



ABN 62 115 927 681

**ANNUAL REPORT
30 JUNE 2012**

CORPORATE DIRECTORY

Directors

Brett Fraser	Chairman
Robert (Bob) Beeson	Managing Director
Simon O'Loughlin	Non-executive Director
Jay Stephenson	Non-executive Director
Leigh Junk	Non-executive Director
Julian (Jules) Perkins	Non-executive Director

Company Secretary

Jay Stephenson

Principal registered office

Street: Level 4, 66 Kings Park Road
West Perth WA 6005
Postal: PO Box 52
West Perth WA 6872
Telephone: +61 (0)8 6141 3570
Facsimile: +61 (0)8 6141 3599
Email: info@auraenergy.com.au

Other offices

Exploration office – Melbourne
Exploration office – Sweden
Exploration office – Mauritania

Auditor

Bentleys
Level 1, 12 Kings Park Road
West Perth WA 6005

Share Registry

Computershare Registry Services
Level 2, 45 St Georges Terrace
Perth WA 6000

Australian Securities Exchange

ASX Code – AEE

Website: www.auraenergy.com.au

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OPERATIONS REVIEW 2012

Achievements

- ☀ Initial scoping study confirms economic viability of Häggån project, Sweden with valuation of US\$1.85 billion
- ☀ Häggån resource significantly expanded to 800 million pounds uranium
- ☀ Announced excellent results from the second phase of bioleach testwork at Häggån
- ☀ Signed exclusivity agreement with potential strategic partner for Häggån and completed first phase of strategic review
- ☀ Initial resource of 50.2 million pounds established for Reguibat project in Mauritania
- ☀ Drilling programme highlighted strong mineralisation extends well beyond Reguibat resource

Objectives for 2012/13

- ☀ Commence pre-feasibility study at Häggån; the PFS will include:
 - ▶ Upgrade part of the resource from Inferred to Indicated status
 - ▶ Next phase of bioheap leach testwork
 - ▶ Engineering studies
 - ▶ Continue environmental baseline studies
- ☀ Commence a major metallurgical test work programme for the Reguibat calcrete uranium project
- ☀ Extend Reguibat uranium resource
- ☀ Commence scoping studies at Reguibat

OPERATIONS REVIEW

SWEDISH ACTIVITIES

Häggån Project

Excellent progress was made on the development of the Häggån uranium project during the 2011 – 2012 financial year. A positive scoping study was completed valuing the project at US\$1.85 billion and potentially placing Häggån in the top five global uranium producing operations.

The Häggån Project forms part of a large uranium field in Central Sweden which is located on eight granted exploration permits, wholly owned by Aura. The permits are on privately held land and in an area where forestry has been carried out for generations and where no parks or reserves exist. As a mining destination Sweden has a well-documented and an active mining industry, with a clear regulatory position and an established path from exploration to mining permit.

The uranium within the Häggån project occurs with molybdenum, nickel, vanadium and zinc in black shales and forms a near-continuous sheet with thicknesses ranging between 20 and in areas, more than 250 metres. The project lends itself to large scale, low cost open pit mining.



Scoping Study

In early 2012, a scoping study on Häggån which examined a range of processing options was completed by independent consultants RMDSTEM Limited. RMDSTEM has extensive experience in the economic modelling of mining projects, including for BHP Billiton's Olympic Dam pilot plant and copper refinery.

The consultants considered conventional agitation leach, bacterial agitation leach, bacterial heap leach and the possibility of adding a vanadium extraction model. Specialist mining group Exoro Mine Planning Services developed pit shells around the resources.

The bacterial heap leach option showed that Häggån is a financially robust project among the lowest cost uranium heap leach operations globally.

An audit was conducted on the study's financial model in May 2012 to more accurately reflect market pricing of uranium oxide and resulted in a substantial enhancement of project economics. This suggested that Häggån, in terms of uranium produced, could be within the top five current and planned global uranium producing operations.

The scoping study assumes a 30 million tonnes per year operation and an initial mine life of 25 years.

Other assumptions used for the model include:

- ☛ Metal recoveries as indicated for bioleaching options and for other options in reports by ANSTO and the Parker Cooperative Research Centre for Hydrometallurgy
- ☛ Metal prices (per pound): U_3O_8 - US\$65, Ni - US\$7.9, MoO_3 - US\$16.0
- ☛ Zinc and vanadium recovery have not been accounted for in the models

The key outcomes from the study using the bacterial heap leach option are:

- ☛ Pre-Tax NPV of \$US1.85 billion, based on uranium price of \$US65 per pound U_3O_8 , and a fixed discount rate of 10 per cent. The key factors influencing the NPV are U_3O_8 price, U_3O_8 heap leach recovery, ore U_3O_8 head grade, mining rate and heap leach operating cost.
- ☛ Internal Rate of Return (IRR) of 49%
- ☛ Häggån is amongst the lowest cost uranium operations globally and is clearly demonstrated by:
 - ▶ Operating costs of US\$13/lb U_3O_8 when nickel and molybdenum are treated as by-products
 - ▶ Operating costs of US\$26/lb U_3O_8 when nickel and molybdenum are treated as uranium equivalent
- ☛ Pre-production capital of US\$537 million and sustaining capital (annual) of US\$18 million per year
- ☛ Payback in 4.3 years, or 17% of the project life
- ☛ Initial pit shells contain >741 million tonnes of mineralisation, with much of the prospective area remaining in the tenements undrilled
- ☛ A target initial production of 7.8 million pounds (3,538 tonnes) uranium, 14.8 million pounds nickel and 4.3 million pounds molybdenum
- ☛ Low mining costs with strip ratio of 0.75:1
- ☛ Uses low risk bioheap leach technology for extraction which has been used extensively for many decades in the copper industry in Chile and elsewhere
- ☛ Similar-sized successful multi-metal bioheap leach operation on alum shales at Talvivaara in neighbouring Finland

Final planning for the pre-feasibility study on the Häggån Project has begun with the next stage of metallurgical test work now complete, as well as progress on mining studies.

Strategic Review

In May 2012, Aura appointed leading independent Australian investment house Gresham Advisory Partners (Gresham) as a corporate advisor to the company. Gresham's mandate is to focus on identifying appropriate development opportunities for the Häggån project as a result of recent expressions of interest from a number of significant players in the uranium sector.

The company was encouraged by the widespread interest shown in the Häggån project and in August 2012, signed a 90-day Exclusivity Agreement with a major uranium market participant and potential strategic partner.

The strategic partner is currently undertaking due diligence within the exclusivity period. Discussions remain at an early stage and there can be no assurance a binding agreement will be executed.

Drilling and Resource Expansion

Aura commenced a 14-hole, 2,000 metre diamond drilling programme in March 2012 with the objective of providing sufficient material for the next phase of metallurgical testwork, and to add to the resource base at the Häggån permit. Initial results were announced in June 2012 and confirmed thick uranium mineralisation throughout previously untested areas of the project. The mineralisation occurs in between the two previous areas of the resource.

Thicker zones of mineralisation encountered within 30 metres from the surface included:

- ☀ 137m @ 154ppm U₃O₈
- ☀ 147m @ 170ppm U₃O₈ (from 15m below surface)
- ☀ 148m @ 154ppm U₃O₈ (from 28m below surface)
- ☀ 114m @ 161ppm U₃O₈ (from 24m below surface)

In addition to the nine exploration holes, five large diameter holes were also drilled to provide samples for the pre-feasibility metallurgical testwork and to add to existing information on key inputs for mining options outlined in the revised scoping study. They may also provide additional options for the mining studies currently underway.

Independent resource consultants, H&S Consultants (H&SC) used all available drillhole data to significantly upgrade the Häggån resource from 631 million pounds to 800 million pounds uranium at a grade of 160 ppm U₃O₈. For the first time, this resource includes mineralisation in the separate Marby permit and only covers 25 per cent of the permit.

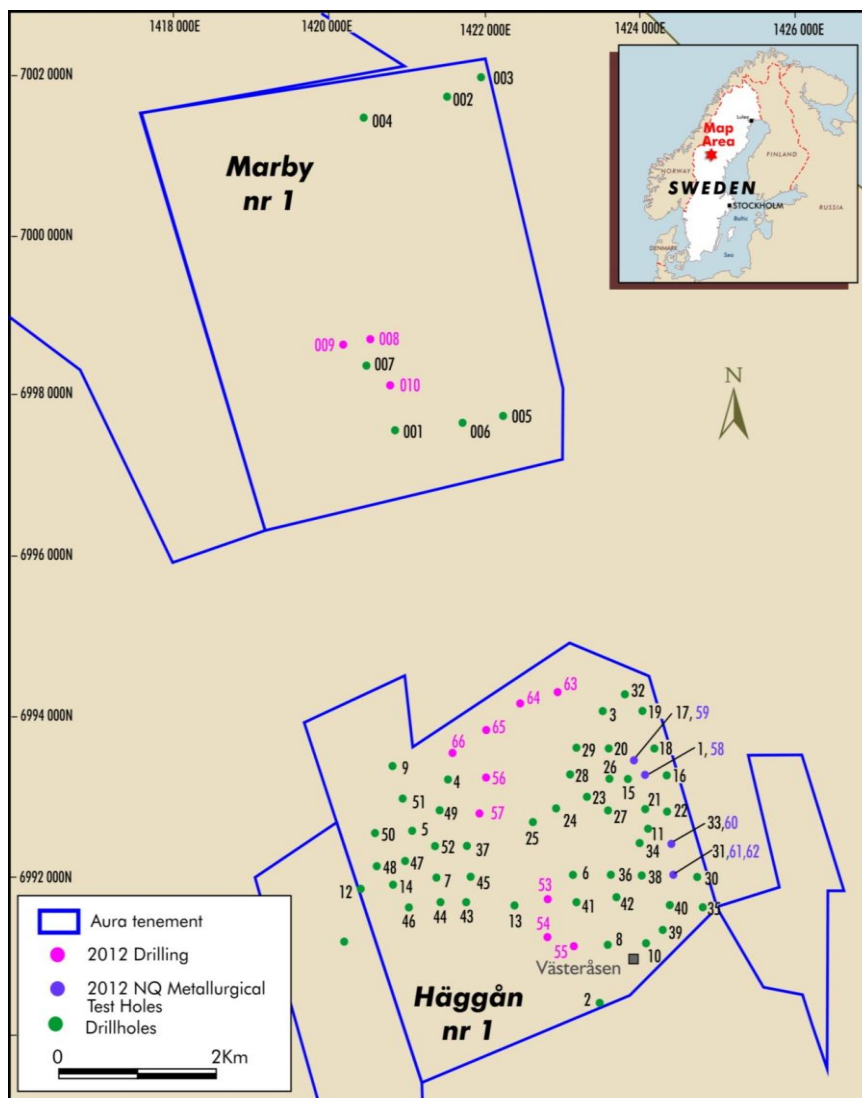
The Häggån project is now the second largest undeveloped uranium resource in the world.

U ₃ O ₈ (100ppm Cutoff)	Tonnes (Bt)	U ₃ O ₈ (ppm)	Mo (ppm)	V (ppm)	Ni (ppm)	Zn (ppm)
Inferred	2.35	155	207	1,519	316	431

Table 1: Inferred Resources for the Häggån Project

(Bt = billion tonnes)

Significant figures quoted do not imply precision and are to minimise round-off errors.



Map of Häggån Project and Marby permit 2012 drilling and metallurgical test holes

Marby Permit

Aura's 100 per cent owned Marby permit also holds a substantial zone of the uranium-molybdenum-vanadium-bearing Alum Shale. Drilling at Marby during 2012 was part of a focus on developing mining and processing options for the pre-feasibility study on the Häggån Project.

The Marby drilling programme comprised three holes totalling 665 metres. These holes targeted mineralisation intersected in the southern part of the permit during the 2008 campaign, and were designed to confirm the presence of thick polymetallic mineralisation analogous to Häggån.

Average thicknesses of mineralised shale in the Marby permit are between 90 and 100 metres, similar to those within the Häggån permit to the south.

The results confirmed that thick mineralised Alum Shale forms a continuous sheet of mineralisation at Marby and contributed to the maiden resource announced in August 2012.

Exploration Target

H&SC also provided Aura with an Exploration Target of 440 to 840 million pounds uranium, demonstrating the significant potential for additional resource increases.

The exploration target is based on completed drilling that is not of sufficient drill density to be included as Inferred Resources. This potential quantity and grade is conceptual in nature and there has been insufficient exploration to define a Mineral Resource. It is uncertain if further exploration will result in the determination of a Mineral Resource.

U ₃ O ₈ Cutoff (ppm)	Tonnes (Bt)	U ₃ O ₈ (g/t)	Mo (ppm)	V (ppm)	Ni (ppm)	Zn (ppm)
100	1.0-2.0	150-160	200-210	1450-1600	310-330	430-450

Table 3: Häggån Permit, Exploration Target

U ₃ O ₈ Cutoff (ppm)	Tonnes (Bt)	U ₃ O ₈ (ppm)	Mo (ppm)	V (ppm)	Ni (ppm)	Zn (ppm)
100	0.3-0.7	125-138	165-185	1140-1275	240-270	340-380

Table 4: Marby Permit, Exploration Target

These tonnages and grades convert to the following amounts of metal in millions of pounds:

U ₃ O ₈ Cutoff (ppm)	U ₃ O ₈ (Mlb)	Mo (Mlb)	V (Mlb)	Ni (Mlb)	Zn (Mlb)
100	350-650	450-900	3200-7000	650-1450	950-1950

Table 5: Häggån Permit, Exploration Target contained metal

Mlb = Million pounds

U ₃ O ₈ Cutoff (ppm)	U ₃ O ₈ (Mlb)	Mo (Mlb)	V (Mlb)	Ni (Mlb)	Zn (Mlb)
100	90-190	120-250	850-1750	200-350	250-550

Table 6: Marby Permit, Exploration Target contained metal

Mlb = Million pounds

Metallurgical Testwork

Aura commenced a programme of bioleaching testwork at SGS Minerals in Perth in late 2011 with the aim of confirming positive results from small-scale columns obtained at the Parker Cooperative Research Centre for Hydrometallurgy. SGS brings extensive experience in bacterial and heap leaching from a range of commodities.

