2013

Red Gum Resources Limited
Annual Report 2013
ACN: 119 641 986

CONTENTS

ACTIVITY HIGHLIGHTS

- Red Gum Resources is located in prime position in world class Chilean Iron Ore Copper Gold Belt.
- Strong exploration results in both Chilean and Peruvian projects during the Reporting Period.
- New Copper-Silver-Gold discovery at Majada West and Copper-Gold-Silver-Molybdenum discovery at Majada East.
- Higher than average copper grades intersected by drilling at Majada West – included intercepts of up to 18 m wide grading 0.67% Cu with higher grade intervals up to 3 m wide grading 1.72% Cu. At Majada East intercepts of up to 7 m grade at 1.37% Cu, 0.19 g/t Au, 2.5 g/t Ag, and 139 ppm Mo (including an interval of 1.15 m grading 5.54% Cu, 0.67 g/t Au, 10.5 g/t Ag, and 47 ppm Mo).
- Maiden polymetallic discovery at La Negra Project. Assays include a 40m intersection assaying 2.94% Zn, 1.55% Pb, and 20.2 g/t Ag.
- Cerro Huancash Project (Peru) – prospectivity significantly enhanced with new geological and geophysical surveys confirming the Project is traversed by the prospective “Ariana Corridor”.
- Appointment of new executive and non-executive directors.
- Successful completion of a fully underwritten Renounceable Rights Issue in May 2013.
- Company is actively pursuing negotiations with third parties for exploration JV, funding and development opportunities.

Red Gum Resources Limited (ASX: RGX) was founded on the principles of a balanced growth portfolio.

RGX has assembled a high quality and diversified portfolio of assets in Chile and Peru.

The Company strives for first mover advantage using state of the art exploration techniques.

Chairman's letter

Dear Shareholders

As the Chairman of the Board of Directors it is a pleasure to present to you the Company's Annual Report for the year ended 30 June 2013.

This year has been one of mixed fortunes for your Company. On the one hand we have had outstanding exploration results. The prospectivity potential of Cerro Huancash in Peru has been significantly enhanced, following geological and geophysical field work. Assay results from La Negra, following last year's drilling campaign, confirmed it as our maiden polymetallic discovery, and of course, elsewhere in Region IV of Chile, we identified, negotiated and explored, within an exceptionally short time frame, the Majada Project – which now has resulted in a new copper-silver-gold discovery.

On the other hand, and opposed to all of these achievements, we have experienced a contemporaneous, gradual weakening of our share price. Unfortunately this seems to be the "new black"; a regime in which micro-capped miners have found themselves, post GFC. I can assure you that there is nothing more sobering to a junior mining company board than to see an essentially negative response by the market to the release of "good drilling results".

Accordingly, we have in turn responded by implementing a number of measures designed to facilitate your Company's next growth stages. We are putting in place appropriate counter measures to mitigate the persistent lacklustre market conditions; to provide sustainability and bolster our profile so that you, our shareholders, will receive the wealth growth you expect and deserve.

The year has also seen some changes in the board composition, with the departure of Dr Paul Pearson, the appointment of Jennifer Tobin, as Non-Executive Director, and myself taking on the role of Executive Chairman. I would like to express my gratitude to Paul for his contributions during what were the formative stages of your Company's publicly listed life. Likewise, I would like to thank my other fellow directors, Torey Marshall and Jennifer Tobin – who in her short time has already made valuable contributions. Our Company Secretary, Mal Lucas-Smith, and Chief Financial Officer, Vicky Allinson, have both put in an exceptional performance this past financial year.

Our technical output also directly reflects the calibre of the group of employees and contractors we have based in both Chile and Peru. On behalf of the Board I want to publicly express our appreciation for their various contributions, and particularly that of Miguel Huarachi who, as our project chief running operations from our regional office in Combarbalá, has fostered an excellent local team which is very focused on success.

In summation, we have in the past year demonstrated our technical ability to identify prospective assets and make new discoveries via well-run operations both in Peru and Chile. We are implementing strategies to address the current difficult market conditions and drive shareholder growth.

Yours faithfully,

Dr Raymond D Shaw
Executive Chairman

DIRECTORS' REPORT

Your directors present their report, together with the financial report on Red Gum Resources Limited ("Company") for the financial year ended 30 June 2013.

Current directors

The names of each person who has been a director during the year and to the date of this report are:

Dr Raymond Shaw – Executive Chairman
(Appointed on 11 May 2006)

Dr Raymond Shaw is a geologist and geophysicist with more than 30 years' experience in the resources and energy sectors including the oil, gas and coal industries. He has worked extensively throughout Australia and Asia in the private sector and has consulted extensively to industry, government, and international aid agencies on a variety of resource projects including the World Bank, Asia Development Bank and Ausaid. He was a part time consultant with the New South Wales Department of Mineral Resources for 7 years, providing input for petroleum exploration industry initiatives during the late 1990′s and early 2000's, and he was also a director of Hillgrove Gold Limited in the early 1990's.

Dr Shaw was founding Managing Director of Great Artesian Oil and Gas Limited and subsequently Managing Director of Bandanna Energy Limited, from 2008 until 2012. From 2010 until 2012 he was also a director of Wiggins Island Coal Export Terminal Stage 1 at Gladstone involved in the $3 billion development of a new 27 Mtpa coal export terminal.

Dr Shaw is a founding director of Red Gum Resources Limited and became Executive Director and Chairman of Red Gum in 2013. He is also a director and Chairman of ASX listed Rampart Energy Ltd (ASX: RTD).

Ray Shaw holds a B.Sc. (Hon) and Ph.D. from the University of Sydney and a Dip Law (SAB) and is a Member of the Australasian Institute of Mining and Metallurgy and Member of the American Society of Petroleum Geologists.

Mr Torey Marshall – Non-Executive Director
(Appointed on 16 June 2007)

Mr Marshall has broad based geotechnical experience having been involved in mining, petroleum and geothermal sectors for some ten years. In addition to his directorship in Red Gum, he is the Managing Director of ASX listed Rampart Energy Ltd (ASX: RTD); and a Non-Executive Director of African Power and Coal Pty Ltd.

His initial experience was gained in the mining sector, working on various contract roles as a mineral exploration geologist. From 2002 until 2005 he was a geologist with the Northern Territory Geological Survey, based in Darwin. During that time he was responsible for a wide range of mineral and petroleum related projects and gained good working knowledge of the Northern Territory geology including the Amadeus Basin. From 2005 until 2008 he was a senior explorationist with Great Artesian Oil and Gas Limited. Since that time Mr Marshall has been consulting to both domestic and international companies on a range of aspects from prospect reviews to exploration and development strategies and corporate plays.

Mr Marshall holds a B.Sc. (Hons) and M.Sc. in Geology from the University of South Australia. He is a Chartered Professional Geologist of the Australasian Institute of Mining and Metallurgy, a member of both the Geological Society of Australia and American Association of Petroleum Geologists.

Ms Jennifer Tobin – Non-Executive Director
(Appointed on 14 June 2013)

Ms Tobin is a partner with the law firm Minter Ellison, having 20 years' experience in corporate law and mining, oil and gas law. Her specialities are in corporate law (mergers and acquisitions, corporate governance, ASX compliance, IPOs and other capital raisings, risk management and general commercial matters) and mining, oil and gas law.

Her corporate experience includes a broad range of commercial and resource projects, including advising on major projects, international transactions and foreign investment, capital raisings, and acquisition of companies and businesses. Ms Tobin has also been a director of a number of public companies and is well acquainted with corporate governance issues.

In 2013, she was selected as one of Australia's 'Best Lawyers' for Corporate/Governance and Oil & Gas.

Ms Tobin holds LL.B and B.A. degrees from the University of Adelaide, and is a member of AICD, the Corporations Committee of the Business Law Section of the Law Council of Australia and the SA Branch of the Resources and Energy Law Association (AMPLA).

DIRECTORS' REPORT

Current directors (continued)

Dr Paul Pearson – Managing Director (Appointed on 1 July 2011, resigned 5 June 2013)

Dr Paul Pearson has 30 years industry experience working with major (Mount Isa Mines, North Ltd., Teck Cominco) and junior (El Misti Gold, Alturas Minerals) exploration groups within Australasia and in Latin America.

He has been involved in the evaluation of numerous gold and base metals exploration projects in Peru, Mexico, Chile, Argentina, Brazil, Bolivia and Ecuador. From 2004 to 2010 he participated in the founding, financing, listing and operation of Alturas Minerals Corp., a Toronto- and Lima-listed junior exploration company and in 2011 was acting as a principal consultant in Peruvian project generation for AusQuest Ltd., an ASX-listed junior exploration company.

Paul Pearson holds a B.Sc. (Hons) and Ph.D. from Queensland University and is a Fellow of the AusIMM.

Company secretary

Mr Malcolm Lucas-Smith was appointed Company Secretary of Red Gum Resources Limited on 1 February 2008. He has over 40 years' experience in finance, executive and non-executive management, property development, corporate secretarial and administrative services. Mr Lucas-Smith spent 12 years with State Bank of New South Wales and 18 years with the property finance and the property joint venture division of Australian Guarantee Corporation Limited (AGC), at that time a listed subsidiary of Westpac Bank. In September 1987 Mr Lucas-Smith formed his own corporate services business and has since worked within, and consulted to, the corporate sector often assisting new start-ups and existing operations proposing to list on the ASX. He has also provided local representative and registered office services for offshore entities.

He is currently also the Company Secretary of Rampart Energy Ltd (ASX: RTD).

Meeting of directors

During the financial year, 11 meetings of directors were held. Attendance by each director during the year is as follows:

	Directors' meetings	
	No. eligible to attend	No. attended
Dr Raymond Shaw	11	11
Dr Paul Pearson	11	11
Mr Torey Marshall	11	11
Ms Jennifer Tobin	-	-

Given the size of the board and the Company, the board does not consider that separate committees are required; this matter will be reviewed by the board on a regular basis.

Operating results

The net comprehensive loss of the Company for the financial year ended 30 June 2013 was $828,740 (2012: $504,906).

During the year $1,380,940 (2012: $2,279,878) of project expenditure was capitalised and $121,143 (2012: $20,392) of local administrative expenditure was expensed as incurred.

The Company did keep all its projects in good standing with all regulatory authorities as appropriate in Peru and Chile. The majority of the capitalised project costs relate to Majada $825,701, La Negra $360,433 and Cerro Huancash $143,683.

Below are details of the principal project areas and activities conducted by the Company during the Reporting Period.

Red Gum Resources is located in a prime position in the world class Chilean Iron-Ore Copper Gold Belt.

Proximity to key infrastructure, mining services and skills base plus a mining friendly community provide a competitive mix.

OPERATIONS

CHILE

Operationally, during the Reporting Period, the Company's focus was on the exploration of its new Majada Copper-Gold Project, located about 35 km northwest of Red Gum's regional office at Combarbalá. Additionally, reporting of analyses continued in the earlier part of the Financial Year following the successful drilling program at La Negra, located some 10 km east of Combarbalá.

During the Reporting Period……. At Majada

- **Identified and successfully negotiated an option over a number of privately held concessions covering a prospective, but undrilled, mineralised shear boundary trend in Region IV of Chile – Majada Project area.**
- **Accelerated program — from negotiation to geophysical acquisition, inaugural drilling and a new mineralisation discoveries at Majada within 8 months!**
  - **Agreement reached with concession holders to acquire an option to purchase the Majada Project in November 2012.**
  - **Negotiated coincident surface access agreements with local land owners and community groups within the Majada Project area.**
  - **Comprehensive geophysical and detailed geological mapping undertaken in Majada during March and April 2013.**
  - **HSB Sondajes contracted in May to July 2013 to undertake an 11 hole, approximately 1500 m, diamond drill core program at Majada.**
  - **Drill assays confirmed a new Copper-Gold-Silver (Cu-Au-Ag) discovery at Majada West and Copper-Gold-Silver-Molybdenum (Cu-Au-Ag-Mo) discovery at Majada East.**
  - **Drilling confirms West Majada mineralised shear zone extends for at least 800 metres along strike, is approximately 15 metres thick and has a down-dip width of at least 150 metres. Mineralised target zone remains open in all directions.**
  - **Copper grades at Majada West are up to 18 m wide grading 0.67% including higher grade intervals up to 3 m wide grading 1.72%. At Majada East intercepts of up to 7 m grade 1.37% Cu, 0.19 g/t Au, 2.5 g/t Ag, and 139 ppm Mo.**
- **The Majada discoveries provide impetus to the Company's new tenement applications, and form part of a strategic platform of growth in this region.**

The Majada Project encompasses two separate Copper-Gold mineralisation trends, totalling over 5 km in length. Both are located within an established IOCG Belt of northern Chile, approximately 120 kilometres south of La Serena in Region IV. The project area consists of 587 hectares of third party exploitation mineral claims, distributed over two geographically separated areas; Majada Este (East) and Majada Oeste (West). As outlined in November 2012, Red Gum negotiated a right to earn a 100% interest in the nine claims comprising the Majada Project. Under the terms of the Option Agreements, Red Gum will have the right to earn a 100% interest in the nine claims, by making staged, six monthly, option payments totalling 679.5 million Chilean pesos (~A$ 1.44 mil as at November 2012) to the owners over a 3 year period. The Majada Project lies close to two significant discoveries – Manuelito and San Lorenzo. Majada is proximal to both power and road infra-structure and lies at relatively low altitude (~600 m) and is thus not impacted by adverse weather windows.

DIRECTORS' REPORT

Following agreement with the concession, and coincident surface right, holders Red Gum contracted the Chilean subsidiary of the Canadian based geophysical company Quantec to undertake induced polarisation and magnetic surveys. Conducted between the 18th March and 6th April 2013, 23 traverses of IP and resistivity, for a total of 25.4 km, were acquired. Additionally, between the 15th and 22nd of March 2013 Quantec also conducted a high resolution ground magnetic survey covering 87.86 linear km along 58 traverses. The objectives of these surveys were to map the magnetic, resistive and chargeable features related to mineralization, alteration, faults and lithology associated with a surface identified mineralisation system.

Following receipt of the geophysical results in late April and May 2013 the Company entered into negotiations with freehold owners and community groups in order to secure surface access rights for drill rigs. At the same time it contracted HSB Sondajes to undertake a nominal 1500 m fully cored drilling program at Majada. Drilling commenced in May 2013. A total of 11 holes, ranging between 100 m and 200 m total depth, were drilled to test the mineralisation at a number of sites – near artisanal workings and/or geophysical anomalies delineated during the Quantec surveys. Visual inspection indicated that oxides and sulphides had been intersected in most bore holes and initial interpretation was that it represented typical Iron Ore Copper Gold (IOCG) style in an oxide to sulphide transition zone. First assay results for the initial drill holes were received and announced to the ASX during July 2013.

The 11 drill site locations were selected in order to provide an overall "proof of concept" of a regional model of mineralisation and thus confirm key parameters which control regional mineral-charged fluid flow, in order to predict other areas of prospective mineral resources. Field mapping indicated that sulphide mineralisation (including bornite and chalcopyrite) is hosted in porphyritic pandesites, volcanoclastics, and alternation zones adjacent to granodiorite intrusives, as well as within fractured shear boundaries such as at Majada West.

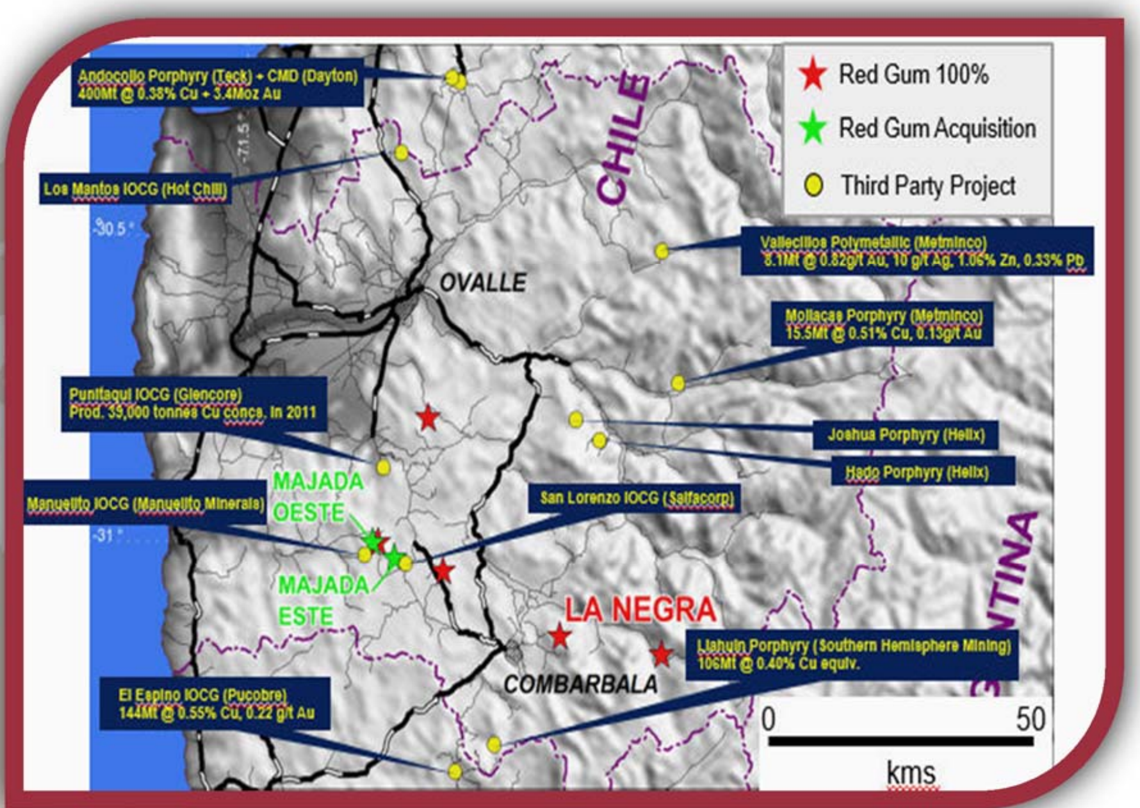
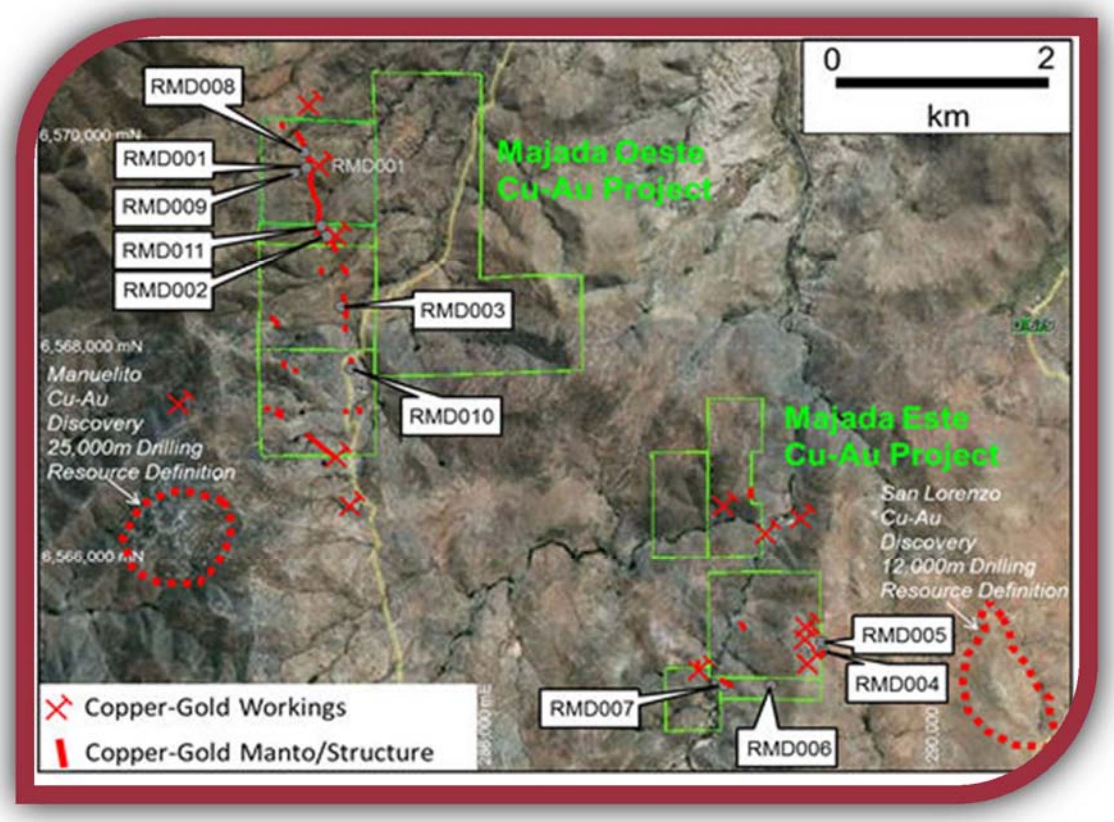


Figure 1 - Location of key projects in Region IV, Chile.

