



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE YEAR ENDED 30 JUNE 2008**

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") for Marengo Mining Limited ("Marengo" or the "Company") should be read in conjunction with the audited consolidated financial statements of Marengo for 30 June 2008 and the related notes thereto (the "Financial Statements"). This information is presented as of 19 September 2008. The Financial Statements (and the financial information contained in the MD&A) were prepared in accordance with the Australian equivalents of International Financial Reporting Standards ("IFRS").

All amounts in this discussion are expressed in Australian dollars unless otherwise indicated.

Marengo is an international mineral exploration and development company listed on the Australian Securities Exchange (the "ASX", Port Moresby Stock Exchange Limited ("POMSoX") (Code: MGO) and the Toronto Stock Exchange (the "TSX") (Code: MRN), with a focus on the Yandera copper-molybdenum project (the "Yandera Project") in Papua New Guinea.

In this MD&A, references to "Company" are references to Marengo Mining Limited and its wholly-owned subsidiary, Marengo Mining (PNG) Limited.

The Financial Statements and other information about the Company and its business activities, including the Company's annual information form ("AIF") are available on SEDAR at www.sedar.com

1. Highlights and Significant Events for the Year

Highlights of the Company's exploration and development activities for the financial year ended 30 June 2008 are set out below:

- an initial public offering and listing on the TSX was completed, raising gross proceeds of C\$9,775,000;
- Phase 1 of the Definitive Feasibility Study in respect of the Yandera Project ("DFS") was completed, identifying practical and commercial options for the development of the Yandera Project and Phase 2 of the DFS was commenced;
- \$34.169 million was raised by way of private placements and the exercise of options;
- Sir Rabbie Namaliu, Susanne Sesselmann, John Hick and Elizabeth Martin were appointed as directors of the Company, in part, replacing Dennis Wilkins who resigned;
- three key staff appointments were made: Grant Calderwood (Operations Manager), Andrew Meloncelli (Chief Financial Officer and Company Secretary) and Dr Malcolm Roberts (Principal Geologist).

- GRD Minproc Limited and URS Australia Pty Ltd were appointed as the key independent technical consultants to complete the DFS; and
- additional copper-molybdenum prospects were identified within the area of the Yandera Project.

2. Subsequent Events

Subsequent to the end of the financial year ended 30 June 2008, the Company held a general meeting of shareholders where the resolutions were passed approving:

- the issue of an aggregate of 5,750,000 options to the Company's directors;
- an increase in non-executive directors fees to \$500,000 per annum effective from 1 July 2008; and
- the adoption of the Marengo Mining Limited Employee Share Option Plan.

The 5,750,000 unlisted options referred to above are exercisable at a price of \$0.50 per share and have an expiry date of 15 August 2013.

3. Overall Performance

The Company began the financial year ended 30 June 2008 with cash reserves of \$7,171,035. During the year the Company raised an additional \$34.169 million by way of private placements and the exercise of options. Funds were used to actively advance the Company's projects in Papua New Guinea.

During the financial year ended 30 June 2008, the Company incurred exploration expenditures of \$13,539,966 (2007: \$13,405,390). In accordance with the Company's accounting policies, all exploration expenditures other than acquisition and feasibility costs, were written off as incurred resulting in a write off of \$11,942,889 (2007: \$6,355,390) during the year. This resulted in an operating loss after income tax for the financial year ended 30 June 2008 of \$13,758,508 (2007: \$7,881,418).

As at 30 June 2008, the Company's consolidated cash reserves was \$23,352,570.

The Company is advancing the development of the Yandera Project, a copper-molybdenum deposit. Commodity price fluctuations may significantly affect the ability of the Company to fund the development of the Yandera Project in the future. Fluctuations in commodity prices may also impact the results of operations once mining commences and the Company's forecasts and expectations regarding the economic viability of developing its mineral deposit. The monitoring of price movements and trends for the Company's target mineral is essential to understand and monitor the viability of the Company's assets.

Copper prices have historically fluctuated significantly. The closing price as at 19 September 2008 was US\$3.13/lb Cu. Between 1993 and 2007, copper prices fluctuated from a low of US\$0.65/lb Cu (2001) to a high of US\$4.00/lb Cu (2006).

Molybdenum prices have historically fluctuated significantly. The closing price as at 19 September 2008 was approximately US\$33.70 lb/Mo. Molybdenum prices were volatile during calendar 2005 and 2006 fluctuating between a high of US\$40.00 per pound and a low of US\$22.00 lb/Mo. Between 1993 and 2007, molybdenum prices fluctuated even more dramatically, from a low of US\$5.00 lb/Mo (1999) to a high of US\$50.00 lb/Mo (2005).

