AEE.AU

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Uranium, Base Metals
Sweden, Australia, Mauritania, Niger
Scoping Study
Exchanges: ASX:AEE

Aura Energy Limited

A$ 0.14

Häggån (Sweden, AEE 100%) Updated Scoping Study demonstrates bacterial heap leach as economically robust with low capex and opex; 25+ year LOM. Breakthrough advancements achieved in project metal recoveries and process design (U_3O_8, Ni, MoO_3).

Capital Profile

Share price (A$)	0.14		
52 week range (A$/share)	0.12	to	0.36
Number of shares (m)	160		
Options and warrants (m)	31		
Convertible notes (m)	0		
Fully diluted (m)	190		
Market capitalisation (undiluted) (A$m)	22.3		
Debt (A$m) - Jun 12F	0.0		
Enterprise value (A$m)	22.3		
Major shareholders:			
USB Nominees (6.78%)			
Avg monthly volume (m)	8		
Cash (A$m) - Jun 12F	1.9		
Price/Cash (x)	11.7		
Price/Book (x)	1.3		
Listed company options	No		

Production and Financial Forecasts

Year End: June	Mar-12a	Jun-12F	2011a	2012F	2013F
Exploration and evaluation (A$m)	0.45	1.00	4.88	3.39	4.00
Corporate (A$m)	0.56	0.45	1.39	1.82	1.80
Exploration/(Expl.+ Corporate) (%)	44	69	78	65	69
Funding duration at current burn (years)			0.5	0.4	0.2
Shares on issue (pr end) (m shares)	159.6	159.6	132.3	159.6	184.6
Drilling - RAB (m)	1,000	1,000	4,000	4,000	4,000
Drilling - Other/Diamond (m)	5,000	5,000	16,000	20,000	16,000
Land holding ('000 ha)	1,648	1,648	1,648	1,648	1,648
Tenement costs ($k per year)	-	-	-	-	-
Capital raisings (A$m)	3.2	0.0	8.8	4.2	5.0
Funding from JV partners (A$m)	0.0	0.0	0.0	0.0	0.0
Cash (A$m)	3.3	1.9	3.3	1.9	1.2
Cash backing (Ac/share)	2.1	1.2	2.5	1.2	0.7
Net asset backing (Ac/share)	10.8	10.5	10.7	10.5	10.9

*Uranium prospective tenements only, both held and under application. Quarters refer to calendar year.

Investment Points

AEE exploration budget ~$4mpa; focused on uranium at Häggån and Reguibat.

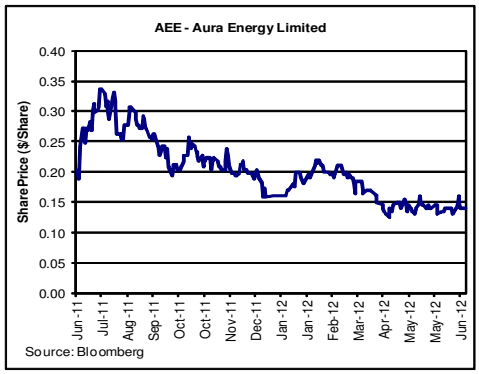
Häggån, Sweden: 631mlbs U_3O_8 @ 160ppm; potential co-products Ni, Zn, Mo. Equiv grade 250-300ppm U_3O_8. Pre-tax NPV_{10} US$1.8bn (at US$65/lb U_3O_8).

Häggån: one of the 10 largest U resources in the world, covers only 15% of permit area. Long-term potential >1000mlbs U_3O_8. Resource upgrade expected 3Q12.

Updated SS (May '12): 30mtpa heap leach; annual production 7.8mlbs U_3O_8, 14.8mlbs Ni, 4.3mlbs Mo; opex US$26/lb net of credits, pre-production capex US$537m.

Mauritania, Reguibat Project: initial calcrete-hosted uranium resource 50mlbs grading 0.034% U_3O_8. Drilling 5,000m 1H12. Scoping study 1H13.

Sweden, Mauritania and Western Australia are pro uranium jurisdictions with strong mining sectors.



