ABN 62 115 927 681

ANNUAL REPORT
30 JUNE 2010

AURA ENERGY LIMITED
AND CONTROLLED ENTITIES
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CONTENTS

CORPORATE DIRECTORY

Directors

Brett Fraser	Chairman
Dr Robert Beeson	Managing Director
Simon O'Loughlin	Non-executive Director
Jay Stephenson	Non-executive Director

Company Secretary
Jay Stephenson

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Australian Securities Exchange
ASX Code – AEE

REVIEW OF OPERATIONS

The year was a very active exploration time for the company. The important milestones were the announcement of an initial resource at Häggån in Sweden and the confirmation of extensive uranium mineralisation at the company's properties in Mauritania.

Sweden

Sweden was a key focus of our activity with a major 25 hole diamond drilling program undertaken at our wholly owned Häggån Project (previously Storsjön) in the Jämtland District, in Central Sweden. The uranium occurs with molybdenum, nickel, vanadium and zinc in black shales which forms a near-continuous sheet throughout the part of the project that Aura has drilled.

Results from the 2010 drilling programme showed:

- There was thick continuous mineralisation over five square kilometres.
- An average thickness of 103 metres of uranium mineralisation
- A new area of very thick mineralisation from surface was identified
- Several intersections with greater than 0.04% Molybdenum Oxide (MoO_3) and 0.3% Vanadium Oxide (V_2O_5).

Resources

On the basis of the drilling Aura commissioned independent resource consultants, Hellman & Schofield Pty Ltd (H&S), to estimate an initial JORC compliant resource for its Häggån Project. The drilling and consequent resource only cover about 5% of the Häggån permit area, however Aura believes establishing a definite resource will help shareholders understand the potential of the project. This resource places Häggån within the world's ten largest undeveloped uranium resources that are compliant with ASX or TSX requirements.

Metallurgical Recoveries

Aura is evaluating extraction technologies for commercial uranium production. Its initial test work at the Australian Nuclear Science and Technology Organisation (ANSTO) gave uranium recoveries between 90% and 93%, using conventional acid leach methods and obtained within 12 hours. However, acid consumption in this first study was high and the company is examining potential alternative process routes for reducing acid consumption.

The first bioleach results, done by the Parker Cooperative Research Centre for hydrometallurgical research in Perth, indicate that uranium, molybdenum, nickel and zinc have improved extraction rates using bacteria relative to samples without bacteria. These results indicate the Alum Shales within the project are likely to be amenable to bioheap leaching. This method of extraction could potentially provide a low capital and low operating cost treatment route.

Virka

Located in the resource rich Norrbotten area of Northern Sweden, is Aura's wholly owned Virka Project. The project lies approximately 45 kilometres southeast of the 20 plus million pounds Pleutajokk Uranium Deposit in northern Sweden and approximately 50 kilometres northwest of Arvidsjaur and the Arvidsjaur uranium province. Drilling between 1980 and 1982 saw eight of the total 20 holes drilled in the area intersecting high grade uranium mineralisation.

Kallsedet

Close to the Norwegian border, Aura's wholly owned Kallsedet was explored by the Swedish government in the 1970s, when they found good grades of uranium. In addition, fieldwork in the area has identified a number of radiometrically anomalous zones corresponding with the position of the Alum Shale. The company is highly encouraged by the consistent values obtained from surface rock-chip sampling.

REVIEW OF OPERATIONS

West Africa

Reguibat, Mauritania

The Reguibat project covers approximately 8400 square kilometres and is located on the Reguibat Craton in Northern Mauritania. Exploration by Aura and others in the region has yielded very positive results, and the Reguibat Craton is now anticipated to be a major emerging uranium province.

Aura currently holds ten granted exploration permits: three permits are 100% Aura, five permits in joint venture with GMC Resources and two permits in joint venture with Ghazal Minerals where Aura is earning 70%.

A 392-hole drill programme completed by Aura in January 2010 confirmed widespread calcrete uranium mineralisation, generally two to four metres in thickness and close to surface at a depth of zero to six metres. Aura will commence additional drilling and associated activities, as soon as weather conditions permit.

Fai, Mauritania

The Fai Project is located in the Mauritanide Fold Belt in Central Mauritania (250 kilometres east of Nouakchott, Mauritania's capital) and covers 2900 square kilometres. The project currently consists of one granted permit in joint venture with GCM Resources. Aura is earning a minimum of 58% interest in the granted permit by sole funding exploration, and can earn a higher interest if the partner continues to elect to reduce its interest.

The project is at an early stage of evaluation, but preliminary fieldwork has indicated the presence of laterally extensive uraniferous gravels. The main radiometric anomaly is 17 square kilometres in size. However, the anomaly is bounded by sand dune fields, which mask radiometric response. The uranium-bearing gravels are therefore anticipated to be much more extensive than the area without sand cover.

Other radiometric anomalies occur in the Fai Permit scattered over an area 30 kilometres in length (north-south) and up to 12 kilometres in width.

Tim Mersoi Basin Applications, Niger

The Tim Mersoi Basin area, in northwest Niger, is the world's fifth largest uranium producer. Aura's wholly owned Tim Mersoi Basin applications cover 1500 square kilometres. The Aura application areas (known as Ebadargene 1, 2 and 3) lie close to and south of the Air Massif. As far as Aura is aware the areas have had no meaningful previous exploration but an airborne radiometric and magnetic survey which covers much of Aura's northern application area has recently been flown under a European aid program.

Australia

Gunbarrel

The wholly owned Gunbarrel Project, on the Yilgarn Craton, in the far east of Western Australia covers 3287 square kilometres. Focus is on the large palaeochannels, as several resources have been defined in the basin at similar locations.

Drilling has identified uranium mineralisation in two of the palaeochannels. Drilling in July 2009 intersected 14 metres of radiometric anomalism in a hole which contained two meters of 147 ppm U_3O_8 from gamma logging, and two metres at 85ppm U_3O_8 from chemical analysis. The Company is seeking partners to begin a drilling program to further test the potential of the palaeochannels.

Porcupine

Aura's Porcupine Well Project is located midway between the Lake Way/Centipede and the Lake Maitland deposits in Western Australia's major calcrete uranium region and covers 52.5 square kilometres. Aura's initial exploration located a radiometric anomaly close to the western boundary of the tenement.

Aura recently drilled 40 air core holes at Porcupine Well to a depth of up to 10 metres to test the auger results. Holes have been sampled, radiometrically logged and submitted for assay and the results are pending.

Wondinong

Surface uranium mineralisation was first discovered at Wondinong project by Western Mining Corporation (WMC) in the 1970s. Subsequent exploration by Aura has expanded the known mineralisation into a significant deposit covering an area approximately four kilometres wide by seven kilometres long. Aura has permitted a 72 hole drill programme for drilling later this year.

