



Red Gum Resources Limited

ACN 119 641 986

Notice of Annual General Meeting

Date of Meeting: Thursday, 7 November 2013
Time of Meeting: 2:00 pm (Adelaide SA time)
Place of Meeting: Minter Ellison Board Room, Level 10,
25 Grenfell Street, Adelaide SA

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Part A: Letter to Shareholders

24 September 2013

Dear Shareholders,

As Chairman of the Board of Directors I warmly invite each of you to attend Red Gum's Annual General Meeting to be held on Thursday, 7 November 2013. Details are contained in the accompanying Notice of Meeting and Explanatory Memorandum which also provides the agenda and background for each of the resolutions to be put to shareholders at that Meeting.

This year has been one of mixed fortunes for your Company. On the one hand we have had outstanding exploration results and 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 inert 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 provide for 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 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

I invite all shareholders to read the Meeting material and the Annual Report, and if possible attend the AGM. Alternatively, if you are unable to attend the AGM, on behalf of the Board I invite you to complete the enclosed proxy form and return it prior to the meeting.

Thank you for your support.

Yours faithfully



Dr. Raymond Shaw
Executive Chairman
Red Gum Resources Limited

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Part B: Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Shareholders of Red Gum Resources Limited (the “**Company**”) will be held at the Minter Ellison Board Room, Level 10, 25 Grenfell Street, Adelaide SA on Thursday, 7 November 2013 at 2:00pm.

If you are unable to attend the meeting, we encourage you to complete and return the enclosed Proxy Form. The completed Proxy Form must be received at the Company’s share registry or the registered office of the Company, before 2:00 pm on Tuesday, 5 November 2013. The details of the Company’s share registry and registered office are set out in the attached Proxy Form.

The enclosed Explanatory Memorandum accompanies and forms part of this Notice of Meeting. Shareholders are advised to read these documents in full as important background information is included.

Where permitted by the Corporations Act, the Chairman will be casting undirected proxy votes held by him in favour of the Resolutions.

BUSINESS

1. Executive Chairman's presentation
2. Presentation of audited financial statements for the year ended 30 June 2013.
3. Proposed Ordinary Resolutions:
 - i Consideration of Remuneration Report
 - ii. Election of Non-Executive Director, Ms Jennifer Frances Tobin
 - iii Election of Non-Executive Director Mr Torey Robert Marshall
 - iv. Approval of Employee Share and Option Scheme
4. Proposed Special Resolution
 - i Approval of Additional Capacity pursuant to LR 7.1A

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AGENDA

Financial Reports

To receive and consider the Company's Audited Financial Statements for the financial year ended 30 June 2013 which accompany this Notice of Meeting, or were made available in accordance with the Shareholder's chosen method. The Statements are placed before the Shareholders for discussion. Voting is not required on this matter.

Proposed Resolutions

Resolution 1 - Adoption of Remuneration Report

To consider and if thought fit, to approve the following motion as an ordinary resolution:

"That for the purposes of section 250R(2) of the Corporations Act, the Remuneration Report (which forms part of the Directors' Report for the year ended 30 June 2013) be adopted."

Note: Although section 250R(3) of the Corporations Act provides that the vote on this Resolution is advisory only and does not bind the Directors, there are potentially serious consequences associated with a "No" vote greater than 25%. Please see the Explanatory Memorandum for details.

Voting Exclusion Statement for Resolution 1

A vote on Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the key management personnel details of whose remuneration are included in the Remuneration Report; or
 - (b) a closely related party of such a member.
- However, a person described above may cast a vote on Resolution 1 if:
- (a) both the following apply:
 - (i) the person does so as a proxy appointed by writing that specified how the proxy is to vote on Resolution 1; and
 - (ii) the vote is not cast on behalf of one of the people described in subparagraphs (a) or (b) above.
 - (b) all of the following apply:
 - (i) the person is the Chair of the Meeting; and
 - (ii) the Chair does so as a proxy appointed by means of the proxy form circulated with this Notice of Meeting that does not specify how the proxy is to vote on Resolution 1; and
 - (iii) the vote is not cast on behalf of a person described in paragraphs (a) or (b) above; and
 - (iv) the proxy expressly authorises the Chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the Company.

Resolution 2 - Election of Ms Jennifer Frances Tobin as a Director of the Company

To consider and if thought fit, to approve the following motion as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 14.4, clause 38 of the Constitution of the Company and for all other purposes, Ms Jennifer Frances Tobin, a Director who was appointed on 14 June 2013 retires, and being eligible, is elected as a Director."

Resolution 3 - Election of Mr Torey Robert Marshall as a Director of the Company

To consider and if thought fit, to approve the following motion as an ordinary resolution:

"That, for the purposes of ASX Listing Rule 14.4, clause 38 of the Constitution of the Company and for all other purposes, Mr Torey Robert Marshall, a Director who was appointed on 16 May 2007 retires, and being eligible, is re-elected as a Director."

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Resolution 4 – Approval of Employee Share and Option Scheme

To consider and if thought fit, to approve the following motion as an ordinary resolution:

"That for the purpose of ASX Listing Rule 7.2 Exception 9, and all other purposes, Shareholders approve an Employee Share and Option Scheme on the terms described in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting. By obtaining approval under ASX Listing Rule 7.2 Exception 9 the Company may issue securities under the Employee Share and Option Scheme without the need to obtain approval pursuant to ASX Listing Rule 7.1 for a period of 3 years (subject to the provisions of the ASX Listing Rules)."

Voting Exclusion for Resolution 4

The Directors of the Company are not included in the definition of Eligible Employee in the ESOS, and accordingly there is no requirement for a voting exclusion statement.

Resolution 5 - Approval to increase the securities placement capacity of the Company

To consider and if thought fit, to approve the following motion as a special resolution:

"That for the purposes of ASX Listing Rule 7.1A, and for all other purposes, Members approve the issue of equity securities up to 10% of the issued capital of the Company (at the time of the issue) calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions in the Explanatory Memorandum."

Voting Exclusion Statement for Resolution 5

In accordance with ASX Listing Rule 7.3A.7, the Company will disregard any votes cast on Resolution 5 by:

- a person who may participate in the issue of securities;
- a person who might obtain a benefit, except a benefit solely in the capacity of a holder of shares, if this Resolution is passed; and
- any associate of that person.

