13 May 2013

Dear Shareholder

Red Gum Resources Limited - pro-rata renounceable rights issue

As announced on 6 May 2013, Red Gum Resources Limited (ACN (119 641 986)) (**Company**) is undertaking a 1 for 2 pro rata renounceable rights issue (**Rights Issue** or **Offer**) of approximately 37,489,364 fully paid ordinary shares (**New Share**) at an issue price of $0.03 cents per Share (**Issue Price**), to raise up to approximately $1.125 million. The Offer will include one free attaching unquoted short dated option exercisable at 7 cents and expiring on 15 November 2013 for every two New Shares issued and one free attaching quoted long dated option exercisable at 10 cents and expiring on 1 March 2016 for every two New Shares issued.

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 9 May 2013.

The Offer is fully underwritten by DJ Carmichael Pty Ltd (**Underwriter**). The Company must pay the Underwriter a management and underwriting fee of 5.5% of the total amount raised pursuant to the Offer. In addition, the Company must pay the Underwriter a corporate advisory fee of $60,000 for its services in managing the issue and reimburse the Underwriter for costs incidental to the Offer. The Company has also agreed to issue 5,000,000 Options to the Underwriter as the broker. As part of the Offer, the Company will be required to issue up to 37,489,364 Options to sub-underwriters engaged by the Underwriter.

The funds raised will be used primarily towards funding the Company's exploration program, including geophysical surveys and an initial round of drilling in the Majada Project area located in Region IV of Chile.

The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 7:00pm (AEST) on 20 May 2013, whose registered address is in Australia or New Zealand.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

Following completion of the Offer, the Company will have issued approximately 37,489,364 New Shares resulting in total Shares on issue of approximately 112,468,091.

A copy of the Prospectus is available on ASX's and the Company's website. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 22 May 2013. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

For the purposes of calculating each Eligible Shareholders' entitlement, fractions of entitlements have been rounded up to the nearest whole number of New Shares.

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take:

- You may take up all or some of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlements**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Ltd (**Share Registry**) by no later than 5pm (ACST) on 5 June 2013, by either completing and returning your Entitlement and Acceptance Form together with your application money or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.

- You may seek to sell all or some of your Entitlements on ASX. You can seek to sell your Entitlements on ASX from 14 May 2013 until the close of market on 29 May 2013. To sell any of your Entitlements you need to contact your broker as soon as possible.

- You may transfer all or some of your Entitlements to another person other than on ASX. To transfer all or some of your Entitlements you will either need to contact your CHESS Controlling Participant (usually your broker) and follow their instructions or complete a renunciation and transfer form (which can be obtained from Share Registry) and return it, together with the purchaser's cheque for the Entitlements they wish to take up so that it is received by the Share Registry by no later than 5pm (ACST) on 5 June 2013.

- You may do nothing. If you choose to do nothing with your Entitlements, while you will continue to hold the same number of Shares, your interest in the Company will be diluted and you will receive no value for your Entitlement.

Key dates for the Offer

Event	Proposed Date
Lodgement of Prospectus with ASIC	9 May 2013
Lodgement of Prospectus with ASX	9 May 2013
Notification sent to option holders who are unable to participate	9 May 2013
Notification sent to security holders	13 May 2013
Existing shares quoted on an 'ex' basis Rights start trading	14 May 2013
Record date	20 May 2013
Despatch of Rights Issue Documents to Eligible Shareholders Offer Period Opens	22 May 2013
Rights stop trading	29 May 2013
Shares quoted on a deferred basis	30 May 2013
Offer Period Closes	5 June 2013
Notification of under-subscriptions to ASX (if any)	7 June 2013

Expected date of despatch of holdings statements for New Shares	13 June 2013
Commencement of trading of New Shares on ASX	14 June 2013

If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Shares, please contact your financial adviser or Malcolm Lucas-Smith, Red Gum Resource Limited's Company Secretary, on +61 0418 366 532.

Yours sincerely

Malcolm Lucas-Smith
Company Secretary