



**Mount Gibson Iron Limited**

ABN 87 008 670 817



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18 September 2006

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

Dear Sir

**Takeover bid by Mount Gibson Iron Limited for Aztec Resources Limited  
Second Supplementary Bidder's Statement**

We refer to Mount Gibson Iron Limited's (**Mount Gibson**) off-market takeover bid for all the fully paid ordinary shares in the capital of Aztec Resources Limited, including those issued during the offer period.

We attach, by way of service pursuant to paragraph 647(3)(b) of the Corporations Act 2001, Mount Gibson's second supplementary bidder's statement dated 18 September 2006.

Yours faithfully

**MOUNT GIBSON IRON LIMITED**

**Luke Tonkin  
Director**

enc

# Mount Gibson Iron Limited ACN 008 670 817

## Second Supplementary Bidder's Statement

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### 1 Introduction

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This document is a supplementary bidder's statement under section 643 of the Corporations Act 2001 (Cth). It is the second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by Mount Gibson Iron Limited ACN 008 670 817 (**Mount Gibson**) in relation to its off-market takeover bid for all the fully paid ordinary shares in Aztec Resources Limited ACN 078 548 562 (**Aztec**).

This Second Supplementary Bidder's Statement supplements, and should be read together with, Mount Gibson's bidder's statement dated 11 August 2006 (**Original Bidder's Statement**) and Mount Gibson's first supplementary bidder's statement dated 6 September 2006 (**First Supplementary Bidder's Statement**).

### 2 Forecast pursuant to undertaking to Takeovers Panel

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As you may be aware, on 21 August 2006 Aztec made an application to the Takeovers Panel in relation to Mount Gibson's bid for Aztec. In connection with the proceedings, on 11 September 2006, Mount Gibson provided an undertaking to the Takeovers Panel to provide a forecast of the consolidated net profit after tax of the Mount Gibson Group on a stand alone basis for the six month period ending on 31 December 2006 in a supplementary bidder's statement to be sent to each Aztec shareholder. The purpose of this Second Supplementary Bidder's Statement is to provide the forecast required by the undertaking. The forecast is set out in the Annexure to this Second Supplementary Bidder's Statement.

### 3 Extension of Offer Period

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Mount Gibson has varied the terms of its Offer by extending the Offer Period. The Offer is now scheduled to close at 5.00pm (Perth, Western Australia time) on 6 October 2006. A formal Notice of Variation is separately attached.

### 4 Other notices

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Unless the context otherwise requires, terms defined in the Original Bidder's Statement have the same meaning as in this Second Supplementary Bidder's Statement. A copy of this Second Supplementary Bidder's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

Signed for and on behalf of Mount Gibson following a unanimous resolution of its directors.



**Director**

Dated: 18 September 2006

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## Annexure

### FORECAST FOR MOUNT GIBSON

The following information should be read together with the Original Bidder's Statement (in particular, the risks in sections 9.3 and 9.4) and the First Supplementary Bidder's Statement.

#### 1 Background to the Forecast

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The following forecast of the consolidated net profit after tax of the Mount Gibson Group on a stand alone basis for the six month period ending on 31 December 2006 (**Forecast**) has been prepared by Mount Gibson's management and adopted by Mount Gibson's directors under the terms of the undertaking given by it to the Takeovers Panel on 11 September 2006 (**Undertaking**). The Undertaking was given in connection with proceedings brought by Aztec against Mount Gibson in the Takeovers Panel.

The Forecast has been prepared based upon the best estimate assumptions of the Directors in relation to financial and operating parameters affecting the Mount Gibson Group for the six month period ending 31 December 2006. The Forecast is for the Mount Gibson Group on a stand alone basis. It does not reflect the acquisition of Aztec under the Offer, which, if completed prior to 31 December 2006 may have a material impact on the actual consolidated net profit after tax of the Mount Gibson Group. Costs associated with the Offer have not been included in the Forecast.

Inclusion of the Forecast should not be taken as a representation that Mount Gibson believes the Forecast is material to a decision by an Aztec shareholder whether or not to accept the Offer.

Previously, Mount Gibson has provided limited forecast information to the market and its shareholders. However, notwithstanding the publication of this Forecast, it is not Mount Gibson's general intention or policy to provide profit forecasts on a continual basis, nor to update the market on changes in the operational and financial parameters for which certain assumptions have been made in order to prepare the Forecast (as detailed below), except to the extent required by applicable law.

