

28th April 2017

MARCH 2017 QUARTERLY REPORT

HIGHLIGHTS

- Awaiting final feedback from the Department to Secure the Minerals Development Licence (MDL) for the South Johnstone Bauxite Project
- Granting of MDL should enable immediate shipping from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project
- South Johnstone project of the lowest cost bauxite projects in projected production costs, thereby giving confidence in the long term viability of the project
- QBL remains focused on developing its flagship South Johnstone bauxite project, with the Company actively working with the Department of Natural Resources and Mines, and the Department of Environment and Heritage Protection to achieving the grant of the MDL for the project in the near term.
- Queensland Bauxite to Acquire Controlling Stake in Premier Australian Cannabis and Hemp Company
- Queensland Bauxite Limited (QBL) to acquire 55% of unlisted public company Medical Cannabis Limited (MCL) which is also the owner of Vitahemp Pty Ltd;
- Excellent market positioning for the anticipated rapid economic growth in the medical Cannabis sector and hemp seed food industry, in Australia and globally;
- MCL founding Director, Andrew Kavasilas, is a pioneer in the hemp growing industry and medical Cannabis research;
- Mr Kavasilas conducted an Australian first high THC cannabis growing and research study in 2001/02, which established cannabinoid testing capabilities at the Southern Cross University;
- Andrew Kavasilas will remain a key technical director of MCL;

- In a first for a company with exposure to the ASX, MCL controls its own unique Australian Cannabis seed bank and genetics for industrial, medical and scientific research in Australia, which currently is generating sales with potential for significant sales growth;
- The unique sub-tropical Australian seed bank has been developed since 2010 with Mr Kavasilas growing, breeding and importing varieties of Cannabis for industrial hemp and now for introduction into medical Cannabis exploration, research and development;
- MCL's licenses for 'live seed' importation enables the Company to secure commercialisation opportunities in the hemp seed food market;
- Vitahemp, owned by MCL, is a hemp seed food company aiming to produce Australia's first legal hemp seed food products;
- MCL has technical and regulatory knowledge with ongoing Cannabis breeding projects, including public displays and research under existing NSW low THC hemp permits and Cannabis import licenses;
- Andrew Kavasilas published his book 'Medical Uses of Cannabis - Information for Medical Practitioners' in May 2004, after having worked under Australia's first permit to grow high THC Cannabis. The publication also featured an Australian first survey of medical Cannabis users. This survey was then used by the National Drug and Alcohol Research Centre (NDARC) on a wider National scale;

<http://www.queenslandbauxite.com.au/wp-content/uploads/2017/03/Medical-Uses-of-Cannabis-2004-By-AndrewKavasilas.pdf>

- Mr Kavasilas's research included a study on Terpenes and Volatiles which are produced by the Cannabis plant and may be associated with the therapeutic effect of Cannabis;
- The research also included a quantitative analysis of nutrient loads and heavy metals in illicit Cannabis in order to give impetus to fast tracking developing cleaner safer medical cannabis products. This study also initiated a wider research project by NDARC into contaminants present in 'street Cannabis';
- MCL will be able to focus on enriching its research into cannabinotherapies and its exclusivity of these results;
- Licence for growing cannabis indoors granted

- Australian Cannabis Breeding Project Already Underway
- Ministerial Approval to Allow Hemp Food Consumption in Australia
- MCL Advances Towards Production of Top Quality Medical Grade Cannabis
- Rare Genetic Cannabis Discovery
- Pioneering lawful Cannabis genetics
- Preparation for cultivar and cannabinoid testing

During the March Quarter 2017, Queensland Bauxite Limited (ASX: QBL, or the “Company”) continued to press to progress the development of its flagship South Johnstone DSO bauxite project in northern Queensland, with the Company aiming to generate positive net cash flows in the short term through the commencement of DSO bauxite production and shipping.

In addition, the Company and its team have been actively evaluating and assessing a number of additional opportunities that the Board believes may greatly enhance the Company’s market value. This has led the Company to strategically invest in a leading pioneering Australian Medical Cannabis and Hemp Company which the directors believe has major potential to capitalise significantly on its first mover advantage in this new emerging multi billion-dollar industry.

Operational Overview

The Queensland Department of Natural Resources and Mines (DNRM) had previously notified the Company that they have concluded their technical review of the Minerals Development Licence (MDL) application for the South Johnstone Bauxite project in Northern Queensland. The DNRM had notified the Company that its technical assessment has formed a view that it would be appropriate for a MDL to be granted to the Company to enable the Company to conduct trial operations and export, with the express purpose of definitively finalising the feasibility assessment of the larger South Johnstone project. The Department had previously asked for a number of amendments to be made to the Work Plan, and the Company and its consultants finalised those requested amendments.

The conducting of work under the MDL is subject to the Company finalising the approval from the Department of Environment and Heritage Protection (DEHP) to operate under an Environmental Authority License (EA). The EA application has been made at the same time as the MDL application, however the finalising of the EA with the DEHP could only take place once the parameters of the grant of the MDL by the

DNRM were detailed to the Company so the Company could finalise the work programme accordingly. The Company has been working with its environmental consultants and with the DEHP to finalise the EA, and final documentation was submitted to the DEHP.

