful misconduct of any such person.
- (n) Except to the extent that liability cannot by law be excluded, you acknowledge that neither New Holland, the Company nor any of their respective related bodies corporate, or any directors, officers, employees or advisers of New Holland or the Company (their "affiliates"), or any of their respective related bodies corporate, accept any responsibility in relation to the Placement or the Placement Shares. You agree to release the Company, New Holland and each of their respective affiliates from all Claims which you may have, or claims against any of them in connection with the Placement, except in connection with any Claims arising out of the negligence, fraud or wilful misconduct of any such person.
- (o) You understand that the offer and sale of the Placement Shares has not been, and will not be, registered under the US Securities Act of 1933 (US Securities Act) or the laws of any state or other jurisdiction in the United States. Therefore, you agree that you will not offer, sell, pledge, transfer or otherwise dispose of any Placement Shares in the United States or to a U.S. person

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(as defined in Regulation S under the US Securities Act (i) unless and until the Placement Shares are registered under the Securities Act (which you acknowledge the Company has no obligation to do) or (ii) in a transaction exempt from, or not subject to, the registration requirements of the US Securities Act or the laws of any state or other jurisdiction in the United States.

- (p) You agree that, in the future, if you or any other person for whose account or benefit you are acquiring the Placement Shares decides to sell or otherwise transfer any Placement Shares, you will only do so, and you will inform such other person that it may only do so, if the offer and sale of such Placement Shares are (i) registered under the Securities Act (which you acknowledge the Company has no obligation to do); or (ii) made outside the United States in accordance with Regulation S under the US Securities Act. Notwithstanding the foregoing, you may sell Placement Shares in regular brokered transactions on ASX if neither you nor the person acting on your behalf knows, or has reason to know, that the sale has been pre-arranged with, or that the purchaser is, a person in the United States.
- (q) If you fail to meet any obligation to apply (or procure applications) for all or part of your Firm Commitment of Placement Shares to you by the time required by the Placement Confirmation Letter, New Holland may without notice to you apply (or procure on terms that a third party applies) for those Placement Shares and in addition to any other obligations under the Placement Confirmation Letter you indemnify New Holland for any cost or loss associated with so doing (including any loss on sale of those Placement Shares within 6 months of allotment).
- (r) If you are acquiring any Placement Shares for an account of one or more persons, you have full power to make the foregoing acknowledgments, representations, warranties and agreements on behalf of each such person and you will take reasonable steps to ensure that each such person will comply with its obligations herein.
- (s) You acknowledge that no person is authorised to give any information or make representations in respect of the Placement Shares and, if given or made, such information or representations will not be relied on as having been authorised by the Company, New Holland, their respective affiliates or related bodies corporate or any other person, nor will any such person have any liability or responsibility for them.
- (t) You have not relied on any investigation that New Holland or any affiliates of New Holland or any persons acting on its behalf may have conducted with respect to the Placement Shares or the Company. None of such persons has made any representation to you, express or implied, with respect to the Placement Shares or the Company.
- (u) You acknowledge and agree that New Holland and the Company take no responsibility for and are not liable for any loss, direct or indirect, or damage suffered by any person in the event that the Placement Shares are, or become, subject to any transfer restrictions in any jurisdiction.
- (v) You are not a Related Party (as defined in section 228 of the Corporations Act of Australia or the ASX Listing Rules) of the Company and you are not an Associate (as defined in Division 2 of Part 1.2 of the Corporations Act) of the Company and are not acting on behalf of or for the benefit of a Related Party or an Associate.
- (w) You confirm that you are a person to whom an offer under this Placement Confirmation Letter can lawfully be made under all applicable laws, and to whom the Placement Shares can lawfully be issued under, and without causing New Holland or the Company to breach, any or all applicable laws, and without the need for any prospectus or other disclosure document or for any registration, lodgement or other formality.
- (x) You confirm that you are outside the United States and are not a "US person" (as defined in Regulation S under the US Securities Act of 1933).

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- (y) You agree to be bound by the Constitution of the Company, as amended from time to time.
- (z) You acknowledge that the Company, New Holland and their respective related bodies corporate are entitled to, and will, rely on the truth and accuracy of the foregoing acknowledgements, representations, warranties and agreements.
- (aa) You will make full payment for the Placement Shares allocated to you in accordance with the terms set out in this Placement Confirmation Letter.
- (bb) You must promptly, at your own cost, do all things (including executing all documents) necessary or desirable to give full effect or better effect to the terms of this Placement Confirmation Letter.

#### H. INDEMNITY

You agree to and must indemnify and keep indemnified New Holland and its respective related bodies corporate, and any directors, officers, employees and advisers of New Holland and its respective related bodies corporate (each an **Indemnified Party**) against all liabilities, obligations, losses, damages, penalties, actions, judgements, suits, costs, fees, expenses or disbursements of any kind whatsoever (plus all goods and services tax for them) which may be imposed on, incurred by or assessed against an Indemnified Party in any way relating to or arising out, directly or indirectly, of any breach by you of your acknowledgements, representations, warranties and agreements under this Placement Confirmation Letter. New Holland holds the benefit of your indemnity for each other Indemnified Party.

#### I. GOVERNING LAW AND JURISDICTION

This Placement Confirmation Letter and the subscription for and issue of the Placement Shares shall be governed by the laws of Western Australia you agree to submit to the jurisdiction of the courts of Western Australia and courts of appeal from them.

#### J. ENTIRE AGREEMENT

The terms contained in this Placement Confirmation Letter including, without limitation, your executed Placement Confirmation Advice, constitute the entire agreement among the Company, New Holland and you as to the Placement and your participation in the Placement to the exclusion of all prior representations, understandings and agreements among the Company, New Holland and you. Any variation of the terms of this agreement (including, without limitation, your executed Confirmation Advice) must be in writing signed by each of the Company, New Holland and you.

#### K. NOTICES

Any notice to be given relating to the offer of Placement Shares must be sent by facsimile to the facsimile number of the party to whom the notice is sent and will be deemed to have been given on the successful transmission to that facsimile number.

#### L. RETURN OF CONFIRMATION ADVICE

Please sign and return a copy of the attached Confirmation Advice to New Holland, by facsimile (+61 8 9320 5575) or email to [tloh@newhollandcapital.com.au](mailto:tloh@newhollandcapital.com.au) by 10am (WST) Wednesday, 2 September 2009.

The Confirmation Advice (attached) incorporates by reference the representations, warranties and agreements set out in this Placement Confirmation Letter regarding, among other things, your status as an investor, the terms of the Placement and certain offering and resale restrictions in relation thereto, including offering and resale restrictions under the Corporations Act.

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This is Annexure C of 44 pages referred to in Form 604 - Notice of change of interests of substantial holder.

Signed: 

Name: David Taylor

Title: Assistant General Counsel

Date: 23/12/2010

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

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

## SHORT FORM PROSPECTUS

New Issue

July 29, 2010



ABN 57 099 496 474

C\$20,160,000

240,000,000 Units

This short form prospectus qualifies the distribution (the "Offering") by Marengo Mining Limited ("Marengo" or the "Company") of an aggregate of up to 240,000,000 units of Marengo (the "Units") at a price of C\$0.084 (A\$0.09) per Unit (the "Offering Price"), pursuant to the terms of an agency agreement dated as of July 29, 2010 (the "Agency Agreement") between Marengo and Paradigm Capital Inc. ("Paradigm") and Fraser Mackenzie Limited (collectively, the "Agents"). The Offering Price was determined by negotiation between Marengo and Paradigm (for and on behalf of the Agents). Each Unit consists of one ordinary share in the capital of the Company (a "Unit Share") and a free attaching one-quarter of one ordinary share purchase warrant of the Company (each whole ordinary share purchase warrant, a "Warrant"). Each whole Warrant will entitle the holder thereof to acquire one ordinary share in the capital of the Company (a "Warrant Share") at an exercise price of C\$0.116 (A\$0.125) for a period of three years from the date of the closing of the Offering. This short form prospectus qualifies the distribution of the Unit Shares and the Warrants.

The outstanding ordinary shares of the Company (the "Ordinary Shares") are listed and posted for trading on the Australian Securities Exchange (the "ASX") and the Port Moresby Stock Exchange (the "POMSoX") under the symbol "MGO" and on the Toronto Stock Exchange (the "TSX") under the symbol "MRN". On July 28, 2010, the last trading day on the ASX before the filing of this short form prospectus, the closing price of the Ordinary Shares on the ASX was A\$0.10. On July 27, 2010, the last trading day on which the Ordinary Shares traded on the TSX before the filing of this short form prospectus, the closing price of the Ordinary Shares on the TSX was C\$0.08.

An investment in the Units is speculative and involves significant risk. See "Risk Factors" and "Cautionary Statement Regarding Forward-Looking Information". Prospective investors should carefully review and evaluate these factors before investing in the Units.

### Price: C\$0.084 per Unit

	Price to the Public	Agents' Fee <sup>(1)</sup>	Net Proceeds to Marengo <sup>(2)</sup>
Per Unit	C\$0.084	C\$0.00504	C\$0.07896
Total	C\$20,160,000	C\$1,209,600	C\$18,950,400

Notes:

- (1) Pursuant to the Agency Agreement, the Company has agreed to pay to the Agents a cash fee (the "Agents' Fee") equal to 6% of the gross proceeds of the Offering, except for any order from Sentient Executive GP II, Limited ("Sentient") on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date (as defined herein). As additional compensation, the Agents will be granted compensation options (the "Compensation Options") entitling the Agents to subscribe for that number of ordinary shares in the capital of the Company (the "Option Shares") as is equal to 5% of the number of Units issued and sold under the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall entitle the holder thereof to acquire one Option Share at the Offering Price for period of 24 months following the Closing Date. This short form prospectus qualifies the distribution of the Compensation Options. Unless otherwise indicated, it is assumed that no Units will be issued to Sentient and that the Agents' Fee will be payable on the total number of Units to be issued pursuant to the Offering. See "Plan of Distribution".
- (2) After deducting the Agents' Fee and before deducting expenses of the Offering, estimated to be C\$500,000, which will be paid from the proceeds of the Offering.

Agents' Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Compensation Options	12,000,000	Any time but not later than 24 months after closing of the Offering	C\$0.084

The TSX has conditionally approved the listing of the Unit Shares, the Warrant Shares and the Option Shares issuable upon exercise of the Compensation Options on the TSX on or before September 10, 2010. Listing is subject to the Company fulfilling all of the listing requirements of the TSX. In accordance with the listing rules of the ASX and the POMSx, Marengo will also apply for official quotation of the Unit Shares, the Warrant Shares and the Option Shares issuable upon exercise of the Compensation Options on the ASX and the POMSx.

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

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Unit Shares and the Warrants will be issued in registered form on the date of closing, which is expected to occur on or about August 11, 2010, or any other date on which the Company and the Agents may agree, but in any event not later than 42 days after the date of the receipt for this short form prospectus (the "Closing Date").

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

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

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## DOCUMENTS INCORPORATED BY REFERENCE

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

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

- (a) annual information form of the Company dated September 28, 2009 for the financial year ended June 30, 2009 (the "**Annual Information Form**");
- (b) audited annual consolidated financial statements of the Company as at, and for the financial year ended June 30, 2009, together with the auditors' report thereon dated September 17, 2009 and the notes thereto;
- (c) management's discussion and analysis of financial condition and results of operations for the financial year ended June 30, 2009;
- (d) unaudited interim consolidated financial statements of the Company as at, and for the three and nine month periods ended March 31, 2010, together with the notes thereto;
- (e) management's discussion and analysis of financial condition and results of operations for the three and nine month periods ended March 31, 2010;
- (f) explanatory statement and management information circular of the Company dated June 30, 2009 prepared in connection with the general meeting of shareholders held on July 30, 2009, together with the addendum thereto dated July 9, 2009;
- (g) management information circular of the Company dated September 30, 2009 prepared in connection with the annual general meeting of shareholders held on November 5, 2009;
- (h) explanatory statement and management information circular of the Company dated April 23, 2010 prepared in connection with the general meeting of shareholders held on May 31, 2010; and
- (i) material change report of the Company filed on September 10, 2009 in connection with the completion of the Company's 2009 Canadian prospectus offering and Australian private placement.

A reference herein to this short form prospectus also means any and all documents incorporated by reference in this short form prospectus. Any document of the type referred to above, including audited annual consolidated financial statements, unaudited interim consolidated financial statements and the related management's discussion and analysis, material change reports (excluding confidential material change reports), any business acquisition reports, the content of



any news release disclosing financial information for a period more recent than the period for which financial information is deemed incorporated by reference in this short form prospectus and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of National Instrument 44-101 of the Canadian Securities Administrators filed by the Company with the securities commissions or similar regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this short form prospectus.

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

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

In making and providing the forward-looking information included in this short form prospectus, the Company has made numerous assumptions. The assumptions include, among other things, assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) the accuracy of the Company's mineral resource estimate; (iv) the future price of copper and molybdenum; and (v) that the supply and demand for copper, molybdenum, and other metals develop as expected. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, the following: (i) need for additional financing to develop the Yandera Project; (ii) exploration and development risks; (iii) the risk that the proceeds of the Offering are not applied effectively; (iv) sustained or continued decreases in the price of copper and molybdenum; (v) the risk that the Company will not obtain a renewal of exploration licence

1416; (vi) current global economic conditions; (vii) structural subordination of the Ordinary Shares; and (viii) dilution from the future issue or sale of Ordinary Shares.

This short form prospectus (see “*Risk Factors*”) and the Company’s interim and annual management’s discussion and analysis incorporated herein by reference contain additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company’s control. Accordingly, readers should not place undue reliance on forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this short form prospectus, except as may be required by law. All forward-looking information disclosed in this short form prospectus is qualified by this cautionary statement.

Additional information about the Company and its business activities is available under the Company’s profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agents, based on the provisions of the *Income Tax Act* (Canada) (the “**Tax Act**”), the regulations thereunder (the “**Regulations**”) and certain proposed amendments to the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof, provided that the Unit Shares and Warrant Shares are listed on a “designated stock exchange”, as defined in the Tax Act, which includes the ASX and the TSX, on the Closing Date, the Unit Shares, the Warrants and the Warrant Shares will, on that date, be qualified investments (“**Qualified Investments**”) under the Tax Act and the Regulations for trusts governed by registered retirement savings plans, registered retirement income funds, registered disability savings plans, deferred profit sharing plans, registered education savings plans and tax-free savings accounts (“**TFSA**s”), each as defined in the Tax Act (collectively, “**Plans**”), provided in the case of the Warrants, the Company deals at arm’s length with each person who is an annuitant, a beneficiary, an employer or a subscriber under or a holder of, such Plan.

The Unit Shares, the Warrants and the Warrant Shares, if issued on the date hereof, will not be a “prohibited investment” for a trust governed by a TFSA provided, for purposes of the Tax Act, the holder deals at arm’s length with the Company and does not have a “significant interest” (within the meaning of the Tax Act) in the Company or in any corporation, partnership or trust with which the Company does not deal at arm’s length.

