



**runge**

## NOTICE OF ANNUAL GENERAL MEETING

**RUNGE LIMITED**

**ACN 010 672 321**

Notice is given that the Annual General Meeting of Runge Limited (the Company) will be held at the Christie Conference Centre, Kamisama Room, Level 6, 320 Adelaide Street, Brisbane, Queensland, Australia commencing at 10.00 am (Eastern Standard Time) on Wednesday, 30 November 2011.

### AGENDA

#### 1. Discussion of Financial Statements and Reports

To receive and consider the financial statements and the reports of the Directors and the Auditor for the year ended 30 June 2011.

#### 2. Resolution 1: Adoption of Remuneration Report

To consider and, if thought appropriate, pass the following resolution as a non-binding ordinary resolution under section 250R(2) of the *Corporations Act 2001*:

*“That the Remuneration Report for the year ended 30 June 2011 be and is hereby adopted”.*

Notes: (1) *This resolution is advisory only and does not bind the Company or the directors.*

(2) *If 25% or more of the votes that are cast are voted against 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 stand for re-election.*

(3) *Except as set out in note 3, a vote must not be cast (in any capacity) on Resolution 1 by or on behalf of a member of the Company's key management personnel (KMP), details of whose remuneration are included in the Remuneration Report and their closely related parties, whether as a shareholder or as a KMP's proxy. However, a vote may be cast on Resolution 1 by a KMP, or a closely related party of a KMP, if:*

- *the vote is cast as a proxy;*
- *the appointment is in writing and specifies how the proxy is to vote on Resolution 1; and*
- *the vote is not cast on behalf of a KMP or a closely related party of a KMP.*

**3. Resolution 2: Re-election of Christian Larsen**

*“That Christian Larsen, who retires by rotation in accordance with rule 6.1 of the Constitution, be and is hereby re-elected as a Director.”*

**4. Resolution 3: Approval for grant of sign on options to Managing Director**

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

*‘That for the purposes of Listing Rule 10.14 and for all other purposes, the Members approve:*

- *the grant to Mr David Meldrum of 500,000 options to subscribe for unissued shares in the Company on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting.’*

**Voting Exclusion**

*The Company will disregard any votes cast on this resolution by any director of the Company and any of their associates. However, the Company will not disregard a vote if it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides.*

**5. Resolution 4: Approval for grant of long term incentive options to Managing Director**

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

*‘That for the purposes of Listing Rule 10.14 and for all other purposes, the Members approve:*

- *the grant to Mr David Meldrum of 165,000 options to subscribe for unissued shares in the Company on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting.’*

**Voting Exclusion**

*The Company will disregard any votes cast on this resolution by any director of the Company and any of their associates. However, the Company will not disregard a vote if it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides.*

**6. Resolution 5: Approval for grant of long term incentive options to Executive Director**

To consider and, if thought fit, to pass, with or without amendment the following resolution as an ordinary resolution:

*'That for the purposes of Listing Rule 10.14 and for all other purposes, the Members approve:*

- the grant to Mr Christian Larsen of 150,000 options to subscribe for unissued shares in the Company on the terms and conditions described in the Explanatory Memorandum accompanying this Notice of Meeting.'*

**Voting Exclusion**

*The Company will disregard any votes cast on this resolution by any director of the Company and any of their associates. However, the Company will not disregard a vote if it is cast by a person as the proxy for a person who is entitled to vote, in accordance with directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with directions on the proxy form to vote as the proxy decides.*

