



Aztec Resources Limited

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ASX Release

12 September 2006

The Manager
Company Announcements Office
Australian Stock Exchange Limited
Level 4, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir / Madam,

Lodgement of Target's Statement

In accordance with item 14 of section 633(1) of the *Corporations Act 2001* (Cth), please find **attached** a copy of Aztec Resources Limited's Target's Statement dated 12 September 2006 with respect to the off-market takeover bid by Mount Gibson Iron Limited ABN 87 008 670 817.

Yours sincerely

Ian Gregory
Company Secretary

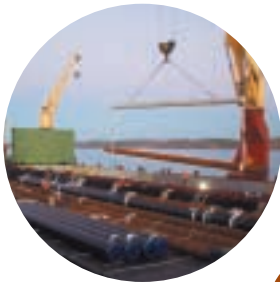


Target's Statement

by Aztec Resources Limited ABN 45 078 548 562



in response to the offer by Mount Gibson Iron Limited ABN 87 008 670 817 to acquire all of your fully paid ordinary shares in Aztec Resources Limited, on a ratio of 1 Mount Gibson Share for every 3 Aztec Shares you hold



REJECT
MOUNT GIBSON'S
OFFER

The Directors of Aztec unanimously recommend that you REJECT the Mount Gibson Offer

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with it please consult your financial or other professional adviser.

If you have any queries, please contact the Aztec Shareholder Information Line on 1800 602 244 (toll free within Australia) or +61 8 6218 4220 (international callers)

BLAKE DAWSON WALDRON
L A W Y E R S

Legal adviser



MACQUARIE

Financial adviser



Key Dates

Date of the Offer:

28 August 2006

Date of this Target's Statement:

12 September 2006

Close of Offer Period (unless extended):

5.00pm (Perth time) on
29 September 2006

Important Information

Target's Statement

This statement is made in response to the Bidder's Statement dated 28 August 2006 received by Aztec Resources Limited ABN 45 078 548 562 (**Aztec**) from Mount Gibson Iron Limited ABN 87 008 670 817 (**Mount Gibson**) (the **Bidder's Statement**) and relates to the offer made by Mount Gibson constituting a takeover bid (the **Offer**) for the acquisition of all the issued shares in Aztec (including all shares issued as a result of the exercise of Aztec listed options) referred to in the Bidder's Statement.

A copy of this Target's Statement was lodged with ASIC on 12 September 2006 and provided to ASX on 12 September 2006. None of ASIC, ASX or any of their officers takes any responsibility for the contents of this Target's Statement.

Defined terms

A number of defined terms are used in this Target's Statement. These terms have capitalised first letters and are set out in the glossary in Section 11. Section 11 also sets out some rules of interpretation which apply in this Target's Statement.

Investment Decisions

This document does not take into account the investment objectives, financial situation or particular needs of any person. Before making any investment decisions on the basis of this Target's Statement you should consider whether that decision is appropriate in the light of those factors and seek independent financial and taxation advice if necessary.

Disclaimer regarding forward looking statements

This Target's Statement contains statements in the nature of forward-looking statements. All statements other than statements of historical fact are forward-looking statements. Shareholders should note that forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which could cause actual values, results or events to be materially different to those expressed or implied in those forward-looking statements. These risks, uncertainties and assumptions include matters specific to the industries in which Aztec operates as well as economic and financial market conditions; legislative, fiscal or regulatory developments; the price performance of Aztec Shares, including the risk of possible price decline in the absence of the Offer or other takeover or merger speculation; and risks associated with the business and operations of Aztec. None of Aztec, any of its officers or any person named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) or gives any assurance that the implied values or anticipated results or events expressed or implied in forward-looking statements contained in this Target's Statement will be achieved, and you are cautioned not to place undue reliance on these statements. Any forward-looking statement in this Target's Statement is qualified by this cautionary statement.

Information line and website

If you have any queries in relation to the Offer or this Target's Statement, please contact the Aztec Shareholder Information Line on **1800 602 244** (toll free within Australia) between 9.00am and 5.00pm (Perth time). International callers or Australian callers on mobile phones please call **+61 8 6218 4220**. All calls to these numbers will be recorded to satisfy legal requirements.

Further information in relation to Aztec and the Offer can be obtained from Aztec's website at:

www.aztecresources.com.au

8 September 2006

Dear Aztec Shareholder

Aztec Resources Limited

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YOUR DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU REJECT MOUNT GIBSON'S UNSOLICITED AND OPPORTUNISTIC TAKEOVER OFFER

You will have recently received a conditional Offer from Mount Gibson seeking to acquire your Aztec Shares on the basis of one Mount Gibson Share for every three Aztec Shares you own.

Your Directors unanimously recommend that you REJECT the Mount Gibson Offer for the following reasons:

- The **loyalty of Aztec Shareholders is set to be rewarded** as Aztec's Koolan Island Project commences production of iron ore
- **The Offer is inadequate** - it does not reflect the strategic importance of Aztec's Koolan Island Project to Mount Gibson
- The Offer is **opportunistically timed** to take advantage of the Company in the period prior to commencement of production at the Koolan Island Project
- Accepting **the Offer would expose you to additional risks** through holding Mount Gibson Shares
- Aztec is exploring **alternative options to maximise shareholder value**
- The Offer is **conditional** and therefore its outcome is **uncertain**

Your Directors intend to **REJECT** the Offer for Aztec Shares they own or control.

To REJECT the Mount Gibson Offer, simply do nothing and disregard all documents that you receive from Mount Gibson.

The Aztec management team has made significant progress over the last year in developing the Koolan Island Project. Following completion of the Bankable Feasibility Study in August 2005, construction commenced in June 2006 and the Project is on track for first production in December 2006 with the first shipment of iron ore scheduled for early 2007.

We thank you for your loyalty and urge you to continue your support for Aztec in the face of this opportunistic Offer. We continue to remain focussed on bringing the Koolan Island Project into production for the benefit of all Aztec Shareholders. However, as a result of the Mount Gibson Offer, your Directors are also investigating other opportunities to ensure Aztec Shareholders receive full value for their shares. We will keep you informed of developments in this regard.

This Target's Statement contains the formal response of your Board of Directors to the Mount Gibson Offer. I encourage you to read all information contained in this booklet carefully and seek independent advice.

If you have any questions, please call our shareholder inquiry line on **1800 602 244** (toll free within Australia) or **+61 8 6218 4220** (international callers) Monday to Friday between 9:00am and 5:00pm Perth time, we will also post updates on our website

www.aztecresources.com.au

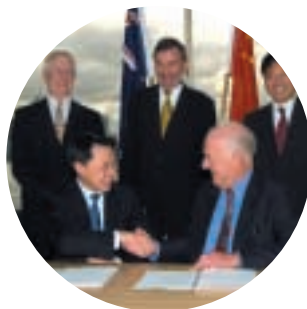
Yours sincerely



Ian Burston ^{AM}
Chairman



Aztec Chairman Ian Burston.





1. WHAT YOU NEED TO DO

AZTEC'S DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU:



FROM MOUNT GIBSON

TO REJECT THE MOUNT GIBSON OFFER, SIMPLY IGNORE
ALL DOCUMENTS SENT TO YOU BY MOUNT GIBSON

YOU SHOULD

1

Read this Target's Statement.

2

Consult your independent, legal, financial, taxation or other professional adviser if in doubt about what to do.

3

If you have any queries in relation to the Mount Gibson Offer, please contact the Aztec Shareholder Information Line on 1800 602 244 (toll-free within Australia).
For Australian mobile phone callers or international callers please call +61 8 6218 4220 Monday to Friday between 9:00am to 5:00pm Perth time. All calls to these numbers are recorded to satisfy legal requirements.



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PART A

2

WHY YOU SHOULD REJECT THE OFFER

3

AZTEC'S RESPONSE TO CLAIMS IN
THE BIDDER'S STATEMENT

4

ANSWERS TO FREQUENTLY ASKED
QUESTIONS



Ian Burston^{AM}, Aztec Chairman Overlooking Main Pit.



WHY YOU SHOULD



1

THE LOYALTY OF AZTEC SHAREHOLDERS IS SET TO BE REWARDED

- The Koolan Island Project represents a unique opportunity
- Aztec is on track to deliver to its shareholders all the benefits associated with the successful development of its Koolan Island Project
- Aztec management continue to “de-risk” the Koolan Island Project as it approaches first production in December 2006 and first ore shipments in early 2007

2

YOUR DIRECTORS BELIEVE THAT THE OFFER IS INADEQUATE

- The Offer (if it is successful) does not reward Aztec Shareholders with the shareholding they deserve in the Combined Group
- The Offer does not reflect the strategic importance of Aztec’s Koolan Island Project to Mount Gibson, particularly if Mount Gibson’s Extension Hill Hematite Project cannot be developed or if development does not occur in accordance with Mount Gibson’s proposed timetable
- The Offer does not reflect the exploration potential on Koolan Island

3

THE MOUNT GIBSON OFFER IS OPPORTUNISTICALLY TIMED

- The Offer seeks to take advantage of Aztec in the period prior to the commencement of production at the Koolan Island Project
- The Offer is timed to take advantage of a period in which, the Aztec Directors believe, the market price of Aztec Shares was constrained following a significant issue of Aztec securities (both shares and options) as part of the funding package for the Koolan Island Project



4

ACCEPTING THE MOUNT GIBSON OFFER WOULD EXPOSE YOU TO ADDITIONAL RISKS

- Mount Gibson's ability to sustain production and shipping of three million tonnes per annum from its Talling Peak operation is unproven
 - Over the next two years, high stripping ratios will continue to impact the operations at Talling Peak
- There are significant risks associated with the development of Mount Gibson's Extension Hill Hematite Project
 - At this time, only a desk top study has been completed on the Extension Hill Hematite Project
- Mount Gibson's management team have continued to underperform their own operational and financial projections
- Consideration under the Offer is shares in Mount Gibson. Mount Gibson's share price is influenced by numerous factors and is subject to change
- Mount Gibson has failed to fully articulate its consolidation strategy and what this means for Aztec Shareholders if they accept the Offer

5

AZTEC IS EXPLORING ALTERNATIVE OPTIONS TO MAXIMISE SHAREHOLDER VALUE

- Since the Mount Gibson Offer was announced, Aztec has received approaches from a number of third parties
- Aztec is engaged in discussions with these third parties, which may or may not result in some other opportunity being presented to Aztec Shareholders
- You should be aware that acceptance of the Mount Gibson Offer may prevent you from participating in the benefit of any such alternative opportunities
- Even if none of these alternative opportunities becomes a firm proposal, the Directors still recommend that you **REJECT** the Mount Gibson Offer for the other reasons described in Section 2 of this Target's Statement

6

THE MOUNT GIBSON OFFER IS CONDITIONAL AND THEREFORE ITS OUTCOME IS UNCERTAIN

- The Mount Gibson Offer is subject to numerous conditions, including Mount Gibson's requirement that it acquire at least 90% of Aztec Shares
- If Mount Gibson does not acquire at least 80% of Aztec Shares, then Aztec Shareholders may incur a capital gains tax liability (in the event that Mount Gibson reduces its 90% minimum acceptance condition)



WHY YOU SHOULD



2.1 The Loyalty of Aztec Shareholders is Set to be Rewarded

The Koolan Island Project represents a unique opportunity

Aztec Shareholders are expected to benefit as the Koolan Island Project becomes Australia's next iron ore mine. If the Mount Gibson Offer is successful, your participation in these expected benefits will be substantially diluted.

- **Proven operation**

- BHP previously operated the Koolan Island Project for 28 years and mined over 68 million tonnes of high grade iron ore at an average grade of over 65%. Over the last three years of operations, BHP produced approximately 3.7 million tonnes per annum, similar to Aztec's proposed mining rate of 4 million tonnes per annum

- **Logistical advantages**

- Koolan Island is well located close to the key iron ore markets of Asia
- Koolan Island will have its own dedicated deep water harbour and port facility, which will be located adjacent to its mining and crushing activities. Therefore, Aztec will not be subject to the significant transport and shiploading constraints as well as other bottlenecks faced by other companies in the iron ore sector (**including Mount Gibson**), particularly in the mid-West / Geraldton region of Western Australia
- The proximity to a dedicated port facility provides significant infrastructure and transport cost savings as no rail, rail unloading infrastructure or significant haul roads are required

- **High quality and proven product**

- Aztec will produce a high grade iron ore product from Koolan Island which requires no beneficiation and which is particularly low in sulphur and phosphorus. These attributes significantly enhance the attractiveness of Koolan Island ore to key Asian customers.



- The quality and high grade nature of Aztec's iron ore product is clear when compared to other producers (**including Mount Gibson**) as shown in the table below.

Iron Ore Products ¹	Iron (%)	Alumina (%)	Phosphorus (%)	Sulphur (%)	Silica (%)
Koolan Island Ore (Aztec)	65.0	1.2	0.02	0.01	4.7
Mt Newman Fines (BHPB)	63.6	2.1	0.07	0.01	3.6
MAC Fines (BHPB)	61.8	1.9	0.07	0.01	3.0
Talling Peak (Mount Gibson)	61.8	2.2	0.03	0.09	4.5
Extension Hill Hematite (Mount Gibson)	60.7	1.6	0.06	N/A²	4.8
Fortescue HG Fines (FMG)	60.2	1.9	0.05	0.03	3.4
Yandi Fines (BHPB)	58.5	1.3	0.04	0.01	5.1

- **Strong demand for Aztec's iron ore**

- Aztec's premium quality iron ore has attracted significant interest from a number of leading Asian customers. **Demand for Aztec's iron ore currently exceeds Aztec's planned supply.** Aztec has negotiated non-binding Memoranda of Understanding (MOU) with a number of large international organisations
- Over the last month, Aztec has converted the first two of these MOUs into binding sales contracts. The first contract is with a subsidiary of the CITIC Group, one of China's largest state-owned enterprises and the second with Marubeni Corporation of Japan. Aztec expects to execute further sales contracts as required

¹ Koolan Island, Talling Peak and Extension Hill Hematite specifications are based on reserve grades. The remainder of the product information is based on disclosed fines specifications. Mount Gibson data is sourced from an ASX announcement dated 3 August 2006. The BHP Billiton information is sourced from a presentation to analysts in June 2005. The Fortescue information is sourced from a presentation to the Diggers and Dealers conference in August 2006.

² Not available.



Aztec is on track to deliver to its Shareholders all the benefits associated with the successful development of its Koolan Island Project

Typically, the value of shares in a mining development company will increase in value as the risks associated with that development are mitigated and it moves into production (refer to Section 2.3 of this Target's Statement).

Aztec has made significant progress in developing the Koolan Island Project for the benefit of its shareholders.

Aztec's experienced management team has achieved a number of significant milestones over the last two years and is on track to achieve first production by the end of 2006. The first shipment of iron ore is expected in early 2007.

