

## SUMMARY

### Corporate

Aura Energy Ltd (Aura) had previously offered its shareholders the opportunity to participate in a pro-rata 1 for 2 non-renounceable entitlement issue of Options. The fully underwritten Option Issue closed on 16 August 2006. The Options were issued at a price of \$0.01 each (exercisable at 20 cents), raising approximately \$180,000 (before costs).

The Options were officially quoted on the ASX from 17 August 2006.

### Exploration

Since listing Aura continues to make substantial advances in its programmes and in developing its tenement portfolio.

Aura has begun its drilling programme at the Wondinong uranium deposit, an area with continuous uranium mineralisation and anomalism over 20km<sup>2</sup>. First assay results are imminent.

In addition Aura has been actively pursuing its strategy of identifying and securing quality uranium exploration targets in Western Australia. Since listing Aura has expanded the area of its tenement portfolio by 243%. The company now holds 19 calcrete uranium targets, all with strong geophysical, geological and/or geochemical criteria for their selection.

Aura has also secured a solid landholding in the highly prospective Gunbarrel Basin sandstone-hosted uranium province. This poorly explored province hosts the Ponton and Mulga Rocks uranium deposits, each containing resources in the range 10,000 tonnes to 46,000 tonnes of U<sub>3</sub>O<sub>8</sub>.

Aura has 100% equity in all of its projects.

## CORPORATE ACTIVITY

A Prospectus was lodged with the ASIC on 14 July 2006. It offered all Shareholders registered on 31 July 2006 the opportunity to participate in a pro-rata 1 for 2 non-renounceable entitlement issue of Options. The Options will be issued at a price of \$0.01 each (exercisable at 20 cents) to raise approximately \$180,000 (before expenses). The Offer was fully underwritten and closed on 16 August 2006.

The results of the Option Issue are as follows:

- Total number of options on offer 18,000,000
- Total number of options validly applied for: 15,172,113
- Number of applications received: 343
- Pro Rata shortfall: 2,827,887
- Underwriters shortfall 2,827,887

The issue was fully underwritten by Taylor Collison Limited and Aura issued a shortfall notice in accordance with the underwriting agreement dated 12 July 2006.

The Options were officially quoted on the ASX from 17 August 2006.

## EXPLORATION ACTIVITY

### WONDINONG URANIUM PROJECT (Aura Energy 100%)

60 km east of Cue Mt Magnet in the Murchison Goldfields region of Western Australia, the Wondinong deposit occurs between the westernmost development of calcrete in the westward-draining Anketell channel and the eastern shore of Lake Austin.

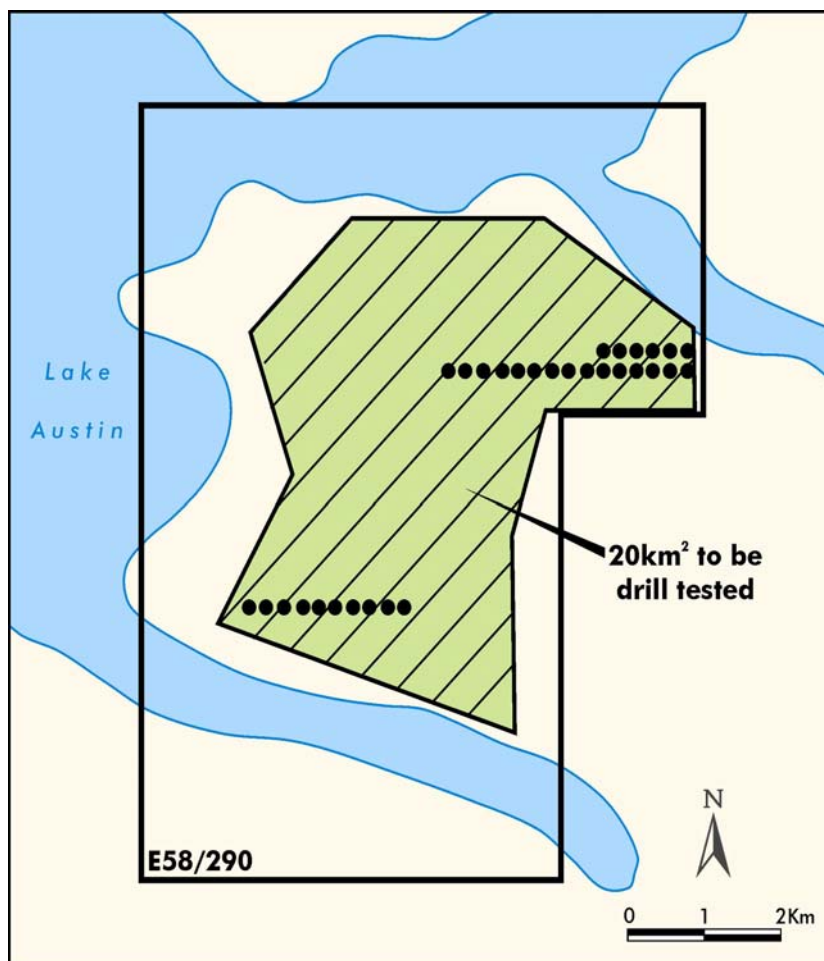
Uranium mineralisation at Wondinong is very extensive, covering an area of approximately 20 square kilometres. A further zone occurs to the south of the southern creek draining into Lake Austin.

