



# Aura Energy Limited (AEE)

**Speculative Buy**

**Experienced management, prospective tenements, new international approach**

**David Whiting**  
dwhiting@taylorcollison.com.au  
+612 9232 1688

**Mark Gordon**  
mgordon@taylorcollison.com.au  
+612 9232 1688

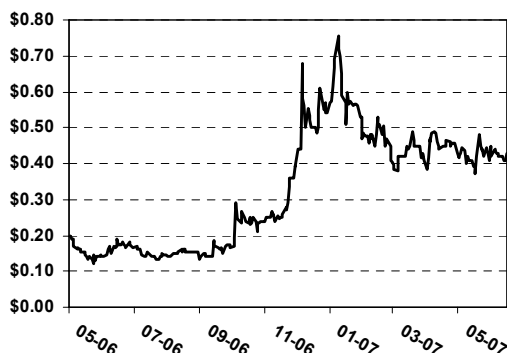
## CAPITAL SUMMARY

Market Cap \$M (undiluted)	\$12.4m
Market Cap \$M (fully diluted)	\$26.4m
Share Price (July 16, 2007)	44c
52 Week Low	12c
52 Week High	80c
Cash (31 March, 2007)	\$3.9m

## DIRECTORS

**Brett Fraser** Non-Executive Chairman  
**Dr. Bob Beeson** Managing Director  
**Jay Stephenson** Non Executive Director and Company Secretary  
**Simon O'Loughlin** Non Executive Director

## SHARE PRICE GRAPH (\$A)



## SUMMARY

*Aura has recently made a key strategic move by applying for highly prospective uranium tenements in Sweden. The tenements are immediately adjacent to a known uranium resource of 77Mlbs uranium and 166Mlbs molybdenum. The geological units hosting the uranium continue into Aura's area of interest. The same geological formations have historically produced uranium in both Sweden and Estonia.*

*The grade of uranium is similar to those at the ERA's Rossing Mine in Namibia. Also present in the target rocks are known occurrences of significant molybdenum, vanadium and nickel.*

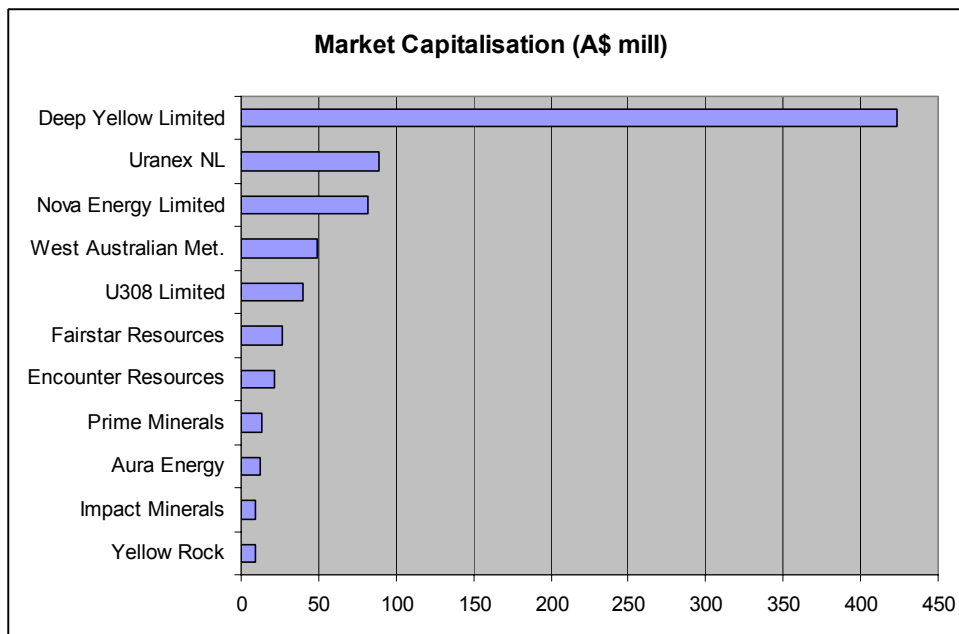
*Currently Sweden produces approximately 50% of their electricity from nuclear power sources and has 10 operational nuclear power plants.*

