

7 May 2014

MAURITANIA, SWEDEN, AUSTRALIA

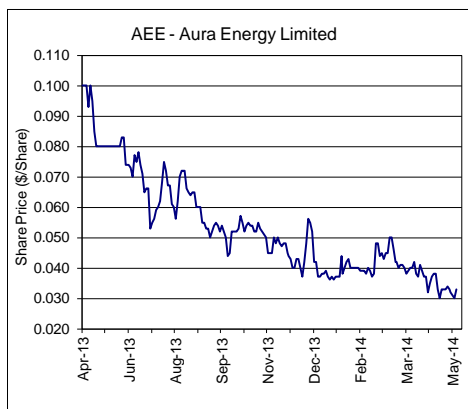
URANIUM, BASE METALS

SCOPING STUDY

EXCHANGE: ASX:AEE

## CAPITAL PROFILE

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



## DIRECTORS

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Bob Beeson (Managing Director)  
Brett Fraser (Non Exec Dir)  
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## AURA ENERGY LIMITED

Price: A\$0.033

**Reguibat uranium project: shaping up to hit the market's sweet spot with high beneficiation grade (0.25% U<sub>3</sub>O<sub>8</sub>), large resource (49mlbs U<sub>3</sub>O<sub>8</sub>), easy mining, modest scale plant, low opex/capex and expected streamlined permitting. Scoping Study expected June 2014. 12 month target price \$0.14/share. Longer term, the massive Haggån project is well positioned to drive growth and currently represents a free option.**

## INVESTMENT POINTS

- ◆ Reguibat Project, Mauritania (AEE 100/70%): Exciting new calccrete uranium province. AEE resource 49mlbs at 0.033% U<sub>3</sub>O<sub>8</sub> at or near surface. Exploration Target indicates potential to exceed 100mlbs.
- ◆ Reguibat Project: Highly amenable to beneficiation: Initial testwork (4Q13) indicates 5-9X grade uplift may be achievable. This could see the 66mt resource concentrated to around 15mt at +2500ppm U<sub>3</sub>O<sub>8</sub> (0.25%).
- ◆ Reguibat Scoping Study at Zone A, due June 2014 is expected to be a key turning point for AEE; Feasibility Study possible 2H15 – subject to funding (est. \$3-5m required); production potential 4Q16.
- ◆ World class Haggån Project, Sweden: One of the largest uranium projects in the world. Resource 803mlbs U<sub>3</sub>O grading 155ppm; potential co-products Ni, Zn, Mo. Equiv grade 250-300ppm U<sub>3</sub>O<sub>8</sub>.
- ◆ Haggån Project is large capacity, long life, easy to mine, in a stable mining friendly jurisdiction, with proximal key infrastructure, staged low capital development, and low opex in the bottom 2 quartiles of the WNA 2010 cost curve. Awaiting improved market conditions to advance to PFS; 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 \$0.14/share (mkt cap \$28m).
- ◆ The uranium price is US\$29.00/lb (spot); US\$45/lb (contract). Challenging market conditions are expected to persist short- to mid-term, though a turnaround is anticipated as Japanese reactors start to come back online, possibly 2H14. Significantly, uranium fund UPC raised C\$57.6m Feb '14 in a sign that investors are starting to look to a market turnaround. Positive fundamentals longer term are expected to drive the incentive price above 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 calcrete 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 U<sub>3</sub>O<sub>8</sub> grading 334ppm** (100ppm cut-off, Jul '11, AEE 100/70%). 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 U<sub>3</sub>O<sub>8</sub> (300ppm cut-off. There is an Exploration Target for a further 50mlbs U<sub>3</sub>O<sub>8</sub> (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.

**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 – further testwork is proposed for the DFS. Basic scrubbing and cleaning could see the 66mt resource concentrated to around 15mt at +2500ppm (0.25% U<sub>3</sub>O<sub>8</sub>; 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 calcrete 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. Potential C1 costs ~US\$30/lb subject to beneficiation uplift. Target capex US\$50-60m. **Alkaline leaching indicated high recoveries of 94%**, with moderate to high reagent consumption.

**Reguibat Scoping Study:** is focused on Zone A (Eastern Reguibat) where the plant will be located. Planning assumes a notional 15 years mine life at 1mtpa capacity, using higher grades from Zone C, I, and J. The feed grade to the leach plant in the initial years could be as high as 3000-4000ppm U<sub>3</sub>O<sub>8</sub> (0.3-0.4%) for early project payback. The Scoping Study is expected to assume a conservative 5X beneficiation uplift factor. Shallow open pit mining is envisaged and will be low cost, having a low strip ratio in the range of 0.2-0.3 and freedig. The area is remote, uninhabited desert, and permitting delays are not expected.