Company Comment

Overview: Aura Energy listed on the ASX May '06. It has advanced exploration projects for uranium in Sweden and Mauritania, as well as a calcrete resource and exploration assets in WA.
Alum Shale Projects (Sweden): AEE holds 100% of 147km^2 over the Alum Shale uranium province in northern 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.
Updated Scoping Study (May '12, RMDSTEM Ltd) follows the Feb '12 release of the Scoping Study (RMDSTEM). Key changes in the financial model of the updated study include heap leach uranium recovery of 75% (previously 62%); and higher moly production of 4.3mlbspa (previously 3.6mlbs). The project development route is open cut, bacterial heap leach. The pit shell contains 1bt of mineralisation, low strip ratio of 0.75:1, production rate of 30mtpa, and initial LOM of 25 years. Production rate of 7.8mlbspa U_3O_8, 14.8mlbspa Ni, and 4.3mlbspa Mo. Modelled heap recoveries are 75% U_3O_8, 68% Ni, and 25% Mo, supported by bacterial agitation and column leach tests at ANSTO and PCRC (Parker). Design parameters include metal prices of US$65/lb U_3O_8, US$7.9/lb Ni, and Mo US$16/lb. Zinc and vanadium were excluded from the modelling and zinc, in particular, represents upside potential. Drilling results (Jun '12) extended uranium mineralisation; resource upgrade expected 3Q12 with positive implications for project NPV.
Mining: The deposits are flat lying, near surface and average 108m thick, which support relatively low cost open pit mining at ~US$2.50-$3.00/t ore. The Scoping Study indicates opex of US$13.50/t (US$26/lb U_3O_8 post credits). **Pre-Feasibility**: expected to commence 2012. There is potential to lift revenues and lower project costs by improvements to metal extractions, production of Zn, reduction of crushing and mining costs, and optimization of project scale. A **comparable project** is **Talvivaara** (LSE:TALV) which is a successful bacterial heap leach project in Finland. Guidance for ore stacking in 2012 is 18mt (nameplate design 24mtpa), recovering Ni-Co-Cu. A deal with Cameco should see production of 0.8mlbspa U_3O_8 from 17ppm head grade commence 2H12. Costs are US$2.60/t mining and US$10-11/t for bioleach, i.e. combined ~$13/t (expected to fall to ~US$12/t at full production). It is a smaller scale, higher strip ratio project (>1:1) providing confidence in Häggån's projected opex (US$13.50/t).
Reguibat Project (Mauritania): AEE is one of the largest uranium landowners in a new uranium field. Mineralisation is single, flat lying sheets within 1m of surface and 1m-10m thick calcrete. There is high potential to expand the existing resource and define new targets. Establishing economic infrastructure options in this remote area will be a key aspect of the Scoping Study, expected 1H13.
Investment Comment: AEE Updated Scoping Study modelling for Häggån indicates a pretax NPV_{10} of ~US$1.8bn (at US$65/lb U_3O_8). Most significantly, bench scale studies confirm that breakthrough advancements have been achieved in relation to project metal recoveries and process. RCR values AEE at A$0.58/share ($107m; US$0.16/lb U_3O_8), including a factored, early stage A$0.43/share for Häggån (see adjacent valuation table); after tax, de-risked NPV_{10} for Häggån ~US$700m (at US$60/lb U_3O_8). There is considerable potential upside to NPV as confidence increases and project milestones are achieved. Heap leach scale-up and validation testwork underway; results expected 3Q12. Gresham corporate advisory appointed 2Q12 to review funding and development strategies for Häggån. Share price catalysts in 2012 could include PFS newsflow at Häggån, securing a project partner, and exploration results.

Reserves and Resources/Mineralised Material

Code for reporting mineral resources - Australian: (JORC)

Uranium	Classification/	Project	Ore	U_3O_8	Cut Off	U_3O_8	U_3O_8	U_3O_8 Eqty
U_3O_8	Geology	Equity	Mt	%	ppm	Kt	Mlb	Mlb
Reserves						**0.0**	**0.0**	**0.0**
Resources								
Häggån*	Inferred	100%	1791	0.016	100	287	631	631
Reguibat	Inferred	100%,70%	67.3	0.034	150	22.9	50.2	49.8
Wondinong	Inferred	100%	6.5	0.0185	150	1.2	2.6	2.6
Total						**310.6**	**683.8**	**683.4**
Mineralised Material (est., non compliant with JORC)						**0.0**	**0.0**	**0.0**

* Resource includes 0.0214% MoO_3, 0.1551% V_2O_5, 0.0324% Ni and 0.0545% Zn

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Key Projects

Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Häggån	100%	U,Mo,V,Ni	na	Alum shale	na	Adv Expl	Sweden
Mauritania	100%, 70%	U	Ghazal	calcr/granite	na	Mid Expl	Mauritania
Gunbarrel	100%	U	na	sandstone	na	Early Expl	Aus (WA)
Wondinong	100%	U	na	calcrete	na	Adv. Expl	Aus (WA)
Ebadargene	100%	U	na	sandstone	na	Early Expl	Niger
Virka	100%	U	na	vein	na	Mid. Expl	Sweden
Kallsedet	100%	U	na	Alum shale	na	Early Expl	Sweden

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AURA ENERGY LIMITED VALUATION

