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06 September 2017

The Inquiry Panel
The Scientific Inquiry into Hydraulic Fracturing Inquiry in the NT (the "Inquiry")
GPO Box 4396
DARWIN NT 0801

Email: fracking.inquiry@nt.gov.au

Dear Panel,

Submission to the Inquiry

The Hancock Prospecting Pty Ltd group ("Hancock") hereby makes the following submission to the Inquiry in regards to its oil and gas exploration and development in the Northern Territory ("NT").

About Hancock

Hancock is an independent, privately owned Australian company group that has a long and important association with northern Australia and with a significant interest in investing further in this area.

Hancock has successfully participated in the development of 4 major iron ore projects, including the \$10B world class, low cost, integrated open pit Roy Hill iron ore mine, rail and port facility that is currently ramping up to produce 55 million tonnes per annum of low phosphorous iron ore, to become this year the largest single iron ore mine in Australia, and with the fastest construction and best safety record to date.

Hancock has also established and continues to grow its agricultural interests in the Australian beef and dairy industries, in December last year completing the acquisition of a majority share in S. Kidman & Co. Ltd, in addition to owning other cattle properties in the NT, and is now one of Australia's largest cattle producers.

Community concerns regarding elements of EP154

Hancock, in conjunction with the Northern Land Council ("NLC"), has carried out a consultative process with the Traditional Owners of the land over which its exploration permits apply, including finalising access agreements signed by both parties.

This process applied to the areas covered by EP154, which were also subject to the requirements of the Aboriginal Land Rights Amendment Act (2014). This legislation effectively gives the Traditional Owners the right to exclude areas of the land from the permit prior to it being granted. This process was followed and agreement was reached in 2014, following which EP154 was granted.

However, notwithstanding the agreement reached, Hancock is aware that there are concerns in the community in regards to areas currently included in Hancock's EP154 and previously approved by the Traditional Owners. We understand that these concerns relate to several places of significance that are not within the granted EP154 area, but which the community view as being in close proximity.

While Hancock believes that these places would not be at risk should development occur, it recognises the concerns of the community. To this end, Hancock has voluntarily, at its sole initiative and as an act of goodwill, lodged documentation with the Department of Primary Industry and Resources to relinquish portions of the exploration permit that would allow for an approximate 25km buffer from:

- The Mataranka Hot Springs; and
- The Roper River.

In addition, there will be also be a significant buffer of approximately 15kms between the edge of Elsey National Park and EP154.

The Department of Primary Industry and Resources has confirmed to Hancock that this request has been received and is in the process of being actioned. The remainder of this submission has been prepared on the basis that this relinquishment has occurred.

Hancock's Exploration Permits in the NT

Hancock has an ownership interest in three oil and gas tenements in the NT; EP144, EP153 and EP154. Their location is shown in Figure 1.