Notwithstanding the foregoing, if the Unit Shares, the Warrants or the Warrant Shares are a “prohibited investment” for the purposes of a TFSA, or if an “advantage” (as defined in the Tax Act for purposes of the TFSA rules) in relation to a TFSA is extended to the holder or a person who does not deal at arm’s length with the holder, a holder of such TFSA will be subject to penalty taxes as set out in the Tax Act and, based on proposed amendments to the Tax Act, other tax consequences may result. Holders of trusts governed by the TFSA rules should consult their own tax advisors to ensure that the Unit Shares, Warrants and Warrant Shares would not be a prohibited investment in their particular circumstances.

## CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

The high, low, average and closing exchange rates for Canadian dollars in terms of Australian dollars and Canadian dollars in terms of United States dollars for each of the two years ended June 30, 2009 and 2008 and the nine month periods ended March 31, 2010 and 2009, as quoted by the Bank of Canada, were as follows:

<u>Canadian dollar per Australian dollar</u>		<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Closing</u>
<b>Year ended June 30</b>					
2009	.....	\$0.9822	\$0.7524	\$0.8633	\$0.9363
2008	.....	\$0.9782	\$0.8389	\$0.9054	\$0.9740
<b>Nine Months ended March 31</b>					
2010	.....	\$0.9822	\$0.8845	\$0.9382	\$0.9312
2009	.....	\$0.9822	\$0.7524	\$0.8547	\$0.8726
<u>Canadian dollar per United States dollar</u>		<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Closing</u>
<b>Year ended June 30</b>					
2009	.....	\$1.3000	\$1.0016	\$1.1656	\$1.1625
2008	.....	\$1.0755	\$0.9170	\$1.0104	\$1.0186
<b>Nine Months ended March 31</b>					
2010	.....	\$1.1655	\$1.0113	\$1.0648	\$1.0156
2009	.....	\$1.300	\$1.0016	\$1.1660	\$1.2602

Notes:

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

On July 28, 2010, the Bank of Canada noon spot exchange rate for the purchase of one Australian dollar using Canadian dollars was C\$0.9246 (C\$1.00 = A\$1.0815).

On July 28, 2010, the Bank of Canada noon spot exchange rate for the purchase of one United States dollar using Canadian dollars was C\$1.0357 (C\$1.00 = US\$0.9655).

On July 28, 2010, the Reserve Bank of Australia exchange rate for the purchase of one Papua New Guinean kina using Australian dollars was A\$0.4156 (A\$1.00 = PGK 2.4059).

## FINANCIAL INFORMATION

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

## THE COMPANY

### Corporate Structure

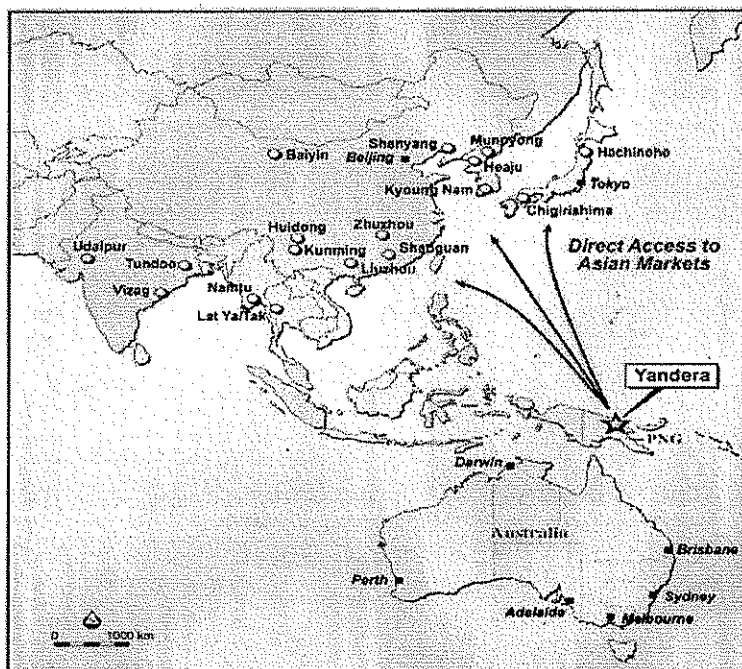
Marengo was incorporated under the Corporations Act 2001 (Cth) (Australia) on February 6, 2002. Marengo listed on the ASX on November 13, 2003 upon the issuance of 17.5 million Ordinary Shares for gross proceeds of A\$3.5 million and subsequently listed on the POMSoX on November 10, 2006. On April 15,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

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

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

### Overview

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



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

In September 2006, the Company commissioned a conceptual mining study (the "CMS") for the Yandera Project to include a preliminary mine design and open pit optimization, metallurgical test work, plant flowsheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a definitive feasibility study (the "DFS") on the development of the Yandera Project.

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

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

The Company currently has no source of earnings other than interest paid to it on its current cash position. In order to fund its ongoing exploration efforts and operations, Marengo has historically raised funds through the issuance of equity securities.

## RECENT DEVELOPMENTS

The scientific and technical information contained in this section of this short form prospectus was prepared by or under the supervision of Peter Dendle. Mr. Dendle is a member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Marengo. Mr. Dendle is a "Qualified Person" as defined by National Instrument 43-101 "Standards of Disclosure for Mineral Projects" ("NI 43-101"). Mr. Dendle verified the data underlying the information in this short form prospectus prepared by him.

For a description of: (i) the quality assurance program and quality control measures applied during Marengo's work programs; (ii) a summary description of the geology, mineral occurrences and nature of mineralization found; (iii) a summary description of rock types, geological controls and dimensions of mineralized zones at the Yandera Project; and (iv) a summary description of the type of analytical or testing procedures utilized, sample size and the name and location of each analytical or testing laboratory used refer to the Revised Technical Report (as defined below) and the section of this short form prospectus titled "Details of the Yandera Project".

### Exploration

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

area surrounding the central resource (which includes the Additional Area) as part of the district exploration program.

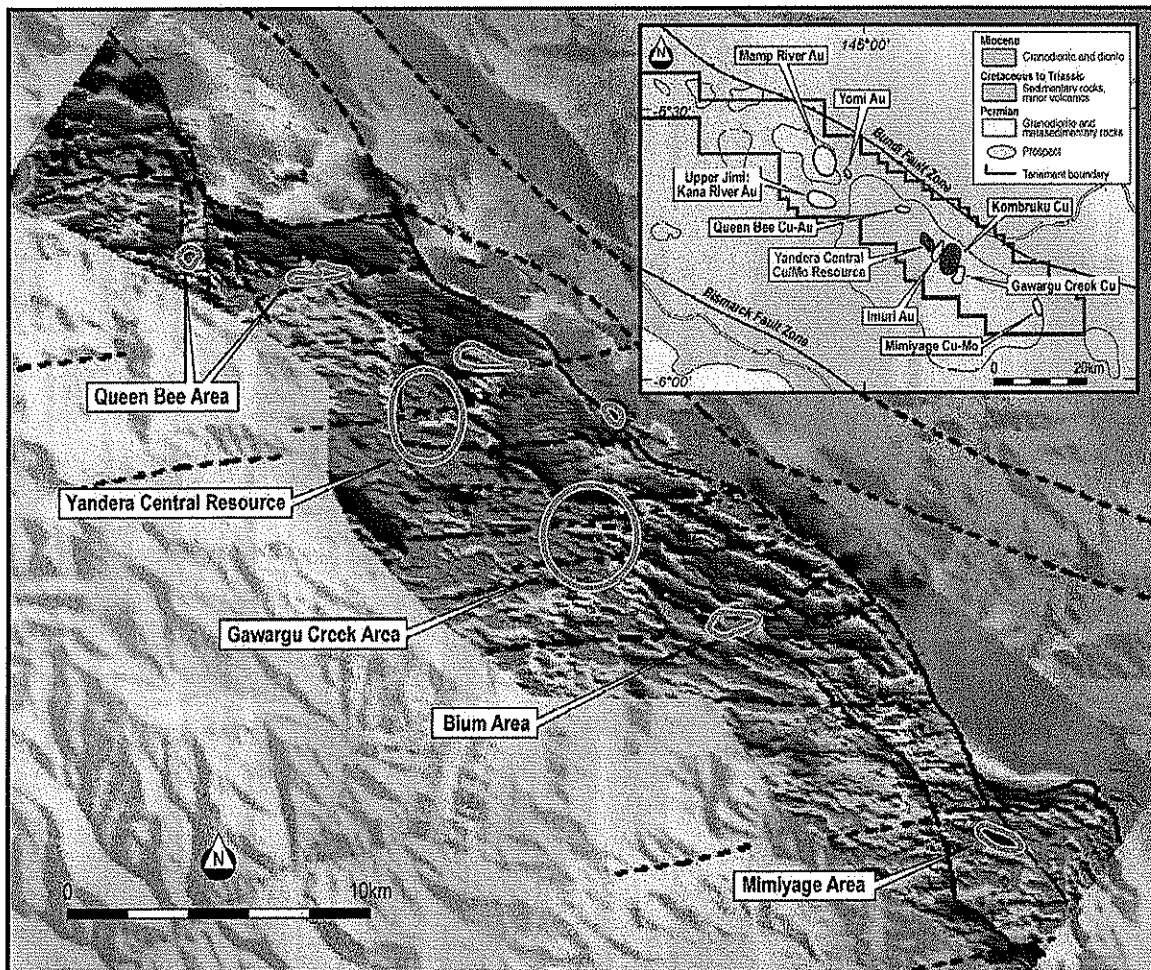
From discovery in the late 1950s until March 2010, 263 diamond holes (including approximately 59 holes not included in the Revised Technical Report) have been completed at the Yandera Central Porphyry for a total of approximately 83,840 metres drilled.

#### *District Exploration*

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

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

#### **Yandera Project – Airborne Geophysics**



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

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

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

#### Resource Drilling

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

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

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

#### Notes:

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

(2) This intersection included

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

(3) This intersection included

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

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

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

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

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

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

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

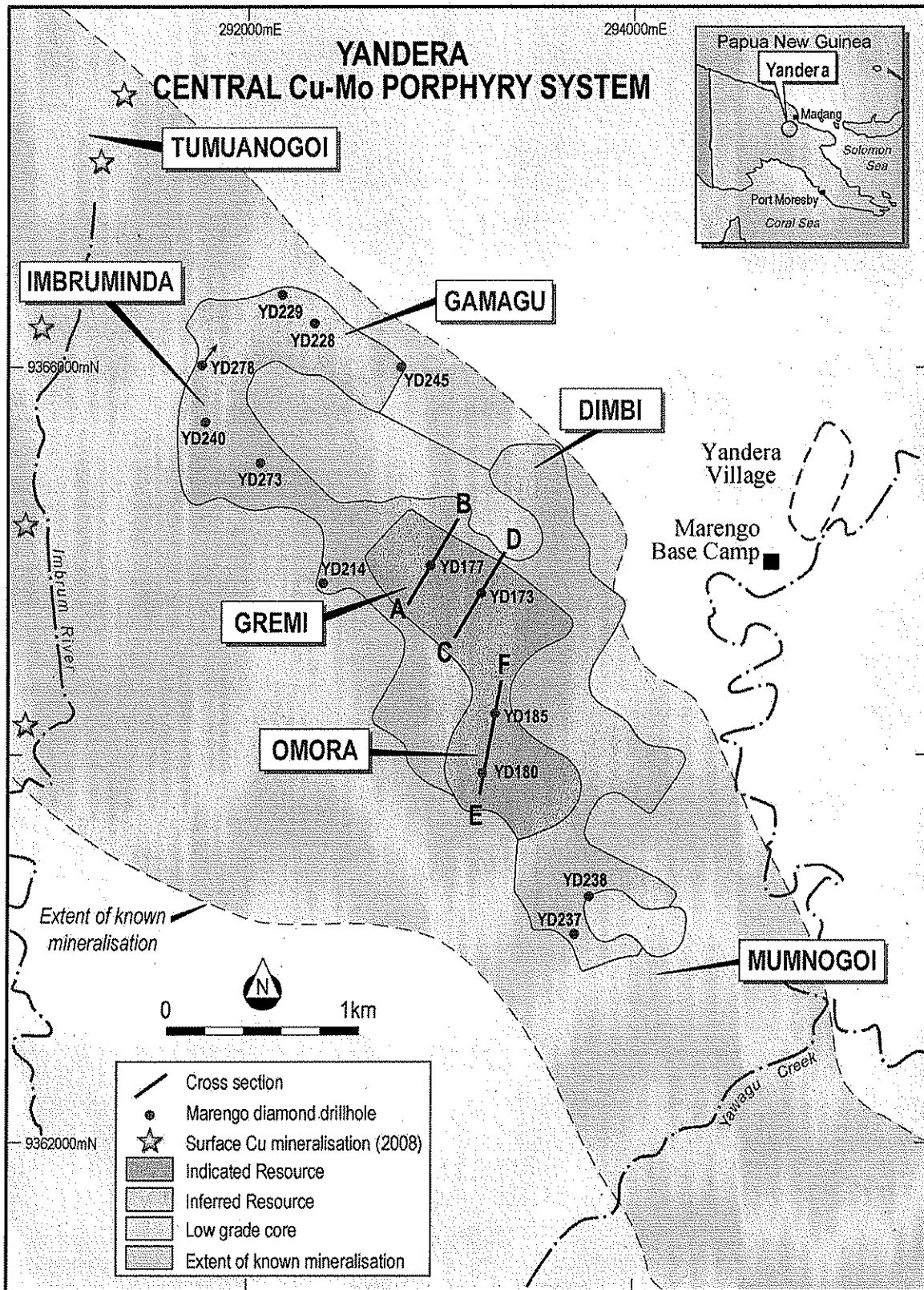
<u>Hole</u>	<u>Zone</u>	<u>From</u>	<u>To</u>	<u>Width</u>	<u>Cu%</u>	<u>Mo</u>	<u>Au g/t</u>	<u>Ag g/t</u>	<u>Cu Eq%</u> <sup>(1)</sup>
		<u>(m)</u>	<u>(m)</u>	<u>(m)</u>		<u>ppm</u>			
YD 245	Dimbi - Gamagu	48	405 <sup>(2)</sup>	357	0.44	96	0.07	2.35	0.45

