

28 July 2014

MAURITANIA, SWEDEN, AUSTRALIA

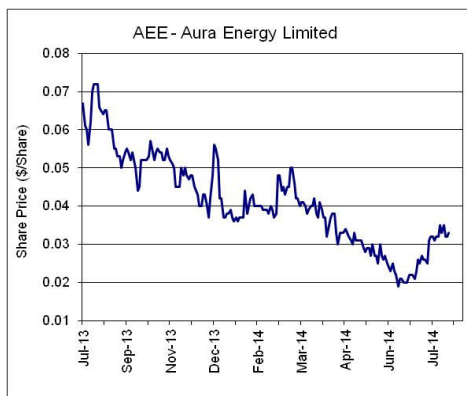
URANIUM, BASE METALS

SCOPING STUDY

EXCHANGE: ASX:AEE

CAPITAL PROFILE

Share price (A\$)	0.033
52 week range (A\$/share)	0.03 to 0.10
Number of shares (m)	188.4
Options and warrants (m)	56.4
Performance shares (m)	0.0
Fully diluted (m)	244.8
Market capitalisation (undiluted) (A\$m)	6.2
Debt (A\$m) - Jun 14F	0.0
Enterprise value (A\$m)	6.2
Major shareholders: Technical Investing (6.2%),	
Wisevest (5.65%)	
Avg monthly volume (m)	6
Cash (A\$m) - Jun 14F	0.7
Price/Cash (x)	8.9
Listed company options:	Yes



DIRECTORS

Peter Reeve (Non Exec Chairman)
Bob Beeson (Managing Director)
Brett Fraser (Non Exec Dir)
Julian Perkins (Non Exec Dir)

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AURA ENERGY LIMITED

Price: A\$0.033

Scoping Study confirms viability of Reguibat at the contract uranium price: capex US\$45m, opex US\$30/lb. The market appears to have overlooked Reguibat as a rapidly emerging and economically viable uranium project with high beneficiation grade (0.25% U₃O₈), large resource (49mlbs U₃O₈), easy mining and expected streamlined permitting - trading at a large discount to peers. AEE 12 month target price \$0.15/share. Longer term, the large Häggån project represents a free option.

INVESTMENT POINTS

- ◆ Reguibat Project, Mauritania (AEE 100/70%): Exciting new calcrete uranium province. AEE resource 49mlbs at 0.033% U₃O₈ at or near surface. Exploration Target indicates potential for global resource to exceed 100mlbs.
- ◆ Reguibat Scoping Study (July '14) confirms economic viability with project breakeven NPV uranium price <US\$40/lb; 15 year LOM producing 10.7mlbs U₃O₈ from shallow open pits. Feasibility Study possible 2H15; production potential 1H17.
- ◆ Reguibat Project - RCR after tax NPV₁₀ A\$71m (\$0.27/share or US\$1.28/lb resource; assuming uranium price US\$60/lb, AUD/USD 0.90). AEE is trading at a steep discount to ISR peers with similar project economics: less than US\$0.20/lb resource for AEE Vs ~US\$1.50/lb (AEK, PEN).
- ◆ Highly amenable to beneficiation - a defining and distinctive element of the Reguibat Project: Initial testwork indicates 5-9X grade uplift achievable. This could see the 66mt resource concentrated to around 15mt at +2500ppm U₃O₈ (0.25%).
- ◆ Häggån Project (Sweden) is a world class uranium project, large capacity, long life, easy to mine, in a stable mining friendly jurisdiction, proximal key infrastructure, staged low capital development, and low opex in the bottom 2 quartiles of the WNA 2010 cost curve. The project represents a long term value driver for AEE.
- ◆ Sweden and Mauritania are pro uranium jurisdictions with strong mining sectors. Global miners active in Mauritania include Glencore (building the US\$900m Askaf North iron ore project), Kinross (Tasiast), and First Quantum (Guelb Moghrein).
- ◆ AEE equity funding facility for \$3.8m in place through 1Q16.
- ◆ We expect AEE to be rerated as key technical and permitting milestones at Reguibat are achieved: 12 month target price \$0.15/share (mkt cap \$31m).
- ◆ The uranium price is US\$28.50/lb (spot); US\$44.50/lb (contract). Challenging market conditions are expected to persist short- to mid-term, though a rebound is anticipated as Japanese reactors start to come back online, possibly 2H14. Positive fundamentals are expected to drive the incentive price >US\$60/lb later this decade.

