



Working to unlock the mineral treasures of Papua New Guinea

QUARTERLY REPORT

for the period ending 31 December 2005

Key points for the quarter

- 📍 *Contracts awarded for resource definition drilling at Marengo's flagship Yandera copper – molybdenum project, in Papua New Guinea.*
- 📍 *Site activities underway at Yandera to enable rig mobilisation during current quarter.*
- 📍 *Digitisation of historical exploration data for the Yandera Project completed and first 3D model of previous drill data generated.*
- 📍 *Yandera Project Manager appointed and additional field staff appointments underway.*
- 📍 *A\$6 million share placement approved by shareholders.*
- 📍 *Cash balance of \$6.96M with 61M shares on issue.*

contact us

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PNG – PROJECT LOCATION MAP (Figure 1)



YANDERA PROJECT, MADANG PROVINCE, PNG

(MARENGO MINING (PNG) LIMITED – RIGHT TO EARN 90% INTEREST)

Target – Porphyry Cu-Mo, Epithermal Au

During the quarter, most of Marengo's efforts were focused on the Yandera Project, in preparation for an aggressive program of infill diamond drilling, scheduled to commence by the end of March 2006.

This program is designed to add to the existing drilling database (which contains some 33,000 metres of drilling) in order to generate a JORC compliant resource, later in the current year, as a basis for the commencement of a pre-feasibility study on one of the south-west Pacific's largest undeveloped copper-molybdenum porphyry deposits.

Contracts Awarded

Since the end of the quarter a contract to provide diamond drilling services for the 2006 field season at Yandera, has been awarded to United Pacific Drilling (PNG) Limited ("UPD").

UPD will provide diamond rigs (initially two) for a program of up to 10,000 metres, centered on the existing Gremi and Omora zones of copper-molybdenum mineralisation.

Based at Madang (only some 100kms from Yandera), UPD have been providing drilling services in PNG since 1969 and are well

equipped to provide Marengo with the type of equipment necessary for the work required.

In addition, PNG based, Hevilift Limited has been awarded the contract to provide helicopter services for logistics support (particularly during drilling rig mobilisation and de-mobilisation). Hevilift also has a longstanding record of service to the mining and exploration industry in PNG.

The current schedule is for the rigs and support equipment to be moved to site during March, following the end of the "wet" season.

Data Digitisation and 3D Modelling

During the quarter the process of digitising drilling results from the pre-existing drill database was completed. This work was undertaken by the PNG arm of Perth based Terra Search Pty Ltd and has involved the digital capture of all historical diamond drill data from the Yandera Porphyry Prospect.

This database contains the assay results from 102 diamond drill holes, totalling 33,000 metres and comprising some 11,000 diamond core samples, which were, with some exceptions analysed for copper, molybdenum, silver and gold.

From the data digitisation, a three dimensional model of the drill hole positions and assay results has been produced (see Figure 2), and although this model will continue to be refined, it

has formed the basis for selection of drill sites in the forthcoming program.

In addition to drilling data, the database has captured over 11,000 stream sediment samples, 7700 soil / contour trail samples and 5,200 rock chip / float samples.

The latter will provide a comprehensive database for regional exploration, designed to locate repetitions of the Yandera Porphyry Prospect and epithermal gold systems.

Staffing

To support this year's program Marengo has moved quickly to add to its exploration team with the appointment of Mr Peter Dendle, as Project Manager-Yandera. Peter is a geologist with more than 30 years experience in Africa, North America, Europe, South East Asia and Australia. During this time he has been involved in projects at all stages, in at times, logistically difficult areas.

Additional field staff are currently being recruited (generally from PNG) and these appointments will be supported by a large pool of local labour, available from the nearby Yandera community.

Site Logistics

During the quarter the existing Yandera site office complex has been extended, with the construction of a cook house and eight room accommodation block. These works will be completed shortly, in readiness for the commencement of the drilling program.