A program of 10 columns, each two metres high and 15 centimetres in diameter, each containing approximately 50 kilograms of material sourced from across the Häggån resource, was undertaken using variable leaching conditions in the presence of bacteria.

The tests successfully demonstrated high metal recovery and low acid consumption could be maintained with increased column size, providing a more accurate representation of bioheap leach conditions and strongly suggesting this process route is technically feasible for Häggån.



Häggån bacterial heap and tank leach testing at SGS Lakefield Oretest, Perth

Maximum extractions of metals obtained were:

- ▶ Uranium: 85%
- ▶ Nickel: 58%
- ▶ Molybdenum: 18%

The results indicated that the uranium extraction of 75 per cent applied in the scoping study may be conservative.

The metallurgical programme will continue in the PFS with the next phase tests aimed at testing larger-sized samples.

WEST AFRICAN ACTIVITIES

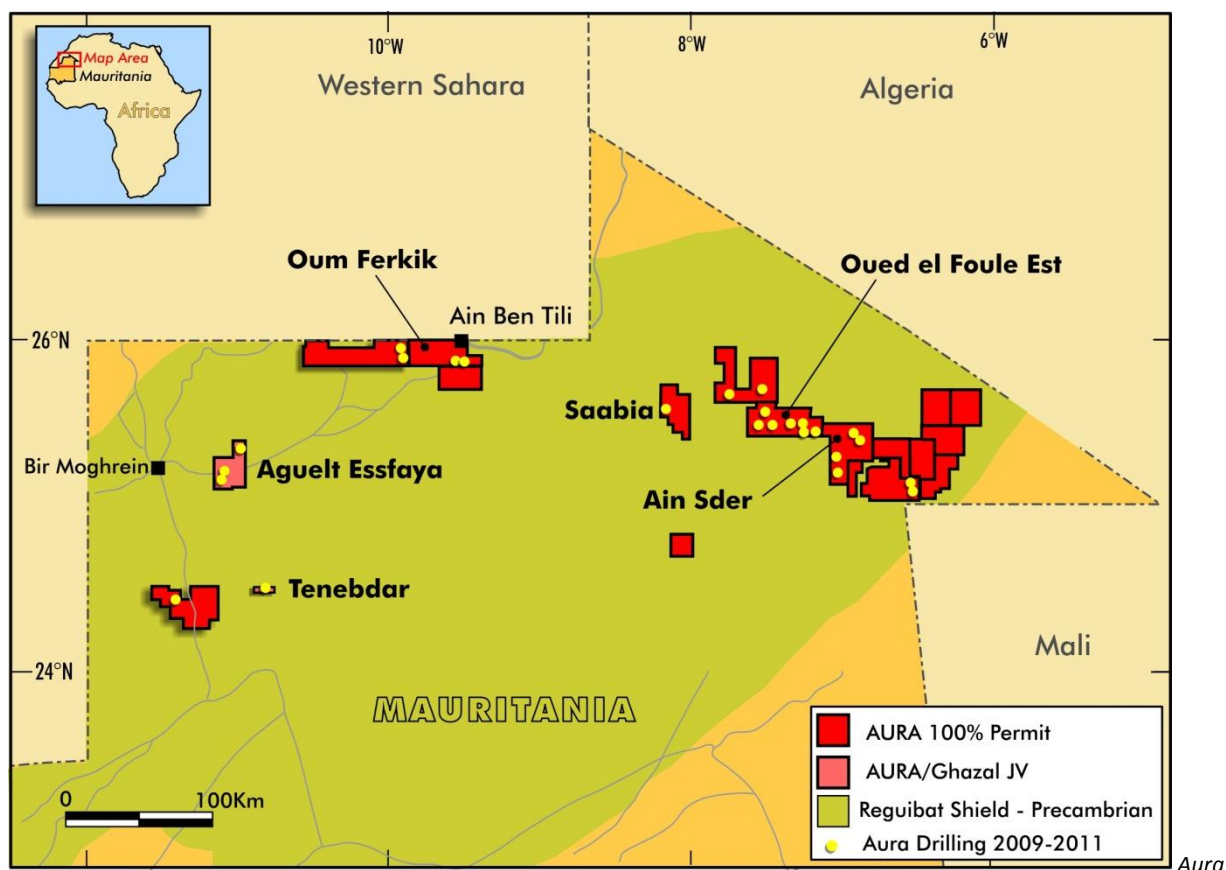
In both Mauritania and Niger there are well established mining industries. Aura has been active in the provinces of West Africa since 2007 where there is an extensive presence of international mining groups and mining activity is encouraged. Aura has made greenfields uranium discoveries and realised significant advantages of being a first mover in the area including securing substantial landholdings.

Reguibat Project, Mauritania

Aura's skills and its confidence in its greenfields Reguibat Project was confirmed by the calculation of the first JORC-code compliant resource in July 2011. The exploration team had undertaken radiometric surveys and two large drilling programs to successfully define several laterally extensive developments of calcrete uranium mineralisation within the Reguibat Project in northern Mauritania.

The initial Mineral Resource Statement for Aura was prepared by the independent experts, Coffey Mining Limited. All of the resource is within six meters of surface potentially allowing low cost mining.

The Inferred Resource of 50.2 million pounds at 330 ppm uranium on the Reguibat Project was based on a cut-off grade of 100ppm uranium. A total of 97 per cent of this resource is contained in permits 100 per cent held by Aura and compares favourably to other global calcrete resources.



Mauritanian permits and drilling to date

Aura

Excellent Drilling Results

A major ground geophysical survey was completed in the project's eastern permits in late 2011 and these targets were followed up by drilling in the first quarter 2012, with the aim of locating calcrete uranium mineralisation extensions to add to the existing resource. The results highlighted strong mineralisation extending well beyond the boundaries of the current resource.

Previous drilling had focussed primarily on areas with strong radiometric response. The recent drilling programme was directed around the edges of the resource zones, in areas where radiometric response was generally lower as can often occur when there is sand cover or other materials blocking the radioactive response.

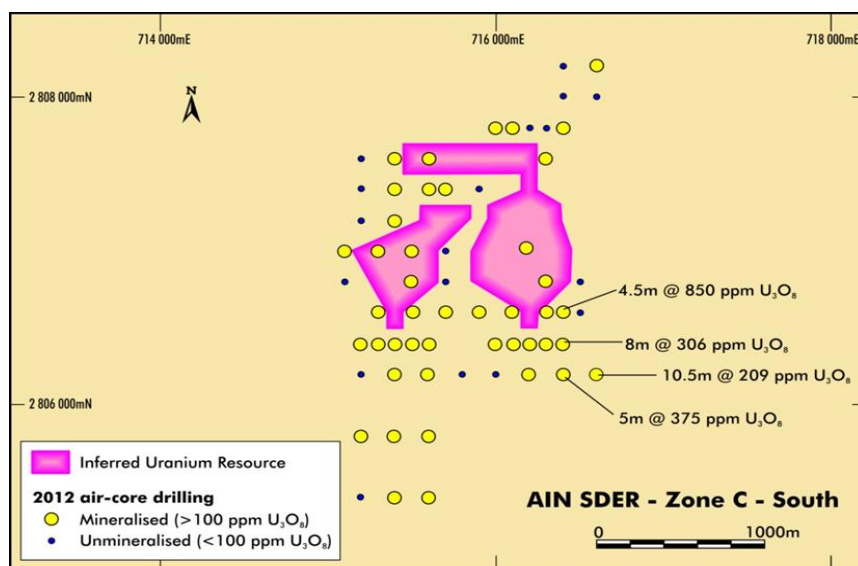
The presence of strong mineralisation in areas of weak surface radiometric response highlights an opportunity for the discovery of additional new mineralised zones close by.

Key intercepts of uranium included:

- 4.5m @ 850 ppm (12ASACC259)
- 2.5m @ 823 ppm (12ASACJ099)
- 3.5m @ 618 ppm (12ASACJ174)
- 2.5m @ 615 ppm (12ASACC231)

Strong and extensive mineralisation was located in three zones tested: Ain Sder Zone C, Ain Sder Zone I, and Oum Ferkik Zone L.

Of particular interest is Ain Sder Zone C where mineralisation has been intersected consistently for more than one kilometre south of the currently defined resource limit. Mineralisation in several holes in this area is also unusually thick. On the western side of a large longitudinal sand-dune covering the northern end of the Ain Sder Zone C radiometric anomaly mineralisation has now been intersected on both sides of the dune, which is greater than 2.5 kilometres wide.



Ain Sder Zone C, southern end. Note extension of mineralisation for +1 km to the south of current resource outlines.

Work this year in Mauritania focussed on extending the resource possibilities and working towards the commencement of a scoping study for the Reguibat Project.

WESTERN AUSTRALIA YILGARN CALCRETE PROJECTS

Wondinong

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

During first quarter 2012, Aura began the formal process of negotiating an agreement with the registered native title claimants prior to submission of Mining Lease application 58/359 covering a major part of the uranium resource within the central area of E58/290 at Wondinong.

Previous exploration results have shown that there is potential to increase the uranium resource base and extend the limits of known mineralisation outside Mining Lease application 58/359. A revised program comprising 800 metres of additional shallow aircore drilling has been proposed to explore for and test any possible extension of the resource into areas of E58/290 and E58/349.

NEXT STEPS FOR AURA

The coming year will see Aura take big steps forward at Häggån. The aim will be to commence pre-feasibility studies on the back of excellent scoping study results. The strategic review currently underway will continue to work towards securing appropriate development opportunities for Häggån.

In West Africa the primary aim will be to initiate a major metallurgical testing programme. In addition Aura will extend the current Reguibat calcrete resource in Mauritania, which already favourably compares to other global calcrete resources, and commence the first scoping study on the project.

Moving forward, Aura will aim to create shareholder value by ultimately completing studies on these two key projects and moving to development.

RESOURCE STATEMENTS

Häggån Resource Statements

Category	Cutoff U ₃ O ₈	Size	U ₃ O ₈	Mo	V	Ni	Zn
	ppm U ₃ O ₈	Bt	ppm	ppm	ppm	ppm	ppm
Inferred	100	2.35	155	207	1519	316	431

Inferred Resources for the Häggån Project

(Bt = billion tonnes)

Significant figures quoted do not imply precision and are to minimise round-off errors.

Category	Cutoff U ₃ O ₈	U ₃ O ₈	Mo	V	Ni	Zn
	ppm U ₃ O ₈	MLbs	MLbs	MLbs	MLbs	MLbs
Inferred	100	800	1070	7860	1640	2230

Contained metal in Inferred Resources for the Häggån Project

Significant figures quoted do not imply precision and are to minimise round-off errors.

Competent Persons Statement

Mr. Arnold van der Heyden takes responsibility for estimation of uranium and associated metals in the Häggån Resource. Mr. van der Heyden is a director of H&SC and is a competent person in the meaning of JORC having had around thirty years relevant experience in exploration and estimation of uranium and other metal resources in many parts of the world. He is a member of the Australian Institute of Geoscientists. Mr. van der Heyden consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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. Dr Beeson takes responsibility for data integrity, QA/QC and the requirement of "reasonable prospects for eventual economic extraction" for the reporting of Häggån Resources at the quoted cut-off grades.

Estimation procedure

In estimating the resources H&SC assumed that mineralisation will be mined at a large scale using 10 metre benches. It has been further assumed that contacts between mineralisation and non-mineralised units can be identified. It is considered that dilution with inter-bedded and overlying limestone and massive shale units will be kept to a minimum commensurate with large scale mining.

Two metre composited intervals were used to interpolate grades into 200 metre by 200 metre by 10 metre panels, discretised to five by five by two. Two search passes used ordinary kriging to populate blocks the details of which are shown in the table below.

Search parameters

Axis	Pass 1	Pass 2	Azimuth	Dip
X	400 m	800 m	10	0
Y	400 m	800 m	100	0
Z	10 m	20 m	190	90
Composite Data Requirements				
Minimum data points (total)	8	8		
Maximum points per sector	6	6		
Sectors	4	4		
Hole count	2	1		

Blocks populated in Pass 1 were attributed to the Inferred Resource whereas those populated in Pass 2 were attributed to the Exploration Target inventory.

Ordinary kriging is informed by variograms of the mineralised lithotype for each of the metals estimated. The range of the uranium variogram exceeded 200 metres in the vertical dimension and was in excess of 700 metres in the horizontal plane with a small elongation in the east-west direction. Variograms of V, Ni, Zn, and Mo varied little from the uranium variograms. H&SC considers that the continuity of mineralisation is demonstrably very high and suitable for resource estimation.

