RED GUM

10 March 2014

Dear Option holder

Red Gum Resources Limited - pro-rata renounceable rights issue

As announced on 3 March 2014 and again today, Red Gum Resources Limited (ACN (119 641 986)) (**Company**) is undertaking a fully underwritten 3 for 2 pro rata renounceable rights issue (**Rights Issue** or **Offer**) of approximately 194 million fully paid ordinary shares (**New Shares**) at an issue price of $0.003 cents per Share (**Issue Price**), to raise up to approximately $582,000 (before costs). The Offer will include one free attaching quoted option, exercisable at $0.01 per option and expiring on 15 November 2017, for every four New Shares issued. The Offer is fully underwritten by DJ Carmichael Pty Ltd**.**

The Offer is being made to all shareholders of the Company named on its register of members at 7.00pm (ACST) on 19 March 2014, whose registered address is in Australia or New Zealand.

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 10 March 2014 and it is available to view on the Company's web site www.redgumresources.com. New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue. The funds raised will be used primarily by the Company to identify new opportunities, and for the costs of the issue and for working capital.

Option holders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue, unless you exercise your options in time for new shares to be allotted and to be entered on the Company's register of members on or before 7pm (ACST) on 19 March 2014 (**Record Date**). To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company at Suite 9, Lester Court, 75a Angas Street, Adelaide, South Australia 5000:

a) notice of exercise of options (available from the Company upon request); and

b) payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Red Gum Resources Limited".

To ensure that your new shares are allotted prior to the Record Date, the above must be received by the Company ***no later than*** *14 March 2014****.*** *If received after this date, allotment of new shares prior to the Record Date cannot be assured.*

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety and if you are uncertain, discuss the matter with your financial adviser.

This notice is important and requires your immediate attention. If you have any queries concerning the Rights Issue, please contact your financial adviser or Mal Lucas-Smith, Red Gum Resource Limited's Company Secretary, on +61 0418 366 532.

Yours sincerely

M E Lucas-Smith
Company Secretary