However, the Company need not disregard a vote if it is cast by:

- the person described above does so as a proxy appointed by writing that specified how the proxy is to vote on the proposed resolution; and
- the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

General business

Executive Chairman's Report on current activities

By order of the board



Malcolm Lucas-Smith
Company Secretary
24th September 2013

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NOTES:

1. Further details of the Resolutions in this Notice of Meeting are contained in the Explanatory Memorandum accompanying this Notice of Meeting. The Explanatory Memorandum should be read together with, and forms part of, this Notice of Meeting.
2. Shareholders unable to attend the Meeting can complete the Proxy Form contained in this Notice of Meeting. The form must be received by the Company at the address or the facsimile number indicated on the Proxy Form no later than 5 November 2013 at 2:00 pm.
3. In accordance with the Corporations Act, a person's entitlement to vote at the Annual General Meeting will be determined by reference to the number of fully paid ordinary shares registered in the name of that person (reflected in the register of Shareholders) as at 7.00pm ACDT on 5 November 2013. Shareholders that do not hold shares at this time will be ineligible to vote at the meeting.
4. Shareholders unable to attend the Meeting are urged to complete the attached Proxy Form and return it to the Company in accordance with Note 2. A Shareholder entitled to attend and vote at the meeting is entitled to appoint a proxy. A proxy need not be a Shareholder of the Company. A Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If no proportion or number is specified, then in accordance with section 249X(3) of the Corporations Act 2001, each proxy may exercise half of the votes. Proxies must be lodged at the registered office of the Company or the Company's share registry, no later than forty-eight hours before the meeting or adjourned meeting. A form of proxy together with a return addressed envelope is provided with this notice.
5. Shareholders will be provided with a reasonable opportunity to ask questions about or make comments on the management of the Company including the opportunity to ask questions of the Company's auditor. Shareholders are invited to submit any questions to the Company no later than 5 business days before the meeting.

VOTING IN PERSON

Shareholders who plan to attend the Meeting are asked to arrive at the venue 30 minutes prior to the time designated for the Meeting, if possible, so that we may check the shareholding against the Share Register and note attendances.

In order to vote in person at the Meeting, a corporation that is a shareholder or a proxy may appoint an individual to act as its representative. The appointment must comply with the requirements of Section 250D of the Corporations Act. The representative should bring to the Meeting evidence of their appointment, including any authority under which it is signed.

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Part C: Explanatory Memorandum

This Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at a Meeting of the Company to be held at the Minter Ellison Board Room, Level 10, 25 Grenfell Street, Adelaide SA on Thursday 7 November 2013, commencing at 2:00 pm (Adelaide SA time).

A copy of the Notice of Meeting (including this Explanatory Memorandum) was lodged with ASX on 4 October 2013. The ASX does not take responsibility for the content of the Notice of Meeting (including this Explanatory Memorandum).

This Explanatory Memorandum forms part of the Notice of Meeting and must be read together with that Notice. The purpose of this Explanatory Memorandum is to provide Shareholders with an explanation of the business of the Meeting and of the Resolutions to be proposed and considered at the Meeting and to assist Shareholders in determining how they wish to vote on each of the Resolutions.

As far as legally possible the Directors intend to support each of the Resolutions.

Presentation of Audited Financial Statements

The Audited Financial Statements are incorporated within the Company's Annual Report for the financial year 2012/13 which has been sent to Shareholders with this Notice of Meeting. In the case of Shareholders who have not opted to receive printed reports, the Annual Report is available on the Company's Web Site: www.redgumresources.com and / or from the ASX Company Announcements Web Site.

The Audited Financial Statements will be presented to the meeting for review and discussion and the Company's auditor will be present to answer questions. Consideration of the Audited Financial Statements does not require a resolution.

Resolution 1 - Adoption of the Remuneration Report - as an ordinary resolution

The Annual Report for the year ended 30 June 2013 contains a Remuneration Report (commencing at page 20 of the Annual Report) which sets out the remuneration policy for the Company and reports the remuneration arrangements in place for Directors and Executives.

The Corporations Act (under section 250R(2)) requires the agenda for an Annual General Meeting to include a resolution for the adoption of the Remuneration Report. The vote on the resolution is advisory only and is not binding on the Directors or the Company. However, under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive AGMs, Shareholders will be required to vote at the second of those AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director) must go up for re-election.

The Remuneration Report:

- (a) describes the policy behind, and the structure of, the remuneration arrangements of the Company and the link between the remuneration of employees and the Company's performance;
- (b) sets out the remuneration arrangements in place for each Director and for certain members of the senior management team; and
- (c) explains the differences between the basis for remunerating Non-Executive Directors and executives of the Company.

A reasonable opportunity for discussion of the Remuneration Report will be provided at the meeting.

The Directors of the Company unanimously recommend to all Members that they vote in favour of this Resolution.

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Resolution 2 - Election of Ms Jennifer Frances Tobin as a Director of the Company - as an ordinary resolution

Clause 36.1 of the Constitution allows the Directors to appoint at any time a person to be a Director as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution, that number being 9.

Any Director so appointed holds office only until the next following Annual General Meeting and is then eligible for election.

Ms Tobin was appointed as a Non-Executive Director on 14 June 2013 following the resignation of Dr Paul Pearson. Ms Tobin, being eligible, offers herself for election as a Director of the Company. Details of her qualifications and experience are set out below.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution. All Directors of the Company will be voting in favour of this Resolution and unanimously recommend that all Shareholders vote in favour of this Resolution.

Ms Jennifer Frances Tobin – Non-executive Director (appointed on 14 June 2013)

Jennifer Tobin is a partner with the law firm Minter Ellison, having over 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.

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

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

Jennifer holds LL.B and B.A. degrees from the University of Adelaide, and is a member of the 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).

Resolution 3 – Re-Election of Mr Torey Robert Marshall as a Director of the Company - as an ordinary resolution

ASX Listing Rule 14.4 requires that a Director (excluding the Managing Director) must not hold office without re-election past the third AGM following the Director's appointment or 3 years, whichever is longer and ASX Listing Rule 14.5 requires that an election of Directors must be held each year.

Clause 36.2 of the Constitution of the Company requires that a Director appointed to fill a casual vacancy (see resolution 2 above) shall not be taken into account when determining the Directors who are to retire by rotation at that meeting. Therefore Ms Jennifer Tobin may not be taken into account for the purposes of this Resolution.

At the date of this Notice of Annual General Meeting the Company has three Directors being the Executive Chairman, Dr Raymond Douglas Shaw, and Non-executive Directors Mr Torey Robert Marshall and Ms Jennifer Frances Tobin. Dr Shaw was re-elected as a Director at the 2012 AGM and since his appointment as Executive Chairman (effectively the Managing Director), is presently not required to be submitted for re-election by rotation.

Consequently Mr Torey Marshall retires by rotation and being eligible, offers himself for re-election as a Director. Details of Mr Marshall's qualifications and experience are set out below.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution. All Directors of the Company will be voting in favour of this Resolution and unanimously recommend that all Members vote in favour of this Resolution.

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Torey Robert Marshall – Non-executive Director (appointed on 17 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, and a member of both the Geological Society of Australia and American Association of Petroleum Geologists.

Resolution 4 – Approval of Employee Share and Option Scheme – as an ordinary resolution

The Company does not have an Employee Share and Option Scheme (“ESOS”) at present and the Board now considers that an ESOS should be adopted. Full terms and conditions of the proposed ESOS are attached at Annexure A.

The purpose of the ESOS is to attract, retain and motivate officers and employees of the Company and consultants engaged to provide ongoing management or consulting services for the Company or any subsidiary thereof, by providing such persons with the opportunity to acquire a proprietary interest in the Company.