Density measurements using a non-wax immersion technique has been made over a selection of typical lithologies in the mineralised Alum Shale sequence. Application of a density of 2.52 g/cc measured for samples of mineralised shale to the proportion of the panel estimates the tonnage of mineralised material within each panel.

Reguibat Resource Statement

Category	Lower Cutoff	Tonnes	Grade	Contained U ₃ O ₈
	ppm U ₃ O ₈	Mt	ppm U ₃ O ₈	Mlb
Inferred	100	68.7	330	50.2
	150	67.3	340	49.9
	200	60.7	350	47.3
	250	48.8	380	41.3
	300	35.8	420	33.4

Competent Persons Statement

The Competent Person for the Requist Resource estimation and classification is Mr Oliver Mapeto from Coffey Mining. The Competent Person for the drill hole data and data quality is Dr Robert Beeson from Aura Energy.

The information in the report to which this statement is attached that relates to the Mineral Resource and is based on information compiled by Oliver Mapeto. Oliver Mapeto 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 Mr Mapeto as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mapeto is a Member of The Australasian Institute of Mining and Metallurgy and is employed by Coffey Mining Pty Ltd. Mr Mapeto consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

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.

Wondinong Resource Statement

Lower Cutoff	Tonnes	Grade	Contained U ₃ O ₈
ppm U ₃ O ₈	Mt	ppm U ₃ O ₈	Mlb
100	22.6	140	7.0
150	6.5	185	2.6
200	1.9	225	0.9
250	0.3	270	0.2

Competent Persons Statement

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. Dr Beeson takes responsibility for the requirement of "reasonable prospects for eventual economic extraction" for the reporting of Häggå Resources at the quoted cut-off grades.

CORPORATE GOVERNANCE STATEMENT

As the framework of how the Board of Directors of Aura Energy Limited ("Company") carries out its duties and obligations, the Board has considered the eight principles of corporate governance as set out in the ASX Good Corporate Governance and Best Practice Recommendations.

The essential corporate governance principles are:

- 1 Lay solid foundations for management and oversight;
- 2 Structure the Board to add value;
- 3 Promote ethical and responsible decision-making;
- 4 Safeguard integrity in financial reporting;
- 5 Make timely and balanced disclosure;
- 6 Respect the rights of shareholders;
- 7 Recognise and manage risk;
- 8 Remunerate fairly and responsibly.

1. Lay solid foundations for management and oversight.

Recommendation 1.1: *Management should establish and disclose functions reserved to the board and delegated to management.*

Roles and Responsibilities:

The roles and responsibilities carried out by the Board are to:

- ☛ Oversee control and accountability of the Company;
- ☛ Set the broad targets, objectives, and strategies;
- ☛ Monitor financial performance;
- ☛ Assess and review risk exposure and management;
- ☛ Oversee compliance, corporate governance, and legal obligations;
- ☛ Approve all major purchases, disposals, acquisitions, and issue of new shares;
- ☛ Approve the annual and half-year financial statements;
- ☛ Appoint and remove the Company's Auditor;
- ☛ Appoint and assess the performance of the Managing Director and members of the senior management team;
- ☛ Report to shareholders.

Recommendation 1.2: *Companies should disclose the process for evaluating the performance of senior executives.*

The Board regularly reviews the performance of senior executives.

Recommendation 1.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 1.*

The evaluation of performance of senior executives has taken place throughout the year.

2. Structure the Board to add value.

Recommendation 2.1: *A majority of the Board should be independent Directors. – The majority of the Board is independent. Refer general comment below.*

Recommendation 2.2: *The Chairperson should be an independent Director. – The Chairman is not independent. Refer general comment below.*

Recommendation 2.3: *The roles of the Chairperson and Chief Executive should not be exercised by the same individual.*

CORPORATE GOVERNANCE STATEMENT

Recommendation 2.4: *Establishment of a nominations committee.*

Recommendation 2.5: *Disclose the process for performance evaluation of the board, its committees and individual directors, and key executives.*

Recommendation 2.6: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 2.*

General Comments:

Membership

The Board's membership and structure is selected to provide the Company with the most appropriate direction in the areas of business controlled by the Company. The Board currently consists of six members; a Managing Director, and five non-executive Directors. Refer to the Directors' Report for details of each Director's profile. The majority of the Board is independent.

Chairman and Managing Director

The roles of the Chairman and the Managing Director are separate. The Chairman is responsible for leading the Board in its duties, and facilitating effective discussions at Board level. The Managing Director is responsible for the efficient and effective operation of the Company.

Nomination Committee

The Company has a formal charter for the Nomination Committee, however, no Committee has been appointed to date. The Board as a whole deals with areas that would normally fall under the charter of the Nomination Committee. These include matters relating to the renewal of Board members, and Board performance.

Skills

The Directors bring a range of skills and background to the Board including exploration, mining engineering, metallurgical engineering, technical management, accountancy, finance, stockbroking, and legal.

Experience

The Directors have considerable experience in business at both operational and corporate levels.

Meetings

The Board endeavours to meet at least bi-monthly on a formal basis, although the Board regularly meets informally.

Independent professional advice

Each Director has the right to seek independent professional advice at the Company's expense for which the prior approval of the Chairman is required, and is not unreasonably withheld.

3. Promote ethical and responsible decision-making.

Recommendation 3.1: *Establish a code of conduct to guide the Directors, the Chief Executive Officer (or equivalent) and any other key executives as to:*

3.1.1 *The practices necessary to maintain confidence in the Company's integrity;*

3.1.2 *The practices necessary to take into account legal obligations and the reasonable expectations of shareholders;*

3.1.2 *The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.*

The Company is committed to its Directors and employees maintaining high standards of integrity, and ensuring that activities are in compliance with the letter and spirit of both the law and Company policies. Each staff member is issued with the Company's Policies and Procedures manual at the beginning of their employment with the Company.

CORPORATE GOVERNANCE STATEMENT

Recommendation 3.2: *Establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.*

The Company has a diversity policy included in its Corporate Governance Policy.

Recommendation 3.3: *Disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.*

The Company believes that the promotion of diversity on boards, in senior management and within the organisation generally broadens the pool for recruitment of high quality directors and employees; is likely to support employee retention; through the inclusion of different perspectives, is likely to encourage greater innovation; and is socially and economically responsible governance practice.

The Company is in compliance with the ASX Corporate Governance Council's Principles & Recommendations on Diversity. The Board of Directors is responsible for adopting and monitoring the Company's diversity policy. The policy sets out the beliefs and goals and strategies of the Company with respect to diversity within the Company. Diversity within the Company means all the things that make individuals different to one another including gender, ethnicity, religion, culture, language, sexual orientation, disability and age. It involves a commitment to equality and to treating of one another with respect.

The Company is dedicated to promoting a corporate culture that embraces diversity. The Company believes that diversity begins with the recruitment and selection practices of its board and its staff. Hiring of new employees and promotion of current employees are made on the bases of performance, ability and attitude.

Recommendation 3.4: *Disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.*

Currently there are 4 women employees in the whole organisation, in senior executive positions, or on the Board. Given the present size of the Company, there are no plans to establish measurable objectives for achieving gender diversity at this time. The need for establishing and assessing measurable objectives for achieving gender diversity will be re-assessed as the size of the Company increases.

Recommendation 3.5: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 3.*

A summary of both the Company's Code of Conduct and its Share Trading Policy is included on the Company's website.

General Comments:

Integrity of Company's Financial Condition

The Company's Financial Controller and Company Secretary report in writing to the Board that the consolidated financial statements of the Company and its controlled entities for the half and full financial year present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The Company has a formal charter for an Audit Committee. The Audit Committee comprises Messrs Fraser, Junk, and O'Loughlin who are responsible for the following activities:

- ☛ Review the Company's accounting policies;
- ☛ Review the content of financial statements;
- ☛ Review the scope of the external audit, its effectiveness, and independence of the external audit;
- ☛ Ensure accounting records are maintained in accordance with statutory and accounting standard requirements;
- ☛ Monitor systems used to ensure financial and other information provided is reliable, accurate, and timely;
- ☛ Review the audit process with the external auditors to ensure full and frank discussion of audit issues;
- ☛ Present half and full year financial statements to the Board.

5. Make timely and balanced disclosure.

Recommendation 5.1: Establish written policies and procedures designed to ensure compliance with ASX Listing rules disclosure requirements and to ensure accountability at a senior management level for that compliance.

Being a listed entity on the ASX, the Company has an obligation under the ASX Listing Rules to maintain an informed market with respect to its securities. Accordingly, the Company advises the market of all information required to be disclosed under the Rules that the Board believes would have a material effect on the price of the Company's securities.

The Company Secretary has been appointed as the person responsible for communication with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media, and the public.

All shareholders receive a copy of the Company's annual report.

Recommendation 5.2: *Provide the information indicated in the ASX Corporate Governance Councils' Guide to Reporting on Principle 5.*

Disclosure is reviewed as a routine agenda item at each Board meeting.

6. Respect the rights of shareholders.

Recommendation 6.1: *Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.*

Recommendation 6.2: *Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit, and the preparation and content of the auditor's report.*

General Comments:

The Company is committed to keeping shareholders fully informed of significant developments at the Company. In addition to public announcements of its financial statements and significant matters, the Company provides the opportunity for shareholders to question the Board and management about its activities at the Company's annual general meeting.

The Company's auditor, Bentleys, will be in attendance at the annual general meeting and will also be available to answer questions from shareholders about the conduct of the audit and the preparation and content of the auditor's report.

CORPORATE GOVERNANCE STATEMENT

7. Recognise and manage risk

Recommendation 7.1: *The Board or appropriate Board committee should establish policies on risk oversight and management.*

Recommendation 7.2: *The chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that:*

7.2.1 *The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.*

7.2.2 *The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.*

Recommendation 7.3: *The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a system of risk management and internal control and that the system is operating effectively in all material respects in relation to the financial reporting risks.*

Recommendation 7.4: *Provide the information indicated in the ASX Corporate Governance Council's Guide to reporting on Principle 7.*

General Comments:

The Board oversees the Company's risk profile. The financial position of the Company and matters of risk are considered by the Board. The Board is responsible for ensuring that controls and procedures to identify, analyse, assess, prioritise, monitor and manage risk are in place, being maintained and adhered to.

The Financial Controller and Company Secretary state in writing to the Board that:

- ☛ The statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board.
- ☛ The Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. Remunerate fairly and responsibly

Recommendation 8.1: *The Board should establish a Remuneration Committee.*

Recommendation 8.2: *Clearly distinguish the structure of non-executive Directors' remuneration from that of executives.*

Recommendation 8.3: *Provide the information indicated in the ASX Corporate Governance Council's Guide to Reporting on Principle 8.*

General Comments:

Principles used to determine the nature and amount of remuneration

The objective of the Company's remuneration framework is to ensure reward for performance is competitive and appropriate to the results delivered. The framework aligns executive reward with the creation of value for shareholders, and conforms to market best practice.

The remuneration committee ensures that executive rewards satisfy the following key criteria for good reward governance practices:

- ☛ Competitiveness and reasonableness;
- ☛ Acceptability to the shareholders;
- ☛ Performance linked;
- ☛ Transparency;
- ☛ Capital management.

CORPORATE GOVERNANCE STATEMENT

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Remuneration Committee

Members of the Remuneration Committee are Messrs Fraser, Junk, and Stephenson.

Directors' Remuneration

Further information on Directors' and executives' remuneration is set out in the Directors' Report and Note 5 to the financial statements.

DIRECTORS' REPORT

Your Directors present their report together with the financial statements of the Group, being the company and its controlled entities, for the financial year ended 30 June 2012.

Directors

The names of Directors in office at any time during or since the end of the year are:

Mr Brett Fraser
Dr Bob Beeson
Mr Jay Stephenson
Mr Simon O'Loughlin
Mr Leigh Junk
Mr Julian (Jules) Perkins

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary

The following person held the position of Company Secretary at the end of the financial year:

Mr Jay Richard Stephenson — Fellow of Certified Practicing Accountants; Certified Management Accountant; Member of Australian Institute of Company Directors; Master of Business Administration; Fellow of Institute of Chartered Secretaries Australia. Mr Stephenson is also a non-executive director and performs the role of Chief Financial Officer for the Company.

Principal Activities

The principal activities of the Group during the financial year were the exploration and evaluation of its projects in Sweden, Africa, and Australia.

Operating Results

The consolidated loss for the year amounted to \$2,343,450 (2011: \$2,417,029).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2012.

Review of Operations

A detailed review of the Group's exploration activities is set out in the section titled "Operations Review" in this annual report.

Financial Position

The net assets of the Group have increased by \$2,154,363 from 30 June 2011 to \$16,220,907 at 30 June 2012.

DIRECTORS' REPORT

Significant Changes in State of Affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- ☀ The Company issued 4,500,000 shares on 1 September 2011, raising \$1,466,550; and
- ☀ The Company issued 22,798,345 shares on 16 February 2012, raising \$3,420,460.

There were no other significant changes to the state of affairs of the Group.

After Balance Date Events

In August 2012 the Group signed an Exclusivity Agreement with a major uranium participant, in respect of a potential strategic partnership which would provide funding for further feasibility work at Häggån, in return for equity in the project. The Agreement provides an exclusivity period of 90 days, and there is no assurance that a binding agreement will be executed.

There are no other significant after balance date events that are not covered in the Operations Review or elsewhere in this Annual Report.

Likely Developments

Likely developments, future prospects and business strategies of the operations of the Group and the expected results of those operations have not been included in this report as the directors believe that the inclusion of such information would be likely to result in unreasonable prejudice to the Group.

