

Queensland Bauxite Limited

ABN 18 124 873 507

and Controlled Entities

Annual Financial Report

For the year ended 30 June 2017



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Corporate Directory

Directors

Prina Feldman
(Executive Chairperson)

Sholom Feldman
(Executive Director, CEO)

Meyer Gutnick
(Non-Executive Director)

David Austin
(Alternate Director)

Company Secretary

Sholom Feldman

Registered Office

24 Birriga Rd

BELLEVUE HILL NSW 2023

Telephone: (02) 9291 9000

Facsimile: (02) 9291 9099

Email: mlesaffre@queenslandbauxite.com.au

Auditors

Nexia Sydney Partnership
Level 16
1 Market Street
Sydney NSW 2000

Telephone: (02) 9251 4600

Bankers

Bank of Western Australia
Sydney NSW 2000

Share Registry

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
Perth WA 6000

Telephone: (08) 9323 2000

Stock Exchange Listing

The Company is listed on the Australian Securities Exchange Ltd (ASX).

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Schedule of Mineral Tenements as at 30 June 2017

Project Name		Status	Interest Held %	Expiry date
Eastern Australia Bauxite Projects				
South Johnstone	EPM18463	Granted	100%	25/05/2018
Nullamana	EL7301	Granted – Renewal pending	81%	23/02/2016
South Johnstone	MDL2004	Pending	100%	

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company" or "QBL") and its subsidiaries, for the financial year ended 30 June 2017 and the independent auditors report thereon.

Directors

The names and details of the Company's Directors in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience and special responsibilities

Pnina Feldman
Executive Chairman

Pnina Feldman was the first woman in Australia to publicly list a successful mining company (Diamond Rose NL – known at the time as "The float of the decade"). Executive Chairperson of publicly listed companies for over 20 years, she is a well-known entrepreneur and negotiator of deals in the mining industry. She has been involved in exploration of gold, diamonds, gemstones, iron ore and bauxite amongst other minerals. Mrs Feldman is known for her philanthropic work and was the first person to receive from The Hon Malcom Turnbull MP, the 'Wentworth Community Award', for dedication and service to the community. She studied arts/law at Melbourne University followed by three years of study in Gateshead, England. She was founding principal at Kesser Torah girls high school and founding principal of Yeshiva College Bondi.

Sholom Feldman
Executive Director, Chief Executive Officer and Company Secretary

Sholom Feldman has been Executive Director and CEO of Queensland Bauxite since he co-founded the Company in 2007. Sholom has extensive experience in general commercial management, has performed advisory and company secretarial work for both listed and unlisted companies and has managed both private and listed exploration companies. Sholom was general manager of the publicly listed Diamond Rose NL between 1999 and 2005 and is a director and manager of a number of private companies. He has been instrumental in negotiating, financing, developing and managing many exploration projects internationally including the purchase of the Guanaco Mine in Chile for Austral Gold Limited from the Canadian Kinross Gold Corporation, and subsequently the purchase of Kinross' Australian gold assets including the Norseman and Broads Dam Gold Project. Sholom studied at the International MBA program at Bar Ilan University in Israel and has also completed a Company Secretarial Practice and Meetings course with the Chartered Institute of Company Secretaries Australia.

Meyer Gutnick
Non-executive Director

Mr. Gutnick has many years experience in the investing and finance industry. He has built his reputation in building significant investor portfolios in the banking, insurance and real estate sectors in New York. He is also a seasoned investor in the public markets including many years controlling investments in the mineral exploration industry including companies on the ASX and the public markets in North America. He is also a well known philanthropist who has supported many charities internationally, and has been instrumental in the establishment of a number of charities particularly focused on higher education and advanced learning.

David Austin
Alternate Director

David Austin is a solicitor practising in Sydney.

He has spent many years in the corporate world in the computer, aerospace and heavy engineering industries, and worked for the Northern Territory Government in the 1980s when he was responsible for petroleum, energy, and pipeline policy. During a secondment, he reviewed the Northern Territory Mineral Royalty Act and devised a new mineral royalty regime which encouraged the development of a number of major mining projects.

Interests in the shares and options of the Company and related bodies corporate

The relevant interest of each Director in the shares or options over shares of the Company and any other related body corporate, as notified by the Directors to the Australian Stock Exchange in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

	Ordinary shares	Options over ordinary shares
Pnina Feldman ⁽¹⁾	193,597,812	-
Sholom Feldman ⁽¹⁾	193,597,812	-
Meyer Gutnick	5,000,000	-
David Austin	-	-

- 1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which holds 4,222,812 shares in its capacity as trustee of the 770 Unit Trust.
- 2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 189,375,000 shares.

Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price \$	Number of shares
28/02/2018	0.03	10,000,000
30/08/2018	0.06	2,846,046
		12,846,046

These options do not entitle the holder to participate in any share issue of the Company or any other body corporate.

Shares issued on exercise of options

101,248,489 shares have been issued by the Company, during or since the end of the financial year, as a result of the exercise of the 1.2c options that expired 31 July 2017.

Earnings per share

	Cents
Basic earnings (loss) per share	(0.15)

Dividends

No dividends were paid or declared since the end of the previous financial year. The Directors do not recommend a payment of a dividend in respect of the current financial year.

Directors' meetings

The number of meetings of Directors held during the year (including meetings of committees of Directors) and the number of meetings attended by each Director were as follows:

	Board meetings	
	A	B
Pnina Feldman	8	8
Sholom Feldman	8	8
Meyer Gutnick	8	8
David Austin	1	8

Notes

A = number of meetings attended

B = number of meetings held during the time the Director held office during the year or was a member of the board.

Principal activities

The principal activities of the Group during the year were mining exploration and evaluation.

There were no significant changes in the nature of the Group's principal activities during the year.

Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2017.

Operations' report

Highlights of QBL Operations July 2016 to September 2017

QBL presents the following report on activities for the year ending 30 June 2017.

Highlights:

- Currently Awaiting Final Approval from the Department to Secure the Minerals Development Licence (MDL) for the South Johnstone Bauxite Project
- During the Reporting Period, QBL Finalised the Requested Details of the Work Programme with the Department for the Minerals Development Licence (MDL) application for the South Johnstone bauxite Project
- Formal approval of the work programme obtained from the DNRM
- Finalised information requested by the Department of Environment and Heritage Protection (DEHP) to operate under an Environmental Authority License (EA) for the MDL application
- Approval of Environmental Authority for the MDL Work Programme obtained
- 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
- South Johnstone project remains main focus for short term production
- Rights Issue Successfully Completed
- New Projects Being Actively Evaluated and Considered by the Board for Acquisition
- Queensland Bauxite Acquired a 55% Controlling Stake in Premier Australian Cannabis and Hemp Company Medical Cannabis Limited (MCL) which is also the owner of the Vitahemp brand;
- 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 is currently an executive 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 current licenses for 'live seed' importation enables the Company to secure significant commercialisation opportunities in the hemp seed food market, particularly as a result of the recent Ministerial Approval in April to Allow Hemp Food Consumption in Australia;
- 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
- Meeting with DPI relating to the newly approved hemp food consumption
- Licence for medical research cultivation of Cannabis applied for from the Office of Drug Control
- Unique Variations and High Levels of Cannabinoids of Interest Identified
- Preparing Major Launch of MCL's Quality Vitahemp Product Range
- A huge 20 tonnes of hemp super seed to be planted this season

Corporate and Operational Summary

During the reporting period, 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.

A number of corporate and operational milestones were achieved during this period, with the Company aiming to generate positive net cash flows in the short term through the commencement of DSO bauxite production and shipping and through its investment in Medical Cannabis Limited.

Over the reporting period, the Company and its team were actively evaluating and assessing a number of opportunities that the Board believes may greatly enhance the Company's market value.

This led to the investment and purchase of 55% of Medical Cannabis Limited, an Australian leader in the hemp and Cannabis industries, in March 2017, which the directors believe has major potential to capitalise significantly on its first mover advantage in this new emerging multi-billion-dollar industry.

This acquisition was able to be entered into due to the speed and efficiency of the QBL team, lawyers, and timely cooperation of the ASX, once the opportunity was identified. The QBL Board is continuing in its quest to maximise the potential returns from its investment in the Cannabis and hemp industries, both in the short term and long term, and the significant potential shareholder value that we believe will be generated as a result of these investments.

The historic regulatory changes that have taken place, and been announced since the MCL acquisition was entered into, and the significant advancement of the MCL business plan over this short period as publicly reported by the Company, gives the QBL board every confidence that this investment will far surpass even our initial expectations of the benefit to all our shareholders.

The board of QBL are looking forward to MCL developing its pioneering business in this new and growing industry. MCL through its experience, contacts, unique seed bank and licenses is in an excellent first mover position to take commercial advantage of the huge potential that this newly legalised industry offers.

Further lucrative value-adding strategic relationships and opportunities are actively being pursued by the Company with the view to enhancing shareholder value, and will be announced to the market as soon as any such deal is entered into by the Company and when appropriate, as approved by the ASX.

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.

Operational Overview

During the reporting period, the Queensland Department of Natural Resources and Mines (DNRM) 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 and asked for a number of amendments to be made to the Work Plan, and the Company and its consultants worked to finalise those requested amendments to the satisfaction of the Department.

The amended work plan was also required to be finalised in order to apply for the approval to operate under an Environmental Authority (EA) and the work plan would not be finally approved unless an EA was granted by the Department of Environment and Heritage Protection (DEHP).

The DNRM and the DEHP are departments of the Queensland Government. The DNRM is responsible for regulating Queensland's water, land, mineral and energy resources. The DEHP is responsible for protecting the state's natural environment and historic places.

(For further information on these Government Departments see links: www.dnrm.qld.gov.au and www.ehp.qld.gov.au)

QBL and its consultants finalised and submitted the amended documentation required for the Environmental Application (EA) in line with the requests by the DEHP to enable the anticipated approval of the Minerals Development Lease (MDL) application for the South Johnstone Bauxite Project.

Approval of Environmental Authority for the MDL Work Programme

After providing the DNRM and the DEHP further information and responding to the Departments' queries, the DEHP approved the amendment to our previous Environmental Authority (EA), to allow for the work programme intended under the MDL.

The EA permit now allows the company to undertake development work as per the intended MDL work programme (subject to MDL grant) in addition to the previously approved exploration activities in the South Johnstone region. The EA amendment approval decision follows on from receiving an assessment level decision earlier this year.

MDL Work Programme Approved

After receiving the approval from the DEHP to approve the amendment to our Environmental Authority (EA) for the South Johnstone Bauxite Project at Camp Creek in Queensland, to allow for the work programme intended under the Mineral Development License (MDL), the DNRM formally approved the work programme intended under the MDL.

The DNRM have now formally confirmed to the Company that following this important decision, no further material information is now required from the company and that they are committed to finalising this application within 30 days.