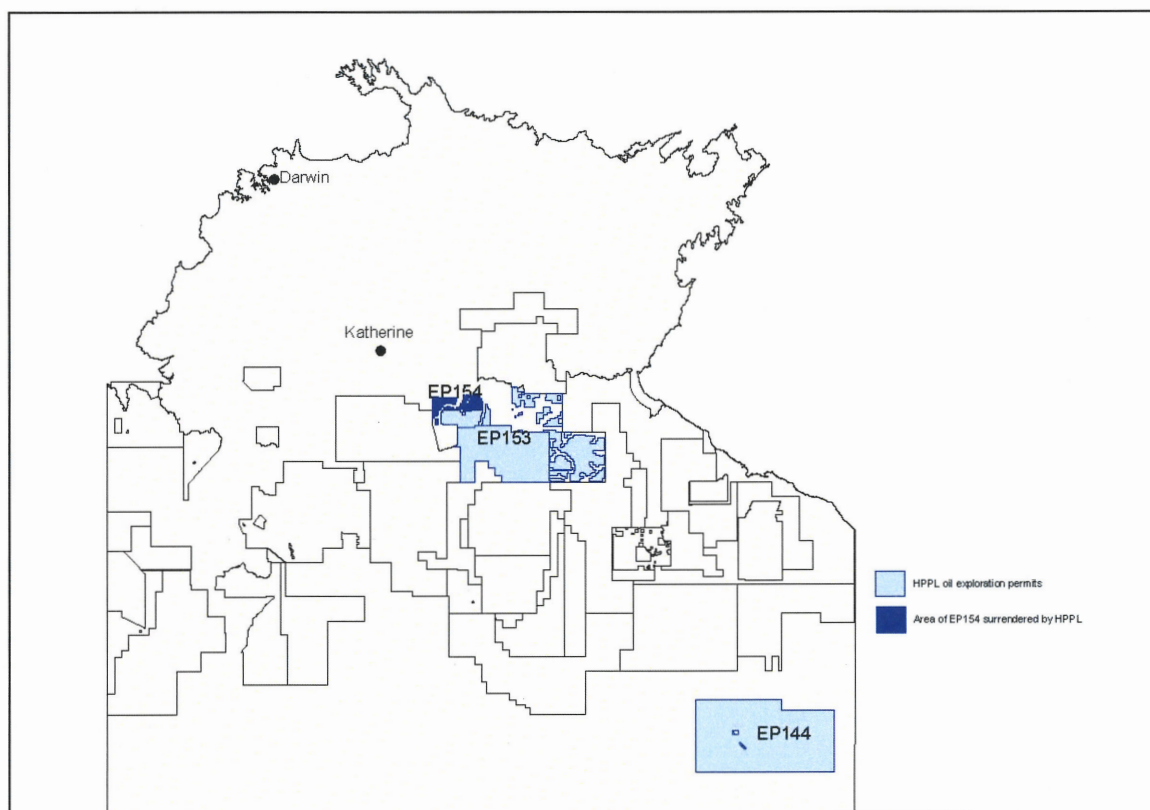


Figure 1: Map of Hancock's Exploration Permits in the NT

There are three exploration permits that have been granted for a 5-year term under the NT Petroleum Act.

- EP144 (15,000 km²) and EP153 (7,300 km²), granted in 2013; and
- EP154 (5,300 km²) excluding the surrendered area, granted in 2014.

The majority of Hancock's field work to date has been based on exploration activities, such as geological mapping, gravity surveys, magnetic surveys, data interpretation and community consultation, particularly with Traditional Owners through the NLC. The proposed next stages of exploration are detailed seismic surveys and stratigraphic core holes to provide confirmation of stratigraphy and structure over prospective areas.

Beetaloo Sub-basin Definition

The NT Fracking Inquiry Interim Report places emphasis on the Beetaloo Sub-basin because it has been subject to extensive exploration for unconventional oil and gas.

The Inquiry's definition of the Beetaloo Sub-basin is shown in Figure 2 below and the outline applied implies that EP153 and 154 lie outside the Beetaloo Sub-basin. Hancock is concerned that this may mean these areas are viewed as lacking exploration potential and be restricted for future activity.

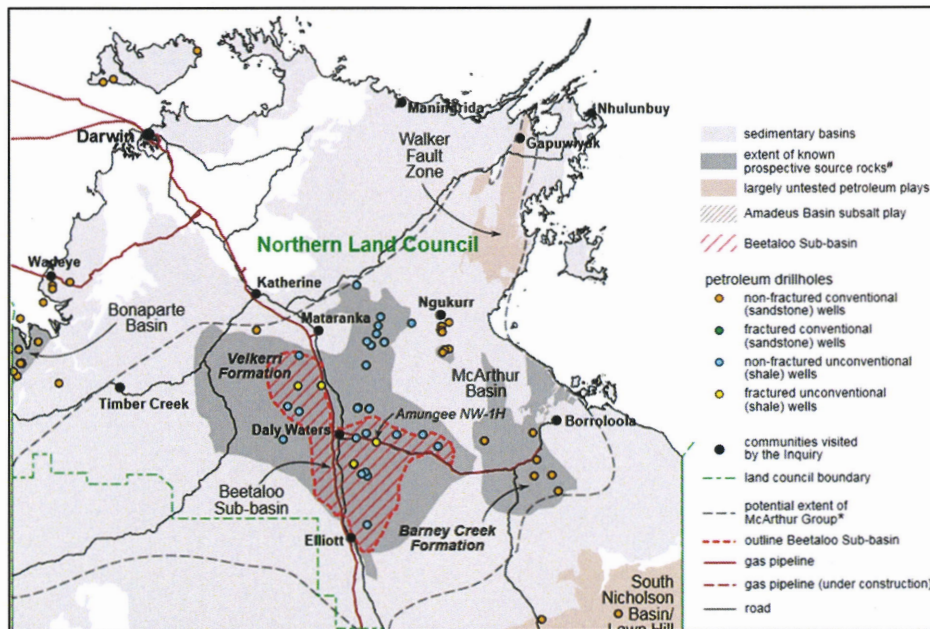


Figure 2: Beetaloo Sub-Basin outline applied by the Inquiry in the Interim Report¹

Hancock believes that the Beetaloo Sub-basin is yet to be fully defined, but that it extends significantly beyond the outline applied by the Inquiry (shaded red on Figure 2) and that EP153 and EP154 are highly prospective for unconventional oil and gas in the Beetaloo Sub-basin.

Hancock's position is based on the following:

1. The NT Geological Survey ("NTGS") identifying the Inquiry's boundary as the likely minimum extent of the sub-basin. The NTGS recognises the need for further definition of the Beetaloo Sub-basin and in 2017 they commenced several projects to produce a definitive boundary using a variety of input datasets including, as best as possible, incorporation of the available seismic data. The NTGS are targeting completion of this information by the end of 2017.
2. There have been several other definitions published by experienced oil and gas companies since 2011 (such as Falcon Oil and Gas² and Origin Energy³) showing the Beetaloo Sub-basin extending significantly further than the outline shown in the Interim Report. While there is a lack of consistency in conclusions from these companies which underlies the subjective nature of the current determination, they all agree that the Beetaloo Sub-basin extends to at least include Hancock's EP153.

¹ *Scientific Inquiry into Hydraulic Fracturing in the Northern Territory Interim Report*, p.37

² Silverman MR and Ahlbrandt T, 2011. Mesoproterozoic unconventional plays in the Beetaloo Basin, Australia: the world's oldest petroleum systems. *Search and Discovery Article #10295* (21 January 2011). Adapted from oral presentation at AAPG International Conference and Exhibition, Calgary, Alberta, September 12–15 2010.

http://www.searchanddiscovery.com/documents/2011/10295silverman/ndx_silverman.pdf (accessed February 2014).

³ Origin Energy's submission to the NT Hydraulic Fracturing Inquiry (2017 Submission #153 Part 2 page 49 Figure 17)

3. Regardless of the position on the outline of the Beetaloo Sub-basin, the proven prospectivity of the larger McArthur Basin cannot be discounted, as demonstrated by exploration drilling by Armour Energy which has identified a number of significant gas bearing formations.

Based on the above position, Hancock's interpretation of the sub-basin is shown below.

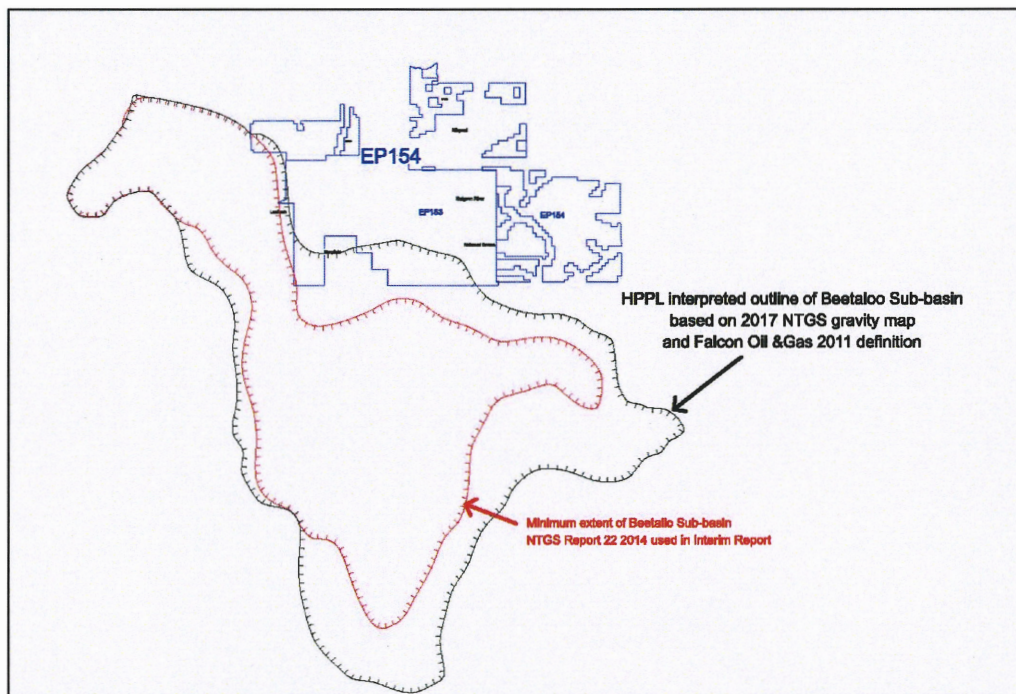


Figure 3: Larger Beetaloo Sub-basin Outline in Relation to Hancock's Exploration Permits

The slightly enlarged boundary shown above would increase the size of the sub-basin by approximately 63%, likely delivering significant economic benefit to the NT with little incremental impact. The area represented by the red outline in Figure 3 covers a land area representing approximately 2% of the NT, while the black outline only increases this to 3.1%. The footprint of any actual development would be expected to be relatively insignificant.