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

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. – Mr O'Loughlin is an independent Director. There are no other independent Directors. 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.*

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 four members; a Managing Director, and three non-executive Directors. Refer to the Directors' Report for details of each Director's profile. The majority of the Board is not independent. Mr O'Loughlin is an independent director. The directors each hold shares in the Company. The size of the board does not allow a majority of independent directors.

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, 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.

Recommendation 3.2: *Disclose the policy concerning trading in Company securities by Directors, officers, and employees.*

Standards

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.

Recommendation 3.3: *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 are included on the Company's website.

4. Safeguard integrity in financial reporting.

Recommendation 4.1: *The Board should establish an audit committee.*

Recommendation 4.2: *Structure the audit committee so that it consists of:*

- *Only non-executive Directors;*
- *A majority of independent Directors;*
- *An independent Chairperson, who is not Chairperson of the Board;*
- *At least three members.*

Recommendation 4.3: *The Audit Committee should have a formal charter. – Refer to Recommendation 4.1.*

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.

Audit Committee

The Company has a formal charter for an Audit Committee. The Audit Committee comprises Messers Fraser 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 affect 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.

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.

CORPORATE GOVERNANCE STATEMENT

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.

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 Mr Fraser and Mr 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 on the Group for the financial year ended 30 June 2010.

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

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 $1,679,699 (2009: $1,959,505).

Dividends Paid or Recommended

There were no dividends paid or recommended during the financial year ended 30 June 2010.

Review of Operations

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

Financial Position

The net assets of the Group have increased by $2,456,780 from 30 June 2009 to $7,837,542 at 30 June 2010.

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:

(a) On 14 July 2009, the Company completed a placement of 10,000,000 Shares at an issue price of $0.10 to raise $1,000,000.

(b) On 22 September 2009, the Company completed a placement of 9,670,000 Shares at an issue price of $0.16 to raise $1,547,200.

(c) On 13 November 2009, the Company completed a placement of 9,080,000 Shares at an issue price of $0.16 to raise $1,452,800.

After Balance Date Events

After balance date events include the following:

a) On 21 July 2010, the Company announced its initial inferred resource of 291 million lbs of U3O8 at its Haggan Project in Sweden;

b) On 16 September 2010, the Company announced a placement of 12,484,898 Shares at an issue price of $0.15 per Share to raise $1,872,735; and

c) On 16 September 2010, the Company also announced a fully underwritten 1 for 5 Rights Issue to Shareholders at an issue price of $0.15 to raise a further $2,871,527.

There has been no other after balance date events.

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, on reasonable grounds, 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	—	1,326,000 Ordinary Shares in Aura Energy Limited and options to acquire a further 1,000,000 ordinary shares.
Special Responsibilities	—	Member of the 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, non-executive director and Chairman of Blina Diamonds NL and Doray Minerals Limited since September 2008 and October 2009 respectively. Past non-executive director of Gage Roads Brewing Co Limited from November 2007 to September 2008. No other directorships in the past three years.

DIRECTORS' REPORT

Dr Robert Beeson	—	Managing Director
Qualifications	—	Bachelor of Science with Honours; PhD; Member of the Australian Institute of Geoscientists
Experience	—	Geologist with over 30 years of global experience in base and precious metal exploration and development. Board member since 31 March 2006.
Interest in Shares and Options	—	1,165,000 Ordinary Shares in Aura Energy Limited and options to acquire a further 3,000,000 ordinary shares.
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	—	1,146,000 Ordinary Shares in Aura Energy Limited and options to acquire a further 1,000,000 ordinary shares.
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 and Doray Minerals Limited since August 2009. 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	—	768,112 Ordinary Shares in Aura Energy Limited and options to acquire a further 1,000,000 ordinary shares.
Special Responsibilities	—	Member of Due Diligence Committee
Directorships held in other listed entities	—	Current Chairman of Bondi Mining Limited since December 2006, Avenue Resources Limited since March 2010 and Kagera Nickel Limited since September 2010, Current Non-Executive Director of WCP Resources Limited since March 2005, Petratherm Limited since July 2004, Chesser Resources Limited since May 2007, and Living Cell Technologies Limited since May 2004, Probiomics Limited since July 2008, and Strzelecki Metals Limited since September 2010. No other directorships in the past three years.

DIRECTORS' REPORT

Meetings of Directors

During the financial year, 3 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	3	3	-	-	-	-	1	1
Bob Beeson	3	3	-	-	-	-	-	-
Jay Stephenson	3	3	-	-	-	-	-	-
Simon O'Loughlin	3	3	-	-	-	-	1	1

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 willful breach of duty in relation to the Company. The amount of the premium was $10,566.

- 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 are as follows:

Grant Date	Date of Expiry	Exercise Price	Number under Option
1 February 2007	1 February 2012	$0.25	550,000
24 April 2008	30 June 2011	$0.55	1,500,000
24 April 2008	24 April 2013	$0.60	400,000
24 April 2008	30 June 2011	$0.50	100,000
30 November 2009	1 September 2011	$0.23	4,500,000
23 December 2009	23 December 2014	$0.30	400,000
			7,450,000

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 recently enacted National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces 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 will have 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

No non-audit services were provided to the company in the year ended 30 June 2010.

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 2010 has been received and can be found on page 20 of the financial report.

REMUNERATION REPORT

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

B. Remuneration Details for the Year Ended 30 June 2010

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:

2010

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	55,000	-	-	45,000*	4,519	-	-	55,942	160,461
Bob Beeson	140,000	-	-	-	50,000	-	-	83,911	273,911
Jay Stephenson	40,000	-	-	45,000*	3,600	-	-	55,942	144,542
Simon O'Loughlin	40,000	-	-	-	3,600	-	-	55,942	99,542
	275,000	-	-	90,000	61,719	-	-	251,737	678,456

2009

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	50,000	-	-	38,250*	4,500	-	-	-	92,750
Bob Beeson	80,800	-	-	-	50,000	-	-	-	130,800
Jay Stephenson	30,000	-	-	38,250*	2,700	-	-	-	70,950
Simon O'Loughlin	30,000	-	-	-	2,700	-	-	-	32,700
	190,800	-	-	76,500	59,900	-	-	-	327,200

*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 and Company Secretarial services to Aura Energy Limited.

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 30 November 2009, 4,500,000 share options were granted to directors to take up ordinary shares at an exercise price of $0.23 each. The options are exercisable on or before 1 September 2011.

There were no director options issued during the 2009 financial year.