## KEY POINTS

- Aura has recently applied for exploration tenements over areas of the "Alum Shale" in Sweden, a sequence hosting significant uranium resources.
- The company's tenements in Western Australia are considered highly prospective for calcrete and sandstone-hosted uranium mineralisation
- Encouraging results have been received from drilling on the company's Wondinong Project which are currently being followed up by further drilling
- Canadian company Mega Uranium Ltd ("Mega"), through its subsidiary Mega Redport, have entered into a JV on Aura's Gunbarrel Basin tenements, with Aura maintaining management
- Management team and staff are highly experienced, with this including considerable experience in uranium exploration, and involvement in a number of historical discoveries
- Aura has increased its tenement holdings from 1575 km<sup>2</sup> of tenements at listing to 7000 km<sup>2</sup> by judicious ground selection, largely within the Yilgarn calcrete and Gunbarrel Basin sandstone-hosted uranium districts
- An airborne radiometrics survey has been completed over part of the Gunbarrel tenements, with an airborne EM survey about to commence
- Aura have entered into an alliance with Global Coal Management plc (LSE:AIM:GCM) to identify and acquire uranium projects in Africa, and this will also give Aura access to the London financial markets
- Small market cap and hence undervalued when compared to peers

## Peer Comparison

*Aura has significant upside potential when compared with its peers.*



The above graph compares the undiluted market capitalisation of Aura with other dominantly Western Australian grassroots explorers.

As can be seen there is significant potential for growth in the market capitalisation of the company.

## Background

*Aura listed on the ASX in May 2006 after the raising of A\$5M.*

Aura Energy Limited (“Aura”) listed on the ASX on May 30, 2006, after the raising of A\$5 million to explore for uranium on nine tenements within the Yilgarn of Western Australia. The combined areas of the tenements at listing was 1575 km<sup>2</sup>, and are considered prospective for calcrete, sandstone and Mulga Rocks style lignite-hosted uranium deposits.

The directors and management of Aura have extensive experience in the mining and exploration industry, and include personnel with significant uranium exploration experience in Namibia and Australia.

*The company’s tenement position has grown to over 7000km<sup>2</sup> since listing through judicious pegging of prospective ground*

Subsequent to listing the company grew its tenement position to over 7000 km<sup>2</sup> in 38 tenements, divided between the Yilgarn calcrete holdings and the Gunbarrel Basin sandstone and lignite-hosted uranium province. In addition the company has applied for tenements over areas of airborne radiometrics uranium anomalism in the Kimberley region of WA, with the target mineralisation style being unconformity-type uranium deposits, analogous to those found in the Athabasca Basin of Canada and the Alligator Rivers Field in the Northern Territory. This growth has been achieved by judicious pegging of tenements, such that all tenements held can be considered prospective for uranium mineralisation.

*The company has recently applied for 64 km<sup>2</sup> of tenements over the highly prospective “Alum Shale” in Sweden*

More recently the company has applied for 64 km<sup>2</sup> of tenements over areas of the highly uranium prospective “Alum Shale” in Sweden. This unit contains significant uranium resources, with mining for uranium within the unit previously being carried out both in Sweden and Estonia. This, in addition to the company’s African initiative described below offsets the company’s exposure to the current Western Australian political risk.

*Initial drilling programme completed at Wondinong with positive results.*

Aura has completed an initial drilling programme at its Wondinong project, located near Mt. Magnet. This programme, consisting of 335 shallow holes drilled during September and December 2006 confirmed the presence of widespread shallow uranium mineralisation over an area of at least 15km<sup>2</sup>, with the area of mineralisation open to the north, northwest and south. This drilling was carried out on a grid spacing of 200 by 200 and 200 by 400 metres, with holes ranging in

*Assay results suggest that there is more uranium present at Wondinong than that indicated by downhole logging.*

*A third drilling programme is under way at Wondinong, with the aim of infilling and extending the resource, and leading to an inferred resource calculation*

*Aura have entered into a JV with Mega Report, a subsidiary of Mega Uranium, to explore the Gunbarrel Basin tenements.*

*Enters into strategic alliance with Global Coal Management to look for opportunities in Africa.*

*Through the alliance Aura will have access to the London financial markets*

*The company has applied for tenements over the highly uranium prospective "Alum Shale" in Sweden.*

*One application is within 1400m of a 77Mlb uranium resource.*

depth from 2 to 40 metres; with the majority being 5 metres deep.

Selected samples were sent for assay and the results of this show that 81% of these reported higher assay values than those indicated by the downhole logging. This suggests that there is more uranium at Wondinong than previously indicated.