## ATTENDANCE AND VOTING

1. In accordance with applicable law, the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the share register at 7.00pm Sydney time on Monday 28 November 2011. Accordingly, those persons are entitled to attend and vote at the meeting. If you are eligible, you may vote by attending the meeting in person or by proxy or attorney. A member who is a body corporate may appoint a representative to attend and vote on its behalf.
2. To vote by proxy, please complete, sign and return the enclosed proxy form in accordance with the following instructions. If you require an additional proxy form, the Company will supply it on request.
3. A member, who is entitled to vote at the meeting, may appoint one proxy if the member is only entitled to one vote or one or two proxies if the member is entitled to more than one vote. A proxy need not be a member of the Company.
4. Where the member appoints 2 proxies, the appointment must specify the proportion or number of votes that each proxy may exercise (unless the authority of one is conditional on the other failing to attend and vote). Failure to specify the proportion of votes that each represents will invalidate the proxies.
5. The proxy form must be signed by the member or the member's attorney. Proxies given by a corporation must be executed in accordance with the *Corporations Act* and the constitution of that corporation. Proxies given by joint holders must either be signed by each joint holder or the holder named first in the register.
6. To be effective, the proxy form and the original power of attorney or other authority (if any) under which it is signed or a certified copy must be received by the Company at least 48 hours before the time for holding of such meeting or any adjourned meeting (or such lesser period as the Directors may permit):-
  - 6.1 by delivery or mail to the Company's share registry: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001;
  - 6.2 by facsimile to the following fax number at the Company's share registry: (within Australia) 1800 783 447 and (outside Australia) +61 3 9473 2555; or
  - 6.3 online by visiting [www.investorvote.com.au](http://www.investorvote.com.au) and logging in using the control number found on the front of your accompanying proxy form. Intermediary Online subscribers (Institutions/Custodians) may lodge their proxy instruction online by visiting [www.intermediaryonline.com](http://www.intermediaryonline.com).
7. Any proxy form received after this deadline including at the meeting will be treated as invalid.
8. Except in relation to resolutions connected directly or indirectly with the remuneration of the key management personnel of the Company, a proxy may decide whether to vote on any motion, except where the proxy is required by law or the Constitution to vote or abstain from voting, in their capacity as proxy. If a proxy is directed how to vote on an item of business, the proxy may vote on that item only in accordance with the direction. If a proxy is not directed how to vote on an item of business, the proxy may vote as he or she thinks fit.
9. If a shareholder appoints the Chairman as the Shareholder's proxy in relation to Resolutions 1, 3, 4 and 5 but does not complete any of the boxes "For", "Against" or "Abstain" opposite any of those resolutions on the proxy form, that shareholder will be directing the Chairman to vote in favour of that resolution.

10. If a member appoints the chairman of the meeting as the member's proxy and does not specify how the chairman is to vote on an item of business, the chairman will vote, as proxy for that member, in favour of that item on a poll.
11. If you wish to appoint the Chairman as your proxy holder but you do not want to put him in the position to cast your votes in favour of any of resolutions 1, 3, 4 and 5 you must complete the appropriate box on the proxy form, directing him to vote against or abstain from voting on that resolution.
12. Any undirected proxies held by the other directors or any other key management personnel or their closely related parties will not be voted on resolutions connected directly or indirectly with the remuneration of a member of key management personnel of the Company.
13. **Key management personnel** of the Company are the directors of the Company and those other persons having authority and responsibility for the planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2011. Their closely related parties are defined in the *Corporations Act 2001*, and include certain members of their family, dependents and companies they control.

### **Explanatory memorandum**

An Explanatory Memorandum accompanies and forms part of this Notice of Meeting and shareholders should read this document in full.

**Dated: 28 October 2011**

**By order of the Board**



---

**Company Secretary**  
**Ken Lewis**



**runge**

## **EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared to assist members with their consideration of the resolutions to be put to the Annual General Meeting to be held on Wednesday 30 November 2011. These explanatory notes should be read with, and form part of, the accompanying Notice of Annual General Meeting.

### **1. FINANCIAL STATEMENTS AND REPORTS**

As required by law, the financial report, Directors' report and Auditor's report are laid before the AGM. Members will be given a reasonable opportunity at the meeting to ask questions and make comments on these reports. There is no requirement however for members to approve the reports.

### **2. RESOLUTION 1 – REMUNERATION REPORT**

The Remuneration Report is set out in section 12 of the Directors' Report contained in the Annual Report.

By law, the Company is required to put the Remuneration Report to a vote by members at the Annual General Meeting. By law, the vote on the resolution is advisory only and does not bind the Directors or the Company.

A reasonable opportunity will be provided for discussion of the remuneration report at the meeting. The vote on this resolution is advisory only and does not bind the Directors or the Company.

