
AURA ENERGY LIMITED

ACN 115 927 681

NOTICE OF ANNUAL GENERAL MEETING

TIME: 9:30am (WST)

DATE: 24 November 2011

PLACE: The Celtic Club
48 Ord Street
WEST PERTH WA 6005

An electronic copy of the Aura Energy Limited 2011 Annual Report can be found at www.auraenergy.com.au.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (08) 6141 3500.

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The Annual General Meeting of the Shareholders of Aura Energy Limited to which this Notice of Meeting relates will be held at 9:30am (WST) on 24 November 2011 at:

The Celtic Club
48 Ord Street
WEST PERTH WA 6005

YOUR VOTE IS IMPORTANT

The business of the Annual General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the Annual General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the proxy form enclosed and send the proxy form:

- (a) by post to Aura Energy Limited, PO Box 52, West Perth, Western Australia 6872; or
- (b) by facsimile to the Company on facsimile number +61 9 6141 3599,

so that it is received not later than 9:30am (WST) on 22 November 2011.

Proxy forms received later than this time will be invalid.

NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Annual General Meeting of Shareholders of Aura Energy Limited will be held at 9:30am (WST) on 24 November 2011 at The Celtic Club, 48 Ord Street, West Perth WA 6005.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the Annual General Meeting. The Explanatory Statement and the proxy form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at the close of business on 22 November 2011.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

ORDINARY BUSINESS

Reports and Accounts

To receive and consider the financial statements of the Company for the year ended 30 June 2011 together with the declaration of the directors, the directors' report, the remuneration report and auditor's report.

1. RESOLUTION 1 – ADOPTION OF THE REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2011."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on the Resolution; and
- (d) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

2. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purpose of clause 13.2 of the Constitution, and for all purposes, Mr Jay Stephenson, a Director, retires and, being eligible, is re-elected as a Director."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Stephenson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – MR SIMON O'LOUGHLIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purpose of clause 13.2 of the Constitution, and for all purposes, Mr Simon O'Loughlin, a Director, retires and, being eligible, is re-elected as a Director."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr O'Loughlin (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – MR LEIGH JUNK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purpose of clause 13.4 of the Constitution, and for all purposes, Mr Leigh Junk, a Director, retires and, being eligible, is re-elected as a Director."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Junk (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – RE-ELECTION OF DIRECTOR – MR JULIAN PERKINS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purpose of clause 13.4 of the Constitution, and for all purposes, Mr Julian Perkins, a Director, retires and, being eligible, is re-elected as a Director."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Perkins (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in

accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – GRANT OF OPTIONS TO MR BRETT FRASER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Brett Fraser (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Fraser (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – GRANT OF OPTIONS TO DR ROBERT BEESON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Dr Robert Beeson (or his nominee) 2,000,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Dr Beeson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – GRANT OF OPTIONS TO MR JAY STEPHENSON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Jay Stephenson (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Stephenson (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – GRANT OF OPTIONS TO MR SIMON O'LOUGHLIN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Simon O'Loughlin (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr O'Loughlin (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – GRANT OF OPTIONS TO MR LEIGH JUNK

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Leigh Junk (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Junk (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – GRANT OF OPTIONS TO MR JULIAN PERKINS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11, Section 208 of the Corporations Act and for all other purposes, approval is given for the Directors to grant to Mr Julian Perkins (or his nominee) 1,500,000 options to be issued on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Mr Perkins (or his nominee) or any of his associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

DATED: 17 October 2011

BY ORDER OF THE BOARD

**JAY STEPHENSON
COMPANY SECRETARY**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders of the Company in connection with the business to be conducted at the Annual General Meeting to be held at The Celtic Club, 48 Ord Street, West Perth WA 6005, at 9:30am (WST) on 24 November 2011.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. FINANCIAL STATEMENTS AND DIRECTORS' REPORTS

In accordance with the Company's Constitution, the business of the meeting will include receipt and consideration of the Company's Financial Report and reports of directors and auditors for the year ended 30 June 2011.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.auranergy.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

Under recent changes to the Corporations Act which came into effect on 1 July 2011, if at least 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report at the Annual General Meeting, and then again at the Company's 2012 annual general meeting, the Company will be required to put to Shareholders a resolution proposing the calling of an [extraordinary] general meeting to consider the appointment of directors of the Company (**Spill Resolution**).