Information on Directors

Mr Brett Fraser	— Chairman (Non-Executive).
Qualifications	— Fellow of Certified Practicing Accountants; Fellow of the Financial Services Institute of Australasia; Grad Dip Finance, Securities Institute of Australia; Bachelor of Business (Accounting); International Marketing Institute - AGSM Sydney.
Experience	— Board member since 24 August 2005.
Interest in Shares and Options	— 2,286,040 ordinary Shares in Aura Energy Limited and 1,076,399 options.
Special Responsibilities	— Member of the Audit Committee, Due Diligence Committee, and Remuneration Committee.
Directorships held in other listed entities	— Current non-executive director and Chairman of Drake Resources Limited since March 2004, and non-executive director and Chairman of Blina Diamonds NL since September 2008. Past director of Doray Minerals Limited from October 2009 until November 2011. No other directorships in the past three years.

**AURA ENERGY LIMITED
AND CONTROLLED ENTITIES**
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DIRECTORS' REPORT

Dr Robert Beeson	— Managing Director
Qualifications	— Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists
Experience	— Board member since 31 March 2006. Geologist with over 30 years of global experience in base and precious metal exploration and development.
Interest in Shares and Options	— 2,069,960 Ordinary Shares in Aura Energy Limited and 2,270,710 options.
Directorships held in other listed entities	— Current Managing Director of Drake Resources Limited since November 2004. No other directorships in the past three years.
Mr Jay Stephenson	— Director (Non-Executive); Company Secretary
Qualifications	— Fellow of Certified Practicing Accountants; Certified Management Accountant; Member Australian Institute of Company Directors; Master of Business Administration; Fellow Institute of Chartered Secretaries Australia.
Experience	— Board member since 24 August 2005
Interest in Shares and Options	— 1,843,568 Ordinary Shares in Aura Energy Limited and 1,013,368 options.
Special Responsibilities	— Member of Due Diligence Committee and Remuneration Committee
Directorships held in other listed entities	— Current non-executive Director of Drake Resources Limited since March 2004, Strategic Minerals Corporation NL since July 2009, Doray Minerals Limited since August 2009, Spencer Resources Limited and Parker Resources Limited since January 2011, and Nickelore Limited since July 2011. Chairman and non-executive Director of Quintessential Resources Limited since February 2011. Past non-executive director of Excelsior Gold Limited from October 2009 to November 2009. No other directorships in the past three years.
Mr Simon O'Loughlin	— Director (Non-Executive)
Qualifications	— BA(Acc), Law Society Certificate in Law.
Experience	— Board member since 31 March 2006.
Interest in Shares and Options	— 993,112 Ordinary Shares in Aura Energy Limited and 125,000 options
Special Responsibilities	— Member of Audit Committee and Due Diligence Committee
Directorships held in other listed entities	— Australia Oriental Minerals NL since April 2012, Chesser Resources Limited since March 2006, Goldminex Resources Limited since June 2012, Kibaran Resources Limited since September 2010, Neurodiscovery Limited since March 2012, Petratherm Limited since October 2003, and WCP Resources Limited since March 2005 Former director of Bondi Mining Limited (December 2006 to January 2012), Bioxyne Limited (July 2008 to April 2012), Avenue Resources Limited (March 2010 to March 2012), and Living Cell Technologies Limited (May 2004 to November 2010) No other directorships in the past three years.

DIRECTORS' REPORT

Mr Leigh Junk	— Director (Non-Executive)
Qualifications	— Diploma of Surveying from Wembley Technical College in 1992 and graduated from the University of Ballarat with a Graduate Diploma of Mining Engineering in 2000, and a Masters in Mineral Economics from Curtin University in 2008.
Experience	— Board member since 7 June 2011. Mr Junk is a mining engineer with 19 years' experience in mine planning. Leigh was the Executive responsible for feasibility studies, project evaluation, production scheduling and mine design with several mining companies throughout Western Australia, including Pilbara Manganese Pty Ltd, WMC Resources Ltd. and Mincor Operations Pty Ltd.
Interest in Shares and Options	— 875,000 Ordinary Shares in Aura Energy Limited and 125,000 options.
Special Responsibilities	— Member of Audit Committee and Remuneration Committee
Directorships held in other listed entities	— Mr. Junk is a Director of Doray Minerals Limited, Sentosa Mining Limited, the Goldfields Money Limited and of TSX-Venture listed Brilliant Mining Resources Inc.
Mr Jules Perkins	— Director (Non-Executive)
Qualifications	— Master of Science (Imperial College of Science & Technology) 1972; Associate of the Camborne School of Metalliferous Mining (Honours) 1967; Fellow of the Australasian Institute of Mining and Metallurgy; Member of the Australian Institute of Company Directors.
Experience	— Board member since 7 June 2011. Jules has over 40 years' experience in operations and management with major companies in the international minerals industry. He was Manager of Mining & Technology (Australia) for AngloGold Ashanti Ltd, one of the world's largest gold mining companies, until 2006. His career includes underground mining engineering in South Africa and management of metallurgic operations on the Zambian Copperbelt. Jules led the mineral processing department of Shell Research in the Netherlands for three years before moving into corporate management in the Netherlands and then in Australia. Mr Perkins is currently Chairman of the Board of Parker Centre Ltd, which manages the Parker Cooperative Research Centre ('CRC') for Hydrometallurgy. Jules has previously been a director on the boards of the CRC Mining and the Australian Centre for Mining Environmental Research.
Interest in Shares and Options	— 106,667 Ordinary Shares in Aura Energy Limited and 56,667 options.
Special Responsibilities	— None
Directorships held in other listed entities	— No other directorships held in other listed entities.

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 6 meetings of Directors (including committees of Directors) were held. Attendances by each Director during the year were as follows:

	DIRECTORS' MEETINGS		COMMITTEE MEETINGS					
			DUE DILIGENCE COMMITTEE		REMUNERATION COMMITTEE		AUDIT COMMITTEE	
	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended	Number eligible to attend	Number Attended
Brett Fraser	6	6	-	-	-	-	2	2
Bob Beeson	6	6	-	-	-	-	-	-
Jay Stephenson	6	5	-	-	-	-	-	-
Simon O'Loughlin	6	6	-	-	-	-	2	2
Leigh Junk	6	5	-	-	-	-	-	-
Jules Perkins	6	6	-	-	-	-	-	-

Indemnifying Officers or Auditor

During or since the end of the financial year the Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

- ☛ The Company has entered into agreements to indemnify all Directors and provide access to documents, against any liability arising from a claim brought by a third party against the Company. The agreement provides for the company to pay all damages and costs which may be awarded against the Directors.
- ☛ The Company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the Company. The amount of the premium was \$10,560.
- ☛ No indemnity has been paid to auditors.

Options

At the date of this report, the un-issued ordinary shares of Aura Energy Limited under option (listed and unlisted) are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
8 February 2011	30 March 2013	\$0.69	650,000
8 February 2011	30 March 2013	\$1.05	650,000
24 April 2008	24 April 2013	\$0.60	400,000
23 December 2009	23 December 2014	\$0.30	375,000
31 March 2011	31 March 2016	\$0.45	570,000
24 November 2011	31 October 2014	\$0.31	3,500,000
23 December 2011	1 December 2014	\$0.20	32,789,218
24 May 2012	31 May 2015	\$0.20	1,000,000
			39,934,218

DIRECTORS' REPORT

No person entitled to exercise the option has or has any right by virtue of the option to participate in any share issue of any other body corporate.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements that the Company is subject to.

The Directors have considered the enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduced a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act has no effect on the Company for the current, nor subsequent, financial year. The Directors will reassess this position as and when the need arises.

Non-audit Services

During the year ended 30 June 2012, taxation consulting services were provided to the Company by a party related to the auditors. These services amounted to \$2,800 (2011: \$1,650).

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 33 of the annual report.

REMUNERATION REPORT (AUDITED)

A. Remuneration Policy

The remuneration policy of Aura Energy Limited has been designed to align director and management objectives with shareholder and business objectives by providing a fixed remuneration component, and offering specific long-term incentives based on key performance areas affecting the Group's financial results. The Board of Aura Energy Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best management and directors to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Group is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Remuneration Committee and approved by the Board. All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, options and performance incentives. The Remuneration Committee reviews executive packages annually by reference to the Group's performance, executive performance, and comparable information from industry sectors and other listed companies in similar industries.

Executives are also entitled to participate in the employee share and option arrangements.

The non-executive Directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits.

All remuneration paid to Directors and executives is valued at the cost to the Company and expensed. Options given to Directors and employees are valued using the Black-Scholes methodology.

The Board policy is to remunerate non-executive Directors at the lower end of market rates for comparable companies for time, commitment, and responsibilities. The non-executive Directors have been provided with options that are meant to incentivise the non-executive Directors. The Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive Directors are not linked to the performance of the Group. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders investment objectives and directors' and executives' performance. Currently, this is facilitated through the issue of options to the majority of directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. For details of directors and executives interests in options at year end, refer to note 5 of the financial statements.

REMUNERATION REPORT (AUDITED)

B. Remuneration Details for the Year Ended 30 June 2012

There were no cash bonuses paid during the year and there are no set performance criteria for achieving cash bonuses.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

2012

Group Key Management Personnel	Short-term benefits				Post- employment benefits	Long-term benefits	Equity-settled share- based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non- monetary	Other	Super- annuation	Other	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Brett Fraser ¹	60,000	-	-	45,000	5,400	-	-	93,139	203,539
Bob Beeson	165,000	-	-	-	14,850	-	-	124,186	304,036
Jay Stephenson ¹	55,000	-	-	45,000	4,950	-	-	-	104,950
Simon O'Loughlin	55,000	-	-	-	4,950	-	-	-	59,950
Leigh Junk	55,000	-	-	-	4,950	-	-	-	59,950
Jules Perkins ²	55,000	-	-	51,625	4,950	-	-	-	111,575
James Merrillees ³	-	-	-	207,951	-	-	-	-	207,951
	445,000	-	-	349,576	40,050	-	-	217,325	1,051,951

2011

Group Key Management Personnel	Short-term benefits				Post- employment benefits	Long-term benefits	Equity-settled share- based payments		Total
	Salary, fees and leave	Profit share and bonuses	Non- monetary	Other	Super- annuation	Other	Equity	Options	
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Brett Fraser ¹	58,750	-	-	45,000*	16,434	-	-	39,958	160,142
Bob Beeson	146,675	-	-	-	25,000	-	-	59,938	231,613
Jay Stephenson ¹	50,000	-	-	45,000*	13,626	-	-	39,958	148,584
Simon O'Loughlin	50,000	-	-	-	13,626	-	-	39,958	103,584
Leigh Junk	-	-	-	-	-	-	-	-	-
Jules Perkins	-	-	-	-	-	-	-	-	-
	305,425	-	-	90,000	68,686	-	-	179,812	643,923

¹ Cash from other activities paid to Mr Fraser and Mr Stephenson are paid to Wolfstar Group Pty Ltd, a company controlled by Mr Fraser and Mr Stephenson. Wolfstar Group Pty Ltd provides Financial services (including but not limited to: financial reporting, management reporting, fiscal management), and Company Secretarial services to Aura Energy Limited.

² Cash from other activities paid to Jules Perkins were paid to RRI Trust for metallurgical consulting.

³ James Merrillees was employed as Exploration Manager by Drake Resources Limited, which recharged half of his salary for the current and prior year during the current year. Of the \$207,951, \$103,976 relates to services provide for the 2011, recharged by Drake Resources Limited to Aura Energy Limited in December 2011.

REMUNERATION REPORT (AUDITED)

C. Service Agreements

The Managing Director, Dr Robert Beeson, is employed under an extension of the terms of a previous contract of employment.

The employment contract stipulates a one month resignation period. The Company may terminate the employment contract without cause by providing one month's written notice, or making payment in lieu of notice based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the Company can terminate employment at any time.

D. Share-based compensation

Incentive Option Scheme

Options are granted under the Aura Energy Limited Incentive Option Scheme. All staff who have been continuously employed by the Company for a period of at least one year are eligible to participate in the plan. Options are granted under the plan for no consideration.

Director and Key Management Personnel Options

On 24 November 2011, 3,500,000 share options were granted to directors to take up ordinary shares at an exercise price of \$0.31 each. The options are exercisable on or before 31 October 2014.

There were no director options issued during the 2011 financial year. An expense was raised in that year for options issued in prior periods, in accordance with their vesting conditions.

Share-based Payments

The terms and conditions relating to options granted as remuneration during the year to Directors and Key Management Personnel are as follows:

<i>Group Key Management Personnel</i>	Grant date	Grant value \$	Reason for grant	Percentage vested during year % (Note 2)	Percentage forfeited during year %	Percentage remaining as unvested %	Expiry date for vesting	Range of possible values relating to future payments
Brett Fraser	24 November 2011	154,950	Note 1	60	-	40	31 October 2014	-
Bob Beeson	24 November 2011	206,600	Note 1	60	-	40	31 October 2014	-

REMUNERATION REPORT (AUDITED)

- Note 1** The options have been granted to Key Management Personnel (KMP) to provide a market-linked incentive package in their capacity as KMP and for future performance by them in their roles. The vesting conditions of the options are as follows:
- ☛ Director options will vest 12 months after the issue date.
 - ☛ KMP options will vest 12 months after the issue date and if the KMP is continually employed by the Company during that 12 months.
 - ☛ KMP options vest only if the share price is greater than 26 cents for 5 consecutive days during the 12 months vesting period.
- Note 2** The dollar value of the percentage vested during the period has been reflected in the Table of Benefits and Payments on previous page.
- All options were issued by Aura Energy Limited and entitle the holder to one ordinary share in Aura Energy Limited for each option exercised.