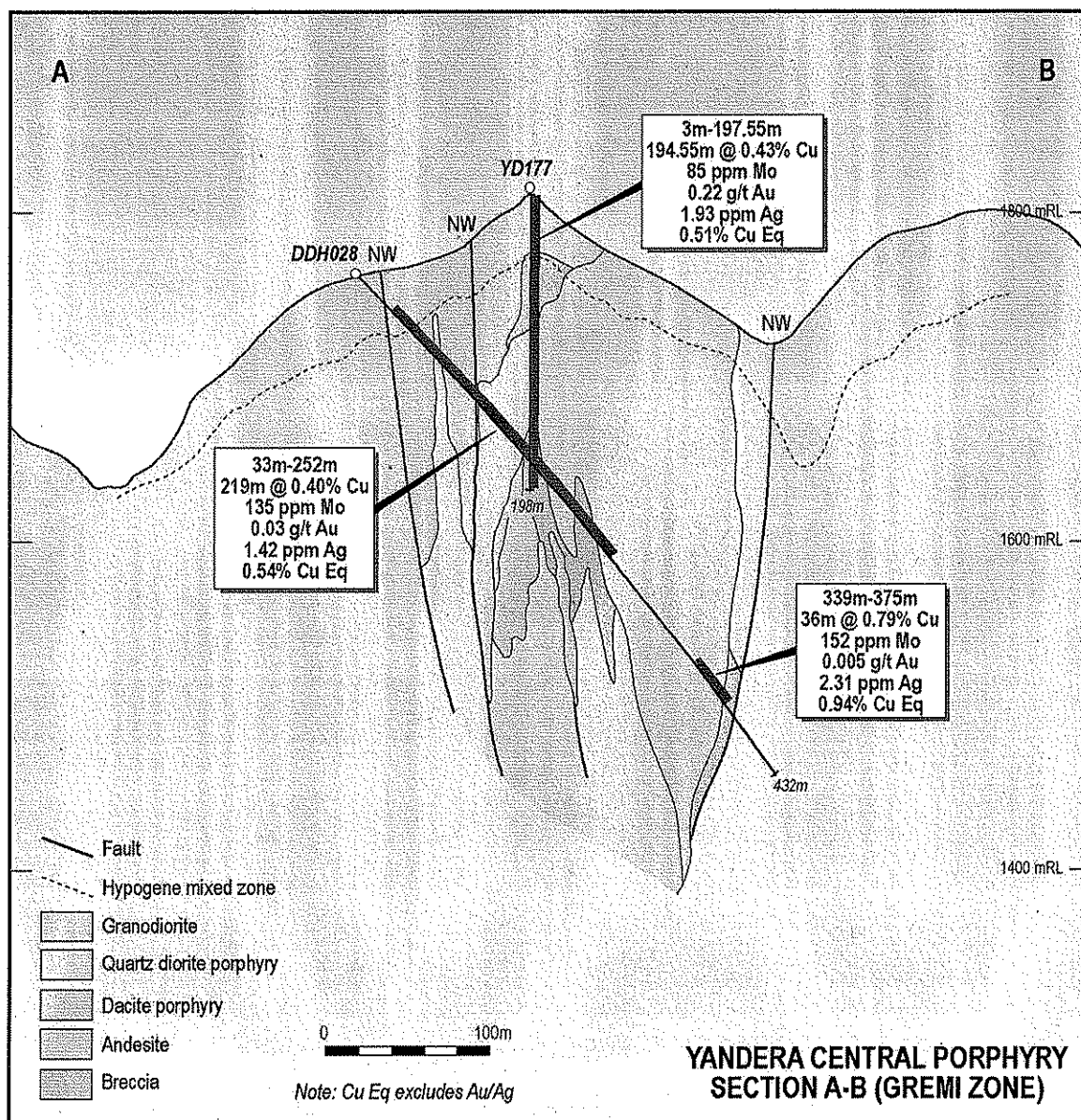
Notes:

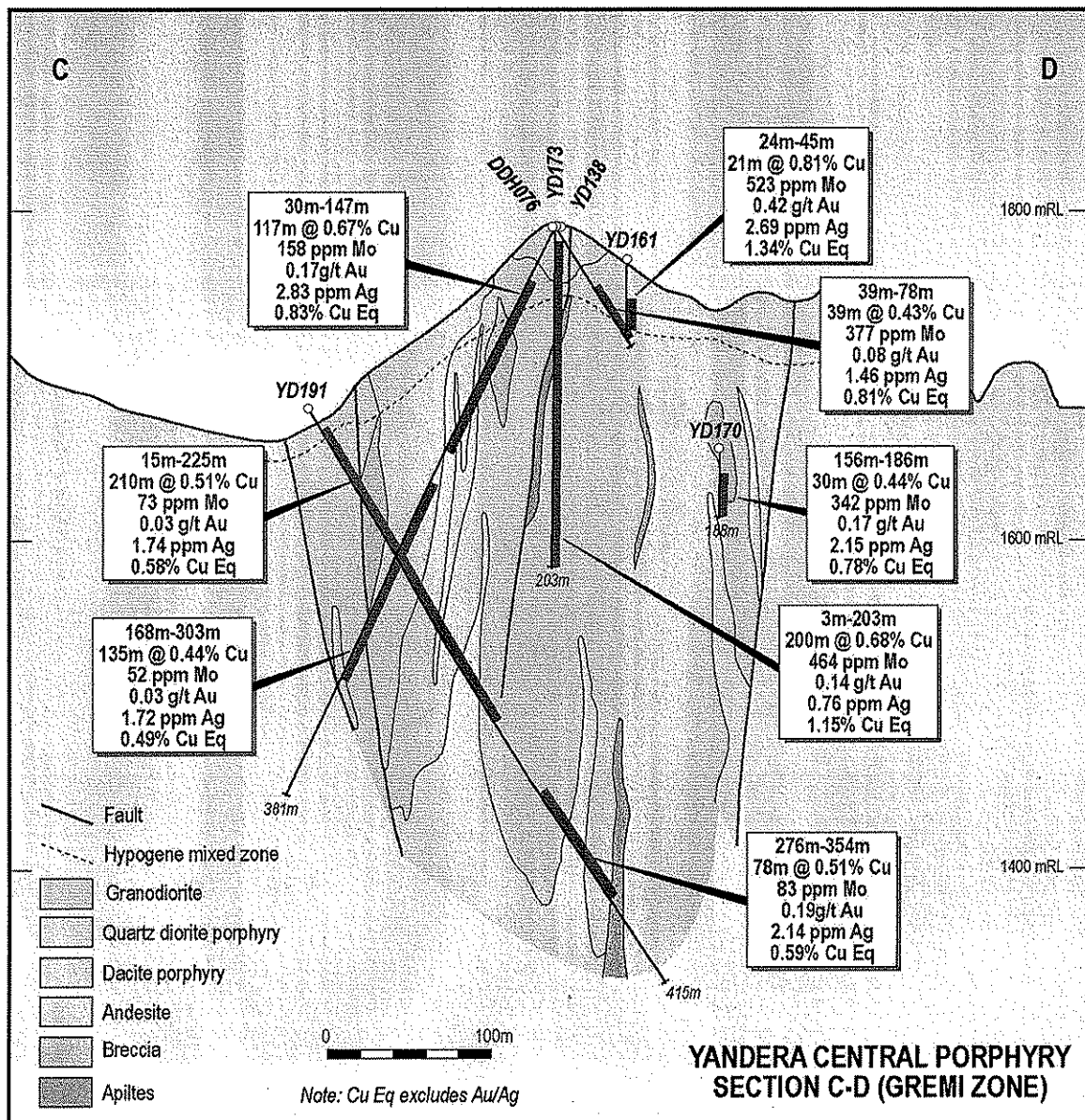
- (1) Copper equivalent (%) calculated as Cu% + (Mo% x 10). Gold and silver values not included.  
 (2) This intersection included the following higher grade zones

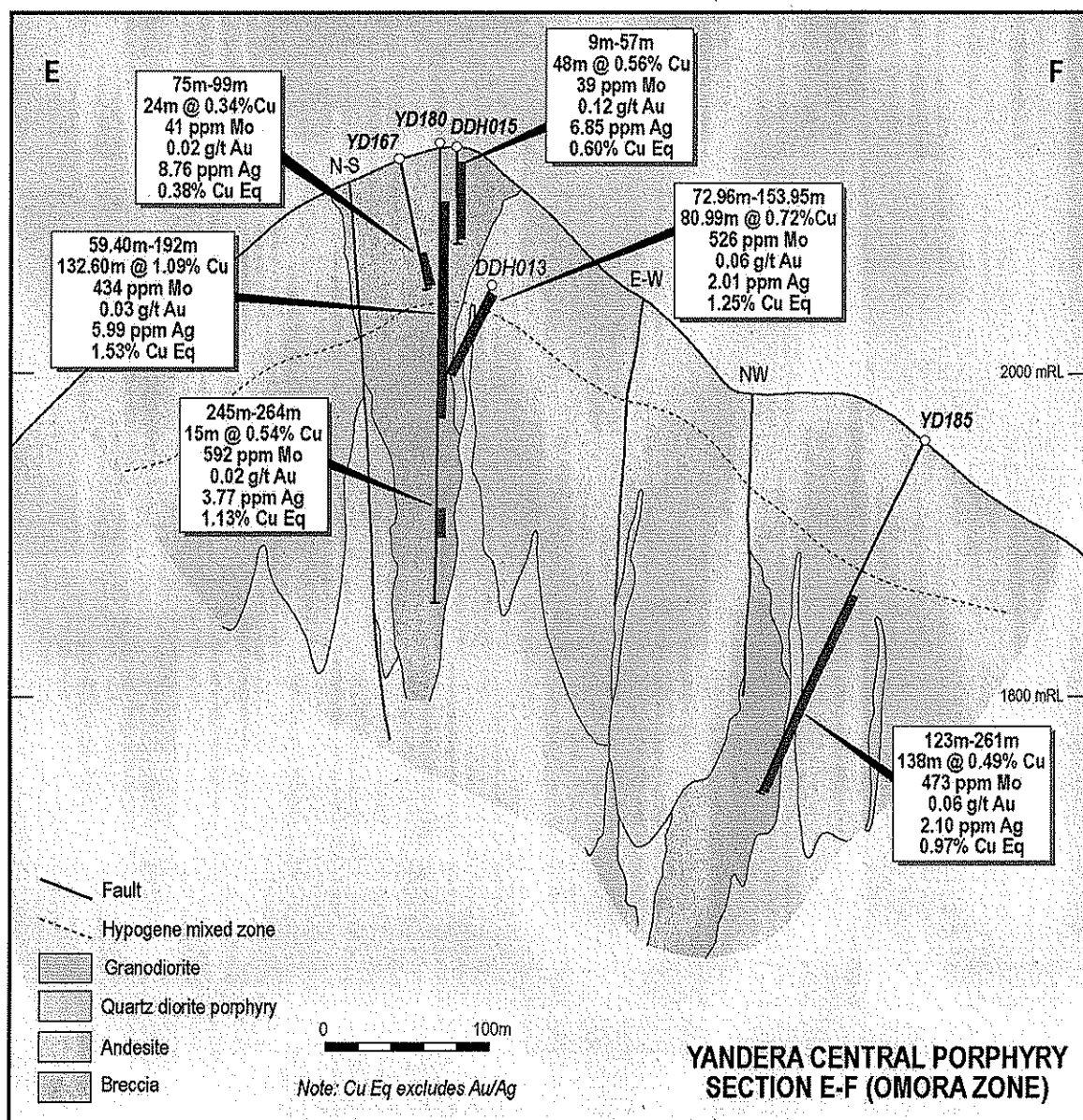
<u>From</u>	<u>To</u>	<u>Width</u>	<u>Cu%</u>	<u>Mo</u>	<u>Au g/t</u>	<u>Ag g/t</u>	<u>Cu Eq%</u> <sup>(1)</sup>
<u>(m)</u>	<u>(m)</u>	<u>(m)</u>		<u>ppm</u>			
192	405	213	0.54	140	0.09	2.42	0.55
258	291	33	1.04	101	0.08	3.20	1.05
381	402	19	0.67	190	0.27	3.04	0.86

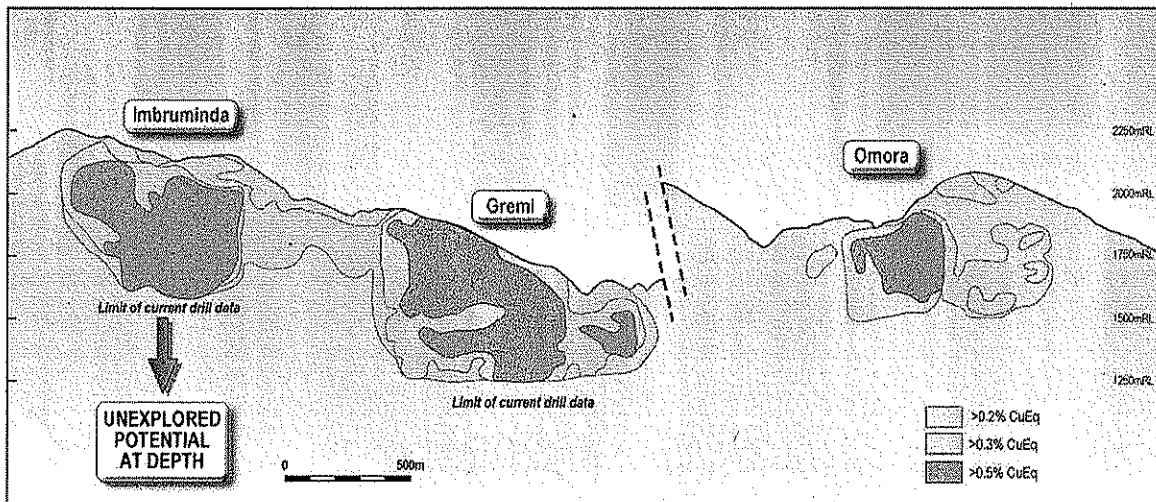








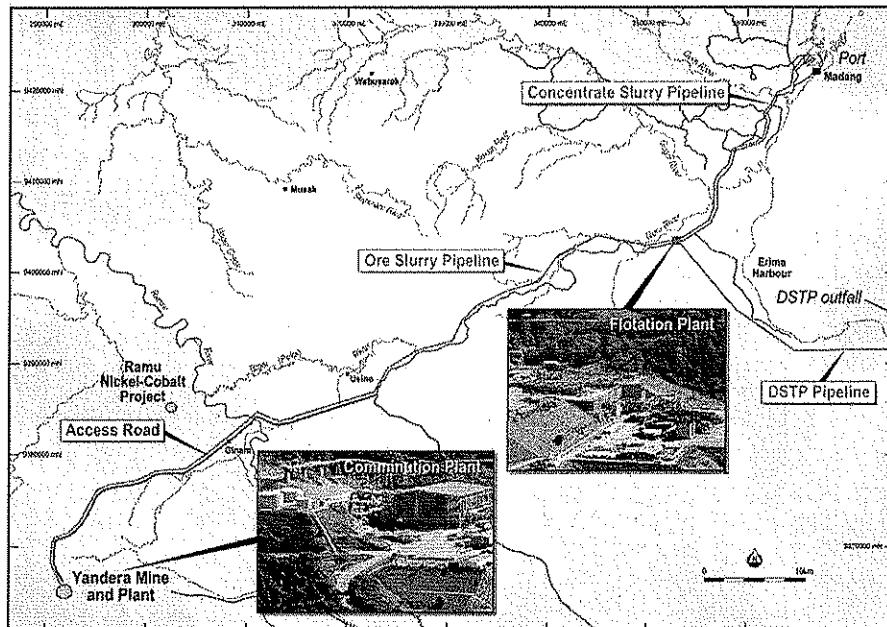




### Phase 2 of the DFS

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

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



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

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

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

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

#### **Approval for Issue of Shares**

On May 31, 2010, the shareholders of the Company approved: (i) the allotment and issue of up to 287,500,000 Ordinary Shares, each at an issue price of not less than 80% of the average market price of the Ordinary Shares (calculated over the last five days on which sales of the Ordinary Shares were recorded before the execution of the Agency Agreement), and (ii) the grant of up to 14,375,000 Compensation Options, each at an exercise price equal to the Offering Price for a period of 24 months following the Closing Date.