DIRECTORS' REPORT

At Majada West Red Gum's geological mapping defined a NNW-SSE striking (Figures 2 & 3), moderately west-dipping shear zone structure over 3.0 kilometres long and +500 metres wide. Drill results, released in July and August 2013, showed that the copper-silver-gold mineralised target zone reported intercepts up to 18 m wide grading 0.67% copper (including higher grade intervals up to 3 m wide grading 1.72% Cu, 22.7 g/t Silver and 0.04 g/t Gold) in RMD 001 and 002 (Table 1).

A consistent mineralisation style, involving a westerly dipping zone, was delineated by drill holes RMD 008 and RMD 009. This zone up to 13 m true thickness grading 0.69% Copper, including higher grade intervals of up to 4 m wide, grading 1.33% Copper, 0.18 g/t Gold and 16.9 g/t Silver (Table 1). A summary of key drill results for Majada West is included in Figure 3. At Majada East a 7 m wide interval grading 1.37% Copper was intersected in RMD-007, including a 1.15 m interval with grades of 5.54% Copper. Mineralisation here appears also to be associated with adjacent intrusive granodiorite, but interestingly the molybdenum values are significantly higher than those in at Majada West (Table 1).



Hole	From (m)	To (m)	Width (m)	Cu (%)	Ag (g/t)	Au (g/t)	Mo (ppm)
RMD-008	**7.9**	**10.0**	**2.10**	**0.87**	**2.60**	**0.58**	**4**
Including	14.0	20.75	6.75	0.61	1.84	0.05	18
Including	19.0	20.75	1.75	1.60	1.90	0.09	9
RMD-009	**82.0**	**95.0**	**13.0**	**0.69**	**6.34**	**0.09**	**3**
including	89.0	93.0	4.0	1.33	16.95	0.18	4
RMD-001	**20.0**	**38.0**	**18.0**	**0.67**	**5.96**	**0.05**	**3**
including	22.0	25.0	3.0	1.72	22.67	0.04	2
including	31.0	32.0	1.0	1.23	3.30	0.14	3
RMD-002	**9.0**	**25.0**	**16.0**	**0.82**	**2.30**	**0.05**	**1**
Including	10.0	13.0	3.0	1.30	2.77	0.09	0
Including	17.0	20.0	3.0	1.72	3.43	0.09	0
RMD-007	**26.0**	**33.0**	**7.0**	**1.37**	**2.50**	**0.19**	**139**
Including	27.25	28.40	1.15	5.54	10.50	0.67	47

DIRECTORS' REPORT

Zones of higher molybdenum at Majada East appear to be directly associated with granodioritic intrusive dykes. In RMD-004 a 3 m wide interval reported grades of 1,800 ppm of molybdenum.

About Iron Oxide Copper-Gold (IOCG) Deposits
Iron oxide copper gold (IOCG) ore deposits are highly valuable concentrations of copper and gold (+/-uranium) hosted within voluminous, iron oxide – dominated gangue assemblages (typically magnetite and/or haematite).

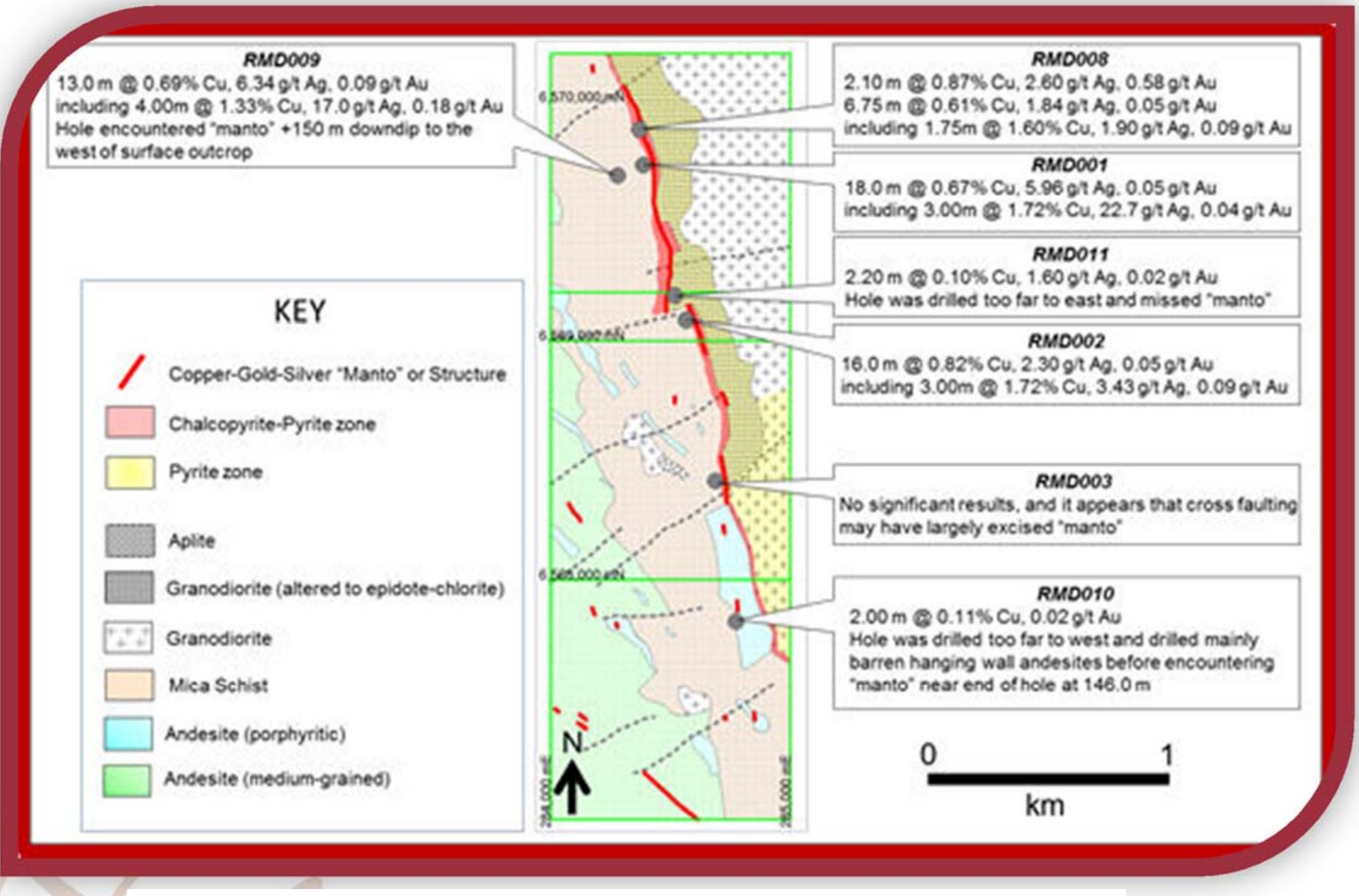


Figure 3 - Summary of Key Drill Results - Majada West

IOCG deposits are considered to be metasomatic expressions of large crustal-scale alteration events driven by intrusive activity and their gangue mineral assemblages are characterised by distinctive sodic, potassic and calcic phases. Deposits of this style tend to occur in broad linear tectonic belts, such as the Cretaceous belts of Chile and Peru. Examples of IOCG deposits in the Chile and Peru belts (Figures 1 and 2) include:

- Candelaria (470 Mt @ 0.95% Cu, 0.22 g/t Au, 3.1 g/t Ag)
- Manto Verde (+250 Mt @ 0.75% Cu)
- El Espino (144 Mt @ 0.55% Cu, 0.22 g/t Au)
- Mina Justa (413 Mt @ 0.79% Cu).

DIRECTORS' REPORT

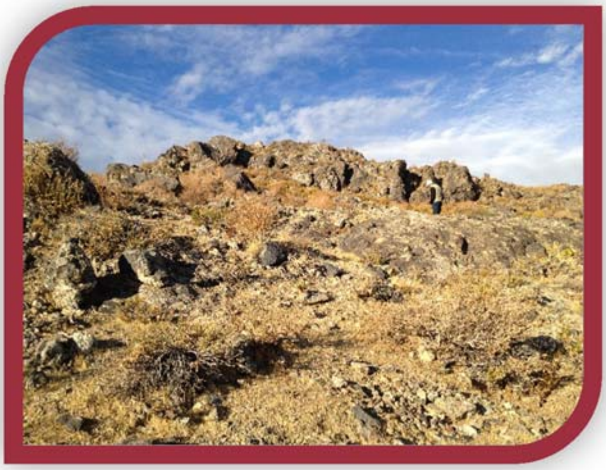
During the Reporting Period……. At La Negra

- **Assay results of the 12 drill holes totalling 2,371 m completed by HB Sondajes on 27 June 2012 received confirm Lead-Zinc-Silver-Copper-Gold (Pb-Zn-Ag-Cu-Au) discovery.**
  - **Assay results confirmed the presence of intervals of polymetallic mineralisation over 430 metres of strike length of principal hydrothermal breccia zone.**
  - **A 25.0 m intersection grading 2.40% Zn, 0.71% Pb, 0.23% Cu and 20.3 g/t Ag, including higher grade intervals up to 2.0 metres wide grading 7.22% Zn, 1.32% Pb, 0.45% Cu and 30.3 g/t Ag in drill hole RDN-001.**
  - **A 40.0 m intersection assaying 2.94% Zn, 1.55% Pb and 20.2 g/t Ag, including higher grade intervals up to 5.0 metres wide grading 7.34% Zn, 5.67% Pb, 0.23% Cu and 78 g/t Ag in drill hole RDN-002.**
  - **At least a 36.0 m intersection grading 1.63% Zn, 1.47% Pb, and 12 g/t Ag and 0.49 g/t Au present close to the surface in drill hole RDN-005.**
  - **Base and precious metal mineralisation of potential economic interest is now drill demonstrated over at least 300 metres in a N-S direction along a potential 1300 m total strike length of mineralised breccia, as mapped in outcrop.**
  - **Total strike length of outcropping mineralised breccia exceeds 1300 metres, providing significant upside given that only 1/3 of the length of the hydrothermal breccia has been subject to drilling.**
- **Drilling results to date intersected polymetallic concentrations which warrant further investigation.**
- **Based upon results RGX made final option payment and acquired La Negra 100%.**

The La Negra Lead-Zinc-Silver (Copper-Gold) Project is located within Region IV in Chile, approximately 360 km north-northeast of Santiago and approximately 10 km ENE of the mining town of Combarbalá. The project is easily accessible and as the average elevation of La Negra is approximately 2,000 m above sea level there are no weather window limitations.

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) (Figure 4) over significant widths within the old workings. Previous work on the project by a third party has generated extensive geochemistry and 3D induced polarisation geophysical datasets which then formed the basis for Red Gum's 2012 exploration program.

Previous surface geochemistry defined a strong northerly trending ("Principal") zinc-lead-silver-gold anomaly and, following the completion of detailed field mapping, this has been broadly linked to a 1300 metre long, by +400 metre wide, outcropping tourmaline-bearing hydrothermal breccia zone that hosts the old workings. Strong silver, copper and gold values are concentrated in the soils of the northern segment of this Principal anomaly (Figure 4). These, and other geochemical anomalies, are underlain by large chargeability anomalies defined in the geophysical survey executed by the previous exploration company. There is no record of any drilling at La Negra prior to Red Gum's 2012 drilling program.



DIRECTORS' REPORT

Following the successful outcome of the drilling campaign the Company purchased an option to acquire 100% of La Negra project through its wholly owned subsidiary. Following payment of all option costs La Negra Project was registered to Red Gum on a 100% basis on 19 July 2012.

As part of an overall assessment of the mineralisation at La Negra Promet 101, Red Gum's Consultant metallurgists to the project, completed preliminary metallurgical sampling of key intersections. Samples were submitted to the Kamloops, B.C., Canada laboratory of G&T Metallurgical Services. Initial results were released to the market on 13 August 2013. In summary the flotation tests provided very positive results for the sulphide sample trials, with favourable liberation and recovery characteristics. Tests showed low levels of arsenic and pyrite which will simplify flotation circuit performance. In addition elevated levels of gold and silver in the oxide samples may provide significant upside by way of credits.

▪ New application areas sought in Region IV.

As announced subsequent to the Reporting Period, and following the encouraging results from the Majada Program drilling program, Red Gum has applied for additional exploration concessions to the north and east of Majada. As outlined in the ASX release of 13 August 2013 once these new tenements have been granted Red Gum expects that the Majada results will have direct application to prioritisation of new exploration targets across these concessions which include an extensive tract of granodiorite intrusives. The boundaries of the application areas extend to within 12 km of Glencore's Punitaqui mine site. The new concessions will provide a strategic contribution to the Company's growth platform within Region IV.

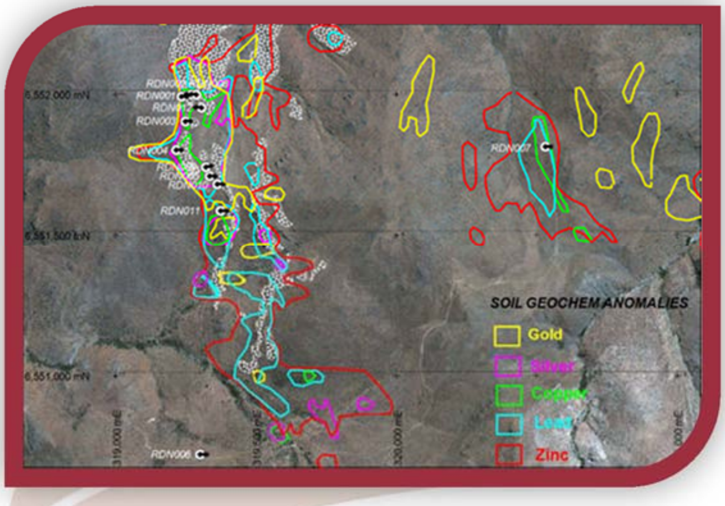


Figure 4- La Negra Geochemistry anomaly distribution.

▪ Community Relations

Red Gum is fully committed to the integration of its activities within the communities in which it operates. It recognises the need to embrace community and governmental expectations and seeks to co-exist and develop sustainable relationships with local stakeholders to ensure that it can develop its mining operations along side their activites. Red Gum engages with the local communities and has, in the case of Region IV in Chile, established a regional office in Combarbalá. Already it has engaged a number of local employees and part-time assistants from the local community. Likewise, it has contributed to local community activities including sponsorship of community festivals and preferentially utilises the local service providers. During the Reporting Period it successfully negotiated agreements wth the Litipampa and Totorita communities whose lands encompass the Majada Project area.

Miguel Huarachi, Project Chief, & Alejandro Honores

DIRECTORS' REPORT

Health and Safety

Red Gum has a strong commitment to ensuring that its employees and contractors work in a safe environment with a commitment to zero harm. The Company monitors, and reviews as appropriate its safety and health management plans for its active projects. During the Reporting Period there were no reported safety incidents. During field operations regular safety meetings are held by the Company as well as daily tool box meetings by the contractors. Mr Alexjandro Molena is responsible for safety at our mine sites in Chile and oversees the induction of contractors.

Combarbalá Regional Office

Exchanging views with artisanal miners.

Safety Meeting in Combarbala Office.

PERU

Red Gum, through its wholly owned Peruvian subsidiary, holds four exploration licences in the central Peruvian Polymetallic Belt (Figure 5): Cerro Huancash (5.76km^2), Chongos A (10 km^2), Chongos B (9 km^2) and Chongos C (5 km^2). Operationally, during the Reporting Period, the Company's focus was on its polymetallic project at Cerro Huancash.

During the Reporting Period……. At Cerro Huancash

- **Comprehensive geological, geochemical and geophysical exploration program confirmed altered skarn and replacement style mineralisation in limestones, referred to as the "Ariana Corridor", traverses the Cerro Huancash Project concession.**
  - **IP survey identified strong chargeability anomalies inferred to be sulphidic metal systems, extending from surface to +250 metres depth.**
  - **IP chargeable zones directly mapped over +850 metres of strike length and still open to north and south supporting interpretation of extensive sulphide system beneath the "Ariana Corridor".**
  - **Surface exploration indicates high zinc (Zn), lead (Pb), copper (Cu), silver (Ag) and gold (Au) concentrations are present in skarn and marble outcrops; up to 19% Zn, up to 17.8% Pb and up to 2,460 g/tonne Ag.**

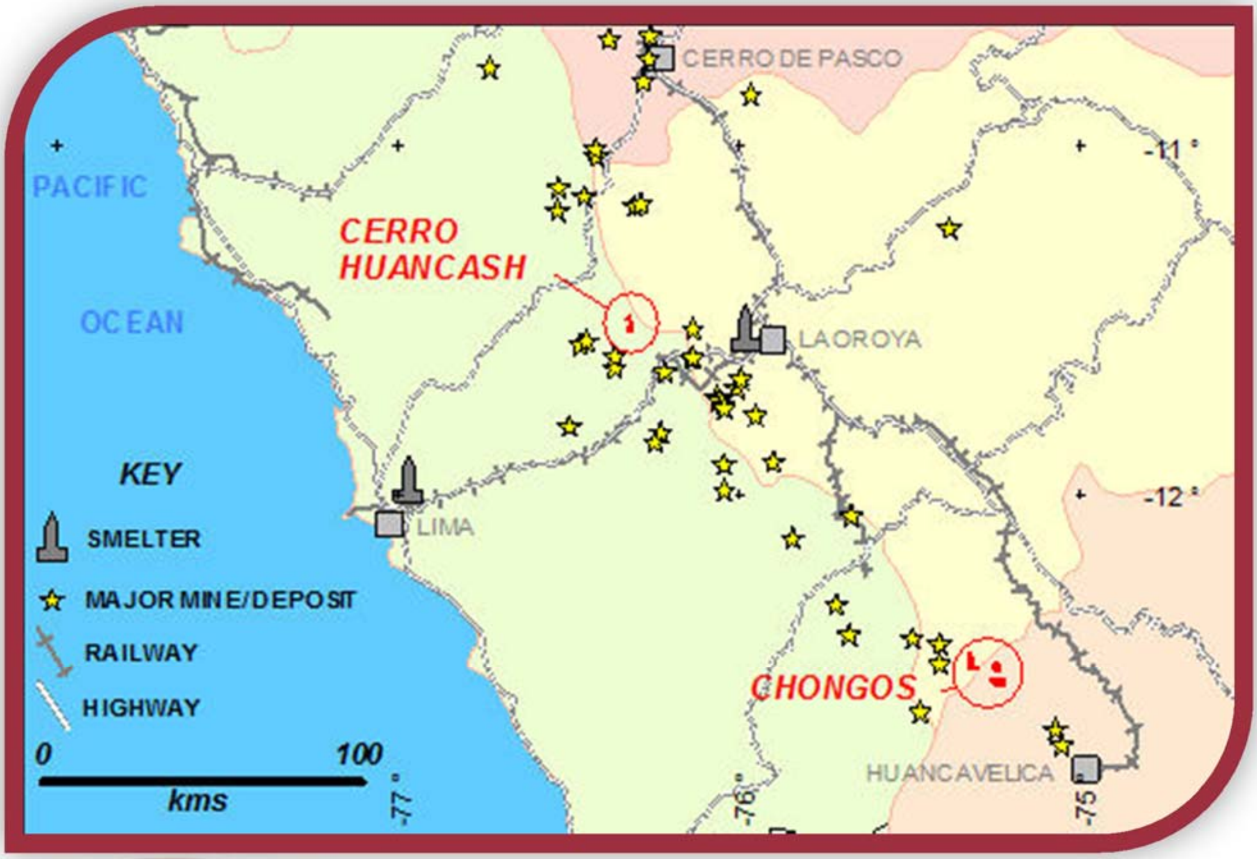


Figure 5 – Location of Red Gum's Peruvian Projects

The Cerro Huancash Project, located approximately 100 km northeast of Lima, covers an area of 575.6 hectares. It is accessible by road year round via the Central Highway and is located approximately 45 km west of smelting facilities at La Oroya and 20 km north-northwest of Glencore's Casapalca zinc-lead-silver mine (Figures 5 & 6). Cerro Huancash is also a zinc-lead-silver project, albeit in an early exploration stage, involving the targeted skarn and replacement-style polymetallic mineralisation, hosted in Cretaceous limestones. The project is 100% owned by Red Gum. Previous exploration in the area surrounding Cerro Huancash had identified a highly prospective zone, herein referred to as the "Ariana Corridor", of approximately 8 km length reporting very strong zinc, copper, lead, silver and gold anomalies. Cerro Huancash covers a +3 km segment of this prospective belt (Figure 7), which immediately to the north is being exploited by a private company Southern Peaks Mining.