Description of Options Issued as Remuneration

Details of the options granted as remuneration to those key management personnel listed in the previous table are as follows:

Grant date	Issuer	Entitlement on exercise	Dates exercisable	Exercise price \$	Value per option at grant date \$	Amount paid/ payable by recipient \$
30 November 2009	Aura Energy Limited	1:1 Ordinary Shares in Aura Energy Limited	From vesting date to 11 September 2011 (expiry)	\$0.23	\$0.0959	-
19 July 2010	Aura Energy Limited	1:1 Ordinary Shares in Aura Energy Limited	From vesting date to 30 June 2011 (expiry)	\$0.197	\$0.0352	-
24 November 2011	Aura Energy Limited	1:1 Ordinary Shares in Aura Energy Limited	From vesting date to 31 October 2014 (expiry)	\$0.31	\$0.1033	-

Option values at grant date were determined using the Black-Scholes method.

Details relating to service and performance criteria required for vesting have been provided in the Share-based Payments table in Note 19.

END OF REMUNERATION REPORT

This Report of the Directors, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.



JAY STEPHENSON

Director

Dated this 28th Day of September 2012

**Bentleys Audit & Corporate
(WA) Pty Ltd**

Level 1, 12 Kings Park Road
West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

As lead audit director for the audit of the financial statements of Aura Energy Limited and its controlled entities for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIC CA
Director

DATED at PERTH this 28th day of September 2012

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012**

	Note	2012	2011
		\$	\$
Revenue	2	113,762	133,263
Other income	2	22,898	4,730
		136,660	137,993
Accounting and audit fees		(146,157)	(69,138)
Employee benefits		(684,738)	(549,708)
Legal and consulting fees		(328,552)	(54,972)
Business development		(14,781)	(58,539)
Computers and software		(23,634)	(29,025)
Depreciation		(15,026)	(43,836)
Insurance		(36,960)	(43,439)
Public relations		(233,828)	(201,906)
Share registry and listing fees		(87,566)	(89,746)
Rent and utilities		(111,441)	(32,935)
Travel and accommodation		(81,988)	(154,217)
Share-based payments	19	(294,599)	(433,009)
Write-off capitalised exploration	11	(438,739)	(687,505)
Other expenses		(131,995)	(107,047)
Loss before income tax	3	(2,493,344)	(2,417,029)
Income tax benefit	4	149,894	-
Loss from continuing operations		(2,343,450)	(2,417,029)
Other Comprehensive Income			
Foreign currency movement		(14,688)	(33,177)
Other comprehensive income for the year, net of tax		(14,688)	(33,177)
Total comprehensive income attributable to members of the parent entity		(2,358,138)	(2,450,206)
Earnings per Share:			
Basic loss per share (cents per share)	7	(1.62)	(2.10)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

	Note	2012 \$	2011 \$
CURRENT ASSETS			
Cash and cash equivalents	8	1,725,512	3,289,774
Trade and other receivables	9	244,949	187,607
TOTAL CURRENT ASSETS		1,970,461	3,477,381
NON-CURRENT ASSETS			
Plant and equipment	10	21,943	26,933
Exploration and evaluation assets	11	14,714,507	11,465,790
TOTAL NON-CURRENT ASSETS		14,736,450	11,492,723
TOTAL ASSETS		16,706,911	14,970,104
CURRENT LIABILITIES			
Trade and other payables	12	442,681	885,253
Short term provisions	13	43,323	18,307
TOTAL CURRENT LIABILITIES		486,004	903,560
TOTAL LIABILITIES		486,004	903,560
NET ASSETS		16,220,907	14,066,544
EQUITY			
Issued capital	14	25,723,535	21,074,083
Reserves	15	579,036	923,395
Accumulated losses		(10,081,664)	(7,930,934)
TOTAL EQUITY		16,220,907	14,066,544

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Foreign Exchange Translation Reserve \$	Total \$
Balance at 1 July 2010	12,681,865	(5,704,385)	859,129	933	7,837,542
Loss for the year	-	(2,417,029)	-	-	(2,417,029)
Other comprehensive income for the year	-	-	-	(33,177)	(33,177)
Total comprehensive income for the year	-	(2,417,029)	-	(33,177)	(2,450,206)
Transaction with owners, directly in equity					
Shares issued during the year	8,763,498	-	(9,667)	-	8,753,831
Transaction costs	(507,632)	-	-	-	(507,632)
Options expired during the year	136,352	190,480	(326,832)	-	-
Options issued during the year	-	-	433,009	-	433,009
Balance at 30 June 2011	21,074,083	(7,930,934)	955,639	(32,244)	14,066,544
Balance at 1 July 2011	21,074,083	(7,930,934)	955,639	(32,244)	14,066,544
Loss for the year	-	(2,343,450)	-	-	(2,343,450)
Other comprehensive income for the year	-	-	-	(14,688)	(14,688)
Total comprehensive income for the year	-	(2,343,450)	-	(14,688)	(2,358,138)
Transaction with owners, directly in equity					
Shares issued during the year	3,420,460	-	-	-	3,420,460
Transaction costs	(239,383)	-	-	-	(239,383)
Options expired during the year	-	192,720	(192,720)	-	-
Options exercised during the year	1,468,375	-	(431,550)	-	1,036,825
Options issued during the year	-	-	294,599	-	294,599
Balance at 30 June 2012	25,723,535	(10,081,664)	625,968	(46,932)	16,220,907

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		19,088	43,437
Interest received		101,123	98,506
Payments to suppliers and employees		(1,999,082)	(1,928,931)
Payments for exploration expenditure		(3,552,137)	(4,883,019)
Income tax received for Research & Development		149,894	-
Net cash used in operating activities	18a	(5,281,114)	(6,670,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(10,036)	(17,443)
Repay loan for acquisition of subsidiary		(491,014)	-
Loan for acquisition of subsidiary		-	509,200
Net cash used in investing activities		(501,050)	491,757
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,457,285	8,753,831
Capital raising costs		(239,383)	(507,632)
Net cash provided by financing activities		4,217,902	8,246,199
Net increase/(decrease) in cash held		(1,564,262)	2,067,949
Cash at 1 July		3,289,774	1,221,825
Cash at 30 June	8	1,725,512	3,289,774

The accompanying notes form part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

These are the consolidated financial statements and notes of Aura Energy Limited and controlled entities ('Consolidated Group' or 'Group'). Aura Energy Limited is a company limited by shares, domiciled and incorporated in Australia.

The separate financial statements of the parent entity, Aura Energy Limited, have not been presented with this financial report as permitted by the Corporations Act 2001.

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial statements were authorised for issue on 28 September 2012 by the directors of the Company.

Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The Company incurred a loss for the year of \$2,343,450 and net cash outflows of \$1,564,262.

As at 30 June 2012, the Group had a working capital of \$1,484,457.

The ability of the Group to continue as a going concern is principally dependent upon the ability of the Group to secure funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and / or the successful development of the Group's exploration assets. Should the above matters are not by achieved; the Group will be required to raise funds for working capital from debt or equity sources.

Based upon cash flow forecasts and other factors referred to above, the directors are satisfied that the going concern basis of preparation is appropriate, including the meeting of exploration commitments. In addition, given the Group's history of raising funds to date, the directors are confident of the Group's ability to raise additional funds as and when they are required.

Should the Company be unable to continue as a going concern it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or to the amount and classification of liabilities that might result should the Company be unable to continue as a going concern and meet its debts as and when they fall due.

(a) Principles of Consolidation

A controlled entity is any entity over which Aura Energy Limited has the power to govern the financial and operating policies so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

A list of controlled entities is contained in Note 17 to the financial statements.

All inter-group balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those adopted by the parent entity.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

Business Combinations

Business combinations occur when an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as an asset or liability is remeasured each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to the business combination are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(b) Exploration and Development Expenditure

Exploration, evaluation, and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest will be amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to capitalise costs in relation to that area of interest.

Costs of site restoration will be provided over the life of the project, when such costs are incurred or the Group becomes liable for, from when exploration commences and are included in the costs of that stage. Site restoration costs will include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(c) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Plant and Equipment

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Plant and equipment	20%
Computers	33%
Motor Vehicles	25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(f) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

(g) Revenue and Other Income

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Management fees are recognised on portion of completion basis.

Gain on disposal of tenements, and revenue from equipment chargebacks, are recognised on receipt of compensation.

All revenue is stated net of the amount of goods and services tax (GST).

(h) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(i) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(j) Financial Instruments

Initial recognition and measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

Classification and Subsequent Measurement

Financial assets at fair value through profit and loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other investments are classified as current assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with changes in such fair value (ie. gains or losses) recognised in other comprehensive income (except for impairment losses and foreign exchange gains and losses). When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. All other financial assets are classified as current assets.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the statement of comprehensive income unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the profit or loss. Also, any cumulative decline in fair value previously recognised in other comprehensive income is reclassified to profit or loss at this point.

Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(k) Earnings Per Share

i. Basic earnings per share

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company, excluding any costs of service equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

ii. Diluted earnings per share

Diluted earnings per share adjusts the figure used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financial costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(l) Impairment of Assets

At the end of each reporting period, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised immediately to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(n) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

(o) Equity-settled compensation

The Group operates an employee share ownership scheme. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

(p) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(q) Foreign Currency Transactions and Balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the gain or loss is directly recognised in other comprehensive income, otherwise the exchange difference is recognised in the profit or loss.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at that reporting date;
- income and expenses are translated at average exchange rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(r) Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

Key Judgments – Exploration and evaluation expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at reporting date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(b). The carrying value of capitalised expenditure at reporting date is \$14,713,339.

During the financial year, the Group undertook assessment of its tenement assets, As a result of this assessment, the Group decided to impair some of its exploration assets. Refer Note 11.

Key Judgments – Environmental Issues

Balances disclosed in the financial statements and notes thereto are not adjusted for any pending or enacted environmental legislation, and the directors understanding thereof. At the current stage of the company's development and its current environmental impact, the directors believe such treatment is reasonable and appropriate.

Key Estimate – Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Key Estimate — Impairment

The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Estimate – Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an internal valuation using a Black Scholes option pricing model, using the assumptions detailed in Note 19.

(s) New Accounting Standards for Application in Future Periods

The AASB has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. A discussion of those future requirements and their impact on the Group is as follows:

☛ **AASB 9: Financial Instruments** (issued December 2009 and amended December 2010)

Applicable for annual reporting periods commencing on or after 1 January 2015.

Amends the requirements for classification and measurement of financial assets. The available-for-sale and held-to-maturity categories of financial assets in AASB 139 have been eliminated. AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income. Adoption of AASB 9 is only mandatory for the year ending 30 June 2016. The Group has not yet made an assessment of the impact of these amendments.

☛ **AASB 10: Consolidated Financial Statements** (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present:

- Power over investee (whether or not power used in practice).
- Exposure, or rights, to variable returns from investee.
- Ability to use power over investee to affect the entity's returns from investee.
- Introduces the concept of 'defacto' control for entities with less than 50% ownership interest in an entity, but which have a large shareholding compared to other shareholders. This could result in more instances of control and more entities being consolidated.

When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group does not have any special purpose entities. The Group does not have 'defacto' control of any entities with less than 50% ownership in an entity.

☛ **AASB 11: Joint Arrangements** (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

☛ **AASB 12: Disclosure of Interests in Other Entities** (issued August 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.

As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.

☛ AASB 13: Fair Value Measurement (issued September 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes to the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosures are required for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments.

When this standard is first adopted for the year ended 30 June 2014, additional disclosures will be required about fair values.

☛ AASB 2011-4: Amendments to AASB 124 to Remove Individual Key Management Personnel Disclosure Requirements (issued July 2011)

Applicable for annual reporting periods commencing on or after 1 July 2013.

These amendments remove individual key management personnel (KMP) disclosure requirements from AASB 124 to eliminate duplicated information required under the Corporation Act 2001. When this standard is first adopted for the year ended 30 June 2014, the Group will show reduced disclosures under the Key Management Personnel note to the financial statements.

☛ AASB 2011-9: Amendments to AASB 101 Presentation of Items of Other Comprehensive Income (issued September 2011)

Applicable for annual reporting periods commencing on or after 1 July 2012.

- One statement of comprehensive income to be referred to as 'statement of profit or loss and other comprehensive income'.
- Two statements to be referred to as 'statement of profit or loss' and 'statement of other comprehensive income'.
- OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss, and those that cannot.

When this standard is first adopted for the year ended 30 June 2013, there will be no impact on amounts recognized for transactions and balances for 30 June 2013 and comparatives.

☛ Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine (issued November 2011)

Applicable for annual reporting periods commencing on or after 1 January 2013.

Clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 *Inventories* if the benefits from stripping activity are realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalized as a non-current, stripping activity asset if certain recognition criteria are met.