Following review of Northern Resources Consultant's 177 page submission to vary the conditions of the Environmental Authority held by Queensland Bauxite Limited (QBL) – i.e. those conditions enabling QBL to conduct its South Johnstone bauxite pilot operation at Camp Creek - the Department of Environment and Heritage Protection (DEHP) requested further clarification on a number of matters.

The Department of Natural Resources and Mines (DNRM) have decided to withhold decision on grant of the MDL until the issues raised by EHP have been fully addressed.

QBL and its consultants have been working to amend the Environmental Application (EA) in response to the recent concerns raised by the Department of Environment and Heritage Protection (DEHP) prior to approving the EA required prior to approval of the Minerals Development Lease (MDL) application. Representatives of QBL, Northern Resource Consultants and Sea Transport, are scheduled to meet with officers of the DEHP on Friday 5th May in Cairns to discuss the revised application prior to formally relodging the application.

It is believed by all parties that a face to face meeting will be helpful by allowing QBL and its consultants to discuss the work undertaken to date and to ensure that the revised application deals with all concerns raised in a satisfactory manner to ensure the success of our application.

Whilst we have been disappointed by the ongoing delays to the granting of the MDL, we are hopeful that the remaining issues will now be definitively dealt with to finally allow the project to move forward and we look forward to finally being able to progress this project to the next level for the benefit of all stakeholders.

QBL already enjoys significant support for its project from all levels of government, community groups, including traditional owners and freehold landowners, interested in seeing improved employment opportunities created in the region.

Granting of the MDL will enable the Company to begin initial trial production of bauxite to the customer refinery, which should consequently prove the long-term economic and operational feasibility of the entire project. The technical view of the Department was that full feasibility should be able to be confirmed with trial production of up to approximately 50,000 tonnes of bauxite. It is open to the Company to make submissions to the Department for further shipments under the MDL should the Company believe it to be required for the formal feasibility.

Once the project feasibility has been confirmed under the MDL, any further production will require a full Mining Lease to be granted. The Company is currently preparing the ML application, and it is the Company's understanding that due to the extensive technical and environmental work already completed and in place with the MDL, that a full ML grant should not take much longer to achieve.

The work under the MDL will also give the local farmers and community an ability to see first hand the results of the production and rehabilitation of the area to be mined. The successful trial production should ensure the local support for the granting of the intended full Mining Leases for long term production. The Mining Lease applications will be progressed in parallel with the work to be undertaken under the MDL to ensure as smooth a transition as possible, and to ensure the Company is in a position to profitably mine as soon as possible after operations are proven successful under the now expected MDL.

The granting of the MDL is also subject to an appropriate security being provided by the Company to the DNRM as required under sections 190 and 277 of the Mineral Resources Act 1989. The amount of the security to be provided has not yet been determined.

The bauxite mineralisation at South Johnstone being close to surface and right off the main highway adjacent to port, close to the Asian markets, means that the Company's capital and operational costs are estimated to be of the lowest cost producers in the world. As previously reported in the Company's released scoping study, capital expenditure is expected to be only approximately \$5 million, and operating expenditure is expected to be only AUD\$20.87 per tonne FOB Mourilyan Harbour. For the full summary of the scoping study please see the announcement released by the Company on 29 December 2014 which can be accessed using the following link:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01588588>

The operational results from the working of the MDL will be a key part of the overall strategy to develop an export operation in a staged development of South Johnstone that allows for long term mining and export on a prospect by prospect basis at low cost within the entire project area.

This anticipated MDL grant will help the Company to determine its ability to enter into the large international bauxite market in the short term, apply for larger ML's throughout the project area, and to generate positive net cash flows in the near term.

The Company has ensured that it has consulted and thoroughly briefed relevant federal and state members of parliament on all aspects of the project, including federal MP the

Hon Bob Katter. The South Johnstone Bauxite project is located in Mr Katter's electorate of Kennedy.

QBL is encouraged by the positive feedback it has received from government stakeholders, particularly in regard to the future economic benefits that the project will deliver to the region and to the state of Queensland.

The Directors look forward to updating shareholders on our progress with the MDL and intended ML applications, and on all further developments at the South Johnstone Bauxite project. The Directors have every confidence in the project's future.

QUEENSLAND BAUXITE TO ACQUIRE CONTROLLING STAKE IN PREMIER AUSTRALIAN CANNABIS AND HEMP COMPANY

During the Quarter, the Company signed an agreement to acquire 55% of Australian unlisted public company Medical Cannabis Limited ("MCL").

This agreement diversifies QBL's portfolio by becoming part of what is expected to be a new great Australian Industry, and the QBL Board views this acquisition as both timely and opportunistic in the context of the rapidly evolving Australian Cannabis business sector and the remarkable rapid success of this business overseas. This is a strategic acquisition poised for growth in the fledgling medical Cannabis and hemp seed food industries in Australia and globally.