COMPANY STATISTICS

Year End June	Mar-14a	Jun-14F	2013a	2014F	2015F
Exploration and evaluation (A\$m)	0.17	0.47	1.20	1.21	1.80
Corporate (A\$m)	0.27	0.23	2.11	1.22	0.92
Exploration/(Expl.+ Corporate) (%)	38	67	36	50	66
Funding duration at current burn (years)			0.6	0.3	0.3
Shares on issue (pr end) (m shares)	188.4	199.9	183.3	199.9	277.0
Drilling - RAB (m)	0	0	2,500	2,500	1,000
Drilling - Other/Diamond (m)	0	0	0	0	0
Land holding ('000 ha)*	625	625	625	625	625
Tenement costs (\$k per year)	-	-	-	344	344
Capital raisings (A\$m)	0.3	0.4	2.1	0.7	2.7
Funding from JV partners (A\$m)	0	0	0	0	0
Cash (A\$m)	1.0	0.7	2.0	0.7	0.7
Cash backing (Ac/share)	0.5	0.3	1.1	0.3	0.3

* Tenements held and under application.

Quarters refer to calendar year.

COMPANY COMMENT

Overview: Aura Energy listed on the ASX May '06. It has advanced exploration projects for uranium in Mauritania and Sweden, as well as a calcrite resource and exploration assets in WA.

Reguibat Project: (Uranium, Mauritania). AEE is one of the largest uranium landowners in this new and rapidly expanding uranium field. The company has a combined uranium resource in northern Mauritania of **49mlbs U₃O₈ grading 334ppm** (100ppm cut-off, Jul '11, AEE 100%). The resources are defined in two regions, several hundred kilometers apart: **Eastern 39mlbs at 335ppm** and **Western 11mlbs at 305ppm**. **Zone A** in Eastern Reguibat contains a large high grade zone of 11.5mt at 430ppm for 11mlbs U₃O₈ (300ppm cut-off, inferred). There is an Exploration Target for a further 50mlbs U₃O₈ (Apr '14). Large radiometric anomalies and mineralised extensions underlie upside potential. Multiple deposits have been defined to date, each is flat lying and at or near surface, some up to 4km in strike and 700m wide. Mineralisation occurs as flat lying sheets mostly within 4m of the surface. The area is remote, uninhabited desert, and permitting delays are not expected.

Reguibat Scoping Study: (July 2014) based on Zone A (Eastern Reguibat) where a centrally located 1mtpa alkaline leach plant is proposed producing 10.7mlbs U₃O₈ over the 15 year LOM (average production 0.71mlbspa U₃O₈). Low capex of US\$45m (including ~20% contingency) and opex of US\$30/lb using contract mining (capex and opex costs verified and validation of process flow sheet by engineering firm Tenova (Bateman)). The Scoping Study envisages a series of shallow open pits based on largely unconsolidated, gravely mineralisation from surface down to about 4m, freedig with a low strip ratio of 0.25. Overall plant recovery is 78% including 94% alkaline leach recovery with moderate to high reagent consumption and beneficiation uranium retention of 86%.

The Scoping Study assumes a conservative 5X beneficiation uplift factor with relocatable scrubbing and screening plant rejecting 80% of the ROM feed. The feed grade to the leach plant in the initial years could be as high as 2500-3000ppm U₃O₈ (0.25-0.3%) for early project payback. There is potential for the beneficiation uplift factor to increase to 7X with hydrocycloning which will be studied in the PFS. Production will be exclusively from Zone A years 1-11, and from Zones C, I, and J years 12-15. High ROM grades of 0.059% U₃O₈ are expected years 2 - 3 producing ~1mlbspa U₃O₈, falling to 0.039% years 4-12, and 0.042% years 13-15. Schedule assumes 14.5mt grading 0.043% U₃O₈ accounting for only 22% of the global resource by tonnes (28% by contained uranium), suggesting significant potential NPV upside from a larger project or extended LOM; potential to double the plant size in year 4 to 2mtpa.