As the Group does not operate a surface mine, there will be no impact on the financial statements when this interpretation is first adopted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
NOTE 2: REVENUE AND OTHER INCOME			
Revenue:			
Interest received from financial institutions		101,123	98,506
Management fees		12,639	34,757
Total Revenue		113,762	133,263
Other Income			
Foreign exchange gain		18,186	-
Equipment charge-backs		4,712	4,730
Total Other Income		22,898	4,730
 NOTE 3: LOSS BEFORE INCOME TAX			
		2012 \$	2011 \$
The following significant revenue and (expense) items are relevant in explaining the financial performance:			
Superannuation expense		(45,544)	(36,592)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
NOTE 4: INCOME TAX			
(a) Income tax expense / (benefit)			
Current tax		-	-
Deferred tax		-	-
Tax rebate for Research and Development		(149,894)	-
		<u>(149,894)</u>	<u>-</u>
Deferred income tax expense included in income tax expense comprises:			
- Increase / (decrease) in deferred tax assets	4(c)	12,664	(107,398)
- (Increase) / decrease in deferred tax liabilities	4(d)	(12,664)	107,398
		<u>-</u>	<u>-</u>
(b) Reconciliation of income tax expense to prima facie tax payable			
The prima facie tax payable / (benefit) on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating loss at 30% (2011: 30%)		(748,003)	(725,109)
Add / (Less)			
Tax effect of:			
- Share-based payments		88,380	129,903
- Other adjustments		25,406	50,669
- Deferred tax asset not brought to account		634,217	544,537
		<u>-</u>	<u>-</u>
Income tax expense / (benefit) attributable to operating loss		-	-
Less rebates:			
- Research and Development		(149,894)	-
		<u>(149,894)</u>	<u>-</u>
Income tax expense / (benefit)		<u>(149,894)</u>	<u>-</u>
The applicable weighted average effective tax rates attributable to operating profit are as follows			
		nil%	nil%
Balance of franking account at year end			
		nil	nil

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		\$	\$
NOTE 4: INCOME TAX (cont.)			
(c) Deferred tax assets			
Tax losses		2,148,537	2,062,603
Provisions and accruals		21,247	5,696
Other		210,885	195,030
		2,380,669	2,263,328
Set-off deferred tax liabilities	4(d)	(378,219)	(390,883)
Net deferred tax assets		2,002,450	1,872,446
Less deferred tax assets not recognised		(2,002,450)	(1,872,446)
Net tax assets		-	-
(d) Deferred tax liabilities			
Exploration expenditure		378,219	390,883
		378,219	390,883
Set-off deferred tax assets	4(c)	(378,219)	(390,883)
Net deferred tax liabilities		-	-
(e) Tax losses			
Unused tax losses for which no deferred tax asset has been recognised, that may be utilised to offset tax liabilities:			
- Revenue losses		6,674,833	6,241,485
- Capital losses		691,104	691,104
		7,365,937	6,932,589

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2012 because the directors do not believe it is appropriate to regard realisation of the deferred tax assets as probable at this point in time. These benefits will only be obtained if:

- i. the company derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the loss and exploration expenditure to be realised;
- ii. the company continues to comply with conditions for deductibility imposed by law; and
- iii. no changes in tax legislation adversely affect the company in realising the benefit from the deductions for the loss and exploration expenditure.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel (KMP) compensation

The names and positions of KMP are as follows:

Brett Fraser	<i>Chairman</i>
Robert (Bob) Beeson	<i>Managing Director</i>
Simon O'Loughlin	<i>Non-executive Director</i>
Jay Stephenson	<i>Non-executive Director</i>
Leigh Junk	<i>Non-executive Director</i>
Julian Perkins	<i>Non-executive Director</i>
James Merrillees	<i>Exploration Manager</i>

Refer to the Remuneration Report contained in the Director's Report for details of the remuneration paid to each member of the Group's KMP for the year ended 30 June 2012.

The totals of remuneration paid to KMP during the year are as follows:

	2012	2011
	\$	\$
Short-term employee benefits	794,576	395,425
Post-employment benefits	40,050	68,686
Share based payments	217,325	179,812
Other long term benefits	-	-
Termination benefits	-	-
Total	1,051,951	643,923

(b) Equity instrument disclosures relating to KMP

(i) Option holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at start of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable
Directors of Aura Energy Limited						
Brett Fraser	1,000,000	1,500,000	(1,000,000)	(423,601)	1,076,399	-
Robert Beeson	1,500,000	2,000,000	(1,500,000)	270,710	2,270,710	-
Jay Stephenson	1,000,000	-	(1,000,000)	1,013,368	1,013,368	-
Simon O'Loughlin	1,000,000	-	(1,000,000)	125,000	125,000	-
Leigh Junk	-	-	-	125,000	125,000	-
Julian Perkins	50,000	-	-	6,667	56,667	-
Other KMP						
James Merrillees	50,000	-	-	14,167	64,167	50,000
	4,600,000	3,500,000	(4,500,000)	1,131,311	4,731,311	50,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (cont.)

30 June 2011	Balance at start of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and exercisable
Directors of Aura Energy Limited						
Brett Fraser	1,000,000	-	-	-	1,000,000	1,000,000
Robert Beeson	3,000,000	-	-	(1,500,000)	1,500,000	1,500,000
Jay Stephenson	1,000,000	-	-	-	1,000,000	1,000,000
Simon O'Loughlin	1,000,000	-	-	-	1,000,000	1,000,000
Leigh Junk	-	-	-	-	-	-
Julian Perkins	-	-	-	-	-	-
	6,000,000	-	-	(1,500,000)	4,500,000	4,500,000

(iii) Shareholdings

The number of ordinary shares in Aura Energy Limited held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at start of year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at end of year
Directors of Aura Energy Limited					
Brett Fraser	1,641,200	-	1,000,000	(355,160)	2,286,040
Robert Beeson	1,299,250	-	1,500,000	(729,290)	2,069,960
Jay Stephenson	1,355,200	-	1,000,000	(511,633)	1,843,567
Simon O'Loughlin	768,112	-	1,000,000	(775,000)	993,112
Leigh Junk	750,000	-	-	125,000	875,000
Julian Perkins	-	-	-	106,667	106,667
Other KMP					
James Merrillees	250,000	-	-	(150,833)	99,167
	6,063,762	-	4,500,000	(2,290,249)	8,273,513

30 June 2011	Balance at start of year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at end of year
Directors of Aura Energy Limited					
Brett Fraser	1,326,000	-	-	315,200	1,641,200
Robert Beeson	1,165,000	-	-	134,250	1,299,250
Jay Stephenson	1,146,000	-	-	209,200	1,355,200
Simon O'Loughlin	768,112	-	-	-	768,112
Leigh Junk	-	-	-	750,000	750,000
Julian Perkins	-	-	-	-	-
	4,405,112	-	-	1,408,650	5,813,762

Other changes during the year relate to shares purchased on market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION (cont.)

(c) Loans to key management personnel

There are no loans made to directors of Aura Energy as at 30 June 2012.

(d) Other transactions with key management personnel

There have been no other transactions involving equity instruments other than those described in the tables above. For details of other transactions with key management personnel, refer Note 21: Related party transactions.

NOTE 6: AUDITOR'S REMUNERATION	Note	2012	2011
		\$	\$
Remuneration of the auditor of the Group for:			
- Auditing or reviewing the financial reports		39,000	41,065
- Taxation services provided by a related practice of the auditor		2,800	1,650
		<u>41,800</u>	<u>42,715</u>

NOTE 7: EARNINGS PER SHARE	2012	2011
	\$	\$
(a) Reconciliation of earnings to net profit or loss		
Loss used in the calculation of basic EPS	(2,343,450)	(2,417,029)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	144,452,555	114,889,796
Basic and diluted earnings per share (cents per share)	(1.62)	(2.10)

NOTE 8: CASH AND CASH EQUIVALENTS	2012	2011
	\$	\$
Cash at bank	1,725,512	3,289,774
Reconciliation of Cash		
Cash at the end of the financial year as shown in the consolidated statement of cash flows is reconciled to items in the consolidated statement of financial position as follows:		
Cash and cash equivalents	<u>1,725,512</u>	<u>3,289,774</u>

The effective interest rate on short term bank deposits was 4% (2011: 6%). These deposits have an average maturity of 5 months (2011: 4 months).

NOTE 9: TRADE AND OTHER RECEIVABLES	2012	2011
	\$	\$
CURRENT		
Goods and Services Tax and MOMS ¹ receivable	186,531	155,072
Trade debtors and prepayments	58,418	32,535
	<u>244,949</u>	<u>187,607</u>

¹ MOMS is an acronym for the Swedish equivalent to a broad-based consumption tax, such as GST and VAT.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
NOTE 10: PLANT AND EQUIPMENT			
NON-CURRENT			
Plant and equipment		180,005	169,969
Accumulated depreciation		(158,062)	(143,036)
		<u>21,943</u>	<u>26,933</u>
Motor vehicles		62,948	62,948
Accumulated depreciation		(62,948)	(62,948)
		<u>-</u>	<u>-</u>
Total plant and equipment		<u>21,943</u>	<u>26,933</u>

a. Movements in Carrying Amounts

Balance at the beginning of year		26,933	53,327
Additions		10,036	17,442
Depreciation expense	3(a)	(15,026)	(43,836)
Carrying amount at the end of year		<u>21,943</u>	<u>26,933</u>

	Note	2012 \$	2011 \$
NOTE 11: EXPLORATION AND EVALUATION ASSETS			
NON-CURRENT			
Exploration expenditure capitalised			
- Exploration and evaluation phases at cost		15,152,108	12,145,707
Other		1,168	7,588
Less: Exploration expenditure written-off		(438,769)	(687,505)
Net carrying value		<u>14,714,507</u>	<u>11,465,790</u>

The value of the Group interest in exploration expenditure is dependent upon:

- ☛ the continuance of the Group's rights to tenure of the areas of interest;
- ☛ the results of future exploration; and
- ☛ the recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The Group's exploration properties may be subjected to claim(s) under Native Title (or jurisdictional equivalent), or contain sacred sites, or sites of significance to the indigenous people of Australia, Sweden, and Mauritania.

As a result, exploration properties or areas within the tenements may be subject to exploration restrictions, mining restrictions and/or claims for compensation. At this time, it is not possible to quantify whether such claims exist, or the quantum of such claims.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
NOTE 12: TRADE AND OTHER PAYABLES		\$	\$
CURRENT			
<i>Unsecured</i>			
Trade payables		394,715	837,947
Accrued expenses		27,500	31,749
GST and PAYG payable		20,466	15,557
		442,681	885,253

Trade payables are non-interest bearing and usually settled within 45 days.

	Note	2012	2011
NOTE 13: SHORT TERM PROVISIONS		\$	\$
CURRENT			
Employee benefits		43,323	18,307

Number of employees at year end

2 3

		2012	2011
NOTE 14: ISSUED CAPITAL		\$	\$
The Company has issued share capital amounting to 159,622,540 (2011: 132,315,068) fully paid ordinary shares at no par value.			
	14(a)	25,723,535	21,074,083

(a) Ordinary shares

At the beginning of the reporting period		21,074,083	12,681,865
Shares issued during the year:			
12,484,898 Shares issued on 23 September 2010		-	1,872,735
19,143,511 Shares issued on 25 October 2010		-	2,871,527
17,229,000 Shares issued on 20 December 2010		-	3,962,670
25,000 Shares issued on 9 February 2011		-	10,127
200,000 Shares issued on 30 June 2011		-	46,440
4,500,000 Shares issued on 1 September 2011		1,466,550	-
22,798,345 Shares issued on 16 February 2012		3,420,460	-
6,368 Shares issued on 1 March 2012		1,273	-
2,759 Shares issued on 23 March 2012		552	-
Transaction costs relating to share issues		(239,383)	(507,633)
Premium paid on expired options transferred as contributed equity		-	136,352
At reporting date		25,723,535	21,074,083

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 14: ISSUED CAPITAL (cont.)	Note	2012	2011
		No.	No.
At the beginning of the reporting period		132,315,068	83,232,659
Shares issued during the year:			
12,484,898 Shares issued on 23 September 2010		-	12,484,898
19,143,511 Shares issued on 25 October 2010		-	19,143,511
17,229,000 Shares issued on 20 December 2010		-	17,229,000
25,000 Shares issued on 9 February 2011		-	25,000
200,000 Shares issued on 30 June 2011		-	200,000
4,500,000 Shares issued on 1 September 2011		4,500,000	-
22,798,345 Shares issued on 16 February 2012		22,798,345	-
6,368 Shares issued on 1 March 2012		6,368	-
2,759 Shares issued on 23 March 2012		2,759	-
At reporting date		159,622,540	132,315,068

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has a vote on a show of hands.

(b) Options

For information relating to the Aura Energy Limited employee options scheme, including details of options issued, issued and lapsed during the financial year, and the options outstanding at balance date, refer to Note 19, Share-based Payments. The total number of options on issue are as follows:

	2012	2011
	No.	No.
Listed options	32,789,218	-
Unlisted options	7,145,000	7,562,000
	39,934,218	7,562,000

(c) Capital Management

The Directors' objectives when managing capital are to ensure that the Group can fund its operations and continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. Therefore, the focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet exploration programmes and corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required.

The working capital position of the Group at 30 June 2012 and 30 June 2011 were as follows:

	2012	2011
	\$	\$
Cash and cash equivalents	1,725,512	3,289,774
Trade and other receivables	244,949	187,607
Trade and other payables	(442,681)	(885,253)
Short term provisions	(43,323)	(18,307)
Working capital position	1,484,457	2,573,821

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012	2011
		\$	\$
NOTE 15: RESERVES			
Option reserve		625,968	955,639
Foreign exchange reserve		(46,932)	(32,244)
		579,036	923,395

Option reserve

The option reserve records items recognised as expenses on valuations of employee and consultant share options.