Aztec Milestone	Status	Result
Initial exploration campaign to identify resources at Koolan Island	Successfully completed with a resource of 53.3 Mt of high grade iron ore	✓
Bankable Feasibility Study	Successfully completed in August 2005	✓
Equity raising as part of the financing for the Koolan Island Project	Rights issue to raise \$42.3 million successfully completed in early 2006	✓
Environmental and regulatory approvals to allow construction and mining activities to commence ³	Approvals received over the first half of calendar year 2006	✓
Construction at Koolan Island	Construction commenced in June 2006 and is progressing well	✓
Conversion of Aztec's July 2006 listed options	Overwhelming support from Aztec's shareholders with 99.4% exercising their options to raise \$42.3 million	✓
Sales contracts executed to cover the majority of Aztec's future production	Contract with CITIC signed in August 2006	✓
	Contract with Marubeni Corporation signed in September 2006	✓
	Negotiations advanced for the remainder of Aztec's production	Pending
Exploration recommenced on Koolan Island during the September 2006 quarter	Initial drill results encouraging for a potential increase in mine life	✓
Project financing and equipment leasing	Aztec is in final negotiations with both a banking syndicate and an equipment financier	Pending
First production at Koolan Island scheduled for December 2006	Mining development for Koolan Island is proceeding on schedule	On Track
First ore shipments scheduled in early 2007	Construction activities are on schedule	On Track

³ Aztec has received the necessary environmental and regulatory approvals to allow construction as well as mining at Eastern and Mullet pits to be undertaken at the Koolan Island Project. Aztec is in the process of applying for the necessary Works Approvals and Notices of Intent to allow construction of the seawall, dewatering of the Main Pit and mining below the water table at Main Pit. (Ore production from Main Pit is not scheduled to occur until the end of 2008, with ore production to be initially sourced from the Eastern and Mullet pits).



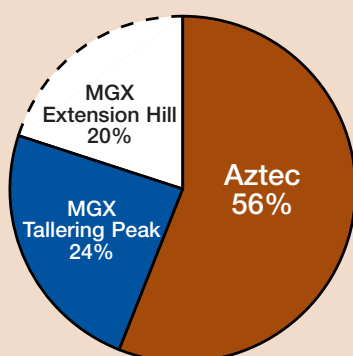
2.2 Your Directors Believe the Offer is Inadequate

The Offer does not reflect the strategic importance of Aztec's Koolan Island Project to Mount Gibson

Mount Gibson's assets consist of an iron ore mine at Talling Peak and the Extension Hill Hematite Project, which is yet to progress past its status as a "desk top" study. Aztec Shareholders need to consider the Offer from Mount Gibson in light of the possibility that the Extension Hill Hematite Project will not be developed.

On the basis of Mount Gibson's Offer (if it were successful) under which Aztec Shareholders only receive one Mount Gibson Share for every three Aztec Shares they own, **Aztec Shareholders would own 45.4%⁴ of the Combined Group. This would not be a fair outcome for Aztec Shareholders:**

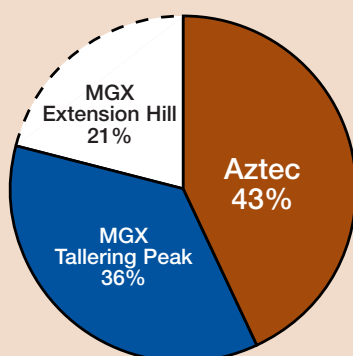
Resource Contribution⁵



The Offer is not fair because:

- Aztec would contribute **70%** of the Combined Group's resources (excluding the Extension Hill Hematite Project)
- Aztec would contribute **56%** of the Combined Group's total resources

Reserve Contribution⁵



The Offer is not fair because:

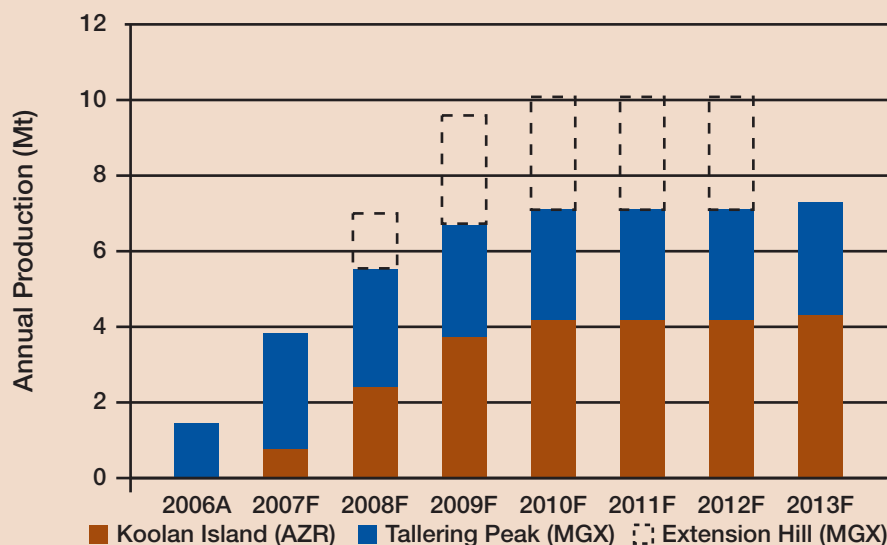
- Aztec would contribute **55%** of the Combined Group's reserves (excluding the Extension Hill Hematite Project)
- Aztec would contribute **43%** of the Combined Group's total reserves

⁴ On a fully diluted basis.

⁵ Aztec's reserve of 24.8Mt sourced from September 2006 ASX release, Aztec's resource of 53Mt sourced from 27 October 2005 ASX Release. Mount Gibson's reserves and resource sourced from 3 August 2006 ASX release and the Bidder's Statement.



Combined Group Forecast Annual Production⁶



The Offer is not fair because:

- Aztec's Koolan Island Project (at full production) would contribute **over 50%** of the Combined Group's annual production (excluding the Extension Hill Hematite Project)
- On the basis of Aztec's Bankable Feasibility Study (August 2005) and the estimated mining inventory of 29.1 Mt of iron ore, current estimates are that production will continue from Koolan Island until at least 2015. Aztec is not in a position to estimate the future life of Mount Gibson's Talling Peak operation

The Offer does not reflect the exploration potential on Koolan Island

Aztec recently recommenced exploration activities on Koolan Island with the objective of identifying new iron ore resources in addition to extending Koolan Island's current known reserves and resources.

Aztec's Directors believe that additional iron ore will be found on Koolan Island which has the potential to extend the life of the Koolan Island Project.

At the date of this Target's Statement, initial results have just been received from the drilling programme at the Mangrove Prospect on Koolan Island. These results were encouraging with hematite iron ore mineralisation intersected over a 750 metre strike length. Given these encouraging results, a mineral resource estimate is underway for the Mangrove Prospect.

⁶ Aztec's forecast production from Koolan Island is based on the mining inventory (which includes mining of all reserves and the inferred resources contained within the pit design) disclosed in Aztec's Bankable Feasibility Study (August 2005) and is based on dry shipped tonnes. Mount Gibson's production forecast is based on the chart from the Bidder's Statement for financial years 2007-2011. Post financial year 2011 additional information is sourced from the Bidder's Statement and Mount Gibson's Fourth Quarter activities report (31 July 2006) and assumes all current ore reserves from Talling Peak are sold at a production rate of 3 Mtpa and the Extension Hill Hematite production forecast is based on the 55 month mine life and nominal 3 Mtpa. All of the projects above are subject to a number of risks. Various risks relating to Aztec are described in Section 5.7 of this Target's Statement. The chart shows financial years ending 30 June.



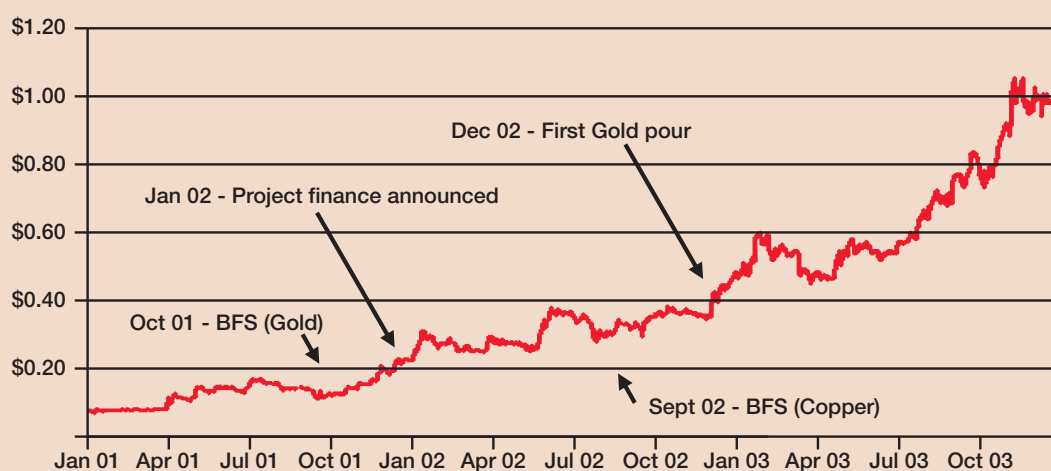
2.3 The Mount Gibson Offer is Opportunistically Timed

The Offer takes advantage of Aztec in the period prior to the commencement of production at the Koolan Island Project

Construction is on track to allow production at the Koolan Island Project to commence in December 2006, with first shipments scheduled for early 2007. Aztec Shareholders are set to benefit from Aztec's move from a project developer to a producer of iron ore. If the Mount Gibson Offer is successful, it will dilute the benefits that Aztec Shareholders are likely to receive from the development of the Koolan Island Project.

Typically, the value of the shares of companies such as Aztec, whose principal assets are development projects (such as the Koolan Island Project), increase as development risks are mitigated and production commences. Examples of such companies include Oxiana Limited and Kingsgate Consolidated Limited as shown below⁷:

Oxiana Share Price - A\$/share

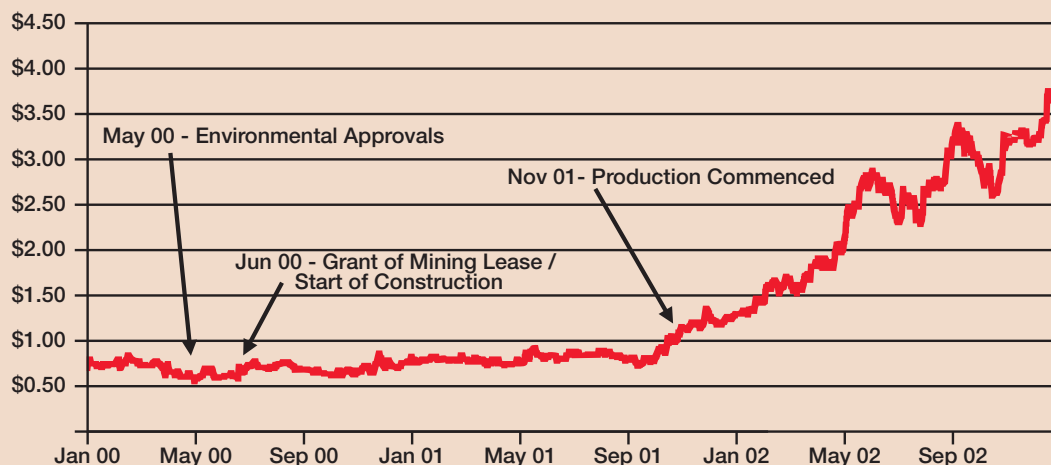


- Oxiana is an ASX listed gold and base metals producer that developed its flagship Sepon gold/copper mine located in Laos
- Sepon commenced gold production in 2002 with copper production following in 2005
- Oxiana's share price has increased significantly after production from Sepon commenced

⁷ The share price performance of both Oxiana and Kingsgate is influenced by many other variables in addition to the commencement of production.



Kingsgate Share Price - A\$/share



- Kingsgate is an ASX listed gold producer whose major asset is the Chatree gold mine in Thailand
- Chatree commenced production in 2001 and Kingsgate's share price has increased significantly after first production from Chatree gold mine

Your Directors believe that Mount Gibson has identified the quality of the Koolan Island Project and is attempting to secure the benefits of the project for its own shareholders before the project commences production and the market attributes full value to Aztec's Koolan Island Project.

The Offer is timed to take advantage of a period in which Aztec Directors believe the market price of Aztec Shares was constrained following significant issuance of Aztec equity

As part of its funding programme for the development of the Koolan Island Project, Aztec implemented a rights issue of Shares and options to its shareholders in December 2005. These initiatives raised vital funds of \$42.3 million in January 2006 through the rights issue and \$42.3 million in August 2006 following the successful exercise of the listed options. In the view of Aztec's Directors, the rights issue price and options exercise price (being 17 cents per share) set a benchmark price for Aztec Shares during the currency of these issues, which did not reflect appropriate value for the Company. Furthermore, the Aztec Directors believe that the issue of such a large quantity of Shares (representing over 45% of Aztec's current Shares on issue) has subsequently had the impact of referencing the Aztec Share price at or close to the pricing prevailing under those two equity issues.



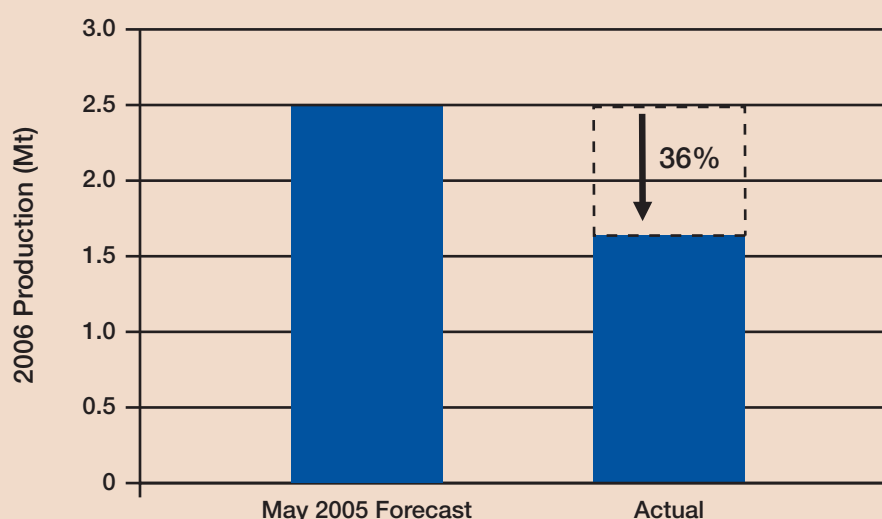
2.4 Accepting the Mount Gibson Offer would Expose You to Additional Risks

Mount Gibson's ability to sustain production and shipping of 3 million tonnes per annum from Talling Peak is unproven

Talling Peak is Mount Gibson's only operating mine. Mount Gibson has undertaken significant development work to increase its annualised rate of production at this operation to 3 million tonnes per annum. This rate of production was finally achieved in the months of July and August 2006. However, Mount Gibson's ability to sustain this production rate has not yet been proven.

Aztec Shareholders should be aware that **Mount Gibson has a poor record of achieving its production targets at Talling Peak**. For the year ended 30 June 2006, Talling Peak only produced 1.6 million tonnes, significantly below Mount Gibson's forecast of 2.5 million tonnes⁸.

Talling Peak 2006 Production - Forecast vs Actual⁸



While Mount Gibson has announced increased ore production for the months of July and August, it has not provided any guidance with respect to the tonnes or grade of ore shipped over this period.

Mount Gibson has yet to demonstrate that it is currently capable of transporting and shipping "in specification" ore to its customers at a rate of 3 Mtpa.

Stripping ratios at Talling Peak are forecast to remain high over the next 2 years

Mount Gibson's preliminary life of mine plan for Talling Peak⁹ announced in April 2006, indicates that significant amounts of waste will be mined (ie. a high stripping ratio) over the next 2 years. **This forecast stripping ratio is likely to result in continued high costs per tonne of ore mined and will adversely impact the economics of the Talling Peak operation over this period.**

⁸ Mount Gibson May 2005 Investor Presentation released on 5 May 2005. Financial Year 2006 actual production from the Bidder's Statement (ore crushed).