The main mineralisation occurs as a thin sheet, the top of which is between 0.3 and 2.4 metres below the current ground surface. Limited drilling to date indicates that the thickness of mineralisation with grades of greater than 200ppm  $U_3O_8$  is between 0.15 and 1.3 metres.

The Wondinong uranium deposit has been poorly tested by previous explorers. Drill spacing was typically 1500 metre by 250 metres. The very sparse nature of the original drilling in the Wondinong area has presented Aura a significant opportunity to improve the estimates of the orebody tonnage and grade.

The confidence level of such estimates increases with the drilling density, and Aura plans delineation drilling of the area to estimate tonnage and grade at those required for the respective JORC resource categories. Recent rain has interrupted this program.

The Aura drilling programme is being carried out on a 200 metre by 200 metre pattern, through the central part of the Project Area, stepping out to a 400 metre by 200 metre pattern for the peripheral areas.



**Wondinong mineralised area, and drilling completed to date**

## EXPANDED TENEMENT PORTFOLIO

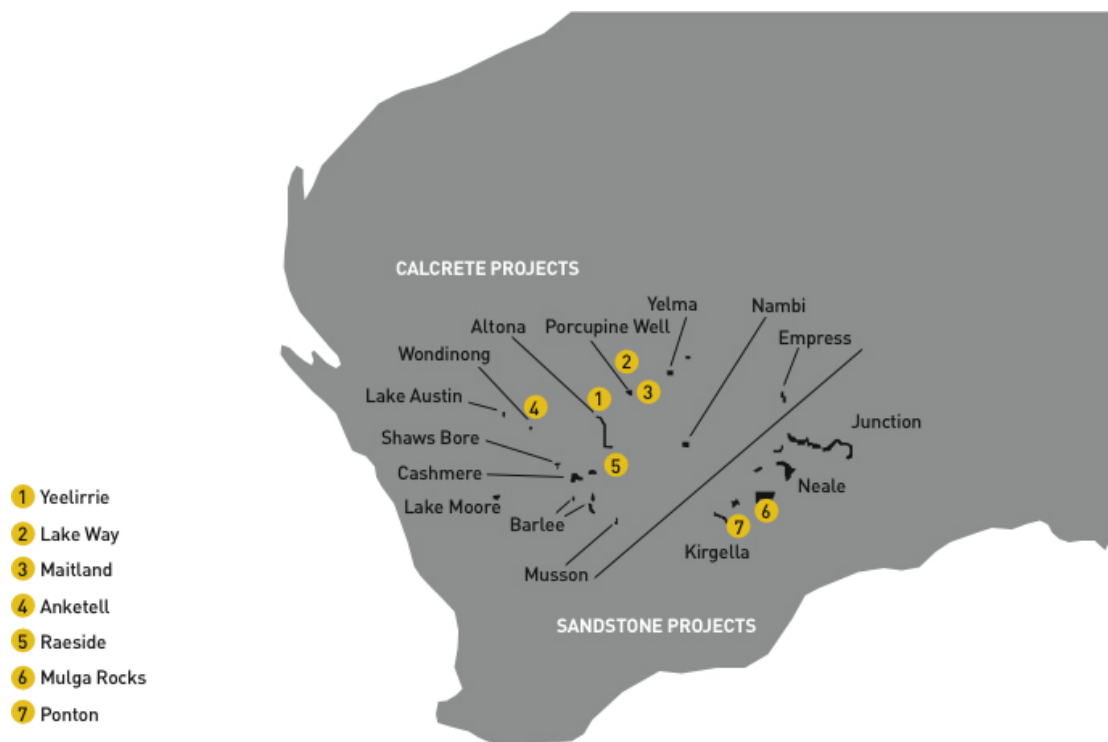
Aura has been actively pursuing its strategy of identifying and securing high quality uranium exploration targets in Western Australia. Aura Energy currently holds 33 exploration licenses and applications prospective for uranium ore deposits. These licenses and applications cover an area of 5948 square kilometres. These tenements contain approximately 900 kilometres of prospective channels and palaeochannels.

