Red Gum Resources Limited
Operations Report for the Third Quarter - 1 January 2012 to 31 March 2012.

HIGHLIGHTS

- **LISTING** - Red Gum Resources Limited ("the Company", 'Red Gum") successfully listed on the ASX on 17 January 2012 (ASX code: RGX), after raising $4,003,564.
- **DRILLING PROGRAM COMMENCED -** On the same day, the Company initiated a 3,500 metre first phase drill program at the La Negra Project in Chile, to evaluate the economic potential at depth of near surface high grade Lead-Zinc-Silver mineralisation exposed in old workings. Some 1,384.65 metres were drilled in six drillholes at La Negra during the quarter.
- **FIRST DRILLING RESULTS** - Maiden hole drilled at La Negra confirmed mineralisation in intervals assaying up to 10.45% Zinc and up 56g/t Silver, with broad widths (tens of metres) of disseminated mineralisation. Visual base sulphide mineralisation has been observed in all six holes.
- **FIRST METALLURGICAL RESULTS** - Metallurgical evaluation of sulphide samples from maiden diamond drill core RDN-001 initiated. Preliminary metallurgical evaluation of ten surface oxide samples from La Negra by Promet101 completed. Very encouraging metal values (lead, zinc, copper, gold, silver) reported in some samples.
- **PERUVIAN PROGRAM EXPEDITED** - Peruvian surface exploration brought forward for the Cerro Huancash and Chongos projects. Local technical staff contracted and 3D digital compilation of all existing exploration data is well underway.

CORPORATE ACTIVITIES

The Reporting Period (1 January 2012 to 31 March 2012) has been a seminal period for the Company with the successful completion of its Initial Public Offering ("IPO") and listing on the Australian Stock Exchange (ASX: RGX) on 17 January 2012 following the raising of $4,003,563 represented by the issue of 20,017,818 fully paid ordinary shares at an issue price of $0.20 per share. Total number of quoted shares at the time of issue was 37,962,318 (excluding 36,766,409 escrowed stock). Since that date a total of 530,682 shares have been released from escrow and the total quoted shares as at the end of the Reporting Period is 38,493,000 (see below).

On 20 February 2012 the Company's home exchange was moved from Perth to Sydney.

CAPITAL

During the Reporting Period:

The Company had the following securities on issue at 31 March 2012:

	Number
Ordinary shares[1]	74,728,727
Unquoted stock options on issue	4,000,000

[1] Includes 36,235,727 of escrowed ordinary.

On 13 January 2012, the Company was admitted to the Official List of ASX Pty Limited and Official Quotation commenced on 17 January 2012. The Company had 37,962,318 ordinary fully paid shares quoted on the ASX and 36,766,409 escrowed ordinary shares at the date of Listing. Since that date 530,682 shares have been released from escrow.

OPERATIONAL ACTIVITIES - CHILE

Operational activities at La Negra during the Reporting Period can be broken down into a number of components:

- **Logistics**

Red Gum successfully negotiated a two year land access agreement with the local community. The Company has also assembled a field team and regional operations office based at Combarbala, led by geologist and project manager, Mr.Miguel Huarachi. Initial field activities have focussed on renovation of the access roads and geological mapping and geochemical sampling. In addition, various logistical aspects have been successfully resolved, including water sources, core cutting and storage facilities, assay laboratories as a precursor to mobilising the drilling contractor.

- **Field Geological Mapping**

Field mapping during the Report Period has confirmed the presence of a strongly leached and altered breccia that is between 250 m to 450 m in width over a strike length greater than 1,200 m. Further visible zones of alteration indicate the potential for even more extensive distribution. Exposed oxides of Zinc, Lead and Copper oxides on the surface and underground are found in tourmaline breccia, which is strongly limonitized. The black copper oxides and carbonates are visible with a variety of Zinc and lead oxides and carbonates. Some sulphide minerals (sphalerite, covelite, chalcocite and minor chalcopyrite; galena, pyrite and others) are visibly present in the oxidised and leached zones which are estimated to be about 40 m to 80 m deep. Disseminated mineralisation (malachite, cuprite, bornite) is found in the altered porphyritic tonalite which also hosts a splay breccia system, to the east of the main exploration target.

