
QUEENSLAND BAUXITE LIMITED

ACN 124 873 507

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 11.30 (EST)

DATE: 14 September 2018

PLACE: Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
Sydney, NSW

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary, Sholom Feldman, on (02) 9291 9000.

ASX takes no responsibility for the contents of this Notice of Meeting.

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IMPORTANT INFORMATION

Time and place of Meeting

Notice is given that the Meeting will be held at 11.30am (EST) on 14 September 2018 at: Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, NSW

Your vote is important

The business of the Meeting affects your shareholding and your vote is important.

Voting eligibility

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5:00PM (EST) on Wednesday, 12 September 2018.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X (3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB (1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a resolution and, **if it does:**

- the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (ie as directed); and
- if the proxy has 2 or more appointments that specify different ways to vote on the resolution, the proxy must not vote on a show of hands; and
- if the proxy is the chair of the meeting at which the resolution is voted on, the proxy must vote on a poll, and must vote that way (ie as directed); and
- if the proxy is not the chair, the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (ie as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- the appointed proxy is not the chair of the meeting; and
- at the meeting, a poll is duly demanded on the resolution; and
- either of the following applies:
 - the proxy is not recorded as attending the meeting; or
 - the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

IMPORTANT NOTE

The Acquisition of Medcan and MCL require Shareholder approval under the ASX Listing Rules and therefore may not proceed if that approval is not forthcoming. ASX takes no responsibility for the contents of this Notice of Meeting.

BUSINESS OF THE MEETING

Please refer to the Glossary (page 41) for defined terms.

AGENDA

1. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 11.1.2 and for all other purposes, approval is given for the Company:

- (a) to make a significant change in the nature and scale of its activities as described in the Explanatory Statement;*
- (b) to issue Shares pursuant to a re-compliance with Chapters 1 and 2 of the ASX Listing Rules at an issue price of \$0.035 per Share; and*
- (c) to issue one free-attaching Option for every two Shares subscribed which Options will have an exercise price of \$0.10 each.*

Short Explanation: If successful, the Acquisition will result in the Company changing the nature and scale of its activities. ASX Listing Rule 11.1.2 requires the Company to seek Shareholder approval where it proposes to make a significant change to the nature and scale of its activities. ASX has also advised the Company that it will be required to re-comply with the requirements of Chapters 1 and 2 of the ASX Listing Rules in accordance with ASX Listing Rule 11.1.3. Please refer to the Explanatory Statement for details.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 1 by any person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – ISSUE OF CONSIDERATION TO MEDCAN SECURITYHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 250,000,000 Shares to the Medcan Securityholders on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company has entered into the Medcan Agreement pursuant to which the Company will acquire the Medcan Shares and Medcan Units from the Medcan Securityholders. The Company seeks Shareholder approval for the issue of the above Shares as consideration for the Medcan Acquisition in accordance with ASX Listing Rule 7.1.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 2 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote

if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. RESOLUTION 3 – ISSUE OF CONSIDERATION TO MCL SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue approximately 1,212,857,143 Shares to the MCL Shareholders on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company has entered into the MCL Agreement pursuant to which the Company will acquire the MCL Shares from the MCL Shareholders. The Company seeks Shareholder approval for the issue of Shares as consideration pursuant to the MCL Acquisition. These Shares include the original 1,195,000,000 Shares agreed to be issued to MCL as consideration for the MCL Acquisition, and in addition, MCL is independently currently seeking to raise a further \$500,000 prior to the conclusion of the Acquisitions to fund its current ongoing activities, bringing the potential total issue to 1,212,857,143 Shares.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 3 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – ISSUE OF SHARES TO HHC SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 40,540,541 Shares to the HHC Shareholders on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 4 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – ISSUE OF MANAGEMENT SHARES TO GARETH BALL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given

for the Directors to issue 16,000,000 Shares to Mr Gareth Ball on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 5 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – ISSUE OF MANAGEMENT SHARES TO CRAIG COCHRAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 20,000,000 Shares to Mr Craig Cochran on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 6 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 - ISSUE OF SHARES TO T12 SHAREHOLDERS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 21,621,622 Shares to the T12 Shareholders on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 7 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

8. RESOLUTION 8 – ISSUE OF MANAGEMENT SHARES TO SEBASTIAN EDWARDS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 2,705,000 Shares to Mr Sebastian Edwards on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 8 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

9. RESOLUTION 9 – ISSUE OF MANAGEMENT SHARES TO SAM EDWARDS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of all other Acquisition Resolutions, for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Directors to issue 2,705,000 Shares to Mr Sam Edwards on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 9 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

10. RESOLUTION 10 – CAPITAL RAISING

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of all other Acquisition Resolutions, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 170,000,000 Shares and up to 85,000,000 free attaching Options on the terms and conditions set out in the Explanatory Statement."

Short Explanation: The Company must issue a Prospectus and complete the Capital Raising to satisfy the requirements of Chapters 1 and 2 of the ASX Listing Rules as a condition of the Company's securities recommencing trading on the ASX following the Acquisition.

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 10 by any person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue, except a benefit solely in the capacity of a Shareholder, and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

11. RESOLUTION 11 – APPROVAL FOR SHOLOM FELDMAN (OR NOMINEE), AS A DIRECTOR AND RELATED PARTY, TO PARTICIPATE IN THE OFFER UNDER THE PROSPECTUS, TO ISSUE THE SHARES UNDER THE OFFER

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue for cash of 3.5 cents per Share, up to 12,500,000 Shares and 6,250,000 free attaching Options to Sholom Feldman (or his nominee, including Volcan Australia Corporation Pty Ltd) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 11 by or on behalf of Sholom Feldman (or his nominee) or any of his associates (**Resolution 11 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 11 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 11 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

12. RESOLUTION 12 – APPROVAL FOR PNINA FELDMAN (OR NOMINEE), AS A DIRECTOR AND RELATED PARTY, TO PARTICIPATE IN THE OFFER UNDER THE PROSPECTUS, TO ISSUE THE SHARES UNDER THE OFFER

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue for cash of 3.5 cents per Share up to 12,500,000 Shares and 6,250,000 free attaching Options to Pnina Feldman (or her nominee) on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of Resolution 12 by or on behalf of Pnina Feldman or any of her associates (**Resolution 12 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 12 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Voting Prohibition Statement:

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of the Key Management Personnel; or
 - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 12 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and

- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

13. RESOLUTION 13 – CHANGE OF COMPANY NAME

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, subject to the passing of all other Acquisition Resolutions and completion of the Acquisition, for the purposes of section 157(1)(a) and for all other purposes, approval is given for the name of the Company to be changed to Cann Global Limited.”

14. RESOLUTION 14– REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes.”

Dated: 15 August 2018

By order of the Board

**Mr Sholom Feldman
Company Secretary**

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

Resolutions 1 to 13 (inclusive) are in respect of the Acquisition. Resolutions 1 to 13 (inclusive) are referred to as Acquisition Resolutions throughout this Notice and are inter-conditional upon each other Acquisition Resolution being approved. If any of the Acquisition Resolutions are not approved, then all of Resolutions 1 to 13 will be taken to have been rejected.

1. OVERVIEW OF PROPOSED CHANGE OF ACTIVITIES – ACQUISITION

1.1 Background

1.1.1 Queensland Bauxite Limited

Queensland Bauxite Limited (**Company** or **QBL**) is an Australian public company listed on the Official List of the ASX (ASX:QBL). The Company was admitted to the official list of ASX on 14 January 2008.

Since 2010, the Company has been focused on defining significant bauxite resources with a view to developing a bauxite mining and export operation that may include direct shipping ore (**DSO**). The Company has been focused on targeting long-life operations and positioning itself to participate in the growth of the bauxite sector. Following the completion of a comprehensive study, mapping and review process, the Company acquired projects that offer significant prospects for the attainment of gibbsitic bauxite with a low reactive silica content close to key road, rail and port infrastructure. The Company's bauxite projects include interests in:

- the South Johnstone Project located in Queensland; and
- the New England Bauxite Project located in the New South Wales,

(the **Bauxite Projects**).

The Company has also been focused on finding strategic investment opportunities to enhance Shareholder value. In March 2017 the Company acquired a 55% shareholding in Medical Cannabis Ltd, an Australian leader in the hemp and cannabis industries (**MCL**).

MCL has been a key value driver for the Company and has delivered material shareholder returns since the Company's initial investment. This investment has now grown to a point where the medical cannabis business is a significant business in its own right.

In line with this development, the Company announced to ASX on 20 June 2018 that it had entered into:

- (a) the Medcan Agreement with Medcan Australia Pty Ltd as trustee of the Medcan Australia Unit Trust (**Medcan**) (**Medcan Trust**) pursuant to which the Company has nominated MCL to acquire 100% of the Medcan Shares and Medcan Units from the Medcan Securityholders (**Medcan Acquisition**); and

(b) the MCL Agreement pursuant to which the Company will acquire the remaining 45% of the MCL Shares from the MCL Shareholders (**MCL Acquisition**),

(together, the **Acquisition**).

As a result of the Medcan Acquisition, the Company elected not to float MCL but to merge it into the Company thereby giving Shareholders the combined value of the existing Bauxite Projects and MCL's burgeoning activities in the industrial hemp and medicinal cannabis industries.