ASX Listing Rule 7.1 essentially provides that a company may not issue securities representing more than 15% of its issued capital, over any 12 month period, without the approval of its shareholders. Approval is being sought by the Company for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) so that any issues of securities under the ESOS are not counted as a reduction for the purpose of the calculation of the number of securities that can be issued under Listing Rule 7.1 without shareholder approval. This exception is only available provided that within 3 years before the date of the issue, shareholders have approved the issue of securities under the ESOS as an exception to Listing Rule 7.1.

Under the ESOS, full or part time continuing employees and consultants (or their nominees) are included in the definition of “Eligible Employee”. Directors are not included in the ESOS definition of “Eligible Employee” and accordingly are not eligible to participate in this or any other incentive scheme of the Company, primarily due to the requirement that any securities to be issued to Directors or their associates must first be approved by the Shareholders pursuant to ASX Listing Rule 10.14.

Details of any securities issued under the ESOS will be published in each Annual Report of the Company relating to a period in which securities have been issued.

The Chairman will be casting undirected proxy votes held by him in favour of this Resolution and the Directors of the Company unanimously recommend to all shareholders that they vote in favour of this Resolution.

Resolution 5 - Approval of additional capacity to issue securities - as a special resolution

Effective 1 August 2012 the ASX introduced Listing Rule 7.1A to provide eligible mid to small cap listed entities with the ability to seek shareholder approval to issue fully paid ordinary shares (“Shares”) equivalent to an additional 10% (the Additional Capacity) of the number of Shares on issue, by way of placements over a 12 month period. Approval for the Additional Capacity may only be sought from Members at the AGM and will be valid for 12 months from the date of the AGM.

An eligible entity for the purposes of Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

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Shareholders approved the 10% Additional Capacity at the AGM on 29 November 2012 however the facility has not been utilised, and is due to expire on 29 November 2013. Consequently the Directors have resolved to seek shareholder approval to refresh the 10% Additional Capacity for a further 12 month period from the date of this Meeting.

The Additional Capacity of 10% is in addition to the placement capacity under Listing Rule 7.1 which permits companies to issue up to 15% of their issued capital without prior Member approval. The Additional Capacity facility does not permit the issue of options under that facility. At the date of this Notice the Company has on issue 112,468,097 Shares and therefore has the capacity to issue:

- i. 16,870,215 equity securities (shares or options) under Listing Rule 7.1;
- ii. 11,246,810 Shares under the existing 7.1A approval which expires on 29 November 2013;

Subject to Shareholder approval being granted under this Resolution 5, the capacity to issue additional Shares under Listing Rule 7.1A will be extended to 30 October 2014. The actual number of Shares that the Company will have the capacity to issue under Listing Rule 7.1A will be calculated at the date of issue of the Shares in accordance with the formula prescribed in Listing Rule 7.1A.2. Listing Rules 7.1 and 7.1A including the prescribed formula, may be viewed on the ASX web site at www.asx.com.au.

The Company is now seeking Shareholder approval by way of a special resolution to renew its ability to issue Shares under the 10% Additional Capacity facility pursuant to Listing Rule 7.1A.

The Chairman of the Meeting will be casting undirected proxies in favour of this Resolution. All Directors of the Company will be voting in favour of this Resolution and unanimously recommend that all Members vote in favour of this Resolution.

Additional information required pursuant to Listing Rule 7.3A

Minimum Issue Price:

Listing Rule 7.1A states that Shares issued under that rule must not be issued at a price that is less than 75% of the volume weighted average price (VWAP) of the existing quoted shares calculated over the 15 trading days on which trades were recorded in those shares immediately before:

- the date on which the issue price of the shares is agreed; or
- the issue date (if the shares are not issued within five trading days of the date on which the issue is agreed).

As it is not known at this time if any Additional Capacity shares will be issued during the 12 month period, or when they may be issued, it is not presently possible to definitively state the minimum issue price except to confirm that the issue price will be calculated in accordance with the above formula.

The risk of economic and voting dilution of existing security holders:

The Company presently has one class of quoted fully paid ordinary shares, no partially paid shares, one class of quoted options expiring 1 March 2016 exercisable at \$0.10, plus various unquoted options. There is the risk that the market price for the Company's quoted ordinary shares may be significantly lower on the issue date than on the date of the approval under Listing Rule 7.1A. In addition the Additional Capacity shares may be issued at a price that is at a discount to the market price for quoted ordinary shares on the issue date. The following table provides several examples of the potential dilution of existing ordinary Shareholders based upon different assumed issue prices. In each example:

- the table only shows the dilution effect as a result of an Additional Capacity placement and does not show the effect of a 15% placement under Listing Rule 7.1;
- the assumed issue price is based on a price that is 75% of an estimated future VWAP as described under Minimum Issue Price above;
- the base issued capital is calculated in accordance with Listing Rule 7.1A;
- the maximum Additional Capacity issue of 10% is made;
- no existing shareholder participates in the issues;
- none of the existing options are exercised in the interim; and
- the dilution factor is on the basis that existing Members hold 100% voting power prior to the 10% Additional Capacity issue and following that issue the existing Members hold 90.9% of the new voting power.

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Base Issued Capital (existing holders)	Assumed Issue Price (VWAP) \$	Additional Capacity Placement Shares	Funds Raised \$	Issued Capital Post Placement	Dilution Factor for Existing Holders
112,468,097	0.0220	11,246,810	247,430	123,714,907	9.1%
140,585,121 *	0.0165	14,058,512	231,965	154,643,633	9.1%
224,936,194 **	0.0110	22,493,619	247,430	247,429,813	9.1%

Notes:

* The issued capital has increased by 25% during the period and the VWAP has decreased by 25%.

** By way of further example and as required by Listing Rule 7.3, this calculation assumes that there is effectively double the number of issued ordinary shares, that the VWAP of an Additional Capacity issue will be 50% of the original VWAP, and that no existing shareholder participated in that new transaction.

Date of Issue

Any securities issued under this resolution will be issued no later than 12 months from the date of the AGM. However the approval will cease to be valid in the event that the holders of the Company's ordinary shares approve a transaction under Listing Rule 11.1.2 (a significant change to the nature or scale of activities) or Listing Rule 11.2 (disposal of main undertaking).

Purpose for which the Additional Capacity Shares may be issued

The Company has no particular purpose in mind at this time and merely wishes to be prepared for any eventuality. It is most likely that if an issue is made it will be for the purpose of furthering the development of the Company's assets and / or for general working capital. If a suitable opportunity arises, equity securities may be issued for other than cash to acquire, or assist to acquire a new asset from non related parties, commensurate with the Company's activities. Also equity securities may be issued in lieu of a cash payment for work done by non related parties as a method of preserving available cash in the Company.