In addition, Marengo has reached agreement to utilise the facilities at the Brahman Mission, situated some 20kms from Yandera, in the Ramu Valley. This location will serve as a "staging post" for the delivery of supplies and drill sample shipments, particularly as it is accessible by road from the sea port and provincial capital of Madang.

Project Tenements

Following a mandatory 50% reduction of the Yandera exploration licence (EL 1335) in November 2005, a new exploration licence has been applied for to reacquire the area previously relinquished. The Yandera Project continues to cover some 1,200 sq km, centered on EL 1335, which contains the Yandera Porphyry Prospect and other areas of known mineralization.

Farm-in Terms

Under an agreement with Belvedere Limited (a private PNG company), Marengo can earn an initial 50% interest in the project by spending A\$500,000 on exploration by April 2007. Thereafter Marengo has the right to earn up to a 90% interest in the property, by sole funding to

the completion of a bankable feasibility study (subject to Belvedere electing not contribute).

Marengo expects to reach the 50% threshold during the current quarter.



Copper Market

Due to substantial world demand for metals, particularly from China, copper has enjoyed prices not seen since the 1980's. Forecasts are for strong copper prices to continue (currently A\$6500/tonne), due to this demand and shrinking stockpiles.

Molybdenum

Whilst copper is relatively well understood, molybdenum (the co-product in the Yandera project) is less well known.

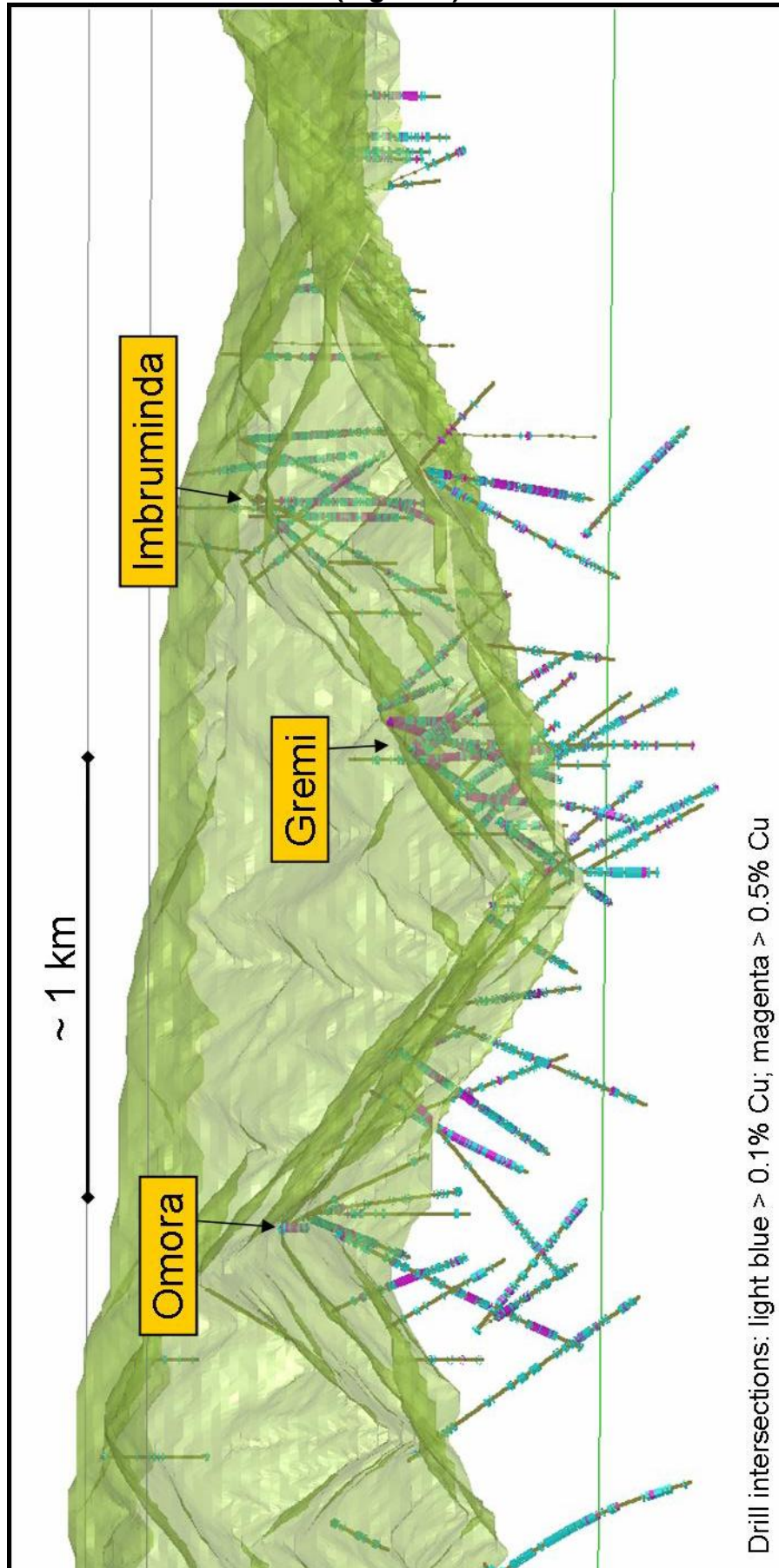
Molybdenum is a metallic element, most frequently used as an alloying additive in stainless steels. Its alloying versatility is unmatched because its addition enhances strength, hardness and corrosion resistance.