Initial beneficiation indicates a high uplift grade factor is achievable of 5-9X based on testwork from trench samples in Ain Sder upper Zone I (Eastern Reguibat); a single test at Zone A confirms consistent performance; 3 of the 4 zones have now been tested and confirm amenability to high beneficiation uplift - further testwork is proposed for the DFS. Basic scrubbing and screening could see the 66mt resource concentrated to around 15mt at +2500ppm (0.25% U₃O₈; retaining 86% of the uranium). The high upgrade is a key factor expected to drive lower leach plant capex and opex and deliver robust project economics. Such high grade uplift is unusual in calcrite deposits and occurs in this case due to all uranium mineralization occurring as fine grained carnotite deposited around coarse gangue material which enables easy, low cost separation.

Reguibat falls within the market's sweet spot with low to moderate opex and low capex, high beneficiation grade, large resource, easy mining, modest scale plant, and expected streamlined permitting. Uranium companies with projects low on the cost curve that require modest capex (US\$50-100m; notably ISR projects) have demonstrated ability to raise finances and move to production. Feasibility Study possible 2H15 – subject to

funding (est. \$3-5m).

Tiris Joint Venture - Reguibat Project: (1000km²) JV announced with local industrial company Groupe Azizi (Oct '13) adjacent to AEE's Western Reguibat deposits at Oum Ferkik. Strong radiometric anomalies occur over 30km². AEE soil samples to date confirm over 5km strike within 10km² is mineralized with uranium values up to 400ppm. AEE can earn a 65% interest by completing a PFS.

Häggån Alum Shale Project: (Uranium, base metals, Sweden) AEE holds 100% of 147km² over the Alum Shale uranium province in central Sweden. The shale-hosted deposits are also enriched in vanadium, molybdenum, zinc and nickel. Häggån is proximal to key infrastructure and is situated in commercial forestry areas. Following a review of Scoping Study development options Aura will pursue development in stages starting at smaller size options 3.5, 5 and 7.5mtps with the 30mtpa case in the Scoping Study (May '12) as an ultimate target capacity. This significantly reduces start-up capital to US\$150m (3.5mtpa case) producing 1mlbpa U₃O₈ while retaining low opex (<US\$25/lb). At the 30mtpa production rate the project could produce 7.8mlbpa U₃O₈ at US\$13.50/lb.

A strategic partner was not identified to fund the risk capital required in the short term to take the project through PFS, however significant interest suggests this option could be revisited once market conditions improve.

Uranium Market Outlook: The uranium spot price is US\$28.50/lb (21 July); the contract price is US\$44.50/lb (30 June). RCR uranium spot price forecasts are CY14 US\$30/lb, CY15 US\$36/lb, CY16 US\$50/lb, long term US\$55/lb (LT contract price US\$65/lb). Challenging market conditions are expected to persist short- to mid-term due to the impact of continued delays in restarting Japanese reactors and surplus inventory disposals by Japan and Germany. Draft approvals were granted (Jul '14) for two reactors to come back online in Japan though local consent is still required before restarts. A price resurgence to US\$60/lb is anticipated 2H16, driven by renewed demand from Japan and ongoing global growth in nuclear reactor construction; currently there are 73 reactors under construction globally and 481 planned and proposed (WNA June 2014). UPC raised C\$57.6m Feb '14 - a signal that investors anticipate a market turnaround.

Valuation: RCR's derisked NPV valuation for Reguibat assuming a 10% discount rate, long term uranium price of US\$60/lb, AUD/USD 0.90, after tax is A\$71m (A\$0.27/share; US\$1.28/lb resource). RCR's financial model assumes a 30% income tax rate; and 3 year tax holiday - which has a significant impact given the high ore grade in early years. Sensitivities: at 8% discount rate NPV is A\$86m (\$0.33/share); pretax NPV A\$102m (\$0.39/share). The NPV breakeven uranium price is <US\$40/lb. We have used a 35% factor for scoping study stage giving a risked valuation of A\$25m (A\$0.10/share) which equates to US\$0.50/lb U₃O₈ resource. This compares to similar scale ISR projects to Reguibat, albeit more advanced, which are trading at ~US\$1.50/lb resource (MII) (Temrezli (AEK) and Lance (PEN)); and the Lake Maitland project purchased by Toro (TOE) Aug '13 was valued at US\$1.58/lb resource in an all scrip deal.