A marketing agency has been signed up to assist in the process of obtaining sales agreements with bauxite refineries. Further, an agreement document (corporate offer to sell bauxite) has been signed with this ore marketing agency. This agency is currently working towards enabling a Sales and Purchase Agreement with a bauxite refinery in regards to the South Johnstone bauxite ore.

The next stage in the project, is to wait for the decision on the MDL grant and then work the MDL in accordance with the planned development work programme, while still working towards Mining Lease (ML) applications to allow for mining of all the identified bauxite ore resources at Camp Creek.

QBL's mining engineering and environmental consultants continue to work on components key to submitting the Mining Lease (ML) applications. The Company is currently preparing the ML applications, 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 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.

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 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 bauxite projects. 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 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.

The Board would like to thank the dedicated geological team, consultants and contractors of QBL, headed by our chief Geoscientist Dr Robert Coenraads, who have worked so diligently to achieve this result.

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.

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.

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.

The Company is also currently evaluating the further expansion of its portfolio through the acquisition of further projects that the directors believe will add significant market value to the Company.

Rights Issue

On 21 July 2016, the Company lodged a prospectus with ASIC pursuant to which the Company proposed to undertake a non-renounceable entitlement issue of one (1) Share for every two (2) shares held by those shareholders registered at the record date at an issue price of \$0.007 per share to raise up to \$3,052,095, together with one free attaching option with an exercise price of \$0.012 and an expiry date of 31 July 2017 for every two shares subscribed for and issued (Offer).

The closing date of the Offer was 5.00 pm (EST) on 17 August 2016.

The Board of QBL was extremely pleased that on the closing date the Company had received applications under the rights issue from eligible shareholders for 156,090,577 shares. Upon close of the rights issue 279,923,122 shares became available for subscription under the shortfall offer. Many shareholders applied for significant oversubscriptions as part of the shortfall, and on the same date the company placed 174,879,556 shortfall shares available exclusively to shareholders who subscribed for the shortfall.

\$2,317,790 was raised under the rights issue.

The shares were issued to all the applying shareholders on Wednesday 24th August.

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

The unexpected continued low share price of the Company leaves significant upside for shareholders for increased value, and the directors are working diligently to realise the potential for increased shareholder value in the company.

ACQUISITION OF MEDICAL CANNABIS LIMITED

During the reporting period, the Company acquired a controlling 55% stake in premier Australian Cannabis and hemp company, 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 and global 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 acquired a 55% interest in Medical Cannabis Limited ("MCL") with the issue of 49 million ordinary shares in QBL in exchange for 55% of MCL.

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. The acquisition consideration of these shares were approved for issue by shareholders at a general meeting on 12 September 2017.

The performance shares to be 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 the Vitahemp brand. 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.

MCL 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.

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 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

During the reporting period, and following the MCL acquisition agreement, the Forum of Food Regulations ('the Forum', 'FoFR') 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, and utilize the production seeds for various hemp seed nutritional food products. 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.

The Company's existing growing permit, under the Hemp Industry Act 2008 allows cultivation and production of low THC hemp for commercial production and manufacturing purposes which includes use in fibre and cosmetic industries. Due to recent approvals, this use under the Company's existing Licence will also be extended for the commercially lucrative human consumption industry. This is also an important commercial advantage over other companies who may have only secured licences from the ODC solely for medical research, as those ODC licenses give permission for growth for research that includes amongst its conditions that it is not a license to grow product for human consumption.

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 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.

“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 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 status and illegality for human consumption of hemp seed foods at the time.

"With the FoFR's approval, 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.

Andrew Kavasilas subsequently met with senior policy advisors from the Department of Primary Industries (DPI), at the cabinet office, to provide his assistance to the DPI in developing the detailed components of the newly approved decision to allow the consumption of hempseed food in Australia, and in developing world class legal standards for the hemp seed food industry.

They discussed various initiatives that will help to develop and establish Trade and Industry Standards in relation to the newly approved Australian grown hemp seed food market.

He also discussed the details of the various possible synergies between Vitahemp and the Department in appropriately developing the newly approved industry of hemp seed food and products. This is intended to assist the rapid and lucrative development of the now newly emerging hemp seed food industry. Mr. Kavasilas is also secretary of the Australian Hemp Party.

Left on its own, the industry could face significant challenges, from new crop development through to harvesting and post-harvest handling, many issues related to farmer protection to consumer safety. These points were raised and discussed with a view to addressing the various components required to be solved by November when final Government approval is expected to happen.

It was agreed that a credible National Hemp Alliance is required and Vitahemp is committed to support and offer assistance to achieve a single voice to drive all participants in this important emerging industry.

NSW DPI has been encouraged to continue as the leading government agency and to consider allocating additional resources so as to develop and establish a set of national guidelines that would offer uniformity to Australian farmers and consumers in every state and territory.

Mr. Kavasilas said: "We raised many items that could put an Australian grown hemp seed export on a footing to make an immediate mark on the international trade. While the US and EU remain the biggest importers of hemp foods, Australian farmers could take advantage of the fact that US authorities do not allow domestic cultivation of hemp and the Northern European climate doesn't allow the hemp plant to reach its full maturity."

QBL Chairperson Mrs. Feldman said: "We are very pleased that various Government departments and agencies are seeking input to ensure a sustainable and profitable hemp food industry is developed in Australia."

Vitahemp, through its current hemp growing licenses and unique seed bank, has earned the first mover advantage in the industry. Vitahemp is at the forefront of having the potential to take full commercial advantage of the historic regulatory changes recently announced, and is emerging as a leader in assisting the industry in the protection of the farmer to the consumer, and the integrity of the seed from the paddock to the plate.

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>

The ABC has interviewed Andrew Kavasilas in relation to this approval. This interview can be found on the following ABC link:

<https://www.facebook.com/ABCNorthCoast/photos/a.109194915768412.11352.107794399241797/144465507222383/?type=3>

Andrew Kavasilas, Technical Director of Medical Cannabis Limited (MCL), has also been interviewed by 2Ser 107.3 in relation to the work that he has been doing with Medical Cannabis Limited and Vitahemp, and in preparation for the recent Hemp Health and Innovation Expo, Australia's largest Cannabis Expo (<http://www.hhiexpo.com.au>). Andrew also discussed general information on the industry and Cannabis.

The above interview can be accessed at the following web page:

<http://2ser.com/hemp-health-innovation-expo/>

Prina Feldman, Executive Chairperson of Queensland Bauxite says "The team at Queensland Bauxite are delighted with its association with the fascinating work being undertaken by MCL, and are hopeful that QBL's investment in MCL will continue exponentially to be of benefit to QBL shareholders.

"We believe in the vast amazing opportunities currently being offered worldwide by developments in the Cannabis and hemp industries and feel privileged through our investment to be a part of this opportunity benefitting so many people throughout the world, with so much more potential to come as new avenues are being explored worldwide and new horizons open up here in Australia.

"It is interesting to note that a recent trial conducted by the Hebrew University of Jerusalem Israel, has successfully reversed memory loss and other cognitive ageing symptoms in mice treated with low doses of THC. Clinical trials will now begin in humans."

For further information please see the article released by the Hebrew University:

<https://new.huji.ac.il/en/taxonomy/term/237>

New and exciting research into the benefits of medicinal Cannabis is continually emerging and as MCL progresses in its own research in partnership with experts in the field, announcements will be made as they become material. MCL through its experience, contacts, unique seed bank and licenses is in an excellent first mover position to take commercial advantage of these advancements as they develop.

The Company (MCL) is also actively negotiating production, marketing and distribution agreements and will announce these to the market when finalised. The Company is well positioned to be the dominant producer of Australian grown and produced hemp food products.

The Company is also significantly progressing its Medical Cannabis research and development programme, and has been assessing various world class strategic relationships to ensure maximum value and productivity from its cutting edge work plan.

The work plan includes research into the unique cultivars and seed bank that the Company owns to maximise the market value of its unique seed bank both to the global market and to patients in need of the product. The work plan also includes utilising cutting edge technology and research to create legal, consistent and approved Medical Cannabis products in the relative short term, produced to the highest possible standards, to supply the multi-billion-dollar global market with a much sought after proven, consistent and reliable Medical Cannabis product.

The Company has been aggressively pursuing these outcomes, and will announce further details as and when there are developments that are ready to be released.

Licence for growing cannabis indoors granted

MCL 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 said at the time, "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 has also prepared and lodged 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 MCL has been approved to grow are a selection of dioecious genotypes, and Mr Kavasilas has as mentioned above also 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

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 accordingly been 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.

In reference to the photos below taken shortly after the approvals were obtained, 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."





RARE GENETIC CANNABIS DISCOVERY

MCL also announced 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.

Andrew Kavasilas commented at the time. "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.





Hemp Health and Innovation Expo in Sydney

The Company wishes to thank the many shareholders who commented positively on the resounding success of the expo including the informative talks addressed to the public by Andrew Kavasilas and his role in the final question and answer session of the week-end.

Andrew Kavasilas commented: "It was amazing to see the interest in hemp products and how many people in need of medical assistance came to the expo hoping to hear something positive about the progress of the possible use of medicinal Cannabis in this country to assist them in their sometimes seemingly hopeless plight. This was an expo which attracted multitudes of serious people, interested in the progress of the hemp and medical Cannabis industry."

From approximately 30,000 in attendance, Medical Cannabis Limited and Vitahemp Pty Ltd received an enormous amount of enquiries and compliments. Companies and experts in the field approached MCL wishing to work with us. When we have decided upon and firmed up our strategic alliances, we will announce to market as they become material.

Pnina Feldman, Chairperson of QBL commented: "My visit to the Hemp Health and Innovation Expo in Sydney was most enlightening and informative. Medical Cannabis Ltd and Vitahemp definitely caught the attention of the huge crowds, with the only indoor growing display under lights greeting everyone as they entered. Andrew Kavasilas's talks, presentations, and participation in the public Q and A session was received most positively and it was obvious to all that he was the leading expert at Australia's largest Hemp Health Expo.

"It was an exciting event organised by WHG and gave the public an opportunity to see firsthand, the latest developments in the field.

“We believe in the vast amazing opportunities currently being offered worldwide by developments in the Cannabis and hemp industries and feel privileged through our investment to be a part of this opportunity benefitting so many people throughout the world, with so much more potential to come as new avenues are being explored worldwide and new horizons open up here in Australia.”

New and exciting research into the benefits of medicinal cannabis is continually emerging, and as MCL progresses in its own research in partnership with experts in the field, announcements will be made as they become material. MCL through its experience, contacts, unique seed bank and licenses is in an excellent first mover position to take commercial advantage of these advancements as they develop.

Please find below a few photos taken from MCL exhibition and presentation at the Hemp, Health & Innovation Expo.



MCL Live indoors under lights hemp display at HHI Expo



Andrew Kavasilas addresses the HHI Expo





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.

