

31st July 2017

JUNE 2017 QUARTERLY REPORT

HIGHLIGHTS

- Meetings with the Department of Environment and Heritage Protection and Department of Infrastructure, Local Government and Planning to progress the South Johnstone Bauxite Project
- Awaiting final feedback from the Department to Secure the Minerals Development Licence (MDL) for the South Johnstone Bauxite Project
- Granting of MDL should enable practical feasibility and export from South Johnstone Bauxite project to effectively prove the long-term economic and operational feasibility of the project
- Completing final environmental studies and monitoring to enable the grant of a full ML on the project
- South Johnstone project of the lowest cost bauxite projects in projected production costs, thereby giving confidence in the long term viability of the project
- QBL remains focused on developing its flagship South Johnstone bauxite project, with the Company actively working with the Department of Natural Resources and Mines, and the Department of Environment and Heritage Protection to achieving the grant of the MDL for the project in the near term and the ML shortly thereafter.
- Queensland Bauxite Acquired a 55% Controlling Stake in Premier Australian Cannabis and Hemp Company Medical Cannabis Limited (MCL) which is also the owner of Vitahemp Pty Ltd;
- Excellent market positioning for the anticipated rapid economic growth in the medical Cannabis sector and hemp seed food industry, in Australia and globally;
- MCL founding Director, Andrew Kavasilas, is a pioneer in the hemp growing industry and medical Cannabis research;

- Mr Kavasilas conducted an Australian first high THC Cannabis growing and research study in 2001/02, which established cannabinoid testing capabilities at the Southern Cross University;
- Andrew Kavasilas 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;
- 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
- Pioneering lawful Cannabis genetics
- Preparation for cultivar and cannabinoid testing

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

Following meetings with the Department of Environment and Heritage Protection and Department of Infrastructure, Local Government and Planning as announced in May 2017, Queensland Bauxite Limited (QBL) has responded to the Departments' queries with a revised work program for the Minerals Development License (MDL) and is currently waiting for MDL approval.

QBL's mining engineering and environmental consultants continue to work on components key to submitting a Mining Lease (ML) application to enable mining of all the feasible ore at Camp Creek.

A marketing agency has been signed up to assist in the process of obtaining sales agreements with bauxite refineries.

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

Operational Overview

South Johnstone Bauxite Project

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

During the quarter, management and representatives of QBL had productive and positive meetings with officers of the Department of Environment and Heritage Protection (DEHP) in Cairns and the Department of Infrastructure, Local Government and Planning (DILGP) in Brisbane, to present the work undertaken to date on the proposed MDL application, and discuss issues raised by EHP during the recent environmental authority (EA) amendment process. The Company's chief geoscientist Dr Robert Coenraads led the meetings on behalf of the Company, and Director Sholom Feldman was in attendance by phone conference at the meeting with the DEHP. The Company's environmental consultants Northern Resource Consultants (NRC) were also in attendance at the meeting with the DEHP to present and where necessary clarify the Company's environmental reporting and proposals.

The Company had previously provided a detailed work programme to the DEHP as part of the application process. Following a presentation on the project by Dr Coenraads explaining and clarifying the details of the project as previously provided to the Department in writing by the Company's consultant engineers, the Department requested that the further explanatory detail be provided by the Company in writing as part of the application documents to clarify the intended work programme in a number of areas. These primarily included further details on stormwater management and storage, and product handling and stockpiling. The Company subsequently worked with its consultant mining engineers to add the further requested detail into the written work programme.

In addition, following the previous requests from the Department, a clearly defined set of air, water and noise monitoring requirements for the pilot project were discussed, and which NRC have been undertaking a program for completion and have been presented in writing to the Department as part of the revised set of application documents.

As a result of these meetings, the Company is confident that the revised application to the specifications now requested by the Department should be met with a positive response. It is our understanding that our monitoring proposals and studies are to the latest requirements of the Department, as presented at the meeting, and we will be operating under the most stringent of conditions on our Environmental Authority (EA),

commensurate with the sensitivity of our project area which lies on prime agricultural land, sandwiched between World Heritage rainforest and the Great Barrier Reef. We believe this additional environmental monitoring will also give even further confidence to the local community in sanctioning QBL's social licence to operate in their midst under the full proposed Mining Lease.

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

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

The Company is currently preparing the further ML application, and it is the Company's understanding that due to the extensive technical and environmental work already completed and in place with the MDL, that a full ML grant should not take much longer to achieve.

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

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

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

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

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

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

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

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

ACQUISITION OF MEDICAL CANNABIS LIMITED

During the Quarter, the Company completed the acquisition of 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. These performance shares will also be subject to shareholder approval under Listing Rule 7.1 of the ASX Listing Rules.

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 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.

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.

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

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

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

Further Information 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 recent quarter, 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 during the recent quarter 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.109194915768412.11352.107794399241797/1444655072222383/?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/>

Pnina 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.