No member of the key management personnel or closely related party of the key management personnel may vote on Resolution 1.

The Company encourages all other shareholders to cast their votes on Resolution 1.

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 (Adoption of Remuneration Report) by marking either "**For**", "**Against**" or "**Abstain**" on the voting form for that item of business.

The Chairman intends to vote any undirected proxies in favour of Resolution 1.

Under the Corporations Act 2001, if 25% or more of the 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.

### **3. RESOLUTION 2 – RE-ELECTION OF MR CHRISTIAN LARSEN AS DIRECTOR**

In accordance with rule 6.1(f), (g) and (i) of the Constitution and the Corporations Act, Mr Larsen is retiring by rotation and, being eligible, offers himself for re-election.

Mr Larsen has been involved with Runge for over 20 years and has been a director since 1996. He has experience in the development of Runge software, business operating procedures and knowledge databases. His previous roles at Runge have included Systems Engineer, Mining Consultant and Business Development Manager, Executive Director of Mergers and Acquisitions. He is currently the Executive General Manager of the Technology Business Unit.

Mr Larsen holds a Bachelor of Engineering (Hons Mining) and a Master of Business Administration both obtained from the University of Queensland.

**The Directors (other than Mr Larsen who has a material personal interest in the outcome of this resolution) recommend that you vote in favour of this resolution.**

#### **4. RESOLUTIONS 3, 4 and 5 – BACKGROUND**

##### **Listing Rule requirements**

Listing Rule 10.14 provides that a listed company must not permit a director to acquire securities under an employee incentive scheme without shareholder approval.

Accordingly, approvals are sought under Listing Rule 10.14 for:

- the proposed grant of sign-on options to the Managing Director, as agreed in his terms of appointment; and
- the proposed grant of options to the Managing Director and Mr Christian Larsen (an executive director), as part of the long term incentive components of their remuneration packages and as part of a broader executive incentive program.

##### **Remuneration policy**

The performance of the Company depends upon the quality of its executives and Executive Directors. Their compensation structure is designed to strike an appropriate balance between fixed and variable remuneration, rewarding capability and experience and providing recognition for contribution to the Company's overall goals and objectives.

In deciding the remuneration and incentives of the Managing Director (Mr Meldrum) and Executive Director (Mr Larsen), the Board considers that there should be an appropriate mix of remuneration comprising cash and securities to link their remuneration to the financial performance of the Company.

Equity-based incentives consistent with the Company's remuneration policy better aligns the performance of the Executive Directors with the Company's financial performance. The Board also believes that an equity-based remuneration component helps it to attract and retain the best executives.

The Directors consider the remuneration policy to be a sensible and well-balanced policy which allows them to adjust the remuneration mix appropriately to the Company's changing circumstances.

##### **Employee Share Option Plan**

The options are proposed to be granted on the terms and conditions of the Company's employee share option plan. A copy of the Plan Rules can be found on the Company's website at [http://www.runge.com/files/SHARE%20OPTION%20PLAN%20\(07.10.09\).pdf](http://www.runge.com/files/SHARE%20OPTION%20PLAN%20(07.10.09).pdf) . The plan is open to all eligible employees who are invited to participate by the Board. An 'eligible employee' includes any person employed by or is a director, officer or executive of the Company or a related body corporate.

Further information in relation to each proposed grant of options is set out in the following sections.

#### **5. RESOLUTION 3 APPROVAL OF 500,000 SIGN ON OPTIONS TO THE MANAGING DIRECTOR**

##### **Appointment of Mr David Meldrum as Managing Director**

###### **General**

The Board resolved to appoint Mr David Meldrum as Managing Director on 7 July 2011.

David Meldrum most recently had served as the acting Chief Executive Officer of Runge Limited between March and July 2011 subsequent to the retirement of long serving Tony Kinnane.

The Board is firmly of the opinion that David Meldrum has the right mix of industry skills, existing company knowledge and relationships and enthusiasm to successfully lead Runge Limited as Managing Director. The Board is confident that David will continue the impressive start he has already made since March 2011 in leading Runge Limited and capitalising on its potential and growing the business for the benefit of its people, investors and customers.