⁹ Mount Gibson March 2006 Quarterly Report



There are significant risks associated with the development of Mount Gibson's proposed Extension Hill Hematite Project

Mount Gibson's claim that the combination of Mount Gibson and Aztec will create a 10 million tonne per annum iron ore producer is subject to the successful development of the Extension Hill Hematite Project. However, Aztec Shareholders should be aware **that only a desk top study has been completed on this project**. As a result, significant uncertainty exists as to the future development, performance and profitability of this project, in particular:

- there is a risk that the Definitive Feasibility Study (which is currently underway for the Extension Hill Hematite Project) will not reflect the results of the desk top study and this may adversely affect the economics of the project. **This may then result in the project not receiving development approval from the Mount Gibson board;**
- there is a significant risk that the development of the Extension Hill Hematite Project (assuming development approval is received) will not be completed and ramped up to full production by January 2008¹⁰ as forecast by Mount Gibson. Aztec's Directors believe, based on the publicly available information, **that such a timetable has a high probability of not being achieved;**
- the proposed development of the Extension Hill Hematite Project is also **reliant on a number of infrastructure capacity upgrades** including the construction of an additional shiploader at the Port of Geraldton, construction of additional storage facilities at Geraldton and additional rail infrastructure. **In the current environment, Aztec Directors believe these upgrades face significant risk of delay in their timing and implementation.**
- the Extension Hill Hematite Project also requires a number of statutory approvals in order to allow development to commence. Mount Gibson has indicated that the outcome of the environmental approval process is expected by the end of 2006. There is **a risk that this process may be delayed or that approval may not be granted. If any of these approvals are not received, the project is likely to not proceed;** and
- there is **a risk that, should the project proceed, construction costs will exceed the budget** announced by Mount Gibson. You should be aware that development costs for the Extension Hill Hematite Project have already risen from an initial estimate of \$10-15 million (for a 1.5 million tonne per annum operation) to the current estimate of \$67 million (for the planned 3 million tonne per annum operation), an increase of almost 350%. Despite the proposed increase in scale of the project, the cost blow-out represents a substantial increase in the budget for the project's development. In the current environment, Aztec Directors believe that there is significant risk that these costs may increase further.

¹⁰ Mount Gibson's June 2006 Quarterly Report provides the estimate that full production ramp-up will be achieved by January 2008.

¹¹ Mount Gibson's 2005 Annual Report stated that total development costs will be in the order of \$10-15 million for the Extension Hill Hematite Project. The June 2006 Quarterly report listed the total capital cost at \$67 million.



The Sale of Mount Gibson's stake in Asia Iron Holdings remains subject to settlement risk

There is a risk that Mount Gibson's sale of its interest in Asia Iron Holdings may not settle as it is dependent upon environmental approval being received for the Extension Hill Magnetite Project by 30 November 2007. If this sale does not settle, Mount Gibson will not receive the sale proceeds of \$52.5 million which are currently being held in escrow (although it will retain its interest in Asia Iron Holdings).

Mount Gibson's management team have continued to underperform their own operational and financial projections

Aztec Shareholders should be aware that the Mount Gibson management team has underperformed on a number of assertions they have made in the past. For example:

Mount Gibson Management's Claim	Performance Against Claim	Delivered
Financial Year 2006 net profit after tax forecast of "\$48.9 million" (May 2005 Investor Presentation)	Financial Year 2006 net profit after tax result of \$23.5 million (Preliminary Final Report September 2006)	X
Extension Hill Hematite Project - "Total development costs will be in the order of \$10-15 million " ¹² (based on a 1.5 Mtpa operation) (2005 Annual Report released October 2005)	Extension Hill Hematite Project - Current capital expenditure forecast \$67 million (based on a 3 Mtpa operation) (June 2006 Quarterly Report)	X
Tallering Peak Production Forecast for year ended 30 June 2006 of 2.5 million tonnes (May 2005 Investor Presentation)	Tallering Peak production for year ended 30 June 2006 1.6 million tonnes (June 2006 Quarterly Report)	X
Extension Hill Magnetite bankable feasibility study forecast to be completed by August 2005 (January 2005 ASX Release)	Only a desk top feasibility study was completed in February 2006 (and was not completed to a "bankable" level) (December 2005 Quarterly Report & 22 February 2006 ASX Release)	X

As noted above, Mount Gibson's Management team has underperformed on its profit projections.

Mount Gibson indicated in May 2005 that its net profit after tax for the year ending 30 June 2006 would be \$48.9 million¹³. In December 2005, Mount Gibson revised this forecast down to \$37 million¹⁴. In its preliminary final report for the year ended 30 June 2006, Mount Gibson announced that its net profit after tax was \$23.5 million, a decrease of 52% when compared to its initial estimate.

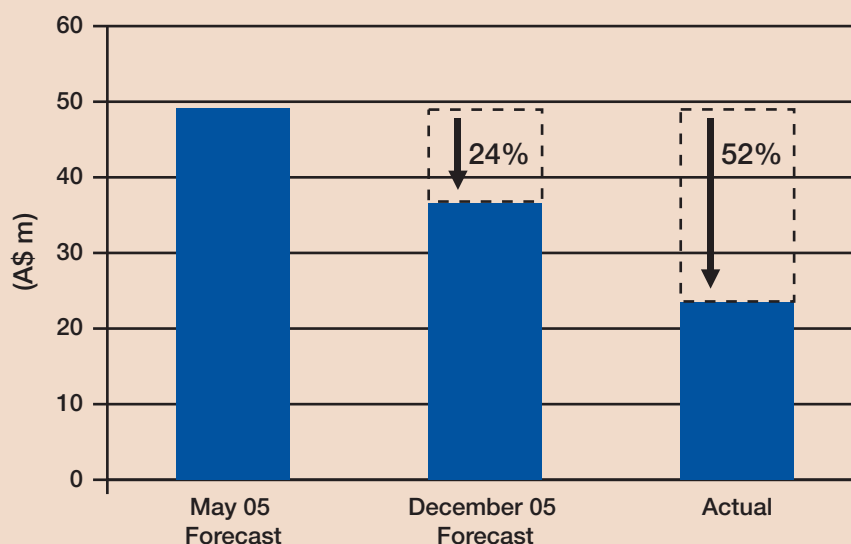
¹² Capital expenditure estimate of \$10-15 million was based on a 1.5 Mtpa operation, Mount Gibson's revised capital cost estimate of \$67 million is based on a 3 Mtpa operation.

¹³ Mount Gibson Investor Presentation May 2005.

¹⁴ Mount Gibson ASX release dated 22 December 2005.

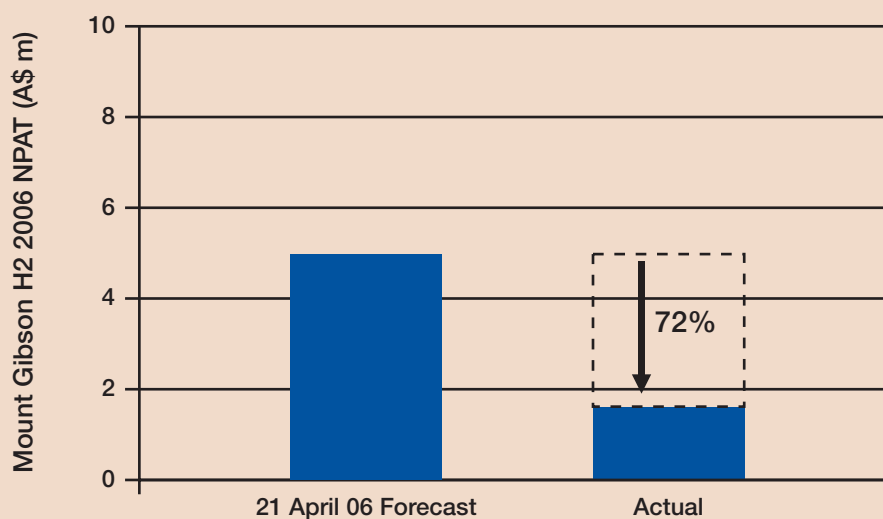


Mount Gibson NPAT for year ended 30 June 2006: Forecast vs. Actual



Mount Gibson also indicated on 21 April 2006 that its NPAT for the six months to 30 June 2006 would be \$5 million. Despite the fact that this forecast was made only two and a half months prior to 30 June 2006, Mount Gibson subsequently reported a NPAT for that six month period of \$1.4 million, missing its target by 72%.

Mount Gibson H2 2006 NPAT: Forecast vs. Actual¹⁵



¹⁵ Mount Gibson March 2006 Quarterly Report, H2 2006 refers to the half year ending 30 June 2006.



Mount Gibson's claims of financial strength are concerning

In its Bidder's Statement, Mount Gibson claims that it offers a "compelling strategic fit"¹⁶ with Aztec for a number of reasons including its "strong balance sheet and cash flow generating capability".

Aztec Shareholders should be aware that: ¹⁷

- Mount Gibson's cash position has declined significantly over the past six months with \$35.5 million being incurred in waste development work at Talling Peak in the 6 months ended 30 June 2006;
- Mount Gibson had a **cash balance of only \$4.5 million** as at 30 June 2006;
- For the 6 months ended 30 June 2006, Mount Gibson's cashflow from operating activities was **negative \$24.4 million**¹⁸ and net profit after tax was **\$1.4 million**; and
- Mount Gibson has provided no guidance in respect of its future cashflow or earnings profile.

Consideration under the Offer is Mount Gibson Shares. Mount Gibson's share price is influenced by numerous factors and is subject to change

Mount Gibson is offering you Mount Gibson Shares for your Aztec Shares. This means the implied value of the Offer will fluctuate with movements in the Mount Gibson Share price. Mount Gibson is not offering you a cash alternative for your Shares. Shareholders should be aware that Aztec's Share price will also change as trading occurs on the ASX.

You should also be aware that Mount Gibson does not trade on AIM.

Mount Gibson will not elaborate on its future strategy in respect of consolidation in the Western Australian iron ore sector

Mount Gibson makes reference in its Bidder's Statement to the Combined Group (assuming the Offer is successful) being "*in a leading position to participate in any further industry consolidation*". Despite repeated requests by Aztec Directors, Mount Gibson is unwilling to disclose to Aztec Shareholders its strategy with respect to such consolidation or how this will impact on Aztec Shareholders should the Offer be successful.

Aztec Shareholders should be aware that prior to the announcement of the Offer, discussions took place between Mount Gibson, Gindalbie Metals Limited (**Gindalbie**) and Aztec regarding a possible 3 way merger between these companies.

Mount Gibson has stated that it has no current intention to pursue the 3 way merger and that it does not have any present intention to pursue a merger with, or takeover of, Gindalbie or any other entity, other than its current takeover bid for Aztec.

If Mount Gibson did not follow its stated current intentions and did indeed merge with Gindalbie (or any other entity), then the risks and benefits of such an arrangement (which may not require the approval of Mount Gibson shareholders) may well be very different from those of Mount Gibson's current proposal to take over Aztec.

Aztec Shareholders should be aware that in such circumstances, an investment in Mount Gibson could look very different from that presented in the Bidder's Statement. The Bidder's Statement does not provide Aztec Shareholders with the information that would be required to enable them to assess such risks and benefits. Aztec Shareholders should carefully consider this risk whilst they assess the Offer.

¹⁶ Bidder's Statement Reason #5.

¹⁷ Mount Gibson 30 June 2006 Preliminary Final Report release dated September 2006.

¹⁸ Based on the difference between net cash flows from operating activities for the financial year ended 30 June 2006 of - \$8.4 million (disclosed in the Mount Gibson 30 June 2006 Financial Report) and half year cash flows from operating activities of \$15.5 million (disclosed in the Mount Gibson 31 December 2005 half-year financial report).



2.5 Aztec is Exploring Alternative Options to Maximise Shareholder Value

Your Directors are exploring alternatives to maximise value for Aztec Shareholders:

- Since the Mount Gibson Offer was announced, Aztec has received approaches from a number of third parties.
- Aztec is engaged in discussions with these third parties, which may or may not result in some other opportunity being presented to Aztec either during the course of the Mount Gibson Offer or at some later stage.
- While your Directors are taking all steps to explore these opportunities, there is no guarantee that any other opportunity will emerge. Even if none of these alternative opportunities becomes a firm proposal, the Directors still recommend that you **REJECT** the Mount Gibson Offer for the other reasons described in Section 2 of this Target's Statement.
- Your Directors will update Aztec Shareholders about these options when they are in a position to do so.

You should be aware that acceptance of the Mount Gibson Offer may prevent you from participating in the benefit of any such alternative opportunities.



2.6 The Mount Gibson Offer is Conditional and Uncertain

The 90% Minimum Acceptance Condition

The Mount Gibson Offer is conditional on it acquiring at least 90% of Aztec Shares. There is no certainty that Mount Gibson will gain this level of acceptances.

More information about the impact of the 90% Minimum Acceptance Condition is set out in Sections 8.11(b) and 9 of this Target's Statement.

Tax uncertainty

Mount Gibson must acquire at least 80% of Aztec Shares under the Offer for capital gains tax scrip for scrip rollover relief to be available for eligible Aztec Shareholders. If Mount Gibson waives the 90% Minimum Acceptance Condition and the 80% threshold is not met, Aztec Shareholders who make an Australian capital gain from their disposal of Aztec Shares will be unable to elect for a rollover of that capital gain. You should seek your own personal, independent financial and taxation advice before making a decision as to whether to reject or accept the Mount Gibson Offer for your Aztec Shares. See Section 10.3 of this Target's Statement for further information.

Accepting the Mount Gibson Offer may limit your options

As the Mount Gibson Offer is conditional, if you accept the Offer, you could potentially be placed in a situation where you will not be able to sell your Aztec Shares on-market or will not be able to accept any alternative proposal¹⁹. There can be no certainty that Mount Gibson's conditions will be satisfied or waived.

¹⁹ Applies once FIRB approval has been received by Mount Gibson. Statutory withdrawal rights may apply if the Offer is accepted. See Section 8.5 of this Target's Statement.



3. AZTEC'S RESPONSE TO CLAIMS IN THE BIDDER'S STATEMENT

In its Bidder's Statement, Mount Gibson makes a number of claims in support of the Mount Gibson Offer. Your Directors believe that Mount Gibson's claims do not justify acceptance of the current Mount Gibson Offer.