**Reguibat looks like it could fall within the market's sweet spot with anticipated low opex and 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. Scoping Study expected Jun '14; Feasibility Study possible 2H15 – subject to funding (est. \$3-5m).

**Tiris Joint Venture - Reguibat Project:** (1000km<sup>2</sup>) 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 30km<sup>2</sup>. AEE soil samples to date confirm over 5km strike within 10km<sup>2</sup> 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 147km<sup>2</sup> 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) while retaining low opex (<US\$25/lb) (see table).

**Häggån Scoping Study** (May '12, RMDSTEM Ltd). Large scale open cut, bacterial heap leach. Modelled heap recoveries are 75% U<sub>3</sub>O<sub>8</sub>, 68% Ni, and 25% Mo (Ni price US\$7.90/lb and Mo US\$16/lb). Zinc and vanadium were excluded from the modelling and zinc, in particular, represents upside potential. Resource is 803mlbs U<sub>3</sub>O<sub>8</sub> with Exploration Target indicating additional upside of 440 to 840mlbs U<sub>3</sub>O<sub>8</sub>, potentially making it the largest uranium deposit in the world. 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<sub>3</sub>O<sub>8</sub> co-product Ni and Mo; or US\$13/lb with by-product Ni and Mo). RCR NPV<sub>10</sub> is US\$300m; NPV<sub>8</sub> is US\$600m (assumes production from 2022, LT uranium price US\$60/lb, Ni US\$7.90/lb, Mo US\$16/lb). Bioleach for uranium recovery has been successfully demonstrated at Talvivaara (LSE:TALV), and Barrick's Zaldivar large scale bioheap leach copper project in Chile give confidence in the low unit cost projections at Häggån.

Häggån is located in the **Berg Commune**, a community of 7,500 people. The community is very keen for employment, and AEE will need to demonstrate it can harness this support at the local level to advance the project to production. 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\$29.00/lb (5 May); the contract price is US\$45/lb (30 April). RCR uranium spot price forecasts are CY14 US\$33/lb, CY15 US\$41/lb, CY16 US\$54/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. UPC raised C\$57.6m Feb '14 - a signal that investors are starting to look to a market turnaround.

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 72 reactors under construction globally and 482 planned and proposed (WNA April 2014). Growth is expected to remain particularly strong in Asia, led by China with official installed nuclear capacity projections of 70-80 GWe by 2020, and 200 GWe by 2030. This compares with a 17 GWe capacity today (20 reactors). China has 29 reactors currently under construction – 16 of which are expected online in 2014-15. Demand for uranium is expected to increase from 170mlbspa U<sub>3</sub>O<sub>8</sub> forecast in 2014 to 252mlbspa by 2030 (WNA 2013 reference case). Longer term, incentive prices above US\$60/lb in the latter part of the decade are expected with the opening of a marked supply gap and growing global urgency to reduce carbon emissions.

**Investment Comment:** A rerating of AEE is expected as key technical and permitting milestones at Reguibat are achieved - Scoping Study expected June '14, and potentially a feasibility study 2H15, coinciding with an anticipated turnaround in the uranium price. We have a 12 month target price of \$0.14/share (\$27m). Mauritania is supportive of foreign investment, particularly in the extractive industries (oil, gas and minerals) and is attracting significant mining investment. The enormous Häggån project represents a free option - it is well positioned to deliver considerable value longer term as its scale and low cost position have potential to make it a world class uranium project.