Prior to being appointed as acting Chief Executive Officer, David was Executive General Manager – Global Operations and has been with Runge Limited for five years. Prior to joining Runge Limited, David was a Mining Engineer who worked on operating mine sites. He also worked for a major global financial services organisation and then established his own successful consulting business. He joined the Runge Limited group in 2006 when Runge Limited purchased his consulting business. Since joining Runge Limited, David has led the company's expansion into Asia, where he has been responsible for the opening of 3 offices.

### ***Terms of appointment***

The key terms of David's appointment were announced to the market on 7 July 2011 and include:

- Effective 7 July 2011;
- Fixed remuneration of \$471,000.00 per annum;
- An agreement to issue 500,000 sign on options under the terms of the employee share plan adopted by the Board in February 2008, subject to the approval of shareholders at the Annual General Meeting in November 2011. The agreed exercise price was the volume weighted average price over a ten day trading period comprising the five days preceding the announcement of David's appointment and five days subsequent to the announcement, including the day of appointment. The exercise price in accordance with this formula is \$0.346. The agreed expiry date was 30 September 2015.
- Short Term Incentive of 30% of the fixed remuneration, based upon qualitative and quantitative factors;
- Long Term Incentive ("LTI") via a grant of options as set out in Resolution 5 herein.
- Notice period of 6 months if given by Runge and 3 months if given by David.

### **Proposed specific terms and conditions of sign on options**

The specific terms and conditions set out below will apply to the proposed grant of options in addition to the general terms and conditions contained in the Company's Employee Share Option Plan.

### ***Vesting conditions***

The Options will be issued in a single tranche but cannot be exercised until they have vested.

Options vest in accordance with the following table if the Company's average annual earnings per share (EPS) growth (**Average EPS Growth**) over the performance period comprising the 2012, 2013, and 2014 financial years (**the Performance Period**), is at least 10% above the average Australian consumer price index (CPI) increase for the corresponding period.

<b>EPS Vesting Condition</b>	
<b>Average EPS Growth over the Performance Period above average annual Australian CPI increase in the corresponding period</b>	<b>% of Options which vest</b>
Less than 10%	0%
10% or more, but less than 20%	50% plus an additional 5.00% for each 1% increment
20% or more	100%

If the Options vest, the vesting date will be the date on which the average EPS growth during the performance period is determined. If the Options do not vest, they automatically lapse.

### ***Determination of Average EPS Growth***

#### *EPS*

EPS is will be determined in accordance with Accounting Standard AASB 133 "Earnings per Share", Basic earnings per share is determined by dividing the operating profit after income tax by the weighted average number of ordinary shares outstanding during the financial year.

In determining EPS, the Board has the discretion to disregard earnings reasonably attributable to businesses acquired by the Group after 1 July 2011 and/or abnormal one off events.

In the event of a dispute between the Company and the Option holder which is not resolved within 1 month after the either party gives a dispute notice to the other, the Company must refer the dispute to its auditor at the cost of the Company for an expert determination no later than 1 month after the date of the referral. The decision of the auditor will be final and binding on the parties except in the case of manifest error.

#### *Average EPS Growth*

Average annual earnings per share growth over the Performance Period is the EPS for the financial year ended 30 June 2014 minus the EPS for the financial year ended 30 June 2011, divided by 3, as determined by the Board.

#### *Average Australian Consumer Price Index (CPI) increase*

The Average Australian CPI increase is the amount determined by the Board in accordance with the following formula:

$$\text{CPI increase} = (A - B) \div 3$$

Where:

- A is the CPI in respect of the quarter ending 30 June 2014
- B is the CPI in respect of the quarter ending 30 June 2011
- CPI means the Consumer Price Index - All Groups CPI Weighted Average of Eight Capital Cities, published by the Australian Bureau of Statistics, or any index which officially replaces it. If no index officially replaces it, it means the index which measures changes in the cost of living in Brisbane, as determined by the Company.

*Average EPS Growth above Average Australian CPI increase for over the Performance Period*

This is the amount determined by the Board as Average EPS Growth minus Average Australian CPI Increase.