Mount Gibson Claim	Aztec's Response
<i>"The combination of Mount Gibson and Aztec will create Australia's leading independent pure play iron ore producer, with the Merged Group expected to produce approximately 10 Mtpa of direct shipping hematite ore by 2009"</i>	<p>This assertion by Mount Gibson assumes the successful development of Mount Gibson's Extension Hill Hematite Project.</p> <p>Aztec Shareholders should be aware that only a desktop study has been completed on this project. As a result, significant uncertainty exists as to the future development, performance and profitability of the project.</p> <p>There is no guarantee that the Extension Hill Hematite Project will be developed in accordance with the desktop study or even developed at all</p>
<i>"Mount Gibson and Aztec share the same strategic vision and the combination of the two companies is consistent with, and on completion of the merger will immediately deliver, the strategies of both companies"</i>	<p>Aztec has articulated that it has a desire to grow its business to mid-tier producer status and has been seeking growth through acquisitions to achieve production of 10 Mtpa. Aztec has also stated that it supports industry consolidation.</p> <p>However, any transaction needs to be completed on terms that do not disadvantage Aztec Shareholders. Aztec's Directors believe that the Mount Gibson Offer does not adequately compensate Aztec Shareholders for the contribution that the Koolan Island Project makes to Mount Gibson. This means that Aztec Shareholders are not being offered the appropriate holding they deserve in the Combined Group.</p> <p>The Mount Gibson Offer is inadequate</p>



Mount Gibson Claim	Aztec's Response
<i>"Why Mount Gibson offers a compelling fit...strong management team with proven credentials for developing complex mining operations"</i>	<p>Aztec already provides to its Shareholders a highly credentialed management team which has the depth of experience to successfully develop the Koolan Island Project. This management team has already achieved many of the milestones required for a successful development of the Koolan Island Project (refer Section 2.1 of this Target's Statement).</p> <p>Contrary to the performance of the Aztec management team, the Mount Gibson management team has continued to underperform their own operation and financial projections (refer Section 2.4 of this Target's Statement).</p> <p>Aztec already has an experienced management team capable of successfully developing the Koolan Island Project for the benefit of all Aztec Shareholders</p>
<i>"The offer has been endorsed by the largest shareholders in both Aztec and Mount Gibson"</i>	<p>Aztec's Directors believe that the Mount Gibson Offer is not in the best interests of Aztec Shareholders for the reasons explained in Section 2 of this Target's Statement.</p> <p>Cambrian Mining made its intention clear prior to the Offer being made that it was not going to maintain its position in Aztec and was either going to sell out of Aztec or attempt to move to control of the company.²⁰</p> <p>The position of Mount Gibson's largest shareholder is irrelevant to Aztec Shareholders. Mount Gibson's largest shareholder will be capturing value at the expense of Aztec Shareholders under the current Mount Gibson Offer.</p> <p>The Directors believe that the Offer is not in the best interests of Aztec Shareholders</p>

²⁰ From Sydney Morning Herald article dated 27 June 2006 and discussions with Aztec Directors.



4. ANSWERS TO FREQUENTLY ASKED QUESTIONS

Question	Answer
What is the Bidder's Statement?	The Bidder's Statement is a document containing the detailed terms of the Mount Gibson Offer. Mount Gibson lodged its Bidder's Statement with ASIC on 11 August 2006.
What is this Target's Statement?	This Target's Statement has been prepared by Aztec and provides Aztec's response to the Mount Gibson Offer, including the recommendations of your Directors.
What is being offered for my Aztec Shares?	Mount Gibson is offering 1 new Mount Gibson Share for every 3 Aztec Shares you hold.
What is the value of the Mount Gibson Offer?	Based on the closing sale price of Mount Gibson Shares on ASX on the dispatch date of Mount Gibson's Bidder's Statement (29 August 2006) of \$0.715, the implied Offer value is \$0.238. This represents a mere 10.9% premium to the closing price of Aztec Shares on 21 July 2006 (the last trading day prior to the formal announcement of the Takeover Bid). The Directors believe this Offer is inadequate for the reasons outlined in Section 2 of this Target's Statement.
What are the Directors of Aztec recommending?	The Directors unanimously recommend that you REJECT the Mount Gibson Offer. If there is a change to this recommendation or any material development in relation to the Mount Gibson Offer, Aztec will inform you.
What choices do I have as an Aztec Shareholder?	As an Aztec Shareholder, you have the following choices: <ul style="list-style-type: none"> • you may REJECT the Mount Gibson Offer, in which case you do not need to take any action; • you may sell some or all of your Aztec Shares on market at any time, which may be at a higher or lower price than the implied value of your Aztec Shares under the Offer. If you decide to do this, you should not accept the Offer and should instruct your broker when you wish to sell; or • you may accept the Offer, in which case you should follow the instructions on the acceptance form which was sent to you with the Bidder's Statement. Your Directors recommend that you REJECT the Mount Gibson Offer.
How do I reject the Mount Gibson Offer?	To REJECT the Mount Gibson Offer, you should do nothing. Disregard all documents sent to you by Mount Gibson.



Question	Answer
Why are the Directors recommending that I reject the Mount Gibson Offer?	<p>Your Directors are recommending that you REJECT the Mount Gibson Offer because:</p> <ul style="list-style-type: none"> • The loyalty of Aztec Shareholders is set to be rewarded as Aztec's Koolan Island Project commences production of iron ore; • The Offer is inadequate - it does not reflect the strategic importance of Aztec's Koolan Island Project to Mount Gibson; • The Offer is opportunistically timed to take advantage of Aztec in the period prior to commencement of production at the Koolan Island Project • Accepting the Mount Gibson Offer would expose you to additional risks through acceptance of Mount Gibson's shares; • Aztec is exploring alternative options to maximise shareholder value; and • The Offer is conditional and therefore its outcome is uncertain.
Are the Directors only acting in the interests of big shareholders?	<p>Prior to the Offer, Aztec's largest shareholder, Cambrian Mining plc, entered into an option agreement with Mount Gibson under which Cambrian agreed to sell to Mount Gibson approximately 159 million shares in Aztec. This is inconsistent with the recommendation of the Aztec Directors to REJECT the Mount Gibson Offer.</p> <p>The Aztec Directors have a duty to act in the best interests of all Aztec Shareholders.</p> <p>The Directors unanimously recommend that Aztec Shareholders REJECT the Mount Gibson Offer.</p>
What should I do?	<p>To follow your Directors' unanimous recommendation to REJECT the Mount Gibson Offer, you should do nothing. Do not respond to any documents sent to you by Mount Gibson.</p>



Question	Answer
What are the consequences of accepting the Offer now?	<p>If you accept the Mount Gibson Offer now, unless any withdrawal rights apply at the relevant time (see below) and you withdraw your acceptance of the Mount Gibson Offer, you will not be able to sell your Aztec Shares on ASX or AIM or to accept any other proposal made in respect of Aztec, or deal with your Aztec Shares in any other manner while the Mount Gibson Offer remains open. If the Defeating Conditions of the Mount Gibson Offer are not satisfied or waived and the Mount Gibson Offer lapses, you will then be free to deal with your Aztec Shares even if you accepted the Mount Gibson Offer.</p> <p>If you accept the Mount Gibson Offer and Mount Gibson subsequently raises its Offer Price, you will receive the higher price.</p>
How do I accept the Offer?	<p>Your Directors have unanimously recommended that you REJECT the Mount Gibson Offer.</p> <p>If you choose to accept the Mount Gibson Offer, you should follow the instructions contained in Mount Gibson's Bidder's Statement.</p> <p>If you are considering accepting the Mount Gibson Offer, you should also consider selling your Aztec Shares on market as an alternative to accepting the Mount Gibson Offer.</p>
When do I have to make a decision?	<p>If you wish to follow the Directors' unanimous recommendation and REJECT the Mount Gibson Offer, you do not need to do anything. Simply disregard all documents sent to you by Mount Gibson.</p> <p>If you wish to accept the Mount Gibson Offer, you need to do so before its closing date. The Mount Gibson Offer is currently scheduled to close at 5.00pm (Perth time) on 29 September 2006. Mount Gibson may extend the Offer Period in accordance with the Corporations Act. There are also certain circumstances where the Offer Period may be extended automatically. Section 8.3 of this Target's Statement provides details of the circumstances in which the Offer Period can be extended.</p>
When does the Mount Gibson Offer close?	<p>The Offer is currently scheduled to close at 5.00pm (Perth time) on 29 September 2006. There are certain circumstances in which the Offer Period may be extended. Section 8.3 of this Target's Statement provides the details of the circumstances in which the Offer Period can be extended.</p>



Question	Answer
What are the conditions to the Gibson Offer?	<p>The Mount Gibson Offer is subject to a number of Defeating Conditions. These include:</p> <ul style="list-style-type: none">• Mount Gibson having a relevant interest in at least 90% of Aztec Shares (on a fully diluted basis) at the end of the Offer Period;• Between the Announcement Date and the end of the Offer Period, the S&P/ASX 200 Index not closing below 4,500 for 5 or more consecutive trading days;• Between the Announcement Date and the end of the Offer Period, no material adverse change occurring or being announced in Aztec's business, financial or trading position, assets or liabilities, profitability or prospects;• Between the Announcement Date and the end of the Offer Period there being no material acquisitions or disposals of any material assets or business;• Between the Announcement Date and the end of the Offer Period, there being no person entitled to exercise any right under an agreement or other instrument which results in or could result in, to a material extent, any money borrowed becoming repayable earlier than the repayment date, that agreement or instrument being modified or terminated, the interest of Aztec or its subsidiaries in any firm, joint venture or trust being terminated or modified, the assets of Aztec or its subsidiaries being sold or offered for sale, or the business of Aztec or its subsidiaries being adversely affected;• Mount Gibson receiving all regulatory consents and approvals required in relation to its Offer before the end of the Offer Period;• FIRB confirming that it approves or has no objection to the Takeover Bid;• Between the Announcement Date and the end of the Offer Period, no regulatory action adversely affecting the Offer being issued, commenced or threatened in connection with the Offer (other than an application to, or decision of, ASIC or the Takeovers Panel); and• No prescribed occurrences occurring between the Announcement Date and 3 Business Days after the end of the Offer Period (inclusive).• This is only a summary of some of the Defeating Conditions of the Mount Gibson Offer. See Section 12.8 of the Bidder's Statement for a full list of the conditions of the Offer. Sections 2.6 and 8.11(b) of this Target's Statement provide Aztec's comments on some of these conditions.



Question	Answer
Does the satisfaction of the 90% Minimum Acceptance Condition mean that I will definitely get paid if I accept?	<p>No. All the Defeating Conditions of the Mount Gibson Offer must be satisfied or waived for the Mount Gibson Offer to become unconditional and before you receive any Mount Gibson Shares.</p> <p>Even if the 90% Minimum Acceptance Condition is satisfied or waived, other Defeating Conditions may still be unsatisfied or breached. Satisfaction or waiver of these other Defeating Conditions may take some time or may not occur at all.</p>
What happens if the conditions of the Mount Gibson Offer are not satisfied or waived?	<p>If the Defeating Conditions are not all satisfied or waived before the Mount Gibson Offer closes, the Mount Gibson Offer will lapse. In those circumstances, you will not receive Mount Gibson Shares and you will retain ownership of your Aztec Shares (even if you had accepted the Mount Gibson Offer). You would then be free to deal with your Aztec Shares.</p>
Will I be forced to sell my Aztec Shares?	<p>You cannot be forced to sell your Aztec Shares unless Mount Gibson obtains acceptances from Aztec Shareholders giving it more than 90% of the voting power in Aztec and at least 75% (by number) of the Aztec Shares that it offered to acquire under the Mount Gibson Offer. If this occurs, Mount Gibson will be entitled to compulsorily acquire your Aztec Shares for the same consideration you would have received under the Mount Gibson Offer, provided some other legal requirements are complied with. See Section 8.10 of this Target's Statement for more details.</p>
When will I be paid if I accept the Mount Gibson Offer?	<p>If you accept the Mount Gibson Offer, Mount Gibson has stated in the Bidder's Statement that you may have to wait to receive Mount Gibson Shares from Mount Gibson until the earlier of:</p> <ul style="list-style-type: none">• one month after you accept the Mount Gibson Offer or, after all of the Defeating Condition have been satisfied or waived (whichever is later); and• 21 days after the end of the Offer Period.



Question	Answer
If I accept the Mount Gibson Offer now, can I withdraw my acceptance at a later date?	<p>Once you have accepted the Mount Gibson Offer, Mount Gibson has stated in Section 12.9 of the Bidder's Statement that you may revoke your acceptance before Mount Gibson has received FIRB approval and all required regulatory approvals. Once these conditions have been satisfied, you may only withdraw your acceptance if Mount Gibson varies the Mount Gibson Offer in a way that postpones, for more than one month, the time when Mount Gibson must meet its obligations under the Mount Gibson Offer.</p> <p>See Section 8.5 of this Target's Statement for more details.</p>
What happens if the Offer Price is increased?	<p>If Mount Gibson increases its Offer, your Directors will consider the increased Mount Gibson Offer and advise you of their position accordingly.</p>
What happens if I accept the Mount Gibson Offer and the Mount Gibson Offer is increased? Will I receive the higher offer?	<p>If Mount Gibson increases its Offer, you will be entitled to the increase should you accept the Mount Gibson Offer and the Mount Gibson Offer becomes unconditional.</p> <p>You should be aware that if you accept the Mount Gibson Offer and a higher takeover bid is made by another party, then you may not receive the benefit of this higher takeover bid, unless you have the right to withdraw your acceptance (see above).</p>
What do the Directors of Aztec intend to do with their shares?	<p>Each Director of Aztec intends to REJECT the Mount Gibson Offer in relation to those Aztec Shares held by them or which they control.</p>
Is the Mount Gibson Offer subject to automatic extension?	<p>There will be an automatic extension of the Offer Period if within the last 7 days of the Offer Period, Mount Gibson increases the consideration under the Offer or Mount Gibson's voting power in Aztec increases to more than 50%. See Section 8.3 of this Target's Statement for more details.</p>
What are the tax consequences of the Mount Gibson Offer?	<p>The tax consequences of accepting the Mount Gibson Offer will depend on the circumstances of individual Shareholders. You should consult a tax adviser if you need further information regarding your tax position.</p>
I am a Foreign Shareholder, how does the Mount Gibson Offer affect me?	<p>You will not be entitled to receive Mount Gibson Shares. Mount Gibson will arrange for the Mount Gibson Shares to which you would have been entitled to be issued to a nominee, who will sell the Mount Gibson shares on ASX. See Section 12.7 of the Bidder's Statement for more information.</p>



Question	Answer
Who should I call if I have any questions?	<p>Please call the Aztec Shareholder Information Line between 9.00am and 5.00pm (Perth time) on 1800 602 244 (toll free within Australia) or +61 8 6218 4220 (for international callers and some Australian mobile phone users).</p> <p>All calls to these numbers will be recorded to satisfy legal requirements.</p> <p>In addition, important information about the Offer will be posted to Aztec's website www.aztecresources.com.au</p>



PART B

5

PROFILE OF AZTEC

6

AZTEC DIRECTORS
& THEIR RECOMMENDATIONS

7

DIRECTORS' INTERESTS



From Construction to Production: Almost 50% of the jetty piling is complete on Koolan Island.



5. PROFILE OF AZTEC

5.1 Overview of Aztec

Aztec is an Australian company listed on the Australian Stock Exchange and London's Alternative Investment Market. The Company is currently in the process of developing and constructing its Koolan Island Project, which is located 130 kilometres north-west of Derby off the West Australian Kimberley coast. Aztec has established a JORC compliant resource of 53.3 million tonnes of high quality hematite iron ore and production at the Project is scheduled for late December 2006 with first shipments forecast for early 2007.

The Koolan Island Project was previously operated by BHP Billiton between 1965 and 1993. During this period, BHP Billiton produced over 68 million tonnes of high grade iron ore from Koolan Island. After the completion of a Bankable Feasibility Study in August 2005, Aztec commenced the redevelopment of the Koolan Island Project to achieve a nominal 4 Mtpa operation with a nine year mine life. Ramp up to this production rate is expected to take approximately 2 years.

The ore from Koolan Island is of a premium quality, being high grade direct shipping hematite (~65% iron average) with very low sulphur and phosphorus contaminant levels. It is estimated that approximately 70% of the ore will be fines, with the higher value lump ore contributing approximately 30% of the product.

Koolan Island has areas which have been left relatively unexplored by BHP Billiton and Aztec believes that additional iron ore will be found on the island which may result in an increased mine life. A detailed exploration campaign is underway at Koolan Island with the main objective of targeting new iron ore resources in addition to extending and further defining iron ore mineralisation adjacent to several of the planned pits.

