



ASX ANNOUNCEMENT

13 August 2012

Positive Metallurgy reported from La Negra

Red Gum Resources Limited (ASX: RGX, "Red Gum" or "the "Company") is pleased to announce that recent preliminary metallurgical testing of four composite 15-25 kg drill core samples from RDN001 and RDN002 from the Company's 100% owned La Negra project in Chile has yielded positive liberation and flotation results.

HIGHLIGHTS

- Two samples tested are sulphide rich, two are oxide-rich
- Liberation at typical primary grind size of 80% passing 100um is seen to be good, implying that excessive grind power will not be required
- Flotation tests very positive for sulphide samples in rougher and cleaner trials
- In one sulphide sample in particular, zinc recovery into final concentrate 80-85% at 60% zinc grade, whilst lead recovery into final concentrate estimated to be 70% at 50% lead grade
- Arsenic in feed grade very low, which is favourable to producing clean, saleable concentrate product without smelter penalties
- Pyrite levels are low, which assists in simplifying flotation circuit performance
- Elevated values of gold and silver expected to provide significant upside to concentrate values
- Elevated levels of gold and silver in the oxide samples potentially amenable to simple cyanide leaching; further testing planned

Managing Director Paul Pearson commented, "The Company is at an early stage in the metallurgical testing of the La Negra ores, but already the test work is yielding positive results. In particular, our consultants Promet 101 have reported that the sulphide ore types potentially are highly amenable to conventional sulphide flotation circuits and that the concentrates produced would potentially be of a high quality. Results to date indicate that very satisfactory liberation of the key economic minerals could be expected at a relatively coarse grind size, which has positive implications for energy consumption requirements for any future operation."

Red Gum Resources Ltd

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

p +61 8 8212 5724
f +61 8 8212 2230

www.redgumresources.com
ACN 119 641 986

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“ In the coming weeks the Company will be releasing assay results from the final tranche of seven drill holes completed as part of the 2,522 metres of exploratory diamond drilling completed at the site to date. Assay results from the previous drill holes RDN001 to RDN005 are available in early press releases to the ASX.”



Figure 1: Zinc Flotation test of La Negra sulphide ore at G&T Metallurgical Services in Kamloops, Canada 12th June 2012

Figure 4-1 : Cleaner test results Sample # 2

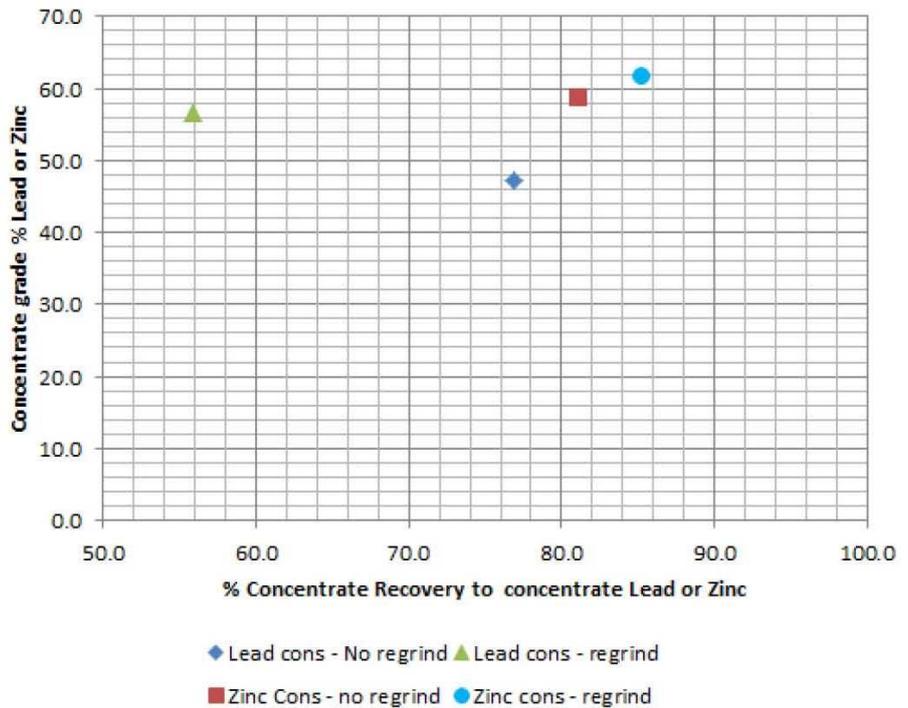


Figure 2: Graph reproduced from Promet101 report showing results from first two cleaner flotation tests, with and without regrind, on sample #2 (sulphide ore). Zinc recovery into final concentrate was excellent at 80-85% at a saleable concentrate grade. Lead recovery overall would be in the order of 70% at a saleable concentrate grade.