*Worked examples*

If the average annual CPI increase in the corresponding period is 3% and the Company's average EPS growth in the corresponding period is 13% then 50% of the total options will vest.

If the average annual CPI increase in the corresponding period is 3% and the Company's average EPS growth in the corresponding period is 18% then 75% of the total options will vest.

If the average annual CPI increase in the corresponding period is 3% and the Company's average EPS growth in the corresponding period is 23% then 100% of the total options will vest.

**Discussion and analysis of the proposed grant of options**

***Cost to the Company***

The options will not be quoted on ASX and accordingly have no readily identifiable market value.

However, for illustrative purposes, the options have been valued for accounting purposes by the Directors using the principles set out in AASB 2 'Share-Based Payment' and the Trinomial Lattice Model at \$0.16 each. This Model defines the conditions under which employees are expected to exercise their options after vesting in terms of the stock price reaching a specified multiple of the exercise price.

The application of the Model therefore requires a number of inputs, some of which must be assumed. The material assumptions used in the Model were:

- A share price of \$0.40;
- The exercise price of each option is \$0.346;
- The first exercise date is 30 September 2014 and the expiry date is 30 September 2015;
- A risk-free interest rate of 3.69%;

- A volatility factor of 60%. This measure was determined having regard to the historical volatility of the Company's share price; and
- A dividend yield of 5%.

On this basis, the total expense that could ultimately be recognised for the grant of the 500,000 options having regard to each of the different EPS growth scenarios is set out below (being the number of options which could potentially vest, multiplied by their respective fair value):

Average EPS Growth above Average Australian CPI increase for the Performance Period	Proportion of options which vest	Number of options potentially vesting under Resolution 3	Value of the options (\$)
Less than 10%	0%	-	-
10%	50%	250,000	40,000
15%	75%	375,000	60,000
20% or more	100%	500,000	80,000

Shareholders should be aware that this is an indicative valuation only for illustrative purposes. The actual accounting expense may be different due to differences in the final inputs as at the date of grant.

### **Remuneration**

The remuneration package of the Managing Director for the year ended 30 June 2011 (as detailed in the Remuneration Report included in the Directors' Report of the 2011 financial statements) comprised:

Executive	Cash salary and fees	STI cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Share-based payment (2008, 2009 & 2010 options)	Total
Mr Meldrum	\$288,061	Nil	\$32,489	\$63,638	Nil	\$5,038	\$389,226

### **Relevant interests in shares and options**

The Managing Director's current relevant interest in shares and options in the Company as at the date of notice are as follows:

Executive	Shares	Options
Mr Meldrum	5,692,910	370,749

**Impact on capital structure**

At the date of this notice of meeting, there are a total of 124,080,000 shares on issue.

Approval is sought for the issue of 500,000 options. Until exercised, the grant of options will not impact on the number of ordinary shares on issue in the Company. If all of the proposed options were exercised, an additional 500,000 fully paid ordinary shares would be issued

The number of shares which may be issued to the managing director upon exercise of options, represents approximately 0.4% of the total issued share capital of the Company as at the date of this notice (assuming that no other options were exercised or shares issued by the Company between the date the options were granted and the date on which those options were exercised).

The Directors believe that any potential dilutionary impact is not material and is more than offset by the advantages accruing to the Company from the services of Managing Director.

**Opportunity cost to the Company**

The opportunity cost and benefits foregone to the Company in granting the options comprise:

- the obligation of the Company to issue shares on exercise of the options at the exercise price even though this might be less than the market price of the shares at the time of the exercise of the option; and
- the potential dilutionary impact on the existing shareholders of the Company in the event of the issue of shares on exercise of the options – see the impact on the capital structure described above.

The Directors consider that any potential dilutionary impact is not material and is more than offset by the advantages accruing to the Company from the services of the Managing Director.

**Tax consequences**

As far as the Company is aware, there are no adverse taxation consequences to the Company arising from the proposed issue of options.

**Use of funds**

Any funds raised from the exercise of the options will be applied towards the working capital and cash requirements of the Company at the time of exercise of the options.