In addition, most of the costs incurred by the Company are denominated in Australian dollars. Revenue from product sales is expected to be quoted and earned in US dollars. The US dollar-Australian dollar exchange rate may therefore significantly affect the results of the operations of the Company if development of the Yandera Project proceeds.

Marengo primarily incurs costs in Australian dollars, Canadian dollars and Papua New Guinea kina and as such is subject to exchange rate risk. Over the last 12 months, movements in exchange rates were as follows:

	30 June 2007	30 June 2008	High – 1 July 2007 to 30 June 2008	Low – 1 July 2007 to 30 June 2008
AUD / CAD	0.89910	0.97220	0.98240	0.84390
AUD / PGK	2.57020	2.54770	2.67690	2.31690
AUD / USD	0.84880	0.96150	0.96540	0.76720

A decline in the world's economic markets over the last 12 months has affected companies similar to Marengo in their ability to raise equity. During the past year, Marengo received a high level of support from existing and new shareholders, and optionholders and successfully listed on the TSX in April 2008.

Project financing for the Yandera Project will be dependent on world economic markets in the future. Copper and Molybdenum prices would expect to remain very favourable as well as world demand continues for these metals.

Completion of Phase 2 of the DFS in June 2009 will better clarify Marengo's position on Capital Expenditure and therefore the level of project financing and commitments required.

4. Selected Annual Information

The table below sets forth selected financial data relating to the Company's financial years ended 30 June 2008, 30 June 2007 and 30 June 2006. This financial data is derived from the Financial Statements, which are prepared in accordance with the Australian equivalent standards for IFRS.

Earnings and Deficit

	Year Ended		
	June 2008	June 2007	June 2006
	\$	\$	\$
REVENUE FROM CONTINUING OPERATIONS	1,376,324	395,914	285,898
EXPENDITURE			
Depreciation expense	(80,938)	(46,788)	(22,780)
Salaries and employee benefits expense	(654,780)	(560,166)	(386,312)
Exploration expenditure	(11,942,889)	(6,355,390)	(1,980,807)
Doubtful debts expense	-	-	-
Corporate expenditure	(948,040)	(316,324)	(166,556)
Occupancy expenditure	(85,527)	(73,067)	(59,600)
Insurance expenditure	(97,947)	(70,918)	(31,816)
Administration costs	(1,033,342)	(279,845)	(129,240)
Share based payment expense	-	(10,220)	(100,739)
Other expenses	(291,369)	(564,614)	(246,340)

LOSS BEFORE INCOME TAX	(13,758,508)	(7,881,418)	(2,766,292)
Loss per share (cents)	(7.3)	(7.6)	(5.1)
Balance Sheet	30.06.08	30.06.07	30.06.06
Total Assets	34,973,168	14,570,807	6,876,654
Total Liabilities	2,985,611	571,288	643,524
Shareholders' Equity	31,987,557	13,999,519	6,229,380

5. Results of Operations

Revenue from continuing operations for the year ended 30 June 2008 was \$1,376,324 as compared to \$395,314 for the financial year ended 30 June 2007 and \$285,898 for the financial year ended 30 June 2006. The increase was primarily due to the increase in interest income from an increase in the average level of cash balances compared to the financial year ended 30 June 2008, 30 June 2007 and 30 June 2006.

Exploration expenditure for the year ended 30 June 2008 was \$11,942,889 as compared to \$6,355,390 for the year ended 30 June 2007 and \$1,980,807 for the financial year ended 30 June 2006. The increase was primarily due to increases in the number of personnel and drill rigs at the Yandera Project.

Administration costs for the financial year ended 30 June 2008 were \$1,033,342 as compared to \$279,845 for the financial year ended 30 June 2007 and \$129,240 for the financial year ended 30 June 2006. Corporate expenditures for the financial year ended 30 June 2008 were \$948,040 as compared to \$316,324 for the financial year ended 30 June 2007 and \$166,556 for the financial year ended 30 June 2006. These increases were primarily due to the additional staff required for, and compliance costs associated with, the Company's listing on the TSX.

In July 2007, the conceptual mining study ("CMS") was completed and, based on the positive results thereof, the Company determined to proceed with a DFS on the development of the Yandera Project.

In October 2007, the Company committed to proceed with a DFS on the Yandera Project after the completion of a successful CMS which confirmed the potential for a robust, long-life project.