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

Medical Cannabis Limited (MCL) started its first round of cannabinoid profile testing from its initial set of cultivars grown indoors under licence.

One research body has undertaken 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."

Unique Variations and High Levels of Cannabinoids of Interest Identified

QBL has been delighted with the preliminary findings in relation to cannabinoid testing performed by its subsidiary Medical Cannabis Limited (MCL) of some of MCL's low THC Cannabis cultivars. (THC is tetrahydrocannabinol Delta 9, a medical compound produced by Cannabis plants).

Andrew Kavasilas, Technical Director of MCL, said "Because we are a multifaceted Cannabis company, there are many aspects of our research and breeding program that enhances our knowledge base. While testing for a particular cannabinoid level in some of our mature cultivars, we've identified unique variations, high levels of cannabinoids of interest, as well as other complex compounds produced by these particular cultivars.

"This is the very first of our new program to multiply and freshen seed stock of traditional seed and fiber varieties. I think MCL is the first of the majors with access to an Australian seed bank which has been continually developed over the past decade. With our current licenses we have been able to fast track this much needed preliminary research that will help us to make decisions in relation to breed selection to suit various opportunities in our current plant/product identification and development that we are looking to bring to the market as soon as legally possible."

Low THC hemp seed foods are due to be legalised for human consumption in Australia on November 12 this year. Government regulations allow for trace amounts of THC in end products, as these levels are not considered to have any psychoactive effect.

Australian hemp growers, processors and hemp seed food manufacturers will be required to maintain and monitor THC levels.

There have been reports from other countries where 'THC creep' hasn't been kept on check and entire shipments have been turned away from borders and destroyed.

MCL has referred to its indoor and outdoor cultivation program in several announcements this year and are proud of the rapid advance and establishment of these crucial components required to secure a solid and sustainable research and product development base.

Prina Feldman, Executive Chairperson of QBL, said, "It is pleasing to see MCL utilising all manners of Cannabis research to help build its profile. This is just an early snapshot of the work MCL is doing in relation to research cultivation which

leads to entry into the Australian and worldwide cannabinoid industries.

"It seems only a little while ago we thought the Cannabis industry would be a good idea for QBL to invest in, and within a relatively short time we have secured a substantial stake in what we believe will be Australia's premier Cannabis company and MCL is already well into important research. As a result of MCL's long history of plant breeding, I think MCL will continue to discover important cannabinoids and interesting compounds that may prove immensely beneficial to the global nutritional and medical industries."

Winter Cannabis Crop

MCL has confirmed successful germination and growth rates of its pioneering winter Cannabis crop.

In order to be ready to begin supplying the industry when it is expected to legalise at the end of this year, the Company has now trialed a unique winter crop.

Hemp, or low THC Cannabis is primarily a summer crop and traditionally grown once a year. Through almost 2 decades of extensive cultivation, breeding and selection by MCL's Technical Director Andrew Kavasilas, the Company is using selected cultivars to pioneer year round cropping with the intent to ensure fresh hemp seed is available to Australian consumers in the future.

By developing and ensuring year round production, the Company will seek to not only satisfy local demand, the company can take advantage of out of season opportunities to export to north America as well as European countries who have long enjoyed the nutritional benefits of the hemp seed.

Andrew Kavasilas, Vitahemp's founder and MCL's Technical Director said: "We're impressed with the numerous selected transplants that were grown indoors under our unique licenses and arrangements with the NSW Department of Primary Industries, in climate controlled rooms, and planted outdoors in trial bed for further monitoring as they continue on to full maturity."

"As far as we know, we are the only company doing such winter cropping, we anticipate that the industry at large will come to benefit from the unique type of work we're doing in the field."

Successful Live Seed Import

In another significant milestone for the Company, under its current valuable import permit, the Company has also successfully imported live Cannabis seed from China for the purpose of growing, multiplying and enhancing its existing cultivar base for the Australian industry. These varieties are in addition to the Company's existing seed bank, and will be grown and evaluated for their adaptability, yield, and other factors that will enable the Company to make an early prediction on their suitability. It is our understanding that this is the first Chinese live seed import into Australia that complied with all the new Australian quarantine laws.

Various companies have also approached the Company to find synergies in different aspects of the industry, the outcomes of which will be announced to market in accordance with our continuous disclosure obligations.

Pnina Feldman Executive Chairperson of Queensland Bauxite says "we are most excited about our investment into Medical Cannabis Ltd, because we believe that due to the current expertise, active seed bank, growth licenses and existing plants, we expect this Company to be an Australian leader in legally and commercially growing Cannabis for human consumption. Not only do we anticipate this availability to be of major assistance to the health industry, but is anticipated to be most lucrative for cash flow to the Company as it has been and continues to be in those areas of the world where medicinal Cannabis and hemp products are already in use."

Preparing Major Launch of MCL's Quality Vitahemp Product Range

A major milestone has been achieved by MCL as a massive 20 tonnes of certified low THC hemp seed for sowing has been secured for immediate planting in this coming season, so that MCL will be able to grow enough low THC cannabis to supply an immediate demand for Australian hemp seed food products, with sufficient Cannabis grown (from which to derive hemp seed) to be able to also manufacture and export Australian produced health foods overseas. This is expected to generate significant revenues for the company.

This is particularly significant for the consumer and the industry, as MCL, through its Vitahemp brand, will be amongst the first to introduce hemp foods to a high official quality standard. To date existing Australian importers and producers have not been held accountable to food quality standards made for human consumption. From November all products made for human consumption will be held to official food quality standards. Vitahemp is driving the initiative to develop Australian standards in relation to hemp seed food.

MCL is on track to have its initial products available to markets by November/December of this year when hemp foods become legal for human consumption in Australia.

Andrew Kavasilas, founding director of MCL, has commented "We are in the final stages of selecting a team of farmers that we will supply and assist to contract grow broad acres crops for us during this season. I have been impressed by the farmers we have met and the unique capabilities they each possess.

"Low THC cannabis varieties are known as hemp, and hemp has always been an important plant which produces a super seed rich in the optimal ratio of omega 3,6 and 9 from which Vitahemp products will be made.

"For thousands of years hemp has been used for hundreds of civilisation changing uses including ropes, cloth, sale, textiles, fuel, masonry, medicine and food".

The team at MCL headed by Andrew Kavasilas, is focused primarily on genuine Australian grown seed from which it aims to produce delicious, innovative and super nutritionally prepared and packed healthy foods for worldwide consumption.

Mr Kavasilas said "We are proud to become a major Australian healthy food manufacturer with our own varieties of highly nutritious hemp seed food products that will not only look good, be full of essential fatty acids (EFA), vitamins, minerals and nutrients, but will also taste great!

"Vitahemp will not only be bringing great hemp food to Australia and the world, with Food Authority assistance, we will have a major goal to educate ourselves and younger folk about healthy eating habits, why and how hemp food products will enrich our diet. This education will be achieved through high-profile marketing, information brochures, complimentary samples and tastings via Vitahemp's public promotions, sponsorships and partnerships.

"Vitahemp's top quality product range and dedication to service means that MCL will bring the healthiest, freshest and great tasting products from the crop to the shelves."

Pnina Feldman, Executive Director and Chairperson of Queensland Bauxite said "Significant cash flow is essential to the success of any company. Queensland Bauxite is really looking forward to the success from its investment which will benefit our shareholders."

Simultaneous to achieving in the hemp seed food product arena, MCL is actively negotiating strategic alliances and partnerships in the medicinal cannabis area of its business in Australia, Israel, Canada, Asia and Europe, and such partnerships will be announced to market as soon as they are formalised and become material to the market.

As at 30th June 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 – Renewal pending	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.

Operating results

The operating loss after tax for the year ended 30 June 2017 for the Group was \$1,855,224 (2016: loss \$1,224,152).

Dividends

There were no dividends paid or declared by the Company to members since the end of the previous financial year.

Environmental regulation

The Group is subject to and compliant with all aspects of environmental regulation of its exploration activities. The Directors are not aware of any environmental law that is not being complied with.

Significant changes in the state of affairs

During the period, there were no changes in the state of affairs of the Group other than those referred to elsewhere in this report, or the financial statements or notes thereto.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Likely developments

Further information about likely developments in the operations of the Group in future years, the expected results of those operations, the strategies of the Group and its prospects for future financial years has not been included in this report, because disclosure of the information would be likely to result in unreasonable prejudice to the Company.

Indemnification and insurance of officers

Indemnification

The Company has agreed to indemnify the following current Directors of the Company, Mrs Pnina Feldman, Mr Sholom Feldman, Mr Meyer Gutnick, and Mr David Austin against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Directors and Officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. This agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Non-audit services

The Company's auditor, Nexia Sydney Partnership was appointed auditor of the Company in January 2008.

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act is included in the Directors' report.

Details of the amounts paid to the auditor of the Company, Nexia Sydney Partnership, and its related practices for audit and non-audit services provided during the year are set out below:

Statutory audit

- audit of financial report	36,744
- half-year review of financial report	20,081

Services other than statutory audit

- taxation services	2,500
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Remuneration Report – Audited

Remuneration policies

The Board has adopted a framework for corporate governance, including policies dealing with Board and Executive remuneration. Policies adopted by the Board reflect the relative stage of development of the Company, having regard for the size and structure of the organisation.

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced Directors and Senior Executives. The remuneration packages of Executive Directors provide for a fixed level of remuneration. Other than as noted below Executive remuneration packages do not have guaranteed equity based components or performance based components.

Fixed remuneration

Fixed remuneration consists of base remuneration (salary or consulting fees) including any FBT charges as well as employer contributions to superannuation funds, where applicable.

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

During the previous financial period, the Board of Directors completed a review of compensation and benefit structures.

Long-term incentives are provided as options over ordinary shares of the Company. There has been no issue of shares or options to Executive Directors as a form of remuneration in the current year.

Consequences of performance on shareholders wealth

In view of the relatively early stage of development of the Company's business and remuneration policies, there is insufficient information to provide a meaningful quantitative analysis of the relationship between remuneration and Company performance.

Service agreements

The Company and Australian Gemstone Mining Pty Limited (**AGMPL**) are parties to a management services agreement (**Management Services Agreement**) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 2017. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Dr Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provide suitable fully serviced offices to the Company at its Bellevue Road office at 24 Birriga Road, which includes use of office space, the board room, kitchen, access to a full-time receptionist, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL Services	Consolidated Entity	
	2017	2016
	\$	\$
Rent	138,000	108,000
Management and secretarial	162,000	144,000
Geological fees	360,000	360,000
Executive and corporate services	468,000	312,000
Reimbursement of expenses	41,007	84,365
Total	1,169,007	1,008,365

Non-Executive Directors

Non-Executive directors are paid up to \$70,000 per annum directors fees.