Since listing Aura has expanded the area of its tenement portfolio by 243%.

The company now holds 19 calcrete uranium targets, all with strong geophysical, geological and/or geochemical criteria for their selection.

Aura has also secured an exceptional landholding in the highly prospective Gunbarrel Basin sandstone-hosted uranium province. This poorly explored province hosts the Ponton and Mulga Rocks uranium deposits, with estimated uranium resources exceeding 50,000 tonnes of U3O8.

These new tenements further develop the Company's growing portfolio of strategic uranium exploration assets. Aura has 100% equity in all of its projects.



### **Aura Energy's Portfolio of Uranium Projects surrounding 7 major Uranium deposits**

**Calcrete Uranium Projects**

Calcrete deposits account for approximately five per cent of Australia's uranium resources, and approximately four per cent of global resources. The Yilgarn calcrete uranium province is the third largest uranium province in Australia after Olympic Dam and the Alligator Rivers Provinces, and contains Yeelirrie deposit, the world's largest calcrete deposit. Aura has a substantial tenement holding in this well mineralised region.

Project	No. Tenements	Area	Channel length
Altona	2	424	115
Barlee	2	311	65
Cashmere	3	348	56
Diemal	1	27	7
Empress	1	156	27
Lake Austin	1	46	10
Lake Moore	1	102	22
Musson	1	74	19
Nambi	2	266	28
Porcupine Well	1	83	15
Shaws Bore	1	54	17
Wondinong	1	52	8
Wongawal	1	86	14
Yelma	1	74	13
<b>Totals</b>	<b>19</b>	<b>2103</b>	<b>416</b>

Aura's **Musson** Project is the furthest south of the projects. This is beyond the area conventionally considered to host calcrete uranium deposits. However, field reconnaissance has found radiometrically anomalous calcrete. Aura considers that Musson provides an excellent opportunity in an area that has not been previously explored.

The **Wongawal** Project occurs in an extensive area with radiometrically anomalous calcrete deposits. These calcretes have not been previously explored, but will be fully evaluated with a radiometric survey.