MCL is the first of the Australian medical Cannabis companies to come to market with local expertise, including a long history of legal Cannabis importation and production in Australia, its own cultivars, ongoing trial projects and technical direction.

The Department of Health reports that The Commonwealth intends to fast track and develop amendments to the Narcotic Drugs Act 1967 that will establish the authority of the officer drug control (ODC) to regulate the cultivation of Cannabis for medical and scientific use required under the Single Convention on Narcotic Drugs 1961.

Background to the acquisition

QBL has agreed to acquire an immediate 55% interest in Medical Cannabis Limited ("MCL") with the issue of 49 million ordinary shares in QBL in exchange for 55% of MCL. A first tranche of 24.5 million ordinary shares in QBL will be issued in exchange for 27.5% of MCL with a second tranche of 24.5 million ordinary shares in QBL to be issued in exchange for the further 27.5% of MCL following a shareholder meeting to enable the issue of these shares under Listing Rule 7.1 of the ASX Listing Rules.

An additional 50 million performance shares will be issued to the vendor shareholders of

MCL upon MCL obtaining a permit from the Australian Government to grow cannabis varieties for medical cannabis research leading to product development. These performance shares will also be subject to shareholder approval under Listing Rule 7.1 of the ASX Listing Rules.

50% of the shares issued to MCL shareholders will be subject to voluntary escrow for a 12 month period.

MCL is a public unlisted Australian based Cannabis company, formed by Andrew Kavasilas in early 2015 to specifically target the global potential of the fast growing medical Cannabis and hemp seed foods markets while utilizing its nearly two decades of Australian Cannabis and hemp industry experience. MCL is the holding company of Vitahemp Pty Ltd (Vitahemp). The acquisition of MCL also includes 100% of the assets of Vitahemp. MCL and Vitahemp are Australian medical Cannabis and hemp foods pioneer companies with significantly established track records in the Cannabis sector in NSW.

Vitahemp is currently licensed to possess, cultivate, process and supply Cannabis under the NSW Hemp Act. It is farming Cannabis (low THC high CBD or non-psychoactive Cannabis) at its Tabulam Cannabis Project in northern New South Wales and producing vast amounts of cannabinoids which it intends to incorporate in its business plan. MCL is well positioned ahead of the competition in the Australian medical Cannabis market which is now rapidly growing due to recent changes to the Australian Narcotics Act.

MCL/Vitahemp aims to establish state of the art breeding facilities with a view to upgrading to cultivation for medical research and develop its unique foundation seed bank including sub-tropical hemp varieties. The company will work towards gaining 'plant breeder's rights' for a variety of applications, placing it in a prime position to license and tailor-make specific varieties with known Cannabinoid profiles for the medical Cannabis manufacturing industry.

A revenue stream is anticipated from future royalties on licensed hemp varieties as well as from being a premier supply hub for bulk and packaged seed for the local and international marketplace.

MCL's strategy is to develop, register, and commercialise pharmaceutical grade Cannabis, hemp based products and treatments, to the highest GMP quality standards.

Medical Cannabis refers to the use of Cannabis and its constituent cannabinoids, such as tetrahydrocannabinol (THC) and cannabidiol (CBD), as medical therapy to treat disease or alleviate symptoms. The Cannabis plant has a history of medicinal use dating back thousands of years across many cultures.

Further Information

The transaction is only conditional on the issue of the shares as per above. The directors believe that this transaction represents a value adding acquisition taking into account the current market dynamics and the value of MCL and Vitahemp's assets. QBL intends to bring MCL to IPO and list independently on the ASX.

The ASX have confirmed to QBL that listing rules 11.1.2 and 11.1.3 do not apply to the Acquisition subject to the following undertakings:

QBL will not:

- increase its interest beyond 75% in MCL;
- invest via direct equity or loans an amount of more than \$750,000 in MCL; or
- other than on a board level, will not be involved in the day to day management of MCL, MCL will continue to have its own dedicated management team.

QBL must also report in its Appendix 5B on the investment and the status of the matters relating to the points above.

Should the Company choose to vary any of the above undertakings, it must first consult with the ASX about the possible application of Listing Rules 11.1.2 and 11.1.3 at that time.

In addition, prior to issuing the consideration shares to the shareholders of MCL, the Company was to seek a formal legal opinion which would be provided to ASX to confirm the validity of the MCL business, and to ensure that the business is in compliance with all Australian laws, and is not in breach of any relevant law. This legal opinion has been prepared by the Company's legal representatives and has been provided to the ASX. The ASX Management Committee is reviewing the legal opinion and once approved by the ASX, QBL will issue the consideration shares to the MCL vendors. The Company has provided a comprehensive legal opinion to the ASX on the legalities and approvals that MCL is operating with, and no legal concern has been identified by the Company's lawyers. The Company is therefore expecting the legal opinion to be approved by the ASX in due course.

