12 March 2014

Dear Shareholder

Red Gum Resources Limited - pro-rata renounceable rights issue

As announced on 10 March 2014, Red Gum Resources Limited (ACN (119 641 986)) (**Company**) is undertaking a 3 for 2 pro rata renounceable rights issue (**Rights Issue** or **Offer**) of approximately 194,007,468 (subject to rounding) fully paid ordinary shares (**New Shares**) at an issue price of $0.003 cents per Share (**Issue Price**), to raise up to approximately $0.582 million. The Offer will include one free attaching quoted option exercisable at $0.01 each and expiring on 15 November 2017 (**Options**) for every four New Shares issued. New Shares will rank equally with all fully paid ordinary shares in the capital of the Company (**Shares**) already on issue.

The Company lodged a prospectus for the Offer (**Prospectus**) with ASIC and ASX on 10 March 2014. The Offer is being made to all shareholders of the Company (**Shareholders**) named on its register of members at 7:00pm (AEDT) on 19 March 2014, whose registered address is in Australia or New Zealand.

The Offer is fully underwritten by DJ Carmichael Pty Ltd (**Underwriter**). The Company must pay the Underwriter a management and placement fee of 6% of the total amount raised pursuant to the Offer. In addition, the Company must reimburse the Underwriter for costs incidental to the Offer. The Company has also agreed to issue 40,000,000 Options to the Underwriter (or nominee) as the broker. Following completion of the Offer, the Company will have issued approximately 194,007,468 New Shares resulting in total Shares on issue of approximately 323,345,780.

The funds raised will be used for the Company to identify new opportunities, working capital and costs of the issue. Shareholder approval is not required in relation to the issue of the Shares and Options pursuant to the Rights Issue.

A copy of the Prospectus is available on ASX's and the Company's website. Eligible Shareholders will be mailed a Prospectus together with an Entitlement and Acceptance Form no later than 24 March 2014. Your entitlement will be set out on the personalised Entitlement and Acceptance Form accompanying the Prospectus.

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

Actions required of Eligible Shareholders

There are a number of actions Eligible Shareholders may take:

- You may take up all or some of your rights to subscribe for New Shares pursuant to the Prospectus (**Entitlements**). To take up all or some of your Entitlements you will need to ensure your application money for the Entitlements you wish to take up is received by Computershare Investor Services Pty Ltd (**Share Registry**) by no later than 5pm (AEDT) on 7 April 2014, by either completing and returning your Entitlement and Acceptance Form together with your application money or making a payment by BPAY in accordance with the instructions on your Entitlement and Acceptance Form.

Suite 9 Lester Court,
75a Angas Street,
Adelaide SA 5000

p. +61 08 8223 1680
f. +61 08 8223 1685
info@redgumresources.com

www.redgumresources.com
ACN 119 641 986

- You may seek to sell all or some of your Entitlements on ASX. You can seek to sell your Entitlements on ASX from 13 March 2014 until the close of market on 31 March 2014. To sell any of your Entitlements you need to contact your broker as soon as possible.

- You may transfer all or some of your Entitlements to another person other than on ASX. To transfer all or some of your Entitlements you will either need to contact your CHESS Controlling Participant (usually your broker) and follow their instructions or complete a renunciation and transfer form (which can be obtained from Share Registry) and return it, together with the purchaser's cheque for the Entitlements they wish to take up so that it is received by the Share Registry by no later than 5pm (AEDT) on 7 April 2014.

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

Key dates for the Offer

Event	Proposed Date
Announcement of Offer	10 March 2014
Lodgement of Prospectus with ASIC	10 March 2014
Lodgement of Prospectus and Appendix 3B with ASX	10 March 2014
Notification sent to option holders	10 March 2014
Notice sent to Shareholders containing Appendix 3B information	12 March 2014
Existing shares quoted on an 'ex' rights basis and rights trading starts	13 March 2014
Record date	19 March 2014
Prospectus and Entitlement & Acceptance Form sent to Shareholders and Opening Date of Offer	24 March 2014
Rights trading ends	31 March 2014
Shares quoted on a deferred basis	1 April 2014
Closing Date of Offer	7 April 2014
Advise ASX of any under-subscriptions	9 April 2014
Issue Date and deferred settlement trading ends	14 April 2014
Commencement of trading of New Shares on ASX	15 April 2014

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

Yours sincerely

M E Lucas-Smith
Company Secretary