Allocation Policy

The Company's allocation policy will depend upon the prevailing market conditions at the time of any proposed Additional Capacity issue. The identity of the allottees of Additional Capacity securities will be determined on a case-by-case basis having regard to the various factors including the following:

1. Securities will only be issued to sophisticated investors which may or may not include existing substantial shareholders and / or new shareholders who are not related parties or associates of a related party of the Company.
2. Securities will only be issued for purposes commensurate with the activities of the Company at the sole discretion of the Directors.
3. Any discount offered to investors will be the minimum possible in the circumstances.
4. The methods of raising funds that are available to the Company, including but not limited to, rights issues or other issues in which existing security holders can participate.
5. The effect of the issue on the control of the Company.

Previous approval under Listing Rule 7.1A

The Company obtained an approval under Listing Rule 7.1A at the AGM held on 29 November 2012 which remains current until 29 November 2013. As at the date of this Notice the Company has not issued any Shares pursuant to that approval.

Issues of other equity securities by the Company during the 12 months preceding the date of the AGM, and not pursuant to Listing Rule 7.1A

Shares

Date of issue:	12-18/06/2013
Number issued:	37,489,370
Class/Type of equity security:	ORD
Summary of terms:	As for existing ORD
Names of persons who received securities or basis on which those persons was determined:	Renounceable rights issue managed by DJ Carmichael Pty Ltd
Price:	\$0.030
Discount to market price (if any):	33.3%

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For cash issues	
Total cash consideration received:	\$994,734 after costs
Amount of cash consideration spent:	100%
Use of consideration:	Exploration and drilling at Majada
Intended use for remaining consideration (if any):	Nil remaining

Options

Date of issue:	12-18/06/2013
Number issued:	37,489,380
Class/Type of equity security:	1) Quoted options: 18,744,690 2) Unquoted options: 18,744,690
Summary of terms:	1) ex \$0.10 exp 1/03/16 2) ex \$0.07 exp 15/11/13
Names of persons who received securities or basis on which those persons was determined:	Renounceable rights issue managed by DJ Carmichael Pty Ltd
Price:	Free attaching
Discount to market price (if any):	NA

Options

Date of issue:	2-5/08/2013
Number issued:	47,489,363
Class/Type of equity security:	1) Quoted options: 42,489,363 2) Unquoted options: 5,000,000
Summary of terms:	1) ex \$0.10 exp 1/03/16 2) ex \$0.15 exp 30/04/16
Names of persons who received securities or basis on which those persons was determined:	Broker, underwriter & sub-underwriter issue pursuant to RRI and approved by shareholders on 25/07/13
Price:	No cost to recipients
Discount to market price (if any):	NA

Total Equity Securities Issued

Equity securities issued in prior 12 months period	122,468,113
Percentage previous issues represent of total number of equity securities on issue at commencement of 12 month period	163%

Voting Exclusion Statement

The voting exclusion statement for this Resolution is included in the Notice of Meeting.

At the date of the Notice of Meeting the Company has not approached any particular existing Shareholder (or any other person) to participate in the issue of the equity securities. Therefore no existing Shareholder's votes will be excluded under the voting exclusion in the Notice of Meeting.

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ANNEXURE A

RED GUM RESOURCES LIMITED ACN 119 641 986

EMPLOYEE SHARE AND OPTION SCHEME

1. DEFINITIONS AND INTERPRETATION

1.1 In this Scheme, unless the context otherwise requires, the following terms and expressions have the following meanings:

Acceptance Date has the meaning ascribed to that term in clause 3.2(f);

Acceptance Form means a form for the acceptance of offers made to Eligible Employees in such form as the Board may approve from time to time;

Acknowledgement means the form of acknowledgement from time to time approved by the Board for the purposes of clause 12;

associated body corporate shall have the meaning ascribed to it in ASIC Class Order [03/184] as amended from time to time;

ASX means the ASX Limited;

Auditor means the auditor of the Company;

Board means the board of directors of the Company;

Business Day means a day on which ASX is open for business;

Class Order means an instrument issued by ASIC providing for relief from any provision of the *Corporations Act* as amended from time to time;

Company means Red Gum Resources Pty Ltd ACN 119 641 986;

Corporations Act means the *Corporations Act 2001 (Cth)*;

Current Market Price means:

- (a) if the Company is listed on ASX, the last sale price on the Business Day prior to any grant; and
- (b) otherwise, the market value determined by the Auditor;

Dividend means;

- (c) Franked Dividends; and/or
- (d) unfranked Dividends.

Eligible Employee means any full-time or part-time continuing employee of the Company or an associated body corporate of the Company who is employed at the time of the offer of the Securities and is determined by the Board from time to time in their absolute discretion to be eligible for participation under this Scheme;

Employee Option means an Option that is allotted to a Participant under this Scheme;

Employee Share means a Share that is allotted to a Participant under this Scheme;

Exercise Price means the price to be determined by the Board at its sole discretion;

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Financial Year means the financial year adopted by the Company for the purpose of making up the profit and loss account and balance sheet of the Company pursuant to the *Corporations Act*;

Franked Dividends means dividends the whole or part of which have been franked in accordance with Division 202 of the *Tax Act*.

Group Company means the Company and each subsidiary of the Company.

Interest means the interest to be paid by an Eligible Employee on any Loan made to an Eligible Employee.

Interest Rate means a rate specified by the Board from time to time;

Issue Date means the date on which the Securities are issued to Participants;

Issue Price means the price payable by a Participant which shall at the time of issue be determined by the Board at its sole discretion;

Listing Rules means the Listing Rules of the ASX as they apply to the Company;

Loan means the provision of financial accommodation by the Company to an Eligible Employee for the purposes of paying the subscription price for Shares by the Eligible Employee offered under this Scheme;

Market Price means on any particular day or any particular time the average closing price of shares on the ASX on the five (5) Business Days immediately proceeding that date or time;

Offer means an offer to take up Securities pursuant to clauses 3 and 4;

Option means an option to subscribe for a Share;

Option Commencement Date means the date to be determined by the Board prior to the issuance of the relevant Options;

Option Exercise Period means in respect of an Option the period commencing on the Option Commencement Date and ending on the last Business Day of the Option Period;

Option Period means in respect of an Option, the period commencing on the date on which the Option was granted and (unless the Board determines a shorter period) expiring on the earlier of:

- (a) the expiration of such period nominated by the Board at its sole discretion at the time of the grant of the Option but being not less than two (2) years; or
- (b) the Business Day after the expiration of three (3) months, or any longer period which the Directors determine, after the Eligible Employee ceases (as applicable), under clause 23.1(a), to be employed by the Company or an associated body corporate of the Company; or
- (c) the Eligible Employee ceasing to be employed by the Company or an associated body corporate of the Company under the circumstances set out in clause 23.1(b).