#### **Renewal of EL1335 and EL1416**

The Company's interest in the Yandera Project is derived from two ELs, EL1335 and EL1416. On June 21, 2010, the Papua New Guinea Mineral Resources Authority granted the Company a renewal of EL1335, on which the Yandera Central Porphyry is located. EL1416 expired on June 4, 2010. An application for renewal for an additional two year term was made prior to June 4, 2010 and the Company has no reason to believe that EL1416 will not be renewed for an additional two year term.

#### **Drilling Results from the Imbruminda Zone**

On July 22, 2010, the Company reported assay results from the first 984 metres vertical diamond drill hole, YD273, at the Imbruminda zone, the north-western zone within the Yandera Central Porphyry system. The results confirm that the large porphyry copper-molybdenum systems at the Yandera Project extend for considerable depths below the current Joint Ore Reserves Committee ("JORC") resource boundaries. Marengo expects the current deep diamond drilling program to enable some of this material to be included in the Company's JORC compliant copper-molybdenum resource inventory which will form the basis for the DFS.



The results for the deep vertical hole YD273 – which intersected widespread copper and molybdenum mineralization from near-surface through to the end of the hole at 983.70 metres – are as follows:

From (m)	To (m)	Width (m)	Cu%	Mo ppm	Au g/t	Ag g/t	CuEq% <sup>(1)</sup>
3.00	983.70	980.70	0.23	152	0.07	1.73	0.38
Including the following intercepts:							
312.00	519.00	207.00	0.51	118	0.15	2.41	0.63
312.00	426.00	114.00	0.40	80	0.10	2.05	0.48
426.00	519.00	93.00	0.65	165	0.20	2.85	0.82
732.00	855.00	123.00	0.20	541	0.11	1.69	0.74
732.00	804.00	72.00	0.23	734	0.14	1.58	0.96
786.00	804.00	18.00	0.21	2,555	0.09	1.08	2.77
954.00	983.70	29.70	0.49	699	0.15	2.59	1.19

Note:

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

The overall intersection of 980.7 metres grading 0.38% CuEq includes higher grade zones, notably 207 metres @ 0.51% Cu and 118ppm Mo (0.63% CuEq) from 519 metres and 29.7 metres @ 0.49% Cu and 699ppm Mo (1.19% CuEq) from 954 metres to the end of the hole. Elevated gold values occur within broad sections of the hole, however, no clear geological association has yet been recognized, although individual 3 metre samples returned up to 1.14 g/t Au.

The general geology at depth is consistent with previous shallower drilling in the resource zone and the mineralization can reasonably be expected to continue beyond the bottom of hole, where the mineralization remains open. The lithology is mainly quartz diorite porphyry. Alteration is dominantly potassic with phyllic overprinting, and mineralization is variable, mainly associated with faults, fractures and breccias. Copper mineralization is predominantly chalcopyrite and chalcopyrite/bornite with molybdenite mostly as smears in fractures. Molybdenite mineralization increases with depth and individual assays of up to 0.65% molybdenum are present.

A resource drill hole, YD278, has just been completed at Imbruminda further to the north-west of YD273. While assays are still pending, this hole has intersected disseminated copper mineralization from 320 metres and massive copper sulphide mineralization near the base of the hole (EOH 461 metres). Further systematic drilling to the north-west is planned. This area has not previously been drilled.

## DETAILS OF THE YANDERA PROJECT

Detailed information in respect of the Yandera Project is set out in the revised and restated technical report on the Yandera Project (the "**Revised Technical Report**") originally dated December 2008 and revised and restated January 2009, prepared by Stephen Godfrey, Associate, Principal Resource Geologist of Golder Associates Pty Ltd (Australia) ("**Golder**") and a summary of the Revised Technical Report is set out at pages 10 to 15 of the Annual Information Form. See "*Documents Incorporated by Reference*".

## CONSOLIDATED CAPITALIZATION

There have been no material changes in the Company's share or loan capital, on a consolidated basis, since March 31, 2010. The following table sets forth the consolidated capitalization of the Company as at the dates indicated before and after completion of the Offering. This table should be read in conjunction with the consolidated financial statements of the Company (including the notes thereto) incorporated by reference into this short form prospectus.

	Outstanding as at June 30, 2009 <sup>(1)</sup> (Audited)	Outstanding as at March 31, 2010 <sup>(1)</sup> (Unaudited)	Outstanding as at March 31, 2010 after giving effect to the Offering <sup>(2)</sup> (Pro Forma - Unaudited)
Long-Term Debt .....	NIL	NIL	NIL
Ordinary Shares <sup>(3)</sup> (authorized: unlimited) .....	268,016,975	498,810,862	730,810,862
Contributed Equity .....	\$ 58,511,763	\$ 78,149,192	\$ 97,917,478
Reserves .....	\$ 5,079,457	\$ 2,079,796	\$ 2,079,796
Accumulated Losses .....	\$ (42,669,220)	\$ (54,213,567)	\$ (54,213,567)
<b>TOTAL EQUITY</b> .....	<b>\$ 20,922,000</b>	<b>\$ 26,015,421</b>	<b>\$ 45,783,707</b>

### Notes:

- (1) Before giving effect to the Offering.
- (2) After deducting expenses of the Offering, estimated to be C\$500,000 million, and the Agents' Fee.
- (3) Not including shares issuable upon exercise of options which remained unexercised on June 30, 2009, March 31, 2010 and the date hereof, respectively.

## USE OF PROCEEDS

The net proceeds to the Company from the Offering will be approximately C\$18,450,400 after deducting the Agents' Fee of C\$1,209,600 and the estimated expenses of the Offering of C\$500,000. See "*Plan of Distribution*".



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

Exploration (including the expansion in the scope of the DFS).....	C\$ 16,000,000
General corporate and working capital .....	C\$ 2,450,400
<b>Total:</b> .....	<b><u>C\$ 18,450,400</u></b>

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

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

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

As a result of the expansion in the scope of the DFS, the cost of completing the DFS is currently estimated to be approximately A\$16.2 million (approximately C\$15.1 million). See "*Recent Developments —Phase 2 of the DFS*". The cost to complete the DFS will be financed using cash on hand and a portion of the proceeds of the Offering. The Company currently has cash and cash equivalents on hand of approximately A\$5.1 million.

More particularly, the net proceeds from the Offering will be allocated as between the exploration program and the DFS as per the following breakdown of recommended work and anticipated costs:

<b>Exploration</b>	
Drilling .....	C\$ 2.5 million
Helicopter hire.....	C\$ 2 million
Salaries .....	C\$ 3 million
Field accommodation .....	C\$ 2 million
Miscellaneous field expenditure and administration.....	C\$ 0.5 million
<b>Total:</b> .....	<b><u>C\$ 10 million</u></b>
<b>DFS</b>	
Engineering - Bulk sample adit and study and design cost for investigation.....	C\$ 1 million
In-pit crushing and high pressure grinding roll comminution.....	C\$ 1 million
Deep sea tailings investigation.....	C\$ 1 million
Hydroelectric power studies .....	C\$ 1.5 million
Drilling .....	C\$ 1.5 million
<b>Total:</b> .....	<b><u>C\$ 6 million</u></b>

Mr. Peter Dendle, a "Qualified Person" as defined by NI 43-101 and a full-time employee of Marengo holding the position of Project Manager, has been involved in the preparation of

**Marengo's work plan and the decision to proceed with the proposed district exploration program has been, in part, based upon the recommendation of Mr. Dendle.**

Marengo will require further capital from external sources to develop any newly discovered mineral deposits and/or, if the DFS is positive, to develop the Yandera Project. Marengo intends to raise any such funds through debt and/or equity financing. There can be no assurance that additional financing will be available at all or on terms acceptable to the Company to develop any newly discovered mineral deposits or to finance the capital costs to develop the Yandera Project.

Marengo intends to hold the net proceeds from the Offering in term deposits at major Australian banks pending their expenditure.

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

### **DESCRIPTION OF SECURITIES BEING DISTRIBUTED**

#### **Units**

Each Unit consists of one Unit Share and a free attaching one-quarter of one Warrant. Units are being offered at the Offering Price of C\$0.084 per Unit. Each Warrant will entitle the holder thereof to purchase one Warrant Share at a price of C\$0.116 for a period of three years following the closing of the Offering. The Units will separate into Unit Shares and Warrants immediately upon issue.

#### **Ordinary Shares**

Subject to certain prescribed exceptions under the Corporations Act 2001 (Cth)(Australia) and the Company's constitution, the Company is authorized to issue an unlimited number of Ordinary Shares. At the date of this short form prospectus, Marengo has an aggregate of 498,810,862 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 the Ordinary Shares are entitled:

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

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

Under the ASX listing rules, a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an

option) if the number of securities would exceed 15% of the total number of ordinary securities on issue at the commencement of that 12 month period. One of the aforementioned exceptions is an issue of securities which is approved in advance by shareholders at a general meeting.

At a meeting of Marengo's shareholders held on May 31, 2010, the Company's shareholders voted on a resolution to approve the allotment and issue of up to 287,500,000 Ordinary Shares issuable pursuant to the Offering and the grant of the Compensation Options (the "**Shareholder Approval**").

## **Warrants**

The following summary of the material attributes and characteristics of the Warrants does not include a description of all of the terms of the Warrants, and reference should be made to the Warrant Indenture (as defined herein) for a complete description of the terms of the Warrants. The Warrant Indenture will be filed by the Company on SEDAR following the closing of the Offering.

The Warrants will be issued in registered form pursuant to, and will be governed by, the terms of a warrant indenture (the "**Warrant Indenture**") to be entered into on the Closing Date between the Company and Computershare Trust Company of Canada (the "**Warrant Agent**"). The Company will designate the principal transfer office of the Warrant Agent in Toronto, Ontario as the location at which the Warrants may be surrendered for exercise, transfer or exchange. Each whole Warrant will entitle the holder thereof to purchase one Ordinary Share at a price of C\$0.116 for a period of three years following the Closing Date, at which time the Warrants will become null and void. The exercise price for the Warrants will be payable in Canadian dollars. The Warrant Indenture will provide for adjustments to the number of the Ordinary Shares issuable upon the exercise of the Warrants and/or the exercise price per Ordinary Share upon the occurrence of certain events, including:

- (i) the issuance of Ordinary Shares or securities exchangeable for or convertible into Ordinary Shares to all or substantially all of the holders of Ordinary Shares as a stock dividend or other distribution (other than a "dividend paid in the ordinary course", as defined in the Warrant Indenture, or a distribution of Ordinary Shares upon the exercise of the Warrants);
- (ii) the subdivision, redivision or change of Ordinary Shares into a greater number of shares;
- (iii) the consolidation, reduction or combination of Ordinary Shares into a lesser number of shares;
- (iv) the issuance to all or substantially all of the holders of Ordinary Shares of rights, options or warrants under which such holders are entitled, during a period expiring not more than 45 days after the record date for such issuance, to subscribe for or purchase Ordinary Shares, or securities exchangeable for or convertible into Ordinary Shares, at a price per share to the holder (or at an exchange or conversion price per share) of less than 95 percent of the "current market price", as defined in the Warrant Indenture, for Ordinary Shares on such record date; and
- (v) the issuance or distribution to all or substantially all of the holders of Ordinary Shares, of shares of any class other than Ordinary Shares, rights, options or warrants to acquire Ordinary Shares or securities exchangeable or convertible

into Ordinary Shares (other than an issuance referred to in (iv) above), of evidences of indebtedness or cash, securities or any property or other assets (other than an issuance or distribution of a dividend paid in the ordinary course).

The Warrant Indenture will also provide for adjustment in the class and/or number of securities issuable upon the exercise of the Warrants and/or exercise price per security upon the occurrence of the following additional events: (i) the reclassification of the Ordinary Shares; (ii) the consolidation, amalgamation, arrangement pursuant to a plan of arrangement or merger of the Company with or into another entity (other than consolidations, amalgamations, plans of arrangement or mergers which do not result in any reclassification of the Ordinary Shares or a change of Ordinary Shares into other shares); or (iii) the transfer of any of the Company's undertaking or assets as an entirety or substantially as an entirety to another company or other entity.

Any adjustment to the terms of the Warrants (including an adjustment to the exercise price or number of Ordinary Shares over which the Warrants can be exercised) will be made in accordance with the ASX Listing Rules applying to the Warrants at the time of the relevant event. In the event of any reorganization of the issued capital of the Company, all rights of Warrant holders will be changed to the extent necessary to comply with the ASX Listing Rules at the time of the reorganization.

No adjustment in the exercise price or the number of Ordinary Shares issuable upon the exercise of the Warrants will be required to be made unless the cumulative effect of such adjustment or adjustments would result in a change of the exercise price by at least 1 percent.

The Company will also covenant in the Warrant Indenture that, during the period in which the Warrants are exercisable, the Company will give notice to holders of Warrants of certain stated events, including events that would result in an adjustment to the exercise price for the Warrants or the number of Ordinary Shares issuable upon exercise of the Warrants, at least 14 days prior to the record date or effective date, as the case may be, of such event.

No fractional Ordinary Shares will be issuable upon the exercise of any Warrants, and no cash or other consideration will be paid in lieu of fractional shares. Any subscription for fractional Ordinary Shares will be deemed to be a subscription for the next smallest whole number of Ordinary Shares. Holders of Warrants will not have any voting or pre-emptive rights or any other rights which a holder of Ordinary Shares would have.

Pursuant to the terms of the Warrant Indenture, the Company will be entitled to purchase in the market, by private contract or otherwise, any or all of the Warrants then outstanding, and any Warrants so purchased will be cancelled.

The Warrant Indenture will provide that the Company and the Warrant Agent, without the consent of the holders of Warrants, may from time to time amend or supplement the Warrant Indenture for certain purposes, including curing defects or inconsistencies or making any change that does not adversely affect the rights of holders of Warrants. Any amendment or supplement to the Warrant Indenture that adversely affects the interests of holders of Warrants may only be made by "extraordinary resolution", which is defined in the Warrant Indenture as a resolution either: (1) passed at a meeting of the holders of Warrants at which there are holders of Warrants present in person or represented by proxy representing at least 10 percent of the aggregate number of the Ordinary Shares which may be purchased pursuant to all the then outstanding Warrants and passed by the affirmative vote of holders of Warrants representing not less than 66⅔ percent of the aggregate number of all the then outstanding Warrants represented at the meeting and voted on the poll upon such resolution; or (2) adopted by an instrument in

writing signed by the holders of Warrants representing not less than 66⅔ percent of the aggregate number of all the then outstanding Warrants.

### Compensation Options

The Agents will be granted the Compensation Options entitling the Agents to subscribe for that number of Option Shares as is equal to 5% of the number of Units issued pursuant to the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall be exercisable into one Option Share at the Offering Price for a period of 24 months following the Closing Date. The distribution of the Compensation Options has received the Shareholder Approval and is qualified under this short form prospectus.

