

Far West Regional Economic Update June Quarter 2014

Major Projects Round Up

Perilya: No significant operational changes at the Southern operations mine but on-going efficiency improvement and cost reduction focus has seen changes in the suppliers for a number of contracted services. Production build up at the Potosi Mine continues and a limited amount of additional equipment plus additional employees have been mobilised over the last 6 months. Following the recent approval of an amendment to the Development Consent conditions for Potosi Perilya is focussing on lifting the ultimate production rate at Potosi which will help to offset declining production at Southern Operations and the effects of increased operating costs and continuing low metal prices.

CBH's Broken Hill Operations: Continues to focus on building high grade ore stocks in preparation to ramp production back up during 2015. A number of new high grade targets have been identified and work continues on verifying and accessing these areas. Additional exploration resources have been mobilised to the mine during the quarter. The business is also focusing on lifting productivity rates, particularly mine development and reducing costs across the operation. CBH currently employs 145 people.

Hawson's Iron Ore Mine (a Carpentaria and Pure Metals Joint Venture) is currently at Bankable Feasibility Study stage with work continuing on the EIS and infrastructure components of the project. The Joint Venture is also seeking additional funding to complete additional drilling and pilot plant test work necessary for the development of the project, which is likely to take three years from the commencement of this work. The Joint Venture has already invested \$20m to date on the project of which approximately one third has been spent in the far west region. Anticipated employment requirements during construction and operation will be approximately 1000 and 600 respectively with as many employees as possible being sourced from Broken Hill.

AGL: Broken Hill Solar Plant - Construction is still on track to start from mid July 2014 and will be completed around mid-2015). AGL held the first Community Consultative Committee (CCC) meeting for the Solar Plant on 1 June and the next one is scheduled for Monday 14 July. AGL sponsored the Broken Hill Agfair this year and report that there has been good interest in employment on the project from the local region. **Silverton Wind Farm** - AGL held their latest Community Consultative Committee (CCC) meeting on 27th March. They are progressing with the project's traffic management plan and the next CCC meeting is scheduled for October 2014.

During the quarter **Havilah Resources** lodged completed mining lease proposal documents to the South Australian Government in support of mining lease applications for its Maldorky Iron Ore Project and its Kalkaroo Copper-Gold Project. Both projects have attractive economics at current metal prices and granting of mining leases based on these documents will be a key milestone in the mine permitting process. At the Portia Gold Project Havilah completed further pump test work designed to demonstrate that excess water from dewatering of the Portia open pit could be discharged into a nearby buried river channel with no detrimental impacts. Havilah expects that this will be the last hurdle to it being granted full approvals for mining to proceed at Portia.

State Government approval was received for **Cristal Mining Australia's** new Atlas – Campaspe Project on June 6th 2014. The new \$200m mineral sands mine is located approximately 90 km north of Balranald and 270 km from Broken Hill. The Atlas-Campaspe deposit contains more than 6.5Mt of heavy mineral to be concentrated and processed into ilmenite, leucosene, zircon and rutile end products. The mine has a potential mine life of 20 years. The Atlas-Campaspe Project is expected to provide employment for up to 200 workers and contribute in excess of \$95 million in royalties, as well as taxes, rates and increased economic activity in the region. Concentrate from the mine will be trucked approximately 175 km north to a new rail siding to be built at Ivanhoe. The concentrate will then be railed to Broken Hill for treating at the current Cristal Mineral Separation Plant. Cristal Mining is appreciative of the support in achieving this approval and look forward to on-going cooperation with the Shires and local communities.

Manufacturing Industry

Contribution to Economy

	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008	
Employment	199	200	240	208	192	
Value Add (\$M) *	\$22.4	\$23.2	\$25.0	\$26.1	\$28.6	
Worker Productivity*	\$ 112,782	\$ 116,390	\$ 103,957	\$ 125,408	\$ 148,617	
	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	Avg
Employment	191	197	201	216	194	203
Value Add (\$M) *	\$28.1	\$28.1	\$27.7	\$28.0	\$26.3	\$26.40
Worker Productivity*	\$ 147,229	\$ 142,405	\$ 138,073	\$ 129,592	\$ 135,838	\$130,029

*** Explanation Notes:**

Value added by industry is an indicator of business productivity in Broken Hill. It shows how productive each industry sector is at increasing the value of its inputs. It is a more refined measure of the productivity of an industry sector than output (total gross revenue), as some industries have high levels of output but require large amounts of input expenditure to achieve that.

Worker productivity by industry is calculated by dividing the industry value add by the number of persons employed in that industry. It shows which industries generate the most value add per employee.