Director and Executive disclosures

Details of Directors and Company Executives (including Key Management Personnel)

Other than the Executive Directors, no other person is concerned in, or takes part in, the management of the Company or has authority and responsibility for planning, directing and controlling the activities of the entity. As such, during the financial year, the Company did not have any person, other than Directors, that would meet the definition of "Key Management Personnel" for the purposes of AASB124 or "Company Executive or Relevant Group Executive" for the purposes of section 300A of the Corporations Act 2001 (**Act**). Remuneration details of the Company Secretary are disclosed as section 300A(1B)(a) of the Act defines a "Company Executive" to specifically include a secretary of the entity.

Directors and Key Management Personnel

Pnina Feldman	Executive Chairperson
Sholom Feldman	Director / Chief Executive Officer / Company Secretary
Meyer Gutnick	Non-Executive Director
David Austin	Alternate Director

Directors' report |

Specified Directors	Salary & fees \$	Short term		Post employment	Termination Benefits \$	Share based payments	Share based payments	Other	Total \$	Proportion of remuneration Related %	Value of options as a proportion of remuneration %
		Cash bonus \$	Non- monetary benefits \$	Super- annuation \$		Shares \$	Options \$	Bonuses \$			
Pnina Feldman											
2017	234,000	-	-	-	-	-	-	-	234,000	-	-
2016	156,000	-	-	-	-	-	-	-	156,000	-	-
Sholom Feldman											
2017	234,000	-	-	-	-	-	-	-	234,000	-	-
2016	156,000	-	-	-	-	-	-	-	156,000	-	-
Meyer Gutnick											
2017	70,000	-	-	-	-	-	-	-	70,000	-	-
2016	70,000	-	-	-	-	-	-	-	70,000	-	-
David Austin											
2017	20,000	-	-	-	-	-	-	-	20,000	-	-
2016	20,000	-	-	-	-	-	-	-	20,000	-	-
Total Compensation: Directors including Key Management Personnel (Company and Group)											
2017	558,000	-	-	-	-	-	-	-	558,000	-	-
2016	402,000	-	-	-	-	-	-	-	402,000	-	-
Total Compensation: Executive Officers (Company and Group)											
2017	-	-	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-	-	-

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person during the reporting period and details of options that were vested during the reporting period are as follows. The options were issued free of charge. Each option entitles the holder to subscribe for one fully paid ordinary share in the entity at the exercise price shown below.

2017 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date \$	Exercise Price per Share \$	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Total	-	-					

2016 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date \$	Exercise Price per Share \$	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Total	-	-					

No options have been granted since the end of the financial year.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Exercise of options granted as compensation

During the period, there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period.

Analysis of share-based payments granted as compensation

2017

No shares were issued to non-executive Directors in lieu of Directors fees.

2016

No shares were issued to non-executive Directors in lieu of Directors fees.

Exercise of options granted as compensation

During the period there were no shares issued as a consequence of the exercise of options previously granted as remuneration.

End of audited Remuneration Report.

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 41 and forms part of the directors' report for the year ended 30 June 2017.

Signed in accordance with a resolution of the Board of Directors:



Pnina Feldman, Chairperson

Dated this 29th day of September 2017

The Board of Directors
Queensland Bauxite Limited
24 Birriga Road
BELLEVUE HILL NSW 2023

To the Board of Directors of Queensland Bauxite Limited

Auditor's Independence Declaration under section 307C of the Corporations Act 2001

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (b) any applicable code of professional conduct in relation to the review.

Yours sincerely



Nexia Sydney Partnership



Joseph Santangelo
Partner

Sydney
29 September 2017

Sydney Office

Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195
Australia Square NSW 1215
p +61 2 9251 4600
f +61 2 9251 7138
e info@nexiasydney.com.au
w nexia.com.au

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Financial Statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Administrative and corporate expenses		(552,655)	(334,897)
Depreciation		(4,290)	(4,614)
Foreign currency exchange (loss)/gain realised		(22,441)	12,335
Loss on equity settled liabilities		(171,969)	(130,113)
Legal expenses		(105,893)	(58,140)
Directors fees	7	(558,000)	(402,000)
Occupancy expenses		(138,000)	(108,000)
Exploration written off	18	37,831	(108,597)
Impairment of exploration assets	18	-	-
Impairment of other receivables		(27,660)	(6,842)
Travelling expenses – directors travel		(208,589)	(116,914)
Other expenses		(28,702)	(30,296)
Share based payments expense	29	(195,000)	(58,000)
Operating loss		(1,975,368)	(1,346,078)
Finance income	8	193,834	211,013
Finance costs	8	(73,690)	(89,087)
Net finance costs		120,144	121,926
Loss before income tax		(1,855,224)	(1,224,152)
Income tax benefit	9	-	-
Loss after tax from continuing operations		(1,855,224)	(1,224,152)
Other comprehensive income, net of tax		-	-
Total comprehensive loss		(1,855,224)	(1,224,152)
Loss attributable to members of Queensland Bauxite Limited		(1,855,224)	(1,224,152)
Loss attributable to non-controlling interest		-	-
Total comprehensive income attributable to members of Queensland Bauxite Limited	25	(1,855,224)	(1,224,152)
Total comprehensive income attributable to non-controlling interest		-	-

Basic earnings per share (cents per share)	12	(0.15)	(0.16)
Basic earnings per share from continuing operations (cents per share)	12	(0.15)	(0.16)
Diluted earnings per share (cents per share)	12	(0.15)	(0.16)
Diluted earnings per share from continuing operations (cents per share)	12	(0.15)	(0.16)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2017

	Note	2017 \$	2016 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	13	8,540,458	5,513,749
Trade and other receivables	14	101,298	63,605
Inventory		21,926	-
TOTAL CURRENT ASSETS		8,663,682	5,577,354
NON-CURRENT ASSETS			
Exploration and evaluation	18	3,124,895	2,731,581
Property, plant and equipment	19	42,288	28,578
Intangible assets	20	1,956,261	-
TOTAL NON-CURRENT ASSETS		5,123,444	2,760,159
TOTAL ASSETS		13,787,126	8,337,513
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	21	602,988	386,475
Other financial liabilities	22	1,987,623	240,094
TOTAL CURRENT LIABILITIES		2,590,611	626,569
TOTAL LIABILITIES		2,590,611	626,569
NET ASSETS		11,196,515	7,710,944
EQUITY			
Share capital	23	25,287,433	19,982,993
Share based payments reserve	24	4,728,549	4,914,098
Accumulated losses	25	(18,622,071)	(17,186,147)
TOTAL		11,393,911	7,710,944
Non-controlling interest	26	(197,396)	-
TOTAL EQUITY		11,196,515	7,710,944

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2017

	Note	Share Capital Ordinary \$	Accumulated Losses \$	Share Based Payments Reserve \$	Non-controlling Interest \$	Total \$
Balance at 30 June 2015		19,134,223	(16,087,345)	4,961,241	-	8,008,119
Loss attributable to members ²⁵ of consolidated entity		-	(1,224,152)	-	-	(1,224,152)
Share based payments	24	-	-	78,207	-	78,207
Transfer from share based payments reserve to accumulated losses	25	-	125,350	(125,350)	-	-
Shares issued during the year ²³		848,770	-	-	-	848,770
Balance at 30 June 2016		19,982,993	(17,186,147)	4,914,098	-	7,710,944
Loss attributable to members ²⁵ of consolidated entity		-	(1,855,224)	-	-	(1,855,224)
Share based payments	24	-	-	233,751	-	233,751
Non-controlling interest	26	-	-	-	(197,396)	(197,396)
)Transfer from share based payments reserve to accumulated losses	25	-	419,300	(419,300)	-	-
Shares issued during the year ²³		5,304,440	-	-	-	5,304,440
Balance at 30 June 2017		25,287,433	(18,622,071)	4,728,549	(197,396)	11,196,515

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

For the year ended 30 June 2017

	Note	Consolidated Entity	
		2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(1,836,062)	(1,035,813)
Interest received		193,834	211,013
Income tax refund		-	54,522
Net cash from operating activities	28	(1,642,228)	(770,278)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for exploration asset		(393,314)	(505,603)
Net cash from investing activities		(393,314)	(505,603)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds of loan from related entity		-	9,201
Repayment of loan to related entity		(9,201)	-
Loan provided to related entity		(23,637)	(6,842)
Proceeds from convertible notes		2,134,630	683,966
Proceeds from share issue		2,361,162	-
Proceeds from options exercised		598,509	-
Net cash from financing activities		5,061,463	686,325
Net increase/(decrease) in cash held		3,025,921	(589,556)
Cash acquired from acquisition of subsidiary	17	788	-
Cash at beginning of financial year		5,513,749	6,103,305
Cash at end of financial year	13	8,540,458	5,513,749

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2017

1 Reporting entity

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is 24 Birriga Road, Bellevue Hill NSW 2023. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and is primarily involved in the exploration for mineral deposits.

2 Basis of preparation

a Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The consolidated financial statements comply with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The consolidated financial statements were authorized for issue by the Board of Directors on 29 September 2017. The Board of Directors have the power to amend and reissue the financial statements.

b Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Other non-derivative financial liabilities

The methods used to measure fair values are discussed further in note 5.

c Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency and the functional currency of the Group.

d Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

e Key estimates and judgements

Impairment

The Group assesses impairment at the end of each reporting year by evaluation of conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations, which incorporate various key assumptions.

Business combinations

Management uses valuation techniques in determining the fair values of the various elements of a business combination. (Refer Note 3a).

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

a Basis of consolidation

i Business combinations

The Group applies the acquisition method in accounting for business combinations. The consideration transferred by the Group to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair value of assets transferred, liabilities incurred and the equity interests issued by the Group, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

The Group recognises as identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are measured at their acquisition date fair values.

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred (b) the recognised amount of any non-controlling interest in the acquiree; and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition date fair values of identifiable net assets.

ii Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b Financial instruments

i Non-derivative financial assets

The Group initially recognizes loans and receivables on the date that they are originated. All other financial assets are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognized as a separate asset or liability.

The Group has the following non-derivative financial assets: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost, less any impairment losses.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii Non-derivative financial liabilities

The Group initially recognizes debt securities issued on the date that they are originated. All other financial liabilities are recognized initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

The Group classifies the non-derivative financial liabilities into trade and other payables and other financial liabilities categories. Such financial liabilities are recognized initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost.

Other financial liabilities comprise trade and other payables and loans.

iii Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognized as a deduction from equity, net of any tax effects.

c **Property, plant and equipment**

i Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

ii Subsequent costs

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

iii Depreciation

Items of property, plant and equipment are depreciated on a straight-line basis in profit and loss over the estimated useful lives of each component. Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

. mining equipment	10 years
--------------------	----------

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

d Exploration and evaluation expenditure

Exploration and evaluation expenditure, including the costs of acquiring the licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Company has obtained the legal rights to explore an area are recognised in the statement of profit or loss and other comprehensive income.