Shareholder approval under Listing Rule 7.1 will be sought for the issue of the shares and the performance shares as soon as the ASX approves the legal opinion.

Further Information on Andrew Kavasilas, Technical Director & founder

Andrew Kavasilas is a Director of Medical Cannabis Limited/Vitahemp Pty Ltd and Secretary of the Australian HEMP Party. Andrew Kavasilas is recognised for pioneering work and his name is synonymous within the fledgling Australian hemp growing industry and medical Cannabis research. Andrew has successfully set up and operated state of the art and Australian first indoor and outdoor breeding facility for MCL's low THC Cannabis varieties. Andrew has a high profile in Australia's fledgling cannabis industry having first published his book in May 2004 "Medical Uses of Cannabis" Information for Medical Practitioners. Author of the first medical cannabis user survey in Australia. The 2004 book sparked a national survey by the National Drug and Alcohol Research Center (NDARC). A regular participant at Parliamentary Inquiries on medical and other Cannabis related law reform issues with significant contact and communication with Members of Parliament including senior Ministerial staff and bureaucrats, leading scientific researchers and medical practitioners.

Links to some previous interviews and studies attributed to Andrew Kavasilas:

<http://www.abc.net.au/landline/content/2012/s3506777.htm>

<http://www.abc.net.au/landline/content/2014/s4049599.htm>

<https://harmreductionjournal.biomedcentral.com/articles/10.1186/1477-7517-2-18>

<http://www.abc.net.au/landline/content/2016/s4561595.htm>

MINISTERIAL APPROVAL TO ALLOW HEMP FOOD CONSUMPTION IN AUSTRALIA

The Board of Queensland Bauxite Limited (ASX: QBL) is excited to report that the Forum of Food Regulations ('the Forum', 'FoFR') have now approved the Board of Food Standards of Australia and New Zealand (FSANZ) recommendations to change the Australian Food Code to allow the consumption of hemp seed foods in Australia.

This development has major commercial significance for QBL

As a result of this major development, MCL is set to be of the leading Australian companies involved in providing quality controlled Australian grown hemp foods. It can achieve this because of its unique Australian based hemp seed bank developed over many years which it will then distribute to other farmers on a profitable contract basis. With MCL's currently approved licences to grow hemp as recently announced, Vitahemp Pty Ltd ("Vitahemp") is perfectly positioned to be at the forefront of Australian made hemp seed food products and broader Cannabis industries.

Vitahemp is a subsidiary of Medical Cannabis Limited ("MCL"). Vitahemp will now allocate resources and investment to grow and produce its own legal hemp seed foods, to an approved food code with relevant oversight with enforceable food handling laws to the highest Australian standards which is recognised world wide.

Andrew Kavasilas, Vitahemp's founder and MCL's Technical Director said: "This is perfect for us, a development we have been waiting for since 2009. No Australian company has been legally approved to sell hemp seed food products to Australian consumers until now."

While the public has become used to seeing various hemp seed food products available in health food shops and other supermarket shelves, the fact is, they are imported and labelled 'Not for human consumption' in Australia. Concerns have been raised for many years about the situation, especially as there have been no requirements by importing companies, in relation to health standards, handling, packaging or truth in labelling.

Now that hemp seed food will be approved in Australia, Vitahemp will produce from MCL's bulk seed stock, highly nutritious grain based food.

Mr. Kavasilas states that: "Numerous studies have found the nutritional qualities of hemp seeds to be most beneficial for human consumption.

"Vitahemp anticipates becoming involved in the development and production of the following products:

- Hulled hemp seed, hemp seed oil, hemp seed milk, muesli bars, breakfast cereals, salad dressings, pasta, protein powder, and other confectionaries.

"More information on this can be seen in the following ABC Landline segments that I have been featured in:

<http://www.abc.net.au/landline/content/2014/s4049599.htm>

<http://www.abc.net.au/landline/content/2012/s3506777.htm>

"At the moment it is illegal to sell the above products in Australia for human consumption whether locally produced or imported. This recent approval last week for Australia to produce its own hemp seed food is of enormous commercial significance to Vitahemp.

"Vitahemp also aims to establish Trade Standards as has been achieved, for example, by the Australian olive oil industry. This industry developed competitive standards and

consumer protection terminology, such as country of origin, virgin oil and extra virgin oil which allows for a level playing field when competing with overseas products.”

Pnina Feldman, Executive Chairperson of QBL says: “Now that hemp seed food will be approved in Australia, MCL is set to be one of the leading Australian companies involved in providing quality controlled Australian grown hemp foods. It can achieve this because of its unique Australian based hemp seed bank developed over many years which it will then distribute to other farmers on a profitable contract basis. With MCL’s currently approved licences to grow hemp, Vitahemp is perfectly positioned to be at the forefront of Australian made hemp seed food products and broader Cannabis industries.

“Australia and New Zealand were the last Western nations to maintain a ban of hemp seed food whilst the re-emergence of this versatile nutritious grain has become popular around the world, especially for health conscious consumers seeking premium wholesome foods.