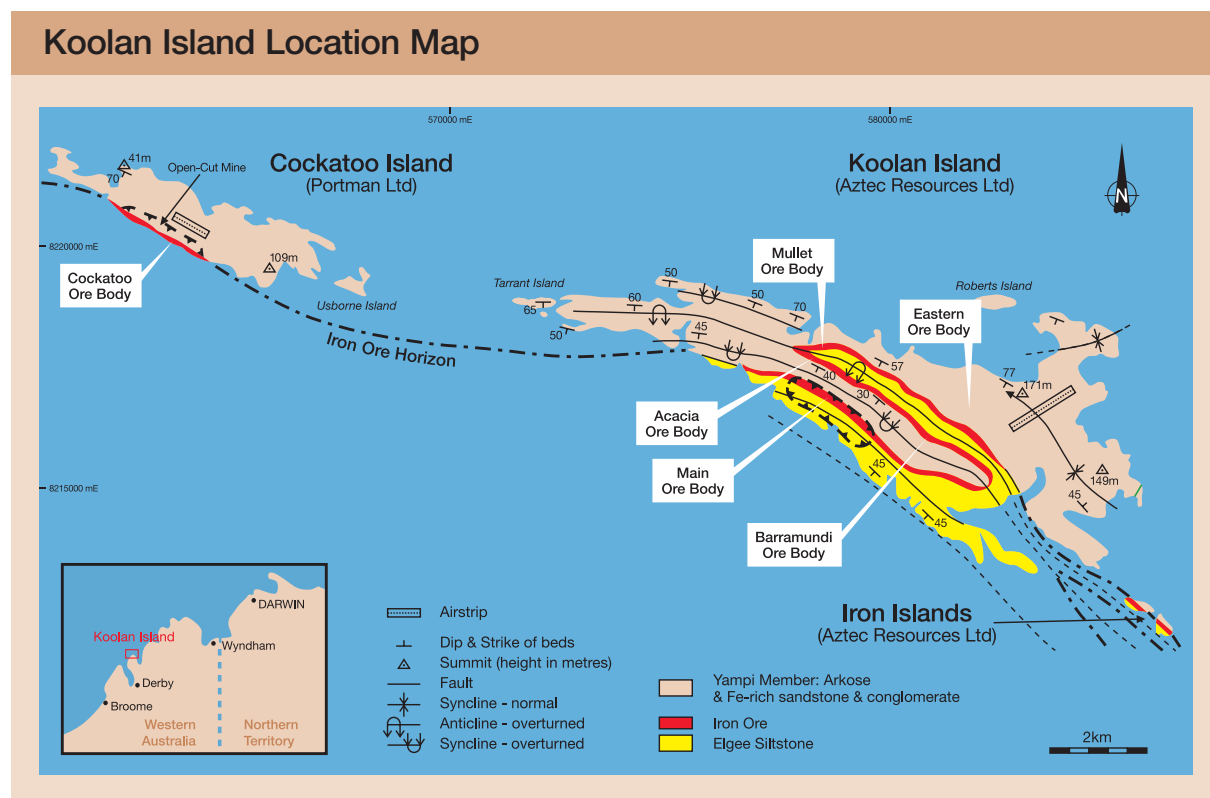


5.2 The Koolan Island Project

Location

The Koolan Island Project is located 130 kilometres north west of Derby in Western Australia and is 10 kilometres east of Portman Limited's 50% owned Cockatoo Island iron ore operation (currently in production).

Koolan Island Location Map



Background

The Koolan Island Project was previously operated by BHP Billiton between 1965 and 1993. During this period, BHP Billiton produced over 68 million tonnes of high grade iron ore.

Since acquiring the exploration leases covering Koolan Island in 2000, Aztec has completed a drilling programme to define new and existing resources which culminated in the completion of the Bankable Feasibility Study in August 2005.

The Koolan Island Project is based on three main deposits: Main Pit, Eastern-Barramundi and Mullet-Acacia. Mining will initially commence at the Eastern-Barramundi and Mullet-Acacia pits while construction of a sea wall, dewatering and stripping of the waste rock occurs at the Main Pit deposit.



Project Milestones and Estimated Project Timetable

Aztec has made significant progress in redeveloping the Koolan Island Project. The table below sets out key Project milestones that have been completed to date, along with a number of future milestones and future completion dates.

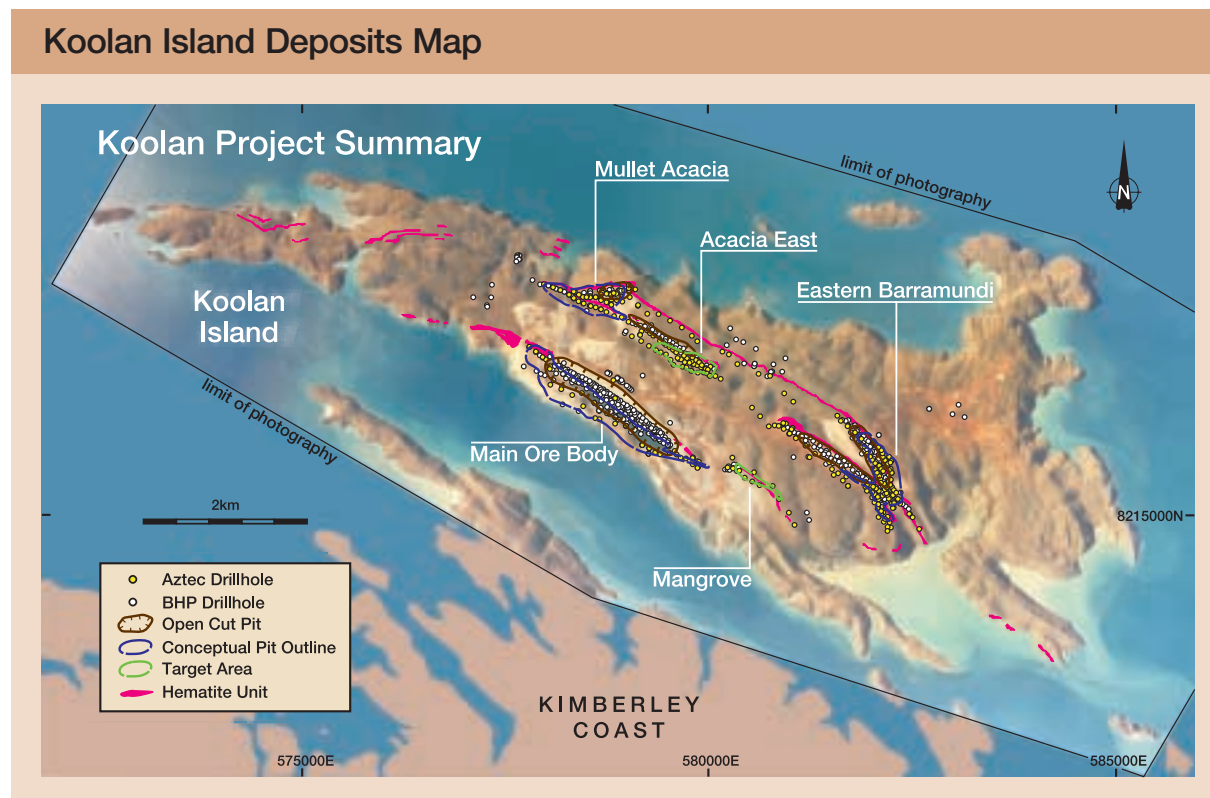
Date / Year	Milestone
2003	Aztec granted exploration licence over Koolan Island
2004 - 2005	Initial exploration campaign
August 2005	Completion of Bankable Feasibility Study
February 2006	Received WA Environmental Minister approval
April 2006	Mining Leases granted and Native Title agreements signed
June 2006	Site Construction commenced and initial regulatory approvals obtained
July 2006	Exploration programme recommenced
December Quarter 2006	Mining of Eastern/Mullet pits expected to commence
December 2006	Seawall construction for Main Pit forecast to commence
Early 2007	First ore shipments forecast
2007/2008	Dewatering of Main Pit lake and rehabilitation of footwall expected
2008/2009	Full production expected - shipments of 4 million tonnes per annum



Resource Background

Aztec has previously completed an extensive drilling programme on the known deposits at Koolan Island with over 264 holes drilled. This, together with drilling previously completed by BHP Billiton, enabled GRD Minproc Ltd to estimate the mineral resources and ore reserves available on Koolan Island.

Koolan Island Deposits Map





Reserves and Resources

Aztec's resources and reserves are summarised below and are calculated in accordance with JORC standards.

Koolan Island Mineral Resource Estimate 14 October 2005 (55% Fe Cut-off)					
Deposit	Resources Category	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)
Main	Indicated	24.7	67.2	2.5	0.7
	Inferred	10.9	65.2	4.9	0.7
	Sub-total	35.6	66.6	3.3	0.7
Eastern Barramundi	Indicated	6.5	60.9	7.4	3.0
	Inferred	1.3	60.8	8.5	2.5
	Sub-total	7.9	60.9	7.6	2.9
Mullet - Acacia	Measured	1.5	63.7	6.6	1.2
	Indicated	4.0	60.4	11.5	1.0
	Inferred	0.7	60.6	11.5	0.9
	Sub-total	6.2	61.2	10.3	1.0
Acacia East	Indicated	1.9	58.2	16.1	0.6
	Inferred	1.8	58.8	14.8	0.7
	Sub-total	3.7	58.5	15.5	0.6
Total	Measured	1.5	63.7	6.6	1.2
	Indicated	37.1	64.9	5.0	1.1
	Inferred	14.7	63.8	6.8	0.9
	Total	53.3	64.6	5.6	1.1

The mineral resource estimates are based on geologically controlled interpretations of iron ore mineralised zones, defined by Aztec geologists, based on intersections from historical and recent diamond core and RC drill holes.

Major element grades have been estimated using Ordinary Kriging, into 3D cell models constrained by wireframes of the interpretations. Minor elements have been estimated (subject to available drill hole assay data) either by inverse distance squared weighting or through the application of deposit-specific statistically derived default values. No high or low grade outlier cuts have been applied and resource tonnages and grades are reported on a dry basis using a 55.0% iron cut-off.



Koolan Island Ore Reserve Estimate - August 2006 (55% Fe Cut-off)							
Deposit	Resources Category	Tonnes (Mt)	Fe (%)	SiO ₂ (%)	Al ₂ O ₃ (%)	P (%)	S (%)
Main	Proved	-	-	-	-	-	-
	Probable	15.4	67.4	2.3	0.6	0.020	0.003
	Sub-total	15.4	67.4	2.3	0.6	0.020	0.003
Eastern-Barramundi	Proved	-	-	-	-	-	-
	Probable	4.5	61.0	7.0	3.1	0.030	0.010
	Sub-total	4.5	61.0	7.0	3.1	0.030	0.010
Mullet-Acacia	Proved	1.5	63.7	6.6	1.2	0.021	0.003
	Probable	3.5	60.3	11.7	1.0	0.019	0.003
	Sub-total	5.0	61.3	10.2	1.1	0.020	0.003
Total	Proved	1.5	63.7	6.6	1.2	0.021	0.003
	Probable	23.4	65.1	4.6	1.2	0.022	0.004
	Total	24.8	65.0	4.7	1.2	0.022	0.004

The Ore Reserve estimation, consistent with JORC guidelines, was updated for Main deposit in August 2006 using the October 2005 Mineral Resource.

The October 2005 Mineral Resource model for Main deposit was converted to a mining model and reported inside the existing pit design from the Bankable Feasibility Study. The review indicated an increase of 2.6 million tonnes of Probable Reserve primarily at depth within the eastern end of the Main deposit. This corresponds to the down-dip drill hole results that were not available at the time of the previous Ore Reserve estimation.

Subject to pit optimisation and Ore Reserve estimation, the Acacia-East resources have the potential to provide further tonnage for blending with Main deposit ore. In addition, a Mineral Resource estimation is under way for the Mangrove deposit following recent encouraging drill hole assays.

The proposed mine plan and sales inventory in the Bankable Feasibility Study contains approximately 29.1 million tonnes of hematite, this includes a portion of inferred resources which are contained within the pit designs, particularly at Main Pit.

Operations

Ore is initially planned to be mined from the lower grade Eastern-Barramundi and Mullet-Acacia satellite pits while construction of the sea wall, dewatering and stripping occurs in the Main Pit ore body. Aztec anticipates that the Main Pit ore body will be available to mine by the end of 2008.

BGC Contracting has been appointed as the mining contractor. Mining operations will be carried out using conventional open pit mining methods, including the use of 200 tonne - 300 tonne class hydraulic backhoes as the primary digging tool and 100 tonne - 200 tonne capacity haul trucks.

Ore processing will be a two stage process entailing the use of crushing and screening plants to deliver a nominal product mix of 70% fines and 30% lump iron ore. Ore will be delivered from stockpiles by conveyor to a ship loader, which will deliver iron ore direct into Panamax size vessels (75,000 tonnes) for delivery to neighbouring Asian markets. SJ Crushing has been appointed as the crushing, screening and stockpiling contractor and will also operate and maintain the ship loader.



Seawall to Main Pit

Prior to mining ore at Main Pit, a seawall will be constructed across the mouth of Arbitration Cove to prevent seawater from entering the Main Pit. Once the sea wall is constructed, Aztec will need to dewater the Main Pit in order to access the ore body. It is planned to mine the Main Pit to a depth of 165 metres below sea level.

Project Infrastructure

The electrical power required for the mining operation will be supplied by a dedicated diesel power generating system to be supplied by a third party supplier. Water requirements for mining operations are to be provided through existing and proposed new underground bores on Koolan Island.

Construction is progressing well on the earthworks, access roads, accommodation village, along with the jetty and maintenance platform which will allow Panamax size vessels to be loaded from a shiploader that is currently being pre-fabricated off-site. As at the date of this Target's Statement, almost half of the piles for the jetty and shiploader had been driven.

5.3 Sales and Marketing of Aztec's Iron Ore

Aztec plans to export Koolan Island iron ore as discrete lump and fines products. Historically, Koolan Island's iron ore was regarded as being high grade by its customers. Over the period that BHP Billiton operated Koolan Island, the ore was highly sought after for blending with lower grade ores.

Aztec's premium quality ore has attracted significant interest from a number of leading Asian customers. Aztec has negotiated non-binding MOUs with Marubeni Australia, Sumitomo Corporation, Mitsubishi Corporation, Citic Australia Pty Ltd, Minmetals Corporation and Sinom (Hong Kong) Limited.

On 17 August 2006, Aztec signed a long term sales contract with CITIC Australia Commodity Trading Pty Ltd, part of the CITIC Group, one of China's largest state-owned enterprises and headquartered in Beijing. The contract is for a nominal annual sale of 1.5 million tonnes at full production rate of 4 million tonnes per annum for up to 15 years or the life of the mine, whichever is less. At production rates of less than 4 million tonnes per annum sales are pro-rated.

In early September 2006, Aztec signed a sales contract with Marubeni Corporation. The contract is for a nominal annual sale of 1 million tonnes at full production rate of 4 million tonnes per annum for up to 15 years or the life of the mine, whichever is less. At production rates of less than 4 million tonnes per annum sales are pro-rated.

Aztec expects to execute further sales contracts as required.

5.4 Project Development Costs

The Koolan Island Project enjoys an advantage over many other iron ore development projects in that the mine and process plant are located in close proximity to Aztec's dedicated port, which means that costly rail and/or road infrastructure is not required.