The Peruvian Polymetallic Belt is one of Peru's most important areas in terms of geological potential, due to the existence of numerous polymetallic skarn and replacement deposits. It has a proven track record in discovery of world class deposits, such as Antamina, Iscaycruz, San Gregorio and Toromocho/Morococha as well as numerous, highly profitable, small to medium sized deposits. Figure 6 shows the location of the Cerro Huancash and Chongos Projects in central Peru.

Southern Peaks Mining has previously made public 19.74 Mt of non-JORC compliant resources grading 1.65% Cu, 2.06% Zn, 31 g/t Ag, and 0.79 g/ Au. More recently some 43,000 metres of infill drilling has been completed by Southern Peaks Mining at Ariana Norte.

Geochemical assays of surface samples collected by Red Gum from Cerro Huancash report high grades of precious and base metals, confirming historical surface metal grades previously reported (ASX announcement dated 19 September 2012). During the Reporting Period both geological and geophysical field studies were undertaken at Cerro Huancash. A field campaign of 1:5,000 mapping was commenced during the month of June 2012 in the Cerro Huancash Project area and this work was completed during August 2012. Field mapping has identified substantial areas of intrusive intermediate igneous rocks cutting the host limestone sequence, as well as small mineralised showings associated with zones of skarn- and replacement-style mineralisation. In addition, it has been successful in outlining the traces of district-scale NNW-SSE striking fault systems that appear to control the alteration and related mineralisation. This cluster of sub-parallel faults systems mark the trace of the mineralised "Ariana Corridor". The Corridor averages about 400 m in width through the Cerro Huancash project.

Red Gum's surface geochemical sampling program (96 rock samples) was conducted in tandem with the surface geological mapping program. Assay results, released to the ASX in July 2012, contained high grade base and precious metal mineralisation from surface samples around old workings hosted by discontinuous skarn outcrops over a +1.2 x 0.4 kilometre area. Highlights of the geochemical sampling included:

- Zinc assays up to 19.0%, lead up to 17.75%, copper up to 0.89%, with 19 of the 96 samples reporting >1% of zinc or lead (or both);
- Silver assays up to 2,460 g/t, with 15 of the 96 samples reporting >100 g/t silver and 5 samples reporting >500 g/t silver; and
- Gold assays up to 0.74 g/t, with 18 of the 96 samples reporting >0.1 g/t gold;

The mineralization occurs in irregular and discontinuous bodies of sulphidic skarn cutting marble-limestone of the Jumasha Formation, many of which have been the subject of historical small scale surface exploitation. This surface mineralisation is interpreted as being part of a larger mineral system(s) developed which is mapped along the Ariana Corridor.

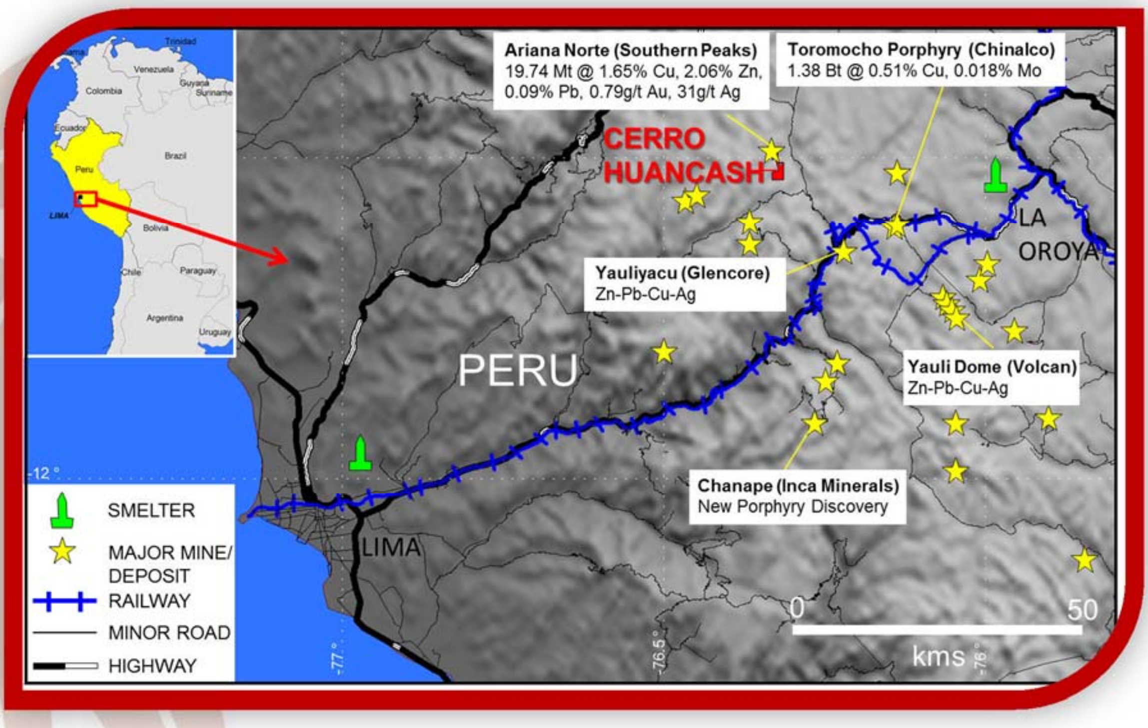


Figure 6 – Location of Red Gum's Cerro Huancash Project

Because magnetic response can be a very useful guide for directly identifying alteration/mineralisation in polymetallic carbonate replacement systems, Fugro Ground Geophysics (FGG) was engaged by Red Gum during the Report Period to acquire a ground magnetics survey over Cerro Huancash. The survey consisted of approximately 75 line kilometres of ground magnetics. The survey identified a number of strong magnetic anomalies potentially associated with economic skarn and replacement-style base/precious metal mineralisation.

FGG was also contracted to conduct an Induced Polarisation survey. The IP pole-dipole survey consisted of 10 line kilometres of 100 metre 'a' dipole spacing, n=1 to 10 in 8 lines. Red Gum's IP geophysical survey, acquired in late 2012, identified strong chargeability anomalies inferred to be sulphidic metal systems, extending from surface to +250 m depth and mappable over +850 metres along strike length, open to the north and south. The IP continues to define east-dipping, strongly chargeable zones, hundreds of metres across, beneath the faulted limestones of the mineralized "Ariana Corridor" (Figure 7). On several of the IP lines, (including that shown in Figure 7) the strongly chargeable zones pass downwards into a broader, more strongly chargeable zone suggestive of a concealed intrusive stock (possibly a porphyry) at depth. This latter feature potentially maps the "heat engine" driving this mineral system. East-dipping, highly chargeable zones at shallower depth also coincide with low resistivity zones, possibly map semi-concordant skarn / replacement zones with a high sulphide content.

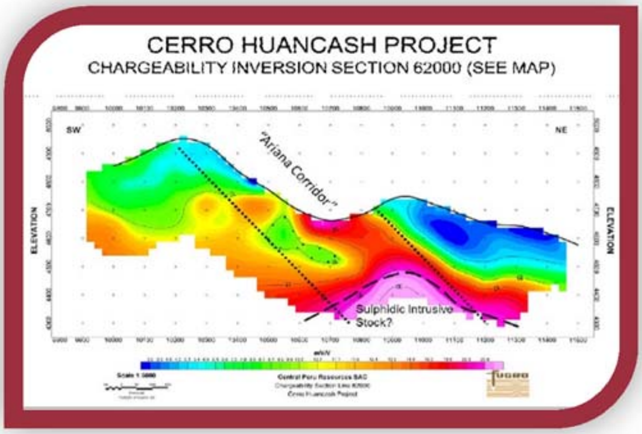


Figure 7 typical example of chargeability traverse – Cerro Huancash.

In summary, the geological, magnetic and IP data acquired to date strongly suggest the existence of a stratigraphically - and structurally-controlled sulphidic skarn / replacement mineral system above, and marginal to, a discordant, sulphidic intrusive stock below. The citing of these features confirms the Company's conclusion that at least 800 metres of strike extensions of the sulphide-mineralized "Ariana Corridor" pass through the northern sector of Cerro Huancash (Figure 8).

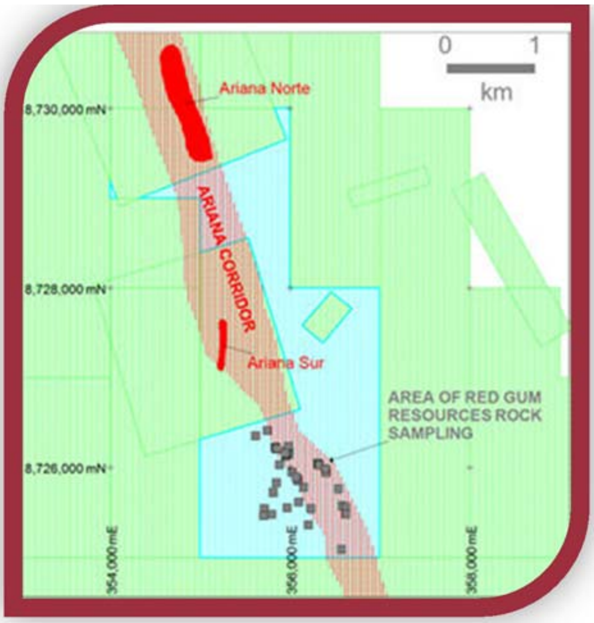


Figure 8 – Ariana Corridor traversing Cerro Huancash Project area.

DIRECTORS' REPORT

As announced to the ASX on 4th June 2013, following representations, Red Gum is actively pursuing third party involvement in its exploration program at Cerro Huancash in Peru. In this regard it has subsequently engaged a well-known Canadian based consulting firm to assist with this process. Although at an early stage Red Gum is discussing with third parties a structured, project based transaction that may provide additional means of funding a future exploration (drilling) program.

▪ Community Relations and Safety Issues

The Company has contracted experienced industry personnel to manage the community aspects and field logistics of the surface exploration program at Cerro Huancash. A one year renewable community land access agreement was signed by the Company with the local community on 1 June, 2012. This agreement has made possible the initiation of the Cerro Huancash surface exploration program during 2012. During the Reporting Period the Company's representative Mr Julio Calderon met with the local authorities of the Comunidad de Carampoma in order to maintain community agreement for access to the Cerro Huancash Project área. Under this agreement Red Gum has contributed to a number of local community festivals and other significant events.

Prior to undertaking any field activities all contractors are required to undergo safety induction courses, consistent with government regulations and Red Gum's policy of zero harm. During the Reporting Period there were no reportable safety incidents.

During the Reporting Period……. At Chongos Project.

During the Reporting Period the Company did not carry out systematic field-based exploration on this project but intends to undertake field studies during the current financial year.

Chongos 2006A, Chongos 2006B and Chongos 2006C (together the Chongos Project), covering a total area of 2,400 hectares, is a multi-tenant zinc-lead-silver exploration project. Located 180 km southeast of Lima (Figure 5), the Chongos Project is easily accessible year round via the Central Highway linking Lima with the central highlands. Red Gum holds these tenements on a 100% basis.

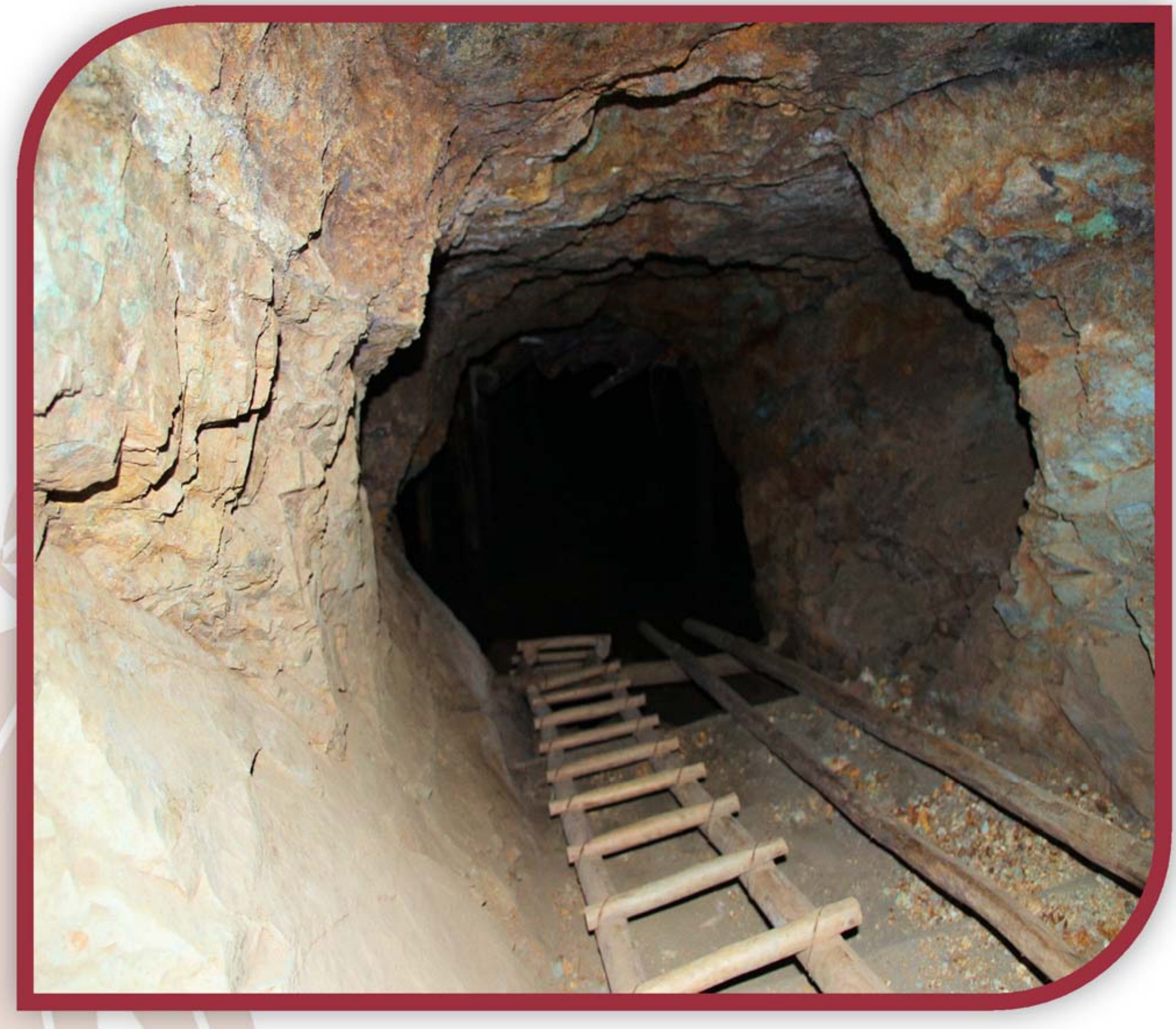
Previous exploration by a third party in the Chongos Project indicated a strong presence of zinc and lead and some silver mineralisation in soil and rock chip samples. No surface exploration has been conducted in the Chongos Project since 2000.

DIRECTORS' REPORT

Competent Persons Statement

The information in this document that relates to Exploration Results is based on information compiled by Dr Paul Pearson, who is a Fellow of The Australasian Institute of Mining and Metallurgy. Dr Pearson is a consultant to 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 any supporting documentation relating to Exploration Results, Mineral Resources and/or Ore Reserves.



DIRECTORS' REPORT

CORPORATE HIGHLIGHTS

During the Reporting Period the Company issued the following shares:

- On 12 June 2013, 6,223,013 ordinary shares (Entitlement Offer Shares) were issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the Prospectus dated 9 May 2013.
- On 18 June 2013, 31,266,368 'shortfall' shares were issued under the fully underwritten pro rata renounceable entitlement offer.

During the Reporting Period the Company issued the following options:

- On 12 June 2013, 3,111,506 free unquoted options (issue price $0.07 expiring 15 November 2013) and 3,111,506 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.
- On 18 June 2013, 15,633,184 free unquoted options (issue price $0.07 expiring 15 November 2013) and 15,633,184 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer.

During the Reporting Period the following significant events occurred:

- On 29 April 2013, the Company announced that the Chairman Dr Raymond Shaw had been appointed Executive Chairman of the Company.
- On 5 June 2013, Dr Paul Pearson resigned as Managing Director of the Company.
- On 14 June 2013, Ms Jennifer Tobin was appointed as a Non-Executive Director of the Company.

There were no other significant corporate activities during the year ended 30 June 2013.

Significant changes in state of affairs

There were no significant changes in the state of affairs of the Company during the Reporting Period apart from those referred to elsewhere in this Report.

Principal activities

Red Gum Resources Limited's ("the Company") principal activity during the Reporting Period was mineral exploration and the accumulation and acquisition of prospective areas in Latin America.

The Company's corporate strategy is to

- Explore and develop multi-commodity assets;
- Introduce opportunities which provide appropriate risk diversification and potential short term re-rating;
- Grow through both organic and, as appropriate, inorganic strategies.

The corporate strategy is being pursued by concentrating on opportunities located in South America and particularly Chile's IOCG Belt in Region IV and the central Peruvian Polymetallic Belt because of the presence of, and the potential for the discovery of, large base metal (Cu-Pb-Zn-Ag) and copper-gold deposits, is exceptional. The Company's exploration portfolio will be actively managed and rationalised consistent with its corporate strategy.

Directors and management believe that the Company is in a strong position to leverage its operational and technical experience in Latin America in accessing high quality projects in the future, including advanced development and operating projects in the gold and base metals sector.

DIRECTORS' REPORT

Events subsequent to balance date

On 2 August 2013 the Company lodged an Appendix 3B relating to the issue of 36,266,365 sub-underwriter options were issued at an exercise price of 10c expiring on 1 March 2016 and 5,000,000 sub-underwriter unquoted options issued at an exercise price of 15c expiring on 30 April 2016.

On 5 August 2013 the Company lodged an Appendix 3B relating to the issue of 6,222,998 sub-underwriter options issued at an exercise price of 10c and expiring on 1 March 2016.

On 6 August 2013, Dr Pearson's 3,000,000 options with various exercise prices and expiry dates were cancelled due to vesting in those options not being possible, as the terms of issue could not be met.

Since the end of the Reporting Period the Company announced drilling results at Majada in Chile, on 23 July 2013 and 5 August 2013 and 17 September 2013.

On 25 July 2013 the Company held an Extraordinary General Meeting and approved all resolutions relating to the issue of corporate advisory service fee options and underwriter's, sub-underwriter's and brokers' fee options.

On 13 August 2013 the Company advised that, inter alia, it had applied for concession areas northeast of Majada West.

There have been no other matters or circumstances subsequent to the end of the Reporting Period that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Future developments

The likely future developments of the Company during the next financial year will involve ongoing activity in the mineral sector in general.

The Company plans to grow a substantial ASX listed Company around its high quality base and precious metal exploration opportunities.

Dividends

No dividends were paid or declared since the start of the year. No recommendation for payment of dividends has been made.

Remuneration Report (Audited)

This report outlines the remuneration agreements in place for directors and executives of Red Gum Resources Limited. Further comments on the establishments and structure of Board Committees are made in the Statement of Corporate Governance at pages 28 to 38.