Phase 1 component of the DFS ("Phase 1") was completed in April 2008. Phase 1 comprised a comparative development options analysis study for the Yandera Project and delivered a number of positive outcomes to underpin the Phase 2 component of the DFS, which is scheduled to be completed by mid-2009. Key highlights of Phase 1 included:

- open-cut mining of a minimum of 450 million tonnes at a grade of 0.48% copper equivalent over an initial 10-year time frame;
- ore processing commencing at 25Mtpa for the first two years of operations and increasing to a long-term rate of 50Mtpa;
- proposed near and/or in-mine crushing of ore before being conveyed to a near-mine processing plant encompassing separate copper and molybdenum flotation circuits to produce two concentrate streams;
- transportation of the copper concentrate via slurry pipeline to the Port of Madang for drying and storage prior to shipping;

- alternative tailings management options identified; and
- implementation of world-class environmental standards and community relations initiatives to ensure a successful project development for all stakeholders.

Marengo has established a project finance committee to deal with the project financing for the Yandera Project. All factors such as commodity prices, land use or environmental issues have remained stable over the last 12 months.

Marengo has been subject to significant volatility in exchange rates in the year ended 30 June 2008 and undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of Marengo's foreign currency denominated monetary assets and monetary liabilities are as follows:

	Liabilities		Assets	
	2008	2007	2008	2007
	\$	\$	\$	\$
Papua New Guinea Kina	115,294	71,355	607,666	692,557
Canadian Dollar	-	-	9,410,041	-

Inflation and price changes have not had an impact on Marengo's revenues and net income or loss.

6. Summary of Half-Yearly Results

No discussion of quarterly results for the eight most recently completed quarters has been included herein due to the fact that quarterly financial statements have not been prepared by Marengo as they are not required under the Corporations Act.

The following table sets out the financial results for each of the Company's four most recently completed half-year periods.

Summary of Half Yearly Results

	Jun. 30, 2008	Dec. 31, 2007	Jun. 30, 2007	Dec. 31, 2006
	(A\$)			
Net loss	(8,831,400)	(4,927,108)	(3,500,879)	(4,380,539)
Basic loss per share (cents)	(4.1)	(3.2)	(2.2)	(5.4)
Diluted loss per share (cents)	(4.1)	(3.2)	(2.2)	(5.4)
Cash and cash equivalents.....	23,352,570	16,556,956	7,171,035	10,616,463
Total assets.....	34,973,168	24,426,286	14,570,807	18,289,830
Total long-term financial liabilities.....	Nil	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil	Nil

7. Discussion of Cash Flows

	Year Ended	
	June 2008	June 2007
	\$	\$
Cash flows from:		
Operating activities	(11,743,800)	(8,006,085)
Investing activities	(3,533,494)	(3,111,140)
Financing activities	31,470,377	11,748,500

Cash outflow from operating activities was \$11,743,800 as compared to \$8,006,085 for the financial year ended 30 June 2007. The increase was primarily due to increase in the number of personnel and drill rigs at the Yandera Project.

Cash outflow from investing activities for the financial year ended 30 June 2008 was \$3,533,494 as compared to \$3,111,140 for the financial year ended 30 June 2007. In the financial year ended 30 June, 2008 costs associated with the DFS were \$2,626,053 while there were no such costs in the financial year ended 30 June 2007 or prior to that. Costs associated with the acquisition of the 50% of the Yandera Project was \$0 for the financial year ended 30 June 2008 as compared to \$3,000,000 for the financial year ended 30 June 2007.

Cash inflow from financing activities for the financial year ended 30 June 2008 was \$31,470,377 as compared to \$11,748,500 for the financial year ended 30 June 2007 with the main component in 2008 being the initial public offering in Canada and the exercise of listed options expiring on 28 February 2008.

8. Discussion of Financial Position

	30 June 2008	30 June 2007
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	23,352,570	7,171,035
Trade and other receivables	828,723	461,688
TOTAL CURRENT ASSETS	24,181,293	7,632,723
NON-CURRENT ASSETS		
Other financial assets	817,301	-
Plant and equipment	622,054	236,534
Mining properties	9,352,520	6,701,550
TOTAL NON-CURRENT ASSETS	10,791,875	6,938,084
TOTAL ASSETS	34,973,168	14,570,807
CURRENT LIABILITIES		
Trade and other payables	2,745,003	417,244
Provisions	240,608	154,044
TOTAL CURRENT LIABILITIES	2,985,611	571,288
TOTAL LIABILITIES	2,985,611	571,288
EQUITY	31,987,557	13,999,519

Cash and Cash Equivalents

Cash and cash equivalents increased to \$23,352,870 for the year ended June 30, 2008 as compared to \$7,171,035 for the financial year ended 30 June 2007 primarily due to proceeds raised by the capital raising completed in connection with the Company's listing on the TSX and the exercise of a high number of listed options.