With forecasts for continuing strong growth in the stainless steel market, molybdenum demand is set to mirror this growth, as it is intimately linked to iron and steel demand.

After a number of years of relatively flat prices (around US\$5/lb for molybdenum oxide), molybdenum has seen sustained price growth over the past three years. Currently molybdenum oxide is trading at around US\$23/lb (A\$70,000/tonne).



YANDERA
- TOPOGRAPHY DRAPE SHOWING DRILL HOLE TRACE (LOOKING WEST)
(Figure 2)



BOLUBOLU PROJECT, GOODENOUGH ISLAND, PNG

*(100% MARENGO MINING (PNG) LIMITED)
Target - Gold*

The Bolubolu Project is located on Goodenough Island, Milne Bay Province, Papua New Guinea. It is located 350km east of Port Moresby.

The project consists of one granted exploration licence, covering some 157km², on the eastern side of Goodenough Island.

Preliminary field activities will commence during the 2006 field season, to better define the existing drill targets.

Previous exploration at the Bolubolu Project area indicates that significant potential exists for the discovery of gold mineralisation.

The main target is the Bolubolu North prospect, located along the faulted contact of the metamorphic core complex and an area characterised by anomalous gold, and a zone of magnetic destruction and structural complexity. This prospect was discovered in the mid 1980's (Esso/City Resources) and has never been drill tested. Stream pan concentrate samples up to 35 g/t Au and float samples up to 25 g/t Au were reported. The best mineralised zones (trench sampling) from a fault breccia were:

- 39m at 2.1 g/t Au including 6m at 11.9 g/t Au (horizontal zone);
- 8m at 4.9 g/t Au including 4m at 6.1 g/t Au (vertical zone)

Other prospects in the area include Bolubolu South, Motouya and Goila. These prospects have anomalous gold along with highly elevated arsenic and antimony levels.



**BOWGAN PROJECT, NORTHERN TERRITORY
(100% MARENGO)**

Target – Uranium, Gold & Diamonds

During the quarter a program of 19 reverse circulation holes were drilled (for a total of 1516 metres) at the Bowgan Project (Northern Territory), drilling, however failed to indicate any visible alteration or mineralisation.

OTHER PROJECTS (WESTERN AUSTRALIA)

Following Marengo's decision to fully focus on Papua New Guinea, a decision was made to divest its interest in the various Australian projects held (ie. Bowgan, Blanche and Minigwal).