Share-based Payments

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

	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
Group Key Management Personnel								
Brett Fraser	30 November 2009	95,900	Note 1	58	-	42	1 September 2011	-
Bob Beeson	30 November 2009	143,850	Note 1	58	-	42	1 September 2011	-
Jay Stephenson	30 November 2009	95,900	Note 1	58	-	42	1 September 2011	-
Simon O'Loughlin	30 November 2009	95,900	Note 1	58	-	42	1 September 2011	-

REMUNERATION REPORT

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:

- 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.
- Director options will vest immediately if there is a change or addition in directors exceeding 50% to those in office on date of issue.

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.

Options Granted

	Grant details			For the financial year ended 30 June 2010					Overall		
	Date	No.	Value $ (Note 1)	Exercised no.	Exercised $	Lapsed no.	Lapsed $	Vested no.	Vested %	Unvested %	Lapsed %
Group Key Management Personnel											
Brett Fraser	30 November 2009	1,000,000	95,900	-	-	-	-	-	58	42	-
Bob Beeson	30 November 2009	1,500,000	143,850	-	-	-	-	-	58	42	-
Jay Stephenson	30 November 2009	1,000,000	95,900	-	-	-	-	-	58	42	-
Simon O'Loughlin	30 November 2009	1,000,000	95,900								
				-	-	-	-	-			

Note 1 The value of options granted as remuneration and as shown in the above table has been determined in accordance with applicable accounting standards.

REMUNERATION REPORT

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	-

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 17.

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 30th Day of September 2010

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF AURA ENERGY LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

RLF Bentleys

Chartered Accountants

Ranko Matic

(insert date)

Level 1, 12 Kings Park Road

WEST PERTH WA 6005

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
		$	$
Revenue	2	282,020	128,142
Other Income	2	48,306	15,995
		330,326	144,137
Accounting and Audit Fees		(37,521)	(68,680)
Share registry and Listing Fees		(47,434)	(49,206)
Employee Benefits Expense		(505,855)	(437,104)
Legal and Consulting Fees		(13,791)	(44,676)
Computers and Software		(27,100)	(29,982)
Travel and Accommodation		(91,835)	(49,488)
Insurance		(17,577)	(25,729)
Depreciation	3	(55,967)	(54,950)
Share-based Payments (Expense)/Recoupment		(293,777)	23,940
Impairment on Capitalised Exploration		(452,156)	(1,116,409)
Transaction Costs		-	(116,972)
Business development		(323,706)	(16,967)
Other expenses		(143,306)	(117,419)
Loss before Income Tax	3	(1,679,699)	(1,959,505)
Income Tax Expense	4	-	-
Loss from Continuing Operations		(1,679,699)	(1,959,505)
Other Comprehensive Income			
Foreign Currency Movement		17,702	(16,769)
Other Comprehensive Income for the year		17,702	(16,769)
Total Comprehensive income attributable to members of the parent entity		(1,661,997)	(1,976,274)
Overall Operations:			
Basic loss per share (cents per share)	7	(2.15)	(4.46)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	2010	2009
		$	$
CURRENT ASSETS			
Cash and cash equivalents	8	1,221,825	1,225,387
Trade and other receivables	9	89,732	289,837
TOTAL CURRENT ASSETS		1,311,557	1,515,224
NON-CURRENT ASSETS			
Plant and equipment	10	53,327	85,895
Other assets	11	6,697,363	3,966,028
TOTAL NON-CURRENT ASSETS		6,750,690	4,051,923
TOTAL ASSETS		8,062,247	5,567,147
CURRENT LIABILITIES			
Trade and other payables	12	207,811	184,981
Short term provisions	13	16,894	1,404
TOTAL CURRENT LIABILITIES		224,705	186,385
TOTAL LIABILITIES		224,705	186,385
NET ASSETS		7,837,542	5,380,762
EQUITY			
Issued Capital	14	12,681,865	8,856,865
Reserves	15	860,062	745,983
Accumulated Losses		(5,704,385)	(4,222,086)
TOTAL EQUITY		7,837,542	5,380,762

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2010

	Issued Capital	Accumulated Losses	Options Reserve	Foreign Exchange Reserve	Total
	$	$	$	$	$
Balance at 1 July 2008	7,740,456	(2,262,581)	787,580	-	6,265,455
Loss attributable to members of parent entity	-	(1,959,505)	-	-	(1,959,505)
Other comprehensive income	-	-	-	(16,769)	(16,769)
Total comprehensive income for the year	-	(1,959,505	-	(16,769)	(1,976,274)
Transaction with owners, directly in equity					
Shares issued during the year	1,156,043	-	-	-	1,156,043
Transaction costs	(58,272)	-	-	-	(58,272)
Share based payments expense	-	-	(23,940)	-	(23,940)
Options exercised	18,638	-	(888)	-	17,750
Balance at 30 June 2009	8,856,865	(4,222,086)	762,752	(16,769)	5,380,762
Balance at 1 July 2009	8,856,865	(4,222,086)	762,752	(16,769)	5,380,762
Loss attributable to members of parent entity	-	(1,679,699)	-	-	(1,679,699)
Other comprehensive income	-	-	-	17,702	17,702
Total comprehensive income for the year	-	(1,679,699)	-	17,702	(1,661,997)
Transaction with owners, directly in equity					
Shares issued during the year	4,000,000	-	-	-	4,000,000
Transaction costs	(175,000)	-	-	-	(175,000)
Options expired during the year	-	197,400	(197,400)	-	-
Options issued during the year	-	-	293,777	-	293,777
Balance at 30 June 2010	12,681,865	(5,704,385)	859,129	933	7,837,542

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		709,563	109,121
Interest received		90,828	51,202
Payments to suppliers and employees		(1,578,094)	(1,085,492)
Payments for exploration expenditure		(3,045,628)	(1,229,667)
Net cash used in operating activities	**16a**	**(3,823,331)**	**(2,154,836)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(23,399)	(4,723)
Net cash used in investing activities		(23,399)	(4,723)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		4,000,000	1,173,793
Capital raising costs		(175,000)	(58,272)
Net cash provided by financing activities		3,825,000	1,115,521
Net decrease in cash held		(21,730)	(1,044,038)
Cash at 1 July		1,225,387	2,420,419
Effect of exchange rates on cash holdings in foreign currencies		18,168	(150,994)
Cash at 30 June	8	1,221,825	1,225,387

The accompanying notes form part of these financial statements.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report includes 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.

Basis of Preparation

The financial report is a general purpose financial report that has 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. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

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

(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.

A list of controlled entities is contained in Note 23 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).

(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 are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs 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.

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 unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

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:

Class of Fixed Asset	Depreciation Rate
Plant and equipment	20%
Computers	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(e) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. 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.

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.

(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 that 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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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. Financial instruments are classified and measured as set out below.

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.

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. (All other loans and receivables are classified as non-current assets.)

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.

