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This document is a supplementary target's statement under section 644 of the Corporations Act 2001 (Cth). It is the second supplementary target's statement (**Second Supplementary Target's Statement**) issued by Aztec Resources Limited ABN 45 078 548 562 (**Aztec**) in relation to the off-market takeover bid made by Mount Gibson Iron Limited ABN 87 008 670 817 for all of the fully paid ordinary shares in Aztec.

This Second Supplementary Target's Statement supplements, and should be read together with, Aztec's target's statement dated 12 September 2006 (**Target's Statement**) and its First Supplementary Target's Statement dated 25 September 2006. A copy of this Second Supplementary Target's Statement has been lodged with the Australian Securities and Investments Commission (**ASIC**). Neither ASIC nor any of its officers take any responsibility for its contents. Terms in this Second Supplementary Target's Statement have the same meaning as the definitions in the Target's Statement.

26 October 2006

Dear Shareholder

A\$100 MILLION DEBT FINANCE FACILITY APPROVED

Aztec Resources Limited (ASX and AIM code: AZR) ("Aztec") is pleased to announce it has received credit approval from the banking syndicate for its A\$100 million finance facility to fund the continued development of the Koolan Island Iron Ore Project.

The banking syndicate comprises:

- Westpac Banking Corporation;
- Bank of Scotland International (Australia) Limited; and
- The Bank of Tokyo-Mitsubishi UFJ Ltd.

The A\$100 million facility will consist of:

- a senior debt facility of \$A54 million (to be drawn down in US\$¹);
- a cost overrun facility of \$A10 million (to be drawn down in US\$);
- a working capital facility of A\$30 million; and
- an environmental bond facility of A\$6 million.

As previously announced, the facility will be used to meet the balance of development expenditure commitments and ongoing working capital requirements for Aztec's Koolan Island Iron Ore Project.

¹ The senior debt facility and cost overrun facility will be drawn down in US\$ and will repaid from Aztec's US\$ revenues creating a natural hedge.



Aztec Chairman Ian Burston said:

"Securing credit approval has been widely anticipated by the market and represents a significant milestone in Aztec's development as an iron ore producer. Securing a A\$100 million finance facility is a major vote of confidence in Aztec's Koolan Island Iron Ore Project and the Aztec management team from a syndicate of large and well credentialled banks.

Aztec is now well positioned to deliver a high quality iron ore project to its shareholders which is on track for the commencement of mining and stockpiling of ore by the end of the year and first shipments in early 2007."

The first tranche of the facility of approximately A\$20 million is expected to be available for drawdown on Tuesday, 31 October 2006 subject to meeting typical conditions precedent, including execution of formal facility documentation. The remainder of this facility will be available for drawdown as soon as a condition subsequent relating to the final environmental approval has been met. This approval is expected to be obtained within the next two weeks.

Takeover Update

The credit approval provides a strong foundation to enable completion of construction and commencement of operations at the Koolan Island Iron Ore Project. Accordingly, Aztec directors have no reason to change their previous recommendation and continue to recommend that shareholders **REJECT** the inadequate offer from Mount Gibson.

Aztec Directors are of the opinion that the majority of Aztec shareholders continue to support Aztec and its Directors' recommendation. Mount Gibson has extended its takeover offer for Aztec four times and as at 25 October 2006, had received acceptances of 1.65%² (excluding acquisitions and acceptances from Aztec's previous major shareholder Cambrian Mining Plc).

Following receipt of the credit approval, Aztec has requested that the suspension of trading in Aztec's shares be lifted with immediate effect.

Directors will keep shareholders informed of developments as they arise and encourage shareholders, should they have any questions, to call the Aztec Shareholder Information Line on 1800 602 244 (Australian callers) or +61 8 6218 4220 (International callers).

Yours faithfully

A handwritten signature in dark ink, appearing to read "P. Bilbe", with a horizontal line drawn underneath.

Peter Bilbe
Managing Director

² Adjusting for the issue of 77.78 million shares to Australian Royalties Corporation Pty Ltd, which was announced to the Australian Stock Exchange on 24 October 2006.