Trade and Other Receivables

Trade and other receivables increased to \$828,723 for the year ended 30 June 2008 as compared to \$416,688 for the financial year ended 30 June 2007 primarily due to the increase in sundry receivables.

Other Financial Assets

Other financial assets increased to \$817,301 for the year ended 30 June 2008 primarily due to the recognition of the fair value of the loan to Mr Les Emery and reclassification of bank guarantee. There were no such financial assets in the financial year ended 30 June 2007.

Plant and Equipment

Plant and equipment increased to \$622,054 for the year ended 30 June 2008 as compared to \$236,534 for the financial year ended 30 June 2007 primarily due to the purchase of fixed assets in the normal course of business.

Mining Properties

Mining properties increased to \$9,352,520 for the year ended 30 June 2008 as compared to \$6,701,550 for the financial year ended 30 June 2007 primarily due to the capitalisation of the DFS costs.

Trade and Other Payables

Trade and other payables increased to \$2,745,003 for the year ended 30 June 2008 as compared to \$417,244 for the financial year ended 30 June 2007 primarily due to increased expenditures and timing of payments in respect of the Yandera Project.

Provisions

Provisions increased to \$240,608 for the year ended 30 June 2008 as compared to \$154,044 for the financial year ended 30 June 2007 primarily due to the increased staffing levels.

Equity

Equity increased to \$31,987,557 for the year ended 30 June 2008 as compared to \$13,999,519 for the financial year ended 30 June 2007 primarily due to the capital raising completed in connection with the Company's listing on the TSX and the exercise of a high number of listed options.

9. Liquidity and Capital Resources

The Company's principal requirements for cash over the next twelve months will be for the development of the Yandera Project. The Company anticipates that its cash on hand will be sufficient for the Company to complete the DFS satisfy its minimum exploration expenditure obligations and meet all of its other corporate and administrative costs for the ensuing 12 months.

If the DFS is positive, additional funding through a combination of equity and/or debt will be required to finance the development of the project, including construction of plant and other infrastructure, minimum pre-strip and working capital. The success and pricing of any such capital raising and/or debt financing will be dependent upon the prevailing market conditions at the time, the outcome of the DFS or any other relevant feasibility studies and exploration programs.

The Company expects to continue to fund its planned growth and development through a combination of its cash balance of \$23,352,570 as at 30 June 2008, from various financing facilities, from the exercise of share options or from capital markets.

The Company's contractual obligations are set out below:

Contractual Obligations – A\$	Payments due by Period			
	Total	Less than 1 year	1 – 5 years	After 5 years
Long term Debt	-	-	-	-
Operating Leases	\$568,848	\$510,505	\$58,343	-
Capital Lease Obligations	-	-	-	-
Purchase Obligations	-	-	-	-
Other Long Term Obligations	\$22,707,583	\$16,649,083	\$6,058,500	-
Total Contractual Obligations	\$23,276,431	\$17,159,588	\$6,116,843	-

Reference should be made to note 20 of the Financial Statements.

10. Financial Instruments and Other Instruments

The Company is exposed to commodity price risk and foreign exchange risk in the normal course of its business operations.

The Company has not entered into any forward sales or hedging agreements for copper or molybdenum or any other metals. The Company does, however, have in place a forward currency contract for the purchase of PGK 3,000,000 (at an exchange rate of A\$1.00 = PGK2.455) which matures on 20 October 2008. As at 19 September 2008, the Company has a forward currency contract remaining balance of PGK1,500,000 (at an exchange rate of A\$1.00 = PGK2.455). The purpose of the forward contract is to minimise exchange rate risk.

The risk of currency hedges involves risks such as default by the other party, illiquidity and the extent to which the Company's assessment of certain market movements is incorrect and the risk that the use of hedges could result in losses greater than if hedging had not been used.

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

The currency hedges are not accounted for as specific hedges and consequently movements in the fair value or mark-to-market position since inception have been reflected in the statement of income (loss).

There are no off-balance sheet arrangements as at 30 June 2008.

On 11 June 2008, the Company entered into a loan agreement with the Managing Director, Les Emery, to lend \$1,000,000 interest free for a 10 year loan term. The purpose of the loan was for Mr Emery to exercise 4,000,000 unlisted options expiring 30 November 2008. This agreement was approved by shareholders at the 28 November 2007 General Meeting.

11. Critical Accounting Estimates

The accounting policies that involve significant management judgement and estimates are discussed in this section. For a complete list of the significant accounting policies, reference should be made to note 1(w) of the Financial Statements.

Share based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black-Scholes option pricing model, using the assumptions detailed in note 28 to the Financial Statements.