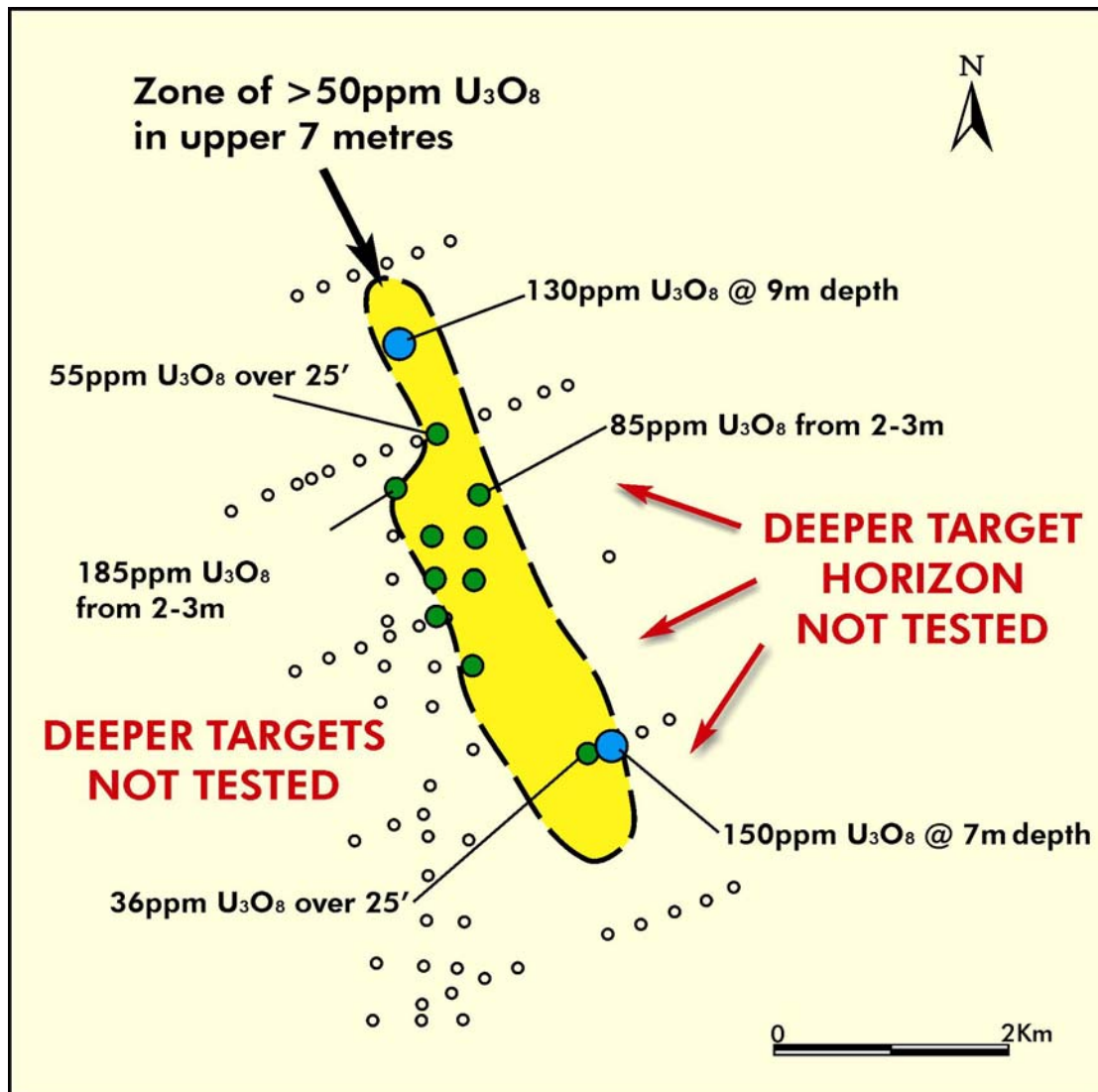
The **Altona** Project is a high priority project for Aura. The two license applications have been recommended to the Minister for grant. This will allow Aura to further evaluate the encouraging previous exploration described below. The two tenements cover 115 kilometres of calcrete-bearing channels. The Yeelirrie uranium deposit lies approximately 50 kilometres north of the applications, and the Project covers a substantial part of the next major channel south of Yeelirrie.

The project area contains two calcrete uranium prospects identified in a CSIRO review of these deposits in Western Australia. The drainage system also contains several uranium deposits and occurrences both upstream and downstream of the Altona Project, and is therefore a proven mineralising system.

