

Major Projects

The global economic slowdown has had a significant impact on the Australian economy with the mining sector having been particularly hard hit. Weakened global demand coupled with a significant decline in base metal prices has resulted in several mining companies in the Far West Region restructuring operations to reduce costs.

During 2008 several mining companies in the Far West Region announced downsizing of operations due to economic conditions and a reduction in base metal prices. This included Perilya resizing their **Southern Operations** and placing the **North** and **Potosi Mines** into care and maintenance. CBH Resources has placed the development of the **Rasp Mine** on care and maintenance with planning for the **Processing Plant** also placed on hold. Indications are that Bemax's operations and employment have remained relatively unchanged with the **Snapper Mine** due to start operation in 2010. Since the last update there has been significant investment movement in the ownership of Perilya and Bemax.

There are several projects in the planning stage with potential commencement during the next 4 years. Uranium One's **Honeymoon Mine** has received approval from the SA Government with construction expected to begin in 2009. Projects awaiting government approval include Havilah's **Oban Mine**, waiting for approval for a field leach trial.

Several mining companies are currently undertaking feasibility studies to determine the profitability of ore reserves and future operations following positive drilling results. Havilah's **Kalkaroo** and **Mutooroo Mines** are both well advanced in the feasibility process with a feasibility study underway for Pinnacle's **Edwards Pit Expansion**. Havilah's **Portia Mine** is currently undergoing a pre-feasibility trial mining operation.

The **Silverton Wind Farm** is the biggest project currently planned for the Far West Region. An environmental assessment has been completed for the project with the NSW Department of Planning recently consenting to the application.

The table below provides a summary of the major projects planned for the Far West Region that are currently active and where project data was available. The map (right) indicates the location of the mining and energy developments.

Only projects where updated data was made available have been included in the economic impact modelling. This has been done to ensure a conservative estimate of economic impacts while ensuring that projections are based on current and reliable data.

Mining projects included in previous editions of the study that have been removed due to lack of available data include Exco's **White Dam Mine** and Bemax's **Mineral Separation Plant** expansion. Perilya's **Potosi Mine** and **North Mine Deeps** and CBH Resource's **Rasp Mine** and **Processing Plant** have also been omitted as they have been placed in care and maintenance indefinitely until global metal prices increase sufficiently to make operations financially feasible.

Several other construction projects planned for Broken Hill have also been removed from the economic impact modelling due to a lack of progress at the time of the update. These projects include Leasecorp's **Shopping Centre**, Macdonald Group's **Retirement Village** and MBS's **Golf Club Redevelopment**.