Foreign Exchange Translation Reserve

The foreign exchange reserve records exchange differences arising on translation of a foreign controlled subsidiary.

NOTE 16: ACQUISITION OF ENTITY

2012

No acquisition transactions

2011

On 8 November 2010, the Company acquire 100% of GCM Africa Uranium Limited, a company incorporated in the United Kingdom. The purchase required the initial payment of \$1,429,629, a deferred payment of US\$500,000 after twelve months.

There is a contingent consideration of US\$2,000,000 if the uranium resource exceeds 75 million pounds, and up to an additional US\$4,000,000 plus 4,000,000 Aura shares if the resource significantly exceeds this 75 million pounds.

Purchase consideration:

Cash paid at settlement	1,429,629
Deferred liability	509,200
	1,938,829

Assets and Liabilities at acquisition date:

Cash at bank	1
Value of exploration assets on acquisition	1,938,828
	1,938,829

In the opinion of the Directors the contingent consideration component is considered to be not probable as the likelihood of an outflow of resources is remote as at the date of this report. For this reason the contingent consideration has not been recognised.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 17: CONTROLLED ENTITIES

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned	
			2012	2011
Keyano Jack Pty Limited	Australia	Ordinary	100%	100%
Aura Energy Sweden AB	Sweden	Ordinary	100%	100%
GCM Africa Uranium Limited	United Kingdom	Ordinary	100%	100%

Investments in subsidiaries are accounted for at cost.

NOTE 18: CASH FLOW INFORMATION

(a) Reconciliation of Cash Flow from Operations to Loss After Income Tax

	2012 \$	2011 \$
Loss after income tax	(2,343,450)	(2,417,029)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit from ordinary activities		
Employee share-based payments expense	294,599	433,009
Depreciation	15,026	43,836
Foreign exchange gain on loan repayment	(18,186)	-
Write-off of capitalised exploration	438,739	687,505
Capitalised exploration expenditure included in cash flows from operations	(3,552,136)	(5,530,546)
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
(Increase)/decrease in receivables and prepayments	(94,324)	(5,015)
Increase/(decrease) in trade and other payables	(46,398)	116,820
Increase/(decrease) in provisions	25,016	1,413
Cash flow from operations	<u>(5,281,114)</u>	<u>(6,670,007)</u>

Credit Standby Facilities

The Group has no credit standby facilities.

Non-Cash investing and financing activities

The Group has no non-cash investing and financing activities.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
NOTE 19: SHARE-BASED PAYMENTS		
Share-based payment expense	294,599	433,009

The above share-based payment expense is comprised of the following arrangements in place at 30 June 2012:

- i. On 24 April 2008, 600,000 share options were granted to employees and consultants under the Aura Energy Limited Incentive Option Plan to take up ordinary shares at an exercise price of \$0.60 each. The options are exercisable on or before 24 April 2013. The options hold no voting or dividend rights and are not transferable. During the year ended 30 June 2009, one employee ceased employment and 200,000 options expired. Since that date, no other holder has ceased their employment. During the year ended 30 June 2011, one employee exercised 25,000 options, and therefore at balance date, 375,000 options remain.
- ii. On 23 December 2009, 400,000 share options were granted to employees and consultants under the Aura Energy Limited Incentive Option Plan to take up ordinary shares at an exercise price of \$0.30 each. The options are exercisable on or before 23 December 2014. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised or forfeited and 400,000 options remain.
- iii. On 31 March 2011, 570,000 share options were granted to employees and consultants under the Aura Energy Limited Incentive Option Plan to take up ordinary shares at an exercise price of \$0.45 each. The options are exercisable on or before 31 March 2016. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised or forfeited and 570,000 options remain.
- iv. On 24 November 2011, 3,500,000 share options were granted to Directors under the Aura Energy Limited Incentive Option Plan to take up ordinary shares at an exercise price of \$0.31 each. The options are exercisable on or before 31 October 2014. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised or forfeited and 3,500,000 options remain.
- v. On 24 May 2012, 1,000,000 share options were granted to consultants under the Aura Energy Limited Incentive Option Plan to take up ordinary shares at an exercise price of \$0.20 each. The options are exercisable on or before 31 May 2015. The options hold no voting or dividend rights and are not transferable. At balance date, no share option has been exercised or forfeited and 1,000,000 options remain.

All options granted to key management personnel are ordinary shares in Aura Energy Limited, which confer a right to one ordinary share for every option held.

Share-based payments recognised directly in equity and in place at 30 June 2012:

- i. On 23 December 2011, 10,000,000 options were granted to Cygnet Capital as an underwriting fee in respect to a non-renounceable entitlement issue. The value ascribed to the option issue was in accordance with the underwriting agreement, inclusive of fees deducted from the proceeds of the capital raising, amounting to \$239,383.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 19: SHARE-BASED PAYMENTS (cont.)

A summary of the movements of all company options issued as share-based payments is as follows:

	2012		2011	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at the beginning of the year	7,695,000	\$0.3785	7,450,000	\$0.1212
Granted	14,500,000	\$0.2856	2,070,000	\$0.6893
Exercised	(4,500,000)	\$0.3000	(225,000)	\$0.2084
Expired	(550,000)	\$0.2500	(1,600,000)	\$0.5469
Outstanding at year-end	17,145,000	\$0.4234	7,695,000	\$0.3785
Exercisable at year-end	13,645,000	\$0.5322	7,695,000	\$0.3785

The weighted average remaining contractual life of options outstanding at year end was 2.16 years. The weighted average exercise price of outstanding shares at the end of the reporting period was \$0.4234

The fair value of the options granted to employees is deemed to represent the value of the employee services received over the vesting period.

The weighted average fair value of options granted during the year was \$0.0937 (2011: \$0.1307). These values were calculated using the Black-Scholes option pricing model, applying the following inputs to options issued this year:

Option exercise price:	\$0.31	\$0.20
Number of options issued:	3,500,000	1,000,000
Remaining life of the options:	2.337	2.918
Expected share price volatility:	99.4%	77.5%
Risk-free interest rate:	3.07%	2.36%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future movements.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The value of the 10,000,000 options granted to Cygnet Capital has been determined by reference to the underwriting agreement. Accordingly, no valuation methodology was required. The value ascribed to the option issue was in accordance with the underwriting agreement, inclusive of fees deducted from the proceeds of the capital raising, amounting to \$239,383.

NOTE 20: EVENTS SUBSEQUENT TO REPORTING DATE

In August 2012 the Group signed an Exclusivity Agreement with a major uranium participant, in respect of a potential strategic partnership which would provide funding for further feasibility work at Häggån, in return for equity in the project. The Agreement provides an exclusivity period of 90 days, and there is no assurance that a binding agreement will be executed.

There are no other significant after balance date events that are not covered in the Operations Review or elsewhere in this Annual Report

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012 \$	2011 \$
NOTE 21: RELATED PARTY TRANSACTIONS		
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.		
Transactions with Key Management Personnel:		
Jay Stephenson		
Aura Energy Limited rented office space from Jay Stephenson until May 2012	9,900	10,800
Wolfstar Group Pty Ltd		
Mr Fraser and Mr Stephenson, non-executive Directors of Aura Energy Limited, are Directors and Joint Shareholders of Wolfstar Group Pty Ltd. Mr Stephenson provides Company Secretarial and Chief Financial Officer duties to Aura Energy Limited, as well as providing corporate advisory advice during the listing process.	90,000	90,000
James Merrillees		
Drake Resources Limited provides the services of James Merrillees to Aura Energy Limited, recharging for his salary and superannuation on a cost basis. The fees for the previous years were recharged in the current year. Of the \$207,951, \$103,976 relates to services provide for the 2011, recharged by Drake Resources Limited to Aura Energy Limited in December 2011.	207,951	-
NOTE 22: CAPITAL COMMITMENTS		
Exploration expenditure commitments:		
Exploration expenditure commitments contracted for:		
Exploration tenement minimum expenditure requirements	578,701	978,883
Payable:		
- not later than 12 months	159,000	594,500
- between 12 months and 5 years	419,701	384,383
- greater than 5 years	-	-
	578,701	978,883
Operating lease commitments:		
Operating leases contracted for but not capitalised in the financial statements		
Payable:		
- not later than 12 months	16,506	13,000
- between 12 months and 5 years	-	21,000
- greater than 5 years	-	-
Total commitments	16,506	34,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: OPERATING SEGMENTS

Identification of reportable segments

The Group operates predominantly in the mining industry. This comprises exploration and evaluation of uranium, gold, silver and base metals projects. Inter-segment transactions are priced at cost to the Consolidated Group.

The Group has identified its operating segments based on the internal reports that are provided to the Board of Directors on a monthly basis. Management has identified the operating segments based on the three principal locations of its projects – Australia, Sweden and West Africa. The Group also maintains a treasury function, primarily responsible for raising capital and managing and distributing those funds raised.

Corporate expenses include administration and regulatory expenses arising from operating an ASX listed entity.

Segment assets include the costs to acquire tenements and the capitalised exploration costs of those tenements. Financial assets including cash and cash equivalents, and investments in financial assets, are reported in the Treasury segment.

	Australian Exploration	Sweden Exploration	African Exploration	Treasury	Total
For the Year to 30 June 2012	\$	\$	\$	\$	\$
Segment Revenue	1,273	3,440	12,639	119,309	136,661
Segment Results	(157,963)	(77,062)	(186,362)	119,195	(302,192)
Amounts not included in segment results but reviewed by Board:					
<i>Expenses not directly allocable to identifiable segments or areas of interest</i>					
- Accounting and audit fees					(146,156)
- Employee benefits expense					(684,435)
- Legal and consulting					(328,552)
- Public relations					(233,829)
- Rent and utilities					(111,441)
- Travel and accommodation					(81,988)
- Depreciation					(15,026)
- Share-based payment expenses					(294,599)
- Other unallocated expenses					(295,126)
- Tax rebate for Research & Development					149,894
Loss after Income Tax					<u>(2,343,450)</u>
 As at 30 June 2012					
Segment Assets	1,259,561	6,428,920	7,024,858	1,725,512	16,438,850
Unallocated Assets:					
Trade and other receivables					244,949
Plant and equipment					21,943
Other non-current assets					1,168
Total Assets					<u>16,706,911</u>
Segment asset increases for the period:					
- capital expenditure - exploration	119,471	2,167,151	1,359,031	-	3,645,653
Segment Liabilities	2,054	82,339	19,116	-	103,508
Unallocated Liabilities:					
Trade and other payables					339,173
Short term provisions					43,323
Total Liabilities					<u>486,004</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: OPERATING SEGMENTS (CONT.)

	Australian Exploration	Sweden Exploration	African Exploration	Treasury	Total
For the Year to 30 June 2011	\$	\$	\$	\$	\$
Segment Revenue	39,487	-	-	98,506	137,993
Segment Results	(471,814)	(173,553)	(46,514)	98,225	(593,656)
Amounts not included in segment results but reviewed by Board:					
<i>Expenses not directly allocable to identifiable segments or areas of interest</i>					
- Accounting and audit fees					(69,138)
- Employee benefits expense					(549,708)
- Legal and consulting					(54,972)
- Public relations					(201,906)
- Rent and utilities					(32,935)
- Travel and accommodation					(154,217)
- Depreciation					(43,836)
- Share-based payment expenses					(433,009)
- Other unallocated expenses					(283,652)
Loss after Income Tax					<u>(2,417,029)</u>
As at 30 June 2011					
Segment Assets	1,295,354	4,339,458	5,823,390	3,289,773	14,747,975
Unallocated Assets:					
Trade and other receivables					187,607
Plant and equipment					26,933
Other non-current assets					7,589
Total Assets					<u>14,970,104</u>
Segment asset increases for the period:					
- capital expenditure - exploration	135,444	1,290,744	1,890,750	-	3,316,938
Segment Liabilities	18,877	40,176	624,907	-	683,960
Unallocated Liabilities:					
Trade and other payables					201,293
Short term provisions					18,307
Total Liabilities					<u>903,560</u>

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 23: OPERATING SEGMENTS (CONT.)

Basis of accounting for purposes of reporting by operating segments

a. *Accounting policies adopted*

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief decision maker with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

b. *Inter-segment transactions*

An internally determined transfer price is set for all inter-segment sales. This price is reset quarterly and is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group. The Board of Directors believes this is representative of likely consumption of head office expenditure that should be used in assessing segment performance and cost recoveries.

Inter-segment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs. If inter-segment loans receivable and payable are not on commercial terms, these are not adjusted to fair value based on market interest rates. This policy represents a departure from that applied to the statutory financial statements.

c. *Segment assets*

Where an asset is used across multiple segments, the asset is allocated to that segment that receives majority economic value from that asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

d. *Segment liabilities*

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment. Borrowings and tax liabilities are generally considered to relate to the Group as a whole and are not allocated. Segment liabilities include trade and other payables and certain direct borrowings.

e. *Unallocated items*

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Impairment of assets and other non-recurring items of revenue or expense
- Income tax expense
- Deferred tax assets and liabilities
- Current tax liabilities
- Other financial liabilities

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24 – FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, and accounts payable and receivable.

The Group does not speculate in the trading of derivative instruments.

