



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS
FOR THE QUARTER ENDED DECEMBER 31, 2009**

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 unaudited interim consolidated financial statements of Marengo for the half-year ended December 31, 2009 (the "Interim Financial Statements") and with the June 30, 2009 audited consolidated financial statements (the "Year-End Financial Statements") and related notes thereto (together, the "Financial Statements"). This information is presented as of 11 February 2010. The Financial Statements (and the financial information contained in this 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.

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 are available on SEDAR at www.sedar.com.

1. Overview

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).

The Company's principal asset is the Yandera copper-molybdenum-gold project (the "Yandera Project") in Papua New Guinea. The Company is currently focused on advancing the development of the Yandera Project.

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 testwork, plant flowsheet design and throughput options and capital and operating cost estimates. In July 2007, the CMS was completed and, based on the positive results thereof, the Company determined to proceed with a definitive feasibility study (the "DFS") on the development of the Yandera Project.

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

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.

2. Subsequent Events

Subsequent to the end of the quarter ended December 31, 2009, no matters or circumstances have arisen since period end which will significantly affect, or may significantly affect, the state of affairs or operations.

3. Overall Performance

The Company began the quarter ended December 31, 2009 with cash reserves of \$21,374,297. During the quarter the Company raised \$168,269 from the conversion of 841,341 C19 cent options into ordinary shares. Funds expended were used to actively advance the Company's Yandera Project.

During the quarter ended December 31, 2009 the Company incurred exploration expenditures of \$3,623,778 (2008: \$5,187,168). 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 \$3,321,012 (2008: \$4,225,950) during the quarter. This resulted in an operating loss after income tax for the quarter ended December 31, 2009 of \$4,147,596 (2008: \$5,404,237).

The Company has a cash balance of \$16,898,257 as at December 31, 2009.

Details of the Company's recent exploration and development activities and overall performance are contained in the December 2009 quarterly report released on January 28, 2010 to the ASX and POMS0X, and concurrently filed under the Company's profile at www.sedar.com.

Highlights of the Company's activities for the quarter ended December 31, 2009 are set out below:

- Completion of 10 diamond drill holes at the Kombruku Prospect, four kilometres from the Yandera Central Porphyry resource;
- regional airborne geophysical survey completed over the south-eastern portion of the Yandera project area;
- Yandera DFS focused on hydroelectric power options, planning for bathymetry survey for Deep Sea Tailings Placement (DSTP), planning for the collection of a +50 tonne bulk sample of mineralisation for additional metallurgical testing; and
- completion of village census along proposed Yandera mine access road.

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

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\$12.5 million (approximately C\$11.3 million).

The Company also proposes to complete a district exploration program at the Yandera Project in that area where any discoveries could have an impact on the Yandera resource; however, general prospecting work is also planned for the more regional strike extensions to the north-west and south-east. More specifically, areas containing copper mineralization along strike to the south-east of the Yandera central resource (south-east of Mumnogoi) and to the north-east towards the Queen Bee prospect are currently being mapped and the Company believes that the area has excellent potential to generate additional targets for detailed exploration work.

The amount and nature of the exploration expenditures will depend on the progress and results of the exploration program with expenditures being focused on areas with positive results. The initial exploration program will however be financed from the proceeds of the Prospectus Offering and Private Placement. Further, to the extent results are generally poor, amounts allocated to exploration may be re-allocated to the DFS.

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

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 and to finance the development of the Yandera Project.

In particular, commodity price fluctuations may significantly affect the ability of the Company to fund the development of the Yandera Project and the Company's forecasts and expectations regarding the economic viability of developing its mineral deposit. Fluctuations in commodity prices may also impact the results of operations once mining commences. 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 of copper as at February 10, 2010 was US\$2.94/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 also historically fluctuated significantly. The closing price of molybdenum as at February 10, 2010 was approximately US\$15/lb molybdenum oxide. Molybdenum prices were especially volatile during calendar 2005 and 2006 fluctuating between a high of US\$40.00/lb and a low of US\$22.00/lb molybdenum oxide. Between 1993 and 2007, molybdenum prices fluctuated even more dramatically, from a low of US\$5.00/lb molybdenum oxide (1999) to a high of US\$50.00/lb molybdenum oxide (2005).