ASX has determined that as a result of the proposed Acquisition, the Company will be required, pursuant to Listing Rule 11.1.2, to obtain approval from QBL's Shareholders at a general meeting. The Company will also be required, pursuant to Listing Rule 11.1.3, to re-comply with Chapters 1 and 2 of the Listing Rules due to the Acquisition triggering a change of nature in the activities of the Company.

1.1.2 **Medcan Australia Pty Ltd**

Medcan was founded in Brisbane, Queensland in 2016 by its directors Craig Cochran and Gareth Ball with the vision of providing reliable access to patient specific medicinal cannabis products. Medcan was granted a Medical Cannabis Production Licence (Australian Cultivation & Production Licence) (**Production Licence**) from the Office of Drug Control (**ODC**) in November 2017 and a Cannabis Import and Export License in July 2018.

With a nominated commencement start date for production of 1 July 2018, Medcan will be able to legally grow and cultivate high tetrahydrocannabinol (**THC**) and cannabidiol (**CBD**) medicinal cannabis products in Australia. Medcan was one of the first medical cannabis companies to receive an ODC Production Licences pursuant to the recent legislative changes.

Medcan is aiming to cultivate, produce and manufacture high quality medicinal cannabis products for both clinical trials and individual patient access. Medcan's intended automated cultivation processes are designed to ensure consistent results, with the purpose of giving the consumers the assurance of the quality, composition and reliability of their supply.

Medcan has secured a DA approved facility in an industrial area for a medicinal cannabis production complex. The aim is to immediately outfit this facility, with the highest level of security, which will have the ability to produce medicinal cannabis dried flower, full extract oil, tinctures and capsules, and the CannTab XR pill, amongst other products.

The proposed development of the medicinal cannabis facility will utilise the latest 'state of the art' automated cultivation techniques allowing complete control of the growing environment. Through climate control systems monitoring temperature, humidity, CO2 levels, and advanced nutrient delivery systems reducing the error rate of manual watering, it is intended that the facility will provide controlled, reproducible conditions optimising the ability to provide the highest level of medicinal cannabis products for both the Australian and International market.

Medcan has an experienced management and production team, and both Mr Cochran and Mr Ball are well respected experts in the medicinal cannabis industry.

Mr Cochran is an early mover in the Australian and international medicinal cannabis industry, possessing an in-depth knowledge and understanding of current Australian and global legislation, licensing and regulation. With a focus on patient access, Mr Cochran has dedicated years to understanding the needs of individual patients. With a network of contacts through Australia, Canada, Europe and the USA, Mr Cochran has an ear to the ground understanding of both local and international medicinal cannabis market trends, business models and access pathways.

Mr Ball is an enthusiastic cannabis advocate and is passionate about bringing much-needed medicine to the people who need it so they can improve their quality of life. Mr Ball is highly skilled in contract negotiations, inventory management, yield maximization, business operations, business to business sales and commercial management. He will use his 20 years of sales and marketing experience to drive the business forward.

Following the Acquisition, both Mr Cochran and Mr Ball will be continuing as executive directors of Medcan to drive the Medcan business forward.

1.1.3 Medical Cannabis Ltd

MCL is an unlisted public company incorporated on 16 March 2015 for the purpose of capitalising on the industrial hemp seed industry and the medical cannabis market in Australia.

MCL is backed by an intellectual property portfolio, initially developed by one of its directors, Mr Andrew Kavasilas, over more than a decade and continuing to be developed by Mr Kavasilas and the MCL team. Mr Kavasilas has a track record of breeding various strains of cannabis to targeted cannabinoid profiles since 2001. This has now resulted in the company developing a seed bank, containing numerous varieties of cannabis to match demand for different cannabinoid profiles. MCL has over 25 varieties in its seed bank, suitable for both nutritional hemp and medicinal purposes, including dual purpose varieties.

MCL's strategy is to leverage the intellectual property and management expertise it has in the cannabis sector to become a leader in the distribution of medical cannabis products and solidify its position as Australia's premier hemp food company.

MCL has access to Australian approved and certified genetics as well as decades of medical cannabis research leadership and scientific evidence-based patient trials. It is well placed to commercially exploit its intellectual property. The company's strategy is to develop and improve the commercial opportunities from its existing operations as well as to collaborate with leading research centres where it may be mutually beneficial.

MCL operates in the industrial hemp and medicinal cannabis industries. MCL has three key divisions that leverage its seed bank; namely, growing and cultivating, retail products and medical applications. Below is an outline of important MCL subsidiaries:

- (a) **Vitaseeds Pty Ltd (growing and cultivating):** MCL's growing and cultivating division gathers seed from existing production locations in both New South Wales and Victoria. The majority of the biomass collected is for nutritional hemp food products, while MCL does have a small growing facility in NSW for growing cannabis for genetic breeding purposes. The acquisition of Medcan will significantly increase growing capacity for medical cannabis.

- (b) **Hemp Hulling Co (retail products – processing):** MCL owns a majority stake (55%) in Hemp Hulling Co (Qld) Pty Ltd, a manufacturer of hemp foods based in Queensland, Australia. Hemp Hulling Co converts hemp seed into hemp food products for distribution via the Company's Vitahemp brand, as well as other third-party brands. MCL is obligated to issue to HHC in consideration of the 55% purchase of HHC, \$1.5 million worth of Shares (the subject of Resolution 4).
- (c) **Vitahemp Pty Ltd (retail products – marketing):** The retail division largely encompasses nutritional hemp, where MCL has rights to package and distribute low THC hemp food products, such as protein powder, edible seeds and hemp oil.
- (d) **Vitacann Pty Ltd and Medical Cannabis Research Group Pty Ltd (MCRG) (medical research):** MCL's medical division seeks to take advantage of the company's seed bank and management regulatory experience to research, develop, progress and distribute medical cannabis products and medical applications of cannabis.

Seed bank & management knowledge

MCL's management team, and in particular Andrew Kavasilas, has a track record of breeding various strains of cannabis to targeted cannabinoid profiles since 2001. MCL has over 25 varieties in its seed bank, suitable for both medicinal purposes and food products, including dual purpose varieties. The value of the seed bank can be for internal purposes, such as developing varieties that match the demand profile for downstream pharmaceuticals for medical applications, or for improved farming for food product varieties.

The seed bank also has significant potential value to third parties, for example, ASX listed Algae Tec Ltd (ASX:AEB) has agreed to give MCL up to 19.9% of its company equity for access to MCL's seed bank for the development of veterinary products.

MCL is well placed to commercially exploit its intellectual property. The Company's strategy is to develop and improve the commercial opportunities from its existing operations as well as to collaborate with leading research centres where it may be mutually beneficial.

Strong leadership team

MCL's key management has experience in the cannabis sector and the Board has over 40 years combined ASX board experience. The proposed board of MCL after completion of the Acquisition will be as follows:

Pnina Feldman – Executive Chairperson

Executive chairperson and CEO of ASX listed companies over the last 20 years. Pnina Feldman was the first woman in Australia to publicly list a mining company, and be its chairperson, CEO and largest shareholder. She has been instrumental in establishing, financing and developing numerous publicly listed, publicly unlisted and private companies. Pnina was the first to receive the Wentworth Community Award from the Federal Member for Wentworth The Hon Malcolm Turnbull MP, (currently the Prime Minister), for Outstanding Community Service.

Sholom D Feldman – Managing Director

Experience as a managing director and company secretary for a number of publicly listed companies and private companies since 1999. Responsible for financing and managing multiple mining projects across various commodities. Sholom studied at the International MBA programme at Bar Ilan University Israel and is Managing Director and Company Secretary of Queensland Bauxite Limited (ASX:QBL).

Andrew Kavasilas – Executive Founding Director

Andrew is the founder and a director of Medical Cannabis Ltd and its subsidiary Vitahemp Pty Ltd. He is also secretary of the Australian HEMP Party. Andrew has had a long and in-depth association with hemp growing and the research of the therapeutic properties of cannabis.

In 2001/02, Andrew was the only grower in Australia/NSW permitted to cultivate high THC cannabis for trials. The trials led Andrew to publish his research in 2004, Medical Uses of Cannabis - Information for Medical Practitioners. This research project also allowed Andrew to become familiar with Australian TGA requirements, as well as International Drug Conventions in respect of medical use of cannabis and opium. He is a regular participant at numerous Parliamentary Inquiries on medical and other cannabis related law reform issues. He has been and remains an avid medical cannabis lobbyist during which time he has met and communicates with various Members of Parliaments, senior Ministerial staff and bureaucrats, many leading scientific researchers and medical practitioners.

John Easterling – Non-Executive Director – Independent Director

John Easterling has experience in developing therapeutical products from plants, including many years of experience in cannabis cultivation and products. He founded the Amazon Herb Company in 1990 with his product formulations generating over \$100m in revenue worldwide. John has bred a dozen new genetics from the cannabis plant and his focus is on formulating a broad range of cannabinoid and terpene profiles for therapeutic benefits. He married Olivia Newton-John in 2008 and shares her passion in supporting the continuing growth of the Olivia Newton-John Cancer Wellness and Research Centre in Melbourne. John is an advocate for legislation reform in Australia to allow for wider access for medical cannabis.