A summary of the Group's Financial Assets and Liabilities is shown below:

	Floating Interest Rate	Non- interest bearing	2012 Total	Floating Interest Rate	Non- interest bearing	2011 Total
	\$	\$	\$	\$	\$	\$
Financial Assets						
Cash and cash equivalents	1,725,512	-	1,725,512	3,289,774	-	3,289,774
Trade and other receivables	-	244,949	244,949	-	187,607	187,607
Total Financial Assets	1,725,512	244,949	1,970,501	3,289,774	187,607	3,477,381
Financial Liabilities						
Financial liabilities at amortised cost						
- Trade and other payables	-	442,681	442,681	-	885,253	885,253
Total Financial Liabilities	-	442,681	442,681	-	885,253	885,253
Net Financial Assets	1,725,512	(197,732)	1,527,780	3,289,774	(697,646)	2,592,128

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate, foreign currency risk and equity price risk.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

The Group does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the Group.

Credit risk exposures

The maximum exposure to credit risk is that to its alliance partners and that is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with financial institutions residing in Australia, where ever possible.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24 – FINANCIAL INSTRUMENTS (CONT.)

b. Liquidity risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and ensuring sufficient cash and marketable securities are available to meet the current and future commitments of the Group. Due to the nature of the Group's activities, being mineral exploration, the Group does not have ready access to credit facilities, with the primary source of funding being equity raisings. The Board of Directors constantly monitor the state of equity markets in conjunction with the Group's current and future funding requirements, with a view to initiating appropriate capital raisings as required. Any surplus funds are invested with major financial institutions.

The financial liabilities of the Group are confined to trade and other payables as disclosed in the statement of financial position. All trade and other payables are non-interest bearing and due within 30 days of the reporting date.

c. Market risk

The Board meets on a regular basis and considers the Group's exposure currency and interest rate risk.

i. Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

Interest rate risk is not material to the Group as no debt arrangements have been entered into, and movement in interest rates on the Group's financial assets is not material.

ii. Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument fluctuating due to movement in foreign exchange rates of currencies in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

With instruments being held by overseas operations, fluctuations in foreign currencies may impact on the Group's financial results. The Group's exposure to foreign exchange risk is minimal, however the Board continues to review this exposure regularly.

iii. Price risk

Price risk relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

The Group is exposed to securities price risk on investments held for trading or for medium to longer terms.

The investment in listed equities has been valued at the market price prevailing at balance date. Management of this investment's price risk is by ongoing monitoring of the value with respect to any impairment.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 24 – FINANCIAL INSTRUMENTS (CONT.)

Sensitivity Analysis

i. Interest rates

The following table illustrates sensitivities to the Group's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at balance sheet date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
Year ended 30 June 2012	\$	\$
+/-1% in interest rates	+/- 17,255	+/- 17,255
Year ended 30 June 2011		
+/-1% in interest rates	+/- 32,897	+/- 32,897

ii. Foreign exchange

The Group does not carry significant assets or liabilities in foreign currencies, and therefore is not currently subject to material foreign exchange risk, and according not subject to material sensitivities.

Net Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Cash and cash equivalents, trade and other receivables, and trade and other payables are short-term investments in nature whose carrying value is equivalent to fair value.

Financial Liability and Asset Maturity Analysis

	Within 1 Year		Total	
	2012	2011	2012	2011
	\$	\$	\$	\$
Financial liabilities due for payment				
Trade and other payables	442,681	885,253	442,681	885,253
Total contractual outflows	442,681	885,253	442,681	885,253
Financial assets				
Cash and cash equivalents	1,688,492	3,226,828	1,688,492	3,226,828
Trade and other receivables	132,033	85,259	132,033	85,259
Total anticipated inflows	1,820,525	3,312,087	1,820,525	3,312,087
Net (outflow)/inflow on financial instruments	1,377,844	2,426,834	1,377,844	2,426,834

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 \$	2011 \$
NOTE 25: PARENT ENTITY DISCLOSURES			
(a) Financial Position of Aura Energy Limited			
CURRENT ASSETS			
Cash and cash equivalents		1,688,492	3,226,828
Trade and other receivables		132,033	85,259
TOTAL CURRENT ASSETS		1,820,525	3,312,087
NON-CURRENT ASSETS			
Plant and equipment		21,943	26,933
Financial assets	25(b)	2,264,686	2,244,472
Other assets		12,750,911	9,495,775
TOTAL NON-CURRENT ASSETS		15,037,540	11,767,180
TOTAL ASSETS		16,858,065	15,079,267
CURRENT LIABILITIES			
Trade and other payables		442,681	885,253
Short term provisions		43,323	18,307
TOTAL CURRENT LIABILITIES		486,004	903,560
TOTAL LIABILITIES		486,004	903,560
NET ASSETS		16,372,061	14,175,707
EQUITY			
Issued Capital		25,723,535	21,074,083
Option Reserve		625,968	955,639
Accumulated Losses		(9,977,442)	(7,854,015)
TOTAL EQUITY		16,372,061	14,175,707
(b) Financial assets			
Loans to subsidiaries		223,274	243,373
Shares in controlled entities at cost		2,041,412	2,001,099
Net carrying value		2,264,686	2,244,472

Loans are provided by the parent entity to its controlled entities to fund their activities. The eventual recovery of loans and investments will be dependent upon the successful commercial application of these projects or their sale to third parties.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 25: PARENT ENTITY DISCLOSURES (CONT.)

(c) Financial Performance of Aura Energy Limited

	2012	2011
	\$	\$
Loss for the year	(2,272,284)	(2,357,634)
Other comprehensive income	-	-
Total comprehensive income	(2,272,284)	(2,357,634)

(d) Guarantees entered into by Aura Energy Limited for the debts of its subsidiaries

There are no guarantees entered into by Aura Energy Limited for the debts of its subsidiaries as at 30 June 2012 (2011: none).

(e) Contingent liabilities of Aura Energy Limited

There are no contingent liabilities as at 30 June 2012, other than as detailed in note 26. (2011: none)

(f) Commitments by Aura Energy Limited

	2012	2011
	\$	\$
Capital expenditure commitments contracted for:		
Exploration tenement minimum expenditure requirements	578,701	978,883
Not longer than 1 year	159,000	594,500
Longer than 1 year and not longer than 5 years	419,701	384,383
Longer than 5 years	-	-
Total commitments	578,701	978,883

(f) Commitments by Aura Energy Limited (cont.)

	2012	2011
	\$	\$
Operating lease commitments:		
Operating leases contracted for but not capitalised in the financial statements		
Payable:		
- not later than 12 months	16,506	13,000
- between 12 months and 5 years	-	21,000
- greater than 5 years	-	-
Total commitments	16,506	34,000

The amounts noted above are applicable for both Aura Energy Limited (the parent) and the Consolidated Group.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

NOTE 26: CONTINGENT LIABILITIES

The Group has a contingent consideration of US\$2,000,000 to the vendors of GCM Africa Uranium Limited if the uranium resource it holds exceeds 75 million pounds, and up to an additional US\$4,000,000 plus 4,000,000 Aura shares if the resource significantly exceeds this 75 million pounds.

There are no other contingent liabilities as at 30 June 2012 (2011: none).

NOTE 27: COMPANY DETAILS

The registered office of the Company is:

Address:

Street: Level 4, 66 Kings Park Road
West Perth WA 6005

Postal: PO Box 52
West Perth WA 6872

Telephone: +61 (0)8 6141 3570

Facsimile: +61 (0)8 6141 3599

Website: www.auraenergy.com.au

email: info@auraenergy.com.au

The principal places of business are:

Level 4, 66 Kings Park Road
West Perth WA 6005

Suite 3, Level 1
19-23 Prospect Place
Box Hill VIC 3128

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. The financial statements and notes, as set out on pages 34 to 70, are in accordance with the *Corporations Act 2001* and:
 - (a) comply with Accounting Standards;
 - (b) are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as stated in note 1 to the financial statements; and
 - (c) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the Company and Consolidated Group.
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the Company for the financial year have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



JAY STEPHENSON

Director

Dated this 28th Day of September 2012

Independent Auditor's Report

To the Members of Aura Energy Limited

We have audited the accompanying financial report of Aura Energy Limited ("the Company") and Controlled Entities ("the Consolidated Entity"), which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the Consolidated Entity, comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

Bentleys Audit & Corporate
(WA) Pty Ltd

Level 1, 12 Kings Park Road
West Perth WA 6005
Australia

PO Box 44
West Perth WA 6872
Australia

ABN 33 121 222 802

T +61 8 9226 4500

F +61 8 9226 4300

bentleys.com.au

Directors Responsibility for the Financial Report

The directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- a. The financial report of Aura Energy Limited and Controlled Entities is in accordance with the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the Company and Consolidated Entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*;
- b. The financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to note 1 of the financial report which indicates that the company incurred a net loss of \$2,343,450 during the year ended 30 June 2012. This condition, along with other matters as set forth in note 1, indicate the existence of a material uncertainty which may cast significant doubt about the ability of the company to continue as a going concern and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Report on the Remuneration Report

We have audited the Remuneration Report included in directors' report of the year ended 30 June 2012. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Aura Energy Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



BENTLEYS
Chartered Accountants



RANKO MATIC CA
Director

DATED at PERTH this 28th day of September 2012

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following additional information is required by the Australian Securities Exchange in respect of listed public companies only.

1 Shareholding as at 27 September 2012

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	89
1,001 – 5,000	260
5,001 – 10,000	243
10,001 – 100,000	805
100,001 – and over	215
	1612

(b) The number of shareholdings held in less than marketable parcels is 253.

(c) Voting Rights

The voting rights attached to each class of equity security are as follows:

Ordinary shares

- Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(d) 20 Largest Shareholders — Ordinary Shares as at 26 September 2012.

Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1 UBS NOMINEES PTY LTD	11,334,501	7.10
2 NATIONAL NOMINEES LIMITED	6,176,674	3.87
3 WISEVEST PTY LTD	5,825,000	3.65
4 DRAKE RESOURCES LIMITED	4,795,000	3.00
5 YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	4,603,834	2.88
6 ASHABIA PTY LTD <ASHABIA SUPER FUND A/C>	4,325,000	2.71
7 MR MICHAEL BUSHELL	3,280,722	2.06
8 HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,058,458	1.92
9 CITICORP NOMINEES PTY LIMITED	2,979,399	1.87
10 PASAGEAN PTY LIMITED	2,900,000	1.82
11 J P MORGAN NOMINEES AUSTRALIA LIMITED	2,755,156	1.73
12 MRS JENNY LEE BUSHELL	2,472,945	1.55
13 DRAKE RESOURCES LIMITED	2,333,334	1.46
14 SUVALE NOMINEES PTY LTD	2,333,334	1.46
15 SAMBOLD PTY LTD <SUNSHINE SUPER FUND A/C>	2,308,334	1.45
16 MRS JO-ANNE WEBER	1,705,706	1.07
17 DAVSLAV PTY LTD	1,633,334	1.02
18 ROMAP PTY LIMITED	1,435,000	0.90
19 MIDWAY SECURITIES PTY LTD <MIDWAY FAMILY A/C>	1,400,000	0.88
20 MR ROBERT BEESON <BEESON SUPERANNUATION A/C>	1,283,334	0.80
TOTAL	68,939,065	43.19

2 The name of the Company Secretary is Jay Richard Stephenson.

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

- 3** The address of the principal registered office in Australia is Level 4, 66 Kings Park Road, West Perth WA 6005. Telephone (08) 6141 3500.
- 4 Registers of securities are held at the following addresses**
Western Australia Computershare Registry Services
Level 2, 45 St Georges Terrace
PERTH WA 6000
- 5 Stock Exchange Listing**
Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited.
- 6 Unquoted Securities**
Options over Unissued Shares
A total of 7,145,000 options are on issue of which 4,667,144 options are on issue to the six Directors.
- 7 Use of Funds**
The Company has used its funds in accordance with its initial business objectives.

**AURA ENERGY LIMITED
AND CONTROLLED ENTITIES**
ABN 62 115 927 681
ANNUAL REPORT 30 JUNE 2012

TENEMENT REPORT

Western Australia		West Africa	
E69/2658 Disappointed Hill	100%	Ain Sder	100%
E38/1200 Kirgella Rocks	100%	Fai Est	100%
E69/2245 Neale - Thin	100%	Mserif	100%
E39/1221 Ponton	100%	Oued Chouk	100%
E53/1245 Porcupine Well	100%	Oued El Foule Est	100%
E38/1920 Tierney Springs	100%	Oued El Foule Nord	100%
E58/290 Wondinong Central	100%	Oued El Merre	100%
E58/349 Wondinong NE	100%	Oum Drouss	100%
M58/357 Wondinong Resource	100%	Oum Ferkik	100%
Sweden		Saabia	100%
Djurkalla nr 1	100%	Agueli Essfaya	0%
Flandern nr 1	100%	Tenebdar	0%
Grässlåten nr 1	100%		
Gurumyren nr 1	100%		
Hackås nr 1	100%		
Hageby nr 1	100%		
Hageby nr 2	100%		
Häggån nr 1	100%		
Häggån nr 2	100%		
Hamborg nr 1	100%		
Hamborg nr 2	100%		
Hara nr 1	100%		
Koborgsmyren nr 1	100%		
Marby nr 1	100%		
Näkten nr 1	100%		
Norrsten nr 1	100%		
Olden nr 2	100%		
Råssnesudden nr 1	100%		
Stavfösa nr 1	100%		
Stenby nr 1	100%		
Stripa nr 1	100%		
Ullevi nr 1	100%		
Virka nr 10	100%		
Vuoltajaur nr 1	100%		