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## QUEENSLAND BAUXITE TO ACQUIRE CONTROLLING STAKE IN PREMIER AUSTRALIAN CANNABIS COMPANY

- Queensland Bauxite Limited (QBL) to acquire 55% of unlisted public company Medical Cannabis Limited (MCL);
- Excellent market positioning for the anticipated rapid economic growth in the medical Cannabis sector and hemp seed food industry, in Australia and globally;
- MCL founding Director, Andrew Kavasilas, is a pioneer in the hemp growing industry and medical Cannabis research;
- Mr Kavasilas conducted an Australian first high THC cannabis growing and research study in 2001/02, which established cannabinoid testing capabilities at the Southern Cross University;
- Andrew Kavasilas will remain a key technical director of MCL;
- In a first for a company with exposure to the ASX, MCL controls its own unique Australian Cannabis seed bank and genetics for industrial, medical and scientific research in Australia, which currently is generating sales with potential for significant sales growth;
- The unique sub-tropical Australian seed bank has been developed since 2010 with Mr Kavasilas growing, breeding and importing varieties of Cannabis for industrial hemp and now for introduction into medical Cannabis exploration, research and development;
- MCL's licenses for 'live seed' importation enables the Company to secure commercialisation opportunities in the hemp seed food market;
- Vitahemp, owned by MCL, is a hemp seed food company aiming to produce Australia's first legal hemp seed food products;
- MCL has technical and regulatory knowledge with ongoing Cannabis breeding projects, including public displays and research under existing NSW low THC hemp permits and Cannabis import licenses;
- Andrew Kavasilas published his book '*Medical Uses of Cannabis - Information for Medical Practitioners*' in May 2004, after having worked under Australia's first permit to grow high THC Cannabis. The publication also featured an Australian first survey of medical Cannabis users. This survey was then used by the National Drug and Alcohol Research Centre (NDARC) on a wider National scale; <http://www.queenslandbauxite.com.au/wp-content/uploads/2017/03/Medical-Uses-of-Cannabis-2004-By-AndrewKavasilas.pdf>
- Mr Kavasilas's research included a study on Terpenes and Volatiles which are produced by the Cannabis plant and may be associated with the therapeutic effect of Cannabis;

- **The research also included a quantitative analysis of nutrient loads and heavy metals in illicit Cannabis in order to give impetus to fast tracking developing cleaner safer medical cannabis products. This study also initiated a wider research project by NDARC into contaminants present in ‘street Cannabis’;**
- **MCL will be able to focus on enriching its research into cannabinotherapies and its exclusivity of these results;**

The Board of Queensland Bauxite Limited (ASX:QBL) is pleased to announce that the Company has signed an agreement to acquire 55% of Australian unlisted public company Medical Cannabis Limited (“MCL”).

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

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

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

### **Background to the acquisition**

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

An additional 50 million performance shares will be issued to the vendor shareholders of MCL upon MCL obtaining a permit from the Australian Government to grow cannabis varieties for medical cannabis research leading to product development. These performance shares will also be subject to shareholder approval under Listing Rule 7.1 of the ASX Listing Rules.

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

MCL is a public unlisted Australian based Cannabis company, formed by Andrew Kavasilas in early 2015 to specifically target the global potential of the fast growing medical Cannabis and hemp seed foods markets while utilizing its nearly two decades of Australian Cannabis and hemp industry

experience. MCL is the holding company of Vitahemp Pty Ltd (Vitahemp). The acquisition of MCL also includes 100% of the assets of Vitahemp. MCL and Vitahemp are Australian medical Cannabis and hemp foods pioneer companies with significantly established track records in the Cannabis sector in NSW.

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

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

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

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

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

### **New Institutional Investor in QBL**

QBL is pleased to have secured the support of a large New York based Institutional Investor for this transaction, who have today invested \$125,000 into QBL at .007 and have given their support for the development of MCL as it moves towards its own IPO.

### **Further Information**

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

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

QBL will not:

- (a) increase its interest beyond 75% in MCL;

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

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

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

In addition, the Company will seek a formal legal opinion which will be provided to ASX and confirm the validity of the MCL business, and to ensure that the business is in compliance with all Australian laws, and is not in breach of any relevant law. This will be provided and must be to the satisfaction of ASX, before QBL issues any shares to the MCL vendors.

Shareholder approval under Listing Rule 7.1 will be sought for the issue of the second tranche of shares and the performance shares as soon as practicable.

#### **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>

## **UPDATE ON SOUTH JOHNSTONE BAUXITE PROJECT**

- **QBL remains focused on developing its flagship South Johnstone bauxite project, with the Company actively working with the Department of Natural Resources and Mines, and the Department of Environment and Heritage Protection to achieving the grant of the MDL for the project in the near term.**

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

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

QBL's technical, engineering and environmental consultants Northern Resource Consultants (NRC) and Sea Transport are currently modifying the reports and work program in accordance with the matters raised by EHP and DNRM. It is anticipated that these reports should be resubmitted to the Department in the coming weeks.

The Company is confident that the revised reporting should give the DEHP and the DNRM the confidence to finally grant the MDL.

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

QBL will update shareholders further once the revised reports are given to the Departments, and we look forward to finally being able to progress this project to the next level for the benefit of all stakeholders.



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#### **About Queensland Bauxite**

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible.