Business Confidence Overview

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Top Line Results

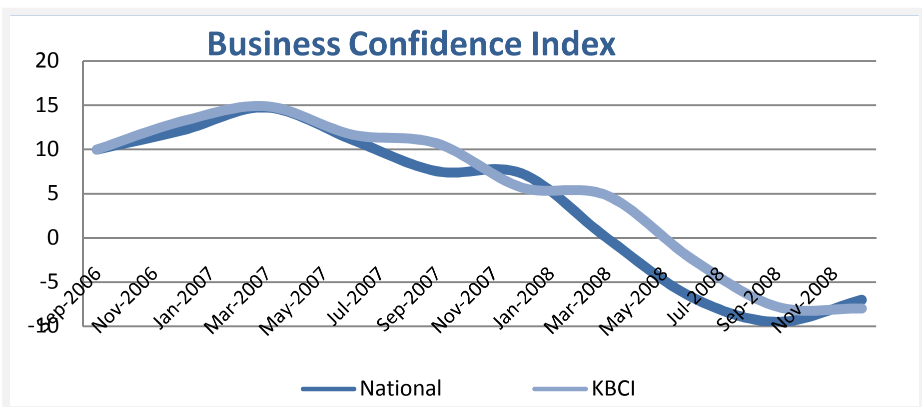
Snapshot

1. Business confidence in the Kimberley has declined faster in the Sept 08 qtr than the National Index and the slight national recovery in December was not seen in the Kimberley
2. The greatest level of decline in confidence has come from the tourism sector and building sectors
3. There are substantial variations between the East and West Kimberley in terms of forecast business activity over the next year

The December 2008 survey is the first suggestion of a decrease in employment numbers over the next year which is dominated by the mining sector in the East and Building sector in the West Kimberley

KPP Business Development has been tracking Business and Consumer Confidence in the Kimberley region of Western Australia since September 2006. In order to track variations between the movement of Business Confidence in the Kimberley against the National Confidence Index, all data has been indexed to September 2006 (Sept 06 = 10).

As evidenced in the chart below, there is a similar trend between the Kimberley (KBCI) and National (NBCI) Indices although there is some level of lag evident in the Kimberley data. However, the slight recovery seen nationally in December 2008 was not evident in the Kimberley which remained relatively flat.

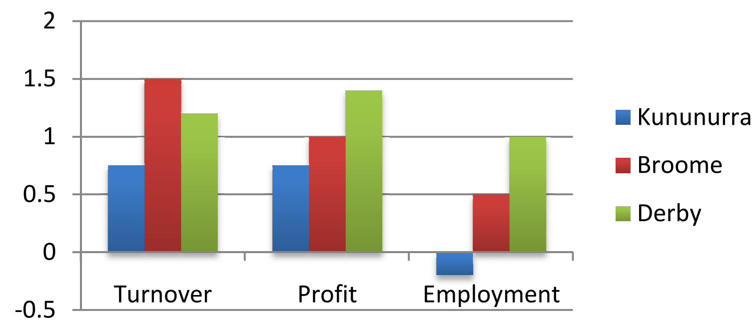


Regional Comparisons

Substantial differences were evident between Derby, Broome and Kununurra. *(Note that although the Halls Creek and area was also included in surveys, response levels were statistically insignificant and therefore could not be included in initial findings).*

Respondents from the Derby region were more optimistic that business profits would increase over the next year when compared with respondents from Broome and Kununurra. Kununurra respondents suggested that there would be a marginal decrease in employment over the coming year, although this referred specifically to the mining sector.

Regional comparisons are based on the mean of responses from each region.
(0 - 1 = negative growth; 1= no change; 1 – 2 = positive growth)



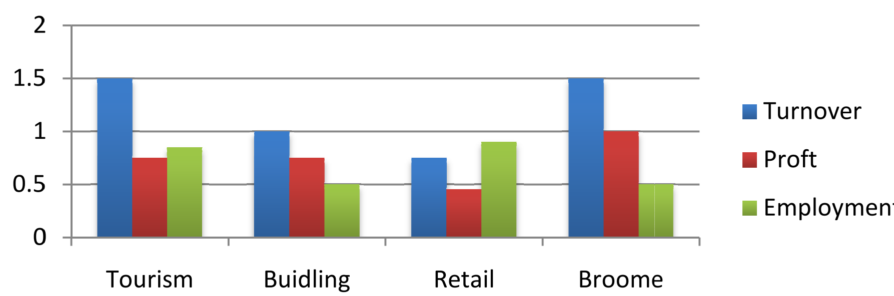
Amongst respondents in the tourism sector, East Kimberley tour operators feel optimistic about the year ahead, whereas accommodation providers are more cautious in their outlook.

This is reversed in the West Kimberley where accommodation providers are feeling optimistic and tour operators are feeling anxious about the forthcoming season.

There was little variation across the region regarding interest rates and capacity. There was a strong overall belief that interest rates would be relatively stable over the coming year and that businesses were not operating to capacity. The issue of capacity has been consistent over the past 27 months, with over 80% of businesses stating they are operating below capacity.

Sector Specific

The overall confidence levels have been skewed to a large extent by the tourism, retail and building sectors of the Kimberley economy which is particularly evident in Broome. This declining confidence in the tourism and retail sectors has been apparent since the April 2008 quarter, however it has become a signification variation from the norm by the September 2008 quarter and more pronounced by December 2008 where the first indications from the building sector became apparent. (0 - 1 = negative growth; 1= no change; 1 – 2 = positive growth)



Methodology

On line surveys invitation are emailed at the end of each month. Approximately 450 survey invitations are sent to location and industry representative samples. Participation rates average 22.38%, however there was a substantial increase in September 2008 participation to 36.39% and 37.1% in December 2008.