In addition, most of the costs incurred by the Company are denominated in Australian dollars, Canadian dollars and Papua New Guinea kina. Revenue from product sales is expected to be quoted and earned in US dollars. The relative exchange rates of these currencies therefore affect the results of the operations of the Company.

4. Results of Operations

Quarter Ended December 31, 2009 Compared to Quarter Ended December 31, 2008

Revenue from continuing operations for the quarter ended December 31, 2009 was \$42,429 (2008: \$344,205) and is comprised primarily of interest revenue. The decrease was primarily due to foreign exchange gains in the quarter ended December 31, 2008 which were not repeated and a decrease in interest income due to a decrease in the interest rate earned on cash deposits as compared to the quarter ended December 31, 2008.

Exploration expenditure of \$3,321,012 (2008: \$4,225,950) has decreased primarily due to decreases in the number of personnel and drill rigs at the Yandera Project.

Expenditure on the DFS in the quarter ended December 31, 2009 was \$302,766 (2008: \$961,218).

Salaries and employee benefits expense \$351,307 (2008: \$200,904) has increased primarily due to the recent activity associated with the DFS.

Share based payments expense for the quarter ended December 31, 2009 of \$80,882 (2008: \$73,381) resulted from that portion of the value of options issued to Directors and employees that were vesting during the financial year.

Administration, corporate and other expenditure totalled \$384,048 for the quarter ended December 31, 2009 (2008: \$1,208,405) has decreased as a result of foreign exchange rate fluctuations.

Marengo undertakes certain transactions denominated in foreign currencies and, as a result, is subject to volatility in exchange rates. Exchange rate exposure is managed utilising forward foreign exchange contracts. See "*Financial Instruments and Other Instruments*".

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

5. Summary of Quarterly/Half-Yearly Results

The following table sets out the financial results for the Company's most recently completed eight quarters. The financial data is derived from the Financial Statements.

Summary of Quarterly Results

	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter	Quarter
	31 December	30	30 June	31 March	31 December	30	30 June	31 March
	2009	September	2009	2009	2008	September	2008	2008
	(A\$)							
Total revenue	42,429	36,907	51,540	55,792	344,205	976,115	399,618	303,638
Net loss	(4,147,598)	(3,863,360)	(2,357,280)	(3,340,710)	(5,404,237)	(4,167,816)	(5,301,234)	(3,530,166)
Basic loss per share (cents)	(0.8)	(1.1)	(0.9)	(1.2)	(2.0)	(1.6)	(2.4)	(1.7)
Diluted loss per share (cents) ..	(0.8)	(1.1)	(0.9)	(1.2)	(2.0)	(1.6)	(2.4)	(1.7)
Cash and cash equivalents	16,898,257	21,374,297	5,088,081	8,020,072	11,302,932	19,207,764	23,352,570	20,527,867
Total assets	32,863,993	37,458,419	22,326,229	26,103,476	29,335,551	35,292,600	34,973,168	28,217,445
Total long-term financial liabilities	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Cash dividends declared per share	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

The most significant variation between the quarters referred to above is in the Company's cash and cash equivalents, which directly relates to revenue earned by the Company being interest on funds on deposit, reflecting the depletion of the funds raised from the Company's initial public offering in April 2008 for the purpose of financing activities at the Yandera Project since that time, and the increase in the September 2009 quarter as a result of the recent capital raisings.

Marengo became a reporting issuer in April 2008. Prior to becoming a reporting issuer in Canada quarterly financial statements had not been prepared by Marengo as they are not required under the *Corporations Act Cth* (Australia).

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 three months, movements in exchange rates were as follows:

	30 September 2009	31 December 2009	High – 1 October 2009 to 31 December 2009	Low – 1 October 2009 to 31 December 2009
AUD / CAD	0.9480	0.9372	0.9895	0.9246
AUD / PGK	2.3839	2.4165	2.4927	2.3484
AUD / USD	0.8729	0.8931	0.9405	0.8567

6. Discussion of Cash Flows

Three Month Period Ended

31 December 2009 **31 December 2008**
\$ **\$**

Cash flows from:

Operating activities	(3,981,703)	(6,845,858)
Investing activities	(324,830)	(1,012,546)
Financing activities	(162,590)	-

Cash outflow from operating activities was \$3,981,703 (2008: \$6,845,858) for the quarter ended December 31, 2009 with the majority of expenditure for both periods being related to activity on mining tenements. The reduction in expenditure for the quarter ended December 31, 2009 relates directly to the reduced drilling activity.