A third drilling programme over Wondinong is now under way. This drilling is targeting both extensions to the mineralisation outlined in the previous programmes, as well as infilling certain areas of the delineated mineralisation. The results of this drilling will determine whether Aura can take Wondinong to inferred resource status.

On December 19 2006 Aura announced that it had entered into a JV agreement with Mega Redport, a subsidiary of Mega Uranium Limited ("Mega") of Canada to explore Aura's Gunbarrel Province properties. Under the terms of the agreement Mega will spend A\$3 million over 3 years to earn 50%, and can increase its interest to 70% by spending another A\$3 million over a further 18 months. The minimum expenditure in the first year is A\$1 million, and Mega must spend a minimum of A\$1.5 million before it can withdraw from the project. Aura retains management of the project. The company have recently completed an airborne radiometrics survey over portions of these tenements, and are about to commence an airborne EM survey.

Most recently the company has entered into a legally binding Heads of Agreement with Global Coal Management plc ("GCM") to enter into an alliance to identify and acquire uranium projects in Africa. GCM is a London-based resource development company with its shares traded on the LSE Alternative Investment Market. The Alliance will be managed and exploration conducted by Aura, with funding to be provided jointly. The initial term of the alliance is for two years, with GCM to provide funding of A\$400,000 for the first two years of the project. This will also give Aura access to the London financial markets

## Projects

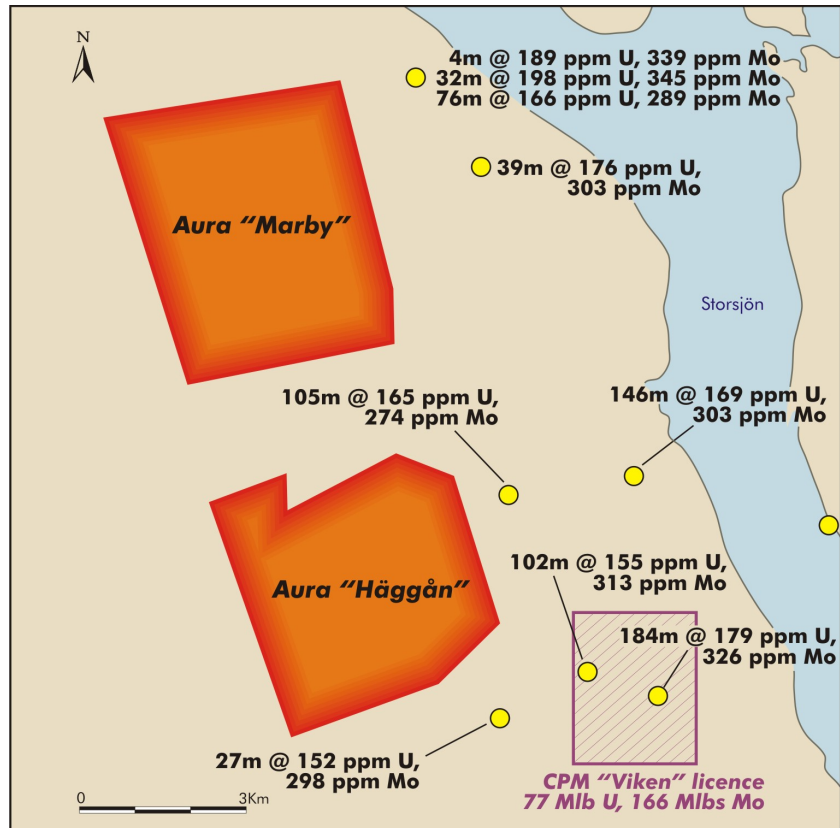
### **Swedish Tenement Applications – AEE 100%**

On June 19 2007 the company announced that it had applied for 64 km<sup>2</sup> in three tenements over the highly uranium prospective "Alum Shale" unit in Sweden. This unit is a historical producer in both Sweden and Estonia, and contains significant resources of uranium at grades similar to those at Rossing in Namibia and a number of large calcrete deposits. In addition areas of the shale contain significant molybdenum (up to 400ppm), vanadium and nickel grades, with the potential to double the in-ground value of the contained uranium. The company has targeted areas of near surface and outcropping shales with the potential to host higher grades of uranium and other metals.

The applications are in areas close to drillholes with the highest Mo grades reported for the Swedish Alum Shales, and in addition one of the applications is within 1400m of Continental Precious Mineral's "Viken" licence, which has a resource of 77Mlbs U and 166Mlbs Mo.