Exploration and evaluation assets are only recognised if the rights of the area of interest are current and either:

the expenditures are expected to be recouped through successful development and exploitation or from sale of the area of interest; or

activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see impairment accounting policy (e)). For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are finalised, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mining property and development assets within property, plant and equipment.

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial period the decision is made.

e Goodwill

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Refer note 3a for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses. Refer to Note 3g for a description of impairment procedures.

f Other intangible assets

Acquired intangible assets

Seedbank and plant genetics acquired in a business combination that qualify for separate recognition are recognised as intangible assets at their fair values (refer Note 3a).

Subsequent measurement

All intangible assets are accounted for using the cost model whereby capitalised costs are amortised on a straight line basis over their estimated useful lives as these assets are considered finite. Residual values and useful lives are reviewed at each reporting date. In addition, they are subject to impairment testing as described in Note 3g.

Amortisation of seedbank and plant genetics has not yet commenced as the asset was recently purchased.

The following useful lives are applied:

- Seedbank and plant genetics 20 years

g Impairment

i Non-derivative financial assets

A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor.

The Group considers evidence of impairment for financial assets at a specific asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognized in profit and loss and reflected in an allowance account against loans and receivables.

ii Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognized in profit or loss.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

h Inventory

Inventory are stated at the lower of cost and net realisable value.

i Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue is recognised at the point in time that sales or service performance has been completed.

Interest

Revenue is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rate which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset.

j Finance income and finance costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise interest expense and other costs of borrowings. All finance costs are recognised in profit or loss using the effective interest method.

k Tax

Tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

A deferred tax asset is recognized for unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Company and its wholly-owned Australian resident entities are part of a tax-consolidated group. As a consequence, all members of the tax-consolidated group are taxed as a single entity. The head entity within the tax-consolidated group is Queensland Bauxite Limited.

l Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

m Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on a cash at bank balance at balance date, and the directors' understanding of expected cash outflows in the coming financial year.

4 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2017, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

5 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Other non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. In respect of the liability component of convertible notes, the market rate of interest is determined with reference to similar liabilities that do not have a conversion option.

6 Financial risk management

Overview

The Company and Group have exposure to the following risks from their use of financial instruments:

liquidity risk; and

market risk.

This note presents information about the Company's and Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Company and Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's and Group's activities. The Company and Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses.

Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates.

Note 7: Expenses

	2017 \$	2016 \$
Employee benefits expense:		
Directors fees	558,000	402,000
	558,000	402,000

Note 8: Finance costs

	2017 \$	2016 \$
Interest income on cash at bank	193,834	211,013
Finance income	193,834	211,013
Financial liabilities measured at amortised cost – interest expense	(34,939)	(68,880)
Equity settled (share based payment expense – note 29)	(38,751)	(20,207)
Finance costs	(73,690)	(89,087)
Net finance costs	120,144	121,926

Note 9: Income tax

	2017 \$	2016 \$
Major components of income tax expense		
a. Income tax benefit	(1,855,224)	(1,224,152)
Accounting loss		
Prima facie tax benefit on the loss from ordinary activities before income tax at 27.5% (2016: 30%) differs from the income tax provided in the financial statements as follows:	(510,187)	(367,246)
Tax benefit at 27.5%		
Add/(Less) tax effect		
- Non-deductible expenses	116,699	69,481
- Exploration expenditure capitalised	(109,239)	(156,330)
Deferred tax asset not brought to account	502,727	454,095
Income tax benefit attributable to operating loss	-	-

	2017	2016
b. Unrecognised deferred tax assets	\$	\$
Deferred tax assets have not been recognised In respect of the following item:		
Tax losses - income	4,005,987	3,821,738
Tax losses - capital	135,076	147,356

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

Note 10: Key management personnel disclosures

Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key management person	Position
Pnina Feldman	Chairperson
Sholom Feldman	Director / Chief Executive Officer
Meyer Gutnick	Non-Executive Director
David Austin	Alternate Director

The key management personnel remuneration has been included in the remuneration report section of the director's report.

Options and rights over equity instruments granted as compensation

The movement during the reporting period in the number of options over ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2017

	Held at 1 July 2016	Granted as compensation	Expired	Held at 30 June 2017	Vested during the year	Vested and exercisable at 30 June 2017
Directors						
Pnina Feldman	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-
David Austin	-	-	-	-	-	-

2016

	Held at 1 July 2015	Granted as compensation	Expired	Held at 30 June 2016	Vested during the year	Vested and exercisable at 30 June 2015
Directors						
Pnina Feldman	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-
David Austin	-	-	-	-	-	-

No options held by key management personnel are vested but not exercisable.

Movements in shares

The movement during the reporting period in the number of ordinary shares in QBL held, directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

2017

	Held at 1 July 2016	Acquired	Disposed	Held at 30 June 2017
Directors	-	-	-	-
Pnina Feldman (1)(2)	129,065,208	64,532,604	-	193,597,812
Sholom Feldman (1)(2)	129,065,208	64,532,604	-	193,597,812
Meyer Gutnick	5,000,000	-	-	5,000,000
David Austin	-	-	-	-

2016

	Held at 1 July 2015	Acquired	Disposed	Held at 30 June 2016
Directors	-	-	-	-
Pnina Feldman (1)(2)	129,065,208	-	-	129,065,208
Sholom Feldman (1)(2)	129,065,208	-	-	129,065,208
Meyer Gutnick	5,000,000	-	-	5,000,000
David Austin	-	-	-	-

- (1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which currently holds 4,222,812 Shares in its capacity as trustee of the 770 Unit Trust; and
- (2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which currently holds 189,375,000 shares.

Note 11: Auditors' remuneration

	2017 \$	2016 \$
Remuneration of the auditor (Nexia Sydney Partnership) of the parent entity for:		
An audit or review of the financial report of the Company		
- Current year	36,744	38,909
- Half-year	20,081	28,413
Other services		
- Taxation services	2,500	3,000
	59,325	70,322

Note 12: Earnings per share

	2017	2016
Basic Earnings per Share		
a. Basic loss per share (cents)	(0.15)	(0.16)
Loss attributable to ordinary shareholders (\$)	(1,855,224)	(1,224,152)
Earnings used to calculate basic EPS (\$)	(1,855,224)	(1,224,152)
b. Issued ordinary shares at 1 July		
Effect of shares issued during the year	352,003,497	33,735,093
Weighted average number of ordinary shares at 30 June	1,206,595,982	771,643,729
Diluted Earnings per Share		
a. Basic loss per share (cents)	(0.15)	(0.16)
Loss attributable to ordinary shareholders (\$)	(1,855,224)	(1,224,152)
Earnings used to calculate diluted EPS (\$)	(1,855,224)	(1,224,152)
b. Weighted average number of ordinary shares (basic)		
Weighted average number of ordinary shares (diluted) at 30 June	1,206,595,982	771,643,729

As at 30 June 2017, 158,455,323 options (2016: 208,994,871) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices for the year.

Note 13: Cash and cash equivalents

	2017 \$	2016 \$
CURRENT		
Cash on hand	100	100
Cash at bank	8,540,358	5,513,649
Cash and cash equivalents in the statement of cash flows	8,540,458	5,513,749

Note 14: Trade and other receivables

	2017 \$	2016 \$
CURRENT		
Deposits	10,000	10,000
Accounts receivable	8,443	
Other debtors – loan to Australian Gemstone Mining Pty Ltd	23,637	-
GST receivable	59,218	53,605
	<u>101,298</u>	<u>63,605</u>

Note 15: Other assets

	2017 \$	2016 \$
CURRENT		
Loan to Volcan Australia Corporation Pty Ltd - Unsecured#	1,200,000	1,200,000
Less impairment of loan	(1,200,000)	(1,200,000)
Loan to Volcan Australia Corporation Pty Ltd – Unsecured	79,258	79,258
Less impairment of loan	(79,258)	(79,258)
	<u>-</u>	<u>-</u>

The loan to Volcan Australia Corporation Pty Ltd (VAC) was not a cash loan from QBL to VAC, but the amount that was to be paid by VAC in consideration for the transfer to Volcan Australia Corporation Pty Ltd of a sapphire mining project ML1492 from the company pursuant to the transactions completed on 14th December 2010 as approved at the time by shareholders at an EGM. VAC was to have invested in the development of that asset and monetised that asset within that time period, and pay QBL the above amount. This amount was unsecured, due for payment in cash on 14th December 2012 from the proceeds of the mine, and there was no interest payable on the amount due. Following the transactions in 2010, although VAC did invest in the asset as contemplated, the markets for sapphires worsened and VAC was not able to monetise the asset prior to 14th December 2012. The directors have agreed that it is in QBL's interest to allow VAC further time to endeavour to monetise the asset to make the agreed payment from that asset. As the timing of this payment is at present uncertain, it is considered prudent for this amount to be impaired in the accounts until the payment is able to be made.

Note 16: Controlled entities

	Country of incorporation	Percentage owned (%)	
		2017	2016
Controlled entities consolidated			
Parent entity:			
Queensland Bauxite Limited	Australia		
Subsidiaries of Queensland Bauxite Limited			
South Johnstone Bauxite Pty Ltd	Australia	100%	100%
Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%
New England Bauxite Pty Ltd (Refer note 17)	Australia	100%	100%
Medical Cannabis Limited (Refer note 17)	Australia	55%	-
Medical Cannabis Information Service Pty Ltd (Refer note 17)	Australia	55%	-

* Percentage of voting power is in proportion to ownership.

Note 17: Business combinations**Acquisition of Medical Cannabis Limited**

On 30 May 2017, the Group acquired 55 percent of the shares and voting interests in Medical Cannabis Limited (MCL). As a result, the Group obtained control of MCL. The following tables set out the provisional amounts recognised at acquisition date.

\$

A. Consideration transferred

The following consideration was transferred:

Equity instruments (49,000,000 ordinary shares)	<u>735,000</u>
-------------------------------------------------	----------------

The value of the ordinary shares issued was based on the listed share price of the Company on 30 May 2017 of \$0.015 .

Contingent consideration shares

Equity instruments (50,000,000 ordinary shares)	<u>750,000</u>
-------------------------------------------------	----------------

The value of the contingent consideration was based on the listed share price of the Company on 30 May 2017 of \$0.015

TOTAL	<u><u>1,485,000</u></u>
-------	-------------------------

B. Identifiable assets acquired and liabilities assumed

	\$
Cash	788
Receivables	8,443
Inventory	21,926
Plant and equipment	18,000
Intangible assets	230,000
Total assets	279,157
Trade creditors	34,905
Other creditors	335,000
Loans	127,909
Other liabilities	220,000
Total liabilities	717,814
Total identifiable net assets acquired	(438,657)
Non-controlling interest	(197,396)
Total identifiable net assets acquired (55%)	(241,261)
Goodwill	1,726,261

C. Cash outflow on acquisition

The following table summarises the cash outflow on acquisition.

