

13<sup>th</sup> July 2018

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## Queensland Bauxite Shareholder Q and A

Since a Q&A on the ASX forum was announced (2 July '18), Queensland Bauxite Limited (ASX:QBL or "the Company") has received many questions mainly by shareholders who were daunted by the 131 page announcement and are eager to understand further the Company's current strategy.

As a result, QBL has decided to work on setting up a forum on its website to answer queries and assist shareholders to understand the Company's business further.

This announcement will deal directly with those questions to date, that requires new explanatory information not previously announced. We have included information that may be needed by shareholders or others who require the information as may be relevant for investment purposes.

### REVISED TIMETABLE FOR NOTICE OF MEETING AND RECOMPLIANCE

As the Notice of Meeting for the recompliance transactions is still being drafted and is yet to be reviewed by the ASX, the Company is currently working with its lawyers and corporate advisors to finalise a revised timetable for the recompliance. Shareholders will be informed of the new timetable as soon as practicable. Meanwhile the MCL business is moving full steam ahead.

### CASHFLOW

MCL is one of the only Cannabis companies with exposure to the ASX, currently generating cashflow. We are confident, with our current wholesale distribution network, and retail revenues being generated from our online store, that our revenues will continue to build this financial year.

### CONTINUING DISTRIBUTION TO COLES

Vitahemp's Peter Edwards reports: "**We are very pleased** to announce that new production runs are being prepared now, with larger orders currently received for production to Red Tractor and distribution through Coles through to **December 2018**."

"As previously announced, we have been providing the Red Tractor brand with our hemp which has been distributed to 580 Coles stores around Australia. The initial trial run **was very successful** with almost all stores selling out quickly."

"The Red Tractor products that we supply the hemp ingredients for include Hemp Flax Honey 250ml Oil Bottles, Hemp Protein and Wholemeal Hemp Flour. All of these products are 100% Australian grown and processed. We have not yet supplied Red Tractor with our Hulled Hemp Seeds as Red Tractor have independently imported processed hulled hemp seeds. Due to the recent upgrading of the HHC production facilities and dehuller machines as detailed below, we had run out of stock of hulled hemp seeds, and were unable during the recent period to supply hulled hemp seeds to our customers. In a recent meeting with Red Tractor, they have agreed to look at our Australian grown seed once we have enough local hulled hemp seed stock generated from our recent upgrade of the HHC processing facilities as detailed below."

“As is the nature and normal process of accepting orders with wholesale customers, revenues to the company are not received immediately by the company. The larger revenues from the ongoing sales are expected to be received by the company later this year as the orders and distribution quantity build up.”

### **UPDATE ON REVENUES**

The Company had always forecast that regular material revenues will only start being received by the company in 2H 2018, and **the company maintains that forecast and is on track in accordance with its business plan.**

Due to this industry being so new, the Company is not yet legally able to report on expected revenue numbers. We can only give guidance that MCL is expecting the hemp food and nutritional business to begin receiving material revenues later this year. Once we have confirmation of the receipt of the revenue figures, these can then be released to the market.

MCL has focused strongly on achieving short term revenues and this has been the focus both in MCL's hemp division and the medicinal division, and the Board are very pleased with the progress. **All the infrastructure is now in place for MCL to be the leading supplier of Australian hemp food and nutritional products**, with a major fully vertically integrated operation, from the leading Australian farmers through to highest quality production, manufacturing and distribution.

A major infrastructure upgrade has taken place at the production and manufacturing HACCP approved facilities at HHC, with the latest technologies and machinery now in place to produce to the highest quality standard and to a dehuller capacity of 10t per hour, if required! The upgraded facility became operational in June, which enabled VitaHemp to once again begin to restock its much sought after hulled hemp seeds, which has been out of stock for the past few months. We are pleased to inform our shareholders that this delicious and nutritious product is now once again in stock.

HHC as the leading hemp processing facility in Australia, will continue to white label and process hemp for third party brands. Now that HHC has become operational on a major scale, this will assist MCL to **achieve the intended revenues from the hemp seed food business in this new financial year.**

### **UPDATE ON HEMP SEED OIL CAPSULES**

In April we were able to fast track our Hemp Seed oil capsules through to high-profit, high volume production, due to the strong demand from the initial release. Based on current seed stock inventories, we estimate that we have enough supply in storage, to maintain supply for our existing distribution avenues, whilst we in parallel continue to work for greater seed inventory in the coming months to further expand into the local and international market.