Cash outflow from investing activities was \$324,830 (2008: \$1,012,546) for the quarter ended December 31, 2009. The majority of this expenditure related to the DFS.

Cash outflow from financing activities was \$162,590 (2008: Nil) being the proceeds from options exercised during the quarter less payments of fees relating to the share issue in the prior quarter.

7. Discussion of Financial Position

	31 December 2009	30 June 2009
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	16,898,257	5,088,081
Trade and other receivables	347,471	479,986
TOTAL CURRENT ASSETS	17,245,728	5,568,067
NON CURRENT ASSETS		
Other financial assets	446,841	425,657
Plant and equipment	680,061	734,491
Mining properties	14,491,363	15,598,014
TOTAL NON CURRENT ASSETS	15,618,265	16,758,162
TOTAL ASSETS	32,863,993	22,326,229
CURRENT LIABILITIES		
Trade and other payables	992,929	918,643
Provisions	430,590	485,586
TOTAL CURRENT LIABILITIES	1,423,519	1,404,229
TOTAL LIABILITIES	1,423,519	1,404,229
EQUITY	31,440,474	20,922,000

Cash and Cash Equivalents

Cash and cash equivalents increased to \$16,898,257 at December 31, 2009 from \$5,088,081 at June 30, 2009 primarily due to the funds raised from the issues of ordinary shares during the September 2009 quarter, and funds being expended in a manner consistent with the Company's business objectives.

Trade and Other Receivables

Trade and other receivables decreased to \$347,471 as at December 31, 2009 as compared to \$479,986 as at June 30, 2009 primarily due to a decrease in sundry receivables and prepayments.

Other Financial Assets (refer Section 11 – Transactions with Related Parties)

Other financial assets increased to \$446,841 as at December 31, 2009 as compared to \$425,657 as at June 30, 2009 due to the recognition of the fair value of the loan to Mr Les Emery.

Plant and Equipment

Plant and equipment decreased to \$680,061 as at December 31, 2009 as compared to \$734,491 as at June 30, 2009 primarily due to the depreciation of fixed assets in the normal course of business.

Mining Properties

Mining properties decreased to \$14,491,363 as at December 31, 2009 as compared to \$15,598,014 as at June 30, 2009 primarily due to unfavourable foreign exchange rate movements.

Trade and Other Payables

Trade and other payables increased to \$992,929 as at December 31, 2009 as compared to \$918,643 as at June 30, 2009 primarily due to increased expenditures and timing of payments in respect of the Yandera Project.

Provisions

Provisions decreased to \$430,590 as at December 31, 2009 as compared to \$485,586 as at June 30, 2009 primarily due to staff utilising leave during the quarter.

Equity

Equity increased to \$31,440,474 as at December 31, 2009 as compared to \$20,922,000 as at June 30, 2009 due to the net capital raising of \$19,769,070 partially offset by a loss of \$8,010,958 for the half-year, and a decrease in reserves of \$1,239,638 primarily due to unfavourable foreign exchange rate movements.

8. 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, namely completion of the DFS.

The Company had a cash balance of \$16,898,257 at December 31, 2009.

The Company's contractual obligations are set out below:

Contractual Obligations – A\$	Payments due by Period				
	Total	Less than 1 year	1 – 3 years	4 – 5 years	After 5 years
Long term Debt	-	-	-	-	-
Operating Leases	\$3,032,248	\$2,773,895	\$258,353	-	-
Capital Lease Obligations	-	-	-	-	-
Purchase Obligations	-	-	-	-	-
Total Contractual Obligations	\$3,032,248	\$2,773,895	\$258,353	-	-

The Company has implemented a rigorous planning and budgeting process to help determine the funding requirements to support the Company's current operations and expansion and development plans. The Company's objective is to ensure that there are sufficient committed financial resources to meet its short term requirements.

As of the date of this MD&A the Company has sufficient cash and cash equivalents to finance its district exploration program and complete Phase 2 of the DFS on the Yandera Project and its general administrative expenses for the ensuing twelve month period.

The Company's ability to continue its operations in the normal course of business after the ensuing twelve months is dependent upon its ability to raise additional debt and/or equity.