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.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 each reporting date, 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 statement of comprehensive income.

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.

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 each reporting date, 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 expensed to the statement of comprehensive income.

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 results 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 Company operates an Incentive Option Scheme share-based compensation plan. The bonus element over the exercise price of the employee services rendered in exchange for the grant of shares and options is recognised as an expense in the statement of comprehensive income. The total amount to be expensed over the vesting period is determined by reference to the fair value of the shares of the options granted.

(p) Comparative Figures

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

(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.

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 statement of comprehensive income 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 equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of comprehensive income.

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 statement of comprehensive income 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 balance sheet 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 $6,689,736.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 in 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 the Australian Taxation Office.

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.

(s) Adoption of New and Revised Accounting Standards

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. he following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Aura Energy Limited.

AASB 3: Business Combinations
In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

Disclosure impact
The revised AASB 3 contains a number of additional disclosure requirements not required by the previous version of AASB 3. The revised disclosures are designed to ensure that users of the Group's financial statements are able to understand the nature and financial impact of any business combinations on the financial statements.

AASB 8: Operating Segments
In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting. As a result, some of the required operating segment disclosures have changed with the addition of a possible impact on the impairment testing of goodwill allocated to the cash generating units (CGUs) of the entity. Below is an overview of the key changes and the impact on the Group's financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Measurement impact
Identification and measurement of segments — AASB 8 requires the 'management approach' to the identification measurement and disclosure of operating segments. The 'management approach' requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker, for the purpose of allocating resources and assessing performance. This could also include the identification of operating segments which sell primarily or exclusively to other internal operating segments. Under AASB 114, segments were identified by business and geographical areas, and only segments deriving revenue from external sources were considered.

The adoption of the 'management approach' to segment reporting has resulted in the identification of reportable segments largely consistent with the prior year.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards. This has resulted in changes to the presentation of segment results, with inter-segment sales and expenses such as depreciation and impairment now being reported for each segment rather than in aggregate for total group operations, as this is how they are reviewed by the chief operating decision maker.

Impairment testing of the segment's goodwill
AASB 136: Impairment of Assets, para 80 requires that goodwill acquired in a business combination shall be allocated to each of the acquirer's CGUs, or group of CGUs that are expected to benefit from the synergies of the combination. Each cash generating unit (CGU) which the goodwill is allocated to must represent the lowest level within the entity at which goodwill is monitored, however it cannot be larger than an operating segment. Therefore, due to the changes in the identification of segments, there is a risk that goodwill previously allocated to a CGU which was part of a larger segment could now be allocated across multiple segments if a segment had to be split as a result of changes to AASB 8.

Management have considered the requirements of AASB 136 and determined the implementation of AASB 8 has not impacted the CGUs of each operating segment.

Disclosure impact
AASB 8 requires a number of additional quantitative and qualitative disclosures, not previously required under AASB 114, where such information is utilised by the chief operating decision maker. This information is now disclosed as part of the financial statements.

AASB 101: Presentation of Financial Statements
In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

Disclosure impact
Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Reporting changes in equity — the revised AASB 101 requires all changes in equity arising from transactions with owners, in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Statement of comprehensive income — the revised AASB 101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. Entities are required to disclose the income tax relating to each component of other comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

(t) 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. The Group has decided against early adoption of these standards. A discussion of those future requirements and their impact on the Group follows:

- AASB 9: Financial Instruments and AASB 2009–11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The Group has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:

  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on:
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- AASB 124: Related Party Disclosures (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities and clarifies the definition of a related party to remove inconsistencies and simplify the structure of the standard. No changes are expected to materially affect the Group.

- AASB 2009–4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the Group.

- AASB 2009–8: Amendments to Australian Accounting Standards — Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for Group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the Group.

- AASB 2009–9: Amendments to Australian Accounting Standards — Additional Exemptions for First-time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments specify requirements for entities using the full cost method in place of the retrospective application of Australian Accounting Standards for oil and gas assets, and exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with Interpretation 4 when the application of their previous accounting policies would have given the same outcome. These amendments are not expected to impact the Group.

- AASB 2009–10: Amendments to Australian Accounting Standards — Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the Group.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

- AASB 2009–12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of International Financial Reporting Standards by the IASB. The standard also amends AASB 8 to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. These amendments are not expected to impact the Group.

- AASB 2009–13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

  This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first-time adopter to apply the transitional provisions in Interpretation 19. This standard is not expected to impact the Group.

- AASB 2009–14: Amendments to Australian Interpretation — Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

  This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan.

- AASB Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the Group.

The Group does not anticipate the early adoption of any of the above Australian Accounting Standards.

The financial report was authorised for issue on 30 September 2010 by the board of directors.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 $	2009 $
NOTE 2: REVENUE AND OTHER INCOME			
Revenue:			
Interest received		90,828	51,202
Management fees		191,192	76,940
Total Revenue		282,020	128,142
Other Income			
Equipment charge-backs		48,306	3,995
Proceeds from sale of exploration assets		-	12,000
Total Other Income		48,306	15,995

		2010 $	2009 $
NOTE 3: LOSS BEFORE INCOME TAX			
(a) **Expenses**			
Depreciation of non-current assets:			
Plant and equipment		23,424	23,825
Computer equipment		7,607	6,521
Office equipment		9,181	8,848
Motor vehicles		15,755	15,756
Total depreciation	10(a)	55,967	54,950
(b) **Significant Revenues and Expenses**			
The following significant revenue and (expense) items are relevant in explaining the financial performance:			
Write-off capitalised expenditure		(452,156)	(1,116,409)
Share-based payments (expense)/recoupment		(293,777)	23,940
Superannuation expense		(31,936)	(33,482)

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 4: INCOME TAX		$	$
(a) **Income tax expense**			
Current tax		-	-
Deferred tax		-	-
		-	-
Deferred income tax expense included in income tax expense comprises:			
- (Increase) in deferred tax assets	4(c)	(498,281)	(640,642)
- Increase in deferred tax liabilities	4(d)	498,281	640,642
		-	-
(b) **Reconciliation of income tax expense to prima facie tax payable**			
The prima facie tax payable on profit from ordinary activities before income tax is reconciled to the income tax expense as follows:			
Prima facie tax on operating profit at 30% (2009: 30%)		(503,910)	(587,852)
Add / (Less)			
Tax effect of:			
- Share-based payments		88,133	-
- Exploration expenditure		82,205	-
- Other adjustments		51,364	-
- Deferred tax asset not brought to account		282,208	587,852
Income tax attributable to operating loss		-	-
The applicable weighted average effective tax rates are as follows:		nil%	nil%
Balance of franking account at year end		nil	nil

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

		Note	2010	2009
NOTE 4: INCOME TAX (cont.)			$	$
(c)	**Deferred tax assets**			
	Tax Losses		416,120	569,544
	Provisions and Accrual		5,321	6,240
	Other		76,840	64,858
			498,281	640,642
	Set-off deferred tax liabilities	4(d)	(498,281)	(640,642)
	Net deferred tax assets		-	-
(d)	**Deferred tax liabilities**			
	Exploration expenditure		498,281	640,642
			498,281	640,642
	Set-off deferred tax assets	4(c)	(498,281)	(640,642)
	Net deferred tax liabilities		-	-
(e)	**Tax losses**			
	Unused tax losses for which no deferred tax asset has been recognised		3,602,069	981,554

Potential deferred tax assets attributable to tax losses and exploration expenditure carried forward have not been brought to account at 30 June 2010 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.