### **PLANTING OF HEMP CROPS**

In 2017/18 hundreds of hectares of seasonal trial crops were grown for MCL in large broad-acre hemp farms in NSW, Victoria and Tasmania. In recent discussions with MCL's farmers and from inspections of these crops, Technical Director of MCL, Andrew Kavasilas, states that he is proud that MCL is amongst the first in the country who are progressing the learning curve in adapting existing infrastructure and growing techniques to cultivate hemp, a brand new broad acre crop, through to harvest.

In addition, MCL has had successes on a range of milestones, which are being used to take full advantage of, by further building important aspects of Vitahemp's position and role in the emerging Australian hemp seed food industry.

### **REPORTS OF AUSSIE FARMERS EXPERIENCING DIFFICULTIES WITH HEMP CROPS**

Chief Technical Officer of MCL, Andrew Kavasilas reports “We were receiving reports about failed plantings and damaged crops from other Hemp Crop farms, and despite this, **our farmers remained confident**, and through strict harvest management and observation protocols **we were able to successfully grow our crops** through to full maturity, and **harvest top quality hemp seed**. We are proud that we are working with farmers whom we believe to be of the most technologically advanced and experienced in Australia, and we believe that they will very quickly learn and adapt to quickly maximising future grows and harvests on a very large scale to be able to supply the local and global markets with top quality wholly Australian natural hemp seed.

“In spite of some of the difficulties experienced with growing these new crops as detailed below, the Company is pleased that it has still been able to secure around 80 tonnes of hemp seed for immediate production and is expecting to be able to increase that amount of inventory significantly in the coming months as the further harvests progress.

“The lower than expected yields of the hemp crops means that major expansion will take a little longer to implement than we had initially expected, but we are hopeful that the winter crops will fare better, and **we have much greater confidence** in the upcoming spring crops to achieve the numbers we have been hoping for to supply the market to meet the huge demand we have been seeing.”

### **THE NEW AUSTRALIAN HEMP FOOD INDUSTRY & CULTIVATION**

Andrew Kavasilas, explains: “It is important that people put all this into context and understand the significance of these developments. The Australian Industrial Hemp Seed Food Industry, which is still in its infancy, is just over 6 months old. The Hemp Food Seed Industry, in this early stage of its development cycle, cannot be compared to that of century old industries like Cotton, Wheat, Barley, Rye or Flax seed. These crops are grown in the hundreds of thousands of hectares all year round, all over Australia.

“The Hemp Food Seed industry in Australia is new, and primarily being driven by a handful of companies, with little or no government assistance or regulations in place at this present time. We are working closely with Government both State and Federal to establish regulations and much needed Australian standards in relation to hemp seed food storage, production, processing and product manufacture.

“The 2017/18 growing season **proved challenging for all in the Australian industry**. Firstly, the timing of the final approval, in November 2017, didn't provide an adequate or concise regulatory regime and safeguard for full production models to be implemented. Secondly, farming conditions, and the challenges of growing these new crops, which included sowing certain batches of seeds for certain soils, in the different temperate climate zones has provided some unique challenges for Summer and Winter Trial crops, for all Australian farmers. Thirdly, variety choices, and sowing dates, are still being analysed by agronomists to understand why some farmers stated that they had difficulties in successfully harvesting some of the fully-grown crop. Fourthly, weather events, including some severe drought and alternatively strong storms additionally affected the yields.

“We are presently gathering excess seed stock for sowing further much larger broad-acre crop harvests. There are many variables involved in growing any new crops which include planning, learning, working through and managing and overcoming farming challenges for this new crop. We are proud to be working together with experienced farmers whom we believe to be of the best and advanced in Australia, and we have every confidence in their ability to become the leaders in this industry in Australia. Hemp Food Seed crops have enormous potential to achieve much more in a shorter amount of time. Experts are putting it down to a range of factors: 1) superior nutritional benefits; 2) taste; 3) versatility, and 4) marketability.”

### **MOVING FORWARD**

Executive Chairperson of QBL, Pnina Feldman concludes, “To be at the forefront of a burgeoning new industry and to see our Hemp Seed Food ingredients & products on shelves in major Australian retail chains, brings an enormous amount of satisfaction and confidence moving forward. We are confident that as MCL continues to grow and implements its aggressive business plan, that the new financial year will bring with it great success for our company and all our shareholders.”



Pnina Feldman  
Executive Chairperson,  
Director of Business Development,  
Queensland Bauxite Limited



Andrew Kavasilas  
Chief Technical Director  
Medical Cannabis Limited

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### **About Queensland Bauxite**

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible. The Company also pursues additional investment opportunities, and has agreed to acquire a 100% shareholding in Medical Cannabis Limited, an Australian leader in the hemp and Cannabis industries, and a 100% shareholding in Medcan Australia Pty Ltd, a company with an ODC cultivation and production License and a DA approved Cannabis production and manufacturing facility.