Red Gum Resources Limited received more than 20% of 'yes' votes and only 2% no votes on its Remuneration Report for the financial year ending 30 June 2012. The Company received no specific feedback on its Remuneration Report at the Annual General Meeting.

Remuneration Committee

Due to the size of the Company's operations, the Directors do not believe that the establishment of a remuneration committee is warranted. All matters that would normally be the responsibility of a remuneration committee are dealt with by the full board of Directors. The Chairman is responsible for the annual review of Directors remuneration.

Executive Compensation and Non-Executive Remuneration

The full Board of Directors sets remuneration policies and practices generally and makes specific recommendations on remuneration packages and other terms of employment for Executive Directors, other Senior Executives and Non-Executive Directors.

DIRECTORS' REPORT

Remuneration Report (continued)

Executive remuneration and other terms of employment are reviewed annually having regard to performance against goals set at the start of the year, relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation.

Non-Executive remuneration

During the year ended 30 June 2013 non-executive remuneration amounted to $82,917 (2012: $64,850).

Non-executive remuneration commenced on 17 January 2012 following the successful listing on the ASX. The fees paid amount to:

- Non-executive director remuneration
  - from January 2012 to January 2013 $48,000 per annum;
  - from February 2013 to June 2013 $30,000 per annum; and
  - from July 2013 $36,000 per annum
- Non-executive Chairman remuneration
  - from January 2012 to January 2013 $65,000 per annum; and
  - from February 2013 to April 2013 $48,000 per annum.

Fees and payments to non-executive directors will reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board will ensure that all directors' fees and payments are appropriate and in line with the market.

Executive Chairman's remuneration

In April 2013 Dr Raymond Shaw was appointed an Executive of the company following Paul Pearson's resignation. During the period from April 2013 to 30 June 2013 remuneration of $62,500 (2012: $nil) was paid or payable.

Dr Shaw's remuneration package comprises of $250,000 remuneration (including superannuation) per annum.

Managing Director's remuneration

Dr Paul Pearson (resigned 5 June 2013)

During the Reporting Period, ended 30 June 2013, the Managing Director's remuneration of $364,644 (2012: $254,810) was paid. At 30 June 2013 Annual Leave Provision of $4,928 (2012: $5,358) was paid or payable.

In July 2011, the Company employed a full time Managing Director, Dr Paul Pearson, to champion the initial public offering 'IPO' of the Company on the ASX. Under his agreement Dr Pearson was paid $144,000 (including superannuation) per annum until date of listing on the ASX; subsequent to listing his remuneration package included $320,000 remuneration (including superannuation) per annum and 3,000,000 Options (cancelled on 6 August 2013 following Dr Pearson's resignation – refer to "Subsequent Events"):

- First Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 10 cents; and IPO price plus 15 cents, if on the date of exercise of the First Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The First Tranche Options vest 2 years after ASX listing date.
- Second Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 15 cents; and IPO price plus 20 cents, if on the date of exercise of the Second Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Second Tranche Options vest 3 years after ASX listing date.
- Third Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 20 cents; and IPO price plus 40 cents, if on the date of exercise of the Third Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Third Tranche Options vest 4 years after ASX listing date.

Expiry Conditions of the Options were:

- First Tranche Options 3 years from First Tranche Options vesting date;
- Second Tranche Options 3 years from Second Tranche Options vesting date;
- Third Tranche Options 3 years from Third Tranche Options vesting date;
- the Agreement is terminated or the Managing Director ceases to be an employee of the Company for any reason other than as a result of serious misconduct, the Options will expire 3 months from the date of termination; and
- if the Agreement is terminated, the Options will expire on the date of termination

Remuneration Report (continued)

The Options fair values have been calculated using Black-Scholes option pricing model. The valuation amounted to $323,800 over the vesting period ending on 25 November 2018. In the year ended 30 June 2013, $46,257 (2012: $23,128) has been charged to the Statement of Profit or Loss and Other Comprehensive Income.

The Black-Scholes option pricing model was based on an interest free rate of 5.5% and 75% volatility.

It was a condition of Dr Pearson's employment contract that it could be terminated by three months written notice from either party.

Key Management Personnel Compensation

Table of Benefits and Payments for the Reporting Period Ended June 30, 2013
The following table sets forth all annual and long term compensation for services in all capacities to the consolidated entity for the two most recently completed financial years, in respect of the individual(s) who were, at the end of the most recently completed financial year, acting as directors or executive officers.

Name and Position	Year	Salary $	Option based Remuneration $	Other Annual Compensation and Superannuation $	Total $
Dr Raymond Shaw Chairman Executive Director (from 1 April 2013)	2013	59,547	-	2,953	62,500
Non-Executive Director	2013	39,373	-	3,544	42,917
Total	2013	98,920	-	6,497	105,417
Non-Executive Director Appointed 11 May 2006	2012	27,324	-	2,459	29,783
Norman Zillman Non-executive Director Resigned 23 April 2012	2013 2012	- 13,067	- -	- -	- 13,067
Torey Marshall Non-executive Director (former Managing Director) Appointed 16 June 2007	2013 2012	40,000 22,000	- -	- -	40,000 22,000
Jennifer Tobin Non-Executive Director Appointed 14 June 2013	2013 2012	- -	- -	- -	- -
Dr Paul Pearson Managing Director Appointed 1 July 2011 5 June 2013	2013 2012	296,799 213,965	46,257 23,129	21,588 17,716	364,644 254,810
Total	**2013**	**435,719**	**46,257**	**28,085**	**510,061**
	2012	**276,356**	**23,129**	**20,175**	**319,660**

Notes:
(1) Remuneration is not based on performance criteria.
(2) Remuneration is not currently linked to company performance or share price.
(3) Dr Paul Pearson vested options were valued using Black-Scholes at $46,257 (2012: $23,129), refer to note 8 for further details.

DIRECTORS' REPORT

Directors' Interests

The relevant interest of each director in the securities of the company as at the date of this report is set out below:

Director	Number of shares owned or over which control is exercised	Number of options owned or over which control is exercised - including exercise price
Raymond Shaw(1)	7,537,804	Nil
Torey Marshall(2)	13,606,112	Nil
Paul Pearson(5)	1,100,000	3,000,000
Jennifer Tobin	Nil	Nil

Notes:
(1) 7,249,750 of Dr Raymond Shaw's shares are held in voluntary escrow until 17 January 2014.
(2) 13,499,500 of Torey Marshall's shares are held in voluntary escrow until 17 January 2014.
(3) 1,100,000 of Paul Pearson's shares are held in voluntary escrow until 17 January 2014. The 3,000,000 options were cancelled in August 2013 following his resignation (Refer to "Subsequent Events").

Share Options

The Company has the following history of share options outstanding:

	Number of Quoted Options	Number of Unquoted Options	Weighted Average Exercise Price
At 1 July 2011		-	-
Issued 8 December 2011	-	4,000,000	$0.40
At 30 June 2012	-	4,000,000	$0.40
At 1 July 2012	-	4,000,000	$0.40
Issued 12 June 2013(1)	3,111,506	3,111,506	$0.08
Issued 18 June 2013(2)	15,633,184	15,633,184	$0.08
At 30 June 2013	18,744,690	22,744,690	$0.12

(1) On 12 June 2013, 3,111,506 free unquoted options (issue price $0.07 expiring 15 November 2013) and 3,111,506 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.
(2) On 18 June 2013, 15,633,184 free unquoted options (issue price $0.07 expiring 15 November 2013) and 15,633,184 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer.

As part of the Executive Director, Dr Paul Pearson's remuneration package, 3,000,000 options were issued in the prior year, on 6 August 2013 the options were cancelled following Dr Pearson's resignation (Refer "Subsequent Events"). The Black-Scholes valuation over the vesting period to 25 November 2018 amounted to $323,800; at 30 June 2013 the vested valuation charged to the Statement of Comprehensive Income amounted to $46,258 (2012: $24,129).

Since the year end the Company has issued the following Options:

- On 2 August 2013 36,266,365 sub-underwriter options were issued at an exercise price of 10c expiring on 1 March 2016 and 5,000,000 sub-underwriter unquoted options issued at an exercise price of 15c expiring on 30 April 2016.
- On 5 August 2013 6,222,998 sub-underwriter options were issued at an exercise price of 10c expiring on 1 March 2016.

The following table summarises information about the share options outstanding:

Expire Date	Number of Options 2013	Exercise Price 2013	Number of Options 2012	Exercise Price 2012
25 November 2016[(3)]	1,000,000	$0.30 or $0.35	1,000,000	$0.30 or $0.35
1 March 2016[(1)]	18,744,682	$0.10	-	-
25 November 2017[(3)]	1,000,000	$0.35 or $0.40	1,000,000	$0.35 or $0.40
25 November 2018[(3)]	1,000,000	$0.40 or $0.60	1,000,000	$0.40 or $0.60
25 November 2014[(2)]	1,000,000	$0.25	1,000,000	$0.25
15 November 2013[(1)]	18,744,682	$0.07	-	-
At 30 June	41,489,364	$0.12	4,000,000	$0.40

Notes:

(1) During the year ended 30 June 2013 18,744,682 free unquoted options (issue price $0.07 expiring 15 November 2013) and 18,744,682 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.

(2) During the prior year ended 30 June 2012, 1,000,000 Options were issued to CCZ Corporate Finance Pty Ltd in accordance with the mandate letter.

(3) During the prior year ended 30 June 2012, 3,000,000 Options were issued to Managing Director, Paul Pearson. The 3,000,000 options were cancelled on 6 August 2013, (Refer "Subsequent Events").

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

The Black-Scholes option pricing model was based on an interest free rate of 5.5% and 75% volatility.

Diversity Report

Progress report on diversity strategies, initiatives and programs

Introduction

The following is the Diversity Report for the financial year ended 30 June 2013 for Red Gum Resources Limited ("the Company") prepared for the purposes of the Company's Annual Report for the year ended 30 June 2013.

The ASX introduced a requirement for all listed companies to adopt a Diversity Policy and a Diversity Strategy by no later than 30 June 2011, to disclose those documents to the shareholders, and to report to the shareholders each year on the current diversity position in the Company including culture, gender and age, and the progress towards achievement of the strategy objectives.

Diversity Policy

The Diversity Policy is based upon the recommendations of the ASX and the Australian Institute of Company Directors ("AICD") and as such will include requirements that may not be appropriate for a small company such as Red Gum Resources Limited. As with all matters included in the ASX Corporate Governance Principles and Recommendations, any recommendation that is not considered appropriate for the Company will be disclosed on an "if not why not" basis. The Policy is outlined in the Statement of Corporate Governance on pages 28 to 38 of this Annual Report and is available on the Company's web site.

Responsibility

The Nomination & Remuneration Committee (if formed otherwise the Board) is charged with the responsibility for implementation of the Diversity Policy and the oversight of the Diversity Strategy progress and delegates that responsibility to the CEO. The Company Secretary is charged with the responsibility for reporting to the Committee each year in accordance with the requirements of the Policy.

Current Position

As at 30 June 2013 there is an aggregate of 22 staff including Directors, employees and contractors (full and part time) in the Company. Of the aggregate 4 are female (including a Director and the Chief Financial Officer), 10 are of different ethnic or cultural background, and 4 are mature age. Consequently it could be said that the Company is already aware of the value of diversity and practices its attributes.

DIRECTORS' REPORT

Diversity Strategy
The Diversity Strategy is also based upon the recommendations of the ASX and the AICD and sets various strategies, initiatives and programs designed to as far as possible achieve the aims and objectives of the Diversity Policy.

The current position with each of the strategy items and the time frame for achievement or otherwise is listed in the following Table 1:

Table 1

Strategy, initiative or program	By when	Current position
Phase 1 - Strategies		
1.1(a) The development and adoption of the Policy	5/05/2011	Completed
1.1(b) Embody within the Statement of Corporate Governance	5/05/2011	Completed
1.1(c) Assignment of responsibility	5/05/2011	Completed
Phase 2 - Initiatives and Programs		
At Board / board Committee Level		
1.2(a)(i)(A) Diversity is embedded as a relevant attribute	5/05/2011	Completed
1.2(a)(i)(B) Any skill / gap analysis matrix includes due regard for the attributes of diversity	As required	Will be prepared when required
1.2(a)(i)(C) Clear statement exists as to the mix of skills and diversity that the Board is looking to achieve	5/05/2011	Stated below and Included in the Charter for the Board of Directors
1.2(a)(ii) When addressing Board succession planning	5/05/2011	Enshrined in the Charter for the Board of Directors
1.2(a)(iii) Inclusion of Diversity related KPIs for CEO and senior executives	30/09/2011	Completed
1.2(b)(i) Review the Company's HR policies	30/06/2011	Completed
1.2(b)(ii) Review the Company's physical environment & cultural practices to ensure compliance with the Policy	30/06/2011	Completed
1.2(b)(iii) Ensure that the Company's recruitment practices follow the Policy requirements	5/05/2011	Completed
1.2(c)(i) Commit to career development	5/05/2011	Completed
1.2(c)(ii) Develop standing program and provide budget for career development	Annual	As required

Specific Gender Diversity targets
It should be noted that the ASX recognises that there is an historical "skewed' pipeline of qualified and experienced personnel in the market and accordingly the gender diversity targets must be regarded as "soft" and subject to the overriding caveat stated at Item 8 in the Diversity Policy. The gender diversity targets are detailed at Item 2(c) of the Diversity Strategy.

Statements of Skills and Diversity Objectives
The following statements were adopted by the Board and included in the Charter for the Board of Directors at the appropriate locations:

> "Since good governance principles require independence, transparency, diversity and flexibility, the Board acknowledges the importance of Board structure and, as a consequence, the Board seeks to use the following provisions as guidance when implementing an effective governance structure in the Company."

Board Skills
The Board shall contain a relevant blend of expertise and diversity attributes as appropriate for a Company of its size in:

- Accounting;
- Finance;
- Business;
- Mining;
- Financial instruments;
- Legal matters (especially when not present in the Company Secretary); and
- Marketing.

DIRECTORS' REPORT

Diversity at Board Level and Generally

The Board respects the values and the competitive advantage of culture, gender, ethnicity and age "diversity", and the benefits of its integration throughout the Company. The Board has adopted a specific Diversity Policy in order to enrich the Company's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Company's objectives.

When addressing Board succession planning (and other appointments throughout the Company) the Board has ensured that the Diversity Policy is respected, efforts are made to identify prospective appointees who have Diversity attributes and efforts are made for any short list of prospective appointees to include at least one male and one female candidate."

Nomination & Remuneration Committee Terms of Reference

The Terms of Reference for the Nomination & Remuneration Committee has been amended to incorporate the necessary references to its new responsibility for the Diversity Policy.

Compliance

Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations in respect to diversity.

Environmental Regulations

There are significant environmental regulations surrounding mining activities conducted by Red Gum Resources Limited. However, there has been no breach of these regulations during the Reporting Period or subsequently as up to the date of this report.

Auditors

K S Black & Co were appointed as auditor of the Company on 1 July 2008 and the appointment was confirmed by shareholders at the 2008 Annual General Meeting of the Company. K S Black & Co continues in that position.

Non-Audit Services

The Directors have adopted specific policies and procedures for the engagement of non-audit services and are satisfied that the provision of non-audit services during the Reporting Period by the Auditor (or by another person or firm on the Auditors' behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The aggregate fees billed by the Company's external auditors for the last financial year are as follows:

	K S Black & Co.	
	2013	**2012**
	$	**$**
Audit fees – Full Year	16,775	15,975
– Half Year	4,725	4,500
Tax related services	-	-
Other	2,502	16,812
	24,002	37,287

Auditors Independence Report

The Auditors Independence Report is set out on page 39 of the Annual Report.

DIRECTORS' REPORT

Indemnification

The Company is required to indemnify the Directors and other Officers of the Company against any liabilities incurred by the Directors and Officers that may arise from their position as Directors and Officers of the Company. No costs were incurred during the year pursuant to this indemnity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the *Corporation Act 2001* for leave to bring proceedings on behalf of the Company or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or responsibility on behalf of the Company for all or part of those proceedings. There were no such proceedings brought or interventions on behalf of the Company with leave from the Court under section 237 of the Corporation Act 2001. The Company has entered into a deed of indemnity with each Director whereby, to the extent permitted by the Corporations Act 2001, the Company agreed to indemnify each Director against all loss and liability incurred as an Officer of the Company, including all liability in defending any relevant proceedings.

Dated at Sydney this 30 September 2013.
Signed in accordance with a resolution of the Directors made pursuant to s.298(2) of the Corporations Act 2001.

Dr Raymond D Shaw
Executive Chairman

CORPORATE GOVERNANCE STATEMENT

Red Gum Resources Limited ("the Company") and the Board are committed to achieving and demonstrating appropriate standards of corporate governance, consistent with the size and nature of the Company. This statement outlines the main corporate governance practices in place throughout the Financial Year.

The ASX Corporate Governance Council released revised Corporate Governance Principles and Recommendations on 2 August 2007 and further amendments have been released since then. This Statement complies with those revised principles except where otherwise noted.

Having regard to the size of the Company and the nature of its enterprise, it is considered that the Company complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as appropriate.

CHARTER FOR THE BOARD OF DIRECTORS

An important and basic corporate governance policy is the Charter for the Board of Directors, which is regularly reviewed. The Charter is a composite document which deals with all of the ASX principles of good corporate governance and is available on the Company's website.

The Charter, as supported by the Directors' Code of Conduct detailed at Principle 3, sets out the following requirements:

- The role of the Board;
- The Board structure;
- The skills required on the Board; and
- The Directors' general roles.

The relevant references in the Charter are noted under each of the principles listed below.

ASX CORPORATE GOVERNANCE PRINCIPLES

The following is a summary of the 8 Corporate Governance Principles, including comments where applicable on the Recommendations, and extracts from the policies adopted by the Company which demonstrate how compliance has been achieved.

PRINCIPLE 1: Lay solid foundations for management and oversight

Operations of the Board
The Board of Directors of the Company is responsible for all aspects of the management of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the Security Holders, and is committed to achieving and demonstrating appropriate standards of corporate governance commensurate with the size of the Company and the nature of the business. The principal functions, responsibilities and performance review requirements of the Board and the Chief Executive Officer ("CEO") (currently the Executive Chairman) are detailed in the Charter for the Board of Directors.

The Chairman reviews the performance of the Board, the individual Directors and the Board Committees on an annual basis, utilising the detailed performance criteria set out in the Charter for the Board of Directors and the relevant committee charters as a basis for measurement, and such review has taken place during the period under review. As a matter of principle, the Board is committed to the ongoing development of both Individual Directors and the Board as a whole. In addition to the Chairman's review, the Board will also conduct an evaluation of its performance each year, and while the Chairman is also carrying out the role of CEO, the Board will conduct an evaluation of his performance as CEO (in his absence). The objective of these evaluations is to provide best practice corporate governance to the Company.

Such a review can be;

- Qualitative, quantitative or a mixture of both;
- Formal or informal;
- Concentrated on reviewing the Board as a whole or Directors individually;
- Self administered, administered by the Chairman / fellow Directors or administered by an independent expert; or
- Focused internally on the Directors or involve the wider body of corporate stakeholders including, but not limited to, customers, suppliers, employees and the community.

The Chairman will action the evaluations, obtaining any assistance required.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: Lay solid foundations for management and oversight (continued)

Board responsibilities

The Board acts on behalf of Security Holders and is accountable to them. The Board seeks to satisfy the financial and management expectations of the Security Holders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk, and ensuring arrangements are in place to adequately manage those risks.

The Board appoints a CEO and the responsibility for the operation and administration of the Company is delegated to that person and the Executive team, supported by detailed position descriptions and/or KPIs (as applicable) for each position. The current CEO is the Company's Executive Chairman.

The Board will develop the proper procedures as required, to assess the performance of the CEO and the Executive team, and to ensure that the Executive team is appropriately qualified and experienced to discharge its responsibilities.

- The Remuneration Committee (or the Board if a Remuneration Committee is not established) undertakes evaluation of the CEO. Generally this process is coordinated by the Chairman, however while the Chairman is also the CEO, the Board other than the Chairman will co-ordinate this process to avoid any conflict.
- CEO evaluation will occur annually. At this time the Board and CEO will discuss and agree goals (both quantitative and qualitative) for the upcoming year.
- The Remuneration Committee (if established) will prepare a brief report for the full Board after discussion with the CEO. However, the performance of the CEO is a matter for full Board deliberation and is a separate agenda item at the relevant Board meeting. Again, while the Chairman is also the CEO, the Board other than the Chairman will consider the performance of the CEO.