Investment Comment: We retain our 12 month target price for AEE of \$0.15/share (\$31m). The market appears to have overlooked the potential of Reguibat as a rapidly emerging and economically viable uranium project. The project has economic metrics comparable to similar scale ISR projects which are trading at much higher multiples of ~US\$1.50/lb resource compared to <US\$0.20/lb for AEE. We anticipate a uranium price resurgence 2H16 to coincide with the potential timing for production start-up at Reguibat 1H17. Mauritania is supportive of foreign investment and is attracting significant mining investment. The enormous Häggån project represents a free option - it is well positioned to deliver considerable value longer term to AEE shareholders as its scale and low cost position have potential to make it a world class uranium project.

RESERVES AND RESOURCES/MINERALISED MATERIAL

Code for reporting mineral resources - Australian: (JORC)

Uranium	Classification	Project	Ore	U ₃ O ₈	Cut Off	U ₃ O ₈	U ₃ O ₈	U ₃ O ₈ Eqty
U ₃ O ₈	Geology	Equity	Mt	%	ppm	Kt	Mlb	Mlb
Reserves						0.0	0.0	0.0
Resources								
Eastern Reguibat	Ind & Inf	100%,70%	50	0.035	100	18	39	39
<i>[Includes high grade Zone A]</i>	Inferred	100%,70%	11.5	0.043	300	5	11	11]
Western Reguibat	Inferred	100%,70%	16	0.031	100	5	11	11
Sub total - Reguibat			66	0.033	100	22	49	49
<i>[Includes high grade]</i>			35	0.042	300	15	32	32]
Häggån and Marby*	Inferred	100%	2350	0.0155	100	364	803	803
Total						382	842	842
Exploration Target								
Reguibat		100%,70%				23	50	50
Häggån		100%				200-381	440-840	440-840
						223-404	490-890	490-890

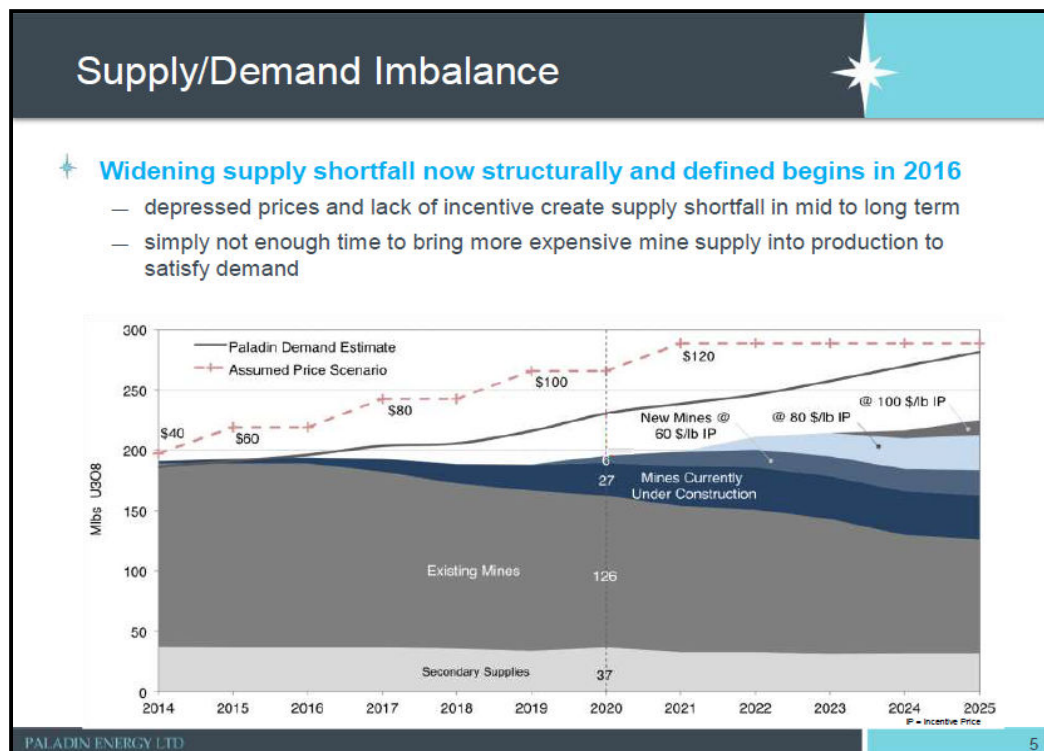
* Resource includes 0.0207% MoO₃, 0.1519% V₂O₅, 0.0316% Ni and 0.0431% Zn.