“In the meantime, Australia’s farmers and consumers were missing out on a lucrative export commodity, a versatile crop to grow and an exceptional grain that can be eaten whole, pressed for its oil or used as a non-dairy milk substitute.

“Hemp seeds have been consumed throughout our long human history. Sir Joseph Banks was keen for Australia to be a hemp producing colony for the good of the Empire. By some glitch in history, hemp was banned by all allied nations, while most of the world never stopped using hemp in all its forms. The Company is delighted that the ongoing government discussions have finally resulted in approval to change the food code which should now place Vitahemp at the forefront of commercial production of hemp seed food products.”

Vitahemp File Photos below:

Andrew Kavasilas with NSW DPI inspectors taking samples at one of his hemp growing trials.





This recent step taken by FSANZ, and today formally approved by the Forum of Food Regulations, means that Australian consumers can feel a lot more confident about the high quality expected from this very nutritional food, while farmers can now plan and prepare to incorporate this new lucrative crop into their agricultural regimes.

Vitahemp began the process to establish 'Trade Standards' in relation to hemp seed foods in 2015. Andrew Kavasilas said: "We attempted to address this issue seriously back in 2015 during negotiations with NSW Department of Trade and Investment and Southern Cross University (SCU). The initiative was placed in abeyance due to its current status and illegality for human consumption of hemp seed foods at the time.

"With the FoFR's approval today, this will give us time to fast track our winter cropping plans and expand to incorporate contract farmers with buy-back options for Vitahemp to build its seed stock and be the first major player in this exciting and nutritional new industry."

Pnina Feldman, Executive Chairperson of QBL, said: "We aim to strengthen the entire industry by supporting a National Alliance that will give greater security to permitted farmers, producers, manufacturers, and consumers alike. This will ensure that world class Trade Standards are set, met and enforced in relation to Australian grown hemp seed."

Forum membership is made up of lead ministers (usually health ministers) from Australian state and territory governments and the Australian and New Zealand governments. Other ministers from related portfolios may participate.

The Forum is chaired by the Assistant Minister for Health.

Ministers received a report by the Swinburne University of Technology regarding consumption of low THC foods and the effect on random drug testing protocols in Australia and New Zealand (the Consumption Report).

Ministers had requested that the Food Regulation Standing Committee (FRSC) investigate information gaps identified in considering the adoption of low-THC hemp seeds as a food. These covered marketing and labelling issues, legal and Treaty implications, maximum levels of cannabidiol(CBD) and the potential effects on road side drug testing.

Ministers noted the key finding of the Consumption Report is that it is highly unlikely that consumption of food products containing the levels of THC tested would result in any positive tests on oral fluid, blood or urine.

In light of these findings Ministers supported the draft standard that will allow low-THC hemp seeds to be sold as a food. The standard will take effect six months after it has been gazetted and Ministers acknowledged that there is still a range of New Zealand and State and Territory legislation that currently prohibits the sale of low-THC hemp seeds as a food which will need to be amended. Ministers also supported the establishment of an Implementation and Monitoring working group.

For more information please see the following:

<http://foodregulation.gov.au/internet/fr/publishing.nsf/Content/forum-communique-2017-April>

<http://www.foodstandards.gov.au/code/proposals/Documents/P1042%20Low%20THC%20hemp%20as%20a%20food%20AppR.pdf>

LICENCE FOR GROWING CANNABIS INDOORS GRANTED

Medical Cannabis Limited (MCL or “the Company”) is furthering its plans within the Australian medical Cannabis and hemp seed research and supply industry.

Approval was granted by NSW Department of Primary Industries (DPI), under the Industrial Hemp Act 2008, to allow the Company to grow indoors a selection of its plant varieties at a private location in NSW. This is in addition to a licence under section 5 of the Hemp Industry Act 2008 to cultivate and supply low-THC Cannabis for commercial production and for manufacturing processing.

Technical Director Andrew Kavasilas says, "It is my understanding that MCL is the only company with current exposure to the ASX that has achieved such licences and approvals in Australia. The timing is perfect for our company to take advantage of the Australian government’s new medical Cannabis regime.

“It’s an exciting time and we will publicly display our work at the Sydney Hemp Health & Innovation Expo on Sunday 28th May 2017 at the Rosehill Racecourse.

“These licences will put MCL in the forefront of Australian Research and Development (R&D) as we identify cultivars of interest that will be investigated further under our proposed medical cultivation permit.”

MCL is now preparing an additional application for a medicinal Cannabis cultivation licence through the Office of Drug Control (ODC) to obtain the right to lawfully cultivate cannabis for medicinal exploration.

Kavasilas says: "Once we have determined that we have cultivars of interest, we could then seek to commercialise a product via agreement or partnership with a processor and manufacturer, or licence cultivars to other companies without a 'lawful source' wanting to develop a product."

The Act and regulations make it clear the next step after cultivation is to produce an extract from which a manufacturer will develop a product.