The Board is responsible for ensuring that management's objectives, activities and outcomes are aligned to the expectations, vision and business risks identified by the Board. The Board has a number of mechanisms in place to ensure this is achieved including receipt of detailed reports, site visits and regular personal presentations to the Board.

Board policies

Board policies or obligations have been established in the following areas:

- diversity;
- continuous disclosure;
- dealing in securities;
- related party dealings;
- conflict of interest and external advice;
- release of information;
- significant business risks; and
- ethical standards.

Diversity

The Board has always been aware of the advantages that may flow from diversity in respect to gender, age, ethnicity and cultural background and has taken those factors into account when considering new appointments at all levels within the Company. At present there is one female Director, 3 mature age employees, 4 females including the CFO and 10 employees of differing ethnic or cultural background in the Company out of an aggregate of 16, including Directors and management.

The Board has adopted a Diversity Policy which is provided in full below. In addition the Board also adopted a Diversity Strategy which includes measurable objectives for achieving cultural, gender and age diversity, and the progress in achieving the objectives will be reported in each Annual Report to shareholders.

The Company's exploration operations are in South America, and the management team works closely with the local communities. The Company has successfully negotiated community access agreements for drilling, and has been able to take advantage of local expertise to identify projects with potential. Accordingly the Company gives priority to appointing employees with appropriate language skills (Spanish) and cultural knowledge, to the extent possible.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: Lay solid foundations for management and oversight (continued)

Diversity Policy
The Diversity Policy adopted by the Board is as follows:

1. General Purposes and Principles

(a) The Company respects and values the competitive advantage of "Diversity", and the benefits of its integration throughout the Company, in order to enrich the Company's perspective, improve corporate performance, increase shareholder value, and enhance the probability of achievement of the Company's objectives ('Principle").

(b) This Principle will manifest itself in the following areas:
- (i) strategic and operational:
  - (A) being attuned to diverse strategies to deliver the Company's objectives;
  - (B) being attuned to diverse corporate, business and market opportunities; and
  - (C) being attuned to diverse tactics and means to achieve those strategies in (A) and to take advantage of those opportunities in (B).
- (ii) management:
  - (A) adding to, nurturing and developing the collective relevant skills, and diverse experience and attributes of personnel within the Company;
  - (B) ensuring the Company's culture and management systems are aligned with and promote the attainment of the Principle, including having regard for domestic responsibilities.

Note: in the context of this paragraph 1(b)(ii) "Diversity" constitutes people at relevant levels within the Company (including board, senior executive, management and otherwise) with a diverse blend of skills, experiences, perspectives, styles and attributes gained from life's journey, including on account of their culture, gender, age or otherwise.

(c) The Company will develop strategies, initiatives and programs to promote the Principle, Including the achievement of gender diversity with respect to the matters referred to in paragraph 1(b)(ii).

(d) In particular, the Company will set measurable objectives, and targets or key performance indicators (KPIs), for the strategies, initiatives and programs to achieve gender diversity with respect to the matters referred to in paragraph 1(b)(ii).

(e) The Company will implement the strategies, initiatives, programs and measurable objectives referred to in (c) and (d).

(f) Management will monitor, review and report to the Board (including via the Nomination and Remuneration Committee) on the achievement of gender diversity with respect to the matters referred to in paragraph 1(b)(ii), and the Company's progress under this policy.

2. Responsibility for the Policy

(a) Although the Board retains ultimate accountability for this Policy, the Board has delegated responsibility for Policy implementation to the CEO.

(b) In turn the CEO has delegated to the Company Secretary responsibility for administration of this Policy, including its reporting to the Board, or its relevant sub-committee, as appropriate.

3. Measurable Objectives, targets and Key Performance Indicators (KPIs) - Gender Diversity

With respect to gender diversity, management will:

(a) develop, for approval by the Board or its relevant sub-committee, as appropriate:
- (i) measurable objectives concerning the strategies, initiatives and programs referred to in paragraph 1(c);
- (ii) targets or KPIs to verify progress towards attainment of those measurable objectives.

(b) measure performance against those targets and KPIs;

(c) report from time to time on the progress of the matters referred to in (a) and (b).

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: Lay solid foundations for management and oversight (continued)

4. Compliance Requirements

(a) The Company will meet its obligations with respect to the issue of "Diversity", as may be required under the ASX Corporate Governance Principles and Recommendations (2nd Edition) ("ASX Principles") and other regulatory requirements (if any) including by:

(i) establishing this Policy as a compliant policy under ASX Guideline 3.2(a) by:
- (A) establishing measurable objectives for achieving gender diversity;
- (B) the Board assessing annually the measurable objectives for achieving gender diversity and the progress in achieving them.

(ii) disclosing this policy or a summary of it under ASX Guideline 3.2 (b)

(iii) in its annual report, and in the terms of ASX Guideline 2.4, disclosing the processes the Board adopts and the criteria the Board takes into consideration in its selection of prospective new Board members;

(iv) in its annual report, and in the terms of ASX Principles 3.3 and 3.4, disclosing:
- (A) the measurable objectives for achieving gender diversity set by the Board in the terms of this Policy;
- (B) the progress from time to time towards achieving them;
- (C) the proportions in the Company (relative to their male counterparts) of:
  - female employees;
  - females in senior executive positions;
  - females on the Board

(v) incorporating in the corporate governance statement in the Company's annual report a statement as to the mix of skills and diversity that the Board is looking to achieve in membership of the Board, in the terms of ASX Guideline 2.6.

(b) The Company Secretary will assume line responsibility to ensure the Company meets its compliance and reporting obligations referred to in (a), including by collecting and collating all relevant data and ensuring that management processes and systems are adequate and effective for such reporting obligations to be met.

5. Communication

The Company commits to the communication of this policy within the Company, to its shareholders and the market, including via its website:

(i) by way of transparency and accountability; and
(ii) to better promote the prospects of attainment of the Principle.

6. Accountability

(a) Reporting and accountability in the terms of this Policy will be a periodic item on the Board agenda.
(b) At least annually the Nomination and Remuneration Committee will report to the Board on progress towards attainment of the Principle with respect to the matters referred to in paragraph 1(b)(ii), and otherwise to facilitate the Board in meeting its Compliance requirements under paragraph 4.

7. Addenda to this Policy

The following shall constitute addenda to this Policy as if set out in this Policy:

(a) approved strategies, initiatives and programs and measurable objectives, targets and KPIs referred to in paragraph 1(c); and
(b) approved measurable objectives, targets and KPIs referred to in paragraph 1(d); as may apply from time to time.

8. Overriding Caveat

Nothing in this policy shall be taken, interpreted or construed so as to endorse:

(a) the principle criteria for selection and promotion of people to work within the Company, other than their overall relative prospect of adding value to the Company and enhancing the probability of achievement of the Company's objectives;
(b) any discriminatory behaviour by or within the Company contrary to the law, or any applicable codes of conduct or behaviour for the Company or its personnel;
(c) any existing person within the Company in any way feeling threatened or prejudiced by this policy in their career development or otherwise, merely because of their Diversity attributes at any time may be more, rather than less, common with others.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 1: Lay solid foundations for management and oversight (continued)

Diversity Strategy
The Diversity Strategy lists the strategies, initiatives and programs, measurable objectives, targets and KPIs adopted by the Board. Most of the strategies, initiatives and programs have already been achieved or put in place, and the necessary amendments have been made to the Charter for the Board of Directors and to the Terms of Reference for the Nomination & Remuneration Committee. The amended documents may be viewed on the Company's web site.

The Strategy includes initiatives and programs designed to foster Diversity at Board level, at executive and management level and generally, commensurate with the nature and size of the Company. Progress with achievement of the Diversity Strategy will be reviewed by the Nomination & Remuneration Committee (if formed, otherwise by the Board) on an annual basis and the result reported to the Board. Progress will also be reported each year in the Directors' Report section of the Annual Report.

The role of the Executive Chairman
At present the Executive Chairman fills the roles of Chairman and of CEO. However this has not been the case in the past and may not always be the case in the future so the details are set out separately below for ease of reference. While the Executive Chairman is also the CEO, the Board will modify the Company's practices, policies and procedures where appropriate, and in particular ensure that potential conflicts of interest are managed appropriately.

The role of the Chairman
The role of the Chairman is clearly defined in the Charter for the Board of Directors. In summary, the Chairman is responsible for leading the Board, ensuring Directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with security holders and with the Company's senior executives. The Chairman formally reviews the performance of the Board and the individual Directors on an annual basis.

The role of the CEO
The role of the CEO is also clearly defined in the Charter for the Board of Directors. In summary, the CEO is responsible for implementing the Company strategies and policies, achieving the Company objectives and managing the business of the Company. As noted above, currently the Executive Chairman also fills the role of CEO.

The CEO reviews the performance of his senior executives on an annual basis utilizing criteria similar to that applicable to himself, having regard to the position under review, the relevant position description and KPIs. Such reviews will lead in to the annual remuneration reviews.

Board committees
Establishment of Board committees is commensurate with the size of the Company. Terms of Reference or Charters have been adopted for each committee's responsibility, and in the event that the Board retains a particular responsibility and does not establish a relevant committee, the adopted Terms of Reference or Charter for that responsibility will be utilised by the Board in the discharge of that responsibility. Details of the experience, expertise and qualifications of the committee members are set out on pages 3 and 4 and the number of meetings held and attendances is set out on page 4 of the Annual Report. Summaries of the responsibilities and membership of the committees is provided at each relevant Principle.

Letters of Appointment and Employment Agreements
The functions, responsibilities, remuneration and terms of each Director's appointment are detailed in individual Letters of Appointment, as are the same for Senior Executives in individual Employment Agreements, all prepared in accordance with the guidelines included in the Charter for the Board of Directors.

Governance
In view of the small size of the Company, the duty of governance is handled by the full Board and dealt with in accordance with the Charter for the Board of Directors and the Directors' Code of Conduct.

Nomination
The duty of Nomination is handled by the Nomination & Remuneration Committee (or the Board, if a Remuneration Committee is not established) and dealt with in accordance with the Committee's Terms of Reference, the Charter for the Board of Directors and the Diversity Policy.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2: Structure the Board to add value

The composition of the Board is determined in accordance with the following principles and guidelines:

- The Board should comprise at least three and no more than 9 Directors (determined by the Constitution) and at least two of the Directors shall ordinarily reside in Australia.
- The Chairman should preferably be an Independent Director.
- The Board shall comprise Directors with a diverse and appropriate range of qualifications and expertise and in the event of retirement of a Director with particular expertise, the Board, with the assistance of the Nomination & Remuneration Committee (if formed), will seek to appoint a Director with skills, experience and diversity attributes required to balance the needs of the Board in the operations of the Company, in accordance with the Diversity Strategy adopted by the Board.
- The Board shall meet monthly unless otherwise agreed by the Directors, and follow meeting guidelines established to ensure that all Directors are made aware of, and have available all necessary information in a timely manner, to participate in an informed discussion of all agenda items.
- The Directors of the Company (except the Managing Director) are elected at a General Meeting.

The Directors in office at the date of this statement are:

- Executive Chairman - Raymond Douglas Shaw
- Non-executive Director – Torey Robert Marshall
- Independent Director – Jennifer Frances Tobin

Notwithstanding the ASX recommendations that a majority of the Board (including the Chairman) should be independent Directors, the Board does not consider that it is appropriate to increase the number of Directors at this early stage of the Company's development. The Board maintains strict protocols to ensure that any potential or actual conflicts of interest and duty are properly identified and managed, to ensure Directors act in accordance with their fiduciary responsibilities.

Independent Directors are independent of management, do not have a substantial shareholding (i.e. less than 5%) and are free from any business or other relationship which could materially interfere with the exercise of their judgement. The commentary provided by the ASX Corporate Governance Principles and Guidelines has been considered when evaluating the independence of the Directors concerned.

Non-Executive Directors are independent of management but either have or control a substantial shareholding in the Company, i.e. 5% or more.

The Directors' Code of Conduct detailed in Principle 3 includes an acknowledgement that Directors may obtain independent legal advice in order to discharge their duties properly.

PRINCIPLE 3: Promote ethical and responsible decision-making

The Charter for the Board of Directors deals with this issue in respect to Directors, the senior executives, staff and consultants of the Company.

The Board has adopted a Directors' Code of Conduct which clarifies the standards of ethical behaviour required of the Directors, and is relevant to several of the ASX Corporate Governance Principles. The Directors' Code of Conduct is available on the Company's web site. The following is a summary:

Directors' Code of Conduct Overview

The Code of Conduct outlines the principles and standards Directors are required to abide by, and governs the way in which each of the Directors should conduct themselves in the discharge of their duties. This Code of Conduct should operate in addition to relevant laws that are in force from time to time and also in conjunction with all other Board Governance Policies.

1. Directors must act honestly, in good faith and in the best interests of the Company as a whole at all times.
2. Directors have a duty to use due care and diligence in fulfilling the functions of office and exercising the powers attached to that office.
3. Directors must always use the powers of the office for a proper purpose.
4. Directors must recognise that their primary responsibility is to the Company's members as a whole but must, where appropriate, have regard for the interests of all stakeholders of the Company.
5. Directors must not make improper use of information acquired as a Director.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3: Promote ethical and responsible decision-making (continued)

6. Directors must not allow personal interests, or the interests of any Associated Person, to conflict with the interests of the Company.
7. Directors have an obligation to be independent in judgement and actions and to take all reasonable steps to be satisfied as to the soundness of all decisions taken by the Board.
8. Confidential information received by a Director in the course of the exercise of Directors' duties remains the property of the company from which it was obtained and it is improper to disclose it, or allow it to be disclosed, unless that disclosure has been authorised by that company, or is required by law.
9. Directors should not engage in conduct likely to bring discredit upon the Company.
10. Directors have an obligation, at all times, to comply with the spirit, as well as the letter of the law and with the principles of this Code.

The policy includes detailed guidelines for interpretation of the principles of the Code of Conduct

Charter for the Board of Directors
The Charter for the Board of Directors is structured to promote ethical and responsible decision-making throughout the Company. All Directors, executives, employees and consultants of the Company are expected to act with integrity and objectivity, to maintain appropriate ethical standards and have the following duties:

- to act honestly, fairly and without prejudice in all commercial dealings and to conduct business with professional courtesy and integrity;
- to work in a safe, healthy and efficient manner, using their skills, time and experience to the maximum of their ability;
- to comply with applicable awards, Company policies and job requirements;
- not to knowingly make any misleading statements to any person or to be a party to any improper practice in relation to dealings with or by the Company;
- to ensure that the Company's resources and property are used properly; and
- not to disclose information or documents relating to the Company or its business, other than as required by law and the ASX Listing Rules and not to misuse any information about the Company or any other members of the Group.

Trading in Company Securities
The Board has adopted a Directors' and Officers' Share Trading Policy which applies to all Directors, officers, senior management and other employees of the Company ("Designated Persons") and supports this Principle through its provisions against insider trading and market manipulation. The policy is available on the Company's web site. In summary the trading restrictions are:

Inside Information
If a Designated Person has Inside Information (as defined in the policy) relating to the Company it is illegal for the Designated Person to:
(a) deal in (that is, apply for, acquire or dispose of) the Securities or enter into an agreement to do so; or
(b) procure another person to apply for, acquire or dispose of the Securities or enter into an agreement to do so; or
(c) directly or indirectly communicate, or cause to be communicated, that information to any other person if the Designated Person knows, or ought reasonably to know, that the person would or would be likely, to use the information to engage in the activities specified in paragraphs (a) or (b) above.

Black Out Period
Officers are not permitted to buy or sell the Company's shares from December 31 each year until after the half yearly results announcement is made to the market, and from June 30 each year until after the announcement of the full year's results to the market or during the period commencing 4 weeks prior to the conclusion of any AGM of the Company.

Excluded Trading
Certain types of share trading transactions which are beyond the control of the Officer, or result in no change to the beneficial holding of the Officer, are excluded from the restrictions imposed by the trading policy.

Financial Products
Designated Persons are not permitted to deal at any time in financial products without the prior approval of the Board, such as options, warrants, futures or other financial products issued over the Securities by third parties such as banks and other institutions. An exception may apply where the Securities form a component of a listed portfolio or index product.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 4: Safeguard integrity in financial reporting

An Audit and Risk Committee is charged with safeguarding the integrity of the Company's financial reporting by advising on and supervising internal controls and appropriate ethical standards for the financial and operational management and risk management of the Company. The Committee also confirms the quality and reliability of the financial information prepared. The Company has adopted a detailed Charter for an Audit and Risk Committee.

At this early stage of the Company's development there are only three Directors, only one of whom is independent, which is typical of a small resource company. Consequently it is not possible for the Company to comply with the ASX guidelines on the formation and structure of an Audit & Risk Committee. The Directors do not consider it appropriate to increase the number of Directors at this time, as the additional expense cannot be justified nor is there any operational reason to do so. The Board has adopted Terms of Reference for an Audit & Risk Committee and utilises those guidelines when conducting audit & risk related business. The Board's view is that these guidelines ensure the integrity of the Company's financial reporting processes, and the independence and competence of its external auditor.

The Charter for the Board of Directors sets out the membership and responsibilities of the Committee as follows: Ideally, the Audit and Risk Committee will comprise a majority of independent directors and / or non-executive directors, one of whom will chair the meetings, and should not contain any executive directors. The Committee's responsibilities are:

- to review the adequacy of systems and standards of internal control with emphasis on risk management, financial reporting procedures and compliance;
- to review proposed announcements of financial results, financial statements, management questionnaires and external audit reports in advance of the Board;
- to receive any information it requires from management;
- to report its findings and recommendations directly to the Board;
- to provide a direct link from the Board to the external auditor, the nomination of the external auditor and reviewing the adequacy of the scope and quality of the annual statutory audit and half year audit review;
- to assess whether non-audit services provided by the external auditor are consistent with maintaining the external auditor's independence. Each reporting period the external auditor provides an independence declaration in relation to the audit or review; and
- to provide advice to the Board in respect of whether the provision of the non-audit services by the external auditor is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001.

The CEO and Chief Financial Officer, as appropriate, must declare in writing to the board (see below) that the financial records of the Company for the financial year have been properly maintained, and that the Company's financial reports for the financial year comply with accounting standards and present a true and fair view of the Company's financial condition and operational results. This statement is required annually.

The Chairman of the Audit & Risk Committee (if appointed – if not, a non-executive director appointed by the Board) meets separately with the auditors as required from time to time to discuss the audit reviews and reports, to ensure that there are no outstanding issues and to assess the auditor's continuing independence.

The Company's Auditor is invited to attend the Annual General Meeting and be available to answer any questions the Shareholders may care to ask in respect to the financial statements of the Company. The Company has not yet adopted formal procedures for the selection, appointment and rotation of external auditors.

Each year the CEO or CFO will provide a statement to the Board in writing in respect to the integrity of the financial statements and the effective operation of the risk management and internal compliance and control systems.

Each year the CEO or CFO will provide a statement to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with the relevant accounting standards. The statement also confirms that the assurance is founded on a sound system of risk management and internal compliance and control, which implements the policies adopted by the Board.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: Make timely and balanced disclosure

The Board is very conscious of its continuous and periodic disclosure obligations as set out in ASX Listing Rules 3 and 4, and has procedures in place to ensure that the requirements of those listing rules are met at all times. The standard Board meeting agenda includes a review of past, current and forthcoming events and results, to determine if there is information that should be disclosed in accordance with the Company's Continuous and Periodic Disclosure Policy. The Company's Continuous and Periodic Disclosure Policy is reinforced in the Charter for the Board of Directors. The policy is as follows:

Policy
That the Company will do all things necessary to ensure compliance with Listing Rules 3 and 4 and to follow the guidelines and best practice recommendations as set out in Principle 5 where, in the opinion of the Board, those guidelines and recommendations are appropriate to the Company.

Policy Objectives
1. To establish a vetting and authorisation process designed to ensure that Company announcements:
   - are made in a timely manner;
   - are factual;
   - do not omit material information; and
   - are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.
2. To establish a process to promote understanding of compliance within the Company.
3. To safeguard the confidentiality of corporate information to avoid premature disclosure.

