Aura Energy (ASX: AEE)

Aura Energy (AEE) is a uranium explorer with advanced projects in Sweden, West Africa and Australia. The company is focusing on two main projects: the Häggån Project located in Sweden's Alum Shale Province, one of the largest depositories of uranium in the world; and the highly prospective Reguibat Province in Mauritania. The company aims to create shareholder value by rapidly establishing resources and then completing feasibility studies on these two projects.

Aura Energy is headquartered in Melbourne, Australia and has been listed on the ASX since May 2006.

Market cap:	A $22.4m (23c)
Cash position:	$2.3million
Shares:	95.7 million
Options:	10.5 million

Main shareholders
UBS nominees 10.4%
Drake Resources 5.8%
GCM 4.2%
Board/mngt 3.8%

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HIGHLIGHTS

Häggån *Project, Sweden*

- Preparing for scoping work on resource of 291 million pounds of uranium at a grade of 162ppm U_3O_8
- First bioleach results indicate that significantly higher extraction of Uranium-Molybdenum-Nickel- Vanadium-Zinc has been achieved compared with non-bioleach reference tests
- Commissioned ANSTO to carry out further conventional leaching testwork on the Häggån samples to understand parameters around the 93% uranium recoveries reported from initial tests

Mauritania, West Africa

- Acquisition of 100% key permits in balance of joint ventures subsequent to end of quarter
- New radiometric anomalies identified in eastern areas of tenements
- Drilling planned in November on targets and recently acquired areas
- Aiming for a JORC compliant resource in the first half of 2011

Western Australia

Assay results from Porcupine Well are being analysed.

Corporate

Aura successfully conducted a placement and entitlement issue to raise $4.7 million ensuring for testing and exploration activities to continue at a rapid pace.

HÄGGÅN PROJECT, SWEDEN (AURA 100%)

The Häggån Project forms part of a large uranium field in Central Sweden on eight granted exploration permits. These permits are on privately held land, in an area where forestry has been carried out for generations. No parks or reserves exist in the project area. Sweden has an active mining industry, with a clear regulatory position and a well established path from exploration to mining permit.

The resource, using a 100ppm U_3O_8 cut-off, gives the Häggån Project a contained uranium content of 291 million pounds. This resource places Häggån within the 10 largest undeveloped uranium resources that are compliant with ASX or TSX requirements. The uranium occurs with molybdenum, nickel, vanadium and zinc in black shales. The shales form a near-continuous sheet throughout the part of the project that Aura has drilled, with thicknesses ranging between 20 and over 250 metres.

The mineralisation extends into the adjoining permits held by Continental Precious Minerals Inc (TSX code: CZQ). That company has previously defined a resource of 1.05 billion pounds in permits adjoining the Storsjön Project. Aura is ultimately targeting a resource of similar size, but the drilling used in Aura's resource statement covers only 5% of Aura's permit areas.

Sweden Update

In the September 2010 World Risk Survey by RESOURCESSTOCKS, Sweden was rated as the second easiest country to operate in and second least risky country for mining activities. It scored well in on a range of categories, scoring below average for green tape and sovereign risk. This result concurs with Sweden's strong performance in the annual Fraser Institute study of the overall attractiveness of various countries for mining investment.

Metallurgical Testwork

Aura is undertaking a programme to determine the optimal process route for this giant uranium deposit. The style of mineralisation has been mined and processed for uranium previously by the Swedish government, but for strategic rather than commercial purposes.

Bioleaching

Aura commenced bioleaching testwork with the Parker Cooperative Research Centre for hydrometallurgical research in Perth, Western Australia in late 2009. Bacterial cultures have been established from three sources: the ore; waters from the Project Area in Sweden; and from a coal mine in Western Australia.

The first bioleach results indicate that significantly higher extraction of Uranium-Molybdenum-Nickel-Vanadium-Zinc has been achieved compared with non-bioleach reference tests.