- **Geochemical Sampling**

As announced to the ASX on the 3 February 2012, surface geochemical sampling completed by Red Gum during the Reporting Period confirmed positive gold and silver values from the hydrothermal breccias at La Negra. The work confirmed the presence of a 600 x 200 metre gold-silver soil geochemistry anomaly defined in the north of the multi-element principal target area. Strong gold and silver anomalies were identified in adjacent outcrops of the hydrothermal breccias, with surface rock chip values up to 4.39 g/t gold and 105 g/t silver. Continuous channel sampling yielded up to 28 metres @ 0.42 g/t gold and 8.5 g/t silver (including 8 metres @ 0.97 g/t gold and 17.1 g/t silver)

- **Drilling Program**

As announced to the ASX on 17 January 2012 Red Gum has commenced drilling at La Negra Project. The drill program consists of a minimum 3,500 metre first phase program to evaluate the economic potential at depth of near-surface high grade Lead-Zinc-Silver (Copper-Gold) mineralisation exposed in old colonial era workings. The initial part of the drill program is being carried out by the Chilean subsidiary of Energold Drilling Corp., a Canadian-listed international drilling company. Drilling is designed to test targets within both base/precious metals-bearing tourmaline breccia structure and potential porphyry target suggested by the induced polarization survey data.

Red Gum plans to drill a minimum of eight deep (250-450 metres) diamond drill holes angled to the east and west and collared along the principal hydrothermal breccia. These holes are specifically designed to test the strike extent and width of the mineralised zone down to an approximate vertical depth of 400 metres, at 100-150 metre intervals along the strike of the principal breccia. In addition, the Company will drill at least one hole of minimum 450 metres depth to test for the possible existence of a deeper porphyry system inferred from geophysical interpretation.

Some 1,384.65 metres were drilled in six diamond drillholes during the Reporting Period. All holes drilled to date have encountered visual base metal sulphide mineralization. **As announced to the ASX on 22 March 2012, Red Gum has received preliminary assay results from its first bore hole** (RDN-001) **at La Negra.** The maiden hole confirmed mineralisation in intervals assaying up to 10.45% Zinc and up 56g/t Silver, with broad widths (tens of metres) of mineralisation. 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.

These first results extend the zone of high metal grades from surface to significant depth, where the mineralisation is still open in all directions. There appears to be good correlation between sulphides encountered and the chargeability values from geophysical survey; integration with the chargeability confirmed the potential for more mineralisation along a strike length of some 1200mA summary of significant intersections for RDN-001 is shown in Table 1 below.

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 (^{0})	Dip (^{0})	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 drill holes completed at La Negra during the Reporting Period.

- **Metallurgical Studies**

In addition, and as announced to the ASX on 3 February 2012 preliminary metallurgical evaluation of ten surface oxide samples from La Negra by Promet101 was completed. These contained some very encouraging metal values (lead, zinc, copper, gold, silver) in some samples.

Visible sulphides have been intersected in all six drillholes completed to date and the zone of oxide mineralization would appear to be volumetrically subordinate. Consequently, the Company retained Promet101 to complete preliminary metallurgical evaluation of sulphide-bearing intervals in diamond drillhole RDN-001 during the period. Preliminary results are expected towards the end of June 2012.

- **Purchase Option**

Previously the Company had purchased an option to acquire 100% of the La Negra Project through its wholly owned Chilean subsidiary. As at the date of this Report option costs of $557,393 (USD $520,000) have been paid and the final payment, totalling $465,593 (USD $500,000), is due by 30 June 2012.

OPERATIONAL ACTIVITIES - PERU

During the Reporting Period preliminary discussions were held with the local community in Cerro Huancash in order to gain their approval to undertake exploration works on their lands. Field staff, including an experienced field geologist have been contracted in preparation of the geological and geochemical survey. In addition a 3D Digital compilation of all existing exploration data was undertaken. Fugro Ground Geophysics has been retained to execute a ground magnetics survey, due to commence as soon as social licence with the local community has been obtained.