Pnina Feldman, Executive Chairperson of QBL, says "As a result of the above licences, MCL is well ahead and positioned to be in a first mover situation within the current legal framework. It is now poised to take advantages offered by any government moves to fast track the supply of medical cannabis to approved patients.

This will enable MCL to begin projects to timely grow out a number of its low THC cultivars in order to evaluate a number of factors which may be of interest, especially the cannabinoid profile. Subsequent projects will look at the plants' ability to reproduce the outcomes or how we can better them, including various ways to expand consistent production.'

"We are happy to see MCL work within the regulatory framework established by the Australian government and hope to assist and take advantage of any new decisions in relation to fast tracking, interim measures and importation of medical Cannabis products until domestic cultivation is conducted."

The Hon Greg Hunt MP, Minister of Health, recently announced a government decision in relation to fast tracking imports until local supplies are produced.

Australian companies should be able to make solid investments on the back of comments such as:

"The Turnbull Government is committed to facilitating faster access by qualified doctors to medicinal cannabis for patients with the necessary approvals. We are now making it easier to access medicinal cannabis products more rapidly, while still maintaining strict safeguards for individual and community safety. (...)While the Australian supply of medicinal cannabis continues to develop, the government has authorised the importation and storage of the product from international sources for interim supply in Australia. This will give faster access by qualified doctors to medicinal cannabis for their patients." **Greg Hunt MP**

<http://www.health.gov.au/internet/ministers/publishing.nsf/Content/health-mediarel-yr2017-hunt023.htm>

The Office of Drug Control has advised they will be as accommodating as possible to help Australian companies. As a result, MCL is actively pursuing value adding relationships/joint ventures to maximize the yield and use of high THC cultivars for exploration, or other fast track decisions that will lead to addressing the needs and concerns of a significantly increasing number of Australians using Cannabis every day for medical purposes.

The varieties approved to grow are a selection of dioecious genotypes, and Mr Kavasilas has now secured the approval from the DPI to grow plants indoors so that they can be transported to Sydney to enable them to be publicly displayed at the Sydney Hemp Health & Innovation Expo on Sunday 28th May 2017 at the Rosehill Racecourse. Mr Kavasilas has obtained a License under section 5 of the Hemp Industry Act 2008 to:

- i) cultivate low-THC hemp for commercial production and for manufacturing process; and
- ii) supply low-THC hemp for commercial production and for manufacturing process.

This licence is subject to conditions imposed by the Act, conditions prescribed by the Hemp Industry Regulation 2008 and the additional conditions set out below.

Additional Conditions:

- a) Sowing seed - A THC analysis, statutory declaration or other form of guarantee which ensures the sowing seed has a THC level of less than 0.5% must be held in the Register described under clause 10 (1) (b) of the Regulation and provided to an authorized inspector where requested.
- b) Annual Planting Notification -The licence holder must submit an Annual Planting Notification in the approved form within 1 month of planting a low-THC hemp crop. The following information is to be notified:
 - the specific paddock or plot on the property sown
 - the crop area sown
 - the date that the crop was sown
 - the variety of low-THC hemp sown
 - the source of seed or planting material including the name, licence number and state or territory of the supplier. If seed is imported from overseas a seed certification number or AQIS import clearance number must be provided.

Mr Kavasilas further obtained approval from the Department of Primary Industries in NSW for a Permit for movement and display of Industrial Hemp plants within New South Wales under the Hemp industry Act 2008 ("the Act") and pursuant to clause 9 (2)(b) of the Hemp Industry Regulation 2008 ("the regulation"), to allow the movement of entire potted plants of low-THC industrial hemp, to approved premises in accordance with the conditions of movement specified in the Licence, which applies to the transport and display of plants of low-THC industrial Hemp (*Cannabis sativa*) plants grown under standard licence conditions by the permit holder with exemption from clause 9(1)(h) of the Regulation - that requires Plants to be substantially stripped of leaves prior to leaving property of production.

Australian Cannabis Breeding Project Already Underway

The Board of Queensland Bauxite Limited (ASX: QBL) is pleased to report that Medical Cannabis Limited (MCL, or "the Company") has already begun its Cannabis growing project under its recently approved licence.

As stated above, approval was granted by the NSW Department of Primary Industries (DPI) to cultivate and transport a selection of varieties of cannabinoid bearing plants. The Company has already begun cultivating a selection of plant varieties indoors, in environment controlled conditions, at a private location in NSW.

The Company's technical director Andrew Kavasilas says: "It very well looks like we are the first company with ASX exposure to be growing and cultivating in Australia with a view to taking advantage of the new medical Cannabis laws and amendments to the Narcotics Act 1997.

"We will treat this as any other important grain. Our breeding program and maintenance objectives are to produce the best oil bearing, high yielding, cultivars for various hemp growing regions of Australia."

The Company has begun the process of identifying genotypes and cultivars of interest which will then be further investigated for their cannabinoid profiles under its proposed medical cannabis licence and permit (see announcement dated 16th March).