In respect to Periodic Disclosure, the Listing Rules and guidelines require that the Board will ensure that the Security Holders and the market are periodically provided with all information necessary to assess the performance of the Company and the Directors. Information to allow investors to monitor the performance of the Company is communicated by means of:
- the Annual Report which is available for distribution to all Security Holders;
- the Half-Yearly Report which is available for distribution to all Security Holders;
- periodic reports and special reports when matters of material interest arise; the Annual General Meeting and other meetings called to obtain approval of any Board action as required; and
- The Company's website.

Responsibility
All Directors, Senior Executives and the Company Secretary are responsible for ensuring that the Company's continuous and periodic disclosure policy is adhered to. The CEO works with the Chairman (if these roles are separate) in respect to dealing with media contact and any external communications, such as analyst briefings.

PRINCIPLE 6: Respect the rights of Shareholders

The Charter for the Board of Directors and the Directors' Code of Conduct detailed at the beginning of this statement, and the Directors' and Officers' Share Trading Policy detailed at Principle 3, all recognise legal and other obligations and support the legitimate interests of all stakeholders.

Fundamental to the rights of shareholders is an effective communication system utilising the methods detailed in Principle 5 and the Company web site. It is very important to ensure a clear and balanced understanding of the aims and objectives of the Company, and the progress being made towards them, is readily determinable by interested parties.

The full text of Notices of General Meetings and any Explanatory Memorandums plus any other relevant announcements made to the market, and information provided to analysts, is promptly placed on the Company web site following release to the ASX.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: Recognise and manage risk

The Audit & Risk Committee Charter requires the Committee (if formed, otherwise the Board) to:

- ensure the Company's risk management policies and procedures are adequate;
- monitor compliance with the Company's risk management policies and procedures;
- keep itself appraised of the latest developments, policies and trends in relation to financial matters, rules and regulations to the extent that they may affect the Company or the market(s) in which the Company operates;
- oversee the establishment and implementation of a risk management system and review (at least annually) the effectiveness of the Company's implementation of that system;
- review the Company's internal financial control mechanisms and risk management policies;
- compile a risk profile of the material risks (including financial and non-financial matters) facing the Company;
- establish and implement a system for identifying, assessing, monitoring and managing material risk throughout the Company;
- review major non-financial regulatory matters through the use of a compliance monitoring reporting regime which covers the following areas of exposure:
    - environment;
    - safety and health;
    - asset protection (including insurance);
    - trade practices;
    - discrimination and harassment;
    - conflict of interest; and
    - ethical standards.

The Board oversees the establishment, implementation and annual review of the Company's risk management system. Management has established and implemented a risk management system for assessing, monitoring and managing all risks, including material business risks for the Group. The CEO will provide a statement to the Board in writing in respect to the integrity of the financial statements and the effective operation of the risk management and internal compliance and control systems.

PRINCIPLE 8: Remunerate fairly and responsibly

If a Nomination & Remuneration Committee is established (see previous comments regarding committees) the committee is charged with the responsibility to review and make recommendations to the Board on remuneration packages and policies related to the Executive Directors, Non-executive Directors, CEO and senior executives of the Company, and ensure that the remuneration policies and practices are consistent with the Company's strategic goals and human resource objectives.

The Committee, in conjunction with the Chairman of the Company (where applicable), will review the performance of the CEO against the agreed parameters and responsibilities.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8: Remunerate fairly and responsibly (continued)

The Board has adopted a detailed Charter for a Nomination & Remuneration Committee. The Charter includes the following:

- Objectives;
- Composition;
- Meetings;
- Access; and
- Duties & responsibilities including:
    - recommendations for the appointment or removal of Directors;
    - assessment of necessary and desirable competencies including diversity attributes;
    - review succession plans;
    - evaluation of Board performance;
    - advice on Directors' remuneration;
    - advice on CEO's remuneration;
    - advice on senior management remuneration;
    - employment packaging;
    - staff policy and procedures;
    - reporting; and
    - remuneration reviews.

Directors' Remuneration
If an Executive Director is appointed, suitable remuneration will be approved by the Board. The Non-executive and Independent Directors are paid Director's fees by the Company which may be in the form of a cash payment to the Director, cash conditional upon the purchase of shares in the Company or the issue of Options to acquire shares (subject to shareholder approval). Proper expenses incurred in the course of the Company's operations are reimbursed. The maximum aggregate amount of Non-Executive and Independent Directors' fees must be approved by the Company in a General Meeting and in accordance with the Company's Constitution. The CEO, Independent and Non-executive Directors are not paid any retirement benefits other than superannuation.

The Board may, as it sees fit, establish a Long Term Incentive Plan ("LTIP") to encourage and reward enhanced performance by senior management and staff subject to the performance of the Company. The Company does not have an LTIP at present.

The Remuneration Report included each year in the Directors' Report component of the Annual Report details the remuneration policies of the Company.

The Charter for the Nomination & Remuneration Committee (where established, otherwise the Board) includes responsibility for assessing the necessary and desirable competencies of the Board members, and evaluating the performance of the Board.

Company Web Site
This Statement of Corporate Governance is available in the Corporate Governance section of the Company's website www.redgumresources.com together with further Corporate Governance information as appropriate.

Governance and policy reviews
The Corporate Governance policies and practices of the Company are reviewed annually in accordance with the standards required of the Company by the Directors, the ASX, ASIC and other relevant stakeholders, to ensure that the highest appropriate governance standards are maintained, commensurate with the size and operations of the Company.

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION

Declaration of independence to the Directors of Red Gum Resources Limited and Controlled Entities

As lead auditor of Red Gum Resources Limited for the year ended 30 June 2013, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Red Gum Resources Limited and the entities it controlled during the year.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 30 September 2013

FINANCIAL REPORT

CONTENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the financial year ended 30 June 2013

	Note	2013 $	2012 $
Revenue – interest income	5	**35,212**	**76,819**
Exploration expenses written off	6	(121,143)	(20,392)
Office and administration expenses		(122,235)	(69,746)
Professional fees		(322,257)	(263,982)
Directors fees and remuneration	6	(399,970)	(210,267)
Depreciation expense	6	(2,376)	(3,503)
Finance costs		-	-
Other expenses		(37,289)	(30,037)
Loss before tax		(970,058)	(521,108)
Income tax (expense)/benefit	7	-	-
Loss for the year attributable to members		(970,058)	(521,108)
Other Comprehensive income			
Exchange differences on translating foreign operations		141,318	16,202
Total comprehensive income/(loss) for the year attributable to owners of the company		(828,740)	(504,906)
Losses attributable to owners of the company		(828,740)	(504,906)
Earnings per share		In cents	In cents
Basic and diluted earnings per share from continuing operations	25	(1.27)	(0.98)
Weighted average number of common shares outstanding:		Number	Number
Basic and dilutive		76,404,835	53,054,387

This statement should be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Financial Position
As at 30 June 2013

	Note	30 June 2013 $	30 June 2012 $
Assets			
Current Assets			
Cash and cash equivalents	11	771,013	2,791,578
Other receivables	12	57,269	40,846
Total Current Assets		828,282	2,832,424
Non-Current Assets			
Financial asset	13	-	-
Other receivables	12	248,495	99,682
Plant and equipment	14	1,304	3,680
Exploration and evaluation expenditure	15	4,682,070	3,301,130
Total Non-Current Assets		4,931,869	3,404,492
Total Assets		5,760,151	6,236,916
Current Liabilities			
Trade and other payables	17	485,892	1,214,750
Total Current Liabilities		485,892	1,214,750
Total Liabilities		485,892	1,214,750
Net Assets		5,274,259	5,022,166
Equity			
Issued Capital	20	7,084,364	6,049,789
Foreign Currency Translation Reserve		157,520	16,202
Share Option Reserve	20	69,387	23,129
Accumulated Losses		(2,037,012)	(1,066,954)
Total Equity		5,274,259	5,022,166

This statement should be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Changes in Equity
For the financial year ended 30 June 2013

	Note	Ordinary Shares	Foreign Currency translation Reserve	Share Option Reserve	Accumulated Losses	Total
		$	$	$	$	$
Balance 1 July 2011		1,446,221	-	-	(545,846)	900,375
Issue of shares during the year	20	5,175,014	-	-	-	5,175,014
Loss for the year		-	16,202	-	(521,108)	(504,906)
Equity based remuneration	20	-	-	23,129	-	23,129
Share issue costs during the year		(571,446)	-	-	-	(571,446)
Balance 30 June 2012		6,049,789	16,202	23,129	(1,066,954)	5,022,166
Balance 1 July 2012		6,049,789	16,202	23,129	(1,066,954)	5,022,166
Issue of shares during the year	20	1,124,681	-	-	-	1,124,681
Loss for the year		-	141,318	-	(970,058)	(828,740)
Equity based remuneration	20	-	-	46,258	-	46,258
Share issue costs during the year		(90,106)	-	-	-	(90,106)
Balance 30 June 2013		7,084,364	157,520	69,387	(2,037,012)	5,274,259

This statement should be read in conjunction with the Notes to the Financial Statements

Consolidated Statement of Cash Flows
For the financial year ended 30 June 2013

	Note	2013 $	2012 $
Cash flows from operating activities			
Payments to suppliers and directors		(787,355)	(566,954)
Net Cash (used in)/provided by operating activities	22	(787,355)	(566,954)
Cash flows from investing activities			
Interest received		35,205	76,819
Payments for exploration expenditure		(2,275,489)	(1,255,794)
Payments for plant and equipment		-	(4,222)
Net Cash (used in)/provided by investing activities		(2,240,284)	(1,183,197)
Cash flows from financing activities			
Proceeds from the issue of share capital		1,124,681	4,772,064
Share proceeds in advance of share issue		-	-
Payments for share issue costs		(117,607)	(571,446)
Net Cash provided by/(used in) financing activities		1,007,074	4,200,618
Net (decrease)/ increase in cash and cash equivalents		(2,020,565)	2,450,467
Cash and cash equivalents at the beginning of the financial year		2,791,578	341,111
Cash and cash equivalents at the end of the financial year	11	771,013	2,791,578

This statement should be read in conjunction with the Notes to the Financial Statements

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

1. Nature of operations

Red Gum Resources Limited's and its subsidiaries' ("Group") principal activity is mineral exploration.

The Group is focusing on the IOGC Belt in Region IV of Chile and the central Peruvian Polymetallic Belt because the potential for the discovery of large base metal (Cu-Pb-Zn-Ag) and copper-gold deposits is exceptional. Its exploration portfolio is actively managed and rationalised as part of the management process, ensuring only the best projects are retained and explored.

2. Basis of preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

Significant accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report covers the Company, Red Gum Resources Limited ("Company") and its 100% subsidiaries Red Gum Resources (Peru) Pty Ltd and Central Peru Resources SAC ("Group").

Red Gum Resources Limited is a public company, incorporated and domiciled in Australia. The registered office is Suite 9, 75A Angas Street, Adelaide SA 5000.

The Company was incorporated on 11 May 2006.

The financial statements for the year ended 30 June 2013 (including the comparatives) were approved by the Board of Directors on 30 September 2013.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company or its subsidiaries. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interests of non-controlling shareholders may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

Basis of consolidation (continued)

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

The accounting policies have been consistently applied, unless otherwise stated.

3. Critical accounting judgment and key sources of estimated uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual figures may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods. Refer below or elsewhere in the financial statements for a discussion of critical judgements in applying the Group's accounting policies, and key sources of estimation uncertainty.

Key sources of uncertainty

The useful lives of plant and equipment are described in note 4(j); the Company reviews the estimated useful lives at the end of each annual reporting period. Note 4(h) also discusses exploration, evaluation and development expenditure reviews.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

4. Summary of accounting policies

The significant accounting policies that have been used in the preparation of these general purpose financial statements are summarised below.

a. Presentation

The consolidated financial statement incorporated the assets and liabilities of Red Gum Resources Limited and its subsidiaries ("Group") as at 30 June 2013 and the result for the year then ended. Red Gum Resources Limited is referred to in this financial report as the Company, parent or economic entity.

b. Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the sale of minerals is recognised on delivery to the customer.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

c. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in results in the period in which they are incurred.

d. Income tax

The income tax expense/(benefit) for the year comprises current income tax expense/(benefit) and deferred tax expense/(benefit).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the statement of comprehensive income when the tax relates to items that are credited or charged directly to equity.

The Company adopts the liability method of tax – effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items. Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity. Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised. The amount of benefits brought to account, or which may be realised in the future, is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

e. Trade receivables

Trade receivables and other receivables are carried at amounts due less any provision for specific doubtful debts.

f. Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

g. Impairment of assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. In assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments at the time value of money and the risks specific to the asset for which the estimates of future cashflows have not been adjusted. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Exploration, evaluation and development expenditure

Exploration and evaluation

Exploration, evaluation and development expenditure incurred is accumulated in respect of each current identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made. When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Exploration and evaluation assets are assessed for impairment when fact and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount. The recoverable amount of the exploration and evaluation asset is estimated to determine the extent of the impairment loss (if any). Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in previous years.

Provision for restoration and rehabilitation

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis. Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

i. Plant and equipment

Each class of property, plant and equipment are carried at cost less, where applicable, any accumulated depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

j. Depreciation

Items of plant and equipment are depreciated over their estimated useful lives ranging from 3 to 40 years to write off the net cost of each asset during its expected useful life. The straight line method of depreciation is used. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. An asset carrying amount is written down immediately to its recoverable amount, if the asset carrying amount is greater than its estimated recoverable amount, gain and losses on disposals are determined by comparing proceeds with the carrying amount. These gain and losses are included in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

k. Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company.

l. Financial assets and liabilities

The net market values of the Company's financial assets and liabilities approximate their carrying amounts.

m. Cash

Cash and cash equivalents included cash on hand, deposits held at call with banks and other short term highly liquid investment with original maturities of three months or less.

n. Comparative figures

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

o. Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated in the Balance Sheet inclusive of GST. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cashflows.

p. Foreign currency translation

Foreign currency transactions are translated into the functional currency of the Company, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in the statement of comprehensive income under "other income" or "other expenses".

In the Group's financial statements, assets and liabilities have been translated into Australian Dollars at the closing rate at the balance date. Income and expenses have been translated into the Group's presentation currency at the average rates over the reporting period. Any differences arising from this procedure have been charged/credited to the currency translation reserve in equity.

q. New accounting standards and interpretations

In the current year, the Group has adopted all of the new and revised Standards and Interpretations issued by the Accounting Standards Board ("AASB") that are relevant to their operations and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations have not resulted in any significant change to the Group's accounting policies.

q. New accounting standards and interpretations (continued)

The accounting policies adopted are consistent with those of the previous financial year except as follows:

AASB 2010-8 Amendments to Australian Accounting Standard – Deferred Tax: Recovery of Underlying Assets (Applies to annual reporting periods beginning on or after 1 January 2012)

AASB 2010-8 provides clarification on the determination of deferred tax assets and deferred tax liabilities when investment properties are measured using the fair value model in AASB 140 Investment Properties. It introduces a rebuttable presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model where the objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

AASB 2010-8 also includes the requirement that the measurement of deferred tax assets and deferred tax liabilities on non-depreciable assets measured using the revaluation model in AASB 116 Property, Plant and Equipment should always be based on recovery through sale.

These amendments have had no impact on the Group.

AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income (Applies annual reporting periods beginning on or after 1 July 2012)

AASB 2011-9 requires entities to group items presented in Other Comprehensive Income on the basis of whether they are potentially re-classifiable to profit or loss subsequently, and changes the title of 'statement of comprehensive income' to 'statement of profit or loss and other comprehensive income'.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current half-year period. The adoption of AASB 2011-9 has resulted in changes to the Group's presentation of its financial statements.

Accounting standards issued but not yet effective and not been adopted early by the Group

The Group notes the following Accounting Standards which have been issued but are not yet effective at 30 June 2013. These standards have not been adopted early by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities.
These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are:

- Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; and (2) the characteristics of the contractual cash flows.
- Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income (instead of in profit or loss).
- Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument.
- Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases.
- Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows;
    - The change attributable to changes in credit risk are presented in other comprehensive income (OCI) and;
    - The remaining change is presented in profit or loss.

q. New accounting standards and interpretations (continued)

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Group has not yet decided when to adopt AASB 9.

(ii) AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

- AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities.

  The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

- AASB 11 replaces AASB 131 Interests in Joint Ventures and AASB Interpretation 113 Jointly-controlled Entities – Non-monetary Contributions by Ventures. AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change.

  In addition, AASB 11 removes the option to account for jointly-controlled entities using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations for liabilities are accounted for by recognising the share of those assets and liabilities. Joint ventures that give the venturers a right to the net assets are accounted for using the equity method.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the Group has not entered into any joint arrangements.

- AASB 12 sets out the required disclosures for entities reporting under the two new standards, AASB 10 and AASB 11, and replaces the disclosure requirements currently found in AASB 127 and AASB 128. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Group's investments.

  Amendments to AASB 128 provide clarification that an entity continues to apply the equity method and does not remeasure its retained interest as part of ownership changes where a joint venture becomes an associate, and vice versa. The amendments also introduce a "partial disposal" concept.

  When this standard is first adopted for the year ended 30 June 2014, there will be no impact on the transactions and balances recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

q. New accounting standards and interpretations (continued)

(iii) AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 explains how to measure fair value and aims to enhance fair value disclosures. Application of the new standard will impact the type of information disclosed in the notes to the financial statements.

The Group is yet to undertake a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 January 2013.

(iv) Revised AASB 119 Employee Benefits and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

The AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (removal of the so-called 'corridor' method), the immediate recognition of all past service cost in profit or loss and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Group does not have any defined benefit plans. Therefore, these amendments will have no impact on the Group.

(v) AASB Interpretation 20 Stripping Costs in the Production Phase of Surface Mining

This interpretation clarifies that costs of removing mine waste materials (overburden) to gain access to mineral ore deposits during the production phase of a mine must be capitalised as inventories under AASB 102 Inventories, if the benefits from stripping activity is realised in the form of inventory produced. Otherwise, if stripping activity provides improved access to the ore, stripping costs must be capitalised as a non-current, (if certain recognition criteria are met, as an addition to, or enhancement of, an existing asset).

The Group does not operate a surface mine. Therefore, there will be no impact on the financial statements when this interpretation is first adopted.

(vi) AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

The Standard amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs. This amendment reflects the AASB's view that these disclosures are more in the nature of governance disclosures that are better dealt within the legislation, rather than by the accounting standards.

When these amendments are first adopted for the year ending 30 June 2014, they are unlikely to have any significant impact on the Group.

(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

q. New accounting standards and interpretations (continued)

(vii) AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities

This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities, on the entity's financial position.
This Standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.

When this AASB 2012-2 is first adopted for the year ended 30 June 2014, there will be no impact on the Group as the Group does not have any netting arrangements in place.

(viii) AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities

AASB 2012-3 adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.

When AASB 2012-3 is first adopted for the year ended 30 June 2015, there will be no impact on the Group as this standard merely clarifies existing requirements in AASB 132.

(ix) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)

These narrow-scope amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

When these amendments are adopted for the first time on 1 January 2014, they are unlikely to have any significant impact on the Group given that they are largely of the nature of clarification of existing requirements.

(x) IFRIC Interpretation 21 Levies

IFRIC 21 addressed how an entity should account for liabilities to pay levies imposed by governments, other than income taxes, in its financial statements (in particular, when the entity should recognise a liability to pay a levy).

IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. For example, if the activity that triggers the payment of the levy is the generation of revenue in the current period and the calculation of that levy is based on the revenue that was generated in a previous period, the obligating event for that levy is the generation of revenue in the current period. The generation of revenue in the previous period is necessary, but not sufficient, to create a present obligation.