## RESERVES AND RESOURCES/MINERALISED MATERIAL

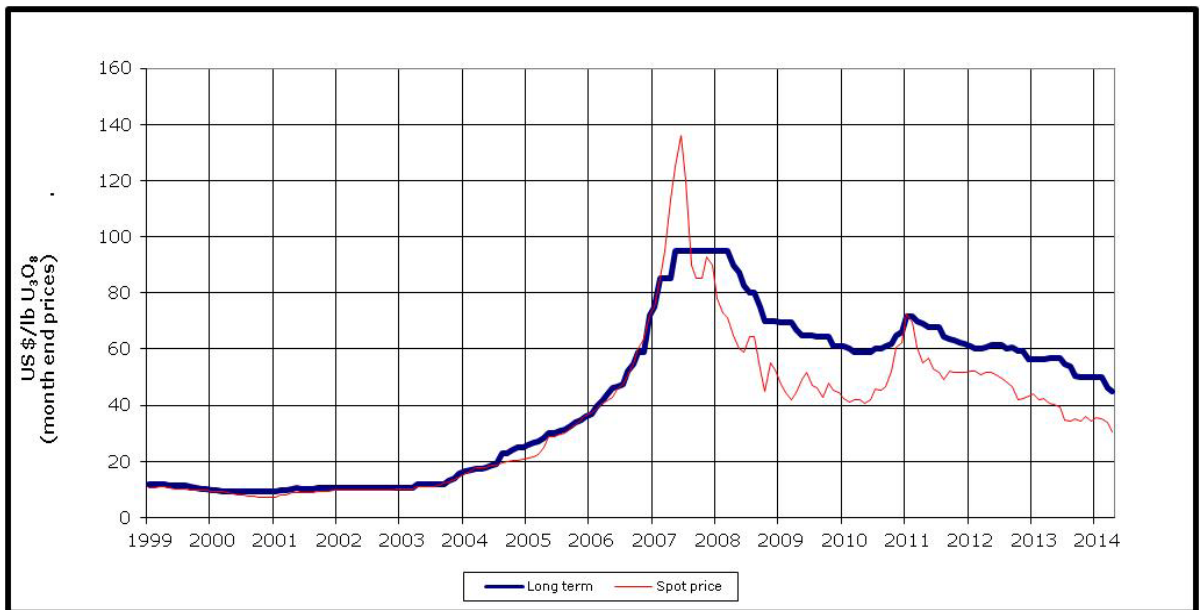
Code for reporting mineral resources - Australian: (JORC)										
Uranium	Classification	Project	Ore	U <sub>3</sub> O <sub>8</sub>	Cut Off	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub>	U <sub>3</sub> O <sub>8</sub> Eqty		
U <sub>3</sub> O <sub>8</sub>	Geology	Equity	Mt	%	ppm	Kt	Mlb	Mlb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

\* Resource includes 0.0207% MoO<sub>3</sub>, 0.1519% V<sub>2</sub>O<sub>5</sub>, 0.0316% Ni and 0.0431% Zn.

