



ASX ANNOUNCEMENT

22nd March 2012

High Metal Grades Encountered in Maiden Drillhole at La Negra, Chile

Red Gum Resources Limited (ASX: RGX, "Red Gum" or "the "Company") is pleased to update the market on its La Negra drilling program, where an emerging discovery of strong polymetallic mineralisation has been made in RDN-001, the Company's first drillhole.

HIGHLIGHTS

- Maiden hole drilled RDN-001 confirms mineralisation in intervals assaying up to 10.45% Zinc and up 56g/t Silver,
- Extends zone of high metal grades from surface, to significant depth, where it is still open in all directions
- Good correlation between sulphides encountered and chargeability from geophysics
- Assay results for holes RDN-002 to RDN-005 to come; all holes drilled to date have encountered visual base metal sulphide mineralisation
- Broad widths of mineralisation encountered; integration with geophysics (chargeability) confirms the potential for more mineralisation along a strike length of some 1200m

Managing Director Paul Pearson commented, "We are excited to be able to announce to our shareholders that our maiden hole has resulted in a very promising result. Intersecting visible sulphide mineralisation is not always directly correlative with good assay results, but in this case the assay results have confirmed broad widths of disseminated polymetallic mineralisation, the extension of high grade metal zones seen at surface (and in old workings), to a significant depth where they remain open. The strong correlation between sulphides and chargeability (from 3D IP data), suggests that what we see on the geophysical images could be a volumetrically extensive zone of sulphide mineralisation. We have started drilling on the extreme northern end of the 1km+ hydrothermal breccia system, and the associated chargeability anomalies appear to strengthen towards the south. With these quantitative data, we are now becoming increasingly optimistic on the prospectivity of La Negra. Although these are still early days, we believe there is a good chance that the upcoming holes could continue to confirm that the Company has discovered a significant new metal system in the central Chilean pre-cordilleran arc."

Red Gum Resources Ltd

Level 7, Ferrari House,
28-30 Grenfell St,
Adelaide SA 5000

p +61 8 8212 5724
f +61 8 8212 2230

www.redgumresources.com
ACN 119 641 986



The Company has received assay results from the Company's maiden drillhole, hole RDN-001, drilled at La Negra during January of 2012.. These assay results confirm that a base metal mineralised system, containing potentially significant Zinc, Lead, Silver and variable Copper values, has been intersected by hole RDN-001.

A summary of significant intersections is shown in Table 1.

Drill Hole	From (m)	To (m)	Width (m)	Zn (%)	Pb (%)	Cu (%)	Ag (g/t)
RDN-001	25.00	50.00	25.0	2.40	0.71	0.23	20.28
including	25.00	26.00	1.0	5.35	2.26	0.09	15.20
including	32.00	34.00	2.0	7.22	1.32	0.45	30.25
including	37.00	38.00	1.0	10.45	0.14	0.23	10.00
RDN-001	52.00	76.00	24.0	0.36	0.33	0.03	10.38
including	56.00	58.00	2.0	0.62	2.02	0.15	55.55

Table 1- Weighted average grades of major metallic constituents of La Negra intersected in RDN-001

Drill Hole	utmE	utmN	RL (m)	Azimuth (°)	Dip (°)	Depth (m)	Assays
RDN-001	319235	6551992	1959	90	-60	266.22	Received
RDN-002	319271	6551999	1955	270	-70	150.65	Pending
RDN-003	319248	6551906	2002	91	-65	241.11	Pending
RDN-004	319216	6551804	2025	90	-60	215.62	Pending
RDN-005	319331	6551704	2018	90	-60	250.25	Pending