Significant thicknesses of mineralisation have historically been intersected within the shales, with the potential for mineralised intervals to be in excess of 200m due to structural repeats. The highest grades are typically located near the top of the host sequence.

The applications, which are located near the Norwegian border in forest areas that are frequently harvested, are expected to be granted within the next 2 to 3 months.

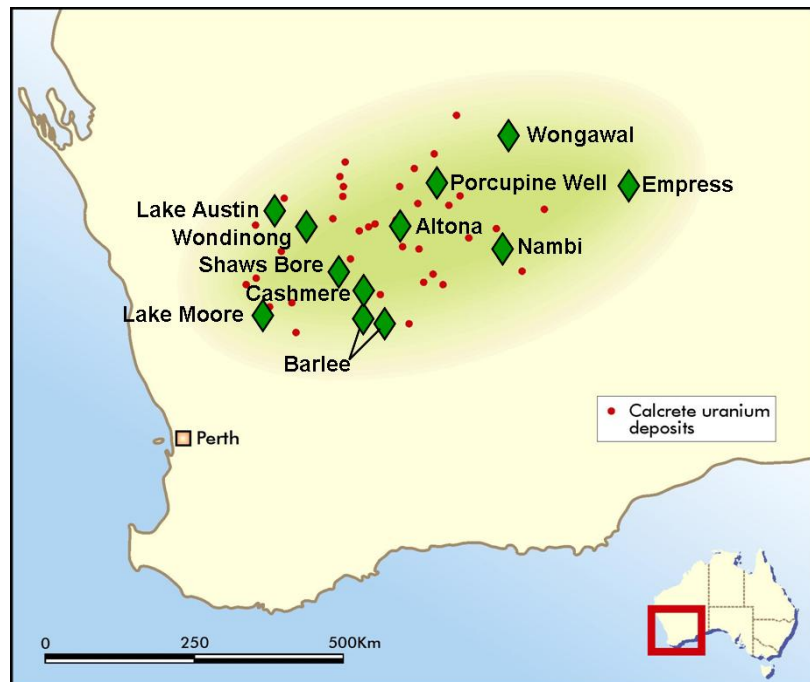


**Aura's western applications in Sweden, showing historical; drilling and proximity to CPM's "Viken" resource**

**Yilgarn Calcrete - Western Australia – AEE 100%**

*Significant landholding in the Yilgarn calcrete uranium province*

The Yilgarn calcrete projects are shown in the figure below. Aura's current landholding in the Yilgarn calcrete province, the third ranked uranium province in Australia based on contained U<sub>3</sub>O<sub>8</sub>, is over 2200 km<sup>2</sup> in 20 target areas, containing over 440km of known mineralised drainages.