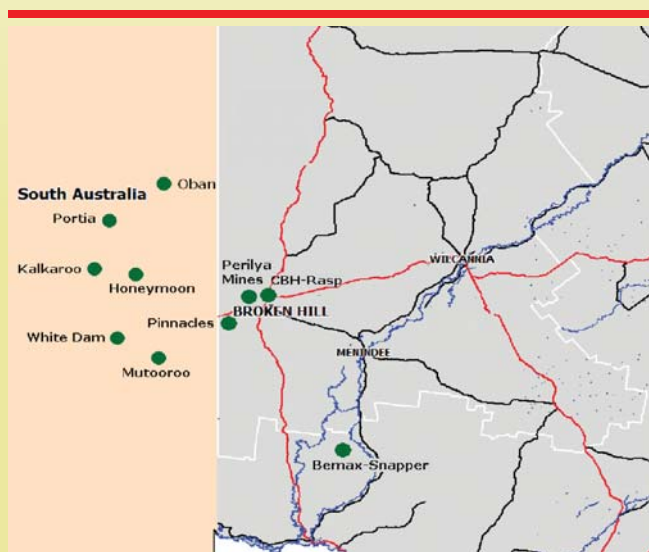


Table 1: Planned Major Projects Included in Economic Impact Modelling

| Company | Project | Probability | Construction Phase | | | | Operation Phase | | | | |
|---------------------|---------------------|-------------|--------------------|-----------|------------|--------------------|-----------------|------------|-----------|----------------------|--------------------|
| | | | Year Start | Total \$m | Region \$m | Jobs | Year Start | Life Years | Total \$m | Region \$m | Jobs |
| Havilah | Portia | Medium | 2009 | \$20 | \$18 | 40 | 2009 | 2 | \$20 | \$12 ^(a) | 60 |
| Havilah | Kalkaroo | Low | 2010 | \$220 | \$198 | 200 | 2011 | 15 | \$200 | \$120 ^(a) | 200 |
| Havilah | Mutooroo | Low | 2010 | \$100 | \$90 | 100 | 2011 | 12 | \$150 | \$90 ^(a) | 60 |
| Havilah | Oban | Low | 2009 | \$7 | \$6 | 20 | 2010 | 5 | \$20 | \$12 ^(a) | 60 |
| Uranium One | Honeymoon | High | 2009 | \$118 | \$41 | 120 | 2010 | 7 | \$25 | \$15 | 65 |
| Pinnacle Mines | Edwards Pit - Small | Medium | 2010 | \$15 | \$10 | 5 | 2011 | 15 | \$18 | \$11 ^(a) | 50 |
| Pinnacle Mines | Edwards Pit - Large | Low | 2012 | \$200 | \$130 | 20 | 2013 | 15 | \$100 | \$60 ^(a) | 400 |
| Bemax | Snapper | High | 2008 | \$105 | \$32 | 10 | 2010 | 15 | \$40 | \$24 | 150 |
| Silverton Wind Farm | Silverton Wind Farm | Medium | 2010 | \$2,500 | \$625 | 700 ^(b) | 2011 | 25 | \$20 | \$15 | 120 ^(c) |

Growth Indicators

The economic indicators outlined in the table below demonstrate the continued strong performance of the Far West Region's economy. The unemployment rate in the region was recorded at 6.8% in the December Quarter 2008, which was a decline during the last 12 months. Unemployment associated with the restructuring of mining operations in late 2008 is not believed to be captured in these figures.

Demand for housing recorded strong growth with the median selling price for houses of \$150,000 in the December Quarter 2008. Investment in the region has remained strong with the value of both new residential and non-residential building approvals recording considerable growth during 2007-08.

The Broken Hill Airport has continued to experience strong growth in passenger numbers due to the increase in services and airline capacity. Almost 60,000 passengers passed through the airport in 2007-08, an increase of 23.0% from the previous year.

| Indicator | Period | Level | Ann % Chg |
|---------------------------|-------------|------------------------|-----------|
| Population | 2008 | 22,737 | -0.7% |
| Unemployment Rate | Dec Q 2008 | 6.8% | -0.7% |
| New Residential Approvals | 2007-08 | \$9.2M | 91.7% |
| Commercial Approvals | 2007-08 | \$9.3M | 43.1% |
| Median House Price | Dec Q 2008 | \$150,000 | 16.7% |
| Overnight Visitors | YE Mar 2009 | 479,000 ^(a) | 15.4% |
| Broken Hill Airport RPT | 2007-08 | 59,561 | 23.0% |

Note: All data is valid as of 31st March 2009. (a) Outback Tourism Region.
Source: ABS 3218.0, DEEWR SALM, ABS 8731.0, NSW Department of Housing, Tourism NSW, Bureau of Transport and Regional Economics

Tourism Sector

The tourism sector represents a key component of the Far West Region economy. The Far West Region forms part of the Outback NSW Tourism Region that also includes Balranald, Bogan, Bourke, Brewarrina, Cobar, Walgett and Wentworth.

In the Year Ending March 2009 there were 465,000 domestic visitors that stayed overnight in Outback NSW, up by 15.4% from the previous year. This exceeded the national growth trend which saw domestic overnight trips increase by 9.0%. International visitors represent a small proportion of overnight visitation with 14,000 visitors in the YE March 2009.