Table 2- Collar data for first five holes drilled to date at La Negra

LA NEGRA PROJECT, CHILE DIAMOND DRILL HOLE LOCATION MAP

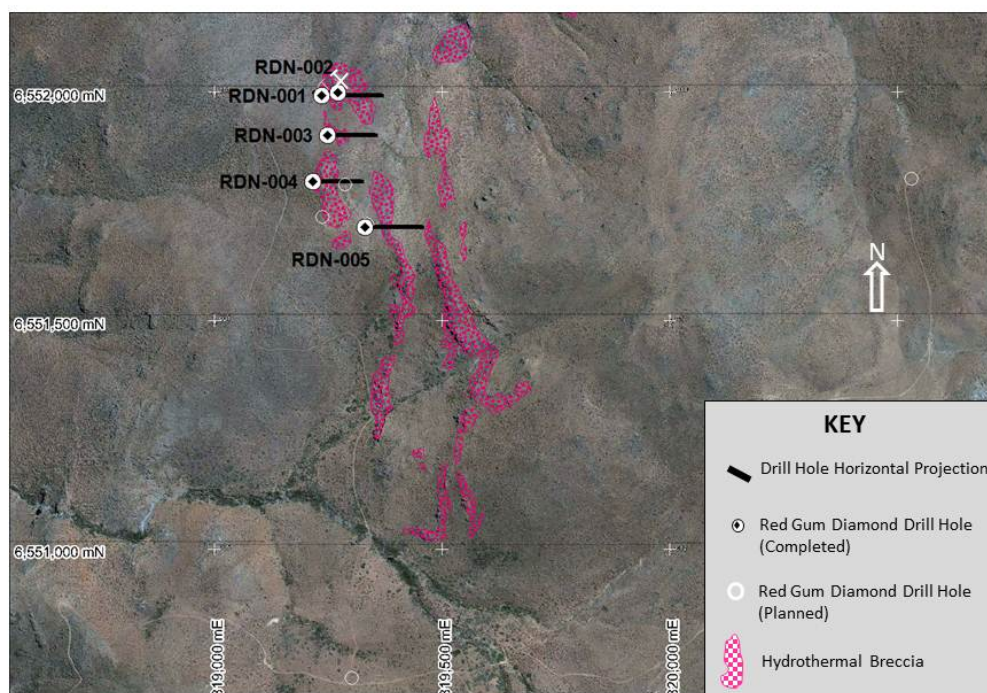


Figure 1 - Location map of the first 5 drillholes relative to the target hydrothermal breccia exposed at surface.

Systematic drilling of the hydrothermal breccia targetted at La Negra is the focus of the current initial program being undertaken by the Company..

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Figures 2 & 3 below show the relationship between drillhole trajectory, visual sulphides (in pink) and chargeability (from IP data). Figure 3 in particular gives a strong point of reference to the drilling underway at present, the relative strength of the chargeability along strike, the width and the overall continuity of the same.

