



Aztec Resources Limited
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Dear Aztec Shareholder

SHAREHOLDER UPDATE – REVISED RECOMMENDATION

The Board of Aztec Resources Limited (Aztec) has revised its recommendation in relation to the takeover offer from Mount Gibson Iron Limited (Mount Gibson).

Having seen Mount Gibson's ownership in Aztec increase to 54.14% and after considering recent developments, on balance, the Aztec board believes that shareholders should accept Mount Gibson's offer. It is noted that, while the current market price of Aztec shares is less than the implied price under the Mount Gibson offer, shareholders can elect to sell their shares on market while the offer remains open after having regard to their individual circumstances.

Aztec directors have previously recommended to Aztec shareholders that they should reject the Mount Gibson offer based on a number of factors which are set out in Aztec's Target's Statement and Supplementary Target's Statements. However, based on Mount Gibson's current level of ownership and changes in a number of circumstances surrounding the bid, Aztec directors have considered the benefits and risks to Aztec shareholders of remaining a minority shareholder in Aztec as compared to the benefits and risks of accepting Mount Gibson's offer or selling on market while the bid remains open.

Changed circumstances of which Aztec shareholders should be aware include the following:

- Following the acquisition of shares in Mount Gibson by Shanghai Merchants Holdings Limited and Metalloinvest at \$0.85 per share and \$0.90 per share respectively, Mount Gibson's share price has increased such that the effective value of its offer to Aztec shareholders equates to 28.6 cents per share, based on the prior five day weighted average share price of Mount Gibson, as opposed to 26.3 cents per share when the offer was announced;
- On the basis of its current level of shareholding, Mount Gibson is in a position to appoint and remove directors from the Aztec board and therefore dictate the future strategy of your company;
- In recent discussions with Mount Gibson, the following update has been provided in respect of Mount Gibson's operations:
 - The operations at Talling Peak achieved record ore production in the September 2006 quarter and Mount Gibson expects to achieve record ore shipments for the December 2006 quarter, equivalent to an annual shipping rate of 3 million tonnes per annum;



- The feasibility study for the development of the Extension Hill hematite project is on track for completion by 31 December 2006; and
- Mount Gibson has entered into a further agreement with Sinom Investments Limited (Sinom) relating to the \$52.5 million sale of its and Mount Gibson Mining Limited's 73% interest in Asia Iron Holdings Limited. Under the agreement, Sinom has agreed to immediately release to Mount Gibson the first \$40 million being held in escrow, with the balance of \$12.5 million to be released to Mount Gibson by no later than 31 May 2007. As a result of this agreement, the 30 November 2007 deadline for obtaining environmental approval is removed and Sinom will no longer be entitled to terminate the original agreement and return the sale shares if the environmental deadline is not met.
- During the course of the offer, Aztec directors have pursued various initiatives to improve shareholder value, including seeking rival bids and exploring alternative transactions with third parties. These initiatives have not resulted in an alternative proposal being put forward to Aztec shareholders.
- The Mount Gibson offer has been declared final as to price and free of all defeating conditions.

In reaching their decision to revise their recommendation, the directors of Aztec were also cognisant of:

- Capital gains tax rollover relief will be available for qualifying shareholders if Mount Gibson achieves acceptances for over 80% of shares on issue;
- The level of Mount Gibson's final shareholding in Aztec will most likely result in a fall in the liquidity of Aztec shares given the likelihood of reduced trading volumes which may in turn lead to a possible fall in the Aztec share price; and
- If Mount Gibson acquires 100% ownership of Aztec, any benefits of the merged group, as set out in the Mount Gibson Bidder's Statement, will be available to Aztec shareholders who receive Mount Gibson shares pursuant to the offer.

In addition, it has been agreed with Mount Gibson, that if Mount Gibson receives 90% or greater acceptances to its offer, Mr Ian Burston, the current Aztec Chairman, and Mr Peter Bilbe, Aztec's managing director, will be invited to join the Mount Gibson board.

During the period prior to the closing of the Mount Gibson offer the existing Aztec board members will remain in place. It has been agreed that Mr Burston will step down as non-executive Chairman of Aztec, to be replaced in that capacity by Mr Arnett, currently a non-executive director of Aztec, but Mr Burston will remain as a non-executive director. In addition, it has been agreed that Luke Tonkin, Alan Rule and Craig Readhead, current directors of Mount Gibson, will also be appointed to the Aztec board within the next week giving the board a total of seven directors.

The directors of Aztec who hold shares in the company intend to accept the offer for those shares.



Aztec shareholders should be aware that the Mount Gibson offer is currently scheduled to close at 5pm on Wednesday, 6 December 2006.

Should you have any questions, please do not hesitate to contact the company on the Aztec Shareholder Information Line.

Yours sincerely

A handwritten signature in black ink, appearing to read "Ian Burston".

Ian Burston
Chairman

For further information please contact:

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Aztec Shareholder Information Line

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