Leveraging strategic relationships

MCL collaborates with third parties in the medical cannabis industry, including:

- (a) **Canntab Therapeutics Limited:** for the distribution of pharmaceutical medical cannabis products, with an intention to supply cannabis genetics in time, contingent on licence approvals.
- (b) **Algae Tec Ltd:** an ASX listed company that aims to utilise the asset base of MCL, via MCL's seed bank, to research veterinary applications of medical cannabis. MCL is exposed to potential research discoveries via equity ownership in Algae Tec and royalty arrangements.
- (c) **Various research groups:** MCL collaborates with various research groups and parties involved in clinical evaluations in the medical cannabis industry in the effort to discover the benefits of medical cannabis, substantiate proposed medical claims and, subject to the regulatory

approval of proposed products, produce products for the broader population. A leading partner with MCL is professor David (Dedi) Meiri, the Head of the cannabis department of the Haifa Technion in Israel, in researching ways of strengthening the human body's autoimmune system to enable it to fight the numerous autoimmune diseases effecting multi-millions of people worldwide focusing initially on multiple sclerosis.

Medical Cannabis Market Drivers

The demand and growth in the medicinal cannabis market is thought to be driven by a number of factors. These include, but are not limited to:

- (a) **Regulatory reform:** Legal access to medical cannabis products is the key driver of market growth. Australia has seen significant reform in the past two years and is now currently on the public spotlight due to the increasing amount of positive research surrounding the benefits of medical cannabis.
- (b) **Clinical trials:** A significant increase in the number of clinical trials that are currently underway globally are expected to increase rapidly. This should result in high-quality data to guide medical professionals in the varying applications of medical marijuana to human consumption.
- (c) **Safety profile:** A further understanding of the reduced side effects, well documented increased quality of life and the remote likelihood of a potential overdose will provide medical cannabis with a strong safety profile that will make it an appropriate addition to the options available to patients, that look to treat various medical issues.
- (d) **Rising social acceptability:** Shifting societal perception of marijuana from its traditional broader public and social stigma has led to an increased acceptance and legitimacy as an alternative treatment via medical cannabis products.
- (e) **Aging population:** Chronic illnesses are becoming more prevalent as first-world populations continue to age. In turn, this will drive demand for effective medications.

Nutritional Hemp division

Hemp is classified as a superfood due to its nutritional benefits:

- (a) **Good source of omega:** hemp is a good source of essential fatty acids with an ideal ratio of 3:1 for omega-6 to omega-3.
- (b) **Source of protein & amino acids:** hemp contains all 10 essential amino acids.
- (c) **Gluten free:** hemp seeds are gluten free.
- (d) **Good for the gut:** hemp does not contain enzyme inhibitors unlike other vegetables and the body can easily digest the nutrients contained in a serving.

Many major geographies have legalised the retail of hemp food products, including Australia. Nutritional hemp was legalised in Australia in November 2017,

with MCL well placed to take advantage of this growing industry with its existing farming network and production infrastructure.

The wider Australian food market is seeing growth in higher-value, healthier and free-from alternatives to traditional groceries. Organic retail sales grew at a compound annual growth rate of 12.4% over period 2011-2016, with market value in 2016 at \$701.3m and demand expected to continue outstripping supply.

The nutritional hemp industry in Australia is in an early stage, given hemp food only became legal domestically in November 2017. MCL is well positioned given it has a vertically integrated food business from the seed to the shelf and existing management experience in distributing organic and health orientated food products. MCL is unaware of a hemp food producer with larger processing capacity with competitors small, fragmented and not integrated along the value chain.

1.1.4 Overview of products

Hulled Hemp Seeds



Raw hemp seeds possess an optimal ratio of omega 3, 6 & 9 for long term healthy human nutrition, are naturally low in carbohydrates and high in BCAA's. Hemp seeds naturally contain all 10 essential amino acids, a range of vitamins and minerals including calcium, folate, iron, high in protein and more. VitaHemp suggests customers try in smoothies, add to yoghurts, salads, also in baking. The hulled seeds when mixed in a high-speed blender produce a delicious fresh vegan milk.

Hemp Protein



VitaHemp Hemp seed protein powder is high in digestible protein (52%) and possesses 20 amino acids, including the 10 essential amino acids that the human body is unable to produce on its own. Hemp seed protein powder is a natural

source of vitamins A, C and E and beta-carotene and is rich in protein, carbohydrates, minerals and fibre. Used in protein shakes, baking, smoothies and as a breakfast topping.

Hemp Oil



With its familiar nutty flavour, this high quality versatile oil can be added to smoothies, applied to salads, dressings, sauces, pasta dishes, drizzled over cooked fish and meat, incorporated in low heat baked recipes such as cakes, cookies and desserts and in many other instances where high quality nut oils are used. Excellent for vegetarians and vegans.

Hemp Oil Capsules



Hemp seed oil is also a fish oil replacement, a great source of antioxidants (Vitamin E), minerals and Vitamin D, which is vital for calcium absorption, along with generous amounts of iron and zinc. A rich source of essential fatty acids and gamma linolenic acid, hemp seed oil includes omega 6 and omega 3 in a naturally occurring 3:1 ratio, considered an essential part of a balanced diet.

Hemp Flour



VitaHemp Hemp seed flour is a very versatile baked goods ingredient, naturally gluten-free, it is a nutritious and flavoursome alternative or enhancer to wheat-flour. It is a great substitute for those with gluten intolerance, especially for our changing diets where highly processed ingredients and foods are being avoided. The product is wheat, nut and grain free, rich in fibre and protein and a supplementary source of amino acids.

Nutritional Hemp Market Drivers

The demand and growth in the nutritional hemp market is thought to be driven by a number of factors. These include, but are not limited to:

- (a) **Regulatory reform:** Legal access to hemp food products is the key driver behind market growth. Retail in Australia was legalised in November 2017 and thus the market is in its infancy and growing off a low base.
- (b) **Food allergies:** A rise in food allergies, including gluten and lactose intolerances, is driving a need for free-from alternatives that are easy to digest.
- (c) **Changing diets:** Demand for meat-free protein sources and alternative healthy oils is rising due to changing dietary habits globally as consumers focus on wellness and sustainability.
- (d) **Health consciousness:** Growing levels of health consciousness encourage consumers to seek out healthier alternatives to traditional snacks.

1.1.5 Reason for the Acquisition

Overview

The value of MCL and Medcan combined is greater than the sum of the individual businesses. Both parties achieve value uplift with clear and deliverable synergies. MCL will have access to a company with ODC Production Licences while Medcan will be able to fast track its market reach and its growth of cannabis via access to MCL's genetics and seed bank knowledge, contacts, expertise and international reach.

Medcan's experienced management, their expertise, motivation and dedication, will enhance the broader success of MCL. Following the Medcan Acquisition, MCL will be able to fulfil its vision of becoming a fully vertically integrated cannabis company with the ability to develop its own unique products and to produce tailored treatments for patients to the highest standard. This should ensure the generation of further significant short-term revenues for QBL.

ODC Production Licences

As noted above, Medcan has ODC Production Licences to legally cultivate and produce high THC and CBD chemovars and cultivars to make medicinal cannabis products in Australia. Following the Acquisition, QBL through its ownership of Medcan, will have access to the Production Licences which will enable value maximisation of MCL's established seed bank, unique cannabis genetics and medical cannabis distribution divisions.

QBL/MCL will be able to complete its second locally vertically integrated business from 'seed to consumer' in medicinal cannabis and will be the only

medicinal cannabis company in Australia with two complete fully vertically integrated businesses; nutritional hemp and medicinal cannabis.

Medcan's Production Licences assists MCL to realise and fulfil its aim to cultivate medical cannabis in Australia and manufacture its own GMP pharmaceuticals, nutraceuticals and therapeutics for distribution and sale to the Australian market and international export market, with the potential to return significant revenues for QBL.

Vertically integrated strategy

QBL management believe this vertically integrated model is a major competitive advantage for QBL in the Australian market, allowing for the best value to be obtained from a lawfully recognised source and seed bank of over 25 varieties of unique cultivars, chemovars and genetics, legally developed over two decades through capturing profit across the value chain.

The Medcan Acquisition also enables the ability to produce cannabinoids, refined concentrates and isolates for the scientific and research communities, both locally in Australia and overseas. MCL already has exclusivity to produce and distribute the CannTab pharmaceutical grade extended release pain relief pill in Australia and Asia.

Medcan is also currently in negotiations to manufacture a number of other products for licenced producers of medical cannabis. MCL has also been approached by overseas manufacturers to be their supplier of choice.

1.2 Acquisition – Terms and Conditions

1.2.1 Medcan Agreement – Terms and Conditions

The Company has entered into the Medcan Agreement pursuant to which it will acquire 100% of the Medcan Shares and 100% of the Medcan Units (**Medcan Trust**) from the Medcan Securityholders.

