aztec
Aztec Resources Limited
ABN 45 078 548 562

Suite 4, Level 5, South Shore Piazza
85 The Esplanade, South Perth
Western Australia 6151
T: +61 8 9423 0800
F: +61 8 9423 0801
W: www.aztecresources.com.au
E: azr@aztecresources.com.au
Australian Stock Exchange Code: AZR

ASX Release

29 August 2006

Aztec Newsletter – Koolan Times

The attached Newsletter will be sent to shareholders on Tuesday 29 August 2006.

For further information contact:

Aztec Shareholder Information Line

Australian Callers 1800 602 244
International Callers: +61 8 6218 4220

Media Enquiries

Purple Communications
Warrick Hazeldine
+61 8 9485 1254
Mob: +61 (0) 417 944 616
E: whazeldine@purplecom.com.au

Visit: www.aztecresources.com.au and join Aztec's e-list.

About Aztec Resources Limited

The Koolan Island Iron Ore Project has a resource of 53 million tonnes of high quality iron ore. Forecast annual production will grow to four million tonnes per annum. Aztec has signed Memoranda of Understandings with Japanese and Chinese customers covering total sales of four million tonnes per annum, for a mine life of nine years. Further exploration drilling is expected to provide potential upside for the project.

In 2000, Aztec was granted an exploration lease of the previously BHP-owned and operated Koolan Island Project, located 130 kilometres north of Derby off the West Australian Kimberley coast. Koolan Island previously produced 68 million tonnes of high grade (67%Fe) and low impurity iron ore.

Koolan Times

www.aztecresources.com.au

The Official Newsletter for Employees, Shareholders and Associates of Aztec Resources Limited.

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28 August 2006

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Dear Shareholder

MOUNT GIBSON TAKEOVER UPDATE - TAKE NO ACTION

As you will be aware, Mount Gibson Iron Limited (**Mount Gibson**) announced an unsolicited and conditional takeover offer for Aztec Resources Limited (ASX and AIM code: AZR) (**Aztec**) on 24 July 2006. Mount Gibson sent a copy of its Bidder's Statement to Aztec on 11 August 2006.

Aztec Directors believe the Bidder's Statement is deficient in a number of areas and have commenced proceedings in the Takeovers Panel (**Panel**), a forum to resolve issues arising in a takeover.

The Panel proceedings are related to issues including, but not limited to:

- the possible merger of Mount Gibson and Gindalbie Metals Limited; and
- providing adequate disclosure in relation to certain production and financial information about Mount Gibson.

The Aztec Board will at all times continue to act in the best interests of shareholders and strive to ensure that Mount Gibson provides an appropriate level of disclosure to Aztec shareholders.

Despite the Panel proceedings, Mount Gibson commenced dispatch of its Bidder's Statement to Aztec shareholders today, 28 August, 2006. In doing so, Mount Gibson accepted any risk that the Panel would require further disclosure.

As a result, if the Panel finds the Bidder's Statement to be deficient, it may order Mount Gibson to make additional disclosure by way of a Supplementary or a Replacement Bidder's Statement. The Panel may also make orders concerning the timetable for Mount Gibson's bid.

Consequently, Aztec shareholders should be alert for further advice as to the outcome of the Panel's proceedings and should **DISREGARD THE MOUNT GIBSON BIDDER'S STATEMENT** until the outcome of the Panel proceedings is announced.

The Aztec Board is also assessing the Bidder's Statement received from Mount Gibson and will issue a detailed response in Aztec's Target's Statement in due course.

In the meantime, Aztec shareholders are advised to **TAKE NO ACTION** in respect of Mount Gibson's unsolicited offer.

Your Directors will undertake to keep you fully infomed in relation to all aspects of the takeover offer from Mount Gibson. A dedicated toll free line for telephone enquiries for **Australian Callers 1800 602 244 and International Callers +61 8 6218 4220** has been established for Aztec shareholders. In addition, Aztec has published a section on its website (**www.aztecresources.com.au**) dedicated to the Mount Gibson Bid response.

Yours Sincerely

Aztec Resources Limited

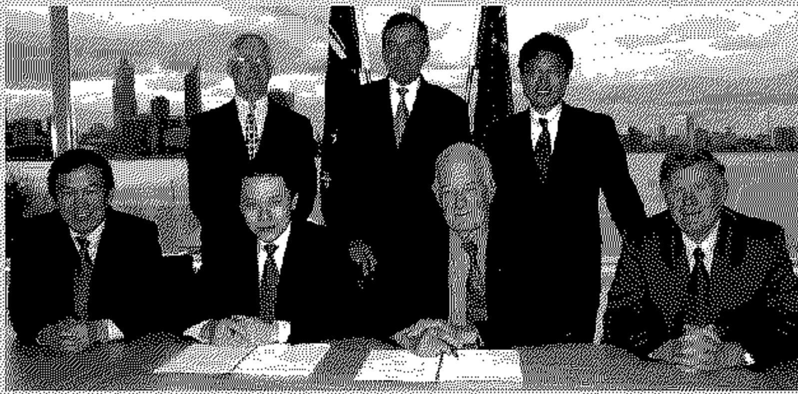
Ian Burston AM
Chairman

Aztec Chairman Ian Burston.