The channel was partially explored in the 1970s by BP Minerals, Western Mining Corporation, Canadian Superior and an ACM-PNC Joint Venture. However, approximately 60 per cent of the channel has not been tested by drilling, and the remainder of the channel has been only partly drilled

Previous exploration along the Altona Channel gave encouraging results. A particular target is the Puncture Well area, where geochemical samples gave metal contents of up to 185 ppm U<sub>3</sub>O<sub>8</sub> over one metre, and 55 ppm U<sub>3</sub>O<sub>8</sub> over 7.6 metres. These high values are open to the north and east. The main zone of mineralised calcrete has been poorly tested because previous explorers used inappropriate drills for testing the hard calcrete. An area approximately 5 kilometres by one kilometre has only been tested by six drill holes, all with anomalous levels of uranium.

Ongoing compilation of data in the Puncture Well area has indicated that a deeper zone of mineralisation below 7 metres depth has been identified but not tested. Only three drill holes penetrate this mineralisation, and values include 150ppm U<sub>3</sub>O<sub>8</sub> over a metre.



Previous drilling at Puncture Well on the Altona project

Radiometric surveys since the exploration of the 1970s reveal several uranium channel anomalies that were not tested by previous explorers. Sections of this channel, covered by sand, are regarded as untested to date.

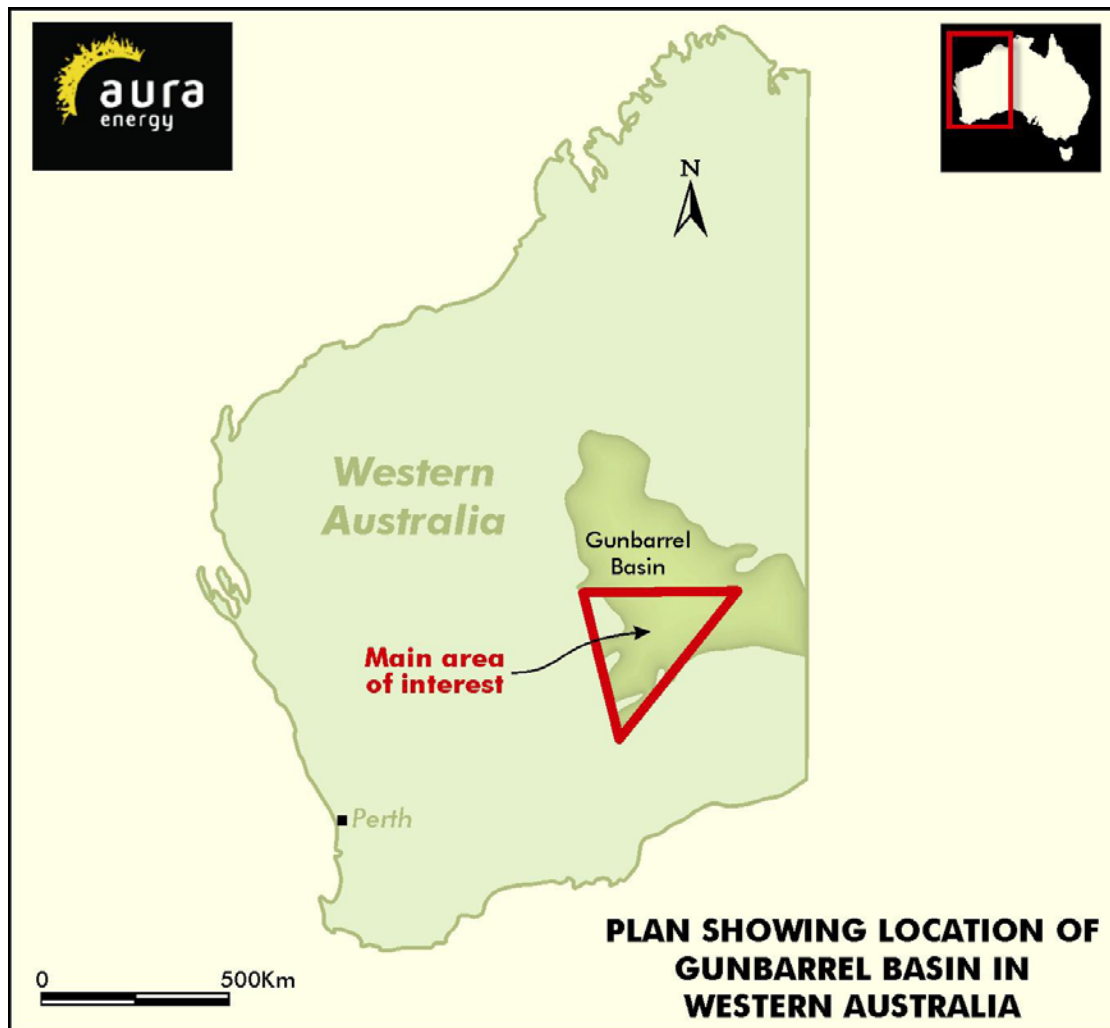
Aura will begin drill testing of the Puncture Well Prospect at the earliest opportunity.