NOTE 5: KEY MANAGEMENT PERSONNEL COMPENSATION

(a) Key management personnel (KMP) compensation

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 2010.

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

	2010	2009
	$	$
Short-term employee benefits	365,000	267,300
Post-employment benefits	61,719	59,900
Share based payments	251,737	-
Total	678,456	327,200

(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:

2010	Balance at the beginning of year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at end of year	Vested and unexercisable
Directors of Aura Energy Limited						
Brett Fraser	750,000	1,000,000	-	(750,000)	1,000,000	1,000,000
Robert Beeson	3,000,000	1,500,000	-	(1,500,000)	3,000,000	3,000,000
Jay Stephenson	750,000	1,000,000	-	(750,000)	1,000,000	1,000,000
Simon O'Loughlin	500,000	1,000,000	-	(500,000)	1,000,000	1,000,000
	5,000,000	4,500,000	-	(3,500,000)	6,000,000	6,000,000

2009	Balance at the beginning 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	750,000	-	-	-	750,000	750,000
Robert Beeson	3,000,000	-	-	-	3,000,000	3,000,000
Jay Stephenson	750,000	-	-	-	750,000	750,000
Simon O'Loughlin	500,000	-	-	-	500,000	500,000
	5,000,000	-	-	-	5,000,000	5,000,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(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 2010	Balance at the start of the year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
Ordinary Shares					
Brett Fraser	1,326,000	-	-	-	1,326,000
Robert Beeson	1,165,000	-	-	-	1,165,000
Jay Stephenson	1,146,000	-	-	-	1,146,000
Simon O'Loughlin	768,112	-	-	-	768,112
Total	4,405,112	-	-	-	4,405,112

30 June 2009	Balance at the start of the year	Received during the year as compensation	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors					
Ordinary Shares					
Brett Fraser	1,151,000	-	-	175,000	1,326,000
Robert Beeson	1,050,000	-	-	115,000	1,165,000
Jay Stephenson	1,041,500	-	10,000	94,500	1,146,000
Simon O'Loughlin	668,112	-	-	100,000	768,112
Total	3,910,612	-	10,000	484,500	4,405,112

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

(c) Loans to key management personnel

There are no loans made to directors of Aura Energy as at 30 June 2010.

(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 19: Related party transactions.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 6: AUDITOR'S REMUNERATION		**$**	**$**
Remuneration of the auditor of the Group for:			
- Auditing or reviewing the financial reports		24,080	28,450

	2010	2010
NOTE 7: EARNINGS PER SHARE	**$**	**$**
(a) Reconciliation of earnings to net profit or loss		
Loss used in the calculation of basic EPS	(1,679,699)	(1,959,505)
(b) Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	78,014,508	43,976,422
Basic earnings per share (cents per share)	(2.15)	(4.46)

	2010	2009
NOTE 8: CASH AND CASH EQUIVALENTS	**$**	**$**
Cash at bank	1,221,825	1,225,387
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	1,221,825	1,225,387

The effective interest rate on short term bank deposits was 4.8% (2009: 5.0%). These deposits have an average maturity of 7 months (2009: 10 months).

	2010	2010
NOTE 9: TRADE AND OTHER RECEIVABLES	**$**	**$**
CURRENT		
Amount receivable from related parties	7,640	14,161
GST and MOMS receivable	39,444	221,953
Trade debtors and prepayments	42,648	53,723
	89,732	289,837

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 10: PLANT AND EQUIPMENT		**$**	**$**
NON-CURRENT			
Plant and equipment		77,490	75,579
Accumulated depreciation		(65,071)	(41,646)
		12,419	33,933
Computer equipment		39,712	19,564
Accumulated depreciation		(20,423)	(12,817)
		19,289	6,747
Office equipment		35,324	33,984
Accumulated depreciation		(28,147)	(18,966)
		7,177	15,018
Motor vehicles		62,948	62,948
Accumulated depreciation		(48,506)	(32,751)
		14,442	30,197
		53,327	85,895

a. Movements in Carrying Amounts

Movement in the carrying amounts plant and equipment between the beginning and the end of the current financial year

	Note	2010	2009
Balance at the beginning of year		85,895	136,122
Plant and equipment			
Additions		1,911	4,723
Depreciation expense		(23,425)	(23,825)
Computer equipment			
Additions		20,148	-
Depreciation expense		(7,606)	(6,521)
Office equipment			
Additions		1,340	-
Depreciation expense		(9,181)	(8,848)
Motor vehicles			
Depreciation expense		(15,755)	(15,756)
Totals			
Additions		23,399	4,723
Disposals		-	-
Depreciation expense	3(a)	(55,967)	(54,950)
Carrying amount at the end of year		53,327	85,895

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 11: OTHER ASSETS		**$**	**$**
NON-CURRENT			
Exploration expenditure capitalised			
- Exploration and evaluation phases at cost		6,689,736	3,957,935
Other		7,627	8,093
Net carrying value		6,697,363	3,966,028

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 contain sacred sites, or sites of significance to Aboriginal people. 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.

	2010	2009
NOTE 12: TRADE AND OTHER PAYABLES	**$**	**$**
CURRENT – unsecured liabilities		
Trade payables	109,032	163,168
Accrued Expenses	42,400	20,800
GST payable	56,379	1,013
	207,811	184,981

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

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 13: SHORT TERM PROVISIONS		**$**	**$**
CURRENT			
Employee benefits		16,894	1,404
Number of employees at year end		6	5
Employee Benefits			
Opening Balance at 1 July 2009		1,404	12,763
Additional Provisions		17,001	10,153
Amounts Used		(1,511)	(21,512)
Balance at 30 June 2010		16,894	1,404

		2010	2009
NOTE 14: ISSUED CAPITAL		**$**	**$**
83,232,659 fully paid ordinary shares	14(a)	12,681,865	8,856,865
		12,681,865	8,856,865

The Company has issued share capital amounting to 83,232,659 (2009: 54,482,659) ordinary shares at no par value.