If more than 50% of Shareholders vote in favour of the Spill Resolution, the Company must convene the [extraordinary] general meeting (**Spill Meeting**) within 90 days of the Company's 2012 annual general meeting. All of the Directors who were in office when the Company's 2012 Directors' report was approved, other than the managing director of the Company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting. Following the Spill Meeting those persons whose election or re-election as Directors is approved will be the Directors of the Company.

The remuneration report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The remuneration report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2011.

A reasonable opportunity will be provided for discussion of the remuneration report at the Annual General Meeting.

2.2 Proxy Restrictions

Pursuant to the Corporations Act, if you elect to appoint the Chair, or another member of Key Management Personnel or any Closely Related Party as your proxy to

vote on this Resolution 1, *you must direct the proxy how they are to vote*. Where you do not direct the Chair, or another member of Key Management Personnel or Closely Related Party on how to vote on this Resolution 1, the proxy is prevented by the Corporations Act from exercising your vote and your vote will not be counted in relation to this Resolution 1.

2.3 Definitions

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2011.

3. RESOLUTION 2-3 – RE-ELECTION OF DIRECTORS

Clause 13.2 of the Constitution requires that one-third of the Directors must retire from office by rotation at each annual general meeting. Directors who retire under clause 13.2 of the Constitution are eligible for re-election.

Mr Jay Stephenson and Mr Simon O'Loughlin, retire in accordance with clause 13.2 of the Constitution and seek re-election.

4. RESOLUTIONS 3 & 4 – RE-ELECTION OF DIRECTORS

Clause 13.4 of the Constitution requires that any Director appointed by the Board holds office until the next annual general meeting and then is eligible for re-election. Directors who retire under clause 13.4 of the Constitution are eligible for re-election.

Mr Leigh Junk and Mr Julian Perkins were each appointed by the Board on 7 July 2011 and retire in accordance with clause 13.4 of the Constitution and seek re-election.

5. RESOLUTIONS 5 TO 11 – GRANT OF OPTIONS TO DIRECTORS

The Company has agreed, subject to obtaining Shareholders approval, to grant a total of 9,500,000 Options (**Director Options**) to Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins (**Related Parties**) on the terms and conditions set out in Annexure A to this Explanatory Statement.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- a) obtain the approval of the public company's members in the manner set out in Sections 217 to 227 of the Corporations Act; and
- b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in Sections 210 to 216 of the Corporations Act.

In addition, ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party (or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained) unless an exception in ASX Listing Rule 10.12 applies.

The issue of the Director Options to the Related Parties requires the Company to obtain Shareholder approval because the grant of Director Options constitutes giving a financial benefit and as Directors, each of Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins are related parties of the Company.

It is the view of the Directors that the exceptions set out in Sections 210 to 216 of the Corporations Act and ASX Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the grant of the Director Options to each Related Party.

5.1 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

Pursuant to and in accordance with the requirements of Sections 217 to 227 of the Corporations Act and ASX Listing Rule 10.13, the following information is provided in relation to the proposed issue of Shares:

- a) the related parties are Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins and they are related parties by virtue of being Directors;
- b) the maximum number of Director Options (being the nature of the financial benefit being provided) to be granted to the Related Parties is:
 - i. 1,500,000 Director Options to Mr Brett Fraser;
 - ii. 2,000,000 Director Options to Dr Robert Beeson;
 - iii. 1,500,000 Director Options to Mr Jay Stephenson;
 - iv. 1,500,000 Director Options to Mr Simon O'Loughlin;
 - v. 1,500,000 Director Options to Mr Leigh Junk;
 - vi. 1,500,000 Director Options to Mr Julian Perkins;
- c) the Director Options will be granted to the Related Parties no later than 1 month after the date of the General Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Director Options will be issued on one date;
- d) the Director Options will be granted for nil cash consideration, accordingly no funds will be raised. Any funds raised on the exercise of the Director Options will be used for working capital purposes;
- e) the terms and conditions of the Director Options are set out in Annexure A;
- f) the value of the Director Options, and the pricing methodology is set out in Annexure B;
- g) the existing relevant interests of each of the Related Parties in securities of the Company are set out below;