Net cash acquired with the controlled entity	788
Cash paid	-
Net cash inflow	788

D. Details relating to acquisition

The acquisition of MCL made no contribution to net profit before tax or to revenue as MCL was acquired on 30 May 2017 and only trivial transactions affecting the profit and loss statement occurred between 30 May 2017 and 30 June 2017.

Contingent consideration shares

The contingent consideration shares will be issued to the vendors upon the Australian Government granting a permit to MCL to grow cannabis varieties for medical cannabis research leading to product development. The Directors of the Company have estimated the possibility of this happening being 100% and have recognised the full value of the shares, being \$750,000 as part of the acquisition consideration.

Intangible assets

The intangible assets have been valued at their cost of acquisition as at 9 April 2015. No amortisation of the intangible assets has yet been recognised as the permits to which the intangible assets relate have not yet been granted.

As a result, the intangible assets amount is at provisional fair value and will be reviewed should information surrounding the potential revenue streams, cash flows and EBITs become known.

Acquisition of New England Bauxite Pty Ltd

On 5 February 2016, the Group acquired 100 percent of the shares and voting interests in New England Bauxite Pty Ltd ("NEB"). As a result, the Group obtained control of NEB.

Taking control of NEB will enable the Group to hold an 81% beneficial interest in the mining tenement EL 7301, as NEB holds a 31% beneficial interest in EL 7301.

\$

A. Consideration transferred

The following consideration was transferred:

Equity instruments (28,315,195 ordinary shares)	<u>198,206</u>
-------------------------------------------------	----------------

The value of the ordinary shares issued was based on the listed share price of the Company on 5 February 2016 of \$0.007.

B. Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the date of acquisition.

Exploration assets	<u>198,206</u>
Total identifiable net assets acquired	<u>198,206</u>

C. Cash outflow on acquisition

The following table summarises the cash outflow on acquisition.

Net cash acquired with the controlled entity	-
Cash paid	-
Net cash outflow	-

D. Details relating to acquisition

The acquisition of NEB made no contribution to net profit before tax or to revenue, as NEB was incorporated on 5 February 2016 and has not traded since incorporation.

Note 18: Exploration and evaluation

	2017 \$	2016 \$
NON-CURRENT		
EPM 18463		
Balance as at 30 June	1,120,335	655,326
Mining permits, tenement acquisition and administration and geologist expenses	352,873	465,009
Impairment of exploration assets	-	-
Balance as at 30 June	<u>1,473,208</u>	<u>1,120,335</u>
EL 7301		
Balance as at 30 June	1,611,246	1,356,946
Mining permits, tenement acquisition and administration and geologist expenses	40,441	254,300
Impairment of exploration assets	-	-
Balance as at 30 June	<u>1,651,687</u>	<u>1,611,246</u>
TOTAL	<u>3,124,895</u>	<u>2,731,581</u>
Exploration expenses written off during the year	<u>(37,831)</u>	<u>108,597</u>

The value of the Company's interest in exploration expenditure is dependent upon the:

- continuance of the economic entity's right to tenure of the areas of interest;
- results of future exploration, and
- recoupment of costs through successful development and exploitation of the areas of interest, or alternatively, by their sale.

The exploration and evaluation asset balance relating to the mining tenement EL 7301 is \$1,651,687 as at 30 June 2017 (2016 \$1,611,246). The mining tenement EL 7301 expired on 23 February 2016. Application forms have been lodged to renew and transfer the tenement to Queensland Bauxite Limited ("QBL") for a further 5 years to 23 February 2021. This process has not yet been finalised with the NSW Department of Industry. The Directors of QBL consider the renewal and transfer of EL 7301 to be processed in the ordinary course of business and therefore QBL holds current rights to tenure over its exploration and evaluation assets.

The exploration and evaluation asset balance relating to the mining tenement EPM 18463 is \$1,473,208 as at 30 June 2017 (2016 \$1,120,335). The mining tenement EPM 18463 has been renewed for a further 2 years to 25 May 2018.

Note 19: Property, plant and equipment

	2017 \$	2016 \$
NON-CURRENT		
Mining Equipment		
At cost	188,074	188,074
Accumulated depreciation	(163,786)	(159,496)
TOTAL	24,288	28,578
Plant and Equipment		
At cost	(2,000)	-
Accumulated depreciation	18,000	-
Total written down amount	42,288	28,578

Movements in carrying amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2017	Equipment \$	Total \$
Carrying amount year ended 30 June 2016	28,578	28,578
Additions	-	-
Acquired through business combination	18,000	18,000
Disposals	-	-
Depreciation expense	(4,290)	(4,290)
Impairment loss	-	-
Carrying amount year ended 30 June 2017	42,288	42,288

2016	Mining Equipment \$	Total \$
Carrying amount year ended 30 June 2015	33,192	33,192
Additions	-	-
Disposals	-	-
Depreciation expense	(4,614)	(4,614)
Impairment loss	-	-
Carrying amount year ended 30 June 2016	28,578	28,578

Note 20 – Intangible assets

	2017 \$	2016 \$
Seedbank and plant genetics	230,000	-
Goodwill	1,726,261	-
Total intangible assets	<u>1,956,261</u>	<u>-</u>

2017	Seedbank and plant genetics \$	Goodwill \$	Total \$
Carrying amount year ended 30 June 2016	-	-	-
Acquired through business combination	230,000	1,726,261	1,956,261
Carrying amount year ended 30 June 2017	<u>230,000</u>	<u>1,726,261</u>	<u>1,956,261</u>

Refer to Note 17 for further detail.

Note 21: Trade and other payables

	2017 \$	2016 \$
CURRENT		
Unsecured liabilities		
Trade payables	236,788	293,906
Accrued expenses	360,500	84,613
Other creditors	5,700	7,956
	<u>602,988</u>	<u>386,475</u>

Note 22: Other financial liabilities

	2017 \$	2016 \$
CURRENT		
Loan from Australian Gemstone Mining Pty Ltd – unsecured	-	9,201
Loans provided to MCL– unsecured	54,961	-
Creditor – Andrew Kavasilas - unsecured	220,000	-
Loan from MEF 1 LP pursuant to the financing agreement - secured	1,712,662	230,893
	<u>1,987,623</u>	<u>240,094</u>

Note 23: Issued capital

	2017 \$	2016 \$
Share capital on issue		
1,408,097,244 (2016: 854,592,485) fully paid ordinary shares (no par value)	24,537,433	19,982,993
50,000,000 (2016: Nil) performance shares (no par value)	750,000	-
	25,287,433	19,982,993

The Company has no authorised capital.

	2017 No.	2017 \$	2016 No.	2016 \$.
Ordinary shares				
At the beginning of reporting period	854,592,485	19,982,993	737,908,636	19,134,223
Share based payments (note 29)	19,583,379	-	7,000,000	-
Conversion of convertible notes into ordinary shares	86,218,305	859,769	81,368,654	650,564
Share issue	17,857,143	125,000	-	-
Placement under NRR1	330,970,133	2,317,790	-	-
Options exercised @0.012	49,875,799	598,509	-	-
Investment in Medical Cannabis Limited	49,000,000	735,000	-	-
Investment in New England Bauxite Pty Ltd	-	-	28,315,195	198,206
Less: Cost of capital raising	-	(81,628)	-	-
	1,408,097,244	24,537,433	854,592,485	19,982,993
Performance shares				
At the beginning of reporting period	-	-	-	-
Investment in Medical Cannabis Limited	50,000,000	750,000	-	-
	50,000,000	750,000	-	-
TOTAL At reporting date (30 June 2017)	1,458,097,244	25,287,433	854,592,485	19,982,993

Terms and Conditions of Issued Capital

Ordinary Shares

Ordinary shares have the right to receive dividends as declared by the board and, in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle the holder to one vote either in person or by proxy at a meeting of the Company.

Performance Shares

Performance shares do not have the right to receive dividends as declared by the board and, in the event of winding up the Company, do not participate in the proceeds from the sale of any surplus assets. Performance shares do not entitle the holder to a vote either in person or by proxy at a meeting of the Company.

b. Options on issue

The following reconciles the outstanding share options at the beginning and year end of the financial year:

	2017 No.	2016 No.
Description		
At the beginning of reporting period	208,994,871	272,498,825
Granted during the financial year	165,485,076	2,846,046
Forfeited during the financial year	-	-
Exercised during the financial year	(49,875,799)	-
Expired during the financial year	(166,148,825)	(66,350,000)
Balance at the end of the financial year	<u>158,455,323</u>	<u>208,994,871</u>
Exercisable at the end of the financial year	<u>158,455,323</u>	<u>208,994,871</u>

Each of the options entitles the holder to one fully paid ordinary share in the Company. The terms of the options on issue are:

- 115,609,277 exercisable at \$0.012 on or before 31 July 2017
- 10,000,000 exercisable at \$0.08 on or before 16 September 2017;
- 10,000,000 exercisable at \$0.10 on or before 16 September 2017;
- 5,000,000 exercisable at \$0.15 on or before 16 September 2017;
- 5,000,000 exercisable at \$0.20 on or before 16 September 2017;
- 10,000,000 exercisable at \$0.03 on or before 28 February 2018; and
- 2,846,046 exercisable at \$0.06 on or before 31 August 2018.

Note 24: Share based payments reserve

The share based payments reserve records items recognised as expenses on share based payments.

	Consolidated Entity	
	2017 \$	2016 \$
Balance as at 1 July	4,914,098	4,961,241
Equity settled share based payment – consulting fees – shares (Note 29)	171,000	30,000
Equity settled share based payment – shares issued to employees of related entity Australian Gemstone Mining Pty Ltd (Note 29)	24,000	28,000
Equity settled share based payment – finance costs – shares issued in respect to finance costs relating to the issue of convertible notes (Note 29)	38,751	20,207
Transfer to accumulated losses for expired options	(419,300)	(125,350)
Balance as at 30 June	<u>4,728,549</u>	<u>4,914,098</u>

Note 25: Accumulated losses

	2017 \$	2016 \$
Balance as at 1 July	(17,186,147)	(16,087,345)
Loss for the year	(1,855,224)	(1,224,152)
Transfer from share based payments reserve for expired and forfeited options	419,300	125,350
Balance as at 30 June	<u>(18,622,071)</u>	<u>(17,186,147)</u>

Note 26: Non-controlling Interests

	2017 \$	2016 \$
Non-controlling interest in equity (Note 17)	(197,396)	-
	<u>(197,396)</u>	<u>-</u>

Note 27: Commitments for expenditure

	2017 \$	2016 \$
Exploration and evaluation		
– not later than 1 year	235,000	-
– later than 1 year but no later than 5 years	-	-
	235,000	-

Note 28: Reconciliation of cash flows from operating activities

	2017 \$	2016 \$
a. Cash flows from operating activities		
Loss for the year	(1,855,224)	(1,224,152)
Non-cash flows in loss		
Impairment of receivables	-	6,842
Depreciation	4,290	4,614
Share based payments expense	195,000	58,000
Realised foreign currency exchange gain	-	(12,335)
Finance cost	245,659	219,200
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Decrease in trade and other receivables	-	1,292
Decrease in other debtors	-	54,522
(Increase)/decrease in GST receivable	(5,613)	27,813
(Decrease)/increase in trade payables and accruals	(218,384)	89,888
(Decrease)/increase in other creditors	(7,956)	4,038
Net cash from operating activities	(1,642,228)	(770,278)

Note 29: Share based payment arrangements**Description of the share based payment arrangements.**

The following share based payment arrangement exist as at 30 June 2017.