KEY PROJECTS

Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Reguibat	100%	U	na	calcr/granite	Alkaline	Scoping Study	Mauritania
Reguibat-Tiris JV	0/65%	U	Azizi	calcr/granite	Alkaline	Scoping Study	Mauritania
Häggån	100%	U,Mo,V,Ni	na	Alum shale	na	Adv Expl	Sweden
Ebadargene*	100%	U	na	sandstone	na	Early Expl	Niger
Kallsedet	100%	U	na	Alum shale	na	Early Expl	Sweden

* application

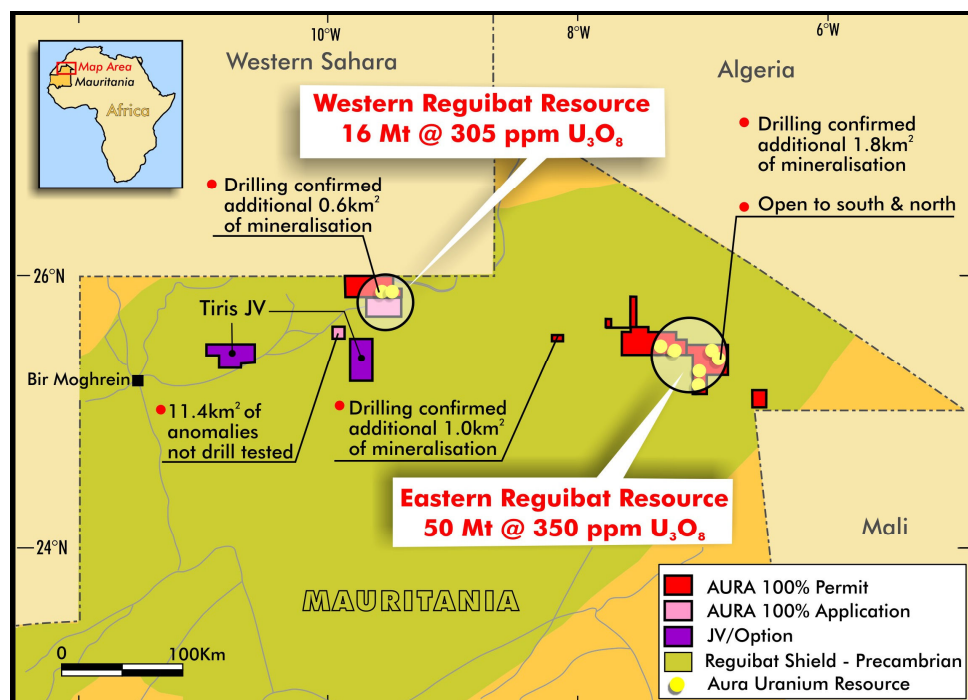
The uranium spot price is US\$28.50/lb (21 July); the contract price is US\$44.50/lb (30 June). Incentive prices of +US\$60/lb in the latter part of the decade are expected to be supported by the opening of a significant supply gap and global urgency to reduce carbon emissions. Paladin expects the price could rise to as high as US\$80-100/lb later this decade.