The manufacturing industry in the region returned diverse results from the survey they participated in for this update. While most described the current industry as slow to quiet, the fact that 89% of businesses have been in operation for 10 years or more highlights the industry's ability to survive the fluctuations of the industries they service.

Local Business Confidence in Manufacturing Industry

Businesses that have been established for 10+ years	89%
Businesses planning expansion within the next 12 months	33%
Businesses likely to require more staff within the next 12 months	33%
Businesses employing 10 or more people within the region	44%
Businesses who require employees with relevant industry qualifications	67%
Those who don't think finding employees with appropriate qualifications within the region is or will be difficult	67%

Further to the local business survey's, 33% of participants agreed the manufacturing industry is quiet, while 44% feel it is steady. Barriers to growth in the region included the economic downturn of the industries they supply and service, the red tape associated with Workplace Health and Safety, local businesses buying services from out of town, capital to fund expansion and the pricing and availability for training for employees.

Construction Industry

Contribution to Economy

	2003/ 2004	2004/ 2005	2005/ 2006	2006/ 2007	2007/ 2008
Employment	429	466	494	487	482
Value Add (\$M) *	\$27.4	\$29.9	\$31.6	\$31.2	\$32.5
Worker Productivity*	\$ 63,793	\$ 64,109	\$ 64,049	\$ 64,032	\$ 67,553

	2008/ 2009	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	Avg
Employment	509	516	507	546	624	506
Value Add (\$M) *	\$35.8	\$38.0	\$36.7	\$43.0	\$50.3	\$35.60
Worker Productivity*	\$ 70,288	\$ 73,587	\$ 72,359	\$ 78,748	\$ 80,525	\$ 69,904

Of interest in the table above is that the 2012/2013 financial year for the construction industry is well above the 10 year average and that all economic indicators have risen steadily during that period.

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Local Business Confidence in Construction Industry

Businesses that have been established for 10+ years	71%
Businesses planning expansion within the next 12 months	14%
Businesses likely to require more staff within the next 12 months	29%
Businesses employing 10 or more people within the region	14%
Businesses who require employees with relevant industry qualifications	86%
Those who don't think finding employees with appropriate qualifications within the region is or will be difficult	29%

Businesses surveyed generally agreed that the construction industry was currently quiet (29%) and steady (57%) however total employment has increased by 78 jobs from the previous financial year and the total value of the industry has risen by \$7.3m on the previous financial year. Local businesses also stated that barriers to the growth of their business included: paying to qualify apprentices and then losing them to another industry, people sourcing builders from out of town and relying on the economic fluctuations of the industry's they service.

FAR WEST FAST FACTS:

- *** Broken Hill's GRP for 2012 was up 2.9% for FYE June 2013
- *** In April 2014 the retail trade estimate for NSW rose to 8.93% from the previous year, compared to 6% for Australia as a whole.
- *** 182 New cars were sold in Broken Hill during the April-June quarter.

Economic Growth Indicators

House Sales

(Apr-Jun '14)

54 Homes were sold in the Broken Hill area during the April - June 2014 quarter, **3 more** than the previous quarter.

Population

2013	19,048
2012	19,103
Change	- 55

Building Approvals

(Apr-Jun '14)

Residential	25 @	\$890,411
Non Residential	11 @	\$386,450
Total Value		\$1,276,861

Local Jobs

2013	7341
2012	7565
Change	-224

FAR WEST FAST FACTS — Visitor Numbers

NSW Trainlink logged 1916 visitors arriving by coach and train for the 2014 June quarter, up 553 on the previous quarter.

The Broken Hill Visitor Information Centre had 35,252 visitors through its doors during the 2014 June quarter.

REX carried 14,931 passengers in and out of Broken Hill during the quarter.

Feedback – We have changed the format of your Regional Economic Update taking it from an annual edition to quarterly and ensuring the content is as current and relevant as possible. We would love to know what you think. Leave us a note on our website www.rdafarwestnsw.org.au or Facebook page, drop into the office 55 Oxide street, call us on (08) 8087 8383 or email us at suzanne.walson@rdafarwestnsw.org.au.

Regional Economic Update:

The Regional Economic Update is researched and produced by Regional Development Australia Far West supported by the Broken Hill City Council. For all enquiries regarding the production of this report and information contained therein please contact Suzanne Walson at Regional Development Australia Far West on (08) 8087 8383. Source of statistics for 'Employment and Workforce Productivity', 'Contribution to Economy' and 'Economic Growth Indicators' sections is economy.id.com.au/broken-hill. All other information has been sourced through interviews with local businesses and organisations and we thank them for their time and generosity.