Participant means an Eligible Employee who accepts an offer from the Board to participate in this Scheme;

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Prospectus has the meaning ascribed to that term in the *Corporations Act*;

Restricted Option means an Employee Option issued pursuant to this Scheme that is subject to the restrictions contemplated in clause 17;

Restricted Share means an Employee Share issued pursuant to this Scheme that is subject to the restrictions contemplated in clause 15;

Scheme means this Scheme;

Securities means collectively a Share and Option and **Security** has a corresponding meaning;

Share means fully paid ordinary shares in the capital of the Company;

Terms of Allotment means, in relation to a Security:

- (a) the terms and conditions of this Scheme;
- (b) the Acknowledgement required under clause 12;
- (c) each restriction and other condition prescribed by the Board in relation to the Security; and
- (d) each statement setting out particulars in relation to the Security under clause 13;

Unrestricted Option means an Employee Option that is no longer subject to the restrictions imposed by the Board pursuant to clause 17;

Unrestricted Share means an Employee Share that is no longer subject to the restriction imposed by the Board pursuant to clause 15.

1.2 In this Scheme, unless the context otherwise requires:

- (a) A reference to any legislation includes an amendment, consolidation, re-enactment or replacement of it, and any subordinate legislation;
- (b) A reference to rules or to an agreement or document is to the rules, agreement or document as amended or replaced;
- (c) The singular includes the plural and vice versa;
- (d) A reference to any gender includes all genders;
- (e) If an expression is defined, another part of speech and grammatical form of the expression have a corresponding meaning; and
- (f) Headings and references to headings are for ease of reference only and do not affect interpretation.

2. OPERATION OF SCHEME

2.1 Subject to clauses 2.2 and 2.3, the Board may at any time decide that this Scheme should be operated in respect of any Financial Year and the Board may determine at its discretion the total number of Securities to be offered to each Eligible Employee and the Issue Price at which the Securities are offered.

2.2 The total number of Securities which may be offered by the Company under this Scheme shall not at any time exceed five percent (5%) of the Company's total issued Shares in that class at that time of the offer when aggregated with:

(a) the number of Shares in the same class which would be issued on the basis that each outstanding offer with respect to Shares or Options under any employee share option scheme of the Company were accepted and exercised; and

(b) the number of Shares in the same class issued during the previous five (5) years pursuant to:

- (i) this Scheme to an Eligible Employee; or
- (ii) any employee share option scheme of the Company,

but excluding for the purposes of the calculation, any offer made, or Option acquired or Share issued by way of or as a result of:

- (i) any offer to a person situated at the time of receipt of the offer referred to in paragraph clauses 2.2(a) and 2.2(b) (**Relevant Offer**) outside of this jurisdiction; or
- (ii) an offer that did not require disclosure to investors because of Section 708 of the *Corporations Act*; or
- (iii) an offer that did not require the giving of a product disclosure statement because of Section 1012D of the *Corporations Act*; or
- (iv) an offer made under a disclosure document or product disclosure statement within the meaning of those terms in the *Corporations Act*.

2.3 The Board may only offer to issue Securities pursuant to this Scheme:

(a) if the Company has issued a Prospectus pursuant to which the Company offers to issue Securities pursuant to this Scheme; or

(b) where Shares have been quoted on the ASX throughout the twelve (12) month period immediately before the Offer without suspension for more than a total of two trading days during that period; or

(c) if the Company is otherwise authorised or permitted to do so pursuant to Section 708 of the *Corporations Act* or a Class Order and the offer and issue of those Securities is in accordance with the *Corporations Act* or the relevant Class Order as the case may be.

3. OFFER OF SHARES

3.1 The Board shall offer such number of Shares to such Eligible Employees as determined in accordance with clause 2 subject to the terms and conditions of this Scheme for the time being.

3.2 Such Offer shall be in writing and shall specify:

- (a) The name and address of the Eligible Employee to whom the Offer is made;
- (b) The number of Shares being offered;

- (c) The Current Market Price of the Shares;
- (d) The Issue Price of the Shares on offer;
- (e) The date of the Offer;
- (f) The date, being not more than 45 days after the date of the Offer by which the Offer must be accepted (**Acceptance Date**); and
- (g) Any other terms and conditions attaching to the Offer including, without limitation, whether any restrictions contemplated in clause 15 of this Scheme shall be imposed on the Shares being offered.

3.3 Where the Board, at its absolute discretion, has resolved to provide a Loan to an Eligible Employee to fund the subscription by the Eligible Employee for the Shares offered in clause 3.2, then such offer shall also:

- (a) provide for the terms and conditions upon which the Company will provide a Loan to finance the subscription by the Eligible Employee for the Shares offered;
- (b) specify the amount of the Loan;
- (c) specify the Loan termination date;
- (d) specify the Interest to be paid on any Loan and the manner in which it shall be paid;
- (e) specify whether the Company requires security over the Shares to secure repayment of the Loan;
- (f) require the establishment of an account into which Dividends in respect of the Shares shall be paid and applied to payment of Interest and repayment of the Loan;

3.4 The Offer shall be accompanied by an Acceptance Form, the terms and conditions of this Scheme and the Explanatory Memorandum of this Scheme.

3.5 An Offer to an Eligible Employee is personal to that employee and is not assignable.

3.6 If the Company is listed on ASX, within three (3) Business Days of a written request to the Company from a Participant to do so, the Board shall provide information as to the Current Market Price of Shares to the Participant.

4. **OFFER OF OPTIONS**

4.1 The Board shall offer such number of Options to such Eligible Employees as determined in accordance with clause 2, subject to the terms and conditions of this Scheme for the time being.

4.2 Such Offer shall be in writing and specify:

- (a) The name and address of the Eligible Employee to whom the Offer is made;
- (b) The number of Options being offered;
- (c) The Option Period;
- (d) The Option Exercise Period;

- (e) The Exercise Price;
- (f) Any other terms and conditions attaching to the Offer including without limitation the requirements that the Shares being traded on ASX must trade at a price equal to or in excess of a price set by the Board;
- (g) The date of the Offer;
- (h) The date, being not more than 45 days after the date of the Offer by which the Offer must be accepted (**Acceptance Date**); and
- (i) Any other terms and conditions attaching to the Offer including, without limitation, whether any restrictions contemplated in clause 17 of this Scheme shall be imposed on the Options being offered.

4.3 Where the Board, at its absolute discretion, has resolved to provide a Loan to an Eligible Employee to fund the subscription by the Eligible Employee for Shares upon the exercise of the Options offered in clause 4.2, then such offer shall also:

- (a) provide for the terms and conditions upon which the Company will provide a Loan to finance the subscription by the Eligible Employee for Shares upon the exercise of the Options offered under clause 4.2;
- (b) specify the amount of the Loan;
- (c) specify the Loan termination date;
- (d) specify the Interest to be paid on any Loan and the manner in which it shall be paid;
- (e) specify whether the Company requires security over the Shares issued to a Participant upon the exercise of the Employee Options to secure repayment of the Loan;
- (f) require the establishment of an account into which Dividends in respect of the Shares, issued to a Participant upon the exercise of the Employee Options, shall be paid and applied to payment of Interest and repayment of the Loan;

4.4 The Offer shall be accompanied by an Acceptance Form, the terms and conditions of this Scheme and the Explanatory Memorandum of this Scheme.