The Forecast, including the assumptions on which it is based, has been prepared by Mount Gibson's management and adopted by its directors. The Forecast has not been externally reviewed or verified.

The financial information on which the Forecast is based has been prepared in accordance with the measurement and recognition criteria required under current Australian equivalents to International Financial Reporting Standards (**AIFRS**). The Forecast is presented in an abbreviated form and does not contain all of the disclosures usually provided in financial statements prepared in accordance with the Corporations Act.

#### 2 Warning regarding reliance on forward looking statements

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This Forecast and its underlying assumptions are, of their nature, forward looking statements. You should be aware that forward looking statements are a prediction only and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Mount Gibson and the members of the Mount Gibson Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets.

In adopting the Forecast and the underlying assumptions, Mount Gibson's directors have drawn their conclusions based on the known facts and other information publicly available. If the facts, circumstances, assumptions or other information should prove to be different to that described, the conclusions may change accordingly and therefore

actual events or results may differ materially from the events or results expressed or implied by the Forecast and the underlying assumptions.

None of the Mount Gibson Group, the officers of the Mount Gibson Group, or any person involved in the preparation of this Second Supplementary Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of the Forecast and its underlying assumptions, or any events or results expressed or implied by the Forecast or its underlying assumptions, except to the extent required by law.

You are cautioned not to place undue reliance on the Forecast or its underlying assumptions. The Forecast and its underlying assumptions reflect views held only as at the date of this Second Supplementary Bidder's Statement.

### 3 Forecast for Mount Gibson

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#### **Forecast**

Based on the assumptions set out below, and subject to the risks described in sections 9.3 and 9.4 of the Original Bidder's Statement and in the First Supplementary Bidder's Statement, the Mount Gibson directors forecast the consolidated net profit after tax of the Mount Gibson Group on a stand alone basis for the six month period ending on 31 December 2006 (**Forecast Period**) to be between \$15 million and \$18 million.

As disclosed in the First Supplementary Bidder's Statement, on 22 August 2006 Mount Gibson completed the sale of its interest in Asia Iron Holdings and the sale proceeds of \$52.5 million are being held in escrow pending receipt of the necessary Environmental Approval for the Extension Hill Magnetite Project by not later than 30 November 2007. If Environmental Approval is received during the Forecast Period this will impact the Mount Gibson Group's consolidated net profit after tax because Mount Gibson will realise a profit on sale. The Forecast range of between \$15 million and \$18 million shown above assumes that the Environmental Approval required to release the \$52.5 million from escrow is not received prior to the end of the Forecast Period.

If the Environmental Approval is received prior to the end of the Forecast Period, based on the assumptions set out below and subject to the risks described in sections 9.3 and 9.4 of the Original Bidder's Statement and in the First Supplementary Bidder's Statement, the Mount Gibson directors forecast the consolidated net profit after tax of the Mount Gibson Group on a stand alone basis for the Forecast Period to be between \$29 million and \$32 million.

The upper limits of the Forecast ranges shown above are based on the assumptions expressed as a range below being at that end of the range shown below which is most favourable to Mount Gibson. The lower limits of the Forecast ranges shown above are based on the assumptions expressed as a range below being at that end of the range shown below which is least favourable to Mount Gibson.

#### **Assumptions**

The Forecast is based on the Mount Gibson directors' best estimate assumptions for the Forecast Period, as set out below:

- Mount Gibson mines between 5.3 million and 5.7 million Bank Cubic Metres of waste at Tallering Peak;
- Mount Gibson mines between 1.8 million and 1.9 million tonnes of ore at Tallering Peak;
- Mount Gibson sells between 1.1 million and 1.3 million tonnes of ore from Tallering Peak;
- The average price Mount Gibson receives per tonne of ore sold is A\$67 based on an average lump / fines split of 63:37 and average grade of 62.7% Fe for lump and 60.4% Fe for fines;
- The US\$ to A\$ exchange rate is US\$0.75 per A\$1.00;

- Mount Gibson's average cost of ore sold is between A\$43 and A\$45 per tonne (including state government royalties of 7.5% on lump ore and 5.625% on fines);
- Mount Gibson's administration and corporate costs are A\$4.3 million; and
- The Australian corporate taxation rate is 30%.