		Equity %	Base Resource Val'n US$/lb	Base NAV A$m	NAV Factor %	Adjusted Value A$m	Adjusted Uranium Price Sensitivity A$m			
Assumptions										
LT Realised Uranium Price	: US$/lb			**60**		**60**	**40**	**50**	**70**	**80**
LT Exchange Rate: AUUS				0.84		0.84	0.84	0.84	0.84	0.84
Projects										
Häggån project	: NPV @10%	100%	0.11	823	10%	82	10	35	129	176
Resources and Exploration										
Reguibat	: 49.9mlbs	100%	0.65	32		32	10	30	40	50
Other				1		1	1	1	2	4
Sub-total Exploration				33		33	11	31	42	54
Assets										
+ Cash				3		3	3	3	3	3
+ Tax losses				3		3	3	3	3	3
Liabilities										
- Debt				0		0	0	0	0	0
- Corporate				15		15	15	15	15	15
- Reclamation				0		0	0	0	0	0
AEE Net Assets				**848**		**107**	**13**	**58**	**163**	**222**
Fully diluted shares (m)				190.1		190.1	190.1	190.1	190.1	190.1
Cash on Option Conversion				3.0		3.0	3.0	3.0	3.0	3.0
AEE Net Asset Value per share	**: A$/share**			**5.31**		**0.67**	**0.08**	**0.36**	**1.02**	**1.39**
AEE Net Asset Value Diluted	**: A$/share dil**			**4.47**		**0.58**	**0.08**	**0.32**	**0.87**	**1.18**
Sensitivity of Net Asset Value to Equity Raising Price:										
AEE NAV (assuming A$300m capex raised in share issue at A$3.00)				3.97		**1.41**	1.19	1.36	1.76	1.98
AEE NAV (assuming A$300m capex raised in share issue at A$1.00)				2.35		**0.84**	0.93	1.06	1.37	1.54
AEE NAV (assuming A$300m capex raised in share issue at A$0.50)				1.46		**0.52**	0.64	0.74	0.95	1.07

Comparables

	Shares m	Price LC/sh	Cash LCm	Adjusted EV LC$m	mt	Uranium Resource Cut-off ppm	Uranium Resource Grade U_3O_8 %	mlbs	EV/resource U$/lb
Häggån									
Continental Precious Metals Inc (TSX:CZQ)	51.7	0.29	14	1.0	2855*		0.017	1048	**0.00**
	(Viken (Sweden) resource cut-off at US$7.50)*								
Reguibat									
A-Cap Resources Ltd (ASX:ACB)	200.1	0.13	5.1	20.9	351^	100	0.0153	121	**0.17**
	(^ includes Letlhakane higher grade resource)				*89.7*	*200*	*0.0284*	*56*	***0.37***

LC: local currency
AUUS: 1.00
CAUS: 1.01

HÄGGÅN URANIUM PROJECT KEY ASSUMPTIONS (derived from AEE Updated Scoping Study (RMDSTEM) - May 2012)

RESOURCE ESTIMATES

Uranium Resource		Cutoff	Tonnes Mt	Grade % U_3O_8	Uranium Mlbs	Nickel Mlbs	Moly Mlbs
Resource (Inferred)	Haggan	100ppm	1791	0.016	631	1277	843
RCR modelling assumptions	Haggan	100ppm	1791	0.016	631	1277	843

MINING METHOD	OPEN PIT		
PROCESS METHOD	BACTERIAL HEAP LEACH		
RESOURCE CONVERSION	:%	60%	(Inferred to Indicated or better)
TONNAGE DILUTION	:%	na	
GRADE UPLIFT	:%	na	
BASE CASE ASSUMPTIONS			
PRODUCTION RATE	:mtpa	30	
AVERAGE HEAD GRADE - U3O8	:%	0.016	
HIGH GRADE	:%	na	
RECOVERY - URANIUM	:%	75	Modeled recovery 75%. Column leach tests: 85% recovery.
URANIUM PRODUCTION	:mlbspa	7.8	Production rate based on PFS resources
NICKEL PRODUCTION	:mlbspa	14.8	Modeled recovery 68%. Column leach tests: 65% recovery.
MOLYBDENUM PRODUCTION	:mlbspa	3.6	Modeled recovery 25%. Column leach tests: 25% recovery.
CAPITAL COSTS - INITIAL DEVELOPMENT	:US$m	637	Includes Scoping Study initial capex of US$537m and RCR working capital assumption of US$100m.
SUSTAINING CAPEX	:US$mpa	18	
EVALUATION/PERMIT COSTS - TOTAL	:US$m	50	RCR project development estimates - PFS, BFS and permitting related costs.
OPERATING COSTS: (C1)	:US$/t	13.50	RCR imputed overall cash cost per tonne.
	:US$/lb	51	Pre by-product credit (Ni and Mo).
	:US$/lb	26	Net of by-product credit (Ni price US$7.90/lb; and Mo price US$16/lb).
TAX	:%	26.2	Corporate tax rate.
ROYALTY	:%	0.15	
MINE LIFE	:Years	25+ Years	
COMMISSION PROJECT	:	1Q 2018	RCR assumptions: 6 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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