4.5 An Offer to an Eligible Employee is personal to that employee and is not assignable.

4.6 If the Company is listed on ASX, within three Business Days of a written request to the Company from a Participant to do so, the Board shall provide information as to the Current Market Price of the Shares to the Participant.

5. **ACCEPTANCE OF OFFER**

5.1 An Eligible Employee (as the case may be) may accept the offer by:

- (a) delivering to the Company the completed Acceptance Form by the Acceptance Date; and
- (b) paying the Issue Price applicable to the Offer in cleared funds.

5.2 An Offer which is not accepted by the Participant by the Acceptance Date shall lapse.

- 5.3 No brokerage, commission, stamp duty or other transaction costs will be payable by Eligible Employees in respect of any allotment of Securities under this Scheme.
- 5.4 All Securities allotted under this Scheme shall rank pari passu in all respects with the Securities of the same class for the time being on issue with the exception of:
- (a) any rights attaching to other Securities by virtue of entitlements arising from a record date prior to the date of the allotment in respect of those Securities; and
 - (b) the restrictions applying by virtue of clauses 15 and 17.

6. LAPSE OF OPTIONS

- 6.1 Any Option shall automatically lapse:
- (a) where it has not been exercised on the expiry of the Option Period; or
 - (b) on the Business Day after the expiration of three (3) months, or any longer period, which the Directors determine, after the Eligible Employee ceases, under clause 23.1(a), to be employed by the Company or an associated body corporate of the Company; or
 - (c) where an Eligible Employee ceases employment under clause 23.1(b).
- 6.2 Any Option which is exercised as to the whole of the Shares comprised in the Option shall lapse when it is last exercised.

7. EXERCISE OF OPTIONS

- 7.1 A Participant may at any time during the Option Exercise Period (but not after an Option has lapsed and subject to clause 7.2) exercise all or any of the Options held by him or her by lodging with the Company:
- (a) a written notice of exercise of option specifying the number of Shares in respect of which Options are being exercised (**Option Exercise Notice**); and
 - (b) unless the Company (on approval by the Board) has offered under clause 4.3 a Loan to the Participant to fund the subscription for the Shares upon exercise of the Option, payment to the Company by way of a cheque, electronic transfer or such other method of payment approved by the Board for the Exercise Price multiplied by the number of Shares in respect of which Options are being exercised on a Business Day within thirty (30) days of delivery of the Option Exercise Notice.
- 7.2 Options must be exercised so as to result in the allotment of a marketable parcel within the meaning of the Listing Rules PROVIDED THAT where the number of Options held by a Participant has been adjusted from time to time in accordance with the terms and conditions of this Scheme, the Options shall be exercised by the Participant so as to result in as near as possible a marketable parcel of Shares being created.
- 7.3 Upon receipt of the Option Exercise Notice and the cheque referred to in clause 7.1, the Board shall allot to the Participant the Shares to which the Participant is entitled subject to the provisions of the Constitution of the Company.
- 7.4 Upon allotment of Shares pursuant to the exercise of Options, the Company shall use its best endeavours to have such Shares quoted and listed on the Official List of the ASX.

8. APPLICATION OF DIVIDENDS AND SALES PROCEEDS

8.1 The Board may determine;

- (a) when Interest is payable;
- (b) how Interest will be paid from Dividends received in respect of the Shares;
- (c) whether unpaid Interest shall be capitalised.

8.2 The Board may determine;

- (a) the term of the Loan;
- (b) when repayments of the Loan shall be made;
- (c) how repayments of the Loan shall be paid from Dividends received in respect of the Shares;
- (d) how repayments of the Loan shall be paid from the sale proceeds arising from the sale of Shares and/or Restricted Shares;
- (e) whether the liability of a Participant in respect of repayment of the Loan shall be limited in recourse in any way;
- (f) the rights of the Company to Dispose of Restricted Shares for the purposes of repayment of the Loan.

9. BONUS ISSUE

9.1 A Participant does not have any participating rights or entitlements in respect of a pro rata issue of Securities to the Company's shareholders generally (otherwise than pursuant to any scheme) by way of bonus issue which may include but is not limited to capitalisation of reserves or distributable profits (**Bonus Issue**), except as allowed pursuant to this clause 9 and clause 10.

9.2 If, during the Option Exercise Period of any Option, the Company intends to undertake a Bonus Issue, the Company shall provide each Participant with at least ten (10) Business Days notice of the Bonus Issue before the record date nominated by the Company to determine entitlements to the issue (**Record Date**).

9.3 A Participant will only have participating rights or entitlements in respect of a Bonus Issue in respect of the Options which the Participant has exercised prior to the Record Date and only to the extent that the Participant holds Shares in the Company prior to the Record Date.

10. ADJUSTMENT FOR RIGHTS ISSUE

10.1 If, during the life of any Option:

- (a) shares are offered pro rata for subscription by the Company to its shareholders generally (otherwise than pursuant to any scheme) by way of rights issue; and
- (b) the price at which each share is so offered is less than the Market Price in force on the day of public announcement of the rights issue,

then the subscription price applicable to each Share then comprised in the Option shall be reduced by the value of the theoretical rights entitlement per cum rights share and that theoretical rights entitlement per cum rights share shall be taken to have a value calculated by applying the formula:

$$O^1 = O - \frac{E [P - (S + D)]}{N + 1}$$

where

O¹ = the new exercise price of the option

O = the old exercise price of the option

E = the number of underlying securities into which one option is exercisable

P = the average Market Price per security (weighted by reference to volume) of the underlying securities during the five (5) trading days ending on the day before the ex right date or the ex entitlements date

S = the subscription price for a security under the pro-rata issue

D = the dividend due but not yet paid on existing underlying securities (except those to be issued under the pro-rata issue)

N = the number of securities which rights of entitlements that must be held to receive a right to one new security

11. RIGHTS OF PARTICIPANTS

11.1 In addition to the rights set forth in clauses 8 and 10, the Board may, subject to and in accordance with any relevant Listing Rule, vary:

- (a) the number of Options to which a Participant is entitled under this Scheme;
- (b) the Exercise Price; or
- (c) both the number of Options and the Exercise Price,

to make such adjustments to the entitlements of Participants as the Board may regard as appropriate following any reduction or restructuring of the capital of the Company PROVIDED ALWAYS that:

- (d) in the event of the reconstruction (including consolidation, sub-division, reduction or return) of the issued capital of the Company, the number of Options or the Exercise Price of the Options or both shall be reconstructed (as appropriate) in a manner which will not result in any benefits being conferred on Participants which are not conferred on holders of Shares; and
- (e) (subject to the provisions with respect to rounding of entitlements as sanctioned by the meeting of the holders of Shares approving the reconstruction of capital) in all other respects the terms for the exercise of Options shall remain unchanged.

- 11.2 A Participant is not entitled to receive a Dividend or participate in a rights issue in respect of any Share for which an Option remains unexercised.