In reference to the photos below, Mr. Kavasilas said: "What we have are very versatile plants. Not only are we breeding, investigating and fine tuning these plants for hemp seed production, but we also have cannabinoid bearing plants that show remarkable opportunities for the medical Cannabis industry. We believe that this will give us a very strong first mover advantage in Australia."

Pnina Feldman, Executive Chairperson of QBL says: "We are delighted with the progress that MCL is making, which is quicker and even more successful than expected, as illustrated by the photos below which show the recent progress of the foundation

seed bank."





MCL ADVANCES TOWARDS PRODUCTION OF TOP QUALITY MEDICAL GRADE CANNABIS

The Board of Queensland Bauxite Limited (ASX: QBL) is pleased to report that Medical Cannabis Limited ("MCL" or "the Company") has entered into a strategic relationship with WHG.net Pty Ltd ("Wholesale Horticultural Group" or "WHG"). WHG is Australia's biggest hydroponic supplier. WHG's Co-Founder Michelle Crain said: "We are very pleased and appreciate this opportunity to be the first major Australian nutrient manufacturer to be involved with MCL, to assist MCL to produce top quality products grown to a medical grade under the unique licences that MCL has obtained".

Andrew Kavasilas, Technical Director of MCL, and author of the authoritative book "Medical Uses of Cannabis- Information for Medical Practitioners", which is an Australian research guide to scientific findings on the medical use of cannabis, said: "This further secures MCL's position and intention to be the first and most progressive medical Cannabis company in Australia. We feel very confident that our relationship with WHG will further advance MCL's capabilities to be able to produce top quality Australian products grown to a medical grade."

Hydroponics is a subset of hydroculture, the method of growing plants without soil, using mineral nutrient solutions in a water solvent. WHG manufactures a majority of the products they sell. These products include some of Australia's best-known products within the ever expanding hydroponics and horticultural industries.

Michelle Crain said: "Our business has been in the industry for more than 26 years, manufacturing nutrients and additives. The idea was to help meet consumer demands within the horticultural market, for a higher quality of service, and to offer products that are tested, designed, and used by growers to meet the diverse and often tough Australian conditions and standards."

WHG has constructed a purpose-built grow tent with clear side panels especially for MCL who will be showing an extract/snippet of its activities at the Sydney HHI Expo on May 28th at the Rosehill Racecourse.

We extend an invitation to all shareholders to visit the Expo and to view firsthand some of the Company's work in the area of medical cannabis and industrial hemp and to meet some of those people responsible for this pioneering work in Australia.

RARE GENETIC CANNABIS DISCOVERY

The Board of Queensland Bauxite Limited (ASX: QBL) is pleased to announce the next phase in Medical Cannabis Limited's (MCL) research and cultivation project. This project has recently received approval to commence the transfer of plants grown indoors to its Tabulam Cannabis Project (TCP). Currently it is our understanding that MCL is the only company in Australia who has approval to transfer its indoor plants to be grown externally.

Andrew Kavasilas, MCL's Technical Director said: "We just can't wait to get those plants into the ground so we get a better idea of their full agronomic potential. We're also thrilled that we have already begun to identify a very rare and unique characteristic in a particular Cannabis plant."

MCL is delighted to announce the discovery of a 'Triploid' in the midst of a research program (See photos below). A 'triploid' plant produces an extra branch where there should be just two. In effect, the plant produces an extra 50% more branches and biomass. This is a rare mutation and the genetics will be of great value if successfully bred into commercial crops.

"Things are certainly moving much faster than we had anticipated. When we have our trial plots planted out with the selected seedlings that were propagated indoors, we will follow this up with broad acre cultivation of winter hemp crops from which we will

be ready to harvest the seeds, and will be able to coincide with the full legalisation of hemp seed food consumption in Australia.”

MCL is at the forefront of Australian companies to approach this early type of research in such a thorough manner and finds itself amongst world class investigators in a brave new world of Cannabis genetic identification.





PIONEERING LAWFUL CANNABIS GENETICS

In response to recent approaches from other Australian medical Cannabis researchers and companies, Medical Cannabis Limited (MCL) has received advice from the Federal Office of Drug Control (ODC) advising that MCL would be allowed to licence its cultivars to other Australian medical Cannabis companies, producers and manufacturers. This means that aside from its own cultivation and research plans, MCL is now able to legally supply and partner with other serious Australian and international medical Cannabis companies and researchers seeking to secure Australian foundation seed stock and genetics from MCL's unique advanced Australian seed bank.

The Narcotics Act and ODC regulations require Australian companies applying to cultivate medical Cannabis to either import from an internationally recognised source, or seek Australian supply avenues. Due to MCL's uniquely advanced Australian seed bank, MCL is now able to be a needed supplier to these companies and researchers thus placing itself in a position to be able to benefit commercially from such partnerships.

MCL is already growing several of its Cannabis genotypes for investigation and breeding in the low THC Cannabis arena. As we have previously advised, a selection of MCL's varieties will be on public display in a purpose built grow room at the Sydney Health Hemp and Innovation Expo at Rosehill Racecourse on 28th May this year.