Exploration and evaluation costs

Exploration and evaluation costs are written off in the year they are incurred except for acquisition costs which are carried forward where right of tenure of the area of interest is current and in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. The application of this policy necessarily requires management to make certain estimates and assumptions as to future events and circumstances, in particular, an assessment of whether economic quantities of reserves have been found. Any such estimates and assumptions may change as new information becomes available.

12. Changes in Accounting Policies including Initial Adoption

Marengo has transitioned its accounting policies and financial reporting from Australian generally accepted accounting standards to IFRS, which have been applied effective 1 July 2005. Comparatives for the year ended 30 June 2004 have been restated in accordance with the Australian equivalent standards for IFRS.

Recently issued accounting pronouncements and their impact on the Company's accounting policies are disclosed in Note 1 to the Financial Statements.

13. Risk Factors

The Company's operations and results are subject to a number of different risks at any given time. These risk factors, include but are not limited to: fluctuations in metal prices; dependence on the Yandera Project; state equity interest; additional financing; limited operating history; additional licences, permits and agreements; inherent risks of mining; political instability in developing countries; economic uncertainty in developing countries; other foreign operations risks; insurance and uninsured risks; environmental risks and regulations; government regulation; title to properties; hedging policies; competition; dependence on key personnel; currency; repatriation of earnings; no production revenues;

stock exchange prices; conflicts of interest; use of inferred resources in pit optimization study; no Canadian public market for the shares; resource estimates and lack of mineral reserves; and effecting service of process.

The Company's risk factors are discussed in detail in the Company's AIF dated 19 September 2008 which is available on SEDAR at www.sedar.com and should be reviewed in conjunction with this document.

14. Outstanding Share Data

As at 19 September 2008, the only class of shares of the Company outstanding is ordinary shares. As at 19 September 2008, the Company had 268,016,975 ordinary shares outstanding and 19,244,970 options to acquire ordinary shares at various exercise prices.

15. Additional Notes

Tax Position

Under Australian income tax legislation, exploration expenditure is generally regarded as an immediate tax deduction. Also, under IFRS, the benefit of any carry forward tax losses cannot be brought to account in the financial statements of the Company unless realisation of the benefit is probable. As at 30 June 2008, the Company had estimated income tax losses of A\$31.0 million (2007: A\$14.8 million) which may be available to offset taxable income in future years. These losses are expected to be realised at an applicable company tax rate of 30%. The future income benefit of these losses will only be obtained if:

- (a) the Company satisfies the same business test by carrying on the same business, at all times during the financial year in which it seeks to recuperate the loss, as it did just prior to a change in 50% or more of the ownership of the Company;
- (b) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- (c) the conditions for deductibility imposed by tax legislation continue to be complied with; and
- (d) no changes in legislation adversely affect the Company in realising the benefit.

Corporate Responsibility for Financial Reports

The Company's Chief Executive Officer (CEO) and Chief Financial Officer (CFO) are responsible for establishing and maintaining the Company's disclosure controls and procedures. Access to material information with respect to the Company is facilitated by the small size of the Company's senior management team. The CEO and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as of 30 June 2008, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been made known to them.

Cautionary Note Regarding Forward-Looking Statements

This document contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of Marengo, its subsidiaries and their respective projects, the future price of copper and molybdenum, the estimation of mineral reserves and resources, the realisation of mineral reserve estimates, the timing and amount of estimated future production, estimated costs of future production, capital, operating and exploration expenditures, costs

and timing of the development of the Yandera Project, the costs of Marengo's hedging policy, costs and timing of future exploration, requirements for additional capital, government regulation of mining operations, environmental risks, reclamation and rehabilitation expenses, title disputes or claims, and limitations of insurance coverage.

Often, but not always, forward-looking information can be identified by the use of words such as "plans", "expects", "is expected", "is expecting", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved.

The purpose of forward-looking information is to provide the reader with information about management's expectations and plans. Readers are cautioned that forward-looking information involves known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Marengo and/or its subsidiaries to be materially different from any future results, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, those factors discussed in the section entitled "Risk Factors" in the Company's AIF.

Forward-looking information contained herein are based on the opinions and estimates of management which the Company believes are reasonable (but may prove to be incorrect).

Although Marengo has attempted to identify statements containing important factors that could cause actual actions, event or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking information contained herein are made as of the date of this document based on the opinions and estimates of management on the date statements containing such forward looking information are made which the Company believes are reasonable (but may prove to be incorrect).

Marengo disclaims any obligation to update any forward-looking information, whether as a result of new information, estimates or opinions, future events or results or otherwise. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward looking information.