12. ELIGIBILITY AND ACKNOWLEDGEMENT FOR SECURITIES

- 12.1 The Board may in its absolute discretion determine that an employee who otherwise would be eligible to acquire Securities under this Scheme is nonetheless not eligible.
- 12.2 An employee shall not be eligible to acquire Securities under this Scheme at any time if he or she has been given notice of dismissal for misconduct from the employment by virtue of which he or she would, but for this clause 12.2, be eligible to acquire Securities (or has given notice of resignation from employment in order to avoid such dismissal).
- 12.3 The Board may, at such time as it determines, issue Securities under this Scheme to each Eligible Employee, subject to the Eligible Employee providing, or having provided to the Company, a valid Acknowledgement that the Eligible Employee agrees to be bound by the Terms of Allotment and by the constitution of the Company.
- 12.4 An Acknowledgment required under this clause 12 must be in the form from time to time approved by the Board and must state any restrictions or other conditions relating to the Shares as determined by the Board.
- 12.5 The Board may at any time in its absolute discretion determine that an existing Acknowledgment provided by an Eligible Employee under this clause 12 ceases to be of effect and that a new Acknowledgment must be provided by the Eligible Employee if that Eligible Employee wishes to participate in any future issue under this Scheme.

13. STATEMENT OF ALLOTMENT, INTEREST IN SECURITIES

- 13.1 As soon as reasonably practicable after the allotment of Securities, the Company shall cause a statement to be provided to each Eligible Employee setting out particulars of the Securities allotted to that Eligible Employee.
- 13.2 Each Participant has full legal and beneficial ownership of the Securities allotted to that Participant but any dealings with those Securities by the Participant are restricted as provided in this Scheme.

14. CERTIFICATES: NON-CERTIFICATION

- 14.1 The Company is not required to issue Share certificates or Option certificates, and is entitled to retain custody of any Share certificates or Option certificates issued, in respect of Employee Shares or Employee Options as long as those Shares are Restricted Shares or those Options are Restricted Options.
- 14.2 If any Employee Shares or Employee Options are uncertificated, the Company is authorised to implement any procedure it deems appropriate to restrict the Participant from dealing with the Shares or Options (as the case may be) for as long as those Shares are Restricted Shares or Options are Restricted Options.

15. RESTRICTION ON DISPOSAL OF SHARES

- 15.1 The Board, at its discretion may offer and issue Restricted Shares under this Scheme upon the terms and conditions it sees fit, including without limitation, the length of and any exceptions to such restriction imposed. If the Board offers and issues Restricted Shares the following provisions shall apply:

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- (a) Shares allotted under this Scheme may not be dealt with (meaning for the purposes of this Scheme, disposed of, transferred, encumbered or otherwise dealt with on such terms and with such exceptions as the Directors see fit) by a Participant at any time whilst those Shares are Restricted.
- (b) the Company will not apply for listing of Restricted Shares on ASX.
- (c) if the Participant deals with or attempts to deal with an Employee Share in breach of clause 15.1(a), to the extent permitted by law, the Board shall be entitled to refuse to register any transfer of a Restricted Share.

16. **UNRESTRICTED SHARES**

- 16.1 Upon an Employee Share becoming an Unrestricted Share, all restrictions on dealing with the Share provided or pursuant to this Scheme shall lapse.
- 16.2 As soon as practicable after a Share becomes an Unrestricted Share, the Company shall:
 - (a) cause the removal of any restriction imposed on dealing with the Share under clause 15.1(a);
 - (b) cause a statement of holding to be sent to the Participant to whom the Share is allotted; and
 - (c) at the expense of the Company, forthwith apply to ASX for quoting of the Unrestricted Share on ASX.

17. **RESTRICTION ON DISPOSAL OF OPTIONS**

- 17.1 The Board, at its discretion may offer and issue Restricted Options under this Scheme upon the terms and conditions it sees fit, including, without limitation, the length of and any exceptions to such restriction imposed. If the Board offers and issues Restricted Options the following provisions shall apply:
 - (a) Options allotted under this Scheme may not be dealt with (meaning for the purpose of this Scheme disposed of, transferred, encumbered or otherwise dealt with on such terms and with such exceptions as the Directors see fit) by a Participant at any time until they become Unrestricted Options.
 - (b) The Company will not apply for listing of Restricted Options on ASX.
 - (c) If the Participant deals with or attempts to deal with an Employee Option in breach of clause 17.1(a) to the extent permitted by law, the Board shall be entitled to refuse to register any transfer of a Restricted Option.

18. **UNRESTRICTED OPTIONS**

- 18.1 Upon an Employee Option becoming an Unrestricted Option, all restrictions on dealing with the Option provided or pursuant to this Scheme shall lapse.
- 18.2 As soon as practical after an Option becomes an Unrestricted Option, the Company shall:
 - (a) cause the removal of any restriction imposed on dealing with the Option under clause 17.1(a); and
 - (b) cause a statement of holding to be sent to the Participant to whom the Option is allotted.

- 18.3 Following an Option becoming an Unrestricted Option the Board may, at the expense of the Company, apply for those Unrestricted Options to be quoted on ASX if the Board forms the view, acting reasonably, that the Unrestricted Options meet the quotation requirements set forth in the Listing Rules.

19. EXERCISE OF RESTRICTED OPTION

- 19.1 For the avoidance of doubt, in the event that a Participant exercises a Restricted Option in accordance with this Scheme, the resulting Shares allotted as a consequence of exercise of the relevant Option shall be deemed to be Restricted Shares pursuant to clause 15 (**Relevant Restricted Shares**).
- 19.2 The Relevant Restricted Shares shall remain Restricted Shares for the purpose of this Scheme until the expiration of the restriction period imposed on the exercised Restricted Option.
- 19.3 Upon the Relevant Restricted Shares becoming Unrestricted Shares in accordance with clause 19.2, the provisions of clause 16.1 and clause 16.2 shall apply.

20. ADMINISTRATION OF SCHEME

- 20.1 The Board administers this Scheme and may:
- (a) determine appropriate procedures for the administration of this Scheme consistent with the Terms of Allotment; and
 - (b) delegate to any one or more persons for such period and on such conditions as it may determine, the exercise of any of its powers or discretions arising under this Scheme.
- 20.2 Except as otherwise expressly provided in this Scheme, the Board has absolute and unfettered discretion in the exercise of any of its powers or discretions pursuant to this Scheme and to act or refrain from acting under or in connection with this Scheme.
- 20.3 The Board may, in relation to any Employee Share or Employee Option, waive in whole or in part, on terms it considers appropriate, any of the Terms of Allotment.
- 20.4 If there is any dispute or disagreement as to the interpretation of this Scheme or the Terms of Allotment of any Security, the decision of the Board is final and binding upon all persons.