This newsletter was released to the Australian Stock Exchange on 28th August 2006.

aztec Quality | Capability | Reality

CITIC sales success


Aztec and CITIC at the sales contract signing ceremony.

Aztec has signed its first sales contract with CITIC Group, one of China's largest state-owned enterprises, based in Beijing. The long-term sales contract was signed by CITIC Australia Commodity Trading Pty Ltd, the operating subsidiary of CITIC Australia Trading Limited (ASX code: CAL).

The agreement allows CITIC to buy 1.5 million tonnes of ore per year when Koolan Island is producing at its planned production rate of four million tonnes of ore per year. At a production rate of less than four million tonnes per annum, sales are prorated. This will continue for the life of the mine or 15 years, whichever is less.

As one of China's largest state-owned enterprises, CITIC has significant demand for iron ore from its activities in industrial investments, financial businesses and international trade. CITIC Group's current assets exceed US$100 billion.

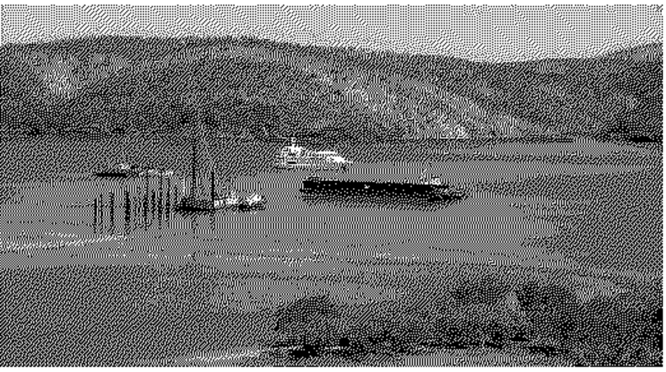
CITIC Australia Trading Limited Chairman Mr Chen Zeng said CITIC was happy to be the first to secure a long-term agreement to buy Aztec Resources' iron ore.

"The average grade of Koolan Island iron ore at over 64% iron is attractive to the Chinese market, and we are pleased to be the first to conclude a long-term sales contract with Aztec. We also wish to acknowledge the professional approach from Aztec's management in concluding these important negotiations and enhancing the great relationship between CITIC and Aztec," Mr Zeng said.

Chairman Ian Burston said the first sales contract was a significant milestone in the rebirth of Koolan Island.

"CITIC Resources Australia has been a strategic shareholder in Aztec from the earliest stages of the Koolan Island iron ore project. This support has culminated in the signing of Aztec's first long term sales contract and represents an important step in the development of Australia's next iron ore mine," Mr Burston said.

Construction on track


Almost 50% of the jetty piling is complete.

Construction is moving ahead as planned for the rebirth of Koolan Island, with production on track to commence by the end of 2006 and the first shipment in early 2007.

Work is progressing on schedule for the jetty and ship loader. Almost half of the piles for the approach jetty, maintenance platform and ship loader supports have been driven. In September, installation of the first sections of deck steel for the jetty will commence.

Clearing and earthworks for the industrial area are nearing completion. During August, earthworks for the stockpiles and concrete foundations for the crushing station were completed, and permanent workshop facilities established.

The accommodation village for 220 employees is making excellent progress, with 60% of the units in place.

Also, during August, the movement of materials and equipment by barge from Derby has been handled efficiently, with this vital activity set to intensify during September and October.

Meet the Management


Aztec Marketing Manager Tom Wang.

Tom Wang been employed by Aztec for more than 12 months as the Marketing Manager. Tom was previously the sales and marketing manager for Midwest Corporation Limited, where he formulated and executed a program that led to sales of approximately US$40 million per annum. Tom has strong contacts and networks in China, developed during his 15 years working in the Chinese market with leading Chinese, Australian and international companies.

Warren Gilhome has retired as Aztec's General Manager Marketing, but will continue to provide consultancy services to Aztec as required.

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Stock Exchange Listings
Australian Stock Exchange Limited
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Alternative Investment Market
London Stock Exchange, London
AIM Code: AZR

Takeover Offer
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Toll Free Australia 1800 602 244
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