Related Party	Shares	Options
Mr Brett Fraser	1,959,461	Nil
Dr Robert Beeson	1,799,250	Nil
Mr Jay Stephenson	1,580,200	Nil
Mr Simon O'Loughlin	868,112	Nil
Mr Leigh Junk	750,000	Nil
Mr Julian Perkins	40,000	50,000
Total	6,997,023	50,000

- h) the remuneration and emoluments from the Company to the Related Parties for the previous financial year and the proposed remuneration and emoluments for the current financial year are set out below:

Related Party	Current Financial Year Remuneration	Previous Financial Year Remuneration
Mr Brett Fraser	\$105,000	\$160,461
Dr Robert Beeson	\$175,000	\$231,613
Mr Jay Stephenson	\$100,000	\$148,584
Mr Simon O'Loughlin	\$55,000	\$103,584
Mr Leigh Junk	\$55,000	-
Mr Julian Perkins	\$55,000	-

- i) At present there are 136,790,068 Shares and 3,220,000 options on issue. If all of the Director Options granted to the Related Parties are exercised, a total of 9,500,000 additional Shares would be allotted and issued.

This will increase the number of Shares on issue from 136,790,068 to 146,290,068 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Issued Shares as at the date of this Notice of Meeting	Director Options to be issued	Total Issued Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr Brett Fraser	136,790,068	1,500,000	138,290,068	1.10%
Dr Bob Beeson	136,790,068	2,000,000	138,790,068	1.46%
Mr Jay Stephenson	136,790,068	1,500,000	138,290,068	1.10%
Mr Simon O'Loughlin	136,790,068	1,500,000	138,290,068	1.10%
Mr Leigh Junk	136,790,068	1,500,000	138,290,068	1.10%
Mr Julian Perkins	136,790,068	1,500,000	138,290,068	1.10%
Total	136,790,068	9,500,000	146,290,068	6.94%

The market price for Shares during the term of the Director Options would normally determine whether or not the Director Options are exercised. If, at any time any of the Director Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Director Options, there may be a perceived cost to the Company.

The Board resolved to issue the Director Options to Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins subject to Shareholder approval, on the terms and conditions set out in Annexure A. As at the date of this Notice of Meeting, the share price is trading on ASX below the exercise price of the Director

Options. The grant of the Director Options to Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins is intended to align their interests with the Company and its Shareholders;

- j) the trading history of the Shares on the ASX in the 12 months before the date of this Notice of General Meeting is set out below:

	Price	Date
Lowest	\$0.180	23 September 2011
Highest	\$0.560	17 February 2011
Last	\$0.245	17 October 2011

- k) the primary purpose of the grant of Director Options to Mr Fraser is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Fraser) considered the extensive experience and reputation of Mr Fraser within the industry when considering the grant of the Director Options to Mr Fraser. The Board considers the issue of the Director Options to Mr Fraser to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- l) the primary purpose of the grant of Director Options to Dr Beeson is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Dr Beeson) considered the extensive experience and reputation of Dr Beeson within the industry when considering the grant of the Director Options to Dr Beeson. The Board considers the issue of the Director Options to Dr Beeson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- m) the primary purpose of the grant of Director Options to Mr Stephenson is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Stephenson) considered the extensive experience and reputation of Mr Stephenson within the industry when considering the grant of the Director Options to Mr Stephenson. The Board considers the issue of the Director Options to Mr Stephenson to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- n) the primary purpose of the grant of Director Options to Mr O'Loughlin is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr O'Loughlin) considered the extensive experience and reputation of Mr O'Loughlin within the industry when considering the grant of the Director Options to Mr O'Loughlin. The Board considers the issue of the Director Options to Mr O'Loughlin to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant

opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;