**Other information required by Listing Rule 10.15A**

The following information is provided for the purposes of Listing Rule 10.15A:

<b>Maximum number of options that may be acquired by Mr Meldrum</b>	500,000 options
<b>Price for each option to be acquired under the scheme</b>	Nil

<p><b>Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security</b></p>	<p>As approved at the 2009 and 2010 AGMs respectively:</p> <ul style="list-style-type: none"> <li>• Mr Kinnane, the previous Managing Director, received the 260,587 options with an exercise price of \$0.88 and 260,000 options with an exercise price of \$0.57.</li> <li>• Mr Larsen received 168,749 options with an exercise price of \$0.88 and 168,000 options with an exercise price of \$0.57.</li> </ul>
<p><b>Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme</b></p>	<p>Directors - Messrs Meldrum, Larsen, Runge and Walker</p> <p><b>[Note</b> – although each director is eligible to participate, approval is sought for the grant of options to Messrs Meldrum and Larsen only].</p>
<p><b>Terms of loan in relation to the grant of options</b></p>	<p>Not applicable</p>
<p><b>Required Statements</b></p>	<p>Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under listing rule 10.14.</p> <p>Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under listing rule 10.14.</p>
<p><b>Date by which options will be granted</b></p>	<p>If the proposed resolution is passed, the Company will grant the options to the Mr Meldrum immediately and in any event within the permitted 3 years from no later than the third anniversary of the date the resolution is passed.</p>

### **Voting Exclusion**

A voting exclusion applies in relation to Resolution 3 (see notes to Resolution 3).

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 3 by either marking "For", "Against" or "Abstain" on the Voting Form for that item of business.

The Board is firmly of the view that the proposed grant of sign on options provides an appropriate long term incentive for David Meldrum to accept the position of Managing Director and to commit all of his time and resources towards leading Runge Limited and capitalising on its potential and growing the business for the benefit of its people, investors and customers.

**The Directors (other than Mr Meldrum who has a material personal interest in the outcome of this resolution) recommend that you vote in favour of this resolution.**

## **6. RESOLUTIONS 4 and 5 – APPROVAL OF LONG TERM INCENTIVE OPTIONS TO EXECUTIVE DIRECTORS**

### **Background – broad review of long term incentive program**

In accordance with its remuneration policy, the Company has recently completed a broad review of its long term incentive program for staff and is in the process of implementing that broad strategy across the Company. The long term incentives for the Managing Director and the Executive Director formed part of that review.

The outcome of the review is that it is proposed that, subject to member approval, 165,000 and 150,000 options be granted to Mr Meldrum and Mr Larsen respectively.

No amount is payable on grant of the options and no loans are required or will be provided in relation to the grant of options.

### **Proposed specific terms and conditions of long term incentive options**

The specific terms and conditions set out below will apply to the proposed grant of options in addition to the general terms and conditions contained in the Company's Employee Share Option Plan.

#### **Exercise price**

Each option will have an exercise price of the volume weighted average price of shares traded on the ASX in the 5 trading days ending on 28 November 2011.

#### **Expiry date**

Subject to the Plan Rules, each Option will lapse on 5.00pm (Brisbane time) on 31 August 2016.

#### **Vesting conditions**

The Options will be issued in a single tranche but cannot be exercised until they have vested.

The vesting conditions are the same as those which apply in respect of the Managing Director's sign on options, namely, they will vest in accordance with the following table if the Company's Average EPS Growth over the 2012, 2013 and 2014 financial years (the Performance Period), is at least 10% above the Average Australian CPI Increase for the corresponding period.

<b>EPS Vesting Condition</b>	
<b>Average EPS Growth over the Performance Period above average annual Australian CPI increase in the corresponding period</b>	<b>% of Options which vest</b>
Less than 10%	0%
10% or more, but less than 20%	50% plus an additional 5.00% for each 1% increment
20% or more	100%

If the Options vest, the vesting date will be the date on which the Average EPS Growth above average annual Australian CPI increase is determined. If the Options do not vest, they automatically lapse.

### **Discussion and analysis of the proposed grant of options**

#### ***Cost to the Company***

The options will not be quoted on ASX and accordingly have no readily identifiable market value.