### PRIOR SALES

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

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

#### Notes:

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

## TRADING PRICE AND VOLUME

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

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
July 2009	0.05	0.05	3,000
August 2009	0.12	0.07	17,845
September 2009	0.28	0.11	1,263,751
October 2009	0.215	0.175	99,408
November 2009	0.195	0.18	61,000
December 2009	0.18	0.14	440,607
January 2010	0.18	0.14	158,000
February 2010	0.17	0.17	2,000
March 2010	0.17	0.11	11,300
April 2010	0.14	0.11	35,000
May 2010	0.16	0.11	8,000
June 2010	0.16	0.07	2,000
July 1 to 28, 2010	0.16	0.05	4,000

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

<u>Month</u>	<u>High (A\$)</u>	<u>Low (A\$)</u>	<u>Volume</u>
July 2009	0.15	0.10	4,752,736
August 2009	0.11	0.10	5,032,699
September 2009	0.24	0.10	61,320,992
October 2009	0.22	0.18	15,644,523
November 2009	0.19	0.16	10,072,449
December 2009	0.17	0.14	5,942,221
January 2010	0.16	0.13	5,630,810
February 2010	0.15	0.11	4,444,028
March 2010	0.13	0.10	5,445,835
April 2010	0.13	0.11	4,410,787
May 2010	0.13	0.08	7,041,381
June 2010	0.12	0.08	4,181,816
July 1 to 28, 2010	0.11	0.085	2,387,314

## PLAN OF DISTRIBUTION

Subject to the terms and conditions of the Agency Agreement, the Company has agreed to sell and the Agents have agreed to act as agents to offer for sale to the public on a reasonable best efforts basis, on the Closing Date, being August 11, 2010 or any other date on which the Company and the Agents may agree but in any event not later than 42 days after the receipt for this short form prospectus, 240,000,000 Units at a price of C\$0.084 (A\$0.09) per Unit. The Offering Price was determined by negotiation between Marengo and Paradigm (for and on behalf of the Agents). Each Unit consists of one Unit Share and one-quarter of one Warrant. Each Warrant will entitle the holder thereof to acquire one Warrant Share at an exercise price of C\$0.116 (A\$0.125) for a period of three years from the date of the closing of the Offering. The Warrants will be created and issued pursuant to the terms of the Warrant Indenture to be entered into between the Company and the Warrant Agent. The Warrant Indenture will contain provisions intended to protect the holders of the Warrants against dilution upon the happening of certain events. No fractional Warrant Shares will be issued upon the exercise of any Warrants.

Upon closing of the Offering, the gross proceeds from the Offering, less the expenses and Agents' Fee relating thereto, shall be paid to the Company.

Pursuant to the Agency Agreement, the Company has agreed to pay to the Agents the Agents' Fee equal to 6% of the gross proceeds of the Offering, except for any order from Sentient on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date. As additional compensation, the Agents will be granted Compensation Options entitling the Agents to subscribe for that number of Option Shares equal to 5% of the number of Units issued and sold under the Offering, except for any purchases made by current insiders of the Company. Each Compensation Option shall entitle the holder thereof to acquire one Option Share at a price equal to the Offering Price for a period of 24 months following the Closing Date. The distribution of the Compensation Options is qualified under this short form prospectus. Unless otherwise indicated, it is assumed that no Units will be issued to Sentient and that the Agents' Fee will be payable on the total number of Units to issued pursuant to the Offering.

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

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

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

Under the terms of the Agency Agreement, the Agents, their affiliates and their respective directors, officers, employees, shareholders and agents will be indemnified by the Company against

certain liabilities and expenses or the Company will contribute to payments that the Agents may be required to make in respect thereof.

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

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

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

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

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

The TSX has conditionally approved the listing of the Unit Shares, the Warrant Shares and the Option Shares issuable upon exercise of the Compensation Options on the TSX. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before September 10, 2010. In accordance with the listing rules of the ASX and the POMSoX, Marengo will also apply for official quotation of the Unit Shares, the Warrant Shares and the Option Shares issuable upon exercise of the Compensation Options on the ASX and the POMSoX.



## CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

### **Allocation of Issue Price**

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the one-quarter of one Warrant comprising the Unit to determine the cost of each for

purposes of the Tax Act. For its purposes, the Company intends to allocate the entire Offering Price as consideration for the issue of each Unit Share. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share must be averaged with the adjusted cost base to the Holder of all of the Company's Ordinary Shares owned by the Holder as capital property immediately prior to such acquisition.

#### **Exercise of Warrants**

No gain or loss will be realized by a Holder upon the exercise of a Warrant to acquire a Warrant Share. When a Warrant is exercised, the Holder's cost of the Warrant Share acquired thereby will be the aggregate of the Holder's adjusted cost base of such Warrant and the exercise price paid for the Warrant Share. The Holder's adjusted cost base of the Warrant Share so acquired will be determined by averaging such cost with the adjusted cost base to the Holder of all Ordinary Shares held by the Holder as capital property immediately prior to such acquisition.

#### **Expiry of Warrants**

The expiry of an unexercised Warrant will generally result in a capital loss to the Holder equal to the Holder's adjusted cost base of such warrant immediately before its expiry. The tax treatment of capital gains and capital losses is discussed in greater detail below under "Disposition of Securities".

#### **Dividends on Unit Shares and Warrant Shares**

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

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

#### **Dispositions of Securities**

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

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

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

### **Additional Refundable Tax**

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

### **Foreign Property Information Reporting**

In general, a "specified Canadian entity", as defined in the Tax Act, for a taxation year or fiscal period whose total cost amount of "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds C\$100,000, is required to file a T1135 - "Foreign Income Verification Statement" for the taxation year or fiscal period disclosing prescribed information, including the cost amount and any income in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year, other than a corporation or trust exempt from tax under Part I of the Tax Act, will be a specified Canadian entity. The Securities will be specified foreign property to a Holder. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information be available for audit use. Revised legislation reflecting such proposal has not yet been released. **The reporting rules in the Tax Act are complex and this summary does not purport to explain all circumstances in which reporting may be required by any investor. Accordingly, Holders should consult their own tax advisors regarding compliance with these rules including any expansion thereof pursuant to the afore-mentioned 2010 Federal Budget proposal.**

### **Foreign Investment Entity and Offshore Investment Fund Property Rules**

The Tax Act contains rules which, in certain circumstances, may require a Holder to include an amount in income in each taxation year in respect of the acquisition and holding of the Securities if the value of such Securities may reasonably be considered to be derived, directly or indirectly, primarily from portfolio investments in: (i) shares of the capital stock of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (viii) any combination of the foregoing ("**Investment Assets**").

In order for these rules to apply to a Holder in respect of the Securities, it must be reasonable to conclude that one of the main reasons for the Holder acquiring or holding the Securities was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such Investment Assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the Holder. In making this determination, the Tax Act provides that regard must be had to all of the circumstances, including: (i) the nature, organization and operation of the Company and the form of, and the terms and conditions governing the Holder's interest in or connection with the Company, (ii) the extent to which any income, profit and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of the Company are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the Holder, and (iii) the extent to which any income, profits and

gains of the Company for any fiscal period are distributed in that or the immediately following fiscal period.

Where these rules apply, a Holder will generally be required to include in income for each taxation year in which the Holder owns a Security the amount, if any, by which (i) an imputed return for the taxation year computed on a monthly basis, where the amount in respect of each month is calculated as the product obtained when the Holder's "designated cost" (within the meaning of the Tax Act) of the Securities at the end of the month is multiplied by 1/12th of the applicable prescribed rate for the period that includes such month, exceeds (ii) any dividends or other amounts included in computing the Holder's income for the year (other than a capital gain) in respect of the Unit Shares and Warrant Shares determined without reference to these rules.

For these purposes, the designated cost to a Holder of Securities at any particular time in a taxation year will generally include, among other things, the cost to the Holder of the share of the Securities and the total of all amounts required to be included in computing the Holder's income for a preceding taxation year as imputed income in respect of a Security under these rules. In addition, and subject to the comments below, the prescribed rate for purposes of these computations is the amount determined under the Regulations on a quarterly basis as the average equivalent yield of Government of Canada 90-day treasury bills (rounded to the next highest whole percentage) sold during the first month of the immediately preceding quarter (the "**Base Rate**").

In the 2010 Federal Budget, the Minister of Finance announced that certain prior Proposals relating to the taxation of Canadian residents investing in certain non-resident entities (the "**FIE Proposals**") will not be implemented. The Minister of Finance also announced a revised proposal to amend the existing rules (which are described above) to increase the Base Rate by two percentage points to the Base Rate plus two percentage points. In addition, the Minister of Finance indicated that revised legislation implementing the new proposal will be released for public consultation.

Any amount required to be included in computing a Holder's income under these provisions will be added to the adjusted cost base to the Holder of its Securities. A Holder who realizes a capital loss on the disposition of the Securities will not, however, be entitled to claim any deduction in computing the Holder's income in respect of any portion of such capital loss, even in circumstances where the Holder was required to include an amount in computing its income under these rules in connection with holding the shares of the Securities.

Prior to the introduction of the FIE Proposals, the CRA indicated that it intended to give a broad interpretation to the term "portfolio investment". Therefore, there is a possibility that the CRA may view the assets of the Company as portfolio investments in Investment Assets. However, as noted above, even if this is the case, the rules described above will only apply if one of the main reasons for a Holder acquiring or holding Securities was to derive, either directly or indirectly, a benefit from Investment Assets in such a manner that any taxes on income, profits, and gain from such assets are significantly less than the tax that would have been applicable under Part I of the Tax Act had the Investment Assets been held directly by the Holder.

**These rules are complex and their application depends, to a large extent, on the reasons for a Holder acquiring or holding the Securities. Holders are urged to consult their own tax advisors regarding the application and consequences of these rules in their own particular circumstances.**

## CERTAIN AUSTRALIAN INCOME TAX CONSIDERATIONS

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

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

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

### **Taxation for Holders of Unit Shares, Warrants or Warrant Shares - Resident in Australia for Tax Purposes**

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

#### *Dividends on Unit Shares or Warrant Shares*

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

Broadly, dividends paid on the Unit Shares or Warrant Shares may be "franked", "partially franked" or "unfranked". Franked dividends have franking credits attached. A dividend may be franked to the extent underlying Australian corporate tax has been paid on the profits distributed. To the extent a dividend is "unfranked", no franking credits are attached. Subject to certain exceptions, including but not limited to the Unit Shares or Warrant Shares not being held for at least 45 days "at risk", a tax offset will generally be allowed equal to the amount of the franking credits attached to the franked dividend.

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

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

### *Offering Price*

The offering price paid for the Units will need to be apportioned on an appropriate basis between the Unit Shares and the Warrants when establishing the tax cost base of each.

### *Exercising of Warrants*

Generally, when a security holder converts their Warrant into a Warrant Share, there will be no capital gain or capital loss and the tax cost base of the resultant Warrant Share will include the tax cost base of the Warrant plus any exercise price paid.

In the event the Warrant Share is subsequently disposed by the security holder, please refer to our comments below.

### *Lapsing of Warrants*

Broadly, where a security holder does not convert a Warrant into a Warrant Share, a capital gains tax ("CGT") event will be triggered upon the Warrant lapsing.

Generally a capital loss may result and will depend on each security holder's individual circumstances.

### *Disposal / Trading of Warrants*

This summary does not address issues for purchasers who dispose of, or trade, their Warrants.

### *Dispositions of Unit Shares or Warrant Shares*

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

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

### *Tax Treatment of Capital Gains and Capital Losses*

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

For security holders that are individuals and trustees (other than trustees of complying superannuation funds) a 50% CGT discount is available on the disposal of a Unit Share or Warrant Share provided that the share has been held for at least 12 months. This concession will result in only 50% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

For complying superannuation funds a 33<sup>1/3</sup>% capital gains discount is available on the disposal of a Unit Share or Warrant Share provided that the share has been held for at least 12 months. This concession will result in only 66<sup>2/3</sup>% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

#### **Taxation for Holders of Unit Shares, Warrants or Warrant Shares – Non Resident of Australia for Tax Purposes**

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

##### *Dividends on Unit Shares or Warrant Shares*

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

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

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

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

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

##### *Offering Price*

The offering price paid for the Units will need to be apportioned on an appropriate basis between the Unit Shares and the Warrants when establishing the tax cost base of each.

##### *Exercising of Warrants*

Generally, when a security holder converts their Warrant into a Warrant Share, there will be no capital gain or capital loss and the tax cost base of the resultant Warrant Share will include the tax cost base of the Warrant plus any exercise price paid.

In the event the Warrant Share is subsequently disposed by the security holder, please refer to our comments below.

#### *Lapsing of Warrants*

Broadly, where a security holder does not convert a Warrant into a Warrant Share, a CGT event will be triggered upon the Warrant lapsing.

Generally, a capital loss may result and will depend on each security holder's individual circumstances – refer also comments under the heading "Dispositions of Unit Shares or Warrant Shares".

#### *Disposal / Trading of Warrants*

This summary does not address issues for purchasers who dispose of, or trade, their Warrants.

#### *Dispositions of Unit Shares or Warrant Shares*

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

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

**Non-Australian resident security holders must seek specific advice based on their particular circumstances with respect to Australian CGT on the disposal of Unit Shares and Warrant Shares, or the lapsing/disposal (or trading) of Warrants in the Company.**

### **RISK FACTORS**

There are a number of risks that may have a material and adverse impact on the future operating and financial performance of Marengo and the value of the Ordinary Shares. These include risks that are widespread risks associated with any form of business and specific risks associated with Marengo's business and its involvement in the exploration and mining industry generally and in Papua New Guinea in particular. While most risk factors are largely beyond the control of Marengo and its directors, the Company will seek to mitigate the risks where possible, for example by maintaining its key relationships with Papua New Guinea's federal and regional governments and local people. However, an investment in the Units is considered speculative due to the nature of Marengo's business and the present stage of its development. A prospective investor should carefully consider in light of their own financial circumstances, the factors set out herein, as well as other information contained or incorporated by reference in this short form prospectus, including, in particular, the "Risk Factors" section on pages 18 to 22 of the Annual Information Form and the management's discussion and analysis of financial condition and results of operations incorporated by reference in this short form prospectus.

#### **Additional Funding may be Required**

The funds of the Company currently available and to be raised under the Offering are not designated for development of the Yandera Project. Accordingly, if the DFS is successful, the Company will need to raise further capital and/or debt financing to develop the Yandera Project. The success and



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

#### **Exploration and Development Risks**

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

#### **Discretion in the Use of Proceeds**

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

#### **Company may not Obtain Renewal of EL1416**

The Company's interest in the Yandera Project is derived from two ELs, EL1335 and EL1416. EL1416 expired on June 4, 2010. An application for renewal for an additional two year term was made prior to June 4, 2010. Although the Company has no reason to believe that EL1416 will not be renewed for an additional two year term, there can be no assurance that will be the case. Any failure to renew EL1416 would have a material adverse effect on the Company's financial condition and results of operations.

#### **Sustained or Continued Decreases in the Price of Copper and Molybdenum**

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

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

#### **Current Global Economic Conditions**

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

#### **Structural Subordination of the Ordinary Shares**

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

#### **Future Sales or Issuances of Ordinary Shares**

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

#### **INTEREST OF EXPERTS**

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

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

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

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

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

#### **EXEMPTIONS FROM NATIONAL INSTRUMENT 41-101 – GENERAL PROSPECTUS REQUIREMENTS**

On July 15, 2010, the Ontario Securities Commission (the “OSC”) granted Marengo the requested exemptive relief to allow it to file this short form prospectus more than 90 days after the date of the OSC's receipt for Marengo's preliminary short form prospectus dated April 21, 2010, extending the date by which this short form prospectus must be filed to August 11, 2010.

#### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

## AUDITORS' CONSENT

We have read the short form prospectus of Marengo Mining Limited (the "**Company**") dated July 29, 2010 relating to the issue and sale of units of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

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

West Perth, Western Australia  
July 29, 2010

*(Signed)* STANTONS INTERNATIONAL PTY LTD

**CERTIFICATE OF THE COMPANY**

Dated: July 29, 2010

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

(Signed) LESLIE EMERY  
Managing Director

(Signed) JOHN RIBBONS  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

(Signed) DOUGLAS DUNNET  
Director

(Signed) JOHN HORAN  
Director

**CERTIFICATE OF THE AGENTS**

Dated: July 29, 2010

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

**PARADIGM CAPITAL INC.**

By: *(Signed)* ANDREW PARTINGTON

**FRASER MACKENZIE LIMITED**

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

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For personal use only



ABN 57 099 496 474



This is Annexure D of 31 pages referred to in Form 604 - Notice of change of interests of substantial holder.

Signed: 

Name: David Taylor

Title: Assistant General Counsel

Date: 23/12/2010

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

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

## SHORT FORM PROSPECTUS

New Issue

November 30, 2010



ABN 57 099 496 474

C\$ 55,000,000

110,000,000 Units

This short form prospectus qualifies the distribution (the "**Offering**") by Marengo Mining Limited ("**Marengo**" or the "**Company**") of an aggregate of up to 110,000,000 units (the "**Units**") of Marengo, each Unit consisting of one ordinary share of the Company (each, a "**Unit Share**") and one subscription receipt (each, a "**Subscription Receipt**") at a price of C\$0.50 per Unit (the "**Offering Price**"), pursuant to the terms of an agency agreement dated as of November 30, 2010 (the "**Agency Agreement**") between Marengo and Paradigm Capital Inc. (the "**Agent**"). Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, one ordinary share of the Company (each, a "**Receipt Share**") upon satisfaction of the Release Condition (as defined herein under "**Plan of Distribution**"). The effective price per ordinary share of the Company offered under this short form prospectus is C\$0.25 (the "**Effective Price**").

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

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

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

No additional consideration will be received by the Company and no commission or fee will be payable by the Company in connection with the Receipt Shares issuable upon conversion of the Subscription Receipts. The Offering Price was determined by negotiation between Marengo and the Agent.

The outstanding ordinary shares of the Company (the "**Ordinary Shares**") are listed and posted for trading on the Australian Securities Exchange (the "**ASX**") and the Port Moresby Stock Exchange (the "**POMSoX**") under the symbol

"MGO" and on the Toronto Stock Exchange (the "TSX") under the symbol "MRN". On November 29, 2010, the last trading day on the ASX before the filing of this short form prospectus, the closing price of the Ordinary Shares on the ASX was A\$0.28. On November 29, 2010, the last trading day on the TSX before the filing of this short form prospectus, the closing price of the Ordinary Shares on the TSX was C\$0.265. **There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.**

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

### Price: C\$0.50 per Unit

	Price to the Public	Agent's Fee <sup>(1)</sup>	Net Proceeds to Marengo <sup>(2)</sup>
Per Unit .....	C\$0.50	C\$0.03	C\$0.47
Total <sup>(3)</sup> .....	C\$55,000,000	C\$3,300,000	C\$51,700,000

**Notes:**

- (1) Pursuant to the Agency Agreement, the Company has agreed to pay to the Agent a cash fee (the "Agent's Fee") equal to 6% of the gross proceeds of the Offering, except for any order from Sentient Executive GP II, Limited ("Sentient") on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date (as defined herein). Unless otherwise indicated, it is assumed that no Units will be issued to Sentient and that the Agent's Fee will be payable on the total number of Units to be issued pursuant to the Offering.
- (2) After deducting the Agent's Fee and before deducting expenses of the Offering, estimated to be C\$500,000, which will be paid from the proceeds of the Offering.
- (3) The Company has granted to the Agent an option (the "Over-Allotment Option"), exercisable in whole or in part at the sole discretion of the Agent for a period of 30 days following the Closing Date, to purchase up to such number of additional Subscription Receipts (the "Additional Subscription Receipts"), at the Effective Price and on the same terms and conditions of the Offering (including conversion subject to receipt of the Shareholder Approval (as defined herein)), as are convertible into an aggregate number of Ordinary Shares as is equal to 15% of the number of Unit Shares and Subscription Receipts sold pursuant to the Offering. In the event that the Shareholder Approval is received prior to the exercise of the Over-Allotment Option, the Company will issue Ordinary Shares in lieu of Subscription Receipts. This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts. A purchaser who acquires Additional Subscription Receipts forming part of the Agent's over-allocation position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. Unless the context requires otherwise, all references to Receipt Shares in this short form prospectus shall include the securities issuable upon exercise of the Over-Allotment Option. If the Over-Allotment Option is exercised in full, the total price to the public, Agent's Fee and net proceeds to Marengo will be C\$63,250,000, C\$3,795,000 and C\$59,455,000, respectively, before deducting expenses of the Offering. See "Plan of Distribution".

Agent's Position	Maximum Size or Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option .....	33,000,000	Any time but not later than 30 days after closing of the Offering	C\$0.25

The TSX has conditionally approved the listing of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts on the TSX. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on or before February 16, 2011. In accordance with the listing rules of the ASX and the POMSoX, Marengo will also apply for official quotation of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts on the ASX and the POMSoX.

The Agent conditionally offers the Units on a best efforts basis and, subject to prior sale, if, as and when issued by the Company and delivered and accepted by the Agent in accordance with the conditions contained in the Agency Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Company by Fraser Milner Casgrain LLP, and on behalf of the Agent by Cassels Brock & Blackwell LLP. In connection with the Offering and subject to applicable laws, the Agent may over-allot or effect transactions that are intended to stabilize or maintain the market price of the Ordinary Shares at levels other than that which might otherwise prevail in the open market

for a limited period after the date on which the Offering is completed. Such transactions, if commenced, may be discontinued at any time, and must be brought to an end after a limited period. See "*Plan of Distribution*".

Subscriptions for the Units will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. Certificates representing the Unit Shares and the Subscription Receipts will be issued in registered form on the date of closing, which is expected to occur on or about December 7, 2010, or any other date on which the Company and the Agent may agree, but in any event not later than 42 days after the date of the receipt for this short form prospectus (the "**Closing Date**").

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

Marengo is incorporated under the laws of a foreign jurisdiction and both the Company and a majority of the directors and officers of Marengo reside outside of Canada. Although the Company and the directors and officers that signed this short form prospectus have appointed Fraser Milner Casgrain LLP, 77 King Street West, Suite 400, Toronto, Ontario, M5K 0A1 as its agent for service of process in Canada, it may not be possible for investors to enforce judgments obtained in Canada against Marengo or any of its directors or officers residing outside of Canada.

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## DOCUMENTS INCORPORATED BY REFERENCE

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

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

- (a) annual information form of the Company dated September 28, 2010 for the financial year ended June 30, 2010 (the "Annual Information Form");
- (b) audited annual consolidated financial statements of the Company as at, and for the financial year ended June 30, 2010, together with the auditors' report thereon dated September 23, 2010 and the notes thereto;
- (c) management's discussion and analysis of financial condition and results of operations for the financial year ended June 30, 2010;
- (d) unaudited interim consolidated financial statements of the Company as at, and for the three month period ended September 30, 2010, together with the notes thereto;
- (e) management's discussion and analysis of financial condition and results of operations for the three month period ended September 30, 2010;
- (f) explanatory statement and management information circular of the Company dated September 30, 2010 prepared in connection with the annual general meeting of shareholders held on November 11, 2010; and
- (g) explanatory statement and management information circular of the Company dated November 18, 2010 prepared in connection with a general meeting of shareholders to be held on December 21, 2010.

A reference herein to this short form prospectus also means any and all documents incorporated by reference in this short form prospectus. Any document of the type referred to above, including audited annual consolidated financial statements, unaudited interim consolidated financial statements and the related management's discussion and analysis, material change reports (excluding confidential material change reports), any business acquisition reports, the content of any news release disclosing financial information for a period more recent than the period for which financial information is deemed incorporated by reference in this short form prospectus and certain other disclosure documents as set forth in Item 11.1 of Form 44-101F1 of National Instrument 44-101 of the Canadian Securities Administrators filed by the Company with the securities commissions or similar regulatory authorities in Canada after the date of this short form prospectus and prior to the termination of the Offering shall be deemed to be incorporated by reference in this short form prospectus.

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

#### CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

In making and providing the forward-looking information included in this short form prospectus, the Company has made numerous assumptions. The assumptions include, among other things, assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) the accuracy of the Company's mineral resource estimate; (iv) the future price of copper and molybdenum; and (v) that the supply and demand for copper, molybdenum, and other metals develop as expected. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, the following: (i) the risk that Shareholder Approval (as defined herein) for the issue of the Receipt Shares upon conversion of the Subscription Receipts is not obtained; (ii) the absence of any market through which Subscription Receipts may be traded; (iii) the risk that the proceeds of the Offering are not applied effectively; (iv) structural subordination of the Ordinary Shares; and (v) dilution from the future issue or sale of Ordinary Shares.

This short form prospectus (see "*Risk Factors*") and the Company's interim and annual management's discussion and analysis incorporated herein by reference contain additional information on risks, uncertainties and other factors relating to the forward-looking information. Although the Company has attempted to identify factors that would cause actual actions, events or results to differ materially from those disclosed in the forward-looking information, there may be other factors that cause actual results, performances, achievements or events not to be as anticipated, estimated or intended. Also, many of the factors are beyond the Company's control. Accordingly, readers should not place undue reliance on

forward-looking information. The Company undertakes no obligation to reissue or update forward-looking information as a result of new information or events after the date of this short form prospectus, except as may be required by law. All forward-looking information disclosed in this short form prospectus is qualified by this cautionary statement.

Additional information about the Company and its business activities is available under the Company's profile on the *SEDAR* website.

### ELIGIBILITY FOR INVESTMENT

In the opinion of Fraser Milner Casgrain LLP, counsel to the Company, and Cassels Brock & Blackwell LLP, counsel to the Agent, based on the provisions of the *Income Tax Act* (Canada) (the "**Tax Act**") and the regulations thereunder (the "**Regulations**") in effect on the date hereof, the Unit Shares and the Receipt Shares would be, if issued on the date hereof, qualified investments ("**Qualified Investments**") for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans, registered education savings plans, registered disability savings plans and tax-free savings accounts ("**TFSAs**") under the Tax Act (collectively, "**Exempt Plans**") provided that the Unit Shares and the Receipt Shares are listed on a "designated stock exchange", as defined in the Tax Act. The Subscription Receipts will be a Qualified Investment for an Exempt Plan provided that: (i) the Ordinary Shares are listed on a "designated stock exchange"; and (ii) the Company is not a "connected person" under the Exempt Plan. For this purpose, a "connected person" under an Exempt Plan is defined as a person who is an annuitant, a beneficiary, an employer or a subscriber under, or a holder of, the Exempt Plan as well as any other person who does not deal at arm's length with that person.

The Unit Shares, Subscription Receipts and Receipt Shares will not be "prohibited investments" for a trust governed by a TFSA, provided the holder of the TFSA deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Company or in any person or partnership with which the Company does not deal at arm's length for purposes of the Tax Act. Holders of trusts governed by a TFSA should consult their own tax advisors to ensure the Unit Shares, Subscription Receipts and Receipt Shares would not be a prohibited investment in their particular circumstances.

### CURRENCY PRESENTATION AND EXCHANGE RATE INFORMATION

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

The high, low, average and closing exchange rates for Canadian dollars in terms of Australian dollars and Canadian dollars in terms of United States dollars for each of the two years ended June 30, 2010 and 2009 and the three month periods ended September 30, 2010 and 2009, as quoted by the Bank of Canada, were as follows:

<u>Canadian dollar per Australian dollar</u>		<u>High</u>	<u>Low</u>	<u>Average</u>	<u>Closing</u>
<b>Year ended June 30</b>					
2010	.....	\$1.1583	\$1.0181	\$1.0748	\$1.1120
2009	.....	\$1.3291	\$1.0181	\$1.1589	\$1.0680
<b>Three Months ended September 30</b>					
2010	.....	\$1.1203	\$0.9996	\$1.0627	\$1.0072
2009	.....	\$1.1306	\$1.0544	\$1.1589	\$1.0680



**Canadian dollar per United States dollar**

	<u>High</u>	<u>Low</u>	<u>Average<sup>(1)</sup></u>	<u>Closing</u>
<b>Year ended June 30</b>				
2010 .....	\$1.0039	\$0.8580	\$0.9475	\$0.9429
2009 .....	\$0.9984	\$0.7692	\$0.8575	\$0.8602
<b>Three Months ended September 30</b>				
2010 .....	\$0.9844	\$0.9381	\$0.9624	\$0.9711
2009 .....	\$0.9422	\$0.8580	\$0.9108	\$0.9327

**Notes:**

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

On November 29, 2010, the Bank of Canada exchange rate for the purchase of one Australian dollar using Canadian dollars was C\$0.9811 (C\$1.00 = A\$1.0193).

On November 29, 2010, the Bank of Canada noon spot exchange rate for the purchase of one United States dollar using Canadian dollars was C\$1.0227 (C\$1.00 = US\$0.9778).

On November 29, 2010, the Reserve Bank of Australia exchange rate for the purchase of one Papua New Guinean kina using Australian dollars was A\$0.3939 (A\$1.00 = PGK2.5386).

**FINANCIAL INFORMATION**

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

## THE COMPANY

### Corporate Structure

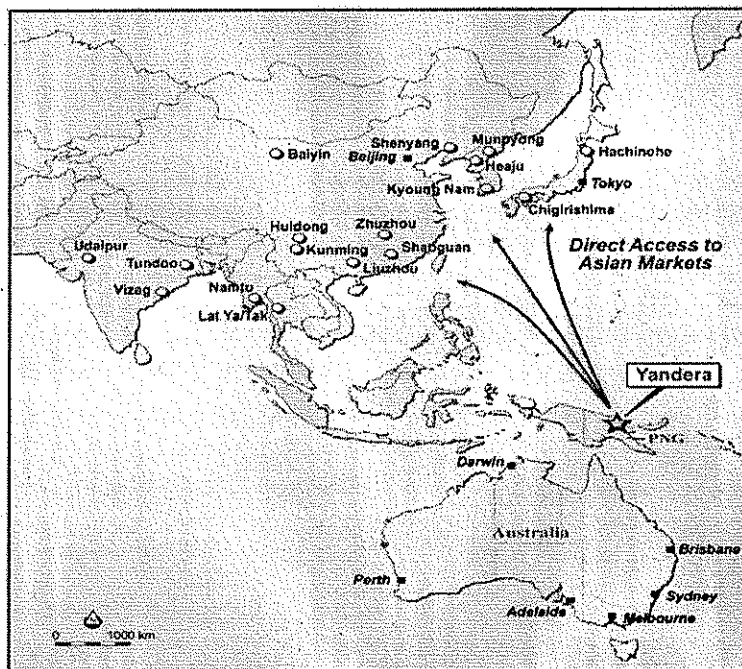
Marengo was incorporated under the Corporations Act 2001 (Cth) (Australia) on February 6, 2002. Marengo listed on the ASX on November 13, 2003 upon the issuance of 17.5 million Ordinary Shares for gross proceeds of A\$3.5 million and subsequently listed on the POMSx on November 10, 2006. On April 15,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

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

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

### Overview

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



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

In September 2006, the Company commissioned a conceptual mining study (the "CMS") for the Yandera Project to include a preliminary mine design and open pit optimization, metallurgical test work, plant flow sheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a definitive feasibility study (the "DFS") on the development of the Yandera Project.