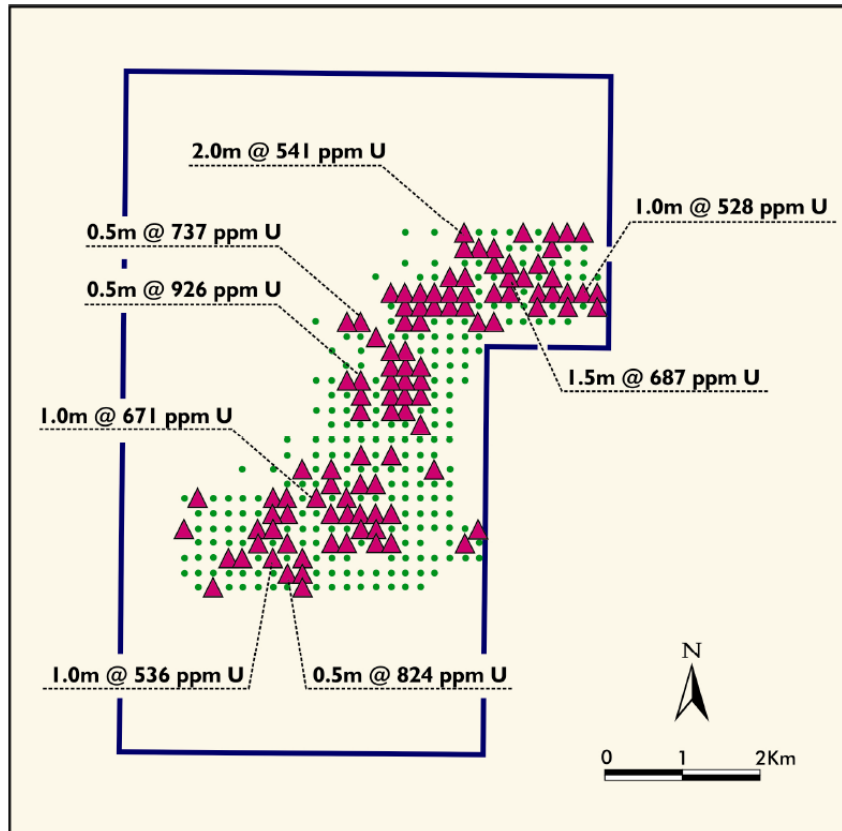


**Aura's calcrete uranium projects**

Exploration in the 1970's led to the discovery of a number of calcrete deposits in the Yilgarn, including Yeelirrie, Lake Way, Lake Austin and Wondinong. The Yeelirrie deposit contains 52,000 tonnes of  $U_3O_8$ .

**Wondinong Project**

The Wondinong Project is located on the edge of Lake Austin in the central north of the Yilgarn block and was discovered by WMC in the 1970's. The project occurs where the Wondinong-Windsor drainage system enters the western end of Lake Austin, in the vicinity of Energy Metals' Lake Austin Project.



**Wondinong drilling : selected higher grade intercepts**

*Fig. 2: Distribution of higher uranium intersections from the assay results received to date; Aura drill holes with intercepts with greater than 200ppm  $eU_3O_8$  over a continuous thickness of more than 20cm, based on downhole radiometric logging (red triangle); other Aura drill holes as green circles*

*Historic drilling at Wondinong outlined a significant uranium anomalous area*

WMC completed a drilling programme over the area in the 1970's on a 5000 by 1000 grid spacing, with an area of approximately 8 km<sup>2</sup> defined by holes with greater than 0.02%  $eU_3O_8$ .

Aura commenced a drilling programme in September 2006, with drilling being completed in December 2006. One of the purposes of this drilling, on over 14km<sup>2</sup> of uranium anomalous area, is to delineate an inferred resource, and was carried out on a 200 by 200m and 200 x 400m spacing.

*Drilling by Aura at Wondinong has delineated significant mineralisation*

Of the 335 holes drilled 94 have drill logging intercepts in excess of 200ppm  $eU_3O_8$  over a minimum of 20cm, with the best result being 0.82m at 1348ppm  $eU_3O_8$ . This intersection, in hole WAC068, is on the northernmost line of drilling and is open to the north. The >200 ppm uranium results form coherent zones with lateral continuity, and are open to the north and northwest.

Aura subsequently sent samples from a number of holes for assay. Of these, results have been received for 63 holes, with 51 (81%) of these reporting higher contents of uranium than that indicated by the downhole logging. This suggests that there is more uranium present at Wondinong than indicated by the logging.

A third drilling programme is now underway, with this following up the results

received to date as well as extending the drill pattern where mineralisation remains open. The results of this drilling will determine whether Aura can take Wondinong to an inferred resource status.

*Mineralisation at Wondinong is shallow, and low operating costs would be expected in any future operation.*

Mineralisation at Wondinong is typically shallow, generally occurring in the top two metres. Indicative mining costs could be in the order of A\$2/tonne, with operating costs of US\$15-20/lb.

Aura have recently acquired the Curbaweeda Project, the next uranium mineralised drainage to the west of Wondinong. This licence covers 31 km<sup>2</sup> of uranium anomalous calcrete-bearing channel and delta system draining into the western end of Lake Austin.

### **Altona Project**

*The Altona Project is located in uranium anomalous drainages to the south of Yeelirrie*

The Altona Project is located approximately 50km south of Yeelirrie, and covers 115km of the next major calcrete-bearing channel south of that hosting Yeelirrie. This drainage system contains several uranium targets and occurrences both upstream and downstream of the Aura tenements.

The channel was partially explored in the 1970's by a number of companies with encouraging results.

### **Other Calcrete Projects**

Aura has commenced fieldwork in its other calcrete projects in Western Australia. It is particularly encouraged by the identification of radiometrically anomalous calcrete outcrops at its Lake Moore and Porcupine Well Projects. Assays of samples collected from these project areas are awaited.