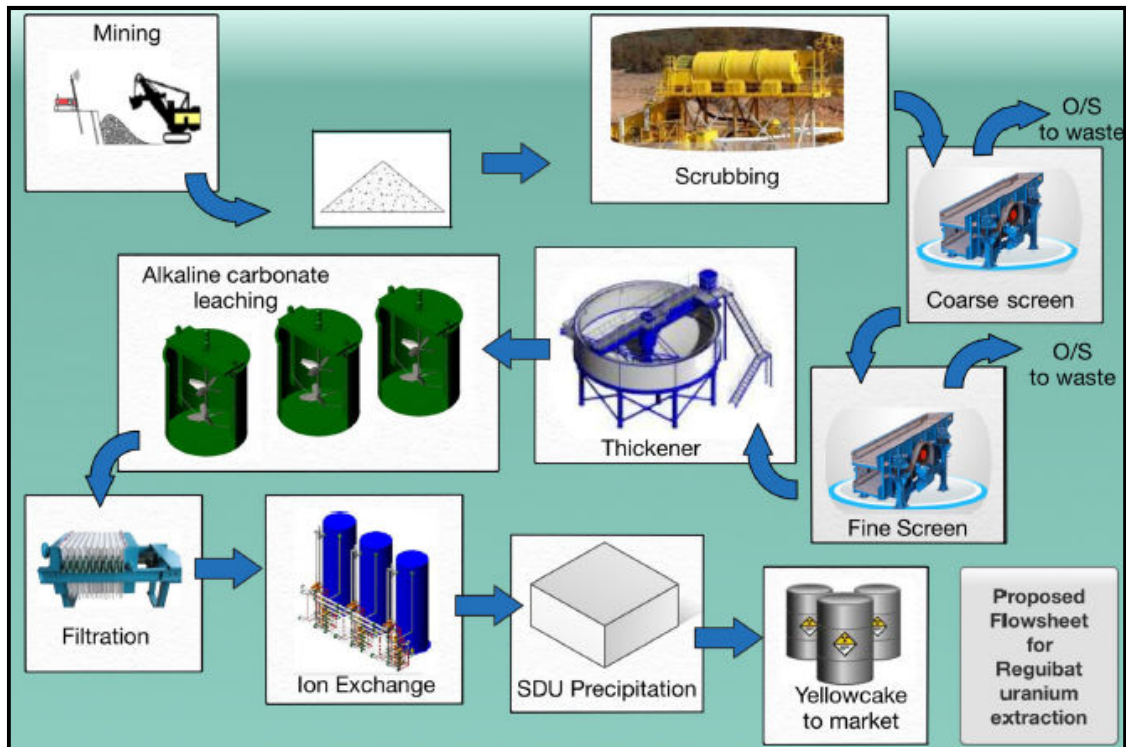
Aura Energy's Reguibat uranium project is shown in red below. Mauritania has attracted investment from established miners including Glencore, Kinross and First Quantum.



Reguibat Calcrete Uranium Province, Northern Mauritania: Resource is 49mlbs at 330ppm U_3O_8 (AEE 100%) at or near surface and an Exploration Target for a further 50mlbs U_3O_8 . High grade zones (0.043% U_3O_8) and beneficiation upgrade of 5-9X are expected to support a low opex/capex project with robust economics.



Detailed process flowsheet for Reguibat: 1mtpa relocatable beneficiation plant (scrubbing and screening) producing 5X grade uplift factor to feed alkaline leach tanks. The high beneficiation uplift is a defining attribute of the Reguibat Project.



Reguibat Calcrete Uranium Province: Northern Mauritania. The area is remote, treeless desert expected to facilitate fast track permitting.