In addition, MCL is also in the process of significantly expanding its activities in relation to site location, facility type and strategy options in a way that complies with its obligations under the permits received and further applied for.

The technical director of MCL, Andrew Kavasilas, said, "We have had many offers of large areas of land for our further planned growing purposes. We are also intending to shortly secure an additional large indoor growing facility closer to Sydney which can provide even more security. We are seeking maximum area in the expectation that we will be a major supplier to the medical Cannabis industry globally".

Approaching cultivar testing; Preparation for cannabinoid testing

The Board of Queensland Bauxite Limited (ASX: QBL) is pleased to report that Medical Cannabis Limited (MCL) is another step closer to starting its first round of cannabinoid profile testing from its initial set of cultivars grown indoors under licence.

With first sampling expected by the end of May, at least one research body will undertake an initial study to determine variations in Cannabinoid profiles of cultivars held in the MCL seed bank.

Andrew Kavasilas, technical Director of MCL, said: "It's very important for us to have a clear understanding of these cannabinoid profiles and to understand the differences between analytical procedures, methods and point of sampling."

MCL still appears to be the first medical Cannabis company with ASX exposure to be growing and cultivating with a view to taking advantage of the new medical Cannabis laws and amendments to the Narcotics Act 1997.

MCL has previously stated as reported above, that it is approaching the research arena as any other important breeding program, with objectives to produce dual purpose cultivars grown separately for medical exploration and to produce the best oil bearing, high yielding, cultivars for various hemp growing regions of Australia.

Andrew Kavasilas added: "We want to expand our strategy and plans to approach medical Cannabis cultivation in a purposeful and methodical way. Our research is already robust in Australia with its cannabinoid testing to transition into medical Cannabis exploration which may well build on what we've already been doing, what we're doing now and what the future holds for MCL."

Corporate

The Company is continuing to progress South Johnstone and is currently preparing for work under the expected MDL to progress the short term development of the project, while evaluating strategic opportunities where they are considered to provide additional value to the Company and its shareholders. This has led the Company to strategically invest in Medical Cannabis Limited, a leading pioneering Australian Medical Cannabis and Hemp Company which the directors believe has major potential to capitalise significantly on its first mover advantage in this new emerging multi billion dollar industry.

With two major gibbsitic projects at hand, and particularly following the highly encouraging progress at South Johnstone in North Queensland, the directors believe that QBL will become a significant force in the bauxite industry.

The Company has targeted potential long-life bauxite operations that it believes will add value and be attractive to major international bauxite partners. QBL continues to build on its strong position ahead of predicted rises in bauxite prices.

The Board are very appreciative of the level of support and confidence that the Company's shareholders have shown in the Company and its projects. The Board are confident that the Company and its management will be able to repay that confidence to its shareholders in what should be a very rewarding period for the company.

QBL's cash position as at 31st March 2017 was \$6.88 million.

As at 31st March 2017, the Company held the following tenements:

Project Name			Interest Held %
Eastern Australia Bauxite Projects			
South Johnstone QLD	EPM18463	Granted	100%
Nullamana NSW	EL7301	Granted	81%

For further information please visit the company's website at www.queenslandbauxite.com.au or contact:

Sholom Feldman
Executive Director/Company Secretary

E: sfeldman@queenslandbauxite.com.au



www.twitter.com/QLDBauxite

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 entered into an agreement to acquire 55% of Medical Cannabis Limited, an Australian leader in the hemp and Cannabis industries.

Competent Person Statement

The information in this announcement that relates to exploration results, Exploration Targets or Mineral Resources is based on, and fairly represents, information compiled by Dr Robert Coenraads. Dr Robert Coenraads is a Fellow of the Australasian Institute of Mining and Metallurgy. Dr Coenraads contracts services to Queensland Bauxite Limited. Dr Coenraads has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the JORC Code. Dr Coenraads has given his consent to the inclusion in the announcement of the matters based on this information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Queensland Bauxite Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

31 March 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	-108	-796
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	-227	-808
1.3 Dividends received (see note 3)		
1.4 Interest received	47	146
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	-288	-1458

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments (MCL related payments)	-61	-61
(d) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment		
	(b) tenements (see item 10)		
	(c) investments		
	(d) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	-61	-61

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	524	2,841
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options	52	52
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities	576	2893

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6660	5513
4.2	Net cash from / (used in) operating activities (item 1.9 above)	-288	-1458
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-61	-61
4.4	Net cash from / (used in) financing activities (item 3.10 above)	576	2893
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	6887	6887

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	6887	6660
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	6887	6887

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

-140

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	200
9.2 Development	300
9.3 Production	
9.4 Staff costs	
9.5 Administration and corporate costs	200
9.6 Other (provide details if material) (Cannabis related investments)	400
9.7 Total estimated cash outflows	1100

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 28th April 2017

Print name: Sholom D Feldman

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.