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

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

The Company currently has no source of earnings other than interest paid to it on its current cash position. In order to fund its ongoing exploration efforts and operations, Marengo has historically raised funds through the issuance of equity securities.

## RECENT DEVELOPMENTS

### Joint Company Secretary

On October 6, 2010, the Company announced that Mr. Dennis Wilkins had been appointed as Joint Company Secretary in addition to Mr. John Ribbons.

### Memorandum of Understanding for Financing, Construction and Development of Yandera Project

On October 18, 2010, the Company announced that it had entered into a memorandum of understanding (the "MOU") with Arccon WA Pty Ltd. ("Arccon") and China Nonferrous Metal Industry's Foreign Engineering and Construction Co. Ltd. ("NFC") relating to future financing, construction and development of the Yandera Project.

Under the MOU, Marengo has agreed to work exclusively with NFC and Arccon to establish the cost and program for delivery of the Yandera Project in parallel with the completion of the current DFS. These discussions will be conducted with a view to Marengo PNG entering into:

- (a) a formal construction agreement (Engineering, Procurement and Construction Contract or the "EPC Contract") under which Marengo PNG will appoint NFC as the principal contractor, under a lump sum turnkey contract, following a detailed evaluation of the project construction costs to be undertaken by NFC as part of the final stage of the DFS; and

- (b) a formal financing agreement, subject to agreement on the terms of the EPC Contract, under which NFC will facilitate at least 70% of the necessary financing for the project development costs of the Yandera Project through Chinese banks.

Under the proposed construction agreement, NFC will be permitted, to the extent reasonably practicable, to maximize the use and procurement of engineering services, mechanical equipment, fabricated steel and other construction materials, and mining equipment required for the Yandera Project in China.

The MOU includes an indicative timetable which contemplates the commencement of construction of the Yandera Project by the first half of 2012 following completion of a formal EPC Contract and approved financing anticipated by November 2011.

The MOU contemplates future agreements being entered into as described above, including the EPC Contract. There can be no assurance that such agreements or any of the transactions contemplated by the MOU will be entered into or be completed.

#### **DETAILS OF THE YANDERA PROJECT**

Detailed information in respect of the Yandera Project is set out in the revised and restated technical report on the Yandera Project (the "**Revised Technical Report**") originally dated December 2008 and revised and restated January 2009, prepared by Stephen Godfrey, Associate, Principal Resource Geologist of Golder Associates Pty Ltd (Australia) and a summary of the Revised Technical Report is set out at pages 10 to 15 of the Annual Information Form. See "*Documents Incorporated by Reference*".

## CONSOLIDATED CAPITALIZATION

There have been no material changes in the Company's share or loan capital, on a consolidated basis, since September 30, 2010. The following table sets forth the consolidated capitalization of the Company as at the dates indicated before and after completion of the Offering. This table should be read in conjunction with the consolidated financial statements of the Company (including the notes thereto) incorporated by reference into this short form prospectus.

	Outstanding as at June 30, 2010 <sup>(1)</sup> (Audited)	Outstanding as at September 30, 2010 <sup>(1)</sup> (Unaudited)	Outstanding as at September 30, 2010 after giving effect to the Offering <sup>(2)</sup> (Pro Forma - Unaudited)
Long-Term Debt .....	NIL	NIL	NIL
Ordinary Shares <sup>(3)</sup> (authorized: unlimited).....	498,810,862	738,810,863	938,810,863
Contributed Equity.....	\$ 78,109,418	\$ 98,030,706	\$ 145,328,646
Reserves .....	\$ 2,832,413	\$ 1,444,078	\$ 1,444,078
Accumulated Losses .....	\$ (58,498,313)	\$ (60,256,206)	\$ (60,256,203)
<b>TOTAL EQUITY .....</b>	<b>\$ 22,443,518</b>	<b>\$ 39,218,578</b>	<b>\$ 86,516,521</b>

Notes:

- (1) Before giving effect to the Offering.
- (2) After deducting expenses of the Offering, estimated to be C\$500,000, and the Agent's Fee and assuming no exercise of the Over-Allotment Option.
- (3) Not including shares issuable upon exercise of options, warrants or broker warrants which remained unexercised on June 30, 2010 and September 30, 2010, respectively.

## USE OF PROCEEDS

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

The net proceeds to the Company from the Offering will be C\$51,200,000 after deducting the Agent's Fee of C\$3,300,000 and the estimated expenses of the Offering of C\$500,000. If the Over-Allotment Option is exercised in full, the net proceeds to the Company from the Offering will be C\$58,955,000 after deducting the Agent's Fee of C\$3,795,000 and the estimated expenses of the Offering of C\$500,000. See "Plan of Distribution".

The Company intends to use the net proceeds to advance the exploration of the Yandera Project, as well as for permitting and other pre-construction expenditures relating to the Yandera Project and general corporate and working capital purposes. The proceeds from the Offering (assuming no exercise of the Over-Allotment Option) will be used more particularly by the Company as follows:

Exploration (detailed below).....	C\$25 million
Permitting and other pre-construction expenditures (detailed below) .....	C\$15 million
General corporate and working capital .....	C\$11.2 million
<b>Total: .....</b>	<b><u>C\$51.2 million</u></b>

## Exploration

Drilling (up to 35,000 metres) including assays .....	C\$9 million
Helicopter hire .....	C\$4 million
Salaries .....	C\$4 million
Field accommodation (incl. major camp upgrades) .....	C\$5 million
Miscellaneous field expenditure and administration .....	C\$3 million
<b>Total:</b> .....	<b>C\$25 million</b>

Permitting and other pre-construction expenditures includes work continuing or commencing on various matters including, but not limited to, environmental, community affairs, landowner negotiations, social impact studies, land surveys, mining tenement applications, capital and infrastructure planning.

## Permitting and Pre-construction

Environment .....	C\$4 million
Permitting .....	C\$1 million
Community affairs, landowners negotiations, other surveys .....	C\$1 million
Tenement applications .....	C\$0.5 million
Salaries and miscellaneous expenditures .....	C\$2.5 million
Capital and preconstruction items .....	C\$6 million
<b>Total:</b> .....	<b>C\$15 million</b>

The proposed exploration expenditures will focus on extensions to the resource at depth, along strike and adjacent to the initial proposed mining pits. To some extent the amount of resource extension drilling will be dependent on the results of the current drilling program due for completion in December 2010 and the initial results of the DFS which may require additional resource infill, geotechnical or engineering drilling to be done as a priority. The program envisages up to six diamond drilling rigs in operation for 10 months. Work will also continue on the detailed geological model for the resource and adjacent areas in order to increase confidence in the interpretation. These interpretive models are also used in the district exploration program.

District exploration will continue to focus on targets generated by the 2009 helimag and radiometric survey and earlier reconnaissance geochemistry and geological interpretations. Target areas will be followed up by remote sensing, ground geochemistry, geological mapping, geophysics, as necessary. The exact nature of the exploration programme will largely be dependent on results.

Other exploration work includes an upgrade to the main Yandera camp, and establishment of a second core processing facility to the north-west in the Imbrum River area. Improvements to the staging base near Brahman Mission and the storage facilities at Brahman are also needed.

Existing funds of the Company and proceeds from the Offering are currently the only sources of funds to finance the exploration program at the Yandera Project. Marengo may require further capital from external sources to develop any newly discovered mineral deposits and/or, if the DFS is positive, to develop the Yandera Project. Marengo intends to raise any such funds through debt and/or equity financing. There can be no assurance that additional financing will be available at all or on terms acceptable to the Company to develop any newly discovered mineral deposits or to finance the capital costs to develop the Yandera Project.

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

Although Marengo intends to expend the net proceeds from the Offering as set out in the above table, the actual allocation of the net proceeds may vary from that set out above, depending on future developments in Marengo's mineral properties or unforeseen events. Additionally, if the Shareholder Approval (as defined herein) is not obtained and the Receipt Shares are not issued, Marengo may not be able to complete the planned exploration and permitting and other pre-construction programs at the Yandera Project as outlined above. If this were to occur, Marengo would use the net proceeds of the Offering to implement the exploration program as outlined above.

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

#### DESCRIPTION OF SECURITIES BEING DISTRIBUTED

The Offering consists of 110,000,000 Units. Each Unit consists of one Unit Share and one Subscription Receipt. Each Subscription Receipt will entitle the holder thereof to receive, without payment of additional consideration or further action, one Receipt Share upon satisfaction of the Release Condition.

##### Subscription Receipts

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

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

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

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

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

The Subscription Receipt Agreement will also provide for, and contain provisions for, adjustment to the amount and kind of securities or other properties issuable upon conversion of the Subscription Receipts if there is: (i) any subdivision, consolidation or change of the Ordinary Shares; (ii) any consolidation, amalgamation, arrangement or other business combination of the Company resulting in any reclassification or change of the Ordinary Shares into other shares; or (iii) any sale, lease, exchange or transfer of all or substantially all of the Company's assets to another entity, pursuant to which each holder of a Subscription Receipt which is thereafter converted shall receive, in lieu of Receipt Shares, the kind and number or amount of other securities or property which such holder would have been entitled to receive as a result of such event if such Subscription Receipt had been converted prior to the event.

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

The Subscription Receipt Agreement will provide for other modifications and alterations thereto and to the Subscription Receipts issued thereunder by way of a resolution approved by more than 66⅔% of the votes cast in person or by proxy by Subscription Receipt holders.

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

### **Ordinary Shares**

Subject to certain prescribed exceptions under the Corporations Act 2001 (Cth) (Australia) and the Company's constitution, the Company is authorized to issue an unlimited number of Ordinary Shares. At the date of this short form prospectus, Marengo has an aggregate of 740,848,613 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 the Ordinary Shares are entitled:

- (a) to vote at all meetings of shareholders of Marengo;
- (b) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo, any dividends declared by Marengo; and



- (c) to receive, subject to the rights, privileges, restrictions and conditions attaching to any other class of shares of Marengo, the remaining property of Marengo upon the liquidation, dissolution or winding-up of Marengo, whether voluntary or involuntary.

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

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

As of the date of this short form prospectus, the Company does not have sufficient capacity under this 15% limit to issue the Receipt Shares to be issued upon conversion of the Subscription Receipts. Accordingly, a meeting of Marengo shareholders is scheduled to be held on December 21, 2010, at which the shareholders will be asked to vote on a resolution to approve the issuance of up to 150,000,000 Receipt Shares, including those issuable upon exercise of the Over-Allotment Option in full (the "Shareholder Approval").

#### PRIOR SALES

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

<u>Date Issued</u>	<u>Number of Securities</u>	<u>Security</u>	<u>Price per Security</u>
November 30, 2009 .....	475,000	Stock Option	A\$0.25 <sup>(1)(2)</sup>
April 1, 2010.....	150,000	Stock Option	A\$0.25 <sup>(1)(3)</sup>
April 16, 2010.....	650,000	Stock Option	A\$0.25 <sup>(1)(4)</sup>
August 11, 2010.....	240,000,001	Ordinary Shares	C\$0.084 <sup>(5)</sup>
August 11, 2010.....	60,000,000	Warrants	C\$0.116 <sup>(1)(6)</sup>
August 11, 2010.....	6,421,050	Compensation Option	C\$0.084 <sup>(1)(7)</sup>
November 19, 2010 .....	744,000	Ordinary Shares	C\$0.116 <sup>(8)</sup>
November 29, 2010 .....	1,293,750	Ordinary Share	C\$0.086 <sup>(9)</sup>

Notes:

- (1) Price per security reflects exercise price of the respective security granted.
- (2) Unlisted options expiring November 30, 2014.
- (3) Unlisted options expiring March 22, 2015.
- (4) Unlisted options expiring March 31, 2015.
- (5) Issuance of Ordinary Shares pursuant to a public offering.
- (6) Unlisted warrants expiring August 11, 2013.
- (7) Unlisted compensation options expiring August 11, 2012.
- (8) Issuance of Ordinary Shares pursuant to an exercise of unlisted options.
- (9) Issuance of Ordinary Shares pursuant to an exercise of compensation options.

## TRADING PRICE AND VOLUME

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

<u>Month</u>	<u>High (C\$)</u>	<u>Low (C\$)</u>	<u>Volume</u>
November 2009	0.195	0.18	61,000
December 2009	0.18	0.14	440,607
January 2010	0.18	0.14	158,000
February 2010	0.17	0.17	2,000
March 2010	0.17	0.11	11,300
April 2010	0.14	0.11	35,000
May 2010	0.16	0.11	8,000
June 2010	0.16	0.07	2,000
July 2010	0.095	0.08	4,100
August 2010	0.11	0.07	872,500
September 2010	0.19	0.08	3,869,370
October 2010	0.305	0.16	4,176,283
November 1 to 29, 2010	0.32	0.23	2,920,029

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

<u>Month</u>	<u>High (A\$)</u>	<u>Low (A\$)</u>	<u>Volume</u>
November 2009	0.19	0.16	10,072,449
December 2009	0.17	0.14	5,942,221
January 2010	0.16	0.13	5,630,810
February 2010	0.15	0.11	4,444,028
March 2010	0.13	0.10	5,445,835
April 2010	0.13	0.11	4,410,787
May 2010	0.13	0.08	7,041,381
June 2010	0.12	0.08	4,181,816
July 2010	0.11	0.09	2,487,000
August 2010	0.10	0.09	8,295,600
September 2010	0.19	0.09	43,535,400
October 2010	0.34	0.17	57,517,300
November 1 to 29, 2010	0.32	0.24	20,872,002

## PLAN OF DISTRIBUTION

Subject to the terms and conditions of the Agency Agreement, the Company has agreed to sell and the Agent has agreed to act as agent to offer for sale to the public on a reasonable best efforts basis, on the Closing Date, being December 7, 2010 or any other date on which the Company and the Agent may agree, but in any event not later than 42 days after the date of the receipt for this short form prospectus, 110,000,000 Units at a price of C\$0.50 per Unit. The Offering Price was determined by negotiation between Marengo and the Agent. Each Unit consists of one Unit Share and one Subscription Receipt.

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

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

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

Pursuant to the Agency Agreement, the Company has agreed to pay to the Agent the Agent's Fee equal to 6% of the gross proceeds of the Offering, except for any order from Sentient on which only a cash commission equal to 1.5% of any such proceeds will be received, payable on the Closing Date. Unless otherwise indicated, it is assumed that no Units will be issued to Sentient and that the Agent's Fee will be payable on the total number of Units to be issued pursuant to the Offering.

The Agent has agreed to use its reasonable best efforts to sell the Units but it is not obligated to purchase any such Units. The obligations of the Agent under the Agency Agreement may be terminated at its discretion on the basis of its assessment of the state of the financial markets or upon the occurrence of certain stated events.