Hancock's exploration activities will significantly contribute to the NT economy

Prior to the moratorium being introduced, Hancock was to embark on an exploration program that involved in-fill seismic traverses followed by test drilling of selected targets, allowing identification of the most prospective areas for locating exploratory oil wells.

The indicative investment in this programme was \$5m to \$10m, with at least three such drill holes required across the current Hancock tenements.

Once prospective targets have been identified, the cost of the future exploration programme increases exponentially. Should the project proceed to full development, then the likely expected total investment is in the range of \$150m to \$200m.

Such investment will significantly contribute to the NT economy and specifically to local jobs. A study by Deloitte Access Economics, "Economic Impact of Shale and Tight Gas Development in the NT" (2015) estimates that successful onshore development in the NT would increase Gross State Product by between 26% to 37% by 2040. In addition, full time equivalent employment is estimated to increase by between 4,200 to 6,300 people.

Further evidence of the positive impact that can be realised from unconventional oil and gas has been seen in the United States. In a report entitled "Americas Unconventional Energy Opportunity" published by the Harvard Business School and Boston Consulting Group in 2015, it was noted that:

- The estimated impact of unconventional oil and gas development on US Gross Domestic Product was US\$430B in 2014 and is forecast to increase to US\$590B by 2030;
- The wider economic benefit was also realised by US households, with the average US residential household estimated to have saved US\$780 per annum in 2014; and
- Unconventional production had allowed for greater energy security, reducing reliance on overseas producers. Between 2005 and 2014, the level of US natural gas production increased by 35% and oil production by 44%. Oil imports reduced by 28% and natural gas production now exceeds domestic demand, allowing the potential for development of an export industry and reduced exposure to a volatile global energy market.

Hancock's exploration and development, as well as that of other operators, will positively impact the NT economy:

- Local suppliers and contractors receiving increased business activity through supplying goods and services;
- Locals, including the local indigenous community, having increased opportunities for training and employment; and
- The provision of significant royalty payments to both the NT government and to Traditional Owners.

Hancock's interaction with the community

Notwithstanding the many benefits to the NT that Hancock and others believe will come from oil and gas development, Hancock recognises that any exploration and development needs to recognise and accommodate community concerns, including those of the Traditional Owners.

Regulatory environment

As with its existing mining projects, Hancock is committed to conducting exploration and development activities in the NT to industry leading standards and in accordance with all regulatory requirements.

However, as stated in "Engineering Energy: Unconventional Gas Production" published by the Australian Council of Learned Academies ("ACOLA") in 2013:

"A number of environmental issues related to the shale gas industry have arisen in the United States and similar questions have been raised about potential impacts in Australia. A large number of impacts are possible, but the likelihood of many of them occurring is low and where they do occur, other than in the case of some biodiversity impacts, there are generally remedial steps that can be taken."

Furthermore, the ACOLA report was quoted extensively in the "Report of the Independent Inquiry into Hydraulic Fracturing in the Northern Territory" published in 2014 and the result of an Inquiry initiated by the then NT government. One of this Inquiry's major recommendations, was that the environmental risks associated with hydraulic fracturing can be managed effectively.

Hancock also notes the submissions made by several other oil and gas companies that include detailed analysis of the risks associated with oil and gas exploration and how these risks can be mitigated.

Hancock has a proven track record of conducting exploration and mining throughout Australia with no significant environmental incidents and in compliance with all regulatory requirements.

Interaction with the agricultural industry

Hancock also has ownership of a significant portfolio of agricultural business across Australia, including the NT, where it owns several large cattle stations and a combined cattle depot/farming operation. These investments are separate and distinct from Hancock's oil and gas investments. All of its cattle stations are subject to exploration permits held by third parties, with Hancock having no direct or indirect ownership in the exploration rights.

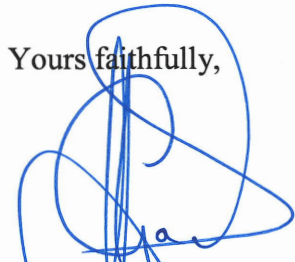
This combination of agricultural and oil and gas investments gives Hancock a unique perspective on the necessity and opportunity of pastoralists and petroleum development companies to coexist and cooperate to maximise the potential of the use of the lands.

Summary

Hancock welcomes the opportunity to make a submission to the Inquiry on this important matter. We believe that the development of the oil and gas industry in the NT has the potential to contribute significantly to the region, while providing suitable protection based on scientific principles for the environment and community.

Should you have any queries or would like any further information on the above material, please contact our office on (08) 9429 8222.

Yours faithfully,



Garry Korte
Chief Executive Officer