When this interpretation is adopted for the first time on 1 January 2014, there will be no significant impact on the financial statements as the Group is not subject any levies addressed by this interpretation.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

The Group has not elected to early adopt any new standards or amendments that are issued but not yet effective and has not yet assessed the impact of these standards.

r. Going concern

The consolidated Group has recorded a loss attributable to equity holders of $970,058 (2012: $521,108), however the Group has net assets of $5,274,259 (2012: $5,022,166) and cash and cash equivalents of $771,013 (2012: $2,791,578). The Directors believe that the going concern basis of accounting is appropriate. No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the consolidated Group not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

5. Revenue

	2013 $	2012 $
Interest revenue –bank	35,212	76,819

6. Expenses

Loss on continuing operations included:	2013 $	2012 $
Depreciation	2,376	3,503
Exploration costs expensed (Note 15)	121,143	20,392
Directors fees and remuneration–total (Note 8 and 26)	510,061	319,660
Directors remuneration –reallocated to projects (Note 15)	(110,091)	(109,393)
Directors fees and remuneration –income statement	399,970	210,267

7. Income tax expense

	2013 $	2012 $
a. The components of tax expense comprise:		
Current tax	-	-
b. The prima facie tax on the loss before income tax is reconciled to the income tax as follows:		
Profit/(loss) before tax	(970,058)	(521,108)
Prima facie tax payable on profit/(loss) before income tax at 30% (2012: 30%)	(291,017)	(156,332)
Increase/(decrease) in income tax expense due to:		
Non-allowable capital items	-	-
Non-deductible expenses	1,179	180
Other deductions	(20,355)	(16,655)
(Under)/over provision in prior year	(69,319)	31,673
Tax losses carried forward and not brought into account	379,512	141,134
Income tax expense/(benefit)	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

8. Key management personnel compensation

a. Names and positions held of Company's key management personnel in office at any time during the financial year are:

Key management person positions

Dr Raymond D Shaw	Chairman – Executive (appointed 11 May 2006)
Dr Paul Pearson	Managing Director – Executive (appointed 1 July 2011, resigned 5 June 2013)
Mr Torey Marshall	Director – Non Executive (appointed 16 June 2007)
Ms Jennifer Tobin	Director – Non Executive (appointed 14 June 2013)

b. Compensation practices

Table of Benefits and Payments for the Year Ended 30 June 2013
The following table sets forth all annual and long term compensation for services in all capacities to the consolidated entity for the two most recently completed financial years, in respect of the individual(s) who were, at the end of the most recently completed financial year, acting as directors or executive officers.

Name and Position	Year	Salary $	Option based Remuneration $	Other Annual Compensation and Superannuation $	Total $
Dr Raymond Shaw Chairman Executive Director (from 1 April 2013)	2013	59,547	-	2,953	62,500
Non-Executive Director	2013	39,373	-	3,544	42,917
Total	2013	98,920	-	6,497	105,417
Non-Executive Director Appointed 11 May 2006	2012	27,324	-	2,459	29,783
Norman Zillman Non-executive Director Resigned 23 April 2012	2013	-	-	-	-
	2012	13,067	-	-	13,067
Torey Marshall Non-executive Director (former Managing Director) Appointed 16 June 2007	2013	40,000	-	-	40,000
	2012	22,000	-	-	22,000
Jennifer Tobin Non-Executive Director Appointed 14 June 2013	2013	-	-	-	-
	2012	-	-	-	-
Dr Paul Pearson Managing Director Appointed 1 July 2011 5 June 2013	2013	296,799	46,257	21,588	364,644
	2012	213,965	23,129	17,716	254,810
Total	**2013**	**435,719**	**46,257**	**28,085**	**510,061**
	2012	**276,356**	**23,129**	**20,175**	**319,660**

8. Key management personnel compensation (continued)

Notes:
(1) Remuneration is not based on performance criteria.
(2) Remuneration is not currently linked to company performance or share price.
(3) Dr Paul Pearson vested options were valued using Black-Scholes at $46,257 (2012: $23,129), refer to note 8 for further details.

Non-Executive remuneration

During the year ended 30 June 2013 non-executive remuneration amounted to $82,917 (2012: $64,850).

Non-executive remuneration commenced on 17 January 2012 following the successful listing on the ASX. The fees paid amount to $30,000 per annum (for the period to 31 January 2013 fees amounted to $65,000 per annum) for the Chairman and $24,000 per annum (for the period to 31 January 2013 fees amounted to $48,000 per annum for non-executive directors. On 1 July 2013 the fees increased to $36,000 per annum for non-executive directors.

Fees and payments to non-executive directors will reflect the demands which are made on, and the responsibilities of, the directors. Non-executive directors' fees and payments are reviewed annually by the Board. The Board will ensure that all directors' fees and payments are appropriate and in line with the market.

Executive Chairman's remuneration

On 1 April 2013, Dr Raymond Shaw was appointed an Executive of the company following Paul Pearson's resignation notice. During the year ended 30 June 2013 the Chairman's Non-Executive remuneration of $62,500 (2012: $29,783) and Executive remuneration of $42,917 (2012:$nil) was paid or payable.

Dr Shaw's remuneration package comprises of $250,000 remuneration (including superannuation) per annum.

Managing Director's remuneration

Dr Paul Pearson (resigned 5 June 2013)
During the Reporting Period ended 30 June 2013 the managing director's remuneration of $364,644 (2012: $254,810) was paid or payable. At 30 June 2013 Annual Leave Provision of $4,928 (2012: $5,358) was payable.

In July 2011, the Company employed a full time Managing Director, Dr Paul Pearson, to champion the initial public offering 'IPO' of the Company on the ASX. Under his agreement Dr Pearson was paid $144,000 (including superannuation) per annum until date of listing on the ASX; subsequent to listing his remuneration package included $320,000 remuneration (including superannuation) per annum and 3,000,000 Options:

- First Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 10 cents; and IPO price plus 15 cents, if on the date of exercise of the First Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The First Tranche Options vest 2 years after ASX listing date.
- Second Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 15 cents; and IPO price plus 20 cents, if on the date of exercise of the Second Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Second Tranche Options vest 3 years after ASX listing date.
- Third Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 20 cents; and IPO price plus 40 cents, if on the date of exercise of the Third Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Third Tranche Options vest 4 years after ASX listing date.

Expiry Conditions for the Options are :
- First Tranche Options 3 years from First Tranche Options vesting date;
- Second Tranche Options 3 years from Second Tranche Options vesting date;
- Third Tranche Options 3 years from Third Tranche Options vesting date;
- the Agreement is terminated or the Managing Director ceases to be an employee of the Company for any reason other than as a result of serious misconduct, the Options will expire 3 months from the date of termination; and
- if the Agreement is terminated, the Options will expire on the date of termination.

As noted in "Subsequent Events" these Options were cancelled on 6 August 2013.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

8. Key management personnel compensation (continued)

The Options fair values have been valued using Black-Scholes option pricing model. The Black-Scholes option pricing model was based on an interest free rate of 5.5% and 75% volatility. The valuation amounted to $323,800 over the vesting period ending on 25 November 2018. In the year ended 30 June 2013, $46,257 (2012: $23,128) has been charged to the Statement of Profit or Loss and Other Comprehensive Income. The options were cancelled on 6 August 2013 subsequent to Dr Pearson's resignation as Managing Director of the Company.

9. Auditors remuneration

	2013 $	2012 $
Remuneration for the audit of the annual financial report	16,775	15,975
Remuneration for the review of the half year financial report	4,725	4,500
Tax related services	-	-
Other	2,502	16,812
Total auditors remuneration	24,002	37,287

10. Subsidiaries

Name of subsidiary	Principal activity	Place of incorporation and operation	% of ownership interest and voting power held by the Group 2013	2012
Red Gum Resources (Chile) Pty Ltd	Exploration	Australia	100%	100%
Red Gum Resources (Peru) Pty Ltd	Exploration	Australia	100%	100%
Red Gum Chile SpA.	Exploration	Chile	100%	100%
Central Peru Resources SAC	Exploration	Peru	99.99%	99.99%

In July 2011, Red Gum Resources Limited set up a 100% subsidiary, Red Gum Resources (Chile) Pty Ltd to hold 100% of Red Gum Resources Chile SpA. Red Gum Resources Chile SpA had no assets or liabilities at the date of purchase.

In October 2009 Red Gum Resources Limited set up a 100% subsidiary, Red Gum Resources (Peru) Pty Ltd to purchase 99.9% of Central Peru Resources SAC ("CPR"), a Peruvian company. CPR has no assets or liabilities at date of acquisition other than the four licences in the central Peruvian Polymetallic Belt with a book value of $70,000:

- Cerro Hauncash
- Chongos A
- Chongos B
- Chongos C

Red Gum Resources Limited issued 700,000 ordinary shares in full consideration for CPR's equity, with a deemed value of $70,000 being $0.10 per share (refer to Note 20 for further details). The remaining 0.01% is held by Torey Marshall in order to comply with the local legal requirements.

11. Cash and cash equivalents

	2013 $	2012 $
Cash at bank	771,013	2,791,578

For the purposes of the statement of cash flow, cash and cash equivalents include cash in hand and in banks. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flow is reconciled to the related items in the statement of financial position shown above.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

11. Cash and cash equivalents (continued)

In the period to 30 June 2013, Red Gum has used the cash and assets in a from readily convertible to cash that it had at the time of ASX listing admission, in a way consistent with its business objectives as disclosed in its Prospectus dated 21st November 2011.

12. Other receivables

	2013 $	2012 $
Current		
Goods and service tax receivable	26,315	6,470
Other receivables	57,269	34,376
	305,764	40,846
Non-Current		
Overseas goods and service tax receivable	248,495	99,682

Other receivables arise from transactions outside the usual operating activities of the Company and are unsecured, interest free and repayable on demand.

There are no balances that are past due and impaired. It is expected these balances will be received when demanded.

13. Financial Assets

	Parent	
	2013 $	2012 $
Non-current financial assets		
Shares in controlled entity	70,000	70,000

During the year ended 30 June 2010 shares in a controlled entity, Central Peru Resources SAC were acquired by Red Gum Resources (Peru) Pty Ltd for a consideration of 700,000 shares with a deemed value of $70,000 (2012: $70,000) (refer to note 10 for further details).

14. Plant and equipment

	Plant & Equipment	
	2013 $	2012 $
At cost	14,601	14,601
Accumulated depreciation	(13,297)	(10,921)
Total plant & equipment	1,304	3,680
Movement in carrying amounts		
Gross carrying amount at the beginning of the year	7,183	2,961
Additions	-	4,222
Disposals	-	-
Depreciation expense	(5,879)	(3,503)
Gross carrying amount at the end of the year	1,304	3,680

The following useful lives are used in the calculation of depreciation:
- Plant & equipment 3 to 40 years

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

15. Exploration and evaluation expenditure

	2013	2012
	$	$
Gross carrying amount at the beginning of the year	3,301,130	1,021,252
Amounts capitalised during the year	1,380,940	2,279,878
Amounts written off during the year	-	-
Gross carrying amount at the end of the year	4,682,070	3,301,130

During the year ended 30 June 2013 $121,143 (2012: $20,392) of Project Costs were expensed in the Statement of Comprehensive Income.

The directors have reviewed the Capitalised Project Costs and do not consider that any impairment is necessary for the year ended 30 June 2013 (2012: $nil).

The following mineral projects are currently held by the Company:

Project description	Project code	Location	Area (approx)	Interest held
Cerro Huancash(1)	n/a	Peru	5.76 km^2	100%
Chongos A(1)	n/a	Peru	10 km^2	100%
Chongos B(1)	n/a	Peru	9 km^2	100%
Chongos C(1)	n/a	Peru	9 km^2	100%
La Negra (2)	n/a	Chile	20 km^2	100%
Majada(3)	n/a	Chile	5.8 km^2	(3)

	2013	2012
Capitalised Expenditure:	$	$
Cerro Huancash(1)	325,987	182,304
Chongos A(1)	139,084	121,388
Chongos B(1)	137,080	119,712
Chongos C(1)	128,811	112,752
La Negra(2)	3,125,407	2,764,974
Majada(3)	825,701	-
	4,682,070	3,301,130

1. The Company through its wholly owned subsidiary, Red Gum Resources (Peru) Pty Ltd holds all 99.99% of the shares in the Central Peru Resources ("CPR") (refer to Note 10 for further details), which in turn holds 100% of the four Peruvian Projects. The $70,000 acquisition cost has been capitalised as tenement cost.
2. During the prior year ended 30 June 2012 the Company exercised the Option Deed dated 10 November 2009, with Inversiones y Mineria Andale Ltda (Andale) for a total consideration of USD $1,020,000 and the issue of 1,000,000 shares in the Company (refer to Note 20 for further details), whereby the Company has been granted an option to acquire 100% of the interest in La Negra. In accordance with Chilean law, in September 2011 the Company established a wholly owned Chilean subsidiary called Red Gum Resources Chile SpA (Red Gum Chile). Under the La Negra Option Red Gum Chile acquired the La Negra project which is made up of the exploration mining concessions named "Karina 1", "Karina 2", "Karina 3", "Karina 4", "Karina 5", "Karina 6", "Karina 7", "Karina 8" and "Karina 9", and the exploitation mining concessions named "Karina1/20" and "Karina 21/40". The La Negra Option is registered in the Mortgages and Encumbrances Registry of the Custodian of Mines of Combarbalá.
3. During the year the Company entered into eight separate letter agreements (Letters of Intent) with a number of private individuals for an option to acquire 100% of the Majada Copper-Gold Project. As announced on 28 November 2012 under the terms of the Letters of Intent Red Gum had 60 days to decide whether to execute formal purchase agreements ("Option Agreements") between the respective mineral claim holders ("Owners") and acquire 100% of the Majada Copper-Gold project. On 27 March 2013 the Company announced its intention to execute the Option Agreements, by which the Company would acquire 100% interest in the nine claims, comprising the Project, by making staged, six monthly, option payments totalling 679.5 million Chilean pesos (A$ 1.44 million at the then exchange rate) to the owners over a 3 year period from the date of signature.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

16. Deferred tax assets

There are no recognised deferred tax assets at the 30 June 2013 (2012: $nil).

17. Current liabilities –trade and other payables

	2013 $	2012 $
Trade payables	365,156	892,412
Accruals	115,808	316,980
Employee benefits - annual leave provision	4,928	5,358
	485,892	1,214,750

Employee benefits
The provision for employee benefits represents annual leave entitlements accrued and compensation claims made by employees. At the 30 June 2013 the annual leave provision amounted to $4,928 (2012: $5,358).

18. Tax

	2013 $	2012 $
Liabilities		
CURRENT		
Income Tax	-	-
Assets		
NON-CURRENT		
Deferred tax asset	-	-

Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 4(d) occur:

—tax losses: to date $391,932 (2012: $322,613)

19. Provisions

The Company has no provisions at 30 June 2013 (2012: $nil). No employees are eligible for long-term employee benefits at 30 June 2013 (2012: $nil).

20. Issued capital

a. Shares Issued and Outstanding

	2013 $	2012 $
112,468,097 (2012: 74,978,727) ordinary shares	7,056,864	6,049,789
Ordinary shares		
At the beginning of reporting period	6,049,789	1,446,221
Shares issued during the year		
- Shares issued 12 June 2013(1)	186,690	-
- Shares issued 18 June 2013(2)	937,991	-
Shares issued during the prior year		
- Shares issued in July 2011(3)	-	246,700
- Shares issued in August 2011(4)	-	761,000
- Shares issued in November 2011(5)	-	150,000
- Shares issued in December 2011(6)	-	4,003,564
- Shares issued in June 2012(7)	-	13,750
Total shares issued during the year	1,124,681	5,175,014
Less: Share issue costs	(117,606)	(571,446)
At the end of reporting period	7,056,864	6,049,789

	2013 No.	2012 No.
Ordinary shares		
At the beginning of reporting period	74,978,727	44,800,000
Shares issued during the year:		
- Shares issued 12 June 2013(1)	6,223,005	-
- Shares issued 18 June 2013(2)	31,266,365	-
Shares issued during the prior year:		
- Shares issued in July 2011(3)	-	2,242,727
- Shares issued in August 2011(4)	-	6,918,182
- Shares issued in November 2011(5)	-	750,000
- Shares issued in December 2011(6)	-	20,017,818
- Shares issued in June 2012(7)	-	250,000
Total shares issued during the year	37,489,370	30,178,727
At the end of reporting period	112,468,097	74,978,727

20. Issued capital (continued)

Notes:-

Current Reporting Period

(1) On 12 June 2013, 6,223,005 ordinary shares (Entitlement Offer Shares) were issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.

(2) On 18 June 2013, 31,266,365 'shortfall' shares were issued under the fully underwritten pro rata renounceable entitlement offer.

Prior reporting period

(3) In July 2011, 2,242,727 shares in July 2011 and at $0.11 per share. The funds raised amounted to $246,700; of the funds raised $264,199 of the funds were received as at 30 June 2011 and they were shown as other creditors on the statement of financial position at 30 June 2011 (refer to note 17 for further details).

(4) In August 2011, 6,918,182 shares were issued at $0.11 per share. The funds raised amounted to $761,000.

(5) In November 2011, 750,000 shares were issued to Dr Pearson at a deemed price of 20 cents per share in connection with the termination of the management and Finder's Fee Agreements with Ore-Forming Solutions S.A.

(6) In December 2011, 20,017,818 shares were issued as part of the Initial Public Offering.

(7) On 29 June 2012, 250,000 ordinary shares were issued in lieu of a $13,750 cash payment for work done by a related party.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

b. Share Option Reserve

	2013 $	2012 $
Equity based remuneration		
At the beginning of the year	23,129	-
Share Options issued to Dr Paul Pearson	46,258	23,129
At the end of the year	69,387	23,129

The share option reserve records items recognised on the valuation of share options over the vesting period.

On 8 December 2011, 3,000,000 Options were issued to Managing Director, Dr Paul Pearson. The Options' fair values were valued using Black-Scholes option pricing model. The valuation amounted to $323,800 over the vesting period ending on 25 November 2018. In the year ended 30 June 2013, $46,258 (30th June 2012: $24,129) has been charged to the comprehensive income statement.

Dr Pearson resigned as Managing Director on 5 June 2013, and as a result it was announced on 6 August 2013 (Refer "Subsequent Events") that these options had been cancelled.

The Black-Scholes option pricing model was based on an interest free rate of 5.5% and 75% volatility.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

20. Issued capital (continued)

c. Shares Options

The Company has the following history of share options outstanding:

	Number of Quoted Options	Number of Unquoted Options	Weighted Average Exercise Price
At 1 July 2011		-	-
Issued 8 December 2011	-	4,000,000	$0.40
At 30 June 2012	-	4,000,000	$0.40
At 1 July 2012	-	4,000,000	$0.40
Issued 12 June 2013[1]	3,111,506	3,111,506	$0.08
Issued 18 June 2013[2]	15,633,184	15,633,184	$0.08
At 30 June 2013	18,744,690	22,744,690	$0.12

[8] On 12 June 2013, 3,111,506 free unquoted options (issue price $0.07 expiring 15 November 2013) and 3,111,506 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.

[9] On 18 June 2013, 15,633,184 free unquoted options (issue price $0.07 expiring 15 November 2013) and 15,633,184 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer.

The following table summarises information about the share options outstanding:

Expire Date	Number of Options 2013	Exercise Price 2013	Number of Options 2012	Exercise Price 2012
25 November 2016[3]	1,000,000	$0.30 or $0.35	1,000,000	$0.30 or $0.35
1 March 2016[1]	18,744,682	$0.10	-	-
25 November 2017[3]	1,000,000	$0.35 or $0.40	1,000,000	$0.35 or $0.40
25 November 2018[3]	1,000,000	$0.40 or $0.60	1,000,000	$0.40 or $0.60
25 November 2014[2]	1,000,000	$0.25	1,000,000	$0.25
15 November 2013[1]	18,744,682	$0.07	-	-
Balance at end of period	41,489,364	$0.12	4,000,000	$0.40

Notes:
[1] During the year ended 30 June 2013 18,744,682 free unquoted options (issue price $0.07 expiring 15 November 2013) and 18,744,682 free quoted options (issue price $0.10 expiring 1 March 2016) were issued on the basis of one free unquoted option and one free quoted option for every two ordinary shares issued under the fully underwritten pro rata renounceable entitlement offer, detailed in the prospectus dated 9 May 2013.
[2] During the prior year ended 30 June 2012, 1,000,000 Option were issued to CCZ Corporate Finance Pty Ltd in accordance with the mandate letter.
[3] During the prior year ended 30 June 2012, 3,000,000 Options were issued to Managing Director, Dr Paul Pearson. As referred to in “Subsequent Events” these options were cancelled on 6 August 2013.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

20. Issued capital (continued)

In the prior year 3,000,000 options were issued to Dr Paul Pearson under his managing director's employment agreement as follows:

- First Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 10 cents; and IPO price plus 15 cents, if on the date of exercise of the First Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The First Tranche Options vest 2 years after ASX listing date.
- Second Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 15 cents; and IPO price plus 20 cents, if on the date of exercise of the Second Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Second Tranche Options vest 4 years after ASX listing date.
- Third Tranche Options: 1,000,000 Options exercisable at the higher of IPO price plus 20 cents; and IPO price plus 40 cents, if on the date of exercise of the Third Tranche Options, the VWAP for the previous 30 trading days is equal to or above the IPO price. The Third Tranche Options vest 3 years after ASX listing date.