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

As a result of the foregoing, the Company will, subject to receipt of the Shareholder Approval, grant to the Agent the Over-Allotment Option, exercisable in whole or in part at the sole discretion of the Agent for a period of 30 days following the Closing Date, to purchase up to such number of additional Subscription Receipts (the "**Additional Subscription Receipts**"), at the Effective Price and on the same terms and conditions of the Offering (including conversion subject to receipt of the Shareholder Approval), as are convertible into an aggregate number of Ordinary Shares as is equal to 15% of the number of Units Shares and Subscription Receipts sold pursuant to the Offering. In the event that the Shareholder Approval is received prior to the exercise of the Over-Allotment Option, the Company will issue Ordinary Shares in lieu of Subscription Receipts. This short form prospectus also qualifies for distribution the Over-Allotment Option and the Additional Subscription Receipts. A purchaser who acquires Additional Subscription Receipts forming part of the Agent's over-allocation position acquires such Additional Subscription Receipts under this short form prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. If the Over-Allotment Option is exercised in full, the total price to the public, Agent's Fee and net proceeds to Marengo will be C\$63,250,000, C\$3,795,000 and C\$59,455,000, respectively, before deducting expenses of the Offering.

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

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

The Company has agreed with the Agent that it shall not issue any further securities or agree to do so, save and except: (i) as contemplated by the Agency Agreement; (ii) pursuant to the grant of options pursuant to the Company's stock option plan; (iii) pursuant to the exercise of options outstanding as at November 15, 2010; or (iv) in connection with the bona fide acquisition by the Company of the shares or assets of other corporations or entities, in each case, at any time during the period from November 15, 2010 until 90 days following the Closing Date, without the prior written consent of the Agent, not to be unreasonably withheld or delayed.

In connection with the Offering, Marengo will cause each of its executive officers, directors and their respective associates to enter into agreements on terms and conditions satisfactory to the Agent, acting reasonably, in which they will covenant and agree that they will not, for a period commencing on November 15, 2010 and ending 90 days following the Closing Date, directly or indirectly, offer, sell, contract to sell, lend, swap or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any Ordinary Shares or other securities of the Company held by them, directly or indirectly, unless: (i) they first obtain the prior written consent of the Agent; or (ii) there occurs a take-over bid or similar transaction involving a change of control of the Company, such consent not to be unreasonably withheld or delayed.

In the event that the Company and the Agent cannot agree upon the pricing of the Offering and the Offering is cancelled but within 90 days of such cancellation the Company either completes an offering at the same or lower price as contemplated for the Offering or completes an offering to investors that were introduced to the Company by the Agent prior to the cancellation of the Offering or, if, following allocation, the Company declines to complete the Offering for whatever reason, an Alternative Transaction (as defined herein) is entered into or announced by the Company, the Company shall pay to the Agent a fee equal to 100% of the maximum Agent's Fee, based on an offering size of C\$55,000,000

together with all of the Agent's expenses and disbursements incurred to the date of such agreement or transaction. Any such payment shall be made upon the closing date of the Alternative Transaction.

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

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

The TSX has conditionally approved the listing of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts. Listing is subject to the Company fulfilling all of the listing requirements of the TSX on the TSX on or before February 16, 2011. In accordance with the listing rules of the ASX and the POMSoX, Marengo will also apply for official quotation of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts on the ASX and the POMSoX. **There is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell Subscription Receipts purchased under this short form prospectus.**

#### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

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

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

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

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

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

#### **Allocation of Offering Price**

The total purchase price of a Unit to a Holder must be allocated on a reasonable basis between the Unit Share and the Subscription Receipt comprising the Unit to determine the cost of each for purposes of the Tax Act. For its purposes, the Company intends to allocate C\$0.25 of the Offering Price as consideration for the issue of each Unit Share and C\$0.25 of the Offering Price as consideration for the issue of each Subscription Receipt. Although the Company believes that its allocation is reasonable, it is not binding on the CRA or the Holder. The Holder's adjusted cost base of the Unit Share must be averaged with the adjusted cost base to the Holder of all of the Ordinary Shares owned by the Holder as capital property immediately prior to such acquisition.

#### **Acquisition of Receipt Shares Pursuant to Subscription Receipts**

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

#### **Termination of Subscription Receipts**

In the event that a Termination Event occurs, Holders of Subscription Receipts will be entitled to receive from the Escrow Agent an amount equal to the aggregate Escrowed Proceeds of the Subscription Receipts held by such Holder plus their pro rata share of the interest earned on the Escrowed Proceeds. In that event, the amount of such interest received or receivable by a Holder of Subscription Receipts must be included in the income of the Holder. Australian withholding tax, if any, payable by a Holder in respect of any such interest may be eligible for a foreign tax credit or deduction under the Tax Act to the extent and under the circumstances described in the Tax Act. Holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction, having regard to their own particular circumstances.

### **Dividends on Unit Shares and Receipt Shares**

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

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

### **Dispositions of Securities**

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

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

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

### **Additional Refundable Tax**

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

### **Foreign Property Information Reporting**

In general, a "specified Canadian entity", as defined in the Tax Act, for a taxation year or fiscal period whose total cost amount of "specified foreign property", as defined in the Tax Act, at any time in the taxation year or fiscal period exceeds C\$100,000, is required to file a T1135 - "Foreign Income Verification Statement" for the taxation year or fiscal period disclosing prescribed information, including the cost amount and any income in the year, in respect of such property. With some exceptions, a taxpayer resident in Canada in the year, other than a corporation or trust exempt from tax under Part I of the Tax Act, will be a specified Canadian entity. The Securities will be specified foreign property to a Holder. In the March 4, 2010 Federal Budget (the "**2010 Federal Budget**"), the Canadian Minister of Finance proposed that the existing reporting requirements with respect to "specified foreign property" be expanded so that more detailed information be available for audit use. Revised legislation reflecting such

proposal has not yet been released. The reporting rules in the Tax Act are complex and this summary does not purport to explain all circumstances in which reporting may be required by any investor. Accordingly, Holders should consult their own tax advisors regarding compliance with these rules including any expansion thereof pursuant to the afore-mentioned 2010 Federal Budget proposal.

#### Offshore Investment Fund Property

The Tax Act contains rules (as proposed to be amended in the Proposals released on August 27, 2010) which may require a taxpayer to include in income in each taxation year an amount in respect of the holding of an "offshore investment fund property". These rules could apply to a Holder in respect of the Securities held by the Holder if, but only if:

- (a) the Securities may reasonably be considered to derive its value, directly or indirectly, primarily from portfolio investments in: (i) shares of one or more corporations, (ii) indebtedness or annuities, (iii) interests in one or more corporations, trusts, partnerships, organizations, funds or entities, (iv) commodities, (v) real estate, (vi) Canadian or foreign resource properties, (vii) currency of a country other than Canada, (viii) rights or options to acquire or dispose of any of the foregoing, or (ix) any combination of the foregoing (collectively, "Investment Assets"); and
- (b) it may reasonably be concluded, having regard to all the circumstances, that one of the main reasons for the Holder acquiring, holding or having an interest in the Securities was to derive a benefit from portfolio investments in Investment Assets in such a manner that the taxes, if any, on the income, profits and gains from such assets for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains been earned directly by such Holder.

If applicable, these rules would generally require a Holder to include in income for each taxation year in which such Holder holds the Securities an imputed amount determined by applying a prescribed rate of interest to the "designated cost" to the Holder of the Securities at the end of each month in the year, less the amount of certain income of the Holder from the Securities in the year. Any amount required to be included in computing a Holder's income in respect of the Securities under these rules would be added to the adjusted cost base to the Holder of such particular security.

The application of these rules depends, to a large extent, on the reasons for a Holder acquiring or holding the Securities. Holders are urged to consult their own tax advisors regarding the application and consequences of these rules.

#### CERTAIN AUSTRALIAN INCOME TAX CONSIDERATIONS

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



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

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

#### **Taxation for Holders of Unit Shares, Subscription Receipts or Receipt Shares - Resident in Australia for Tax Purposes**

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

##### *Dividends on Unit Shares or Receipt Shares*

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

Broadly, dividends paid on the Unit Shares or Receipt Shares may be "franked", "partially franked" or "unfranked". Franked dividends have franking credits attached. A dividend may be franked to the extent underlying Australian corporate tax has been paid on the profits distributed. To the extent a dividend is "unfranked", no franking credits are attached. Subject to certain exceptions, including but not limited to the Unit Shares or Receipt Shares not being held for at least 45 days "at risk", a tax offset will generally be allowed equal to the amount of the franking credits attached to the franked dividend.

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

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

##### *Offering Price*

The Offering Price paid for the Units will need to be apportioned on an appropriate basis between the Unit Shares and the Subscription Receipts when establishing the tax cost base of each.

##### *Issue of Receipt Shares*

Generally, when a security holder is issued Receipt Shares upon conversion of the Subscription Receipts, there should be no capital gain or capital loss and the tax cost base of the Receipt Shares will be equal to the tax cost base of the Subscription Receipts.

### *Satisfaction of Release Condition*

Should the Release Condition not be satisfied, upon the return of funds to holders of the Subscription Receipts, a capital gain or capital loss may result depending on the amount of funds returned and the apportioned tax cost base of the Subscription Receipts.

### *Dispositions of Unit Shares or Receipt Shares*

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

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

### *Tax Treatment of Capital Gains and Capital Losses*

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

For security holders that are individuals and trustees (other than trustees of complying superannuation funds) a 50% CGT discount is available on the disposal of a Unit Share or Receipt Share provided that the share has been held for at least 12 months. This concession will result in only 50% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

For complying superannuation funds a 33<sup>1/3</sup>% capital gains discount is available on the disposal of a Unit Share or Receipt Share provided that the share has been held for at least 12 months. This concession will result in only 66<sup>2/3</sup>% of the net capital gain (i.e. the capital gain remaining after recoupment of any capital losses) being assessable.

### **Taxation for Holders of Unit Shares, Subscription Receipts or Receipt Shares – Non-Resident of Australia for Tax Purposes**

This portion of the summary applies to holders of Unit Shares, Subscription Receipts or Receipt Shares who, for the purpose of Australian Tax Laws and at all relevant times, are not, or are not deemed to be, resident in Australia.

### *Dividends on Unit Shares or Receipt Shares*

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

Dividends received by security holders may either be "fully franked", "partially franked" or "unfranked". Fully franked dividends paid by the Company to non-resident security holders are generally not subject to Australian dividend withholding tax. Unfranked dividends paid to non-resident security

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

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

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

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

**Non-Australian resident security holders must seek specific advice based on their particular circumstances with respect to Australian CGT on the disposal of Unit Shares and Receipt Shares and the lapsing or conversion of Subscription Receipts.**

## **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. While most risk factors are largely beyond the control of Marengo and its directors, the Company will seek to mitigate the risks where possible, for example by maintaining its key relationships with Papua New Guinea’s federal and regional governments and local people. However, an investment in the Units is considered speculative due to the nature of Marengo’s business and the present stage of its development. A prospective investor should carefully consider in light of their own financial circumstances, the factors set out herein, as well as other information contained or incorporated by reference in this short form prospectus, including, in particular, the “Risk Factors” section on pages 18 to 22 of the Annual Information Form and the management’s discussion and analysis of financial condition and results of operations incorporated by reference in this short form prospectus.

### **Failure to Satisfy Release Condition**

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

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

Details of the approval required will be contained in the notice of meeting (and accompanying explanatory memorandum) convening a general meeting of shareholders which was sent to the shareholders of the Company on or about November 23, 2010.

There can be no certainty, nor can the Company provide any assurance whatsoever, that the shareholders will approve the issuance of up to an aggregate of 150,000,000 Receipt Shares issuable upon conversion of the Subscription Receipts. If they do not, then the Company will be unable to satisfy the Release Condition by the Release Deadline, resulting in a Termination Event. A Termination Event may have a material adverse effect on the market price and value of the Ordinary Shares and on the financial condition of the Company.

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

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

#### **No Market for Subscription Receipts**

The TSX has conditionally approved the listing of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts on the TSX on or before February 16, 2011. Listing is subject to the Company fulfilling all of the listing requirements of the TSX. In accordance with the listing rules of the ASX and the POMSoX, Marengo will also apply for official quotation of the Unit Shares and the Receipt Shares issuable upon conversion of the Subscription Receipts on the ASX and the POMSoX. However, there is no market through which the Subscription Receipts may be sold and purchasers may not be able to resell the Subscription Receipts distributed under this short form prospectus.

#### **Discretion in the Use of Proceeds**

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

#### **Structural Subordination of the Ordinary Shares**

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

#### **Future Sales or Issuances of Ordinary Shares**

The Company may sell additional Ordinary Shares or other securities in subsequent offerings. The Company may also issue additional securities to finance future activities. The Company cannot

predict the size of future issuances of securities or the effect, if any, that future issuances and sales of securities will have on the market price of the Ordinary Shares. Sales or issuances of substantial numbers of Ordinary Shares, or the perception that such sales could occur, may adversely affect prevailing market prices of the Ordinary Shares. With any additional sale or issuance of Ordinary Shares, investors will suffer dilution to their voting power and the Company may experience dilution in its earnings per share.

#### **INTEREST OF EXPERTS**

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

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

Stephen Godfrey, the author of the Revised Technical Report, did not hold at the time of preparation of the Revised Technical Report, and did not and will not receive after that time, a registered or beneficial interest, direct or indirect, in any securities or other property of the Company or of any associate or affiliate of the Company. As at the date hereof, the aforementioned person and the directors, officers, employees and partners of Golder Associates Pty Ltd (Australia), do not beneficially own, directly or indirectly, any of the outstanding securities of the Company.

As a result of an internal restructuring of Stantons International Pty Ltd, Stantons International Audit and Consulting Pty Ltd has been incorporated and, effective September 24, 2010, has been appointed the independent registered auditors of the Company. The appointment was approved by shareholders of the Company on November 11, 2010. Prior to September 24, 2010, Stantons International Pty Ltd served as independent registered auditors of the Company.

#### **STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION**

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

## AUDITORS' CONSENT

We have read the short form prospectus of Marengo Mining Limited (the "Company") dated November 30, 2010 relating to the issue and sale of units of the Company. We have complied with Canadian generally accepted standards for an auditor's involvement with offering documents.

We consent to the incorporation by reference in the above-mentioned short form prospectus of our report to the shareholders of the Company on the consolidated statements of financial position of the Company as at June 30, 2010 and June 30, 2009, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years ended June 30, 2010 and June 30, 2009, such report is dated September 23, 2010.

West Perth, Western Australia  
November 30, 2010

(signed) STANTONS INTERNATIONAL AUDIT  
AND CONSULTING PTY LTD

**CERTIFICATE OF THE COMPANY**

Dated: November 30, 2010

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

*(signed)* LESLIE EMERY  
Managing Director

*(signed)* JOHN RIBBONS  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS**

*(signed)* DOUGLAS DUNNET  
Director

*(signed)* JOHN HORAN  
Director

**CERTIFICATE OF THE AGENT**

Dated: November 30, 2010

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

**PARADIGM CAPITAL INC.**

By: *(signed)* ANDREW PARTINGTON