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 its subsidiary 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 first hand, 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.



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. A selection of MCL's varieties were on public display in a purpose built grow room at the Sydney Health Hemp and Innovation Expo at Rosehill Racecourse on 28th May.

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".

MCL has previously stated, 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."

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."

SUCCESSFUL WINTER CANNABIS CROP GROWING

The Board of Queensland Bauxite Limited (ASX: QBL) is excited to report that Medical Cannabis Limited ("MCL" or "the Company") has confirmed successful germination and growth rates of its pioneering winter Cannabis crop.

As announced on 28th April, the Forum of Food Regulations ('the Forum', 'FoFR') had 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. It is anticipated for this law to come into effect in November this year.

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01852159>

This development has major commercial significance for QBL as detailed above and as was detailed on Tuesday 21st March in the following announcement:

<http://www.asx.com.au/asx/statistics/displayAnnouncement.do?display=pdf&idsId=01840774>

As a result of this major development, MCL is set to be one of the pioneering and leading companies involved in providing quality controlled Australian grown hemp foods into what is expected to be a massive multi million dollar industry. It can achieve this because of its unique Australian based Cannabis hemp seed bank developed over many years. With the Company's currently approved licences to grow hemp, the Company is perfectly positioned to be at the forefront of Australian made hemp seed food products and broader Cannabis industries.

The Company has allocated resources 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 would be recognised world wide.

The Company possesses a unique Cannabis seed bank and licenses to grow in NSW. The Company, through its Vitahemp brand, intends to be the primary and leading supplier into the expected massive industry of legal Cannabis products for human consumption in Australia and globally.

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 that will 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.”

Pnina Feldman, Executive Chairperson of QBL, said: “We're extremely happy with all this progress and anticipate that the Company will succeed in being the leading supplier of Australian grown hemp seed foods and successful medical Cannabis research cultivation. The Company is currently well on track in its business plan to be able to meet the expected multi-million-dollar demand in Australia for hemp seeds for human consumption during 2018.”

Corporate Update Summary

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

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

Whilst working for the grant of the MDL for the South Johnstone Bauxite Project, the board of QBL has also been actively seeking and reviewing other excellent investment opportunities with a view to increasing shareholder value through projects that have significant potential cashflows. The first of these acquisitions has been the Cannabis and hemp acquisition through the acquisition of 55% of Medical Cannabis Limited (MCL) which also controls the Vitahemp business. MCL is a leading pioneering Australian Medical Cannabis and Hemp Company which the directors believe has major potential to capitalise significantly on its first mover advantage in this new emerging multi-billion-dollar industry.

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 Company has to the end of the recent June quarter invested \$228K on expenditure relating to the activities of MCL.

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

QBL's cash position as at 30th June 2017 was \$8.53 million.

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	81%

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

Sholom Feldman
Executive Director/Company Secretary

E: sfeldman@queenslandbauxite.com.au

 www.twitter.com/QLDBauxite

About Queensland Bauxite

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible. The Company also pursues additional investment opportunities, and has entered into an agreement to acquire 55% of Medical Cannabis Limited, an Australian leader in the hemp and Cannabis industries.

Competent Person Statement

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

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Queensland Bauxite Limited

ABN

18 124 873 507

Quarter ended ("current quarter")

30 June 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	-170	-966
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs	-224	-1032
1.3 Dividends received (see note 3)		
1.4 Interest received	48	194
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Research and development refunds		
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	-346	-1804

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) tenements (see item 10)		
(c) investments (MCL related payments)	-167	-228
(d) other non-current assets		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
2.2 Proceeds from the disposal of: (a) property, plant and equipment (b) tenements (see item 10) (c) investments (d) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	-167	-228

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares		2841
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options	546	598
3.4 Transaction costs related to issues of shares, convertible notes or options		
3.5 Proceeds from borrowings	1614	1614
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	2160	5053

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	6887	5513
4.2 Net cash from / (used in) operating activities (item 1.9 above)	-346	-1804
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-167	-228
4.4 Net cash from / (used in) financing activities (item 3.10 above)	2160	5053
4.5 Effect of movement in exchange rates on cash held		
4.6 Cash and cash equivalents at end of period	8534	8534

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	8534	6887
5.2 Call deposits		
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	8534	6887

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	-140
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	1614	1614
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

USD\$1.2M facility drawn down from New York based MEF 1 LP, repayable prior to April 2018 at any time in full or in part, either in shares at 20% discount to market (subject to Listing Rule 7.1), or in cash at 20% increase to capital, or a combination of both, secured only by a general security deed, not against any specific asset of the company.

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

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

Compliance statement

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



Sign here:
(Executive Director/Company secretary)

Date:31 July 2017.....

Print name:Sholom D Feldman.....

Notes

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