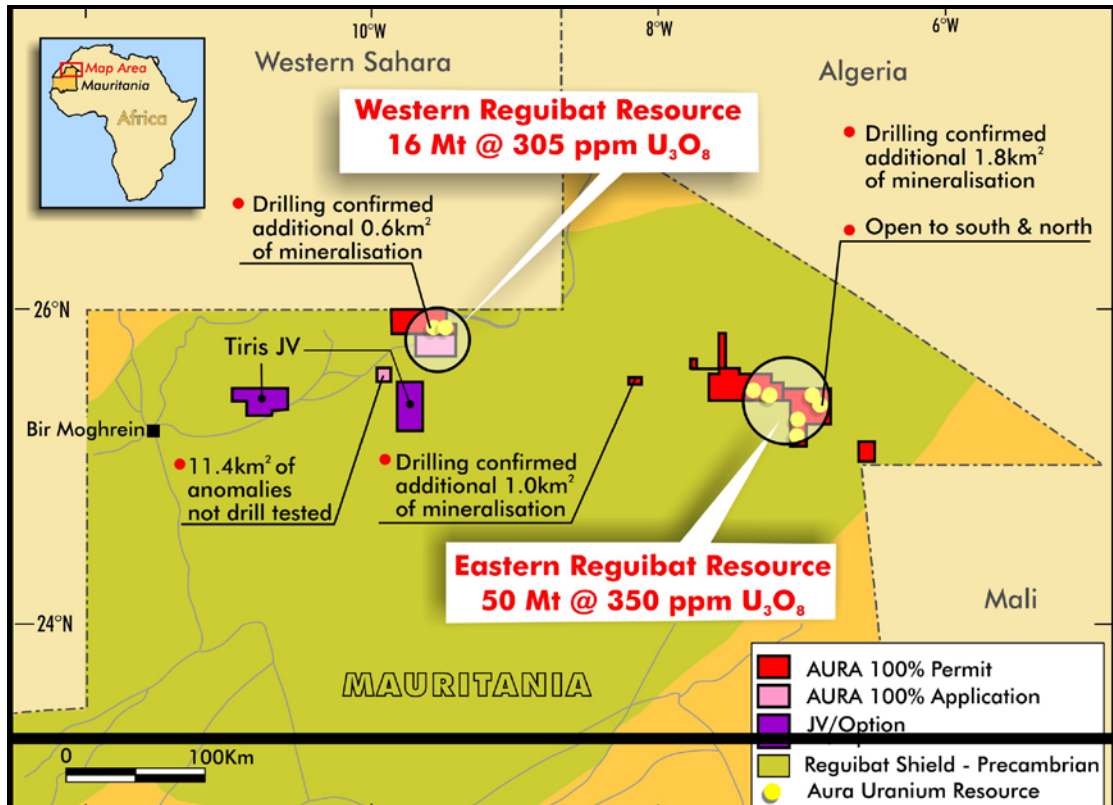
## KEY PROJECTS

Project	Ownership/ Option	Metal	JV Partner	Target Type	Process Route	Project Status	Location
Reguibat	100%, 70%	U	Ghazal	calcr/granite	na	Scoping Study	Mauritania
Reguibat-Tiris JV	0/65%	U	Azizi	calcr/granite	na	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

Long-term and spot average uranium prices: 1999 - March 2014 (US\$/lb). The uranium spot price is currently US\$29.00/lb (5 May); the contract price is US\$45/lb (30 April). 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 growing global urgency to reduce carbon emissions.



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  $U_3O_8$ . The feed grade to the leach plant in Zone A (Eastern Reguibat) in the initial years is expected to be 3000-4000ppm  $U_3O_8$  (0.3-0.4%) for early project payback.



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





## 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				
<b>Assumptions</b>										
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	
<b>Projects</b>										
Häggån project	: NPV @10%	100%	0.02	323	5%	16	10	10	44	62
<b>Resources and Exploration</b>										
Reguibat	: 49.9mlbs	100%	0.25	12		12	10	30	40	50
Other				0		0	0	1	1	2
<b>Sub-total Exploration</b>				12		12	10	31	41	52
<b>Assets</b>										
+ Cash				1		1	1	1	1	1
+ Tax losses				5		5	5	5	5	5
<b>Liabilities</b>										
- Debt				0		0	0	0	0	0
- Corporate				7		7	7	7	7	7
- Reclamation				0		0	0	0	0	0
<b>AEE Net Assets</b>				333		27	18	39	83	113
Fully diluted shares (m)				244.8		244.8	244.8	244.8	244.8	244.8
Cash on Option Conversion				11.2		11.2	11.2	11.2	11.2	11.2
<b>AEE Net Asset Value per share</b>	<b>: A\$/share</b>			1.77		0.14	0.10	0.21	0.44	0.60
<b>AEE Net Asset Value Diluted</b>	<b>: A\$/share dil</b>			1.41		0.16	0.12	0.21	0.39	0.51

## VALUATION COMPARABLES

	Shares m	Price LC/sh	Cash LCm	Adjusted EV LC\$m	mt	Uranium Resource			EV/resource US\$/lb
						Cut-off ppm	Grade U <sub>3</sub> O <sub>8</sub> %	mlbs	
<b>Reguibat</b>									
A-Cap Resources Ltd (ASX:ACB)	286.4	0.048	2	11.7	662	100	0.0211	308	0.04
				( <i>^ includes Lethakane higher grade resource, July 2013</i> )	83.7	300	0.0447	82	0.15
Toro Energy Ltd (ASX:TOE)	1557	0.064	10	89.6	100	200	0.048	106	0.91
<i>Lake Maitland acquisition</i>	<i>All scrip deal</i>			37	32.4	100	0.0365	26	1.58
<b>Häggån</b>									
Continental Precious Metals Inc (TSX:CZQ)	9,458	0.42	7	-3.0	2855*		0.017	1048	0.00
				(* <i>Viken (Sweden) resource cut-off at US\$7.50</i> )					
LC: local currency									
AUUS: 0.93									
CAUS: 0.91									

**HÄGGÅN PROJECT STAGED DEVELOPMENT OPTIONS:** Following a review of the Scoping Study development options (Dec '13) Aura will pursue project development in stages starting at smaller size options 3.5, 5 and 7.5mtps with the 30mtpa case as an ultimate target capacity. A staged approach significantly reduces start-up capital to US\$150m (in the 3.5mtpa case) while retaining low opex (<US\$25/lb).

MTPA	APPROX CAPEX*	OPCOST	U3O8	Mo	Ni
	\$m	US\$/lb.	Mlbs	Mlbs	Mlbs
3.5	150	21.00-25.00	1.0	0.4	1.7
5	190	18.00-22.00	1.4	0.6	2.4
7.5	250	18.00-22.00	2.1	1.0	3.6
30.0	540	13.50	7.8	4.3	14.8

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