The Medcan Agreement is subject to the following material terms and conditions:

- (a) **Exclusivity payment:** the issue of 2 million QBL Shares as an exclusivity payment for the grant of the rights under the Medcan Agreement. These Shares are part of the 250,000,000 Shares to be issued to the Medcan Securityholders as set out below and are intended to be issued on 1st September 2018.
- (b) **Conditions:** The Medcan Acquisition is subject to the following conditions:
 - (i) obtaining all necessary Shareholder, regulatory and third-party approvals pursuant to the ASX Listing Rules and the Corporations Act to allow the Company to lawfully complete the Medcan Acquisition; and
 - (ii) ASX providing a letter of approval for Shares to be re-instated to trading on ASX on conditions acceptable to the Company.

If the conditions are not satisfied or waived by 31 October 2018, the parties may terminate the Medcan Agreement by written notice to each other.

- (c) **Consideration:** The consideration payable to the Medcan Securityholders for their Medcan Shares and Medcan Units will be satisfied through the issue of a total of 250,000,000 Shares in proportion to their respective holdings in Medcan and the Medcan Trust.
- (d) **Management contracts:** The parties have agreed to negotiate arm's length management contracts for Mr Craig Cochran and Mr Gareth Ball for the first two years following settlement of the Medcan Agreement. The remuneration for the management contracts will include, subject to the Company seeking the appropriate ASX waivers:
- (i) **(Year 1):** a quarterly issue of 1.25 million Shares for Mr Craig Cochran and 1 million Shares for Gareth Ball;
 - (ii) **(Year 2):** the same quarterly issue of Shares to each of Mr Cochran and Mr Ball, plus an increase based on CPI;
 - (iii) **(Performance bonus):** Medcan will agree to a performance bonus to the management divided pro-rata of 10% net profit of Medcan, minus the remuneration already received as salary; and
 - (iv) **(Years 3-5):** if Medcan is trading profitably it will continue to offer management contracts to the Medcan Securityholders' nominated executives on an arm's length basis at the equivalent year 1 & 2 current cash value of the above Share remuneration plus an increase based on CPI, plus 10% of Medcan's net profit, minus the annual remuneration already received as salary.

The Company has agreed to guarantee the first and second year of Medcan's obligations under the management contracts, but will not be required to guarantee its obligations under years 3 to 5.

- (e) **Settlement:** Settlement of the Medcan Acquisition is expected to occur within 5 business days following satisfaction of the conditions.

On completion of the Medcan Agreement, Medcan will be 100% owned by QBL and become its wholly owned subsidiary.

1.2.2 MCL Agreement – Terms and Conditions

In addition to the Medcan Agreement, the Company has also executed the MCL Agreement under which it will acquire the remaining 45% of MCL Shares it does not already own from the MCL Shareholders.

The MCL Acquisition is subject to the following material terms and conditions:

- (a) **Conditions:** The MCL Acquisition is subject to the following conditions:
- (i) the Company receiving acceptances under the offer to acquire the MCL Shareholders that give it a relevant interest in at least 90% of all the MCL Shares on issue on a fully diluted basis;
 - (ii) the Company obtaining all necessary Shareholder, regulatory and third-party approvals pursuant to the ASX Listing Rules and

the Corporations Act to allow the Company to lawfully complete the MCL Acquisition;

- (iii) the Company entering into the Medcan Agreement (which has already occurred); and
- (iv) ASX providing a letter of approval for Shares to be re-instated to trading on ASX, on conditions acceptable to the Company,

If the conditions are not satisfied or waived within 6 months of the MCL Agreement being executed, the parties may terminate the MCL Agreement by written notice to each other.

- (b) **Consideration:** The consideration payable to the MCL Shareholders for their MCL Shares is a total of up to 1,212,857,143 Shares. The value of the consideration payable has been determined by the parties with reference to the value attributed to MCL through the Company's share trading history on the ASX from when the MCL acquisition was entered into.
- (c) **Acceptance of offer:** The major shareholders of MCL, who together hold 38% of the total MCL Shares on issue, have covenanted in favour of the Company that they will accept the offer made by the Company to acquire their MCL Shares and sign all documentation, including restriction agreements as required by ASX, to complete the MCL Acquisition.

It should be noted that MCL proposes to raise up to \$500,000 before the completion of the recompliance to fund its activities up to that date. It is for this reason that the resolution to approve the issue of Shares to MCL Shareholders notes the amount of Shares as being "up to" 1,212,857,143, as this will give the Company capacity to issue Shares to the parties who subscribe for Shares in MCL as part of the capital raising, assuming the maximum amount is raised.

Shares issued to the MCL Shareholders will be subject to restrictions pursuant to the requirements of the ASX Listing Rules.

1.2.3 HHC Agreement

MCL, Hemp Hulling Co (Qld) Pty Ltd (**HHC**) and HHC's major shareholder, previously entered into the HHC Agreement, pursuant to which MCL agreed to acquire a 55% shareholding in HHC in two stages. In consideration of the initial 25% interest, MCL provided a \$300,000 cash payment together with the issue of a 5% shareholding interest in MCL's VitaHemp brand. The parties have agreed that MCL will acquire the additional 30% interest in HHC through the issue of 40,540,541 Shares the subject of Resolution 4.

1.2.4 T12 Agreement

Mr Sebastian Edwards and Mr Samuel Edwards of HHC are also the founders of Organic Markets Direct, a major wholesaler of health foods that include Hemp Seed products, Chia Seeds, Green Leaf Stevia, Cacao, Buckwheat, Brown Rice and other pantry foods.

They have established Australian & International brands EM Super Foods, Australian Grown Naturals (AGN), Black Bag and OMD.

Organic Markets Direct via brands AGN and OMD, are Australia's largest exporter of Chia Seeds (Australian Grown) into Vietnam, Singapore and Hong Kong.

The parties believe that now the time is right to merge all, and create one large Health & Wellness Food group. This is a true whole-food collective of street smarts, corporate knowledge and experience. The merged group shares a common passion for Australian Grown and selective high-end imported foods.

In order to do so, it has been agreed that MCL acquire these businesses, held via T12 Holdings Pty Ltd (**T12**).

MCL and T12's major shareholder, have entered into the T12 Agreement, pursuant to which MCL has agreed to acquire a 100% shareholding in T12 in consideration for the issue of 21,621,622 Shares the subject of Resolution 7.

1.3 Regulatory Approvals and Operating Jurisdictions

The Acquisition requires the necessary regulatory approvals as set out in this Notice, and as part of the approvals, the Company is required to issue a Prospectus.

The necessary licences for the Company, Medcan and MCL to operate the medical cannabis business in Australia include a Medical Cannabis Production Licence (Australian Cultivation & Production Licence) from the Office of Drug Control and a Cannabis Import and Export Licence, further details of which are set out in more detail in section 1.1.5. The regulatory risks are set out in the section 1.6 in the Risk Factors section of this Notice.

Shareholders need to read these sections in full.

The Company intends to operate in Australia, however it has entered into transactions with entities operating in Canada and is working with entities in Israel for research purposes. It is the intention of the Company not to limit its operations to Australia, and while at this stage that remains the case, it will look at opportunities on a global basis subject to those countries having an appropriate regulatory regime.

1.4 Acquisition – Indicative Timetable

An indicative timetable for completion of the Acquisition and associated transactions is set out below:

Timetable	Date
Dispatch of Notice of Meeting	15 August 2018
Lodgement of the Prospectus with ASIC	29 August 2018
General Meeting	14 September 2018
Close of the offer under the Prospectus	21 September 2018
Completion of Medcan/MCL Acquisition	3 October 2018
Anticipated date the suspension of trading is lifted and QBL's securities commence trading again on ASX	10 October 2018

Please note this timetable is indicative only and the Directors reserve the right to amend the timetable as required.

1.4.1 Pro-forma Balance Sheet

A pro-forma balance sheet of the Company following the completion of the Acquisition is set out in Schedule 1.

The Acquisition will have an effect on the Company's revenue and expenditure. The revenue is not capable of being determined at this stage as the Company does not have a reasonable basis to make a forecast, and the anticipated effect on expenditure is set out in the Use of Funds in Section 1.4.3. The Use of Funds is indicative only and subject to change.

1.4.2 Pro-Forma Capital Structure

The anticipated capital structure of the Company following the completion of the Acquisition and other issues of securities as contemplated in this Notice is set out below:

	Shares	Options	Performance Shares
Securities currently on issue	1,593,852,092	2,846,046 ¹	50,000,000 ²
Capital raising pursuant to the Prospectus	57,000,000 ³	28,500,000	Nil
Shares to be issued pursuant to the MCL Acquisition ⁴	1,212,857,143	Nil	Nil
Shares to be issued pursuant to the Medcan Acquisition ⁴	250,000,000	Nil	Nil
Shares to be issued pursuant to purchase of HHC ⁵	40,540,541	Nil	Nil
Shares to be issued pursuant to purchase of T12 ⁶	21,621,622	Nil	Nil
TOTAL⁷	3,175,871,398	31,346,046	50,000,000

Notes:

1. Unlisted Options exercisable at \$0.06 and expiring on 30 August 2018 and the new options will be exercisable at \$0.10 and expiring on 30 April 2020.
2. Converting into fully paid ordinary Shares upon the achievement of the Australian Government granting a permit to MCL to grow cannabis varieties for medical cannabis research for the purposes of product development between the date of issue of the Performance Shares and 5 years after that date. These Performance Shares were issued on 28 September 2017 as part of the consideration payable for QBL's acquisition of its 55% interest in MCL and approved by Shareholders on 17 September 2017. These Performance Shares are subject to a 12-month escrow period.
3. Based on a price per share of \$0.035 each to raise a minimum of \$1,995,000 and up to a maximum of 170,000,000 Shares to raise up to \$5,950,000. The Capital Raising under the Prospectus is expected to include an exclusive priority offer to Shareholders.