(a) Ordinary shares

At the beginning of the reporting period	8,856,865	7,740,456
Shares issued during the year:		
5,000,000 Shares issued on 7 July 2009	500,000	-
5,000,000 Shares issued on 10 July 2009	500,000	-
9,670,000 Shares issued on 10 September 2009	1,547,200	-
5,955,000 Shares issued on 30 October 2009	952,800	-
3,125,000 Shares issued on 4 November 2009	500,000	-
88,750 Options exercised on 23 January 2009	-	18,638
4,454,000 Shares issued on 22 May 2009	-	445,400
7,106,434 Shares issued on 29 May 2009	-	710,643
Transaction costs relating to share issues	(175,000)	(58,272)
At reporting date	12,681,865	8,856,865

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 14: ISSUED CAPITAL (cont.)		**No.**	**No.**
At the beginning of the reporting period		54,482,659	42,833,475
Shares issued during the year:			
5,000,000 Shares issued on 7 July 2009		5,000,000	-
5,000,000 Shares issued on 10 July 2009		5,000,000	-
9,670,000 Shares issued on 10 September 2009		9,670,000	-
5,955,000 Shares issued on 30 October 2009		5,955,000	-
3,125,000 Shares issued on 4 November 2009		3,125,000	-
88,750 Options exercised on 23 January 2009		-	88,750
4,454,000 Shares issued on 22 May 2009		-	4,454,000
7,106,434 Shares issued on 29 May 2009		-	7,106,434
At reporting date		83,232,659	54,482,659

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) Incentive Option Scheme

For information relating to the Aura Energy Limited Incentive Option Scheme, including details of options issued during the financial year, refer to Note 17.

(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 2010 and 30 June 2009 were as follows:

	2010	2009
	$	**$**
Cash and cash equivalents	1,221,825	1,225,387
Trade and other receivables	89,732	289,837
Trade and other payables	(207,811)	(184,981)
Working capital position	1,103,746	1,330,243

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010	2009
NOTE 15: RESERVES		**$**	**$**
Option reserve		859,129	762,752
Foreign exchange reserve		933	(16,769)
		860,062	745,983

Option reserve

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

Foreign Exchange Reserve

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

	2010	2009
NOTE 16: CASH FLOW INFORMATION	**$**	**$**
(a)		
Loss after income tax	(1,679,699)	(1,959,505)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit from ordinary activities		
Employee share-based payments expense	293,777	(23,940)
Depreciation	55,967	54,950
Write-off capitalised expenditure	452,156	1,116,409
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Increase in exploration expenditure capitalised	(3,183,956)	(1,094,852)
Decrease/(increase) in receivables and prepayments	408,938	(167,442)
Decrease in payables	(186,004)	(69,097)
Increase/(decrease) in provisions	15,490	(11,359)
Cash flow from operations	(3,823,331)	(2,154,836)

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 2010

NOTE 17: SHARE-BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2010:

On 1 February 2007, 550,000 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 $0.25 each. The options are exercisable on or before 1 February 2012. The options hold no voting or dividend rights and are not transferable. Since balance date, no director has ceased their employment. At balance date, no share option has been exercised.

On 24 April 2008, 1,500,000 share options were granted to Dr Bob Beeson to take up ordinary shares at an exercise price of $0.55 each. The options are exercisable on or before 30 June 2011. The options hold no voting or dividend rights, and are not transferable. At balance date, no share option has been exercised.

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. At balance date, no share option has been exercised, and 400,000 options remain.

On 24 April 2008, 300,000 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 $0.50 each. The options are exercisable on or before 30 June 2011. 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. At balance date, no share option has been exercised, and 100,000 options remain.

On 30 November 2009, 4,500,000 share options were granted to the Directors to take up ordinary shares at an exercise price of $0.23 each. The options are exercisable on or before 1 September 2011. The options hold no voting or dividend rights, and are not transferable. At balance date, no share option has been exercised.

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.

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.

A summary of the movements of all company options issued is as follows:

	2010		2009	
	Number of Options	**Weighted Average Exercise Price**	**Number of Options**	**Weighted Average Exercise Price**
Outstanding at the beginning of the year	6,050,000	$0.1035	6,400,000	$0.3640
Granted	4,900,000	$0.2943	-	
Issued 2007	-	-	50,000	$0.2500
Forfeited	-	-	(400,000)	$0.5500
Expired	(3,500,000)	$0.2500	-	
Outstanding at year-end	7,450,000	$0.1212	6,050,000	$0.1035
Exercisable at year-end	7,450,000	$0.1212	6,050,000	$0.1035

The weighted average remaining contractual life of options outstanding at year end was 1.43 years. The exercise price of outstanding shares at the end of the reporting period was $0.3617.

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 $0.0967 (2009: $ nil). These values were calculated using the Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price:	$0.3617
Weighted average life of the option:	1.43 year
Expected share price volatility:	129.03%
Risk-free interest rate:	5%

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.

NOTE 18: EVENTS SUBSEQUENT TO REPORTING DATE

After balance date events include the following:

d) On 21 July 2010, the Company announced its initial inferred resource of 291 million lbs of U_3O_8 at its Haggan Project in Sweden;

e) On 16 September 2010, the Company announced a placement of 12,484,898 Shares at an issue price of $0.15 per Share to raise $1,872,735; and

f) On 16 September 2010, the Company also announced a fully underwritten 1 for 5 Rights Issue to Shareholders at an issue price of $0.15 to raise a further $2,871,527.

There has been no other after balance date events.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
NOTE 19: 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 rents office space from Jay Stephenson	10,800	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	76,500

NOTE 20: CAPITAL COMMITMENTS

Capital expenditure commitments:		
Capital expenditure commitments contracted for:		
Exploration tenement minimum expenditure requirements	6,894,000	7,312,000
Payable:		
- not later than 12 months	1,386,000	1,301,000
- between 12 months and 5 years	1,270,000	6,011,000
- greater than 5 years	4,238,000	-
	6,894,000	7,312,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: OPERATING SEGMENTS

Segment Information

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.

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 2010	**$**	**$**	**$**	**$**	**$**
Segment Revenue	330,326	-	-	-	330,326
Segment Results	330,326	-	-	-	330,326
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(1,208,125)
- Exploration impairment					(452,156)
- Depreciation					(55,967)
- Share-based payment expenses					(293,777)
Loss before Income Tax					(1,679,699)
As at 30 June 2010					
Segment Assets	1,628,543	3,222,267	1,838,926	1,221,825	7,911,561
Segment asset increases for the period:					
- capital expenditure	-	1,205,005	1,609,798	-	2,814,803
Unallocated Assets:					
Trade and other receivables					89,732
Plant and equipment					53,327
Other non-current assets					7,627
Total Assets					8,062,247
Segment Liabilities	31,657	78,473	(9,904)	-	100,226
Unallocated Liabilities:					
Trade and other payables					124,479
Total Liabilities					224,705

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 21: OPERATING SEGMENTS (CONT.)