However, for illustrative purposes, using the same principles as those used to provide an indicative valuation of the proposed Managing Director's sign on options (ie the principles set out in AASB 2 'Share-Based Payment' and the Trinomial Lattice Model), the total expense that could ultimately be recognised for the grant of the options having regard to each of the different EPS growth scenarios is set out below (being the number of options which could potentially vest, multiplied by their respective fair value):

#### ***Managing Director***

<b>Average EPS Growth over the Performance Period above Average Australian CPI increase in the corresponding period</b>	<b>Proportion of options which vest</b>	<b>Number of options potentially vesting under Resolution 4</b>	<b>Value of the options (\$)</b>
Less than 10%	0%	-	-
10%	50%	82,500	12,375
15%	75%	123,750	18,562.50
20% or more	100%	165,000	24,750

## Executive Director

Average EPS Growth over the Performance Period above Average Australian CPI increase in the corresponding period	Proportion of options which vest	Number of options potentially vesting under Resolution 5	Value of the options (\$)
Less than 10%	0%	-	-
10%	50%	75,000	11,250
15%	75%	112,500	16,875
20% or more	100%	150,000	22,500

The material assumptions used in the Model were:

- A share price of \$0.40;
- The exercise price of each option is \$0.40;
- The first exercise date is 30 September 2014 and the expiry date is 31 August 2016;
- A risk-free interest rate of 3.69%;
- A volatility factor of 60%. This measure was determined having regard to the historical volatility of the Company's share price and
- A dividend yield of 5%.

Shareholders should be aware that this is an indicative valuation only for illustrative purposes. The actual accounting expense may be different due to differences in the final inputs as at the date of grant.

## Remuneration

The remuneration packages of the Executive Directors for the year ended 30 June 2011 (as detailed in the Remuneration Report included in the Directors' Report of the 2011 financial statements) comprised:

Executive	Cash salary and fees	STI cash bonus	Non-monetary benefits	Super-annuation	Termination benefits	Share-based payment (2008, 2009 & 2010 options)	Total
Mr Meldrum	\$288,061	Nil	\$32,489	\$63,638	Nil	\$5,038	\$389,226
Mr Larsen	\$355,168	Nil	Nil	\$15,199	Nil	\$5,044	\$375,411

### ***Relevant interests in shares and options***

The Executive Directors' current relevant interest in shares and options in the Company as at the date of notice are as follows:

<b>Executive</b>	<b>Shares</b>	<b>Options</b>
Mr Meldrum	5,692,910	370,749
Mr Larsen	5,005,124	370,749

### ***Impact on capital structure***

Until exercised, the grant of the options will not impact on the number of ordinary shares on issue in the Company.

If all of the proposed options granted to Messrs Meldrum and Larsen vested and were exercised, an additional 315,000 fully paid ordinary shares would be issued representing approximately 0.25% of the total issued share capital of the Company (this percentage assumes that no other options were exercised or shares issued by the Company between the date the options were granted and the date on which those options were exercised).

### ***Other information***

Considerations of opportunity cost, tax consequences and use of funds relating to the grant of options are substantially the same as those which apply to the proposed grant of sign on options to the Managing Director in Resolution 3.

### ***Timing of grant***

If the proposed resolutions are passed, the Company will grant the options to the Executive Directors immediately and in any event no later than the third anniversary from the date the resolution is passed.

### ***Other information required by Listing Rule 10.15A***

The following information is provided for the purposes of Listing Rule 10.15A:

<b>Maximum number of options that may be acquired by Mr Meldrum</b>	165,000 options
<b>Maximum number of options that may be acquired by Mr Larsen</b>	150,000 options
<b>Price for each option to be acquired under the scheme</b>	Nil