FUTURE ACTIVITIES

Drilling at La Negra in Chile will be on-going during the next reporting period and, subsequent to the end of the Reporting Period, Red Gum has contracted the services of H.S.B. Sondajes, a local Chilean drilling contractor, to complete the remaining 2,000 metres of the Phase 1 diamond drilling program. A near-new truck mounted Explorer 1500D diamond rig has been mobilised to site. The Company believes that the Explorer 1500D will deliver both a high penetration rate and has the capacity to drill deeper in this critical second half of the Phase 1 drilling program, which includes a minimum of two deeper holes of 500 metres.

The start-up of Cerro Huancash surface exploration in Peru has been brought forward and is expected to commence in April-May 2012.

About the La Negra Project

La Negra is situated 10 km outside of the old mining town of Combarbala, some 160 km southeast of La Serena, a large shipping town in Region IV of Chile. La Negra is easily accessible with the Pan American Highway nearby running to La Serena and access to the property is via a good set of roads with the last 6 km of road suitable for 4 x 4 vehicles. With proximity to Combarbala, infrastructure in the area is good. The average elevation of La Negra is approximately 2,000 m above sea level and the semi-desert conditions makes for moderate weather year round. La Negra hosts a mineral exploration target in the range of 10 Mt to 70 Mt (polymetallic Zinc, Lead,Copper, Silver and Gold ore). Previous work on the project, by a third party, has generated extensive geochemistry and 3D induced polarisation geophysical datasets which have formed the basis for the present exploration program.

La Negra was acquired as a ready to drill project in an attractive highly mineralised region, nearby to large multinationals such as Vale.

The La Negra mineralisation is hosted in a tourmaline/hydrothermal breccia system comprising a potentially bulk mineable unit. The system strikes north N-S within a regional system which hosts several strongly mineralised polymetallic brecciated bodies along at least 40 km of strike. The La Negra tourmaline breccia is one – or two, of these in close tandem.

About the Cerro Huancash Project

The Cerro Huancash Project covers an area of 575.6 hectares and is a zinc-lead-silver exploration project. Cerro Huancash is located approximately 100km northeast of Lima and is accessible year round. While limited exploration has been conducted over Cerro Huancash, previous exploration in the area surrounding Cerro Huancash has identified a zone, of approximately 8 km length, reporting very strong zinc, copper, lead, silver and gold anomalies. Previous exploration in the Cerro Huancash area revealed frequent occurrences of iron-stained gossans and mineralised float containing banded zinc sulphides along this trend. The Cerro Huancash claim covers over 3 km of this highly prospective trend and given its close proximity to major mining operations at Morococha and Casapalca, this mineralised trend has been heavily targeted by companies. Based on previous work done by Teck Cominco and Pasminco, the trend contains very strong zinc, copper, lead, silver and gold anomalies, predominantly along the faulted contact between Tertiary volcanics and Cretaceous limestones of the Jumasha Formation (a unit which hosts large ore deposits in the region including the giant Antamina Copper-Zinc deposit with reported mineable reserves 745 million tonnes @ 1.06% Copper, 0.67% Zinc, 0.64% Lead, 11.7 g/t Silver and 0.026% Molybdenum).

As disclosed in the Independent Expert's Report included within the Company's IPO Prospectus issued in November 2011, historical surface geochemical sampling by Pasminco reported up to 15.8% Zinc, 9.8% Lead and 459 ppm Silver to the west of the central side of the Cerro Huancash claim. Only four samples were taken towards the southern end of and within the claim area and reported up to 2,779 ppm Zinc, 1,957 ppm Lead and 11 ppm Silver. Teck Cominco in 2001 reportedly drilled at least four diamond drill holes along the trend to the north of the concession, intersecting intervals of high grade Zinc- Lead-Copper-Silver sulphides hosted within skarn–altered limestones.