Expiry Conditions for the Options are :

- First Tranche Options 3 years from First Tranche Options vesting date;
- Second Tranche Options 3 years from Second Tranche Options vesting date;
- Third Tranche Options 3 years from Third Tranche Options vesting date;
- the Agreement is terminated or the Managing Director ceases to be an employee of the Company for any reason other than as a result of serious misconduct, the Options will expire 3 months from the date of termination; and
- if the Agreement is terminated, the Options will expire on the date of termination.

The share option reserve records items recognised on the valuation of share options over the vesting period.
As announced to the market these options were cancelled on 6 August 2013 following the resignation of Dr Pearson (refer to "Subsequent Events")

The Options fair values have been valued using Black-Scholes option pricing model. The valuation amounted to $323,800 over the vesting period ending on 25 November 2018. In the year ended 30 June 2013, $46,258 (2012: $23,129) has been charged to the Statement of Profit or Loss and Other Comprehensive Income.

The Black-Scholes option pricing model was based on an interest free rate of 5.5% and 75% volatility.

Capital Management

The management's objectives when managing capital are to ensure that the Company can fund its operations and continue as a going concern and to provide shareholders with adequate returns.

The management monitors capital on the basis of debt to equity ratio. This ratio is calculated as net liabilities divided by equity. Net liabilities is "Total liabilities" as shown on the consolidated statement of financial position less cash and cash equivalent and equity is "equity" as shown on the consolidated statement of financial position.

There are no externally imposed capital requirements.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year, which is to seek to maintain the asset to equity ratio at 38%. The liability-equity ratios as at 30 June 2013 and 30 June 2012 are as follows:

	2013 $	2012 $
Total liabilities	485,892	1,214,750
Less: Cash and cash equivalents	(771,013)	(2,791,578)
Net (assets)/ liabilities	(285,121)	(1,576,828)
Total equity	5,274,529	5,022,166
Liability to equity ratio	(5)%	(31)%

The increase in assets to equity ratio during 2013 is primarily due to share issue offset by operating loss and exploration expenditure during the period.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

21. Segmental information

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on geographical location. The Group's reportable segments under AASB 8 are therefore as follows:

- Australia
- Peru
- Chile

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

	Australia $	Peru $	Chile $	Total $
30 June 2013				
REVENUE				
Total revenue -external interest received	35,212	-	-	35,212
RESULT				
Segment result	(849,284)	(15,848)	(104,926)	(970,058)
Finance costs	-	-	-	-
Loss before income tax	(849,284)	(15,848)	(104,926)	(970,058)
Income tax expense	-	-	-	-
Loss after income tax	(849,284)	(15,848)	(104,926)	(970,058)
ASSETS				
Segment assets	1,238,182	378,578	4,143,391	5,760,151
LIABILITIES				
Segment liabilities	202,994	2,168	280,730	485,892
OTHER				
Depreciation and amortisation of segment assets	2,376	-	-	2,376

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

21. Segmental information (continued)

	Australia $	Peru $	Chile $	Total $
30 June 2012				
REVENUE				
Total revenue -external interest received	76,819	-	-	76,819
RESULT				
Segment result	(500,874)	(8,548)	(11,686)	(521,108)
Finance costs	-	-	-	-
Loss before income tax	(500,874)	(8,548)	(11,686)	(521,108)
Income tax expense	-	-	-	-
Loss after income tax	(500,874)	(8,548)	(11,686)	(521,108)
ASSETS				
Segment assets	2,258,159	481,776	3,496,981	6,236,916
LIABILITIES				
Segment liabilities	216,226	23,951	974,573	1,214,750
OTHER				
Depreciation and amortisation of segment assets	3,503	-	-	3,503

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments. Segment assets include all assets used by a segment and consist principally of cash, receivables, exploration and evaluation expenditure and property, plant and equipment, net of allowances and accumulated depreciation and amortisation. While most such assets can be directly attributed to individual segments, the carrying amount of certain assets used jointly by two or more segments is allocated to the segments on a reasonable basis. Segment liabilities consist principally of payables, employee benefits, accrued expenses, provisions and borrowings. Segment assets and liabilities do not include deferred income taxes.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Company at an arm's length. These transfers are eliminated on consolidation. At 30 June 2013 and 30 June 2012 there were no such intersegment transfers.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

22. Cash flow information

	2013 $	2012 $
Reconciliation of loss for the period to net cash flows from operating activities		
Loss	(970,058)	(521,108)
Non-cash flows in profit/(loss) from ordinary activities		
- Depreciation	2,376	3,503
- Interest received and receivable	(35,205)	(76,819)
- Share options expensed	46,258	23,129
- Unrealised foreign exchange loss	175,712	16,388
Changes in assets and liabilities		
-(Increase)/decrease in other receivables	(165,235)	(117,047)
-Increase/(decrease) in trade creditors and accruals	158,797	105,000
Net cash (used in)/provided by operating activities	(787,355)	(566,954)

23. Exploration expenditure commitments

	2013 $	2012 $
No longer than 1 year	57,000	36,000
Longer than 1 year and not longer than 5 years	228,000	134,000
Longer than 5 years	57,000	36,000
	342,000	206,000

The exploration expenditure commitments relate to the Group's share of exploration and evaluation expenditure required to comply with the licence terms issued by the relevant regulatory body and in accordance with the agreements listed below.

These obligations may be subject to re-negotiation, may be farmed out or may be terminated as a result of relinquishment. They have not been provided for in the financial statements.

La Negra (Chile)
The Group must maintain the La Negra project in good administrative standing; at the 30 June 2013 these costs are estimated at $48,000 (2012: $25,000) per annum.

Central Peru Polymetallic Belt (Peru)
In addition to the Management Agreement termination commitments set out above, the Group must maintain the Peruvian projects in good administrative standing; at the 30 June 2013 these costs are estimated at $9,000 (2012: $9,000) per annum.

24. Other financial liabilities and commitments

The Company and DJ Carmichael Pty Ltd ("DJC") entered into a Mandate Letter whereby DJC would provide corporate advisory services including but not limited to leading and co-ordinating the Offer. The mandate can be terminated by giving two months written notice. The agreement provides a monthly advisory fee of $10,000 be payable quarterly. Additionally, and following the Capital Raising in May 2013, the Company issued in August 2013 to DJC:

- 5,000,000 unquoted options with an exercise price of 15 cents and an expiry date of 30 April 2016
- 42,489,363 quoted options RGXO with an exercise price of 10 cents and an expiry date of 1 March 2016

The Company has signed a 12 month lease arrangement for office accommodation in April 2013, the annual rent being $14,000 (2012: $14,000).

The Company has engaged Allinson Accounting Solutions Pty Ltd to provide annual accounting and administrative services at a fee of $36,000 per annum (2012: $36,000).

There are no other financial liabilities, leasing commitments, capital commitments, or provision at the 30 June 2013 (2012: $nil). Refer to note 23 for detail of exploration expenditure commitment and note 8 for employment agreements.

25. Earnings per share

Both the basic and diluted earnings per share have been calculated using the loss attributable to shareholders of Red Gum Resources Limited as the numerator.

The weighted average number of shares for the purposes of calculating the basic and diluted number of shares is 76,404,835 (2012: 53,054,387). The Options are not dilutive as at 30 June 2013 or 30 June 2012.

26. Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions and balances with related parties: a. **Other Related Parties**	**2013** **$**	**2012** **$**
Directors fees		
Directors remuneration payable to Vibrante Solutions Pty Ltd(1)	40,000	22,000
Directors remuneration payable Paul Pearson	364,644	254,810
Directors fees payable to Raymond Shaw	105,417	29,783
Directors fees payable to Norman Zillman (resigned 23 April 2012)	-	13,067
Directors fees and remuneration (Note 8)	510,061	319,660

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

26. Related party transactions (continued)

	2013 $	2012 $
Balances		
Annual Leave provision payable to Paul Pearson	4,928	5,357
Balance payable to Vibrante Solutions Pty Ltd[1]	52,117	102,117
Balance Payable to Norman Zillman	13,067	13,067
Balance payable to related parties	70,112	120,541

[1] Vibrante Solutions Pty Ltd is a company in which Director, Mr Marshall is a director and shareholder

Other transactions
The directors were reimbursed for expenses incurred.

27. Financial risk management

a. **Financial Risk Management Policies**

The Company's financial instruments consist mainly of deposits with banks, notes receivable, accounts receivable and payable.
The main purpose of non-derivative financial instruments is to raise finance for Company operations.

i. Treasury Risk Management
The Board meets on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.
The Board's overall risk management strategy seeks to assist the Company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.
Risk management policies are approved and reviewed by the Board on a regular basis. These include the credit risk policies and future cash flow requirements.

ii. Financial Risk Exposures and Management
The main risks the Company is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk
The Company's exposure to interest rate risk relates principally to its short-term deposits placed with financial institutions. For further details on interest rate risk refer to Note 27(b)(i) & (iii).

Foreign currency risk
The Company is exposed to fluctuations in foreign currencies arising from overseas exploration licences, resulting in operations including income and expenses, assets and liabilities being in currencies other than the Company's measurement currency. There is currency risks associated with the Company's budgeting and forecasting process. Refer to Note 27(b)(iii) for further details.

Liquidity risk
The Company manages liquidity risk by monitoring forecast cash flows and ensuring that the Company maintains adequate level of liquidity for operations to meet its commitments.

27. Financial risk management (continued)

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

The Company performs ongoing credit evaluation of its customers' financial condition and requires no collateral from its customers. The allowance for doubtful debts is based upon a review of the expected collectability of all trade and other receivables.

There are no other material amounts of collateral held as security as at 30 June 2013.

Credit risk is managed on a Company basis and reviewed regularly by the Board. It arises from exposures to customers as well as through deposits with financial institutions.

The Board monitors credit risk on a regular basis.

Price risk

The Company's financial instrument is not exposed to price risk.

b. **Financial Instruments**

i. **Financial instrument composition and maturity analysis:**

The tables below reflect the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted Average Effective Interest Rate		**Floating Interest Rate**		**Non Interest Bearing**		**Total**	
	2013 %	**2012 %**	**2013 $**	**2012 $**	**2013 $**	**2012 $**	**2013 $**	**2012 $**
Financial Assets:								
Cash and cash equivalents	3.2%	4.9%	668,238	1,604,378	102,775	1,187,200	771,013	2,791,578
Receivables	-	-	-	-	305,764	140,528	305,764	140,528
Total Financial Assets			668,238	1,604,378	408,539	1,327,728	1,076,777	2,932,106
Financial Liabilities:								
Trade and other payables	-	-	-	-	485,892	1,214,750	485,892	1,214,750
Total Financial Liabilities			-	-	485,892	1,214,750	485,892	1,214,750
Net Financial Assets/(Liabilities)							590,885	1,717,356

27. Financial risk management (continued)

ii. **Net Fair Values**

The carrying value of financial assets and financial liabilities of the Company are assumed to approximate their fair value due to their short term nature.

iii. **Sensitivity Analysis**

Interest Rate Risk, Foreign Currency Risk and Price Risk

The Group has performed sensitivity analysis relating to its financial instrument's exposure to interest rate risk and foreign currency risk at balance date. The Group's financial instruments are not subject to price risk This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Carrying Amount $	Increase in interest rate by 2% $	Decrease in interest rate by 2% $
30 June 2013			
Financial asset	668,238	13,365	(13,365)
Tax charge 30%	-	(4,009)	4,009
30 June 2012			
Financial asset	1,604,378	32,087	(32,087)
Tax charge 30%	-	(9,626)	9,626

Foreign Currency Risk Sensitivity Analysis

At 30 June 2013 and 30 June 2012, the Company is exposed to foreign currency fluctuations to the extent that expenditures incurred are not denominated in Australia Dollars (AUD) but in Peruvian Nuevo Sols, Chilean pesos or United States of America Dollars (USD). The Company has not entered into any foreign currency contract to manage foreign currency risk.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

27. Financial risk management (continued)

At 30 June 2013, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Carrying Amount $	AUD exchange rate strengthens by 10% $	AUD exchange rate weakens by 10% $
30 June 2013			
Financial asset held in USD	8,843	884	(884)
Financial asset held in Chilean Pesos	85,527	8,553	(8,553)
Financial asset held in Peruvian Pesos	2,675	268	(268)
Tax charge 30%	-	(2,911)	2,911)
30 June 2012			
Financial asset held in USD	1,176,972	106,998	(106,998)
Financial asset held in Chilean Pesos	6,962	633	(633)
Financial asset held in Peruvian Pesos	997	91	(91)
Tax charge 30%	-	(32,316)	32,316

The above interest rate and foreign exchange rate risk sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

28. Events After Reporting Period

On 25 July 2013 the Company held an Extraordinary General Meeting and approved all resolutions relating to the issue of corporate advisory service fee options and underwriters', sub-underwriter's and brokers' fee options.

On 2 August 2013 the Company lodged an Appendix 3B relating to the issue of 36,266,365 sub-underwriter options were issued at an exercise price of 10c expiring on 1 March 2016 and 5,000,000 sub-underwriter unquoted options issued at an exercise price of 15c expiring on 30 April 2016.

On 5 August 2013 the Company lodged an Appendix 3B relating to the issue of 6,222,998 sub-underwriter options issued at an exercise price of 10c expiring on 1 March 2016.

On 6 August 2013, Dr Pearson's 3,000,000 options with various exercise prices and expiry dates were cancelled due to vesting in those options not being possible, as the terms of issue could not be met.

On 13 August 2013 the Company advised that, inter alia, it had applied for concession areas northeast of Majada West. Since the end of the Reporting Period the Company announced drilling results at Majada in Chile, on 23 July 2013 and 5 August 2013 and 17 September 2013.

There have been no other matters or circumstances subsequent to the end of the Reporting Period that have significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

29. Parent Entity Disclosures

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 4 for a summary of the significant accounting policies relating to the Group.

Financial Position	2013 $	2012 $
Assets		
Current Assets	725,538	2,184,476
Non-Current Assets	2,028,419	1,681,087
Intercompany debtors	2,706,782	1,376,861
Total Assets	5,460,739	5,242,424
Liabilities		
Current Liabilities	202,991	216,226
Total Liabilities	202,991	216,226
Net Assets	5,257,748	5,026,198
Equity		
Issued Capital	7,084,364	6,049,789
Share Option Reserve	69,387	23,129
Accumulated Losses	(1,896,003)	(1,046,720)
Total Equity	5,257,748	5,026,198

Financial Performance	2013 $	2012 $
Loss for the year	(849,283)	(500,874)
Other comprehensive income	-	-
Total comprehensive loss	(849,283)	(500,874)

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2013

30. Company details

The registered office and principal place of business of the Company is:

Red Gum Resources Limited
Lester Court, Suite 9
75A Angas Street
Adelaide SA 5000

Chile:

Level 13, Office 02
6401 Avenida Apoquindo, Las Condes
Santiago, Chile

450 Doctor Aguirre Perry
Combarbalá, Chile

Peru:

Calle Chacarilla
Nro. 478, Oficina A. Urb.
Santa Cruz.
San Isidro.
Lima 27, Peru.

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, as set out on pages 40 to 75 are in accordance with the *Corporations Act 2001* and:
    a. comply with Accounting Standards and the Corporations Regulations 2001; and
    b. give a true and fair view of the financial position as at 30 June 2013 and of the performance for the year ended on that date of the Company;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
    a. the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001*;
    b. the financial statements and notes for the financial year comply with the Accounting Standards; and
    c. the financial statements and notes for the financial year give a true and fair view;
3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Dr Raymond D Shaw
Executive Chairman

Sydney, 30 September 2013

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.
ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF RED GUM RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Red Gum Resources Limited (the company) and Red Gum Resources Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the Directors' report and not in the financial report.

Director's Responsibility for the Financial Report and the Remuneration Report contained in the Directors' Report

The Directors of Red Gum Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards (IFRS).

The Directors of the company are also responsible for the remuneration report contained in the Directors' Report in accordance with s300A of the Corporations Act 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration report in the Directors' Report is in accordance with Australian Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

Phone 02 8839 3000 Fax 02 8839 3055
www.ksblack.com.au

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.

ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF RED GUM RESOURCES LIMITED (Cont'd)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Red Gum Resources Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion
In our opinion:

(a) the financial report of Red Gum Resources Limited and Red Gum Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2013 and of their performance for the year ended on that date; and
  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 2.

Auditor's opinion on the Remuneration Report contained in the Directors' Report.

In our opinion, the remuneration disclosures that are contained on pages 20 to 22 of the Directors' Report comply with S300A of the Corporations Act 2001.

Significant Uncertainty Regarding Going Concern

Without modifying the opinion above, note 4(r) to the financial report indicates that for the financial year ended 30 June 2013 the consolidated entity incurred a net loss after tax of $970,058 (2012: $521,108). The consolidated entity also generated negative cash flows from operating activities for the year of $787,355 (2012: $566,954).

Note 4(r) to the financial report indicates that the cash flow forecasts project that the consolidated entity will continue to be able to meet its liabilities and obligations as and when they fall due for a period of at least 12 months from the date of signing of this financial report. The cash flow forecast is dependent upon the generation of sufficient cash flows from capital raising and/or other initiatives to enable the consolidated entity to fund its planned activities and be able to meet its liability and obligations as and when they fall due for at least the next 12 months from the date of signing of this financial report.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner
Sydney, 30 September 2013

ASX SHAREHOLDER INFORMATION
Additional information as at 20 September 2013

Additional information required by the Australian Securities Exchange Limited and not shown elsewhere in this report is as follows:

(a) Distribution of Equity Securities

Currently there are 112,468,097 shares held by 455 shareholders.

Range	Holders
1 - 1,000	6
1,001 - 5,000	2
5,001 - 10,000	137
10,001 – 100,000	180
100,001 - over	130
Total	455

(b) The number of holders of less than a marketable parcel

Less than marketable parcel of shares	224

(c) Twenty largest holders of ordinary shares

TOP 20 SHAREHOLDERS - AS AT 20 SEPTEMBER 2013

	Number Of Shares	Held %
Torey Marshall & Robert Marshall <Torey Marshall Family A/C>	13,549,500	12.05
Raymond Douglas Shaw & Rita Barbara Jones <Shaw Jones Super Fund A/C>	7,499,750	6.67
Norman Joseph Zillman	7,000,000	6.22
Warman Investments Pty Ltd	6,437,571	5.72
Tigermoth Investments Ltd	5,452,500	4.85
IBT Holdings Pty Ltd <IBT Holdings P/L Fam A/C>	4,604,697	4.09
Community Training Initiatives Pty Ltd	4,175,000	3.71
Mr Barry Arthur Waugh	3,247,651	2.89
Makwadi Ventures Pty Ltd	2,659,968	2.37
Vennon Pty Ltd <Tomsic Family A/C>	2,540,000	2.26
MGL Corp Pty Ltd	1,750,000	1.56
Rockmaster Pty Ltd	1,450,000	1.29
Mr Ross James Thomas	1,415,000	1.26
Mr Ivan Brown	1,389,813	1.24
Mr Paul Stephen Harapin	1,376,000	1.22
Ms Linvana Thomson	1,333,333	1.19
Washington H Soul Pattinson and Company Limited	1,250,000	1.11
Mr Norman Zillman & Mrs Lorraine Zillman <Bannerblock Super Fund A/C>	1,240,000	1.10
Dr Paul John Pearson Patten & Mrs Roxany Mirella Velasquez Chavez	1,100,000	0.98
Hawgood Pty Ltd	1,050,000	0.93
Top 20 Total	70,520,783	62.70
Total Remaining Holders Balance	41,947,314	37.30
Total Ordinary Shares on Issue	112,468,097	100.00

(d) Escrowed Securities

Escrow ends on:	**Number Of Shares**
17 January 2014	30,425,932