AURA ENERGY LIMITED VALUATION

							Adjusted Uranium Price Sensitivity A\$m			
		Equity %	Base Resource Val'n US\$/lb	Base NAV A\$m	NAV Factor %	Adjusted Value A\$m				
Assumptions										
LT Realised Uranium Price : US\$/lb				60		60	40	50	70	80
LT Exchange Rate: AUUS				0.90		0.90	0.90	0.90	0.90	0.90
Projects										
Häggån project : NPV @10%		100%	0.01	323	3%	10	10	10	26	37
Resources and Exploration										
Reguibat : NPV @10%		100%	0.46	71	35%	25	10	13	36	47
Other				0		0	0	1	1	2
Sub-total Exploration				71		25	10	14	37	49
Assets										
+ Cash				1		1	1	1	1	1
+ Tax losses				2		2	2	2	2	2
Liabilities										
- Debt				0		0	0	0	0	0
- Corporate				7		7	7	7	7	7
- Reclamation				0		0	0	0	0	0
AEE Net Assets				390		31	16	20	59	83
Fully diluted shares (m)				259.5		259.5	259.5	259.5	259.5	259.5
Cash on Option Conversion				11.7		11.7	11.7	11.7	11.7	11.7
AEE Net Asset Value per share : A\$/share				1.95		0.15	0.08	0.10	0.30	0.41
AEE Net Asset Value Diluted : A\$/share dil				1.55		0.16	0.11	0.12	0.27	0.36

REGUIBAT PROJECT KEY ASSUMPTIONS (based on AEE Scoping Study - July 2014)

RESOURCE ESTIMATES						
	Uranium Resource		Tonnes	Grade	Uranium	
			Cutoff	Mt	% U ₃ O ₈	Mlbs
Resource (Indicated and Inferred)	Reguibat	100ppm	66	0.033		48.6
RCR modelling assumptions (Zone A + I,J,C)	Reguibat	300ppm	14.5	0.043		13.7
MINING METHOD		OPEN PIT: Truck and excavator, scraper, freedig (no blasting), at surface, shallow (~3 to 4m) - expected low strip ratio ~0.25:1. Multiple pits (Zones A,I,C,J). Contract mining.				
PROCESS METHOD		ALKALINE LEACH: with beneficiation (5X upgrade) via relocatable scrubbing and screening plant. Ion exchange.				
RESOURCE CONVERSION	:%	90%	(Inferred to Indicated)			
BASE CASE ASSUMPTIONS						
PRODUCTION RATE	:mtpa	1				
AVERAGE HEAD GRADE - U ₃ O ₈	:%	0.04	Beneficiation ugrade to 0.20 U ₃ O ₈ (2000ppm) - 5X upgrade.			
HIGH GRADE	:%	0.059	Beneficiation ugrade to 0.295 U ₃ O ₈ (2950ppm) - 5X upgrade.			
BENEFICIATION UPGRADE	:	5X	Model assumes 5X grade increase retaining 86% of uranium.			
RECOVERY - URANIUM	:%	94	Overall recovery from beneficiation to leaching 78%.			
URANIUM PRODUCTION	:mlbspa	0.71	Average production rate. Production schedule: years 2 and 3: 1mlbspa; years 4-11: 0.65mlbspa; years 12-15: 0.71mlbspa. Zone A mined years 1-11; Zones I,J,C subsequently.			
CAPITAL COSTS - INITIAL DEVELOPMENT	:US\$m	45	Includes US\$8m (22%) contingency.			
SUSTAINING CAPEX	:US\$mpa	1.4	~3% of plant capital. RCR assumption.			
EVALUATION/PERMIT COSTS - TOTAL	:US\$m	3-5	RCR project development estimates - PFS, BFS and permitting related costs.			
CASH OPERATING COSTS: (C1)	:US\$/t	21.42	Cost per tonne of ore mined: mining US\$2.59/t; processing US\$11.77/t; services US\$3/t; G&A US\$4.08/t.			
	:US\$/lb	30	Average LOM.			
INCOME TAX	:%	30	Corporate tax rate. 3 year tax holiday on new projects.			
OTHER TAXES	:%	10	RCR assumption.			
ROYALTY	:%	1.5-2.5				
GOVERNMENT INTEREST	:%	10	Free carried interest.			
MINE LIFE	:Years	15+ Years				
COMMISSION PROJECT	:	1H17	RCR assumptions: 3 year development. 24 month ramp-up.			

These figures are preliminary in nature and are intended to provide only a general indication of project scale and economic robustness. Considerable refinement may result from ongoing R&D and subsequent feasibility studies.

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