Total development costs for the Koolan Island Project are currently forecast at \$133 million. These development costs comprise those costs required prior to the first shipment of iron ore and are inclusive of initial mine development costs.

This most recent forecast is slightly higher than the previous estimate of \$125 million and reflects the increased costs for key inputs such as raw materials and labour as well as certain contract variations. These cost increases are in line with other cost increases currently being experienced by mine operators and developers in the Western Australian mining sector. Aztec's debt facilities that are currently being negotiated with a banking syndicate will cover additional costs.



5.5 Exploration Potential

Aztec recently recommenced exploration activities on Koolan Island with the objective of identifying new iron ore resources in addition to extending the island's known resources. Aztec's Directors believe that additional iron ore will be found on Koolan Island which has the potential to extend the life of the Koolan Island Project.

At the date of this Target's Statement, initial results have just been received from the drilling programme at the Mangrove Prospect on Koolan Island. These results were encouraging with hematite iron ore mineralisation intersected over a 850 metre strike length. Given these encouraging results, a mineral resource estimate is underway for the Mangrove Prospect.

5.6 Project Funding on Track

In January 2006, Aztec completed a one-for-two rights issue to raise \$42.3 million to enable development of the Koolan Island Project to commence. Shareholders were issued with one attaching option during the issue with an expiration date of 31 July 2006.

In early August, Aztec announced that 99.4% of listed option holders had exercised their options to raise a total amount of \$42.3 million.

Negotiations with a banking syndicate are well advanced to provide the balance of the funding required to complete infrastructure construction and mine development at the Koolan Island Project. An agreement with the banking syndicate was signed in August 2006 and Aztec is currently working with this syndicate to secure the necessary credit approvals to allow drawdown of the finance facilities.

Aztec is also well advanced in negotiating the commercial and legal terms on a \$65 million mobile mining fleet finance facility. Aztec expects to finalise these negotiations over the coming weeks. This tranche is part of a \$70 million overall mobile mining fleet requirement for the Koolan Island Project. Additional finance lines have been arranged for the remaining mobile mining fleet requirement of \$5 million.

5.7 Key Risks

Before deciding whether to reject or accept the Mount Gibson Offer, you should read this entire Target's Statement carefully.

Your Directors have recommended that you **REJECT** the Mount Gibson Offer. If you do not accept the Mount Gibson Offer and the Mount Gibson Offer is unsuccessful, you will continue to hold Aztec Shares and remain an Aztec Shareholder.

You should be aware of the following key risks that may affect the performance of Aztec and the value of Aztec Shares. These risks include general risks associated with any form of business or specific risks associated with Aztec's business and its involvement in the exploration and mining industry.

General and Industry Risks

A. Economic Conditions

Adverse changes in economic conditions such as interest rates, exchange rates, inflation, Government Policy, international economic conditions, employment rates amongst others are outside Aztec's control and have the potential to have an adverse impact on Aztec and its operations.



B. Stock Market Fluctuations

Investors should be aware that there are risks associated with any investment in a company listed on ASX. The value of Shares may rise above or below the current share price depending on the financial and operating performance of Aztec and external factors over which the Company and the Directors have no control. These external factors include:

- economic conditions in Australia and overseas which may have a negative impact on equity capital markets;
- changing investor sentiment in the local and international stock markets specifically relating to the mining sector or iron ore sector stocks;
- changes in domestic or international fiscal, monetary, regulatory and other government policies; and
- developments and general conditions in the iron ore markets in which Aztec proposes to operate and which may impact on the future value and pricing of shares in iron ore companies.

C. Commodity Price Movements

Iron ore prices have varied significantly over recent years and are currently at, or near, historical highs. This is, to a large extent, attributed to strong demand from countries such as China, Japan and South Korea. Competitor behaviour or the behaviour of new entrants attracted by current price increases may also influence iron ore price negotiation outcomes. Accordingly, it is difficult to predict accurately the future price movements and such movements may adversely impact on Aztec's future development and planned future production adversely impacting on the price of Aztec Shares.

D. Regulatory Risks

While Aztec's proposed iron ore production at Koolan Island and general business activities are highly regulated, it is possible that new specific laws will be introduced in Australia and/or overseas which may have a material adverse effect on Aztec's current and future business. For example, laws may be established to address concerns relating to the use of iron ore, the production of carbon dioxide, the remediation of mines or tax laws may change.

E. Operational Risks

Aztec could be adversely affected by disruptions to the mine development or proposed future operations caused by adverse climatic, geological, geotechnical, seismic and mining conditions, breakdown of equipment, industrial accidents, labour disputes and port delays. The Company will seek to minimise the potential damage flowing from the occurrence of some of these risks by obtaining suitable indemnities from suppliers and contractors in the event that equipment or services do not provide the performance that was expected.

The occurrence of operating risks can result in increased production costs for Aztec once it commences operations and may materially impact on the Company's competitive position or ability to derive profits. In particular, mining costs may be materially impacted by adverse mining and geological conditions. Iron ore processing costs and yields may be negatively impacted by any unforeseen deterioration in the quality or quantity of iron ore mined and any unbudgeted increase in operating costs.

F. Loss of Key Personnel

Aztec may also face risks from the loss of key personnel from time-to-time, as it may be difficult to secure replacements with appropriate experience and expertise.



G. Reserve and Resource Estimations

There is a risk that, while Aztec has sufficient quality ore reserves, unforeseen geological and geotechnical difficulties may be encountered when mining the ore reserves. This would cause a loss of revenue due to lower production than expected and/or higher operation and maintenance costs and/or on-going unplanned capital expenditure in order to meet iron ore production targets.

H. Insurance Risks

Although insurance is proposed to be maintained for the construction and operation of the Project within ranges of coverage consistent with industry practice, no assurance can be given that such insurance will be available in the future on commercially reasonable terms or that any cover will be adequate and available to cover any or all claims. If Aztec incurs uninsured losses or liabilities, its assets, profits and prospects may be adversely affected.

I. Environmental Risks

Iron ore exploration and production can be environmentally sensitive and can give rise to substantial costs for environmental rehabilitation, damage control and losses. Further, there are a number of environmental conditions that may be attached to Aztec's mining tenements. Failure to meet such conditions could lead to forfeiture of these tenements. In common with other iron ore producers, future legislative and regulatory changes may be introduced. Such changes could have an adverse impact on Aztec's profitability.

Aztec Specific Risks

J. Mine Development, Construction and Commissioning

There is a risk that the development and construction of the mine at Koolan Island is not completed on schedule, or that the construction cost exceeds the budget, or that significant problems in constructing the sea wall or commissioning the mine may arise. Aztec will depend on third party contractors to undertake construction, equipment supply, installation and commissioning. There is a risk that one or more of these third party contractors will not perform its contractual obligations properly or at all.

K. Risk of Sea Wall Failure

A seawall 300 metres long and 15 metres high is proposed for construction across the mouth of Arbitration Cove on Koolan Island. The foundation materials on which the sea wall will be constructed comprises lagoonal deposits (corals, clay, sand and gravels) of low strength and high compressibility.

Geotechnical and design investigations have concluded that, although the intrinsic risk associated with the seawall construction is relatively high, the seawall could be constructed successfully by incorporation of carefully staged and monitored construction sequences into the design.

The incorporation in the design of a substantial rock buttress in the area where the sea floor drops away into deeper water will provide additional stability to the wall and further reduce the likelihood of failure.



L. Excessive Main Pit Water In-flow

Substantial quantities of water may enter the Main Pit via groundwater, beneath the seawall through the scree layer, or during cyclonic rainfall events.

Groundwater modelling investigations and dewatering requirements from in-pit sump pumps in Main Pit have been estimated to be initially 87 litres/second, increasing to 250 litres/second at final pit depth. This is a substantial dewatering requirement, however it is manageable with careful planning and supervision. There is a risk that dewatering requirements could be greater than estimated due to higher orebody permeability or greater water flows through the scree layer in the seawall foundation.

It is also possible that extreme (although rare) cyclonic rainfall events could result in substantial flow of water in the pits, interrupting operations for a considerable period. Establishment and maintenance of appropriate quantities of run of mine and product stockpiles would minimise the impact of such an occurrence.

M. Main Pit - Footwall Stability

There are risks associated with the stability of the footwall at Main Pit. These risks include unknown structures in the wall, effectiveness of drainage and successful remediation of the existing footwall ground support following drainage of the pit. The overall condition of the footwall below the water level is not yet known.

N. Product Ratios and Chemical / Metallurgical Properties

Historical data from the previous mining of the ore bodies indicated lump ore proportions for shipments to two Japanese mills between 1977 and 1985 ranging between 30% and 60% of product on discharge. There is a risk that the actual proportion of lump ore may vary from historical levels which may adversely impact on the Project revenues.

There is insufficient chemical data to conclude that there will be more than a narrow quality split between the lump and fines ore products. Similarly, no information exists as to the chemical properties of the lump product as an acceptable blast furnace feed.

O. Native Title and Aboriginal Heritage Risk

Aztec signed a Co-existence deed agreement with the Dambimangari People in April 2006. See Section 10.5 of this Target's Statement for an overview of this agreement.

Aztec has undertaken heritage surveys in the general area of mining activity. These surveys identified one potential site of significance which will not be disturbed through Aztec's activities. No other sites of Aboriginal heritage were identified. In the event that an archaeological site was to be discovered, Aztec would ensure that it complied with the appropriate legislation.

P. Aztec Specific Environmental and Regulatory Risk

Environmental and regulatory approvals have been obtained to enable construction and mining activities above the water table to take place. Additional regulatory approval is required for construction of the seawall, dewatering of Main Pit and mining below the water table. There is a risk that these approvals may be delayed or not granted or that additional environmental conditions will be required.

Q. Vendor Royalty

Australian Royalties Corporation Pty Limited has the option to repurchase its interest in the Koolan Island tenements that are subject to a royalty agreements for a nominal sum if production has not commenced from those tenements by 15 June 2007. This means that Aztec may be required to relinquish up to 30% of its interest in those tenements, which may adversely impact its ability to operate, and draw revenues from the Project.



As Aztec remains on track for first production in December 2006 and first shipments in early 2007, Aztec's Directors are of the opinion that the likelihood of this repurchase eventuating is low.





6. AZTEC DIRECTORS & THEIR RECOMMENDATIONS

6.1 Aztec Directors

Aztec's Directors are well qualified to bring the Koolan Island Project into production.

Title & Qualifications	Profile
 <p>Dr Ian Burston Chairman AM, CitWA, B.E(Mech), DipAeroEng (RMIT), HonDSc, FIEAust, CPEng, FAusIMM, FAICD</p>	<p>Ian Burston was appointed Chief Executive Officer and Chairman of the Board on 17 June 2003. Ian has more than 30 years experience in the extractive and related industries. His prior positions included Managing Director and Chief Executive Officer of Portman Ltd (a successful iron ore mining company, which owns and operates the Cockatoo Island iron ore operation) and Aurora Gold Ltd, Chief Executive Officer of Kalgoorlie Consolidated Gold Mines Ltd; Vice President - WA Business Development of CRA Ltd and Managing Director of Hamersley Iron Pty Ltd.</p> <p>Ian holds a Bachelor of Engineering (Mech) degree from Melbourne University and a diploma in Aeronautical Engineering from Royal Melbourne Institute of Technology. He has completed the Insead Management Program in Paris and the Harvard Advanced Management Program in Boston.</p> <p>Ian is also Non-Executive Chairman of Imdex Ltd and Cape Lambert Iron Ore Ltd, a non-executive director of Mincor Resources Ltd and Chairman of the Broome Port Authority.</p> <p>Ian was awarded the Western Australian Citizen of the Year (category of Industry and Commerce) in 1992, the Order of Australia (General Division) in 1993 and an Honorary Doctor of Science (Curtin) in 1995.</p>
 <p>Mr Peter Bilbe Managing Director B.E (Mining) (Hons), AusIMM</p>	<p>Peter Bilbe was appointed Managing Director of Aztec in early 2006. Peter was formerly Aztec's Chief Operating Officer.</p> <p>Peter has more than 30 years experience in senior operational and corporate roles in the resources sector both in Australia and overseas.</p> <p>Peter was previously General Manager of Operations at Portman Ltd responsible for the Koolyanobbing and Cockatoo Island iron ore operations (Cockatoo Island is located nearby Aztec's Koolan Island Project).</p> <p>Peter holds a Bachelor of Engineering (Mining)(Hons) Degree from the University of New South Wales.</p>



Title & Qualifications	Profile
 Mr Michael Arnett Non-Executive Director LLB, B.Com	<p>Michael Arnett was appointed a non-executive director of Aztec on 20 April 2004.</p> <p>Michael is an experienced director and a partner of law firm Deacons, which employs over 600 lawyers in Australia. Holding Bachelor of Commerce and Bachelor of Law degrees from the University of New South Wales, Mr Arnett has over 20 years experience as a lawyer in the areas of mining, corporate finance and commercial law.</p>
 Mr Geoffrey Clifford Non-Executive Director B.BUS, FCPA FCIS	<p>Geoffrey Clifford was appointed to the Board as a non-executive director on 24 August 2005.</p> <p>Geoff holds a Bachelor of Business degree from Curtin University and undertook post-graduate studies in Administrative and Secretarial Practice. He has more than 25 years experience in senior accounting, finance, administration and company secretarial roles in the mining, retail and wholesale industries. He was admitted as a Fellow of the Australian Society of Certified Practising Accountants in 1989 and as a Fellow of the Institute of Chartered Secretaries and Administrators in 1995. Geoff has also been a member of the Western Australian State Council of Chartered Secretaries for four years and is currently Vice President.</p>

6.2 Directors' recommendations

Having considered the terms of the Mount Gibson Offer, each of the Directors feels justified in recommending that you REJECT the Mount Gibson Offer, for the reasons set out in Section 2 of this Target's Statement.

To REJECT the Mount Gibson Offer, disregard all documents sent to you by Mount Gibson



7. DIRECTORS' INTERESTS

7.1 The Directors intend to REJECT the Mount Gibson Offer

Each of the Directors intends to REJECT the Mount Gibson Offer in respect of the Aztec Shares held by them or which they control.

7.2 Interests of the Directors in Aztec Shares

As at the day before the date of this Target's Statement, the Directors had the following direct or indirect interests in Aztec Shares and Unlisted Options:

Director	Number of Aztec Shares	Number of Unlisted Options
Dr Ian Burston	2,733,836	2,000,000 (exercisable at 5 cents per share on or before 30 June 2007) 2,000,000 (exercisable at 10 cents per share on or before 30 June 2007)
Mr Michael Arnett	1,000,000	1,000,000 (exercisable at 20 cents per share on or before 30 June 2007)
Mr Peter R Bilbe	100,000	1,000,000 employee options (exercisable at 20 cents per share, subject to vesting conditions, on or before 25 November 2009) 1,000,000 employee options (exercisable at 20 cents, on or before 31 August 2010)
Mr Geoffrey Clifford	300,000	1,000,000 (exercisable at 20 cents per share on or before 30 June 2010)

7.3 Recent Dealings in Aztec Shares

No Director has acquired or disposed of any Aztec Shares in the 4 month period ended on the day immediately before the date of this Target's Statement except that the following directors acquired Aztec Shares through the exercise on or about 31 July 2006 of their listed options:

Dr Ian Burston - acquired 683,459 Aztec Shares;

Mr Michael Arnett - acquired 250,000 Aztec Shares; and

Mr Geoffrey Clifford - acquired 50,000 Aztec Shares.