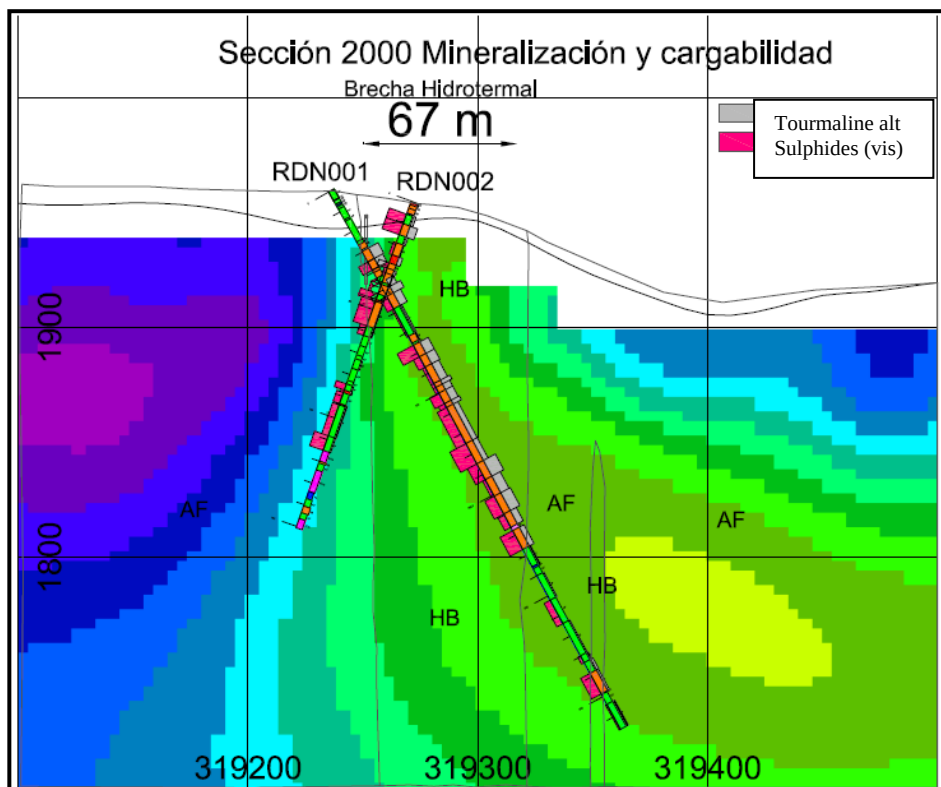


Figure 2- Cross section showing the relationship between tourmaline alteration, visual sulphides from the drill logging and chargeability (warm colours are higher chargeability).

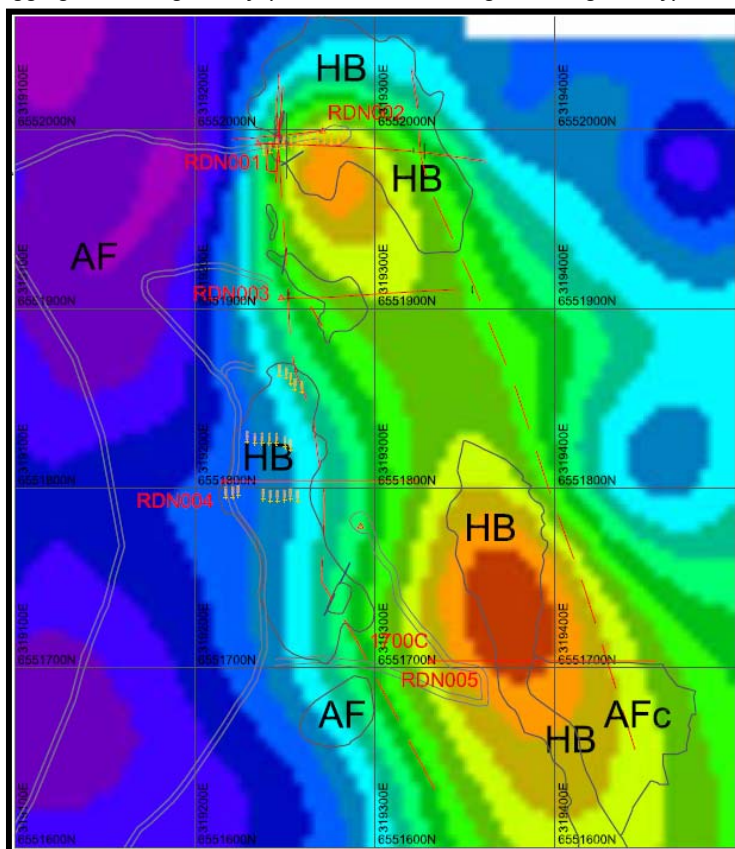


Figure 3 - Plan view of chargeability highs in warm colours, and the locations of drillholes 1-5 in the current program.

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ENDS

For Further information please contact:

Paul Pearson, Managing Director

+ 61 8 8212 5724

Victoria Thomas, Six Degrees Investor Relations

+61 3 9674 0347

About 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. Red Gum has an option to acquire 100% in the property, which comprises 11 separate mining and exploration concessions totaling approximately 2,600 hectares.

The La Negra property has a long 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.

The potential quantity and grade of the exploration target is conceptual in nature. To date there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in the determination of a Mineral Resource.

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.

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