More recently, Pan American Silver has reportedly conducted drilling of the mineralised trend immediately to the north of the Cerro Huancash claim. Red Gum is also aware that Pan American Silver recently completed a transaction with a private company, Southern Peaks Mining, involving the ‘Ariana’ tenements, which are adjacent to Cerro Huancash. The Company believes that this transaction has positive implications for the prospectivity of the area exclusively controlled by Red Gum.

Appendix 5B

FINANCIAL

Reconciliation of expenditure
This is the third quarter report for Red Gum Resources Limited for the year ending 30 June 2012.

Exploration and evaluation
The estimated exploration and evaluation expenditure cash flows amounted to $600,000, actual expenditure amounted to $304,000. The decrease is a combination of slower than expected rate of drilling progress and to the payment of the drilling costs being delayed until the next quarter.

Administration
The estimated administration expenditure cash flows projected for this quarter amounted to $400,000; actual expenditure amounted to $463,000, including share issue costs of $289,000. The increase in administration expenditure is due to increased professional fees than expected in the quarter.

Cash at the end of the quarter
Cash at 31 March 2012 was $3,609,186.

Attached is the Appendix 5B Consolidated Statement of Cash Flows for the period from 1 January 2012 to 31 March 2012.

Paul Pearson (Managing Director) ....
BSc (Hons), PhD, University of QLD, Fellow of AusIMM

The information prepared on operations in this report relating to mineral exploration activities has been prepared by Paul Pearson who has significant experience 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". Paul Pearson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

RED GUM RESOURCES LIMITED

ABN	Quarter ended ("current quarter")
ABN 66 119 641 986	31 MARCH 2012

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (9 months) $A'000
1.1	Receipts from product sales and related debtors –sale of project	-	-
1.2	Payments for (a) exploration & evaluation	(304)	(609)
	(b) development	-	-
	(c) production	-	-
	(d) administration	(174)	(371)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	37	51
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(441)	(929)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	(4)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	(4)
1.13	Total operating and investing cash flows (carried forward)	(441)	(933)

		Current quarter $A'000	Year to date (9months) $A'000
1.13	Total operating and investing cash flows (brought forward)	(441)	(933)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	4,772
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material) Share Issue Costs	(289)	(571)
	Net financing cash flows	(289)	4,201
	Net increase (decrease) in cash held	(730)	3,268
1.20	Cash at beginning of quarter/year to date	4,339	341
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	**Cash at end of quarter**	3,609	3,609

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	71
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Cash payment in respect of directors' gross remuneration and fees.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	Nil	Nil
3.2	Credit stand by arrangements	Nil	Nil

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Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	(600)
4.2	Development	-
4.3	Production	-
4.4	Administration	(200)
	Total	**(800)**

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	3,609	4,339
5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	**3,609**	**4,339**

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	n/a			
6.2	Interests in mining tenements acquired or increased	n/a			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities***(description)*	Nil	Nil		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	Nil	Nil		
7.3	**+Ordinary securities**	**74,728,727** Includes 36,235,727 escrowed shares	**38,493,000**		
7.4	Changes during quarter (a) Increases through Escrow release (b) Decreases through returns of capital, buy-backs	 - Nil	 530,682 Nil		
7.5	**+Convertible debt securities** *(description)*	Nil	Nil		
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	Nil	Nil		

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.7	**Options**(*description and conversion factor)*	1,000,000 1,000,000 1,000,000 1,000,000 **4,000,000**	Nil Nil Nil NIl Total	*Exercise price* $0.25 $0.30 or $0.35 $0.35 or $0.40 $0.40 or $0.60	*Expiry date* 25/11/2014 25/11/2016 25/11/2017 25/11/2018
7.8	Issued during quarter	Nil	Nil		
7.9	Exercised during quarter	Nil	Nil		
7.10	Expired during quarter	Nil	Nil		
7.11	**Debentures** *(totals only)*	Nil	Nil		
7.12	**Unsecured notes** *(totals only)*	Nil	Nil		

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does give a true and fair view of the matters disclosed.

Mr Malcolm Lucas Smith (Company secretary) ....

Date: 30 April 2012

Notes

1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.

3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.

4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows*apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.