Ordinary shares granted

On 24 November 2016, the Company issued 3,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.007 cents per share, resulting in consideration for consulting services of \$21,000.

On 23 December 2016, the Company issued 4,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.007 per share, resulting in consideration for consulting services of \$24,000 in total paid to employees of Australian Gemstone Mining Pty Ltd.

On 15 March 2017, the Company issued 10,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.015 cents per share, resulting in consideration for consulting services of \$150,000.

On 15 March 2017, the Company issued 2,583,379 ordinary shares as commitment shares for convertible notes. The share price at the grant date was \$0.015 cents per share, resulting in consideration for finance costs of \$38,751.

The following share based payment arrangements exist at 30 June 2016.

Options granted

The terms and conditions related to the grant of share options to convertible note holders are as follows; all options are to be settled by the physical delivery of the shares.

<u>Grant date/ persons entitled</u>	<u>Number of options</u>	<u>Vesting conditions</u>	<u>Contractual life of option</u>
Options granted to convertible note holders	2,846,046	Nil	3 years

On 14 August 2015

All share options granted to convertible note holders, confer a right of one ordinary share for every option held.

Ordinary shares granted

On 12 January 2016, the Company issued 3,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was 0.01 cents per share, resulting in consideration for consulting services of \$30,000.

On 25 February 2016, the Company issued 4,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was \$0.007 per share, resulting in consideration for consulting services of \$28,000 in total paid to employees of Australian Gemstone Mining Pty Ltd.

Measurement of fair values - Options

The fair value of the share based payments relating to options were measured based on the Black-Scholes formula. Expected volatility is estimated by considering historical volatility of the Company's share price over the period commensurate with the expected term.

Equity settled share based payment (options) relating to finance costs

The inputs used in the measurement of the fair values at grant date of the equity settled share based payment was as follows:

	2017	2016
Fair value at grant date	-	\$0.0071
Share price at grant date	-	\$0.012
Exercise price	-	\$0.06
Expected volatility (weighted average)	-	144%
Expected life (weighted average)	-	3 years
Risk-free interest rate	-	1.71%

Expense recognised in profit or loss

	Consolidated Entity	
	2017 \$	2016 \$
Equity settled share based payment transactions		
Consulting fees – ordinary shares granted (note 24)	171,000	30,000
Consulting fees – ordinary shares granted to employees of related entity Australian Gemstone Mining Pty Ltd (note 24)	24,000	28,000
	<hr/> 195,000	<hr/> 58,000
Finance costs – share options granted (note 8 and 24)	-	20,207
Finance costs – ordinary shares granted (note 8 and 24)	38,751	-
Total expense recognised for equity settled share based payments	<hr/> 233,751	<hr/> 78,207

Reconciliation of outstanding share options

	2017 Number of options	2017 Weighted Average Exercise price	2016 Number of options	2016 Weighted average exercise price
Outstanding at the beginning of the year	135,346,046	0.05	133,850,000	0.05
Granted	-	-	2,846,046	0.06
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(102,500,000)	0.03	(1,350,000)	0.26
Outstanding at year-end	32,846,046	0.11	135,346,046	0.05
Exercisable at year-end	32,846,046	0.11	135,346,046	0.05

The options outstanding at 30 June 2017 have an exercise price in the range of \$0.06 to \$0.20 (2016: \$0.03 to \$0.20) and a weighted average contractual life of 0.3 years (2016: 0.6 years).

There were no options exercised during the year ended 30 June 2017 (2016: Nil).

Note 30: Related parties disclosures**Identity of related parties**

The consolidated entity has related party relationships with its subsidiaries, its key management personnel, and companies related due to common directorships, Pnina Feldman and Sholom Feldman, being directors of both Queensland Bauxite Limited and the director related companies.

Related party transactions with Australian Gemstone Mining Pty Limited

The Company and Australian Gemstone Mining Pty Limited (AGMPL) are parties to a management services agreement (Management Services Agreement) dated 1 July 2007, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

- Pnina Feldman – Executive Director, Business Development;
- Dr Robert Coenraads – Principle Geologist, Exploration and Mining; and
- Sholom Feldman – Chief Executive Officer and Company Secretary.

In respect of each of these executives (Key Management Personnel), AGMPL was paid a retainer for the period ended 30 June 2017. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

- AGMPL is a company owned and controlled by Pnina Feldman.

Each of Pnina Feldman, Robert Coenraads and Sholom Feldman has entered into an executive services agreement with AGMPL. Each of these executive services agreements contains standard provisions dealing with employment obligations and standard covenants dealing with general duties and the protection of AGMPL's interests and mirrors the Management Services Agreement in respect of termination provisions.

AGMPL also provided suitable fully serviced offices to the Company at its Bondi offices at 24 Birriga Road, which includes use of office space, the board room, kitchen, daily cleaning, and essential office infrastructure, including telephones, fax, printer, broadband internet connections and suitable office furniture.

AGMPL also provided additional administrative services to the Company, such as secretarial, accounting and office management services. These services were provided to the Company by AGMPL on reasonable arm's length terms as approved by the independent director(s).

AGMPL services	2017	2016
	\$	\$
Rent	138,000	108,000
Management and secretarial	162,000	144,000
Geologist fees	360,000	360,000
Executive and corporate services	468,000	312,000
Reimbursement of expenses	41,007	84,365
Total	1,169,007	1,008,365

Amounts owed to AGMPL as at 30 June 2017 is NIL (2016:\$ 9201).

Amounts owed by AGMPL as at 30 June 2017 is \$23,637 (2016: \$NIL)

	2017	2016
	\$	\$
<u>Other transactions with related parties</u>		
<u>Loans advanced to director related companies</u>		
Volcan Australia Corporation Pty Ltd	1,200,000	(1,200,000)
Impairment recognised as at 30 June 2017	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012		
Volcan Australia Corporation Pty Ltd	79,258	79,258
Impairment recognised as at 30 June 2017	(79,258)	(79,258)
No due date for repayment.		

The above loans are unsecured and interest free. See note 15 for explanation of Loan to Volcan Australia Corporation Pty Ltd.

Note 31: Financial instruments

a. Financial risk management

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables and trade and other payables.

The main risk the Group is exposed to through its financial instruments is foreign currency fluctuation risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instruments value will fluctuate as a result in changes in market interest rates and the effective weighted average interest rates on those financial assets and financial liabilities refer Note 31(b).

Foreign currency risk

The Group was marginally exposed to fluctuations in foreign currencies during the reporting period.

Credit risk

Neither the Group or the Company have any material credit or other risk exposure to any single receivable or group of receivables or payables under financial instruments entered into by the Group.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate cash reserves or unutilised borrowings are maintained.

The following are the remaining contractual maturities at the end of the reporting period of financial liabilities, including estimated interest payments:

	30 June 2017		Contractual cash flows				
	Carrying amount \$	Total \$	Less than 12 months	\$	1-2 Years \$	2 to 5 years \$	More than 5 years \$
Non derivative financial liabilities							
MEF1 LLC Financing Agreement	1,712,662	1,712,662	1,712,662		-	-	-

	30 June 2016		Contractual cash flows				
	Carrying amount \$	Total \$	Less than 12 months	\$	1-2 Years \$	2 to 5 years \$	More than 5 years \$
Non derivative financial liabilities							
Magna Financing Agreement	230,893	230,893	230,893		-	-	-

Price risk

The Group's anticipated value of the South Johnstone Bauxite project is affected by the price of bauxite and shipping. Any rise or fall of the price of bauxite or shipping costs may affect the project's value accordingly.

b. Financial Instrument composition and maturity analysis

The tables below reflect the contractual settlement terms for financial instruments of a fixed period of maturity, as well as management's expectations of the settlement period for all other financial instruments.

	Weighted average effective interest rate		Floating interest rate		Within one year		1 to 5 years		Non-interest bearing		Total	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Consolidated Entity	%	%	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets:												
Cash and cash equivalents	2.8%	3.6%	8,540,358	5,513,639	-	-	-	-	100	100	8,540,458	5,513,759
Trade and other receivables	-	-	-	-	-	-	-	-	106,998	63,605	106,998	63,605
Financial liabilities:												
Trade and other payables	-	-	-	-	-	-	-	-	602,988	386,475	602,988	386,475
Other financial liabilities	-	-	-	-	-	-	-	-	1,987,623	240,094	1,987,623	240,094

c. Fair values vs carrying amounts

The fair values of financial assets and liabilities, together with carrying amounts shown on the statement of financial position, are as follows:

	2017 Total Carrying Amount \$	2017 Fair Value \$	2016 Total Carrying Amount \$	2016 Fair Value \$
Financial Assets				
Cash and cash equivalents	8,540,458	8,540,458	5,513,749	5,513,749
Trade and other receivables	106,998	106,998	63,605	63,605
Financial Liabilities				
Trade and other payables	602,988	602,988	386,875	386,875
Other financial liabilities	1,987,623	1,987,623	240,094	240,094

Note 32: Parent entity disclosures

	2017	2016
	\$	\$
As at and throughout the financial year ending 30 June 2017 the parent entity of the Group was Queensland Bauxite Limited.		
Financial Position of parent entity at year end		
Assets		
Current assets	8,637,248	5,577,354
Non-current assets	<u>3,229,202</u>	<u>1,639,824</u>
Total assets	<u>11,866,450</u>	<u>7,217,178</u>
Liabilities		
Current liabilities	1,944,939	625,760
Non-current liabilities	<u>-</u>	<u>-</u>
Total liabilities	<u>1,944,939</u>	<u>625,760</u>
Total equity of the parent entity comprising of:		
Issued capital	25,287,433	19,982,993
Share based payment reserve	4,728,549	4,914,098
Accumulated losses	<u>(20,094,470)</u>	<u>(18,305,673)</u>
Total equity	<u>9,921,512</u>	<u>6,591,418</u>
Financial Performance		
Loss for the year	(2,208,097)	(1,689,162)
Other comprehensive income	<u>-</u>	<u>-</u>
Total comprehensive income for the year	<u>(2,208,097)</u>	<u>(1,689,162)</u>

Note 33: Company details

The registered office of the Company and principal place of business is:

Queensland Bauxite Limited
24 Birriga Road
Bellevue Hill, NSW 2023

Note 34: Segment information**OPERATING SEGMENTS****a. Basis for segmentation**

The Group has three reportable segments; mining exploration and evaluation, medical cannabis and corporate. The corporate segment includes all of our initiatives in corporate growth activities and provides administrative, technical and financial support.

b. Information about reportable segments

Information related to each reportable segment is set out below.

