Announcement

16 November 2012

Trading Update

Runge Limited (ASX: RUL) today advised that financial results for the first half of the 2013 financial year are expected to be materially below the comparative result for the prior year.

The company has seen a general contraction in the demand for mining services across the Company's operation in the first half of FY13. This contraction has been significantly influenced by falling commodity prices, lower financial market activity and the impact of resource nationalism in some of Runge's key overseas markets (including Indonesia and Mongolia). These factors have contributed to mining project delays and a general downturn in demand for advisory and mining consulting services.

Runge holds a market leadership position in coal advisory and software solutions and although the global nature of Runge's operations provides a level of diversification across commodities, geographies and product lines, the Group's financial results are associated with the fortunes of our coal customers.

As a result of these developments, half year Revenues to 31 December 2012 are expected to be down approximately 15% ($8.0 million) on the same period last year. The Australian market, which accounts for approximately 55% of Group revenue, has been particularly impacted by slowing activity in the coal sector and the effect on local mine operators of the high Australian dollar. Revenues from coal related consulting in Australia is expected to be 25% below the prior year result.

As revenues have contracted Runge has engaged in an aggressive restructuring and cost reduction program resulting in annualised savings of approximately $8 million. These initiatives will result in restructuring costs of $1.5 million and non-cash impairment charges of $1.4 million being recognised in this half.

Subject to the completion of software sales currently under negotiation, Runge is expecting to report an Operational EBITDA for the half year (before restructuring and impairment costs) of between $500,000 and $1.0 million (1H12: $5.4 million).

Reported EBIT, inclusive of restructuring costs and impairment charges, is expected to be a loss of between $4.0 million and $4.5 million. The comparative EBIT for 1H12, of profit $4.7 million, included $2.0 million in key man insurance proceeds.

Cost Reduction Initiatives

Following the appointment of Richard Mathews to the role of CEO in late August 2012, the management team has undertaken a review and restructure of operations to align with the current business environment. As a result of this review the following major cost reduction initiatives have been completed.

1. During September and October 22% of corporate office employees left the business which has reduced ongoing corporate expenditure by $1.1 million annually.

2. The management structure of the Australian operations has been simplified along functional reporting lines to better meet the needs of both advisory and software customers. As a result of this change ongoing employee costs have been reduced by $4.4 million annually.

3. Reliance on corporate consultants and contractors has been reduced, which has resulted in annual savings of $530,000.

4. Testing operations at the Brisbane GeoGAS laboratory have been suspended. This laboratory was built to take overflow from the Wollongong and Mackay laboratories, given the rapid growth in that business over the last two years. This growth has now plateaued and as such this excess capacity is no longer warranted. The suspension will provide a minimum annual saving of $580,000.

5. The Corelate financial services business was closed in September 2012 which will provide an annual cost saving to the business of $440,000.

The annualised operating cost reductions achieved across the business over the last two months is approximately $8.0 million.

Operational Update

Whereas coal related activities have seen a significant reduction in demand, other commodities (e.g. Iron Ore, Oil Sands, Potash and Gold) continue to perform well and create opportunities for consulting and software sales.

The high level of employee turnover experienced in the last financial year has also significantly reduced with consequent reductions in ongoing training, recruitment and wage increase pressures on the business. "In the last financial year we like many within the industry suffered from exceptionally high employee turnover" commented Mr Matthews. "The reported wide spread employee layoffs across the industry has seen a complete reversal in this area over the last two months so much so that our employee attrition rates are now in the low single digits."

Runge is continuing to invest in improved software products with increased development resources being targeted at the following four key areas:

1. Enabling Runge's products to be implemented at the enterprise level. This is a key initiative and the company has recently hired Paul Beesley, the previous CTO of Mincom (now Ventyx) and eServGlobal, to accelerate this key goal.

2. Integration between the industry's leading mine planning systems, Runge's production forecasting and scheduling systems and the major extraction and dispatch systems.

3. Integration between Runge's mine budgeting and forecasting systems and the major mining ERP systems.

4. Enhancing the useability of our software solutions through simpler graphical interfaces and standard, more supportable deployments. This will include the introduction of tailored commodity focused solution sets for example Open Pit Metals, Underground Coal, etc.

The company intends to continue to invest in the emerging mining regions around the world. While currently not profitable, the Russian, Mongolian and African operations continue to show positive signs as weaker competitors either withdraw, significantly reduce or put off geographic expansion plans. Once the growth rates in these economies begin to accelerate again the investment in both the employee base and customer relationships will position Runge well for the future.

Outlook

Commenting on the trading update Mr Mathews said "Although the Board and Management team are positive about the future we are conscious that we need to continue to be responsive to the current market changes which are driving costs down in our customers, competitors and our partners businesses. We are absolutely committed to focusing on our core competencies and strengths."

"While we will continue to be alert and adaptable to changes we are committed to investing in our technology solutions and retaining our industry leading independent advisory reputation. We will ensure that we retain the capability and competency within our advisory business to provide a full service offering to our customers around the globe."

Given the uncertainty surrounding the near term outlook for mining services, Runge has not provided full year guidance. However, Mr Matthews commented, "Whilst cautious we agree with the market commentators who believe the global mining fundamentals remain strong and given the recent changes made across the Group we are well positioned to benefit from any improvement in trading conditions through the second half of the year."

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About Runge Limited:

Runge was established in 1977 and listed on the Australian Securities Exchange on 27 May 2008 (ASX: RUL). Runge is a leader in the provision of technology products, consulting services and training courses to the global mining industry, delivering solutions and services across a range of commodities.

With expertise across a range of mining disciplines, Runge's approach to the business of mining is strongly grounded in economic principles and delivering mine planning solutions that are tightly coupled with technological support and training. Runge currently operates 20 offices in 12 countries throughout the world.