4. Nearly all of these additional Shares to be issued by QBL to MCL Shareholders (other than those issued for cash using the standard ASX cash formula) and to Medcan Securityholders, will be subject to a 24-month escrow period.
5. Pursuant to a heads of agreement between MCL and Hemp Hulling Co (Qld) Pty Ltd (**HHC**) and HHC's major shareholder, MCL agreed to acquire a 55% shareholding in HHC. In consideration for this acquisition, MCL paid a \$300,000 cash payment, together with the issue of a 5% shareholding interest in MCL's Vitahemp brand for an initial 25% interest. MCL has acquired a further 30% interest in HHC, for which the Company is to issue in consideration \$1.5 million of Shares. The parties intend to satisfy this payment through this issue of 40,540,541 Shares at a deemed issue price of \$0.37 per Share. Refer to Section 6 (Resolution 4) for further information.
6. Pursuant to a heads of agreement between QBL and T12 Holdings Pty Ltd (**T12**), QBL agreed to purchase T12 in return for an issue of 21,621,622 shares in QBL.
7. This assumes that no Options are exercised and that none of the Performance Share milestones are satisfied (see note 2 above).

1.4.3 Use of funds

It is proposed that the funds raised plus the Company's existing cash will be applied in the next two years as follows:

Item	Amount	Percentage
Existing cash reserves of the Company	8,924,918	82%
Funds raised under the Capital Raising	1,995,000	18%
TOTAL	10,919,918	100%
<u>Use of Funds:</u>		
Operating and outfitting of an indoor growing and manufacturing cannabis facility	2,600,000	24%
Estimated general costs of the Medcan Acquisition	20,000	0%
Costs associated with the re-compliance with Chapters 1 & 2 of the ASX Listing rules	250,000	2%
Capital raising fees	100,000	1%
Medical research and product development	1,500,000	14%
Hemp business development and marketing	1,500,000	14%
Exploration and expenditure associated with the bauxite project and development	1,500,000	23%
Corporate and administration costs	1,000,000	10%
Balance for working capital and Year 2 expenditure	2,399,918	12%
TOTAL	10,919,918	100%

Notes:

1. Existing cash reserves as at 31 December 2017.

The above table is a statement of current intentions as at the date of this Notice. Intervening events may alter the way funds are ultimately applied by the Company.

1.5 QBL Business Plan – Post Acquisition

There will be no change to the Board as a result of the proposed Acquisition, however through the acquisition of Medcan and MCL, the Company will gain access to the skilled management teams of each of these respective companies.

The Company's Board currently comprises:

- (a) Pnina Feldman (*Executive Chairperson*);
- (b) Sholom Feldman (*Executive Director*);
- (c) Meyer Gutnick (*Independent Non-Executive Director*); and
- (d) David Austin (*Alternate Director*).

MCL's Board Currently comprises:

- (a) Pnina Feldman (*Executive Chairperson*);
- (b) Sholom Feldman (*Executive Director*);
- (c) Andrew Kavasilas (*Executive Director*); and
- (d) John Easterling (*Independent Executive Director*).

Medcan's Board currently comprises:

- (a) Craig Cochran (*CEO*); and
- (b) Gareth Ball (*Executive Director*).

It is intended that the current directors of the various entities will remain in their positions as directors post the Acquisition.

Following the integration of Medcan and MCL into the Company, the Company will be comprised of two separate operating divisions; mining and cannabis.

Upon the successful completion of the Acquisition, the Company will primarily focus on legally growing, producing, cultivating and manufacturing hemp and medicinal cannabis products to service an increasing demand in the Australian and global markets, but will also retain its current interest in its existing Bauxite Projects.

1.5.1 Cannabis division

The Acquisition will enable the Company to complete its second vertically integrated business from 'seed to consumer' in medicinal cannabis (as further discussed in Section 1.1.3).

Following the Acquisition, QBL plans to utilise MCL and Medcan's management experience in the cannabis industry and the intellectual property it has developed in its seed bank to take advantage of opportunities relating to the emerging medical cannabis and nutritional hemp industries.

Through its existing investment in seed growing and food processing infrastructure, the Company intends to generate revenue from hemp food and nutritional products. Marketing and branding strategies are aimed at both growing market share and increasing the size of the fledgling industry. The Company's vertically integrated structure is aimed at maximising margins across the value chain.

MCL's medical cannabis strategy is to leverage the value of the cannabis genetics it has developed over the last decade. Partnerships on auto immune and multiple sclerosis cannabis research with the world leading Israeli professors and cannabis research laboratory facilities at the Technion in Haifa, and the exporting of genetics to Canntab for use in medical cannabis products are examples.

MCL also intends to distribute medical cannabis products in Australia, initially pain relief products via an agreement with Canntab, and now to grow and manufacture its own medical cannabis products for the local and global markets through its acquisition of Medcan.

MCL believes there is significant value in its intellectual property and the implementation of its strategy to generate potential revenues in the medical cannabis and nutritional hemp industries.

1.5.2 Mining division

Following completion of the Acquisition, the Company will also focus on progressing its Bauxite assets to commercialisation. QBL's strategy is to:

- (a) define significant bauxite resources close to port and near established infrastructure;
- (b) short list potential joint venture partners;
- (c) gain requisite approvals;
- (d) establish mining operations;
- (e) export bauxite ore to Asian alumina refineries;
- (f) use initial DSO cash flow to fund further exploration and DSO production expansion; and
- (g) acquire or joint venture other mining projects of value to the Company.

Summary of South Johnstone Project

The Company has been granted a mining development licence (**MDL**) from the Queensland Department of Natural Resources and Mines at the Company's South Johnstone Bauxite project in Northern Queensland.

The South Johnstone Project is particularly well situated geographically as it is located only 15-24 kilometres from the Port of Mourilyan where there is a

currently available export allocation to QBL and capacity for direct shipping to export markets.

The MDL grant is an important milestone for the Company. It is part of its overall strategy to develop an export operation in a staged development of South Johnstone that allows for long term mining and export, prospect by prospect at low cost. Conclusion of offtake or partnership arrangements and the initial pilot programme should prove the viability of this approach for the long term.

Concurrently, QBL will look to increase the JORC Indicated Resource from ongoing regional work programs while commencing production on the first prospects.

The main objective of the Company in developing this project is to generate positive net cash flows as quickly as possible.

Following on from the grant of the MDL by the Queensland Department of Mining in respect of the South Johnstone Bauxite Project and the sending of bulk samples to potential customer refineries to secure offtake, members of the Company's management team, as announced on 26 April 2018, have recently visited several Chinese bauxite refineries and aluminum smelters whose executives have expressed interest in partnering in the development of the South Johnstone Bauxite Project. The team has also met with Hong Kong based metals marketing platforms who have expressed an interest to assist in the commodity trading with QBL. This remains an ongoing process.

Off take

The Company is continuing its discussions with a number of groups including end users for off take of bauxite from South Johnstone.

Progress is being made in discussions with offtake partners and the current strategy of enabling the project to be ready for production in a staged manner will assist these efforts, by giving the end users clarity of timing for buying of the product.

High Demand

Forward demand continues to be strong for bauxite given the favourable demand and supply metrics.

The global market requires a constant supply of bauxite to meet the growing demand and South Johnstone is well positioned to capitalise on demand.

Bauxite at South Johnstone is predominantly gibbsite which is the preferred form of bauxite as it is easier to process at low temperature than non-gibbsitic bauxite.

Port

Profit margins in bauxite mines in general are strongly affected by transportation costs, and producers often need to even build the railroads and regular roads to transport the material many kilometres to a deep water port, and then in addition pay the cost of shipping from that port to a large importer of bauxite like China.

North Queensland is one of the nearest ports to China. It is closer than nearly all the major bauxite export provinces around the world.

The Company's South Johnstone Bauxite Project in North Queensland is situated near a deep water port suitable for exports and stands to have a significant competitive advantage in terms of transport and shipping costs.

Geological Summary of Material Information

QBL has an Indicated JORC Resource of 1.9 million tonnes at Camp Creek.

QBL's JORC Code Indicated Resource within EPM 18463 is based on a coverage of holes on a 200m x 200m grid over most of Camp Creek (51 auger holes and 1 aircore hole drilled into a sound geological model with bauxite recovered in most of those holes). Based on this understanding, a select portion of the bauxite mineralisation at Camp Creek (1.9Mt at 29.7% Av Al₂O₃ 3.2% Rx SiO₂) has been classified as a JORC Code Indicated Resource (Refer tables below).

Camp Creek is one of the areas of bauxite mineralisation discovered by the Company through its regional drilling programs within exploration permit EPM 18463. EPM18463 was applied for by the Company to cover a bauxite exploration target (basaltic lava flows within the palaeo-Johnstone valley) based on the geologic model.