For the Year to 30 June 2009	Australian Exploration $	Sweden Exploration $	African Exploration $	Treasury $	Total $
Segment Revenue	143,556	582	-	-	144,138
Segment Results	143,556	582	-	-	144,138
Amounts not included in segment results but reviewed by Board:					
- Corporate charges					(956,224)
- Exploration Impairment					(1,116,409)
- Depreciation					(54,950)
- Share-based payment recoupment					23,940
Loss before Income Tax					(1,959,505)
As at 30 June 2009					
Segment Assets	1,711,546	2,017,262	229,127	1,225,387	5,183,322
Segment asset increases for the period:					
- capital expenditure	90,363	1,107,970	38,075	-	1,236,408
Unallocated Assets:					
Trade and other receivables					289,837
Plant and equipment					85,895
Other non-current assets					8,093
Total Assets					5,567,147
Segment Liabilities	36,656	3,312	3,748	-	43,716
Unallocated Liabilities:					
Trade and other payables					142,669
Total Liabilities					186,385

NOTE 21: 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

f. *Comparative information*

This is the first reporting period in which AASB 8 has been adopted. Comparative information has been restated to conform to the requirements of this standard.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 22 – FINANCIAL INSTRUMENTS

(a) Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, short-term investments, accounts payable, loans to and from subsidiaries, and bills and leases.

The main purpose of non-derivative financial instruments is to raise finance for Group operations.

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	2010 Total	Floating Interest Rate	Non-interest bearing	2009 Total
	$	$	$	$	$	$
Financial assets						
Cash and cash equivalents	1,221,825	-	1,221,825	1,225,387	-	1,225,387
Trade and other receivables	-	89,732	89,732	-	289,837	289,837
Total Financial assets	1,221,825	89,732	1,311,557	1,225,387	289,837	1,515,224
Financial Liabilities						
Financial liabilities at amortised cost –						
Trade and other Payables	-	207,811	207,811	-	186,385	186,385
Total Financial liabilities	-	207,811	207,811	-	186,385	186,385
Net Financial Assets	1,221,825	(118,079)	1,103,746	1,225,387	103,452	1,328,839

NOTE 22 – FINANCIAL INSTRUMENTS (CONT.)

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 counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2010	2009
		$	$
Cash and cash equivalents			
- AA Rated	8	1,221,825	1,225,387

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 to analyse currency and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

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.

NOTE 22 – FINANCIAL INSTRUMENTS (CONT.)

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.

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.

Sensitivity Analysis

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.

	Consolidated Group	
	Profit	**Equity**
Year ended 30 June 2010	**$**	**$**
+/-1% in interest rates	+/- 29,316	+/- 29,316
Year ended 30 June 2009		
+/-1% in interest rates	+/- 10,771	+/- 10,771

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.

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

NOTE 23: PARENT ENTITY DISCLOSURES

(a) Financial Position of Aura Energy Limited

	Note	2010	2009
		$	$
CURRENT ASSETS			
Cash and cash equivalents		1,160,681	1,208,553
Trade and other receivables		86,247	93,092
TOTAL CURRENT ASSETS		1,246,928	1,301,645
NON-CURRENT ASSETS			
Plant and equipment		53,327	85,895
Financial assets	23(b)	133,432	274,072
Other assets		6,666,137	3,934,336
TOTAL NON-CURRENT ASSETS		6,852,896	4,294,303
TOTAL ASSETS		8,099,824	5,595,948
CURRENT LIABILITIES			
Trade and other payables		228,797	184,981
Short term provisions		16,894	1,404
TOTAL CURRENT LIABILITIES		245,691	186,385
TOTAL LIABILITIES		245,691	186,385
NET ASSETS		7,854,133	5,409,563
EQUITY			
Issued Capital		12,681,865	8,856,865
Option Reserve		859,129	762,752
Accumulated Losses		(5,686,861)	(4,210,054)
TOTAL EQUITY		7,854,133	5,409,563

NOTE 23: PARENT ENTITY DISCLOSURES (CONT.)	2010 $	2009 $
(b) Financial assets		
Loans to subsidiaries	115,025	255,665
Shares in controlled entities at cost	18,407	18,407
Net carrying value	133,432	274,072

Controlled Entities	Country of Incorporation	Class of Shares	Percentage Owned 2010	Percentage Owned 2009
Keyano Jack Pty Limited	Australia	Ordinary	100%	100%
Aura Energy Sweden AB	Sweden	Ordinary	100%	100%

Investments in subsidiaries are accounted for at cost.

(c) Financial Performance of Aura Energy Limited	2010 $	2009 $
Loss for the year	(1,674,207)	(1,949,213)
Other comprehensive income	-	-
Total comprehensive income	(1,674,207)	(1,949,213)

(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 2010 (2009: none).

(e) Contingent liabilities of Aura Energy Limited

There are no contingent liabilities as at 30 June 2010 (2009: none).

(f) Commitments by Aura Energy Limited

Capital expenditure commitments contracted for:	2010 $	2009 $
Exploration tenement minimum expenditure requirements	6,894,000	7,312,000
Not longer than 1 year	1,386,000	1,301,000
Longer than 1 year and not longer than 5 years	1,270,000	6,011,000
Longer than 5 years	4,238,000	-
Total commitments	6,894,000	7,312,000

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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

	2010	2009
Operating lease commitments:	**$**	**$**
Operating leases contracted for but not capitalised in the financial statements		
Payable:		
- not later than 12 months	23,000	-
- between 12 months and 5 years	34,000	-
- greater than 5 years	-	-
Total commitments	57,000	-

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

NOTE 24: CONTINGENT LIABILITIES

There are no contingent liabilities as at 30 June 2010 (2009: none).

NOTE 25: COMPANY DETAILS

The registered office of the company is:

Unit 6, 34 York Street
North Perth WA 6006
Telephone 08 9228 0711
Facsimile 08 9228 0704
Website: www.auraenergy.com.au
email: info@auraenergy.com.au

The principal places of business are:

Unit 6, 34 York Street
North Perth WA 6006

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 21 to 60, 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 2010 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:

Director

JAY STEPHENSON

Dated 30th September 2010, Perth WA

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF AURA ENERGY LIMITED

TO BE REPLACED BY BENTLEY'S LETTER

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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

1 Shareholding as at 28 September 2010

(a) Distribution of Shareholders

Category (size of holding)	Number Ordinary
1 – 1,000	27
1,001 – 5,000	148
5,001 – 10,000	160
10,001 – 100,000	461
100,001 – and over	122
	918

(b) The number of shareholdings held in less than marketable parcels is 79.