### **Gunbarrel Basin Uranium Province Western Australian – AEE 100%, Mega to earn up to 70%**

*Aura holds three out of four significant palaeochannels in the Gunbarrel Basin*

Aura's holdings in the Gunbarrel Basin in the eastern Yilgarn area are shown in the figures below. These holdings are prospective for sandstone-hosted and Mulga Rock style lignite-hosted mineralisation, and have been pegged over three of the four main palaeochannels in this hitherto under-explored province.

*These palaeochannels, which drain the eastern Yilgarn, host significant uranium deposits*

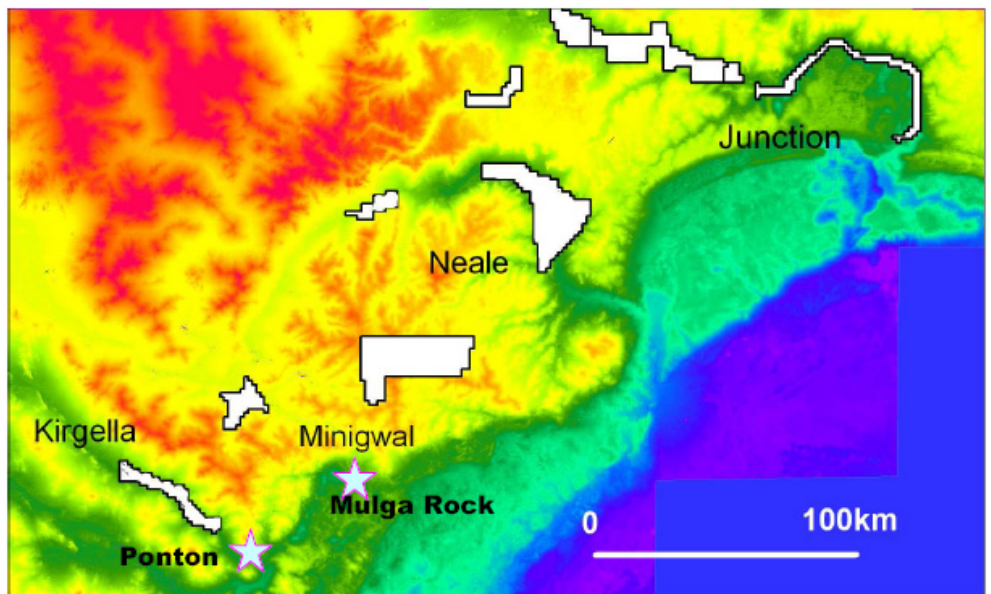
These palaeochannels drain the eastern Yilgarn Block, and host significant uranium mineralisation, with some estimates ranking the Gunbarrel Basin as the fourth most significant uranium province in Australia in terms of contained U<sub>3</sub>O<sub>8</sub>. Known deposits in the region include Mulga Rock (46,000t U<sub>3</sub>O<sub>8</sub>), Ponton (15-20,000t U<sub>3</sub>O<sub>8</sub>) and the Thatcher Soak calcrete deposit (6,000t U<sub>3</sub>O<sub>8</sub>). In view of the locality and known mineral endowment these tenements are considered very prospective for additional discoveries.

*Aura has entered into a JV with Mega Redport to explore the Gunbarrel tenements, with work now having commenced.*

Aura has entered into a joint venture with Mega Redport to explore these tenements, with the terms of this agreement described earlier. Initial work under this agreement has commenced, with an airborne radiometric survey being completed over "Junction", the northernmost of the company's tenements in the basin. The company is now about to commence an airborne EM programme over parts of its holdings.



Map showing the distribution of palaeochannels flowing into the Eucla Basin, known deposits and Aura Gunbarrel Basin tenements