	Mining Exploration and Evaluation	Medical Cannabis	Corporate	Total
2017				
Segment revenues	-	-	-	-
Less: Intersegment revenues	-	-	-	-
Revenues	-	-	-	-
Interest income	-	-	193,834	193,834
R & D tax rebate	-	-	-	-
Depreciation	(4,290)	-	-	(4,290)
Impairment of exploration assets	-	-	-	-
Impairment of receivables	-	-	(27,660)	(27,660)
Finance costs	-	-	(245,659)	(245,659)
Other costs	37,831	-	(1,809,280)	(1,771,449)
Loss before tax	33,541	-	(1,888,765)	(1,855,224)
		-		
		-		
Income tax expense	-	-	-	-
		-		
Loss after tax	33,541	-	(1,888,765)	(1,855,224)
Capital expenditures	393,314	-	-	393,314
Total assets	3,149,183	2,000,695	8,637,248	13,787,126
Total liabilities	-	(516,075)	(2,074,536)	(2,590,611)

	Mining Exploration and Evaluation	Corporate	Total
2016			
Segment revenues	-	-	-
Less: Intersegment revenues	-	-	-
Revenues	-	-	-
Interest income	-	211,013	211,013
R & D tax rebate	-	-	-
Depreciation	(4,614)	-	(4,614)
Impairment of exploration assets	-	-	-
Impairment of receivables	-	(6,842)	(6,842)
Finance costs	-	(219,200)	(219,200)
Other costs	(108,597)	(1,095,912)	(1,204,509)
Loss before tax	(113,211)	(1,110,941)	(1,224,152)
Income tax expense	-	-	-
Loss after tax	(113,211)	(1,110,941)	(1,224,152)
Capital expenditures	521,102	-	521,102
Total assets	2,760,159	5,577,354	8,337,513
Total liabilities	-	(626,569)	(626,569)

Note 35: Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern. The Group monitors capital on the basis of the carrying amount of equity. In order to maintain or adjust the capital, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

The amounts managed as capital by the Group for the reporting periods under review are summarised as follow:

	2017	2016
	\$	\$
Total equity	10,458,169	7,710,944
Capital	10,458,169	7,710,944

Note 36: Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any further item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

Directors' Declaration

In the directors' opinion:

1. the financial statements and accompanying notes set out on pages 42 to 83, and the Remuneration Report on pages 36 to 40 of the Directors' Report, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Accounting Standards and the *Corporations Regulations 2001*; and
 - b) give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date;
2. the financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 2(a) to the financial statements;
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors. On behalf of the directors:



Prina Feldman, Chairperson
Dated this 29th day of September 2017
Bellevue Hill NSW

Independent Auditor's Report to the Members of Queensland Bauxite Limited

Report on the Audit of the Financial Report

Qualified opinion

We have audited the financial report of Queensland Bauxite Limited (the Group and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- ii) complying with Australian Accounting Standards and *the Corporations Regulations 2001*.

Basis for qualified opinion

Included in Note 18 to the Financial Statements is an exploration and evaluation asset relating to tenement EL 7301 with a value of \$1,651,687.

We have not been provided with nor been able to gather by the application of alternate audit procedures, sufficient appropriate audit evidence to satisfy ourselves as to the right of tenure held by Queensland Bauxite Limited in its interest in EL 7301. Consequently, we have not been able to determine whether that amount qualifies for recognition as an asset in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources* and whether any adjustments to these amounts are necessary.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the 'auditor's responsibilities for the audit of the financial report' section of our report. We are independent of the entity in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Group, would be in the same terms if given to the Directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Sydney Office

Level 16, 1 Market Street
Sydney NSW 2000
PO Box H195

Australia Square NSW 1215

p +61 2 9251 4600

f +61 2 9251 7138

e info@nexiasydney.com.au

w nexia.com.au

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Key audit matter

How our audit addressed the key audit matter

Exploration and Evaluation Expenditure - EPM 18463

Refer to note 18 - Exploration and Evaluation Expenditure. The Group's accounting policy in respect of exploration and evaluation assets is described in Note 3(d).

At 30 June 2017, the Group had total capitalised Exploration and Evaluation Expenditure of \$3,124,895. \$1,651,687 of this relates to Mining Tenement EL 7301 and is the subject of a qualification in this report (refer *Basis of Qualified Opinion*, above).

The remaining Exploration and Evaluation Expenditure is a key audit matter because the asset's carrying amount is material to the financial statements and significant judgements have been applied in determining whether an indicator of impairment exists in accordance with Australian Accounting Standard AASB 6.

Our procedures included, amongst others:

- We confirmed the existence and tenure of EPM 18463 by obtaining the renewal authorisation from the relevant Government department;
- In assessing whether an indicator of impairment exists in relation to the exploration asset in accordance with AASB 6, we:
 - examined the minutes of the Group's board meetings and market announcements;
 - interviewed the Group's geologist, management and the directors in relation to the Group's current activities and their ability and intention to undertake further exploration activities; and
 - obtained evidence of the Group's intentions for the areas of interest, including reviewing future budgeted expenditure and related work programmes; and
- We tested a sample of additions of capitalised exploration expenditure to supporting documentation.

Acquisition of Medical Cannabis Limited

Refer to Note 17 - Business Combinations

The acquisition of Medical Cannabis Limited involved the assessment of the fair value of the assets (including intangible assets) and liabilities of the entity at acquisition date. The business combination is considered to be a key audit matter due to the material size of the transaction. The nature of the business combination is also considered a significant focus for users of the accounts.

Our procedures included, amongst others:

- We read the binding heads of agreement to understand the key terms and conditions;
- We confirmed management's assessment of the transaction being accounted for as a business combination with Queensland Bauxite Limited as the acquirer;
- We identified the elements of the consideration included in the agreements and agreed the treatment of these to the calculation of the business combination;
- We assessed management's rationale for goodwill and the identifiable intangible assets on acquisition; and
- We identified the performance requirements for the contingent consideration and, assessed management's classification of that consideration as equity and its estimation of achieving the hurdle requirement.

Other information

The Directors are responsible for the other information. The other information comprises the information in Queensland Bauxite Limited's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors' responsibility for the financial report

The Directors of the Group are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibility for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at The Australian Auditing and Assurance Standards Board website at: www.auasb.gov.au/auditors_responsibilities/ar2.pdf. This description forms part of our auditor's report.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 36 to 40 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Group are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Nexia Sydney Partnership



Joseph Santangelo
Partner

Sydney
29 September 2017

Additional Information – as at 26 September 2017

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below:

Distribution schedule and number of holders of equity securities as at 26 September 2017

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QBL)	100	34	69	1,592	1,271	3,066
Unlisted Options – 3 c 28/02/2018	-	-	-	-	1	1
Unlisted Options – 6 c 31/08/2018	-	-	-	-	1	1

The number of holders holding less than a marketable parcel of fully paid ordinary shares as 26 September 2017 is 902.

20 largest holders of quoted equity securities as at 26 September 2017

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 26 September 2017 are:

Rank	Name	Units	% of Units
1	FIRST STATE PTY LIMITED <THE NEW FAMILY A/C>	280,605,638	18.62%
2	VOLCAN AUSTRALIA CORPORATION PTY LTD	189,375,000	12.55%
3	MR IAN STUART WATSON + MRS CATHERINE JANE WATSON	31,752,523	2.11%
4	JACOBSON HOLDINGS PROPRIETARY LIMITED <P V & A W JACOBSON S/F A/C>	24,000,000	1.59%
5	MR JOHN MCDONALD + MR SHAUN MCDONALD <SOUTHLAND SNIPE SF A/C>	20,030,835	1.33%
6	MEF I LP	15,404,931	1.02%
7	MR ANDREW KAVASILAS	11,360,124	0.75%
8	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	10,850,000	0.72%
9	MR KARL BAARDA	10,500,000	0.70%
10	MR KWOK KIM CHO	8,700,197	0.58%
11	CONSULT4NTS PTY LTD	8,100,000	0.54%
12	KORE MANAGEMENT SERVICES PTY LTD <CUTHBERTSON SUPER FUND A/C>	7,952,087	0.53%
13	ECOMETRIX PTY LTD	7,952,086	0.53%
14	MS HIROYO KITATANI	7,867,000	0.52%
15	MR ISAAC JOHN ESPOSITO	7,572,561	0.50%
16	CAPITA TRUSTEES LIMITED <BAM 2006 PP RE PEGUM A/C>	7,141,127	0.47%
17	JAM SYNDICATE PTY LTD <JOHN TURNER SUPERFUND A/C>	7,081,300	0.47%
18	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,049,571	0.47%
19	MR ROBBIE DALGLEISH	6,789,801	0.45%
20	MR KOK KEEN CHONG + MRS HUE NGHI CHONG	6,627,545	0.44%
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		676,712,326	44.89%
Total Remaining Holders Balance		830,680,603	55.11%

Stock Exchange Listing – Listing has been granted for all ordinary fully paid shares of the Company on issue on ASX Limited.

Substantial shareholders

Substantial shareholders in Queensland Bauxite Limited and the number of equity securities over which the substantial shareholder has a relevant interest as disclosed in substantial holding notices given to the Company are listed below:

	No. Shares Held	% of Issued Capital
FIRST STATE PTY LIMITED	280,605,638	18.62
VOLCAN AUSTRALIA CORPORATION PTY LTD	189,375,000	12.55

Unquoted Securities

The number of unquoted securities on issue as at 26 September 2017:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	10,000,000	3 c	28/02/18
Unquoted Options	2,846,046	6 c	31/08/18

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 26 September 2017

Security	Name	Number of Securities
Unquoted Options	CBTIC	10,000,000
Unquoted Options	Magna Equities	2,846,046

Restricted Securities as at 26 September 2017

There are no restricted shares or options.

Voting Rights

All fully paid ordinary shares carry one vote per ordinary share without restriction. Unlisted options have no voting rights.

Schedule of Mineral Tenements as at 26 September 2017

Project Name	Project number	Status	Interest Held %	Expiry date
Eastern Australia Bauxite Projects				
Nullumana	EL7301	Granted – Renewal pending	81%	23/02/2016
South Johnstone	EPM18463	Granted	100%	25/05/2018
South Johnstone	MDL2004	Pending		