In addition, 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. Although the Company has been successful in raising additional funds in the past, there is no assurance that it will be able to do so in the future.

9. 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.

Currency hedges involve 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 are managed by the Company's management, as determined from time to time, using detailed budgets, forecasts and mine plans, but the Company cannot guarantee the effectiveness of its present or future hedging practices.

10. Off-Balance Sheet Arrangements

There are no off-balance sheet arrangements as at December 31, 2009.

11. Transactions with Related Parties

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 Company's general meeting on 28 November 2007.

The principal terms of the loan provide as follows:

- If Mr Emery's employment ceases for any reason other than death, permanent disability or removal from office, the loan becomes payable within one month of such cessation. If Mr Emery's employment ceases because of death, permanent disability or removal from office, the loan becomes payable within 6 months of such cessation. The Board retains discretion to extend these time periods;
- Any dividends must be applied to reduce the outstanding loan; and

- The loan is limited recourse. That is, in the event the shares obtained under the loan are sold for an amount less than the amount of the loan, the maximum amount Mr Emery will be required to repay is the amount of the sale proceeds. In this way, Mr Emery is protected against a decline in the Company's share price.

As at December 31, 2009 the loan to Mr Emery is still outstanding.

12. 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(u) of the Year-End 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.

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.

13. Changes in Accounting Policies including Initial Adoption

Recently issued accounting pronouncements and their impact on the Company's accounting policies are disclosed in Note 1 to the Interim Financial Report for the Half-Year Ended 31 December 2009.

14. Risk Factors

The Company's risk factors are discussed in detail in the Company's AIF dated September 28, 2009 which is available on SEDAR at www.sedar.com and should be reviewed in conjunction with this document.

15. Outstanding Share Data

As at February 11, 2010, the only class of shares of the Company outstanding is ordinary shares. As at February 11, 2010, the Company had 498,810,862 ordinary shares outstanding and 17,700,000 options to acquire ordinary shares at various exercise prices.

16. Corporate Responsibility for Financial Reports

The Company's Managing Director (MD) and Chief Financial Officer (CFO) are responsible for establishing and maintaining the Company's disclosure controls and procedures and internal control over financial reporting. Access to material information with respect to the Company is facilitated by the small size of the Company's senior management team. The MD and CFO, after evaluating the effectiveness of the Company's disclosure controls and procedures as of December 31, 2009, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that (i) material information relating to the Company is made known to them by others particularly during the period covered by this MD&A; (ii) the information required to be disclosed by the Company in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported, within the time periods specified in securities legislation, and (iii) provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. There were no changes in our internal control over financial reporting for the three months ended December 31, 2009, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

17. Cautionary Note Regarding Forward-Looking Information

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

In making and providing the forward-looking information included in this MD&A, the Company has made numerous assumptions. The assumptions include, among other things, assumptions regarding: (i) the accuracy of exploration results received to date; (ii) anticipated costs and expenses; (iii) the accuracy of the Company's mineral resource estimate; (iv) the future price of copper and molybdenum; and (v) that the supply and demand for copper, molybdenum, and other metals develop as expected. Although management believes that the assumptions made and the expectations represented by such information are reasonable, there can be no assurance that the forward-looking information will prove to be accurate. By its nature, forward-looking information is based on assumptions and involves known and unknown risks, uncertainties and other factors that may cause the Company's actual results, performance or achievements, or industry results, to be materially different from future results, performance or achievements expressed or implied by such forward-looking information. Such risks, uncertainties and other factors include, among other things, the following: (i) need for additional financing to develop the Yandera Project; (ii) decreases in the price of copper and molybdenum; (iii) exploration risk; (iv) the risk that the Company will not obtain a renewal of exploration licence 1335; (v) dependence on the Yandera Project; and (vi) state equity interest.

This MD&A and the Company's AIF dated September 28, 2009 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 MD&A except as may be required by law. All forward-looking information disclosed in this MD&A is qualified by this cautionary statement.

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

18. Scientific and Technical Information

The scientific and technical information contained in this MD&A 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 MD&A 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 please refer to the revised and restated technical report on the Yandera Project originally dated December 2008 and revised and restated, January 2009, prepared by Stephen Godfrey, senior resource geologist of Golder Associates Pty Ltd (Australia).