- o) the primary purpose of the grant of Director Options to Mr Junk is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Junk) considered the extensive experience and reputation of Mr Junk within the industry when considering the grant of the Director Options to Mr Junk. The Board considers the issue of the Director Options to Mr Junk to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- p) the primary purpose of the grant of Director Options to Mr Perkins is to provide a market linked incentive package in his capacity as a Director and for future performance by him in his role. The Board (other than Mr Perkins) considered the extensive experience and reputation of Mr Perkins within the industry when considering the grant of the Director Options to Mr Perkins. The Board considers the issue of the Director Options to Mr Perkins to be reasonable, given the necessity to attract the highest calibre of professionals to the Company whilst maintaining the Company's cash reserves. Other than as set out in this Explanatory Statement, the Board does not consider that there are any significant opportunity costs to the Company, taxation consequences, or benefits foregone by the Company in issuing the Director Options upon the terms proposed;
- q) The Board acknowledges that the grant of Director Options to Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the grant of Director Options to Messrs Fraser, Beeson, Stephenson, O'Loughlin, Junk and Perkins reasonable in the circumstances, given the necessity to attract the highest calibre of professional to the Company, whilst maintaining the Company's cash reserves.
- r) Mr Fraser declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material interest in the outcome of Resolution 5. The other Directors, who do not have a material interest in the outcome of Resolution 5, recommend that Shareholders vote in favour of Resolution 5. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5;
- s) Dr Beeson declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material interest in the outcome of Resolution 6. The other Directors, who do not have a material interest in the outcome of Resolution 6, recommend that Shareholders vote in favour of Resolution 6. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 6.
- t) Mr Stephenson declines to make a recommendation to Shareholders in relation to Resolution 7 due to his material interest in the outcome of Resolution 7. The other Directors, who do not have a material interest in the outcome of Resolution 7, recommend that Shareholders vote in favour of Resolution 7. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 7;

- u) Mr O'Loughlin declines to make a recommendation to Shareholders in relation to Resolution 8 due to his material interest in the outcome of Resolution 8. The other Directors, who do not have a material interest in the outcome of Resolution 8, recommend that Shareholders vote in favour of Resolution 8. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 8.
- v) Mr Junk declines to make a recommendation to Shareholders in relation to Resolution 9 due to his material interest in the outcome of Resolution 9. The other Directors, who do not have a material interest in the outcome of Resolution 9, recommend that Shareholders vote in favour of Resolution 9. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 9;
- w) Mr Perkins declines to make a recommendation to Shareholders in relation to Resolution 10 due to his material interest in the outcome of Resolution 10. The other Directors, who do not have a material interest in the outcome of Resolution 10, recommend that Shareholders vote in favour of Resolution 10. The Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 10.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Director Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of Director Options to the Related Parties (and any issue of Shares on exercise of those Director Options) will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

6. ENQUIRIES

Shareholders are requested to contact Jay Stephenson on (+61 8) 6141 3500 if they have any queries in respect of the matters set out in these documents.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Company means Aura Energy Limited (ACN 115 927 681).

Constitution means the Company's constitution.

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of annual general meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

ANNEXURE A – TERMS AND CONDITIONS OF DIRECTOR OPTIONS

The Director Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Director Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Director Option, the Optionholder must exercise the Director Options in accordance with the terms and conditions of the Director Options.
- (b) The Director Options will expire at 5:00 pm (WST) on 31 October 2014 (**Expiry Date**). Any Director Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of an exercise price equal to 150% of the ASX 5 day volume weighted average price pre Aura Share prior to the Meeting Date (**Exercise Price**)
- (d) The Director Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Director Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Director Options specifying the number of Director Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Director Options being exercised;

(Exercise Notice).

- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Director Options specified in the Exercise Notice.
- (h) The Director Options will vest 12 months after the issue date.
- (i) The Director Options are not transferable.
- (j) All Shares allotted upon the exercise of Director Options will upon allotment rank pari passu in all respects with other Shares.
- (k) The Company will not apply for quotation of the Director Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Director Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (l) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (m) There are no participating rights or entitlements inherent in the Director Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Director Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 7 Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Director Options prior to the date for determining entitlements to participate in any such issue.
- (n) In the event the Company proceeds with a pro rata issue (except a bonus issue) of securities to Shareholders after the date of issue of the Director Options, the exercise price of the Director Options will be reduced in accordance with the formula set out in ASX Listing Rule 6.22.2.
- (o) In the event the Company proceeds with a bonus issue of securities to Shareholders after the date of issues of the Director Options, the number of securities over which a Director Option is exercisable may be increased by the number of securities which the Optionholder would have received if the Director Option had been exercised before the record date for the bonus issue.

