ASX ANNOUNCEMENT

DRAFT

20th February 2012

Drilling and Metallurgical Update for La Negra Project

Red Gum Resources Limited (ASX: RGX, "Red Gum" or "the "Company") announces it has successfully completed the first three drill holes for a total 657.98 metres, as part of its first phase diamond drilling program at its La Negra polymetallic (Zinc-Lead-Copper-Gold-Silver) Project in northern Chile.

HIGHLIGHTS

- **Three drill holes completed for a total of 657.98 metres**
- **Drilling of the fourth hole in the program has commenced**
- **First assay results expected March 2012**
- **Core Sampling and drilling activities advancing on schedule**

Managing Director Paul Pearson commented, "As promised to our shareholders prior to our IPO, Red Gum has hit the ground running, having already completed the first three diamond drill holes at La Negra and the program is proceeding as planned.

"The first month in any maiden drilling program like that at La Negra, primarily focuses on the operators gaining a better understanding of the various technical and logistical issues specific to the project. We are pleased to report that our dedicated field team and contractors have made rapid progress during this time and we are expecting to increase overall core penetration rates as the second month unfolds."

"Sampling of the core is now underway at our field facility, located in Combarbalá, with samples being sent to preparation and analytical facilities in nearby La Serena. The information collated from each drill hole is being integrated into the database and Red Gum will continue to update shareholders as the campaign and data analyses progress. Cores are being sampled not only for geochemistry but also as part of an ongoing metallurgical assessment by consultants Promet101. Early results suggest that oxides may be a subordinate portion of the overall mineral assemblage and personnel from Promet 101 will be visiting the project site on 21st February to review and revise metallurgical sampling protocols.

The Company looks forward to potentially extending the program subject to assay results due in March-April 2012"

Drilling is being carried out by the Chilean subsidiary of Energold Drilling Corp., a Canadian-listed international drilling company.

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About the La Negra Project

The La Negra Lead-Zinc-Silver (Copper-Gold) Project is located within Region IV in Chile, approximately 360 kilometres NNE of the capital, Santiago and approximately 10 kilometres ENE of the mining town of Combarbalá (Refer attached figure). The Project is located in a highly prospective segment of the Chilean mountain chain that hosts very large porphyry- and iron oxide-style copper-gold deposits such as Andacollo, El Espino and Los Pelambres. Red Gum has an option to acquire 100% in the La Negra property which comprises 11 separate mining and exploration concessions, totalling approximately 2,600 hectares.

The La Negra property has a long exploitation history, dating back to colonial times, of sourcing high grade lead-zinc-silver material. Modern day geochemical sampling verified the surface and subsurface continuity of high metal grades (zinc, lead, silver, copper, gold) over significant widths within the old workings.

Previous surface geochemistry defined a strong northerly trending ("principal") zinc-lead anomaly, 1200 metre long x 400 metre wide, broadly corresponding with outcropping tourmaline-bearing hydrothermal breccias that host the old workings. Strong silver, copper and gold values are concentrated in the soils of the northern segment of this principal anomaly. These, and other geochemical anomalies, are underlain by large chargeability anomalies defined in the geophysics that extend in excess of 250 metres vertical depth. Importantly there had been no drilling previously undertaken at this site.

Competent Persons Statement

The information in this document that relates to Exploration Targets is based on information compiled by Dr Paul Pearson, who is Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pearson is the Managing Director of Red Gum Resources Limited.

Dr Pearson has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr Pearson consents to the inclusion in this document of the matters based on his information in the form and context in which it appears and verifies that it is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Exploration Results, Mineral Resources and/or Ore Reserves.

ENDS

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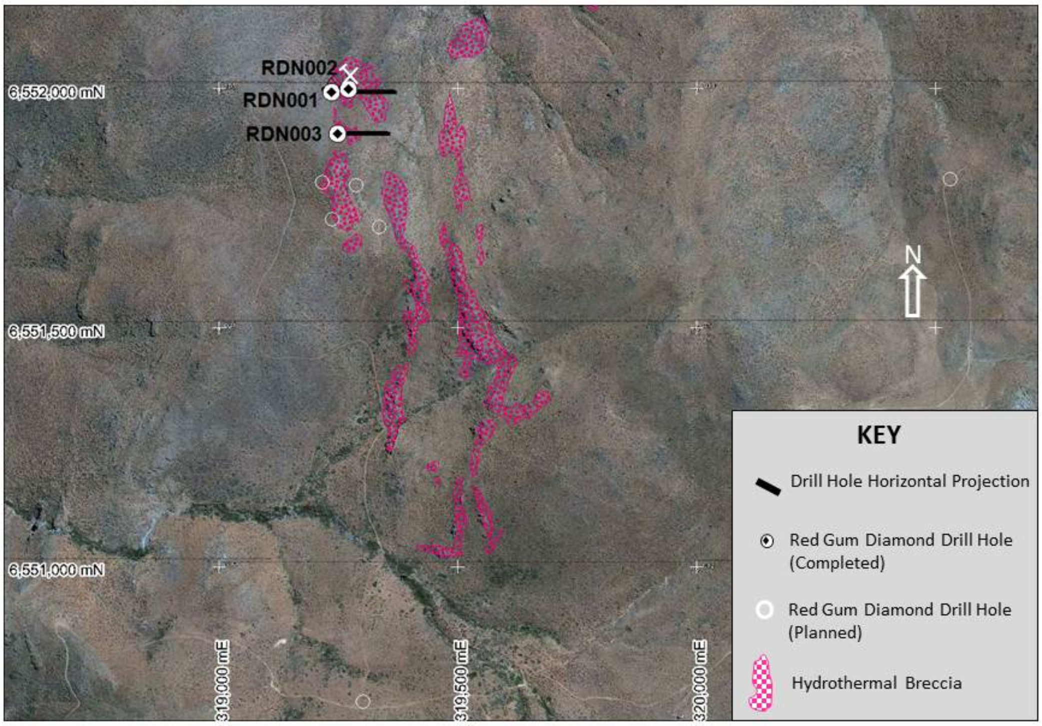
LA NEGRA PROJECT, CHILE

DIAMOND DRILL HOLE LOCATION MAP



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