Aura has commenced its exploration programmes throughout the rest of its calcrete uranium portfolio. This work has included geological reconnaissance, radiometric traversing, sampling of anomalous materials, and the collection of water samples. This work is guiding the planning of the next phase of exploration. This exploration will include detailed air or ground radiometric surveys, and a first phase of drilling of the targets. The drills to be used in this work will depend on the nature of ground. A percussion rig is required to drill the calcrete that caused difficulties for previous explorers at Altona.

Because of the near-surface nature of the calcrete uranium mineralisation, and the shallow drilling required to test targets, exploration of Aura's calcrete portfolio is anticipated to be achieved at moderate cost.

### Sandstone-Hosted Uranium Projects

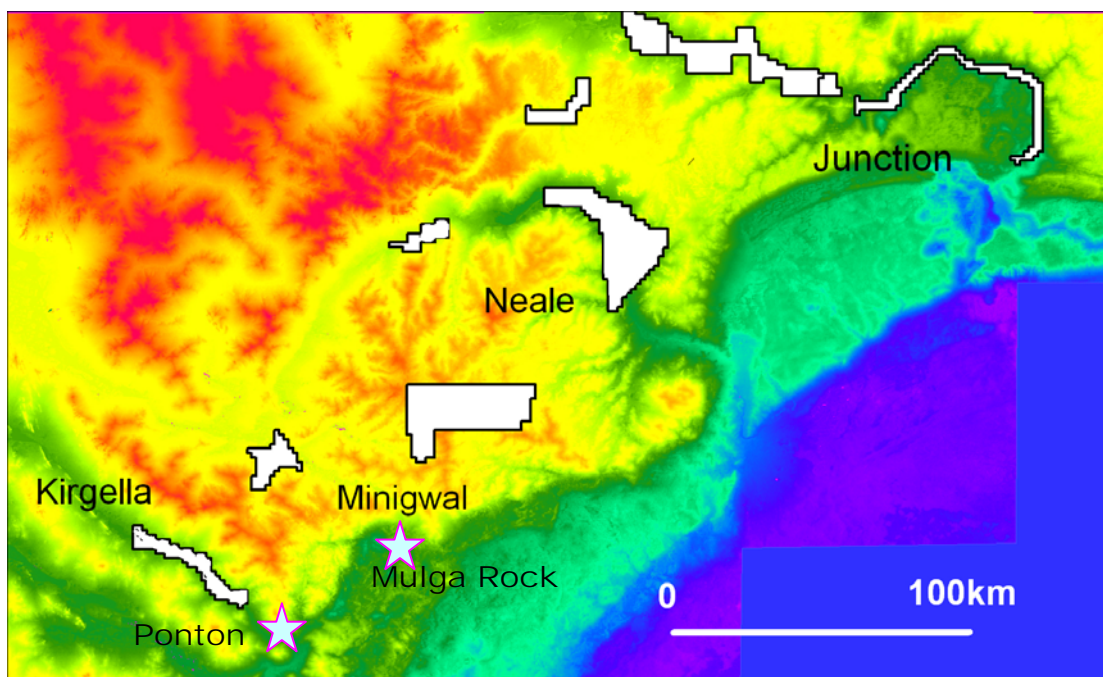
The presence of the Mulga Rocks and Ponton uranium deposits make the Gunbarrel Basin the fourth largest uranium province in Australia. Despite this uranium endowment, exploration has largely been limited to the southwestern quarter of the province. Aura has completed a major review of the province, and, as a result of this review, has acquired a large land holding in this highly mineralised province. This holding includes a significant presence along three of the four main palaeochannels.