21. AMENDMENTS TO THIS SCHEME

- 21.1 Subject to clause 21.2 and the Listing Rules, the Board may by resolution amend (meaning, for the purposes of this clause 21, amend, add to, revoke or replace) this Scheme (including this clause 21) or any of the Terms of Allotment of an Employee Share or an Employee Option.
- 21.2 The Board may not amend this Scheme if the amendment would materially reduce the rights of a Participant in respect of an Employee Share or an Employee Option allotted before the date of the amendment, unless the amendment is introduced primarily:
- (a) for the purpose of complying with any State or Commonwealth legislation that affects this Scheme;
 - (b) to correct a manifest error; or

- (c) to address possible adverse tax implications in respect of this Scheme arising from, amongst others:
- (i) a ruling of any relevant taxation authority;
 - (ii) a change to tax legislation (including an official announcement by any relevant taxation authority); or
 - (iii) changes in the interpretation of tax legislation by a court or tribunal of competent jurisdiction; or
- (d) to enable the Company to comply with its constitution, the *Corporations Act*, other legislation or the Listing Rules.

21.3 As soon as reasonably practicable after making any amendment under clause 21, the Board, by written notice, will inform each Participant affected.

22. TERMS OF EMPLOYMENT NOT AFFECTED

22.1 The Terms of Allotment of this Scheme do not:

- (a) form part of any contract of employment or any arrangement in respect of any such employment, between a Participant and the Company; or
- (b) constitute a related condition or collateral arrangement to any such contract of employment or arrangement,

and participation in this Scheme does not in any way affect the rights and obligations of a Participant under the terms of his or her employment or arrangement.

22.2 The terms of a Participant's employment or arrangement with the Company do not in any way affect the rights and obligations of a Participant under this Scheme.

22.3 A Participant has no right to compensation or damages from the Company in respect of any loss of future rights under this Scheme, as a consequence of termination of the Participant's employment or arrangement.

23. CESSATION OF EMPLOYMENT

23.1 An Eligible Employee shall cease to be an Eligible Employee where the Eligible Employee:

- (a) voluntarily resigns from employment with the Company or a Group Company; or
- (b) is dismissed from employment with the Company as a result of any one or more of the following:
 - (i) a breach, as determined by the Company, by the Eligible Employee of his or her contract of employment;
 - (ii) wilful misconduct bringing disrepute on the Company or a Group Company;
 - (iii) repeated disobedience, after prior written warning;
 - (iv) incompetence in the performance of any duties for which the Eligible Employee was employed, after prior written warning;

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- (v) fraud or other dishonesty in respect of the property or affairs of the Company or a Group Company; or
- (vi) any other reason, based on which the Directors believe is fair and reasonable to warrant the lapsing and forfeiture of the Options.

24. TAXATION

- 24.1 The Company and the Directors shall not be responsible or assume any liability for the taxation liabilities of Participants under this Scheme.
- 24.2 Participants shall be solely responsible for seeking any independent taxation or other advice in respect of any Shares, Options or Loan approved by the Board to be provided under this Scheme.

25. NOTICES

- 25.1 A notice (meaning for the purposes of this clause 23, notice, application, permission or other communication) under this Scheme may be given in writing, addressed to the person to whom it is given, and is taken to be given and received if sent in accordance with clauses 25.2, 25.3 and 25.4.
- 25.2 For the purposes of clause 25.1 a notice is duly given and received by the Company if sent to the Company by pre-paid mail or by facsimile or other electronic communication, to an address at which it is actually received by:
 - (a) the person who is, from time to time, designated by the Board as the person to whom the notice should be sent or by whom it should be received, and whose name or title and address are notified to the sender; or
 - (b) if no other person is designated by the Board for this purpose, the secretary of the Company.
- 25.3 For the purposes of clause 25.1, a notice is duly given and received by a natural person (other than a person designated as the person to whom the notice should be sent in order to be received by the Company) if sent to:
 - (a) the person's last known mailing address or the person's last known facsimile or other electronic communication address; or
 - (b) in the case of an Eligible Employee or a Participant, to the last known mailing, facsimile or other electronic communication address of the place of business at which the person performs the whole or substantially the whole of his or her office or employment.
- 25.4 A notice given under clause 25.1 to a person being a natural person, is duly given even if the person is then deceased (and whether or not the Company has notice of his or her death), unless the legal personal representative of the person has established title to the satisfaction of the Company and supplied to the Company an address to which documents should be sent.
- 25.5 A notice sent in accordance with clause 25.1 is treated as given and received:
 - (a) in the case of a notice sent to the Company, at the time it is actually received by the secretary or other person designated by the Board as the person to whom it should be sent or by whom it should be received;

- (b) in the case of any other notice sent by prepaid mail, forty eight (48) hours after it was put into the post properly stamped; and
- (c) in the case of any other notice sent by facsimile or other electronic communication, at the time of transmission.

26. **CONSTITUTION, LISTING RULES AND GOVERNING LAW**

- 26.1 This Scheme and its Terms of Allotment are subject to the Company's constitution and the Listing Rules.
- 26.2 This Scheme is governed by the laws in force in New South Wales and the Commonwealth of Australia.

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GUM**

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SAMPLETOWN VIC 3030

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 2:00pm (Adelaide time) Tuesday 5 November 2013

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form →



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com

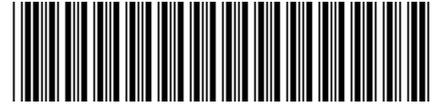
- Review your securityholding
- Update your securityholding

Your secure access information is:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



IND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Red Gum Resources Limited hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Red Gum Resources Limited to be held at Minter Ellison Board Room, Level 10, 25 Grenfell Street, Adelaide SA on Thursday 7 November 2013 at 2:00pm (Adelaide time) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on **Item 1** (except where I/we have indicated a different voting intention below) even though **Item 1** is connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on **Item 1** by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

BUSINESS

	For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Ms Jennifer Frances Tobin as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Mr Torey Robert Marshall as a Director of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Employee Share and Option Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Approval to increase the securities placement capacity of the Company	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / / _____



Red Gum Resources Limited
ABN 66 119 641 986

Suite 9 Lester Court
75a Angas Street
ADELAIDE SA 5000
Australia

┌ 000002 000 RGXRM
MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SURBURB
SAMPLETOWN VIC 3030

Dear Securityholder,

We have been trying to contact you in connection with your securityholding in Red Gum Resources Limited. Unfortunately, our correspondence has been returned to us marked "Unknown at the current address". For security reasons we have flagged this against your securityholding which will exclude you from future mailings, other than notices of meeting.

Please note if you have previously elected to receive a hard copy Annual Report (including the financial report, directors' report and auditor's report) the dispatch of that report to you has been suspended but will be resumed on receipt of instructions from you to do so.

We value you as a securityholder and request that you supply your current address so that we can keep you informed about our Company. Where the correspondence has been returned to us in error we request that you advise us of this so that we may correct our records.

You are requested to include the following:

- > Securityholder Reference Number (SRN);
- > ASX trading code;
- > Name of company in which security is held;
- > Old address; and
- > New address.

Please ensure that the notification is signed by all holders and forwarded to our Share Registry at:

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne Victoria 3001
Australia

Note: If your holding is sponsored within the CHESS environment you need to advise your sponsoring participant (in most cases this would be your broker) of your change of address so that your records with CHESS are also updated.

Yours sincerely

Malcolm Lucas-Smith
Company Secretary