(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 28 September 2010.

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	UBS NOMINEES PTY LTD	9,921,434	10.37
2.	GCM RESOURCES PLC	7,939,993	8.30
3.	DRAKE RESOURCES LIMITED	3,550,000	3.71
4.	YARANDI INVESTMENTS PTY LTD <GRIFFITH FAMILY NO 2 A/C>	2,750,000	2.87
5.	WALKER GROUP HOLDINGS PTY LTD <WALKER GROUP HOLDINGS A/C>	2,300,000	2.40
6.	ASHABIA PTY LTD <SUPERANNUATION FUND A/C>	2,150,000	2.25
7.	WISEVEST PTY LTD	2,108,787	2.20
8.	MRS JENNY LEE BUSHELL	2,000,000	2.09
9.	SUVALE NOMINEES PTY LTD	1,800,000	1.88
10.	PERMGOLD PTY LTD <SECKOLD FAMILY S/FUND A/C>	1,666,667	1.74
11.	MR MICHAEL BUSHELL	1,666,666	1.74
12.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	1,492,878	1.56
13.	MR VIKTOR PALL + MRS MARGIT PALL	1,224,200	1.28
14.	FINANCE ASSOCIATES PTY LTD <SUPER FUND A/C>	1,200,000	1.25
15.	MR ROBERT BEESON <BEESON SUPERANNUATION A/C>	1,000,000	1.04

16.	MIDWAY SECURITIES PTY LTD <MIDWAY FAMILY A/C>	1,000,000	1.04
17.	PINEWOOD ASSET PTY LTD <THE FRASER FAMILY A/C>	980,000	1.02
18.	ALMAMATER PTY LTD <STEPHENSON FAMILY A/C>	850,000	0.89
19.	MR PETER OTTON	850,000	0.89
20.	GASMERE PTY LIMITED	771,000	0.81
		47,221,625	49.33

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

3 The address of the principal registered office in Australia is 6/34 York Street NORTH PERTH WA 6006. Telephone (08) 9228 0711.

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 Stock Exchange Limited.

6 Unquoted Securities

Options over Unissued Shares

A total of 7,450,000 options are on issue of which 6,000,000 options are on issue to the four Directors.

7 Use of Funds

The Company has used its funds in accordance with its initial business objectives.

TENEMENT REPORT

AREA	PROJECT	Aura %
Gunbarrel		
	GB E38/1839 Lake Rason	100%
	GB E38/1874 Lake Rason S	100%
	GB E38/1920 Tierney Springs	100%
	GB E38/1922R Lake McInnes	100%
	GB E38/1923 Lake Rason SW	100%
	GB E38/1924 Lake Rason N	100%
	GB E38/1929 Lake Rason W	100%
	GB E38/2194 Lake Rason NW	100%
	GB E39/1200 Kirgella Rocks	100%
	GB E39/1201R Lake Minigwal	100%
	GB E39/1221 Ponton	100%
	GB E39/1377 Havana West	100%
	GB E69/2245 Neale - Thin	100%
	GB E69/2263 Tierney Springs Ea	100%
Kimberley		
	KM E04/1618 Maudie Creek	100%
	KM E04/1667 Beverley Springs	100%
	KM E04/1668 Charnley River	100%
	KM E80/3728 Gardner Plateau	100%
	KM E80/3744 Kalumburu	100%
	KM E80/3768 King Edward River	100%
Yilgarn		
	WN E58/290 Wondinong Central	100%
	YC E58/349 Wondinong NE	100%
	YC E36/556 Depot Springs	100%
	YC E36/557 Altona	100%
	YC E38/1899 Nambi	100%
	YC E53/1245 Porcupine Well	100%
	YC E57/621 Shaws Bore	100%
	YC E57/644R Cashmere Downs	100%
	YC E57/645 Cashmere Downs	100%
	YC E57/646R Cashmere Downs	100%
	YC E77/1298 Lake Giles	100%
Sweden		
	SN Vuoltajaur nr 1	100%
	SW Virka nr 10 2007/210	100%
	SN Virka nr 11 2008/220	100%
	SN Virka nr 12	100%
	SN Rassnesudden nr 1 Pending	100%
	SN Nastansjo nr 1 2007/227	100%
	SJ Hamborg nr 1 2007/327	100%
	SJ Hamborg nr 2	100%
	SJ Grimsan 2007/288	100%
	SJ Olden 2007/223	100%
	SJ Finningen 2007/287	100%
	SJ Flandern nr 1	100%
	SJ Grasslatten 2007/326	100%
	SJ Gurumyren 2007/297	100%
	SJ Haggan 2007/243	100%
	SJ Haggan nr 2	100%

TENEMENT REPORT

AREA	PROJECT	Aura %
	SJ Marby 2007/244	100%
	SJ Nakten 2007/222	100%
	SJ Bjarme 2007/316	100%
	SJ Hara 2007/240	100%
	SJ Hackas 2007/246	100%
	SB Stripa 2007/105	100%
	SB Timansberg nr 1 2008/80	100%
	SB Blankagruvan 2007/163	100%
	SB Silen 2007/225	100%
	SB Dalsjon 2007/220	100%
	SB Tappetjarnet 2007/221	100%
	SB Massingsberget 2007/238	100%
	SB Samsala 2007/218	100%
	SB Oxgruvan 2007/219	100%
	SB Trehorningen 2007/162	100%
	SB Bredsjon 2007/217	100%
	SB Tjuvagruvan 2007/97	100%
	SB Hakantorp 2007/96	100%
	SB Valfalla 2007/216	100%
	SB Hageby nr 1	100%
	SB Ullevi nr 1	100%
	SB Stavlosa nr 1	100%
West Africa		
	WAJV Niger - Ebadargene 1	45%
	WAJV Niger - Ebadargene 2	50%
	WAJV Niger - Ebadargene 3	50%
	WAJV Niger - NGM	50%
	WAJV Maurit - Oued elFoule Est	34%
	WAJV Mauritania - Ain Sder	44%
	WAJV Mauritania - Oum Ferkik	45%
	WAJV Mauritania - Fai Est	47%
	WAJV Mauritania - Fai Ouest	50%
	WAJV Mauritania - Fai Nord	50%
	WAJV Mauritania - Saabia	50%
	WAJV Mauritania - Oum Drouss	50%
	WAJV Maurit - Oued elFouleNord	50%
	WAJV Mauritania - Aleg	50%
	WAJV Maurit - El Mreiti Nor	50%
	WAJV Maurit - Tin Bessais Nord	50%
	WAJV Maurit - Tiguesmat Sud	50%
	WAJV Maurit - El HassenOuldHam	50%