In addition, Marengo retains a royalty interest (for iron ore) in its farmed out Jamie Bore Project (Ashburton), from Poondano Exploration Pty Ltd.

Corporate

ANNUAL GENERAL MEETING

Marengo's Annual General Meeting was held on 9 November 2005, with all resolutions being passed.

PLACEMENT APPROVED

As previously announced, Marengo arranged a placement to raise A\$6M, principally to Australian, British and Papua New Guinea based institutions, and professional investors introduced by The Venture Group Ltd of Sydney and DJ Carmichael Pty Limited of Perth.

The placement comprised the issue of 24 million fully paid shares (ASX Code: MGO) at an issue price of 25 cents, together with one free attaching option to acquire a further share at an issue price of 20 cents, on or before 28 Feb 2008 (ASX Code: MGOO).

This placement was approved at the Annual General Meeting held on 9 November 2005.

ONLINE SHARE REGISTER

Shareholders can now access their share details at Security Transfer Registrar's website at www.securitytransfer.com.au.

Finance

CASH AT BANK

At the end of the quarter the company had cash reserves of A\$6.96M.

Corporate Directory

BOARD OF DIRECTORS

John Horan	Chairman
Les Emery	Managing Director (Email: lese@marengomining.com)
Ron Smit	Exploration Director (Email: rons@marengomining.com)
Dennis Wilkins	Finance Director
Doug Dunnet	Non-Executive Director

COMPANY SECRETARY

Dennis Wilkins

SUBSIDIARIES

Marengo Mining (PNG) Limited – 100%

The information in this report is based on information compiled by Mr Ron Smit, who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Smit has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Mineral Resources and Ore Reserves. Mr Smit consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

ISSUED SHARE CAPITAL (POST PLACEMENT)

Fully Paid Shares:	61,678,712 (ASX Code: MGO)
Listed Options (20 cents expiring 28/02/08):	42,416,080 (ASX Code: MGOO)
Unlisted Options (20-30 cents expiring 30/11/08)	10,200,000 (ASX Code: MGOAQ)
Unlisted Options (20-30 cents expiring various dates)	500,000 (ASX Code: MGOAS)

MAJOR SHAREHOLDERS

Current major shareholders are:

RAB Special Situations Fund (UK)	13.0%
Directors	7.9%
Allundy Pty Ltd	4.9%
Yellowrock Pty Ltd	4.6%

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Les Emery
Managing Director

31 January 2006

Working to unlock the mineral treasures of Papua New Guinea.

PAPUA NEW GUINEA

Marengo has now positioned itself with projects in Papua New Guinea (PNG) that have the potential to grow into world class metal mines. A tight capital structure and funds on hand give shareholders excellent leverage to the future success of Marengo.

As Australia's nearest neighbour (some 150km from Cape York Peninsula) PNG has a long history of mining, dating back to 1878 and has historically been amongst the world's largest copper and gold producers.

Located on one of the world's most dynamic tectonic zones, PNG has and continues to produce world class ore deposits, such as Bougainville, Lihir, Misima, Ok Tedi and Porgera. In addition, recent developments have seen the discovery of medium size ore deposits, including Tolukuma, Kainantu, Hidden Valley and Simberi.

Since gaining independence in 1975, PNG has, along with other nations, suffered periods of downturn in mineral exploration investment. However, in recent years there has been a strengthening of investment back into PNG. This has occurred as a result of increasing world demand for commodities (with resultant price increases), together with a change to a more favourable fiscal regime for investment.

PNG operates a parliamentary democracy, based on the Westminster model, where all major parties support private enterprise and foreign investment.

Marengo is pleased to join many existing Australian and international companies who successfully operate both exploration and mining projects in PNG, a trend which is seen gaining momentum over recent months.

Marengo, through its subsidiary Marengo Mining (PNG) Limited, is concentrating its efforts on this richly endowed nation.