The value of the tourism sector was estimated to be \$256M to the Outback NSW economy in the YE March 2009, an increase of 39.1% from the previous year. Broken Hill has recently been short listed for the National Heritage List, the only city in Australia to be nominated. Inclusion on the list would provide an opportunity to further promote and grow the tourism sector in the region.

Infrastructure Developments

Investment in infrastructure is strong in the Far West Region with several major projects having recently been completed, in progress and in the planning process including:

- The new \$4.5M Broken Hill Regional Aquatic Centre was completed and opened in late 2008. The facility, which includes a new 50m pool, is comparable to those in regional centres.
- Compass Housing Services took over management of public and community housing in Broken Hill during 2008. They are in the process of upgrading all properties in Broken Hill with funding from the NSW Government.
- Construction is near complete on the Broken Hill Regional Events Centre Pavilion at the Broken Hill Racecourse with additional funding being sourced to complete the project.
- The Commonwealth Government has signed off on \$659,000 of funding for Broken Hill City Council to build a stormwater detention basin, which will help contain water overflow during rain storm events in Broken Hill.
- The NSW Government is extending funding for its bridge replacement program on rural roads with funding to replace the Bonley Bridge on the Wilcannia to Menindee Road.

Skills & Training

The Far West Region continues to experience skill shortages in certain sectors in line with the experiences throughout regional Australia. New initiatives and strategies are in place to help alleviate these shortages.

The Broken Hill High School has been awarded nearly \$6M to build a trade training centre that will also benefit other schools in the region including Willyama High School and the Central Schools in Menindee, Wilcannia and Ivanhoe. The investment will go towards new facilities to provide opportunities for trades training and the development of real skills for real jobs.

The restructuring of mining operations by mining companies has resulted in several hundred people being laid off. This has had an impact on apprentices with some being laid off during their program. Broken Hill TAFE has come to an agreement with Perilya to allow apprentices to fast track their studies.

Economic Impacts

The economic impact modelling assesses projected impacts of major projects on the Far West Region from the base year of 2006 used in the original study. The region recorded economic and employment growth in 2007 and 2008 as construction commenced on several projects. Employment in the mining industry has declined significantly as a result of existing mining companies resizing operations in late 2008. This is expected to result in employment falling below 2006 levels until new projects commence.

The economic impacts for the Far West Region are projected to total an additional \$78M in value added (GRP) in 2010 based on a medium scenario, primarily due to expected commencement of the Silverton Wind Farm (see **Figure 1**). To place this into perspective, the medium development scenario would increase GRP by up to 6.5% (in 2010) compared with the 2005-06 GRP estimate of \$1,195M.

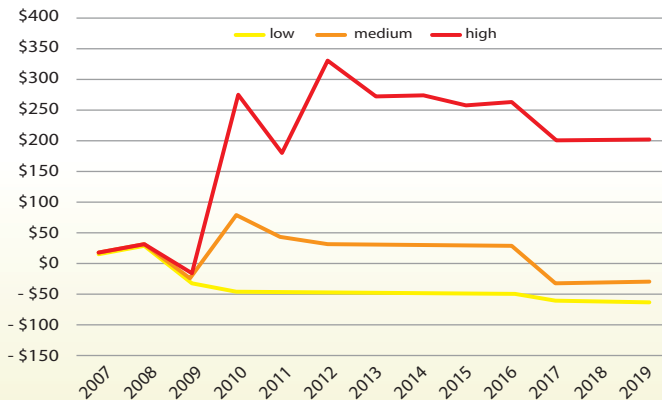
Employment in the Far West Region is projected to increase by up to 1,272 Full Time Equivalent (FTE) positions in 2010 based on the medium scenario. The employment breakdown includes 595 direct jobs and 677 flow-on jobs with the total representing growth of 12.7% from 2006 (see **Figure 2**). Employment impacts are expected to peak during the start of construction of the Silverton Wind Farm before levelling out.

Table 3 below provides an overview of projected changes in employment by industry from the base in 2007. Employment in the mining sector is expected to partially recover in the medium term as new projects commence though not to the 2007 level unless recently downsized operations recommence full operations. In the short term, the construction sector is projected to record growth with the development of new projects while the highest flow-on employment growth is expected in the retail trade and property & business services sectors.