<p><b>Names of persons referred to in rule 10.14 who received securities under the scheme since the last approval, number of securities received and acquisition price for each security</b></p>	<p>As approved at the 2009 and 2010 AGMs respectively:</p> <ul style="list-style-type: none"> <li>• Mr Kinnane, the previous Managing Director, received the 260,587 options with an exercise price of \$0.88 and 260,000 options with an exercise price of \$0.57.</li> <li>• Mr Larsen received 168,749 options with an exercise price of \$0.88 and 168,000 options with an exercise price of \$0.57.</li> </ul>
<p><b>Names of all persons referred to in Listing Rule 10.14 entitled to participate in the scheme</b></p>	<p>Directors - Messrs Meldrum, Larsen, Runge and Walker</p> <p><b>[Note</b> – although each director is eligible to participate, approval is sought for the grant of options to Messrs Meldrum and Larsen only].</p>
<p><b>Required Statements</b></p>	<p>Details of any securities issued under the employee incentive scheme will be published in each annual report relating to a period in which securities have been issued and approval for the issue of securities obtained under listing rule 10.14.</p> <p>Any additional persons who become entitled to participate in the employee incentive scheme after the resolution is approved and who are not named in this notice of meeting will not participate until approval is obtained under listing rule 10.14.</p>

A voting exclusion applies in relation to Resolutions 4 and 5 (see notes to Resolutions 4 and 5).

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolutions 4 and 5 by either marking "For", "Against" or "Abstain" on the Voting Form for that item of business.

This page is left blank intentionally

This page is left blank intentionally



**Runge Limited**  
ABN 17 010 672 321

**Lodge your vote:**

**Online:**  
www.investorvote.com.au

**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 552 270  
(outside Australia) +61 3 9415 4000

000001 000 RUL  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030



**Proxy Form**



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**

- Cast your proxy vote**
- Access the annual report**
- Review and update your securityholding**

*Your secure access information is:*

**Control Number: 999999**

**SRN/HIN: 1999999999**



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

**For your vote to be effective it must be received by 10.00 am (Eastern Standard Time) Monday, 28 November 2011**

**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 for Postal Forms**

**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.

**GO ONLINE TO VOTE,  
or turn over to complete the form** ➔

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**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.



I 9999999999

I ND

# 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 Runge 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, as the proxy sees fit) at the Annual General Meeting of Runge Limited to be held at The Christie Conference Centre, Kamisama Room, Level 6, 320 Adelaide Street, Brisbane, Queensland on Wednesday, 30 November 2011 at 10.00 am and at any adjournment of that meeting.

### Important notice for Items 2, 4, 5 and 6 - Appointment of the Chairman as your proxy

Where I/we have not marked any of the boxes opposite Items 2, 4, 5 and 6, I/ we hereby direct the Chairman to vote in favour of Items 2, 4, 5 and 6 and I/we expressly authorise the Chairman to exercise my/our proxy in respect of Items 2, 4, 5 and 6, even though the Chairman is a member of the Company's key management personnel and Items 2, 4, 5 and 6 are connected directly or indirectly with the remuneration of the Company's key management personnel. For Items 4, 5 and 6 this authority is also subject to you marking the box in the section below.

### Chairman's voting intentions

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item.

If you appoint the Chairman as your proxy and you do not wish the Chairman to vote in favour of Items 2, 4, 5 and 6, or any other Item, you may direct the Chairman to vote against that Item or abstain from voting on that Item by marking the appropriate box opposite that Item below.

**Important for Items 4, 5 and 6:** If the Chairman of the Meeting is your proxy and you have not directed the Chairman how to vote on Items 4, 5 and 6 below, please mark the box in this section. If you do not mark this box and you have not directed your proxy how to vote, the Chairman of the meeting will not cast your votes on Items 4, 5 and 6 and your votes will not be counted in computing the required majority if a poll is called on this item. The Chairman intends to vote undirected proxies in favour of Items 4, 5 and 6 of business.

I/We acknowledge that the Chairman of the Meeting may exercise my proxy even if the Chairman has an interest in the outcome of this item and that votes cast by the Chairman, other than as proxy holder, would be disregarded because of that interest.

## 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.

### ORDINARY BUSINESS

	For	Against	Abstain
Item 2 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 3 Re-election of Christian Larsen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Approval for grant of sign on options to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 Approval for grant of long term incentive options to Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 6 Approval for grant of long term incentive options to Executive Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each Item.

## 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 / / \_\_\_\_\_