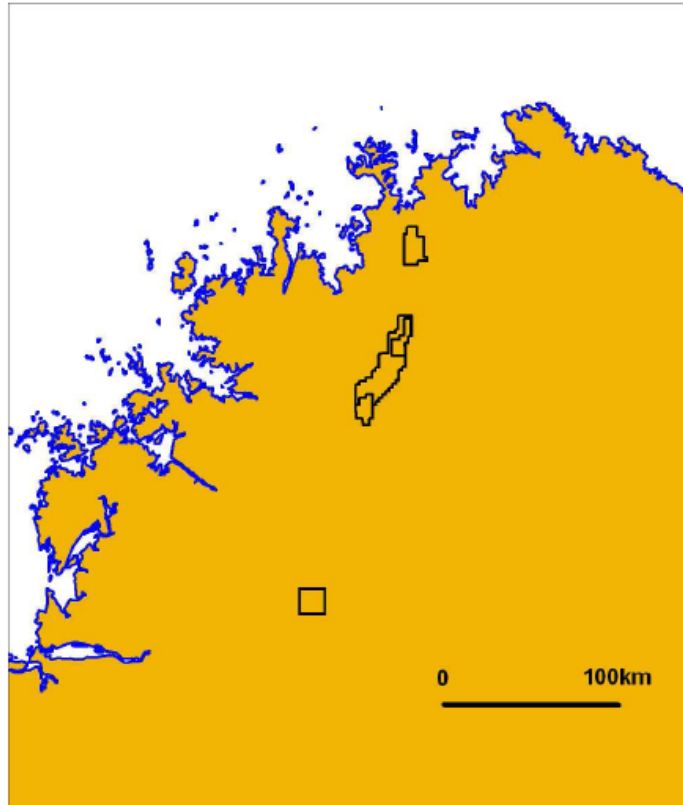


Aura tenements, digital terrain model and known uranium deposits, Gunbarrel Basin

The company has acquired tenements in the Kimberley of Western Australia which are being assessed for unconformity-type mineralisation.

**Kimberley Basin – AEE 100%**

Aura has acquired extensive areas (in seven tenements) of airborne radiometric anomalies in the Kimberley area of Western Australia, which are being assessed for unconformity-type uranium mineralisation. This target style is analogous to those found in the Athabasca Basin of Canada and the Alligator River Mineral Field of the Northern Territory.



**Aura's Kimberley tenement applications**

Preliminary fieldwork has been carried out over a number anomalies in one of the tenements, and has outlined uranium anomalism in phosphatic sandstones, with assay values up to 238ppm  $U_3O_8$ .

### **Uranium Project Acquisition Alliance For Africa**

*Aura has signed a legally binding heads of agreement with Global Coal Management plc to identify and acquire uranium projects in Africa.*

Aura has signed a legally binding heads of Agreement with Global Coal Management plc ("GCM") to form an alliance to identify and acquire uranium projects in Africa. This Alliance brings together the complementary strong technical expertise of Aura with the mining and project development expertise of GCM. This Alliance will also allow Aura ready access to the London financial markets.

GCM is an AIM listed company, with its principal activity developing the coal project at Phulbari in Northern Bangladesh, for which a completed Feasibility Study provides for the mining of up to 15 Million tonnes per annum of coking and thermal coal. GCM has a Board and management with over 100 years of mine financing, development, operational and management experience at a number of commodity types and locations.

The Alliance is to be managed and exploration conducted by Aura, with funds being jointly provided by Aura and GCM. The initial term of the Alliance is for two years, with GCM's obligation to fund A\$400,000 during this period.

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## Conclusions and Recommendations

*The company has a prospective tenement package, is well funded and a board and management with extensive uranium experience*

The experienced board and management, as well as the prospective tenement package underpin our confidence in the company as a grassroots explorer, and hence we recommend Aura as a speculative buy.

The company has built up an impressive and prospective tenement package in areas of known uranium mineralisation, and with its own cash reserves and in entering into the JV with Mega Redport will have the funding to carry out effective exploration. This combined with the impressive technical uranium experience of the board and management points to every chance of success.

The results of drilling at Wondinong are positive, and although intersections are relatively narrow there is potential for an economic resource to be delineated given the current uranium price.

The company's strategic move into Africa and Sweden is significant, giving it considerable potential to discover and develop uranium resources in areas with a history of uranium mining.

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### **Taylor Collison Limited** **Sharebrokers and Investment Advisers**

A.B.N. 53 008 172 450  
AFSL No. 247083

Participant of the Australian Stock Exchange Group  
Level 2, 12 Pirie Street  
Adelaide, South Australia, 5000  
G.P.O. Box 2046 Adelaide, South Australia, 5001  
Telephone: 08 8217 3900 Facsimile: 08 8231 3506  
Email: [broker@taylorcollison.com.au](mailto:broker@taylorcollison.com.au)

Level 2, 55 Hunter Street  
Sydney, New South Wales, 2000  
G.P.O. Box 4261, Sydney, New South Wales, 2001  
Telephone: 02 9232 1688 Facsimile: 02 9232 1677  
Email: [sydney1@taylorcollison.com.au](mailto:sydney1@taylorcollison.com.au)

[www.taylorcollison.com.au](http://www.taylorcollison.com.au)

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