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Dear Security Holder

UNSOLICITED TAKEOVER OFFER FROM GGG RESOURCES PLC

On 14 March 2011, Auzex Resources Ltd ("Auzex") received an unsolicited and highly conditional proposed takeover offer from GGG Resources plc ("GGG"), which your Board considers grossly inadequate and opportunistic.

The offer consideration is seven (7) GGG shares for every five (5) Auzex shares, contingent upon a large number of conditions including a minimum acceptance threshold of 50.1% of Auzex's fully paid ordinary shares, no material adverse changes affecting the business of Auzex, no material acquisitions, disposals or new commitments and other regulatory and statutory conditions.

Your Board has reviewed the proposed offer and **unanimously recommends that shareholders TAKE NO ACTION and DO NOT ACCEPT the proposed offer.**

Your Board is confident that the only solution for both Auzex and GGG shareholders is an Australian domiciled and ASX listed entity driven by the same Board and management team that identified the Bullabulling Gold Project, developed it into the potential world class asset that it is today and at the same time, generated a substantial value uplift for all stakeholders in the project. This view was shared by GGG directors prior to the hostile and unsolicited bid for your Company who now believe that a remote control style operation is the most appropriate vehicle for the continued development.

As you are aware we have significant experience in identifying, developing and operating gold mines in the Australasian region and are better placed to continue the excellent work that we have achieved to date at Bullabulling. Our strategy is to continue the fast track development of Bullabulling.

The GGG proposal is opportunistic and deeply flawed and introduces considerable risk without any redeeming features for shareholders or the project. What is certain, however, is that this proposal

is a distraction for the Company and most likely will cause a delay to development of Bullabulling. By bidding for Auzex at such a critical stage in the development of the key asset of both companies and not consulting the Auzex Board or its major shareholders indicates that the GGG Board may not be acting in the best interests of advancing the project, its shareholders or Auzex shareholders.

Our detailed analysis of the proposed offer and the reasons for this recommendation will be in our Target's Statement, which will be sent to all shareholders shortly after we have received GGG's Bidder's Statement.

The main reasons why the Board recommends that you REJECT GGG's proposed offer are as follows:

- ***(Auzex's experience)*** *Auzex continues to provide the day-to-day operational management of the project, including preparation and implementation of all programs and budgets and the direct employment and management of all consultants and contractors.*
- ***(Creates uncertainty about development of Bullabulling)*** *GGG cannot identify who would be responsible for the development of Bullabulling and fails to acknowledge the experience and substantial operating track record of the Auzex Board. This introduces an unnecessary serious risk to Bullabulling.*
- ***(Risk of unknown GGG management team)*** *The GGG promise of appointing a new Australian based team is highly risky and completely unwarranted, as we have the technical and operational experience and the history of building and running gold mines.*
- ***(GGG's rationale for the proposed offer is flawed)*** *GGG's pretext for its hostile bid appears to be the criticism that Auzex is not progressing quickly enough with the development of Bullabulling and that, if successful, the proposed offer will enable GGG to take control of the project and manage it better than Auzex. That rationale is flawed. For operational and technical reasons, Auzex rejects this criticism and considers its exploration program appropriate and consistent with the intended fast track development of Bullabulling. Auzex believes that GGG's criticism is disingenuous because it has never supported its position with any feasible alternative.*
- ***(GGG has placed the near-term development at considerable risk)*** *GGG's hostile proposed offer is a distraction for both Auzex and GGG and will potentially cause delays to the development of Bullabulling.*
- ***(GGG Boards ambition to control is flawed)*** *GGG has placed its ambition to control Bullabulling above the development of the project and what is in the best interest for both shareholders. The most obvious outcome for both shareholders is by way of a pre-agreed*

merger which would deliver immediate benefits and be completed in a short time frame. The current course of action of GGG Resources is likely to drag on for many months and at great cost to both companies and with no certainty of an outcome.

- ***(Potential adverse tax consequences)*** *There are potentially significant adverse tax implications if Auzex Shareholders accept the proposed offer including lack of capital gains tax (CGT) rollover relief (if GGG does not secure more than 80% acceptances) and inability to claim future franking credits.*
- ***(GGG has not fully disclosed its intentions)*** *Based on the minimum acceptance condition of at least 50.1% of Auzex shares, in its current form the proposed offer will fail to secure 100% of Auzex because the Directors intend to REJECT THE BID. GGG has not disclosed its intentions if it only achieves majority ownership of Auzex.*
- ***(Proposed offer undervalues Auzex)*** *The proposed offer materially undervalues Auzex and its prospects and does not recognise the value of Auzex's quality portfolio of "non Bullabulling exploration assets" which we believe have the potential to create significant additional value for Auzex shareholders.*
- ***(Share ratio is unfair)*** *Under the proposed offer, Auzex shareholders would receive less than 50% of the combined GGG/AZX entity despite contributing more than 50% of the asset value.*
- ***(Proposed offer is opportunistic and does not contain an adequate premium)*** *The proposed offer was opportunistically timed and does not provide an adequate premium for Auzex shareholders. Over the last 6 months, the share prices of both companies have traded at a discount and premium to each other. When it announced its proposed offer on 14 March 2011, GGG claimed that the proposed consideration represented a 39.3% premium to the closing Auzex share price on 11 March 2011. By 28 March 2011, the proposed offer consideration had shrunk to a premium of merely 2.9% to Auzex's closing share price.*

A concern with the GGG's proposed offer is the hostile manner in which it has been presented to the Auzex Board and its shareholders and the incorrect statements that were included within it. We have always provided an open and honest line of communication with the GGG Board while rapidly developing Bullabulling and adding substantial value to GGG.

We have on numerous occasions offered the opportunity for sensible discussions for an agreed friendly merger of our two companies.

Auzex's position is that if GGG wishes to consolidate the ownership and management of Bullabulling, ASX listed Auzex should be the parent company and GGG should immediately

commence discussions to implement a recommended merger with Auzex, as originally agreed in June 2010.

Auzex considers that the combined merged entity should be located in Australia (not the UK) and subject to the regulatory, financial and tax regime where the asset is located. The most appropriate listing for both Australian and UK shareholders of the consolidated entity is the ASX due its high level of integrity and international reputation, and because there are benefits associated with being considered a 'recognised' stock exchange by the UK taxation authorities.

Auzex would also support a secondary listing on AIM to provide UK investors the opportunity to trade on their local exchange and to provide their retail investors the opportunity to take advantage of their local tax free investment mechanisms such as Individual Savings Accounts. This approach has always been seen as a logical progression for the Bullabulling Gold Project and we have consistently offered GGG the opportunity to progress with a merger on a friendly and agreed basis.

The next step in the process is that GGG will send you a Bidder's Statement outlining its bid, its conditions and procedures. The Auzex Board's unanimous recommendation to shareholders is that you TAKE NO ACTION and DO NOT ACCEPT the offer contained in this Bidder's Statement.

Auzex will then send you a Target Statement in response to this document, setting out our detailed analysis of the bid and the Board's reasons.

The offer will remain open (unless modified or extended) for at least one month after you receive the Bidder's Statement. The precise closing date of the offer will be specified in the Bidder's Statement you receive in the mail. NO ACTION is required of you at this stage.

If you have any queries, please call the Auzex shareholder information line; to access this service, please dial (02) 8256 3388 (within Australia) or 1800 356 563 (outside Australia). Alternatively feel free to contact our Managing Director, John Lawton, on +617 3333 2722.

Yours faithfully



Chris Baker
Chairman