Geology and Geological Interpretation

Bauxite mineralisation occurs at surface in a weathering profile that is known from the drilling to extend from surface to a depth of about 5m. It is found as a continuous blanket overlying flat-lying basalt flows of the Atherton Province within EPM18463. The deposit formed by weathering of the basalt surfaces with resultant leaching of silica downwards and concentration of alumina towards the surface of the profile. In most of the drilling carried out to date, a gradual decline in alumina and increase in silica with depth is noted in the first few metres indicating an in-situ weathering profile over basalt.

Confidence in the geological interpretation of the mineral deposit at Camp Creek, and specifically within the MDL area, is high because of its simple geometry and topographic conformity - a flat-lying visible weathering horizon at surface related to a palaeo-surface. Drilling to date indicates there is little to no overburden.

Drilling on a 50m x 50m grid provides confidence that the geology and mineralisation can be interpolated between boreholes containing bauxite across un-dissected terrain at the same general elevation. Mineralisation at Camp Creek was only previously inferred from hole SJAC052 with the topography/ geomorphology guiding the initial Inferred Resource estimation with topographic features such as plateaus, ridge tops etc, interpreted to be part of the original flat lava surface. Results from the September 2014 200m x 200m auger drilling program and the May/June 2015 50m x 50m air core/ auger drilling program at Camp Creek have proved the geological model to be accurate, giving higher confidence to the other resource areas inferred by the Company elsewhere in EPM18463.

Continuity of the mineral deposit was not assumed where the terrain is dissected by younger drainages (i.e. around the plateau edges). Drilling at Camp Creek has also shown this assumption to be correct - i.e. that the surrounding bauxite has been eroded away beyond the current plateau edges.

Mineral Resources and Ore Reserves Statement

The Company has not announced any JORC Measured Resources or Ore Reserves at the present time.

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 BA Hons MSc PhD. 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.

1.5.3 Growth Strategy

The Company will continue to seek value investments and opportunities in the resources sector to complement its existing business, to maximise shareholder value when the opportunities arise.

1.6 Risk Factors

1.6.1 Introduction

Shareholders should be aware that if the Resolutions are approved and the Acquisition is completed, the Company will be re-complying with Chapters 1 and 2 of the ASX Listing Rules and will be subject to various risk factors.

Based on the information available, a non-exhaustive list of risk factors are set out below.

The Company's Securities should be considered highly speculative because of the nature of the Company's business. The future profitability of the Company will be dependent on the successful commercial exploitation of its business and operations.

An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors.

The list of risk factors in this Section should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The risk factors, and others not specifically referred to, may in the future materially affect the financial performance of the Company and the value of the Securities. Therefore, the Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

The business assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which the Board can effectively manage them is limited.

1.6.2 Key Risks relating to the Change in Nature and Scale of Activities

- (a) **Completion Risk:** The Company has agreed to acquire 100% of Medcan and MCL, completion of which is subject to the fulfilment of certain conditions. There is a risk that the conditions for completion of the Acquisition cannot be fulfilled and, in turn, that completion of the Acquisition does not occur.

If the Acquisition is not completed, the Company will incur costs relating to advisors and other costs without any material benefit being achieved.

- (b) **Re-quotations of shares on ASX:** As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the ASX Listing Rules. It is anticipated that the Company's securities will be suspended from trading on the ASX until completion of those transactions, the minimum approximate \$2 million Capital Raising, re-compliance by the Company with Chapters 1 and 2 of the ASX Listing Rules and compliance with any further conditions ASX imposes on such reinstatement.

There is a risk that the Company will not be able to satisfy one or more of those requirements and that its securities will consequently remain suspended from official quotation. The Company however, following the recent detailed discussions with the ASX surrounding these acquisitions and QBL's re-compliance obligations, at the moment sees no reason why the Company should not be able to re-comply according with these conditions within a few weeks of the forthcoming Meeting.

- (c) **Dilution Risk:** The Company currently has 1,593,852,092 Shares on issue. On completion of the Acquisition, the Company proposes to issue the 250,000,000 Shares to Medcan Securityholders in consideration for the Medcan Acquisition and 1,212,857,143 Shares to MCL shareholders in consideration for the MCL Acquisition.

The Company is also proposing to issue 40,540,541 Shares to HHC shareholders (Resolution 4), 4,500,000 Shares to Medcan management (Resolutions 5 and 6), 21,621,622 Shares to the T12 Shareholders (Resolution 7), 5,410,000 Shares to T12 Management (Resolutions 8 and 9) and up to 170,000,000 Shares to participants under the Capital Raising (Resolution 10).

With the Company expected to have approximately 3,175,871,398 Shares on issue at the time of its reinstatement to trading, existing Shareholders are expected to be diluted by approximately 49.81% on completion of the Acquisition and the Company's reinstatement to trading.

Liquidity: On completion of the Acquisition, the Company proposes to issue Shares to the Medcan Securityholders and MCL Shareholders. The Company understands that ASX may treat some of these Shares as restricted securities in accordance with Chapter 9 of the Listing Rules.

This could be considered an increased liquidity risk as a portion of issued Shares may not be able to be traded freely for a period of time.

- (d) **Uncertainty of Future Profitability:** The Company has incurred losses in the past and it is therefore not possible to evaluate the Company's future prospects based on past performance. The Company expects that it may continue to make losses in the immediate future. Factors that will determine the Company's future profitability are its ability to manage its costs and its development and growth strategies, the success of its activities in a competitive market, the actions of competitors and regulatory developments. As a result, the extent of future profits, if any, and the time required to achieve sustainable profitability, is uncertain. In addition, the level of any such future profitability (or loss) cannot be predicted and may vary significantly from period to period.

1.6.3 Specific Risks to Medcan and MCL businesses

- (a) **Mainstream Acceptance of Cannabis:** The success of the Australian cannabis industry will depend on the extent of political and communal support for cannabis production as a medical remedy. Support from politicians and the Australian population has been positive over the last few years and while the company expects this momentum to continue, should sentiment turn the Company's operating environment could be at risk.
- (b) **Changing Regulations:** The Company must meet all relevant criteria for any additional licences that may be required to operate in the highly regulated environment. If there are adverse changes in the current laws or if the Company is not able to meet licensing criteria to procure any additional licences that may be required, the business operations of the Company will be at risk.
- (c) **Agricultural Factors:** The growing of cannabis is subject to agricultural risks that could impact yield. While the indoor production facility proposed by Medcan will seek to limit outside influences, natural factors could result in production risks.
- (d) **Competition Risk:** There are many new entrants and players in this sector, including other growers and multi-national pharmaceutical companies. Some of these parties may have greater financial, technological, managerial and research and development resources and experience than the Company. If the Company is unable to compete successfully, it may be unable to generate, grow and sustain its revenues and earnings.
- (e) **Key Management Risk:** The Company is highly dependent on its management and key personnel, who are responsible for its day-to-day operations and strategic management. If one or more of these personnel cease his/her involvement with the Company, it could have a materially detrimental impact on its future financial performance. The ability to attract and retain highly qualified staff is crucial to the future success of the Company. There can be no assurance that the Company will be able to so attract and retain such staff.
- (f) **Protection of Intellectual Property:** The Company relies on a combination of trade secret protection (i.e. know-how), and confidentiality agreements to protect its intellectual property and without infringing on the proprietary rights of others. Failure to

adequately protect its intellectual property rights may have a material adverse impact on the Company's business.

1.6.4 General Risks

- (a) **Regulatory:** The Company is based in Australia and is subject to Australian laws and regulations. For example, the Company is required to comply with the Corporations Act. Changes in relevant taxes, legal and administration regimes, accounting practice and government policies in the countries in which the Company operates, and may operate, may adversely affect the financial performance of the Company.
- (b) **Government Licences and Approvals:** Failure to comply strictly with applicable laws, regulations and local practices could result in loss, reduction or expropriation of entitlements, or the imposition of additional local or foreign parties as joint venture partners with carried or other interests. The occurrence of these various factors and uncertainties cannot be accurately predicted and could have an adverse effect on the operations or profitability of the Company.
- (c) **General Economic and Political Risks:** Changes may occur in the general economic and political climate in the jurisdictions in which the Company operates and on a global basis that could have an impact on economic growth, interest rates, the rate of inflation, taxation, tariff laws and domestic security which may affect the value and viability of any activity that may be conducted by the Company.
- (d) **Additional Requirements for Capital:** The Directors expect that the Company will have sufficient capital resources to enable the Company to achieve its initial business objectives upon settlement of the proposed transactions. However, the Directors can give no assurances that such objectives will in fact be met without future borrowings or capital raisings.

The Company's capital requirements depend on numerous factors. The Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

- (e) **Economic Risks:** General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.
- (f) **Market Conditions:** Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:
 - (i) general economic outlook;
 - (ii) interest rates and inflation rates;
 - (iii) currency fluctuations;

- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and energy stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(g) **Share Market Risk:** The market price of the Company's Shares could fluctuate significantly. The market price of the Company's Shares may fluctuate based on a number of factors including:

- (i) the Company's operating performance and the performance of competitors and other similar companies;
- (ii) the public's reaction to the Company's press releases;
- (iii) other public announcements and the Company's filings with securities regulatory authorities;
- (iv) changes in earnings estimates or recommendations by research analysts who track the Company's Shares or the shares of other companies in the sector;
- (v) changes in general economic conditions;
- (vi) the number of the Company's Shares publicly traded and the arrival or departure of key personnel; and
- (vii) acquisitions, strategic alliances or joint ventures involving the Company or its competitors.

