ASX ANNOUNCEMENT

2 July 2012

Exercise of La Negra Option

Red Gum Resources Limited (ASX: RGX, "Red Gum" or "the "Company") is pleased to announce it is exercising the La Negra option to take 100% ownership of the property.

HIGHLIGHTS

- **Most holes drilled to date have encountered significant thicknesses of visual mineralisation, within a well defined zone of the La Negra property**
- **Base and precious metal mineralization of potential economic interest now demonstrated over at least 400 metres in a north-south direction; open to the south and downdip**
- **Geochemical results expected to be received continuously over the next three months as the laboratory catches up on its backlog**
- **Chargeability anomaly confirmed as a good first-pass guide to locating sulphide mineralization**
- **Exercise of Option requires final US$500,000 payment, which will now be made**
- **Rig to be demobilised early to await the full results of holes drilled to date, with a contingent option agreed upon to bring it back after receiving the complete geochemical dataset**

The widely-spaced drilling demonstrates that broad intervals of disseminated base and precious metal mineralization are present at least 400 metres to the south of where high grade zinc, lead and silver results were previously reported from the historic high grade workings.

In line with previous guidance, the Company is turning its focus to Peru, where field programs in and around Cerro Huancash are underway. Additionally, a number of interesting and exciting opportunities have been presented to the Company which are being evaluated by the board.

Managing Director Paul Pearson commented "La Negra has delivered a discovery in the maiden drilling program and has revealed a number of very interesting zones to follow up on. Ultimately the quality and continuity of the results has convinced the board that it is appropriate to exercise the option and formally stake our 100% claim to this asset. We have chosen to demobilise the rig in deference to the lag time in receiving assays versus drilling.

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When we have a complete dataset we retain the option to remobilise to the site. The information gathered has allowed Red Gum to 'open up' the region with an exciting exploration model and additional opportunities are being vetted which augment our plans for expansion in Chile. ”

*****ENDS*****

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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.

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 and Member of the Australian Institute of Geoscientists. 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 his supporting documentation relating to Exploration Results, Mineral Resources and/or Ore Reserves.

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