Aura's Gunbarrel Basin tenement holdings are:

- The Kirgella Rocks Project, which contains 50 kilometres upstream of Paladin's Ponton uranium deposit
- The Minigwal Project, which includes the interpreted drainage upstream of the Mulga Rocks deposits.
- The Neale and Carlon Projects, which cover over 100 kilometres of the Lake Rason palaeochannel, the next major palaeochannel north of Mulga Rocks, and which is believed to be completely untested.
- The Junction Project, which is a very extensive drainage system north of the Neale Project, and again is believed to be completely untested; Aura holds 244 kilometres of this palaeochannel under application.

Project	No. Tenements	Area	Channel length
Carlton	1	123	24
Junction	4	1489	244
Kirgella Rocks	2	290	50
Minigwal	2	1111	71
Neale	6	832	80
<b>Totals</b>	<b>15</b>	<b>3845</b>	<b>469</b>



Digital elevation model for eastern Yilgarn showing the similar elevations (green), Aura properties in white

The Mulga Rock and Ponton uranium deposits lie in palaeochannels draining the eastern part of the Yilgarn Block. The deposits occur at 30 to 60 metres depth in channels that have surface elevations of 300-350 metres. Mulga Rock, in addition to being a substantial uranium resource, also contains potentially economic levels of nickel, cobalt and gold.

Aura's original projects in the district, **Kirgella Rocks** and **Minigwal**, cover substantial sections of the drainage systems that contain the known deposits. The projects are within channels that contain the Mulga Rock and Ponton deposits.

Past drilling shows that reduced, carbonaceous channel sands occur along Ponton Creek in the Kirgella Rocks Project Area. Uranerz and PNC carried out limited drilling in the Project Area, but only four drill holes have intersected the Ponton Creek palaeochannel over the 50 kilometres of its length held by Aura. Consequently Aura considers that there is considerable potential for sandstone-hosted deposits within the under-explored parts of the Project Area.

Aura's programme at Kirgella will be to define the position of the channel and the basal sand developments within the channel. These locations will be drill tested.

A major radiometric, geological and exploration review of the **Neale/Carlton Project** area, plus field reconnaissance and sampling, has resulted in a very significant expansion in Aura's exploration license applications in the area. The district has a very similar geomorphology to that at Mulga Rocks. It is incised into the laterally extensive Permian Paterson Formation sediments. The elevation and orientation of the broader palaeochannel suggests that it has the potential to contain Eocene or

Cretaceous lignites and carbonaceous sediments similar to those that are host to the uranium, nickel, cobalt mineralisation at the Mulga Rock deposits.

These deposits have no airborne radiometric response. The area has not been drilled previously and consequently the subsurface geology is not known.

The **Junction** palaeochannel also occurs in similar geographic and geologic positions to that hosting the Mulga Rock uranium deposits. As a result of the review of geology and exploration data Aura has secured the greater part of the channel with similar geomorphology, orientation and elevations to those at Mulga Rock. The channel subsurface geology is again not known because the area has not been drilled previously.

The Aura exploration programme for the Gunbarrel Basin Projects will commence with an airborne electromagnetic survey to better understand the geometry and geology of the palaeochannel systems. This will provide the basis for selecting areas containing favourable geology for containing uranium mineralisation. This work will facilitate the siting of drill traverses.

*The information in this report that relates to Exploration Results, Mineral Resources, or Ore Reserves is based on information compiled by Dr Robert Beeson. Dr Robert Beeson 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. This qualifies Dr Beeson as a Competent Person as defined in the 2004 edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Robert Beeson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*