Table 3: Projected Additional FTE Employment (Medium Scenario)

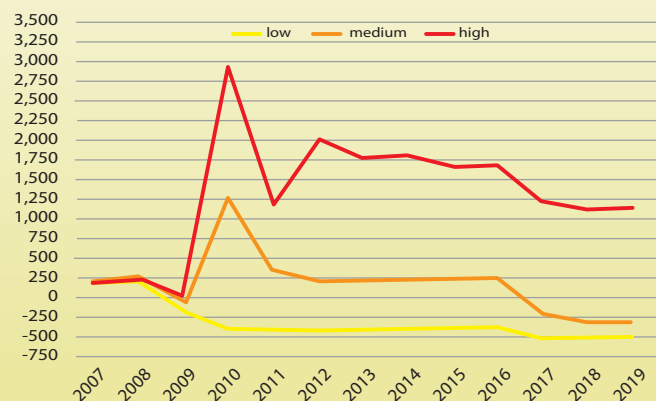
| Sector | ABS Census | | Report Base Year | | | Additional Employment | | | Avg. Annual % |
|--|---------------|---------------|------------------|-----------|-------------|-----------------------|--|--|---------------|
| | 2006 | 2007 | 2009 | 2014 | 2019 | 2007 to 2014 | | | |
| Agriculture, Forestry & Fishing | 716 | 719 | 4 | 8 | -5 | 0.15% | | | |
| Mining | 645 | 646 | -423 | -198 | -229 | -4.48% | | | |
| Manufacturing | 388 | 408 | -4 | 34 | -43 | 1.00% | | | |
| Electricity, Gas and Water Supply | 199 | 200 | -9 | -3 | -6 | -0.18% | | | |
| Construction | 494 | 581 | 156 | 29 | -91 | 0.60% | | | |
| Wholesale Trade | 343 | 349 | -4 | 8 | -13 | 0.28% | | | |
| Retail Trade | 1,706 | 1,722 | 26 | 44 | -22 | 0.32% | | | |
| Accommodation, Cafes and Restaurants | 640 | 645 | 6 | 12 | -7 | 0.23% | | | |
| Transport and Storage | 384 | 390 | 2 | 11 | -11 | 0.35% | | | |
| Communication Services | 123 | 126 | -2 | 4 | -6 | 0.38% | | | |
| Finance and Insurance | 167 | 173 | -6 | 8 | -14 | 0.57% | | | |
| Property and Business Services | 625 | 647 | 12 | 45 | -39 | 0.85% | | | |
| Government Administration and Defence | 629 | 630 | 2 | 3 | -2 | 0.06% | | | |
| Education | 752 | 755 | 5 | 9 | -4 | 0.15% | | | |
| Health and Community Services | 1,332 | 1,335 | 6 | 9 | -4 | 0.08% | | | |
| Cultural, Arts and Recreational Services | 151 | 153 | 1 | 5 | -4 | 0.42% | | | |
| Personal and Other Services | 500 | 504 | 7 | 11 | -5 | 0.26% | | | |
| Ownership of Dwellings | 232 | 232 | -16 | -7 | -4 | -0.37% | | | |
| Total | 10,027 | 10,215 | -239 | 32 | -509 | 0.04% | | | |

Figure 1: Projected Change in GRP (\$m)



Note: Change from 2006. Low, medium and high scenarios based on the assumed probability of major projects commencing.

Figure 2: Projected Change in Employment (FTE)



Note: Change from 2006. Low, medium and high scenarios based on the assumed probability of major projects commencing.

Strategy Update

| Strategy/Action | 12 Month Progress Report | Planned Actions for Next 12 Months |
|---|---|---|
| <p>Promote Knowledge Development & Dissemination</p> <ol style="list-style-type: none"> 1. Identify information requirements for government, business and investors. 2. Identify information/knowledge gaps. 3. Consult and involve stakeholders in data/information collection. 4. Collaborate with partner organisations to collate/prepare required data. 5. Collaborate with partner organisations to disseminate information. | <p>Distribution of growth / investment study within and outside the region Ongoing Study Updates Completed Study Updates Completed Wide distribution of study within and outside the region</p> | <p>Ongoing distribution of Updates Ongoing Ongoing Ongoing Ongoing</p> |
| <p>Facilitate Industry and Community Engagement</p> <ol style="list-style-type: none"> 1. Inform, involve and collaborate with key stakeholders. | <p>Ongoing through ODF and Growth & Skills Taskforce</p> | <p>Ongoing</p> |
| <p>Build Community Capacity</p> <ol style="list-style-type: none"> 1. Assess community capacity in terms of skills gaps. 2. Facilitate community workshops and seminars. | <p>Forum held June 2008 Forum held June 2008</p> | <p>More detailed analysis Ongoing</p> |
| <p>Support and Assist Existing Business</p> <ol style="list-style-type: none"> 1. Consult with local business owners regarding opportunities and issues. 2. Develop strategies to capitalise on opportunities and mitigate threats. 3. Build linkages and networks between local businesses. | <p>Ongoing through ODF and Growth and Skills Taskforce</p> | <p>Ongoing Ongoing Ongoing</p> |
| <p>Attract and Encourage New Businesses</p> <ol style="list-style-type: none"> 1. Profile current business base and identify target businesses and needs. 2. Identify and set aside specific requirements for target businesses. 3. Market to target sectors. 4. Facilitate relocation activities. | <p>Ongoing through ODF and Growth and Skills Taskforce Regional Investment Tour April 2008 Ongoing</p> | <p>Update Profile Commence Review future tour Ongoing</p> |
| <p>Promote Economic Development and Diversification</p> <ol style="list-style-type: none"> 1. Identify specific economic development initiatives. 2. Engage with relevant stakeholders. 3. Review regional economic plan. | <p>Ongoing through ODF and Growth and Skills Taskforce</p> | <p>Ongoing Ongoing ODF and new RDA</p> |
| <p>Facilitate Infrastructure Provision and Development</p> <ol style="list-style-type: none"> 1. Identify critical infrastructure gaps. 2. Work with partners to develop strategies for infrastructure development. 3. Develop and implement mitigation/development strategies. | <p>Airport Master Plan development Ongoing through ODF and Growth and Skills Taskforce</p> | <p>Ongoing Ongoing Ongoing</p> |
| <p>Ensure Land Use Efficiency and Resource Protection</p> <ol style="list-style-type: none"> 1. Identify potential land needs. 2. Engage with the NSW Department of Lands regarding tenure. 3. Develop Draft LEP for Broken Hill City. | <p>Completed Completed In progress</p> | <p>LEP rezoning underway LEP rezoning underway Completion by April 2010</p> |
| <p>Attract and Retain Skilled Labour</p> <ol style="list-style-type: none"> 1. Increase the availability of labour. 2. Attraction of skilled persons to the region. 3. Consider overseas recruitment options. 4. Improve the effectiveness of the local training system. 5. Increase training investment by the private sector. 6. Increase indigenous participation in the workforce. 7. Support skills strategies from other levels of government | <p>Pool available Country Week 2008 Ongoing Forum held June 2008 Forum held June 2008 Draft Aboriginal Employment Strategy Forum held June 2008</p> | <p>Ongoing Review / repeat Ongoing Ongoing Ongoing Draft Strategy adopted/implemented Ongoing</p> |
| <p>Attract Investment and Financing</p> <ol style="list-style-type: none"> 1. Establish a working group to identify strategic investment opportunities. 2. Develop website for investment promotion and conduct developer tours. 3. Provide the required management support for the project. | <p>Established taskforce Website provided Regional Investment Tour April 2008 Ongoing</p> | <p>Encourage local developer interest Ongoing hosting of website & developer visits Ongoing</p> |

Contacts and Support

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