In addition, the market price of the Company's Shares is affected by many variables not directly related to the Company's success and are therefore not within the Company's control, including other developments that affect the market for all shares in the Company's market sector, the breadth of the public market for the Company's Shares, and the attractiveness of alternative investments.

(h) **Potential Acquisitions:** As part of its business strategy, the Company may make acquisitions of, or significant investments in, complementary companies or prospects and additional assets. Any such acquisitions will be accompanied by risks commonly encountered and listed in this section.

(i) **Reliance on Key Personnel:** The Company is substantially reliant on the expertise and abilities of its key personnel in overseeing the day-to-day operations of its projects. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees or contractors cease their relationship with the Company.

(j) **Claims, Liability and Litigation:** The risk of litigation is a general risk of the Company's business. There is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.

1.7 Acquisition – advantages / disadvantages / recommendation

1.7.1 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Acquisition represents a significant opportunity for the Company to increase the scale of its activities which should increase the number and size of the investor pool that may invest in the Company's Shares;
- (b) the Acquisition provides the Company with the opportunity to increase the value of the Company; and
- (c) the Company may be able to take advantage of the forecasted multi billion dollar growth in the newly legalised cannabis industries in Australia and globally.

1.7.2 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Resolutions:

- (a) the Company will be changing the scale of its activities which may not be consistent with the objectives of all Shareholders;
- (b) the Acquisition, Capital Raising and associated transactions the subject of this Notice will result in the issue of a significant number of Shares to the MCL Shareholders and Medcan Securityholders and new investors which will have a dilutionary effect on the holdings of Shareholders;
- (c) there are inherent risks associated with the change in nature of the Company's activities. Some of these risks are summarised in Section 1.5.2 above;
- (d) future outlays of funds from the Company may be required for its proposed business operations; and
- (e) there are additional risk factors associated with the change in nature of the Company's activities resulting from the Acquisition. Some of the key risks are summarised in Section 1.5 above.

1.7.3 Plans for the Company if the Resolutions are not Passed

If the Resolutions are not passed and the Acquisition is not completed, the Company will lose the opportunity to progress the Medcan acquisition and will also be required by the ASX to either sell off its interest in MCL or spin it out of the company in an independent IPO. The Company would then return to being a pure mineral exploration company, and thereby shareholders will potentially lose the direct value of the MCL and Medcan businesses moving forward. Additionally, the Company may look for other potential projects which have the potential to deliver future growth to Shareholders.

1.7.4 Director's Recommendation

The Company has undertaken appropriate enquiries into the assets, liabilities, financial position, financial performance, profits and losses and prospects of MCL and Medcan, for the Board to be satisfied that the transaction is in the interests of the Company and its Shareholders. The Directors do not have any material personal interests in the outcome of the Acquisition Resolutions.

The Board unanimously recommends that Shareholders vote in favour of the Acquisition Resolutions as, after an assessment of the advantages and disadvantages referred to in Sections 1.7.1 and 1.7.2, they are of the view that the advantages significantly outweigh the disadvantages and consider the proposed Acquisition and associated transactions to be in the best interests of Shareholders.

2. RESOLUTION 1 – CHANGE TO NATURE AND SCALE OF ACTIVITIES

2.1 General

As outlined in Section 1 of this Explanatory Statement, the Company entered into the Medcan Agreement pursuant to which the Company will acquire 100% of Medcan Shares and Medcan Units from the Medcan Securityholders. The Company has also entered into the MCL Agreement pursuant to which the Company will acquire the remaining MCL Shares which it does not already hold from the MCL Shareholders.

A detailed description of the proposed Acquisition is outlined in Section 1. ASX has determined that the Acquisition will result in the change in the nature and scale of the Company's bauxite activities.

Resolution 1 seeks approval from Shareholders for the change to the nature and scale of the activities of the Company resulting from the Acquisition.

Resolution 1 is conditional on the approval of all other Acquisition Resolutions.

2.2 ASX Listing Rule 11.1

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature and scale of its activities, it must provide full details to ASX as soon as practicable and comply with the following:

- (a) provide to ASX information regarding the change and its effect on future potential earnings, and any information that ASX asks for;
- (b) if ASX requires, obtain the approval of holders of its shares and any requirements of ASX in relation to the notice of meeting; and
- (c) if ASX requires, meet the requirements of Chapters 1 and 2 of the ASX Listing Rules as if the company were applying for admission to the official list of ASX.

ASX has indicated to the Company that, given the change in the nature and scale of the Company's activities upon completion of the Acquisition, ASX requires the Company to:

- (a) obtain Shareholder approval; and

- (b) re-comply with the admission requirements set out in Chapters 1 and 2 of the ASX Listing Rules.

For this reason, the Company is seeking Shareholder approval for the Company to change the nature and scale of its activities under ASX Listing Rule 11.1.2.

Accordingly, it is anticipated that the Company's Shares will remain suspended until the Company has settled the Acquisition and re-complied with Chapters 1 and 2 of the Listing Rules, including by satisfaction of ASX's conditions precedent to reinstatement.

The Company will not be undertaking a consolidation of its capital as part of its proposed re-compliance with Chapters 1 & 2 of the Listing Rules, subject to ASX granting an appropriate waiver of Listing Rules 1.1 (Condition 12) and 1.1 (Condition 2). Refer to Section 2.3 below.

If the Resolutions are not approved at the Meeting, it is expected that the Company's Shares will be reinstated to quotation on ASX's Official List after the Company announces the results of the Meeting in accordance with the Listing Rules and Corporations Act.

2.3 Guidance Note 12

Changes to ASX Guidance Note 12 alter ASX's policy in relation to the application of the "20 cent rule" to re-compliance listings. Previously a company was required to re-comply to the Official List of the ASX at an issue price of 20 cents per share as part of compliance with Chapters 1 and 2 of the ASX Listing Rules. Guidance Note 12 states that this issue price can now be below 20 cents where an entity's securities have been trading on ASX at less than 20 cents. ASX will consider a request not to apply the 20 cent rule provided the issue price or sale price for any securities being issued or sold as part of, or in conjunction with, the transaction:

- (a) is not less than two cents each; and
- (b) is specifically approved by security holders as part of the approval obtained under Listing Rule 11.1.2; and
- (c) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy Listing Rules 1.1 condition 1 and 12.5 (appropriate structure for a listed entity).

For this reason, the Company is seeking Shareholder approval for the Company to issue Shares upon re-compliance at an issue price of not less than \$A0.02 per Share, as part of the approvals sought under ASX Listing Rule 11.1.2.

Further, Guidance Note 12 indicated that if an entity is proposing to issue options as part of the transaction (and the entity's ordinary securities have been trading at less than 20 cents), ASX will consider a request for ASX not to apply the Minimum Option Exercise Price Rule, provided that:

- (a) the exercise price for the options:
 - (i) is not less than two cents each; and
 - (ii) is specifically approved by security holders as part of the approvals obtained under ASX Listing Rule 11.1.2; and

- (b) ASX is otherwise satisfied that the entity's proposed capital structure after the transaction will satisfy ASX Listing Rule 1.1 Condition 1 and 12.5.

For this reason, the Company is also seeking Shareholder approval for the Company to issue Options upon re-compliance at an exercise price of not less than \$A0.02 per Option, as part of the approvals sought under ASX Listing Rule 11.1.2.

3. RESOLUTION 2 – ISSUE OF CONSIDERATION TO MEDCAN SECURITYHOLDERS

3.1 General

Resolution 2 seeks Shareholder approval for the issue of 250,000,000 Shares to the Medcan Securityholders (the **Medcan Consideration**) in consideration for the Medcan Acquisition as further detailed in Section 1 above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 2 will be to allow the Company to issue the Medcan Consideration during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 2 is conditional on the approval of all other Acquisition Resolutions.

3.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Medcan Consideration:

- (a) the maximum number of securities to be issued is 250,000,000 Shares at a deemed issue price of \$0.037 per Share;
- (a) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (b) the Shares will be issued for nil cash consideration in consideration of the Medcan Acquisition;
- (c) the Shares will be issued to the Medcan Securityholders, none of whom are related parties of the Company;
- (d) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (e) no funds will be raised from the issue of the Medcan Consideration as the Shares are being issued in consideration for the Medcan Acquisition.

4. RESOLUTION 3 – ISSUE OF CONSIDERATION TO MCL SHAREHOLDERS

4.1 General

Resolution 3 seeks Shareholder approval for the issue of 1,212,857,143 Shares to the MCL Shareholders (**MCL Consideration**) in consideration for the MCL Acquisition as further detailed in Section 1 above.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 3 will be to allow the Company to issue the MCL Consideration during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 3 is conditional on the approval of all other Acquisition Resolutions.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the MCL Consideration:

- (a) the maximum number of securities to be issued is 1,212,857,143 Shares at a deemed issue price of \$0.037 per Share;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in consideration of the MCL Acquisition;
- (d) the Shares will be issued to the MCL Shareholders, none of whom are related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the MCL Consideration as the Shares are being issued in consideration for the MCL Acquisition.