ANNEXURE B – ESTIMATED VALUATION OF DIRECTOR OPTIONS

The Director Options to be issued to the Related Parties pursuant to Resolutions 5 and 6 have been valued by the Black & Scholes option model.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Director Options were ascribed a value range, as follows:

Assumptions:	
Valuation date	12 October 2011
Estimated Grant Date	24 November 2011
Market price of Shares	\$0.26
Exercise price*	150% of ASX 5 day VWAP
Expiry date	31 October 2014
Risk free interest rate	3.76%
Volatility	100%
Indicative value per Director Option	14.27 cents
Total Value of Director Options	\$1,355,650
Brett Fraser	\$214,050
Robert Beeson	\$285,400
Jay Stephenson	\$214,050
Simon O'Loughlin	\$214,050
Leigh Junk	\$214,050
Julian Perkins	\$214,050

* The actual price of the options will be determined on the Meeting date when it will be based on 150% of the ASX 5 day volume weighted average price per Aura Share prior to the Meeting Date.

Note: The valuation ranges noted above are not necessarily the market prices that the Director Options could be traded at and they are not automatically the market prices for taxation purposes.

PROXY FORM

APPOINTMENT OF PROXY
AURA ENERGY LIMITED
ACN 115 927 681

ANNUAL GENERAL MEETING

I/We

of

being a Member of Aura Energy Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy

OR

☐

The Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 9:30am (WST), on 24 November 2011 at 48 Ord Street, West Perth WA 6005, and at any adjournment thereof.

Comment "Important for Resolution 1: If the Chair of the Meeting or any member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or a Closely Related Party of that member is your proxy and you have not directed the proxy to vote on Resolution 1, the proxy will be prevented from casting your votes on Resolution 1. If the Chair, another member of the Key Management Personnel of the Company whose remuneration details are included in the Remuneration Report or Closely Related Party of that member is your proxy, in order for your votes to be counted on Resolution 1, you must direct your proxy how to vote on Resolution 1."

☐

If the Chair of the Annual General Meeting is appointed as your proxy, or may be appointed by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of **Resolutions 2 to 11** please place a mark in this box.

By marking this box, you acknowledge that the Chair of the Annual General Meeting may exercise your proxy even if he has an interest in the outcome of Resolutions 2 to 11 and that votes cast by the Chair of the Annual General Meeting for Resolutions 2 to 11 other than as proxy holder will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on Resolutions 2 to 11 and your votes will not be counted in calculating the required majority if a poll is called on Resolutions 2 to 11.

If no directions are given, the Chair will vote in favour of all the Resolutions in which the Chair is entitled to vote undirected proxies.

OR

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Resolution 1 – Adoption of the Remuneration Report	☐	☐	☐
Resolution 2 – Re-election of Mr Jay Stephenson	☐	☐	☐
Resolution 3 – Re-election of Mr Simon O'Loughlin	☐	☐	☐
Resolution 4 – Re-election of Mr Leigh Junk	☐	☐	☐
Resolution 5 – Re-election of Mr Julian Perkins	☐	☐	☐
Resolution 6 – Grant of Options to Mr Brett Fraser	☐	☐	☐
Resolution 7 – Grant of Options to Dr Robert Beeson	☐	☐	☐
Resolution 8 – Grant of Options to Mr Jay Stephenson	☐	☐	☐
Resolution 9 – Grant of Options to Mr Simon O'Loughlin	☐	☐	☐
Resolution 10 – Grant of Options to Mr Leigh Junk	☐	☐	☐
Resolution 11 – Grant of Options to Mr Julian Perkins	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is

Signature of Member(s):

Date: _____

Individual or Member 1

Member 2

Member 3

Sole Director/Company Secretary

Director

Director/Company Secretary

Contact Name: _____ Contact Ph (daytime): _____

AURA ENERGY LIMITED
ACN 115 927 681

Instructions for Completing 'Appointment of Proxy' Form

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes is set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting;
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

1. **(Appointing a Proxy):** A member entitled to attend and vote at an Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be

allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

2. **(Direction to Vote):** A member may direct a proxy how to vote by marking one of the boxes opposite each item of business. Where a box is not marked the proxy may vote as they choose. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing Instructions):**
 - **(Individual):** Where the holding is in one name, the member must sign.
 - **(Joint Holding):** Where the holding is in more than one name, all of the members should sign.
 - **(Power of Attorney):** If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Aura Energy Limited, PO Box 52, West Perth WA 6872; or
 - (b) facsimile to the Company on facsimile number +61 8 6141 3599;

so that it is received not later than 9:30am (WST) on 22 November 2011.

Proxy forms received later than this time will be invalid.