7.4 Interests of the Directors in Mount Gibson Shares

As at the day immediately before the date of this Target's Statement, none of the Directors has any direct or indirect interest in Mount Gibson Shares.



7.5 Dealings in Mount Gibson Shares

None of the Directors or their associates has acquired or disposed of a relevant interest in any Mount Gibson Shares in the 4 month period ended on the day immediately before the date of this Target's Statement.

7.6 Aztec's relevant interest in Mount Gibson Shares

As at the day immediately before the date of this Target's Statement, Aztec had no relevant interest in Mount Gibson Shares.

7.7 Benefits and agreements

As a result of the Mount Gibson Offer, no person has been or will be given any benefit (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person or someone else from a board or managerial office of Aztec or a related body corporate of Aztec.

There are no agreements made between any Director and any other person (including Mount Gibson) in connection with, or conditional upon, the outcome of the Mount Gibson Offer.

None of the Directors has entered into any contracts with Mount Gibson.



PART C

8

IMPORTANT INFORMATION ABOUT THE
MOUNT GIBSON OFFER

9

YOUR CHOICES

10

ADDITIONAL INFORMATION

11

INTERPRETATION



8. IMPORTANT INFORMATION ABOUT THE MOUNT GIBSON OFFER

8.1 Consideration

1 new Mount Gibson Share for every 3 Aztec Shares. You should be aware that Mount Gibson is not listed on AIM and Mount Gibson shares are not admitted to trading on AIM.

8.2 Offer Period

The Mount Gibson Offer, unless withdrawn or extended, will remain open for acceptance during the period commencing on 28 August 2006 and ending at 5.00pm (Perth time) on 29 September 2006 (**Offer Period**).

If you choose to accept the Offer, your acceptance must be received before the end of the Offer Period.

8.3 Extension of the Offer Period

While the Mount Gibson Offer is subject to a Defeating Condition, Mount Gibson may extend the Offer Period at any time before giving the Notice of Status of Conditions. However, if the Mount Gibson Offer is or becomes not subject to a Defeating Condition (that is, it is free of all Defeating Conditions), Mount Gibson may extend the Offer Period at any time before the end of the Offer Period. To extend the Offer Period, Mount Gibson must lodge a notice of variation with ASIC and give a notice to Aztec and to each Aztec Shareholder to whom an offer was made under the Mount Gibson Offer.

In addition, there will be an automatic extension of the Offer Period if, within the last 7 days of the Offer Period:

- (a) Mount Gibson improves the consideration under the Mount Gibson Offer; or
- (b) Mount Gibson's voting power in Aztec increases to more than 50%.

If either of these events occurs, the Offer Period is automatically extended so that it ends 14 days after the relevant event occurs.

8.4 Withdrawal of the Mount Gibson Offer

The Mount Gibson Offer may not be withdrawn if you have already accepted it. Before you accept the Mount Gibson Offer, it may only be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in the consent.

8.5 Limited rights to withdraw your acceptance

You have only limited rights to withdraw your acceptance of the Mount Gibson Offer. Mount Gibson has stated in Section 12.9 of the Bidder's Statement that you may withdraw your acceptance at any time before the FIRB approval condition has been satisfied, or before all required regulatory approvals and consents have been obtained.

You may also withdraw your acceptance of the Mount Gibson Offer if:

- (a) it is still subject to a Defeating Condition; and
- (b) the Mount Gibson Offer is varied in a way that postpones, for more than 1 month, the time when Mount Gibson needs to meet its obligations under the Mount Gibson Offer. This may occur if Mount Gibson extends the Offer Period by more than 1 month and the Mount Gibson Offer is still subject to a Defeating Condition.



8.6 Effect of accepting the Mount Offer

If you accept the Mount Gibson Offer, subject to any withdrawal rights set out in Section 8.5 of this Target's Statement:

- (a) you will be unable to accept any higher takeover bid that may be made by a third party or any alternative transaction that may be recommended by the Board;
- (b) you will relinquish control of your Aztec Shares to Mount Gibson but will have no guarantee of payment until the Mount Gibson Offer becomes unconditional; and
- (c) you will be unable to sell your Aztec Shares on ASX.

8.7 Timing of payment

If you accept the Mount Gibson Offer in accordance with the instructions contained in the Bidder's Statement, Mount Gibson will provide the consideration for your Aztec Shares to you by the earlier of:

- (a) the day one month after you accept the Mount Gibson Offer or, if the Mount Gibson Offer is subject to a Defeating Condition when accepted, one month after the contract resulting from your acceptance becomes unconditional; and
- (b) the day 21 days after the end of the Offer Period, assuming the Mount Gibson Offer becomes unconditional.



8.8 Conditions

Aztec Shareholders should note that the Mount Gibson Offer (and each contract resulting from acceptances of the Mount Gibson Offer) is subject to a number of conditions, and that the Offer will lapse unless the conditions are either satisfied or waived by Mount Gibson prior to the end of the Offer Period. These conditions are set out in full in Section 12.8 of the Bidder's Statement.

Some of these conditions are broadly summarised below:

- Mount Gibson having a relevant interest in not less than 90% of Aztec Shares (on a fully diluted basis) at the end of the Offer Period;
- Between the Announcement Date and the end of the Offer Period, the S&P/ASX 200 Index not closing below 4,500 for 5 or more consecutive trading days;
- Between the Announcement Date and the end of the Offer Period, no material adverse change occurring or being announced in Aztec's business, financial or trading position, assets or liabilities, profitability or prospects;
- Between the Announcement Date and the end of the Offer Period there being no material acquisitions or disposals of any material assets or business of Aztec, and no announcement to acquire or dispose of any material assets or business;
- Between the Announcement Date and the end of the Offer Period, there being no person entitled to exercise any right under an agreement or other instrument which results in or could result in, to a material extent, any money borrowed becoming repayable earlier than the repayment date, that agreement or instrument being modified or terminated, the interest of Aztec or its subsidiaries in any firm, joint venture or trust being terminated or modified, the assets of Aztec or its subsidiaries being sold or offered for sale, or the business of Aztec or its subsidiaries being adversely affected;
- Mount Gibson receiving all regulatory consent and approvals required in relation to its Offer before the end of the Offer Period;
- FIRB confirming that it approves or has no objection to the Takeover Bid;
- Between the Announcement Date and the end of the Offer Period, no regulatory action adversely affecting the Offer being issued, commenced or threatened in connection with the Offer (other than an application to, or decision of, ASIC or the Takeovers Panel); and
- No prescribed occurrences (as listed in Section 652C of the Corporations Act) occurring between the Announcement Date and 3 Business Days after the end of the Offer Period (inclusive).

The Mount Gibson Offer had an additional condition that the Mount Gibson Shares do not trade below \$0.71 at any time prior to the Offer Period but, by a notice announced to ASX on 29 August 2006, the Offer was freed from this condition.



8.9 Notice of status of conditions

The Bidder's Statement states that Mount Gibson will give its Notice of Status of Conditions to ASX and Aztec on 21 September 2006. If the Offer Period is extended by a period before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period. If there is such an extension, Mount Gibson is required, as soon as possible after the extension, to give a notice to ASX and Aztec that states the new date for the giving of the Notice of Status of Conditions.

Mount Gibson is required to set out in its Notice of Status of Conditions:

- (a) whether the Mount Gibson Offer is free of any or all conditions;
- (b) whether, so far as Mount Gibson knows, any of the conditions have been fulfilled; and
- (c) Mount Gibson's voting power in Aztec.

If a condition is fulfilled (so that the Mount Gibson Offer becomes free of the condition) before the date on which the Notice of Status of Conditions is required to be given, Mount Gibson must, as soon as possible, give ASX and Aztec a notice that states that the particular condition has been fulfilled.

8.10 Compulsory Acquisition

Mount Gibson has stated in Section 7.3(a) of the Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition of Aztec Shares in accordance with the Corporations Act and the other conditions of the Offer are satisfied, then Mount Gibson intends to do so.

The two types of compulsory acquisition permissible under Chapter 6A of the Corporations Act are discussed below.

(a) Follow-on compulsory acquisition

Under Part 6A.1 of the Corporations Act, Mount Gibson will be entitled to compulsorily acquire any Aztec Shares on the same terms as the Offer if, during or at the end of the Offer Period, Mount Gibson (together with its associates):

- (i) has a relevant interest in at least 90% (by number) of all the Aztec Shares; and
- (ii) has acquired at least 75% (by number) of all the Aztec Shares that Mount Gibson offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise).

If these thresholds are met, Mount Gibson will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Aztec Shareholders who have not accepted the Offer. Aztec Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Aztec Shareholder to establish to the satisfaction of a court that the terms of the Offer do not represent a "fair value" for the Aztec Shares.

Aztec Shareholders should be aware that if they do not accept the Offer and their Aztec Shares are compulsorily acquired, those Aztec Shareholders will face a delay in receiving the consideration for their Aztec Shares compared with Aztec Shareholders who have accepted the Offer.



(b) General compulsory acquisition

Under Part 6A.2 of the Corporations Act, Mount Gibson will be entitled to compulsorily acquire any Aztec Shares if Mount Gibson holds full beneficial interests in at least 90% (by number) - i.e. if Mount Gibson becomes a 90% holder of Aztec Shares.

If this threshold is met, Mount Gibson will have 6 months after it becomes a 90% holder within which to give compulsory acquisition notices to Aztec Shareholders. The compulsory acquisition notices sent to Aztec Shareholders must be accompanied by an independent expert's report and an objection form.

The independent expert's report must set out whether the terms of the compulsory acquisition give a "fair value" for the Aztec Shares and the independent expert's reasons for forming that opinion.

If Aztec Shareholders with at least 10% of the Aztec Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), Mount Gibson may apply to the court for approval of the acquisition of the Aztec Shares covered by the notice.

Aztec Shareholders should be aware that if they do not accept the Offer and their Aztec Shares are compulsorily acquired, those Aztec Shareholders will face a delay in receiving the consideration for their Aztec Shares compared with Aztec Shareholders who have accepted the Offer.

8.11 Issues arising from the Mount Gibson Offer

(a) The value of the Offer is not fixed

- The market value of Mount Gibson Shares will change over time. The implied value of the Offer will fluctuate with movements in the market value of Mount Gibson Shares. Aztec Shareholders are urged to obtain updated quotes on the price of Mount Gibson Shares. Such quotes can be obtained online at www.asx.com.au.
- Over time, the Mount Gibson Share price may fluctuate for a variety of reasons, including movements in the iron ore contract price and other commodities; exchange rate movements or other factors which impact the operating or financial performance of Mount Gibson.

(b) Risks in relation to the Offer

- It is possible that if the Mount Gibson Offer lapses, there may be a reduction in the market price for Aztec Shares.
- If Mount Gibson removes its 90% Minimum Acceptance Condition and acquires more than 50% but less than 90% of Aztec, those Shareholders who do not accept the Mount Gibson Offer may become minority Shareholders in Aztec. In such a situation, Aztec's stock market liquidity is likely to be reduced and Mount Gibson would have the ability to control the composition of the Aztec Board and Aztec's strategic direction.
- Mount Gibson indicated that Foreign Shareholders will not receive Mount Gibson Shares if the Offer is successful, but will instead receive the proceeds from the sale of the Mount Gibson Shares they would otherwise be entitled to. If the Offer is successful, the Mount Gibson Share price may face the risk of price weakness due to any overhang caused by the sale of these Mount Gibson Shares.

(c) Taxation considerations

- Please refer to Section 10.3 for Taxation Considerations relating to the offer.



9. YOUR CHOICES

You have three choices as an Aztec Shareholder in responding to the Mount Gibson Offer.

Your Directors unanimously recommend that you REJECT the Mount Gibson Offer. To REJECT the Mount Gibson Offer, simply ignore all documents sent to you by Mount Gibson.

1. Reject the Offer

If you do not wish to accept the Mount Gibson Offer, simply ignore any documents sent to you by Mount Gibson.

You should be aware that:

- if you choose not to accept the Mount Gibson Offer and Mount Gibson acquires at least 90% of Aztec Shares, Mount Gibson may become entitled to compulsorily acquire the balance of the Aztec Shares, and it has said that it intends to exercise those rights (see Section 8.10 of this Target's Statement for further details);
- if Mount Gibson acquires more than 50% but less than 90% of Aztec Shares and all other Defeating Conditions of its Offer are either satisfied or waived and you continue to hold Aztec Shares, you will be exposed to the risks associated with being a minority shareholder in Aztec (see Section 8.11(b) of this Target's Statement for further details); and
- as a holder of Aztec Shares you will continue to be subject to the risks set out in Section 5.7 of this Target's Statement.

2. Sell Your Aztec Shares on Market

During the Offer Period, you may sell your Aztec Shares on market through ASX or AIM for cash, provided you have not already accepted the Mount Gibson Offer for those Shares (or, if you have accepted the Mount Gibson Offer, provided you have validly withdrawn that acceptance for those shares under the limited withdrawal rights).

If you sell your Aztec Shares on market, you will receive the consideration for that sale of your Shares sooner than if you accept the Mount Gibson Offer while it is subject to Defeating Conditions. If you sell your Aztec Shares on market, you:

- will lose the ability to accept the Mount Gibson Offer and receive the Offer (and any possible increase in the Offer Price) in relation to those Shares;
- will lose the ability to accept any higher offer for Aztec Shares which, may or may not eventuate;
- will lose the opportunity to receive future returns from Aztec;
- may be liable for capital gains tax on the sale; and
- may incur a brokerage charge.



3. Accept the Mount Gibson Offer

The Aztec Directors unanimously recommend that you do not accept the Mount Gibson Offer. However, you may choose to accept the Mount Gibson Offer. Mount Gibson has stated that its Offer remains open until 5.00pm (Perth time) on 29 September 2006. It is possible that Mount Gibson will choose to extend the Offer Period in accordance with the Corporations Act (see Section 8.3 of this Target's Statement). Details of the consideration that you will receive if you accept the Mount Gibson Offer is set out in the Bidder's Statement.

If you accept the Offer and it becomes unconditional you will become a holder of Mount Gibson Shares in which case your investment will be subject to the risks associated with holding Mount Gibson Shares as set out in Section 9 of the Bidder's Statement and the risks associated with being a holder of Aztec Shares as set out in Section 5.7 of this Target's Statement as Mount Gibson will become the holder of your Aztec Shares.



10. ADDITIONAL INFORMATION

10.1 Aztec's issued securities

As at the day before the date of this Target's Statement, the issued securities of Aztec consist of 1,043,351,777 Aztec Shares and 21,500,000 Unlisted Options. Aztec Shares are listed on ASX and AIM.

10.2 Changes in Aztec's financial position

So far as is known to the Directors of Aztec, there have been no material changes to Aztec's financial position since the date of the last balance sheet sent to Shareholders (being the balance sheet as at 30 June 2005) which have not been announced to ASX.

10.3 Taxation considerations

Section 10 of the Bidder's Statement sets out advice on Australian tax consequences of accepting the Offer.

As Section 10.2 of the Bidder's Statement notes, scrip for scrip rollover relief will only be available if Mount Gibson increases its shareholding in Aztec to at least 80% under the Offer. Therefore, if as a result of the Offer, Mount Gibson owns less than 80% of the Aztec Shares, Shareholders who make an Australian capital gain from their disposal of Aztec Shares will be unable to elect for a rollover of that capital gain. We note that Mount Gibson would have to waive the 90% Minimum Acceptance Condition in order for the Offer to be unconditional whilst Mount Gibson holds less than 80% of the Aztec Shares.