- initial work demonstrates that uranium, molybdenum, nickel and zinc have improved extraction rates using bacteria relative to samples without bacteria
- results indicate the Alum Shales within the project are likely to be amenable to bioheap leaching
- this method of extraction will potentially provide a low capital and low operating cost treatment route

Conventional Leaching

ANSTO has been examining standard acid and alkali-leach options for the Swedish uranium mineralisation. High levels of recovery of uranium up to 93% were obtained from initial bench-scale conventional acid leaching tests on samples. The extractions have been achieved with relatively short leaching times, with the majority of the uranium being removed in less than twelve hours.

Aura has requested ANSTO to carry out further conventional leaching testwork on the Häggån 08DD-HG001 sample to individually examine the following variables:

- The effectiveness of the leaching at lower temperatures
- The impact of leaching coarser grain sizes than in the original tests
- Changing the acid conditions during leaching
- Changing the degree of oxidation during leaching

Aura also requested ANSTO to carry out bottle roll acid tests at lower acidity at minus two millimetres to continue to assess the amenability of the Häggån sample to heap leaching.

Outlook

Aura is extending bioleaching studies at the Parker Centre to begin heap column tests on fresh samples of crushed core from across the resource. This work is aimed at further increasing confidence in the technical amenability and economic viability of the bioheap leaching option.

During the coming quarter Aura will be continuing the second phase of work at ANSTO, as well as further mineralogical studies, mineral separation studies, and continuing discussions with potential partners.

WEST AFRICAN ACTIVITIES

Aura has been active in the uranium provinces of West Africa since 2007. Aura currently holds tenements and joint ventures in Mauritania and three exploration permit applications in the uranium bearing Tim Mersoi Basin in Niger. Additionally Aura is actively pursuing opportunities in the region.

Mauritania

Mauritania has a developed mining industry, a government keen to attract foreign investment, a stable business environment, and extensive good quality geological, geophysical and geochemical databases. It has also be the centre of significant company corporate activity across a range of commodities. Recent uranium discoveries in northern Mauritania suggest that this is an emerging uranium province.

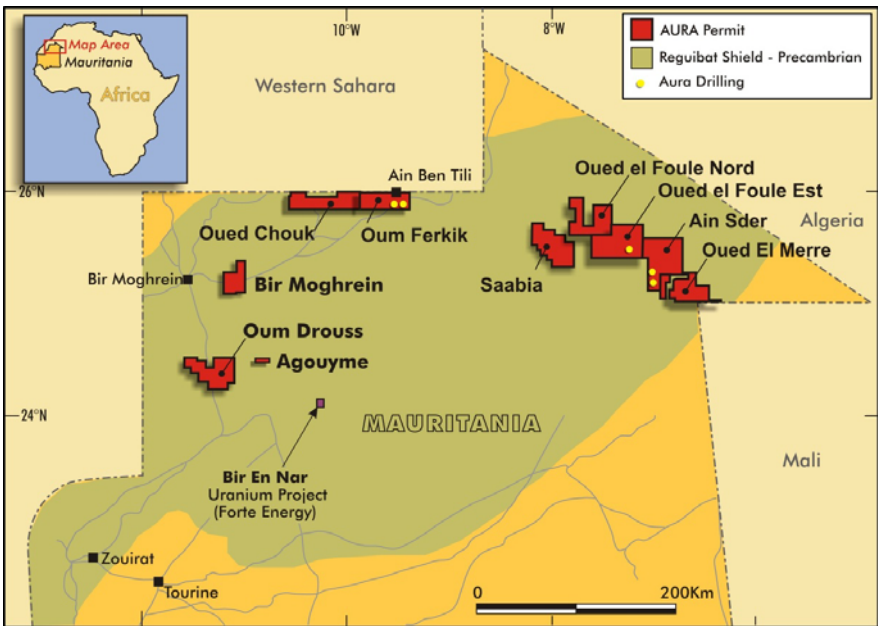
Acquisition of Joint Venture Interests

In 2007, Aura formed an alliance with GCM plc in Mauritania and agreed to joint ventures on a number of permits. Aura is extending its strategic position in Mauritania by purchasing a 100% interest in GCM's subsidiary GCM Africa Uranium Limited. The subsidiary holds all of GCM's interests which are outcomes of its alliance and joint ventures with Aura.