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Table 2-1 : Variability composite head assays

Assay	Units	Sample #			
		1	2	3	4
Pb	%	0.87	1.02	0.58	3.52
Pb _{Ox}	%	0.54	0.12	0.19	1.79
Zn	%	4.48	2.13	2.80	5.92
Zn _{Ox}	%	1.69	0.02	1.31	1.43
Fe	%	1.80	2.27	1.53	2.32
Fe _{Ox}	%	0.06	2.2	0.04	2.03
Fe _T	%	2.81	3.69	2.26	3.57
Cu	%	0.33	0.29	0.04	0.14
S	%	0.04	2.20	0.04	2.30
Ag	ppm	18.0	29.5	8.5	42.5
Au	ppm	1.46	1.42	0.96	1.44
As	ppm	0.07	0.07	0.04	0.16

Table 1: Table reproduced from Promet 101 report showing head assay results from the four composite metallurgical samples tested (#1 and #3 are oxide ores and #2 and #4 are sulphide ores). Note the relatively high gold and silver values, and very low arsenic values.

About the La Negra Project

The La Negra Lead-Zinc-Silver (Copper-Gold) Project is located within Region IV in Chile, approximately 360 kilometres NNE of the capital, Santiago and approximately 10 kilometres ENE of the mining town of Combarbalá. Red Gum has an option to acquire 100% in the property, which comprises 11 separate mining and exploration concessions totaling approximately 2,600 hectares.

The La Negra property has a long history, dating back to colonial times, of sourcing high grade lead-zinc-silver material. Modern day geochemical sampling verified the surface and subsurface continuity of high metal grades (zinc, lead, silver, copper, gold) over significant widths within the old workings.

Previous surface geochemistry defined a strong northerly trending (“principal”) zinc-lead anomaly, 1200 metre long x 400 metre wide, broadly corresponding with outcropping tourmaline-bearing hydrothermal breccias that host the old workings. Strong silver, copper and gold values are concentrated in the soils of the northern segment of this principal anomaly. These, and other geochemical anomalies, are underlain by large chargeability anomalies defined in the geophysics.

Overview of the Metallurgical Testing Program

Four variability composites were selected by Promet 101 and sent to G&T Metallurgical Laboratories in Kamloops Canada for mineralogical assessment and early flotation performance assessment. The objective was to try to get an early assessment of mineralogy and associated flotation performance of oxide and sulphide samples.

The objective of this phase of testing is to select samples of sufficient sample mass and elemental assay for subsequent testing program. The samples taken were contiguous lengths of drill core specifically selected to enable sufficient sample mass to be obtained of the order of 15-25 kg each, with a desired feed grade of zinc, lead and sulphur. In order to evaluate performance of both oxide and sulphide samples, two samples of each were selected. Note that a specific sample preservation protocol was followed to ensure that sample deterioration did not occur in transit.

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Upon receipt of the samples at G&T, the following methodology was followed:

- Logging of sample inventory including individual 1.0 m lengths making up each variability sample
- Crushing of all of the drill core making up each variability composite
- Blending of all material and subsequent splitting
- Preparation of flotation feed composites (2.0 kg)
- Separation of a sample for head assays

The mineralogy and liberation of samples was completed. In order to obtain effective liberation data the samples were ground to an expected primary mill feed size and then mineral liberation and analysis of association between economic minerals carried out. The target primary grind used at this stage of the project was 80% passing 100 µm.

A series of six rougher flotation tests were completed. These are exploratory tests to evaluate initial flotation response and start to develop an initial basis for future sample collection and an initial basis for cleaner circuit testing. Typical operating conditions used for the primary grind, lead and zinc flotation stages were as follows:

- Primary Grind
 - Primary grind target
 - 80% passing 100 µm
 - Reagents added
 - Lime to achieve pulp pH 8.0-8.5
 - Zinc Sulphate – 30-600 g/t Sphalerite depressant
 - Sodium cyanide – 10-200 g/t – Arsenopyrite depressant
- Lead Rougher
 - Lime to achieve pulp pH 8.5
 - Collector 3418 A ~ 8-25 g/t
 - MIBC Frother - 15-23 g/t
- Zinc Rougher
 - Lime to achieve pulp pH 11.0
 - Collector SIPX~ 25-50 g/t
 - MIBC Frother - 8-90 g/t
 - Copper sulphate – 250-500 g/t

Subsequent to the successful completion of the rougher testing on Sample # 2 a set of two cleaner tests were completed, with and without regrind.

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About Promet101 and G&T Metallurgical Services

Promet101 Consulting is a highly-regarded Company with a proven track record in metallurgy and processing in South America and Australia. Promet101 is currently building a process engineering group focused on geometallurgical test program development, through to metallurgical data analysis, process design basis development and process plant layouts. This group is being focused in Chile with an emphasis on Copper, Lead, Zinc, Gold projects.

G&T Metallurgical Services, based in Kamloops, British Columbia, was established in 1990 to provide a range of services to mining companies seeking to develop new mineral deposits or to improve existing mining processes. G&T Metallurgical Services routinely performs crucial metallurgical and mineralogical services, from pre-feasibility to bankable feasibility for new deposits, and for efficiency enhancements at existing mines. G&T operates projects across the world to service its international client base.

*****ENDS*****

For Further information please contact:

Paul Pearson, Managing Director + 61 8 8212 5724

Victoria Thomas, Six Degrees Investor Relations + 61 3 9645 7567

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