The assumptions referred to above are based on Mount Gibson's actual performance for July and August 2006 and budgeted performance from 1 September to 31 December 2006 for Talling Peak, data on forecast shipping schedules, Mount Gibson production, cost of production and administration and corporate costs for prior periods and Mount Gibson management's reasonable expectation that certain events will occur. The average price received by Mount Gibson per tonne of ore sold is based on Mount Gibson's sales contracts for the Forecast Period. The price under these contracts for the Forecast Period accords with CRU Strategies Limited's forecast iron ore prices for the Forecast Period included in its report which formed Annexure D to the Original Bidder's Statement.

In addition to the specific assumptions set out above, the following assumptions for the Forecast Period have been adopted in preparing the Forecast:

- No changes in AIFRS;
- No changes in Federal, state or local government laws, regulations or policies (including the taxation legislation) in the jurisdictions in which the Mount Gibson Group operates that will have a material impact on the performance or financial position of the Mount Gibson Group;
- No adverse changes in the prevailing economic and political conditions in the jurisdictions in which the Mount Gibson Group operates (including the markets for its ore) which will have a material adverse effect on the Mount Gibson Group;
- No legal actions will be initiated against the Mount Gibson Group which will result in a significant loss to the Mount Gibson Group. In section 9.4(a) of Mount Gibson's Original Bidder's Statement it referred to the fact it received correspondence from lawyers acting for Asia Iron Holdings minority shareholders threatening legal action. As at the date of this Second Supplementary Bidder's Statement, Mount Gibson has not received any further correspondence on this matter;
- No significant disruption to the Mount Gibson Group's operations, including, without limitation that there will be no labour or industrial disputes, nor any disputes affecting the Mount Gibson Group's suppliers or customers, nor any matters which interfere with the Mount Gibson Group's ability to transport ore to and load it at Geraldton Port in accordance with its contracts, that would materially affect the Mount Gibson Group's operations and revenues;
- No material change in the Mount Gibson Group's existing or negotiated contracts, and the parties to those contracts will perform their obligations under those contracts; and
- The Mount Gibson Group will collect accounts receivable in a timely manner.

### **Risks to the Forecast**

While all reasonable care has been taken in preparing the Forecast, the actual results achieved during the Forecast Period may differ materially from those in the Forecast.

As disclosed in sections 9.3 and 9.4 of the Original Bidder's Statement and the First Supplementary Bidder's Statement, Mount Gibson's business is subject to a variety of risks which increase the uncertainty associated with the Forecast. You should refer to the discussion of risks in those documents.

The Forecast assumes that Mount Gibson is able to successfully implement its strategy for Talling Peak, including its preliminary life of mine plan. Whilst the Mount Gibson directors believe such an assumption is reasonable for the Forecast Period, no assurance can be given that this will be the case.

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**Mount Gibson Iron Limited ACN 008 670 817**  
**Company notice – subsection 650D(1) Corporations Act 2001 (Cth)**  
**Notice of variation – extension of offer period**

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**To:** Australian Securities and Investments Commission (**ASIC**);  
Aztec Resources Limited ACN 078 548 562 (**Aztec**); and  
Each person to whom offers were made under the takeover bid referred to in this notice.

**Extension of Offer**

Mount Gibson Iron Limited (**Mount Gibson**) gives notice under section 650D(1) of the Corporations Act 2001 (Cth) that:

1. it varies its takeover offer dated 28 August 2006 (**Offer**) for all of the fully paid ordinary shares in the capital of Aztec, including those issued during the offer period which is contained in its bidder's statement dated 11 August 2006 (**Bidder's Statement**) by extending the period during which the Offer will remain open so that the Offer will now close at 5.00pm (Perth, Western Australia time) on 6 October 2006; and
2. the Offer is varied by:
  - (a) replacing "29 September 2006" with "6 October 2006" in section 12.2(a) of the Bidder's Statement; and
  - (b) replacing "21 September 2006" with "28 September 2006" in section 12.12 of the Bidder's Statement.

**Lodgement with ASIC**

A copy of this notice was lodged with ASIC on 18 September 2006. ASIC takes no responsibility for the contents of this notice.

Date: 18 September 2006

Signed for and on behalf of Mount Gibson pursuant to a resolution passed by the directors of Mount Gibson



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Luke Tonkin  
Director



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Alan Rule  
Director