Aura's previous equity holdings in the projects vary between 50% and 56%. This purchase provides Aura with 100% ownership and all the upside of the anticipated resource.

This now extends the number of Aura's wholly owned Mauritanian projects to eight and establishes Aura as one of the largest landholders in this exciting new region. In addition it has an additional joint venture over two permits with Ghazal Minerals which it entered into in second quarter 2010. The licences cover known uranium mineralisation, in places high grade, and multiple radiometric uranium anomalies.

On three of the previous joint venture permits an exploration target of 40-60 million pounds of U3O8, at an average grade of 300-450ppm was identified. This target is conceptual in nature (the potential quantity and grade of this target is conceptual in nature, that there has been insufficient exploration to define a Mineral Resource and that it is uncertain if further exploration will result in the determination of a Mineral Resource).



Aura ground holdings in northern Mauritania

Radiometric Survey

The eastern parts of the Aura permits have never been surveyed with geophysics. Consequently Aura has completed an extensive ground radiometric survey to identify if further uranium targets existed within its permits.

This work proved successful. A new zone some 10 kilometres in length containing radiometric anomalies has been identified in the Ain Sder permit, which is joint venture with GCM Resources plc. These anomalies may contain additional calcrete-type uranium mineralisation.

The anomalies are similar to those identified elsewhere on Aura's permits. Due to the high temperatures over summer, Aura has not yet been able to visit the areas to undertake sampling and confirm the nature of the anomalies. Drill testing of these anomalies is planned in Aura's next drilling campaign, programmed to commence in November 2010.

Aura's next steps at Reguibat

Activities are expected to commence in November post the constraints of the northern summer. This will involve resource definition drilling in known mineralised zones as well as drill testing of as yet undrilled targets.

Aura is aiming to a have a JORC compliant resource in Mauritania in the first half of 2011.

WESTERN AUSTRALIA YILGARN CALCRETE PROJECTS

Wondinong (E58/290) and Wondinong NE (E58/349, Aura 100%)

The Wondinong project area covers a broad, sedimentary deltaic environment at the eastern end of Lake Austin where Aura Energy Limited has defined an Inferred Resource of seven million pounds uranium above a lower cut-off grade of 100ppm U_3O_8 compliant under the JORC code.

During the quarter Aura's application process for a mining lease to cover a major part of the Wondinong resource within the central area of E58/290 continued.

Following receipt of the final Aboriginal heritage site clearance, work is continuing on a potential a 72 hole step out drilling program for 2011. The proposed shallow drilling will test for extensions of known uranium mineralisation to the northeast and south of the deposit.

Porcupine Well (E53/1245, Aura 100%)

Assay results were received from a 40 hole shallow aircore program in an area southeast of the Lake Way and Centipede deposits of Toro Energy Limited (23.9 million pounds U_3O_8). The drilling tested an area of calcrete where previous auger sampling returned values of up to 198ppm uranium. Results are encouraging and are being analysed.

CORPORATE

In September the Company announced a placement of approximately $1.87 million and an entitlement issue of approximately $2.87 million. The entitlement issue is a pro-rata entitlement of 1 for 5 issue at a price of 15 cents per share. The entitlement issue has been underwritten by Shaw Corporate Finance.

In total $4.7 million will be raised to allow drilling in Mauritania, metallurgical testwork for Sweden and other exploration activities continue at a rapid pace.

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. Dr Beeson is a member of the Australian Institute of Geoscientists.