Shareholders should not rely on the disclosure of tax considerations in Section 10 of the Bidder's Statement or in this Target's Statement as being advice on their own affairs. The tax consequences will vary according to individual circumstances. Shareholders should seek their own independent financial and taxation advice which takes into account their personal circumstances before making a decision as to whether or not to accept the Offer.

The taxation consequences of accepting the Offer will depend on the circumstances of individual Aztec Shareholders. You should consult a taxation advisor if you need further information about your taxation position.

10.4 Significant ASX announcements in relation to Aztec

A list of significant ASX announcements made in relation to Aztec between 30 June 2005 and the date immediately before the date of this Target's Statement is set out in the Appendix to this Target's Statement.

During the Offer Period, you may obtain a copy free of charge of the announcements made by Aztec to ASX between the dates referred to above by calling the Aztec Shareholder Information Line between 9.00am and 5.00pm (Perth time) on 1800 602 244 (toll free within Australia) or +61 8 6218 4220 (for international callers and some Australian mobile phone users).

Copies of major announcements by Aztec may also be obtained from Aztec's website at www.aztecresources.com.au



10.5 Koolan Island Co-Existence Deed

As announced by Aztec to ASX on 23 April 2006, Aztec is party to a Co-existence Deed with the Dambimangari People dated 10 April 2006, which sets out various monetary and non-monetary benefits which Aztec must provide to the Dambimangari People in relation to Aztec's mining operations on Koolan Island.

Under this Deed, Aztec is obliged to issue 10,000,000 Aztec Shares to the trustee of the Dambimangari People's trust, which it has not yet done. If all the Aztec Shares are acquired by a third party under a takeover or similar transaction, and following completion of the takeover an event occurs which would otherwise entitle the trustee of the Dambimangari People's trust to have Aztec Shares issued to it, then Aztec may, or must at the request of the trustee, in lieu of issuing such Aztec Shares, pay an amount to the trustee which represents the average volume weighted price of those Aztec Shares on ASX for the seven day period following announcement of the offer.

10.6 Deed of Settlement and Release with Greenhill Capital

By a Deed of Settlement and Release dated 14 February 2006 with Carlow Castle Pty Ltd ABN 65 116 191 689 trading as Greenhill Capital Partners (**Greenhill Capital**), Greenhill Capital (a former corporate advisor to Aztec) is conditionally entitled to a success fee as a result of the announcement of the Mount Gibson Offer, in these circumstances:

- (a) where the Mount Gibson Offer is not recommended or is rejected by a majority of the Board and Mount Gibson does not acquire more than 50% of the Aztec Shares;
- (b) if Aztec Shareholders receive or are presented with an alternative course of action such as a scheme of arrangement or merger which is recommended by a majority of the Board and all preconditions for completion are satisfied; or
- (c) if a bidder acquires 50% or more of the Aztec Shares pursuant to or after the Mount Gibson Offer where the acquisition is recommended by a majority of the Board.

If payable the success fee would be calculated as 2% of the implied capitalisation of Aztec under the Mount Gibson Offer.

10.7 Professional Services

Approximately \$4.75 million of fees for professional services and other transaction costs are expected to be incurred by Aztec in relation to the Mount Gibson Offer excluding the amount in Section 10.6.

10.8 Material litigation

As at the date of this Target's Statement, Aztec is not aware of any current or proposed litigation or dispute that is material in the context of Aztec taken as a whole. Aztec notes the Takeovers Panel proceedings referred to in Section 10.14 of this Target's Statement.



10.9 Effect of the Mount Gibson Offer on Aztec's Employee Options and Director Incentive Options

(a) Employee Share Option Plan

Aztec has issued Unlisted Options to eligible employees under an employee share option plan dated 25 November 2004 (**ESOP**).

The Unlisted Options issued under the ESOP are as follows:

- (i) 3,900,000 Unlisted Options with an exercise price of \$0.20, expiring on 25 November 2009.
- (ii) 2,900,000 Unlisted Options with an exercise price of \$0.20, expiring on 31 August 2010.
- (iii) 2,250,000 Unlisted Options with an exercise price of \$0.20, expiring on 31 March 2011.
- (iv) 1,450,000 Unlisted Options with an exercise price of \$0.20, expiring on 10 July 2011.

All of these options are subject to time periods for vesting. One-third of the number of options granted become exercisable each year, commencing one year after the date of allotment of the options.

Under the terms of the ESOP, the Board has a discretion to determine whether and when the options will become exercisable on a change of control or proposed change of control of Aztec. The Board has resolved that the ESOP options will become exercisable if a change of control of Aztec occurs. In addition, in accordance with their terms, the ESOP options which expire on 31 August 2010, 31 March 2011 and 10 July 2011 are automatically exercisable during the Offer Period.

(b) Director Incentive Options

Aztec has also issued incentive Unlisted Options to directors and their nominees as follows:

- (i) 2,000,000 Unlisted Options with an exercise price of \$0.05, expiring on 30 June 2007.
- (ii) 2,000,000 Unlisted Options with an exercise price of \$0.10, expiring on 30 June 2007.
- (iii) 2,000,000 Unlisted Options with an exercise price of \$0.20, expiring on 30 June 2007.
- (iv) 1,000,000 Unlisted Options with an exercise price of \$0.20, expiring on 30 June 2010.

All of these options are exercisable at any time until their respective expiry dates.

In addition, Aztec has issued 5,000,000 incentive Unlisted Options with an exercise price of \$0.23, expiring on 30 June 2007. These options are subject to performance hurdles for vesting, but have automatically become vested as a result of the Mount Gibson Offer.

Mount Gibson has stated in Section 5.7 of the Bidder's Statement that if Mount Gibson and its associates have a relevant interest in at least 90% of the Aztec Shares during or at the end of the Offer Period, Mount Gibson will compulsorily acquire all outstanding Aztec Shares, even if the Aztec Shares are issued after the Offer closes but before the notice of compulsory acquisition is given, or on exercise of Unlisted Options, up to 6 weeks after the notice of compulsory acquisition is given.



10.10 Consents

The following persons have given and have not, before the date of issue of this Target's Statement, withdrawn their consent to:

- (a) be named in this Target's Statement in the form and context in which they are named; and
- (b) the inclusion of other statements in this Target's Statement which are based on or referable to statements made in the reports or statements noted next to their names, or which are based on or referable to other statements made by those persons, in the form and context in which they are included.

Name of Person	Capacity	Reports or Statements
Blake Dawson Waldron	Legal adviser	N/A
Macquarie Bank Limited	Financial adviser	N/A
Chris Arnold	Competent Person within the meaning of the JORC Code	Estimates of the Koolan Island Mineral Resource dated October 2005
Andrew Hutson	Competent Person within the meaning of the JORC Code	Estimates of the Koolan Island Ore Reserves dated August 2006
Directors	Directors of Aztec	Statements made by, or statements based on statements made by, the Directors.

Each of the persons named above:

- (c) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- (d) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this Section with the person's consent.

10.11 JORC Code reporting of Aztec's Mineral Resources and Ore Reserves

All references to Aztec's mineral resources and ore reserves have been reported in accordance with the requirements of the JORC Code.

Chris Arnold and Andrew Hutson have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they have undertaken to qualify as Competent Persons as defined in the JORC Code. Chris Arnold and Andrew Hutson are Members of The Australasian Institute of Mining and Metallurgy.



10.12 ASIC modifications

As permitted by ASIC Class Order 1/1543, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or on the company announcement platform of ASX. Under the terms of ASIC Class Order 1/1543, the persons who made those statements are not required to consent to, and have not consented to, those statements being included or referred to in this Target's Statement.

If you would like to receive a copy of any of the documents (or parts of the documents) that contain these statements, please contact the Shareholder Information Line between 9.00am and 5.00pm (Perth time) on 1800 602 244 (toll free within Australia) or +61 8 6218 4220 (for international callers and some Australian mobile phone users) and you will be sent copies free of charge.

Copies of major announcements by Aztec may also be obtained from its website at www.aztecresources.com.au

10.13 No other material information

There is no information that is known to any of the Directors that holders of Aztec Shares and their professional advisers would reasonably require to make an informed assessment whether or not to accept the Offer and reasonably expect to find in this Target's Statement other than:

- (a) information set out in this Target's Statement, and the Bidder's Statement or the Offer; and
- (b) information which has previously been disclosed to the holders of Aztec Shares or disclosed to ASX or ASIC under the regular reporting and disclosure obligations to which Aztec is subject as a disclosing entity for Corporations Act purposes.

10.14 Takeovers Panel Proceedings

On 22 August 2006, Aztec made an application to the Takeovers Panel for a declaration of unacceptable circumstances in relation to the Mount Gibson Offer and for interim and final orders, including corrective disclosure.



11. INTERPRETATION

11.1 Definitions

The following definitions apply in interpreting this Target's Statement, except where the contrary intention appears or the context makes it clear that a definition is not intended to apply:

90% Minimum Acceptance Condition means the condition set out in Section 12.8(d) of the Bidder's Statement that Mount Gibson has relevant interests in at least 90% of the Aztec Shares (on a fully diluted basis)

(\$ or A\$) means Australian dollars

AIM means the Alternative Investment Market of London Stock Exchange plc

Announcement Date means the date the Offer was announced, being 24 July 2006

ASIC means the Australian Securities and Investments Commission

ASX means Australian Stock Exchange Limited ABN 98 008 624 691

Aztec or **Company** means Aztec Resources Limited ABN 45 078 548 562

Aztec Shares or **Shares** means ordinary fully paid shares in Aztec

Aztec Shareholder or **Shareholder** means a holder of Aztec Shares registered in Aztec's register of members

Bankable Feasibility Study means the bankable feasibility study completed in August 2005 for the Project

Bidder's Statement means the bidder's statement dated 28 August 2006 of Mount Gibson, which contains the Offer and the first supplementary bidder's statement of Mount Gibson dated 6 September 2006

Board means the board of directors of Aztec

Cambrian Mining means Cambrian Mining plc

Combined Group means the enlarged group of companies comprising Aztec, Mount Gibson and their respective subsidiaries

Corporations Act means the *Corporations Act 2001* (Cth)

Defeating Condition means a defeating condition of the Mount Gibson Offer as set out in Section 12 of Mount Gibson's Bidder's Statement

Director means a director of Aztec

DSO means direct shipping ore

Fe means iron

FIRB means the Foreign Investment Review Board

Foreign Shareholder means an Aztec Shareholder with an address (as shown on Aztec's register of members) outside of Australia or New Zealand, unless Mount Gibson otherwise determines, after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Offer to an Aztec Shareholder in the relevant jurisdiction, to issue Mount Gibson Shares to that Aztec Shareholder on acceptance of the Offer and for the Aztec Shareholder to accept the Offer.

Gindalbie means Gindalbie Metals Limited ABN 24 060 857 614

JORC Code means 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves"

Koolan Island Project or **Project** means an iron ore development project located on Koolan Island off the Kimberley coast of Western Australia, owned 100% by Aztec

Listing Rules means the Listing Rules of ASX



MOU means Memorandum of Understanding

Mount Gibson means Mount Gibson Iron Limited ABN 87 008 670 817

Mount Gibson Offer or **Offer** means the takeover offer by Mount Gibson to acquire all of the Aztec Shares on the terms and conditions set out in the Bidder's Statement

Mount Gibson Shares means ordinary fully paid shares in Mount Gibson

Mt means million tonnes

Mtpa means million tonnes per annum

Notice of Status of Conditions means Mount Gibson's notice disclosing the status of the conditions of the Offer which must be given in accordance with Section 630(3) of the Corporations Act

NPAT means net profit after tax

Offer Period means the period within which the Mount Gibson Offer is capable of acceptance, commencing on 28 August 2006 and ending at 5.00pm (Perth time) on the later of 29 September 2006 or any date to which the Offer Period is extended

Offer Price means the offer of 1 Mount Gibson Share for every three Aztec Shares under the Mount Gibson Offer

Takeover Bid means the takeover bid by Mount Gibson for Aztec constituted by the Offer

Target's Statement means this target's statement

Unlisted Options means unlisted options to acquire Aztec Shares



11.2 Interpretation

- (a) Words and phrases which are defined by the Corporations Act have the same meaning in this Target's Statement and, if a special meaning is given for the purposes of Chapter 6 or 6A or a provision of Chapter 6 or 6A of the Corporations Act, have that special meaning.
- (b) Headings are for convenience only, and do not affect interpretation.
- (c) A reference to time is a reference to Western Standard Time.
- (d) A singular word includes the plural, and vice versa.
- (e) A word which suggests one gender includes the other genders.
- (f) Unless otherwise stated, references in this Target's Statement to Parts, sections, paragraphs and sub-paragraphs are to Parts, sections, paragraphs and sub-paragraphs of this Target's Statement.
- (g) A reference to any legislation is to that legislation as amended, re-enacted or replaced, and includes any subordinate legislation issued under it.
- (h) Unless otherwise stated, a reference to dollars, \$ or A\$ is to the lawful currency in Australia.
- (i) Where a word is defined, its other grammatical forms have a corresponding meaning.
- (j) Appendices to this Target's Statement form part of it.

DATED 12 September 2006

SIGNED for and on behalf of Aztec Resources Limited by Peter Bilbe, a director of Aztec who is authorised to so sign pursuant to a resolution passed at a meeting of the Directors of Aztec.

Peter Bilbe
Managing Director



APPENDIX

SIGNIFICANT AZTEC ASX ANNOUNCEMENTS SINCE 30 JUNE 2005

Date	Title of Announcement
08/09/2006	Koolan Island Ore Project - Update
07/09/2006	Sales Contract with Marubeni Corporation
17/08/2006	Signs First Sales Contract
08/08/2006	99.4% Optionholders take up Underwritten July 06 Options
26/07/2006	Fourth Quarter Activities & Cash flow Report
18/07/2006	31 July 2006 Listed Options Fully Underwritten
06/07/2006	Managing Directors Presentation
26/06/2006	Construction Commences on Koolan Island Project
01/05/2006	COS: Signs key transportable supply agreement
28/04/2006	Third Quarter Cashflow Report
28/04/2006	Third Quarter Activities Report
24/04/2006	Mining Leases Granted - Koolan Island
24/04/2006	Traditional Owners Approve Rebirth of Iron Ore Project
20/04/2006	Approvals for Mining - Koolan Island
10/03/2006	Half Year Accounts
23/02/2006	WA Environment Minister approves Koolan Island Project
21/02/2006	Land Access Agreement Reached
24/01/2006	Second Quarter Activities & Cashflow Report
08/12/2005	Media Release Capital Raising - Koolan Island Iron Project
08/12/2005	Capital Raising for \$42.3 million
25/11/2005	Results of Annual General Meeting
25/11/2005	Chairman's AGM Address & Presentation
22/11/2005	Chairman's Presentation Metal Bulletin Conference
27/10/2005	First Quarter Activities & Cashflow Reports
27/10/2005	Annual Report
08/08/2005	Bankable Feasibility Study Results - Koolan Island Iron Ore
29/07/2005	Fourth Quarter Cashflow Report
18/07/2005	Chairman's Presentation - July 2005
13/07/2005	Fourth Quarter Activities Report



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Corporate Directory

Directors

Ian Burston (Chairman)
Peter Bilbe (Managing Director)
Michael Arnett (Non Executive Director)
Geoffrey Clifford (Non Executive Director)

Company Secretary

Ian Gregory

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Stock Exchanges

The Company is listed on the
Australian Stock Exchange (**ASX**) and
London Stock Exchange's AIM Market
The Home Exchange is Perth
Stock and Ticker code: **AZR**

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