5. RESOLUTION 4 – ISSUE OF CONSIDERATION TO HHC SHAREHOLDERS

5.1 General

Resolution 4 seeks Shareholder approval for the issue of 40,540,541 Shares to the HHC Shareholders (**HHC Consideration**) in consideration for the acquisition by MCL of a further 30% interest in the issued share capital of HHC on top of the original 25% acquired initially. As detailed in Section 1.1.3, HHC is a manufacturer of hemp foods based in Queensland.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month

period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 4 will be to allow the Company to issue the HHC Consideration during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

5.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the HHC Consideration:

- (a) the maximum number of securities to be issued is 40,540,541 Shares at a deemed issue price of \$0.037 per Share;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in consideration of the HHC Acquisition;
- (d) the Shares will be issued to the HHC Shareholders, none of whom are related parties of the Company (other than by virtue of the HHC Acquisition);
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the HHC Consideration as the Shares are being issued in consideration for the acquisition by MCL of a further interest in the issued capital of HHC.

6. RESOLUTIONS 5 AND 6 – ISSUE OF MANAGEMENT SHARES

6.1 General

Resolutions 5 and 6 seek Shareholder approval for the quarterly issue of 2,000,000 Shares to Mr Gareth Ball and 2,500,000 Shares to Mr Craig Cochran (**Management Shares**) pursuant to the terms of the Medcan Agreement.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolutions 5 and 6 will be to allow the Company to issue the Management Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolutions 5 and 6 are conditional on the approval of all other Acquisition Resolutions.

6.2 ASX waiver of Listing Rule 7.3.2

ASX Listing Rule 7.3.2 provides that the date or dates by which an entity must issue securities approved by shareholders under ASX Listing Rule 7.1 is no later than 3 months following the date of the meeting.

The Company is in the process of seeking a waiver from the requirements of ASX Listing Rule 7.3.2 to enable it to complete the issue of Management Shares over a two year period from the commencement date of each of Mr Ball and Mr Cochran's respective management contracts, rather than within the 3 months following the Meeting (**ASX Waiver**).

6.3 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the Management Shares:

- (a) the maximum number of securities to be issued is 36,000,000 Management Shares at a deemed issue price of \$0.049 per Management Share;
- (b) the Management Shares will be issued within 3 months after the receipt of Shareholder approval. Notwithstanding this, the Company will be applying for an ASX Waiver so that the Management Shares can be issued on a quarterly basis;
- (c) the Management Shares will be issued for nil cash consideration in consideration of the Medcan Acquisition;
- (d) the Management Shares will be issued to the Mr Gareth Ball and Mr Gary Cochran, neither of whom are related parties of the Company;
- (e) the Management Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue as the Management Shares are being issued in consideration for the Medcan Acquisition.

7. RESOLUTION 7 – ISSUE OF CONSIDERATION TO T12 SHAREHOLDERS

7.1 General

Resolution 7 seeks Shareholder approval for the issue of 21,621,622 Shares to the T12 Shareholders (**T12 Consideration**) in consideration for the acquisition by MCL of the fully paid issued ordinary share capital of T12. As detailed in Section 1.2.4, T12 is a manufacturer of health foods based in Queensland.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 7 will be to allow the Company to issue the HHC Consideration during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

7.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the T12 Consideration:

- (a) the maximum number of securities to be issued is 21,621,622 Shares at a deemed issue price of \$0.037 per Share;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;
- (c) the Shares will be issued for nil cash consideration in consideration of the acquisition of T12;
- (d) the Shares will be issued to the T12 Shareholders, Sebastian and Sam Edwards, who are not a related party of the Company (other than by virtue of the T12 Acquisition);
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue of the T12 Consideration as the Shares are being issued in consideration for the acquisition by MCL of the issued capital of T12.

8. RESOLUTIONS 8 AND 9 – ISSUE OF MANAGEMENT SHARES

8.1 General

Resolutions 8 and 9 seek Shareholder approval for the issue of 2,705,000 Shares to Mr Sebastian Edwards and 2,705,000 Shares to Mr Sam Edwards (**T12 Management Shares**) pursuant to the terms of the T12 Agreement.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolutions 8 and 9 will be to allow the Company to issue the Management Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolutions 8 and 9 are conditional on the approval of all other Acquisition Resolutions.

8.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the issue of the T12 Management Shares:

- (a) the maximum number of securities to be issued is 5,410,000 T12 Management Shares at a deemed issue price of \$0.032 per T12 Management Share;

- (b) the T12 Management Shares will be issued within 3 months after the receipt of Shareholder approval and after the commencement date of each of Mr Sebastian Evans and Mr Sam Evans' respective management contracts and it is intended that issue of the Shares will occur on one date;
- (c) the T12 Management Shares will be issued for nil cash consideration in consideration of the management services to be provided;
- (d) the T12 Management Shares will be issued to Mr Sebastian Edwards and Mr Sam Edwards, neither of whom are related parties of the Company;
- (e) the T12 Management Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) no funds will be raised from the issue as the T12 Management Shares are being issued in consideration for the management services to be provided.

9. RESOLUTION 10 – CAPITAL RAISING

9.1 General

Resolution 10 seeks Shareholder approval to enable the Company to issue up to 170,000,000 Shares at an issue price of \$0.035 per Share to raise up to \$5,950,000 (**Capital Raising**) with a minimum raising of \$1,995,000 by the issue of 57,000,000 Shares. A 1 for 2 free attaching Option will be issued (exercise price of \$0.10 on or before the expiry date of 30 April 2020). The Capital Raising will not be underwritten.

The Shares to be issued under the Capital Raising will be issued pursuant to a Prospectus to satisfy the admission requirement in Condition 3 of Listing Rule 1.1.

None of the subscribers for Shares under the Capital Raising will be related parties of the Company for the purpose of Listing Rule 10.11 (other than as specified in Resolutions 11 and 12, as to which refer to Section 10).

A summary of ASX Listing Rule 7.1 is set out in Section 4.2 above.

The effect of Resolution 10 will be to allow the Directors to issue the Shares pursuant to the Capital Raising during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 10 is conditional on the approval of all other Acquisition Resolutions.

9.2 Technical information required by ASX Listing Rule 7.3

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Capital Raising:

- (a) the maximum number of Shares to be issued is 170,000,000 together with up to 85,000,000 free attaching Options (on a 1 for 2 basis);
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver

or modification of the ASX Listing Rules) and it is intended that issue of the Shares will occur on the same date;

- (c) the issue price will be \$0.035 per Share;
- (d) the Directors will determine to whom the Shares will be issued but these persons will not be related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the terms and conditions of the Options are set out in Schedule 2; and
- (g) the Company intends to use the funds raised from the Capital Raising as outlined in Section 1.4.2 above.

10. RESOLUTIONS 11 & 12 – CAPITAL RAISING TO RELATED PARTIES

10.1 General

The Company has agreed, subject to obtaining Shareholder approval, to provide the ability for Directors, Pnina Feldman and Sholom Feldman (the **Related Parties**), to participate in the Capital Raising in an amount of up to 12,500,000 Shares, with up to 6,250,000 free attaching Options each on the terms and conditions set out below in their own right or via a nominee.

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Related Parties would be participating in the Capital Raising at the same price as other Shareholders and therefore it is considered that the related party provisions of the Corporations Act do not apply.

ASX Listing Rule 10.11 requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

It is the view of the Company that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

10.2 Shareholder Approval (ASX Listing Rule 10.11)

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.13, the following information is provided in relation to the proposed participation of the Related Parties in the Capital Raising:

- (a) the related party are the Directors Pnina Feldman and Sholom Feldman;
- (b) the maximum number of securities is 12,500,000 Shares and 6,250,000 free attaching Options each;
- (c) the Shares and Options will be issued to the Related Parties no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated they will be issued on one date;
- (d) the Shares will be fully paid ordinary shares issued on the same terms and conditions as the Company's existing Shares and issued at \$0.035 each, being the same as all other Shares issued under the Capital Raising and the Options are issued for nil consideration as they are free attaching to the Shares on a 1 for 2 basis;
- (e) the funds raised will be used for the same purposes as all other funds raised under the Capital Raising as set out in this Explanatory Statement;
- (f) the terms and conditions of the Options are set out in Schedule 2;

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares and attaching Options to the Related Parties as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the Shares and Options to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

11. RESOLUTION 13 – CHANGE OF COMPANY NAME – CANN GLOBAL LIMITED

Section 157(1)(a) of the Corporations Act provides that a company may change its name if the company passes a special resolution adopting a new name.

Resolution 13 seeks the approval of Shareholders for the Company to change its name to Cann Global Limited.

If Resolution 13 is passed the change of name will take effect when ASIC alters the details of the Company's registration.

The proposed name has been reserved by the Company and if Resolution 13 is passed, the Company will lodge a copy of the special resolution with ASIC following completion of the Acquisition in order to effect the change.

The Board proposes this change of name on the basis that it more accurately reflects the proposed future operations of the Company.

Resolution 13 is conditional on the approval of all other Acquisition Resolutions and completion of the Acquisition.

12. RESOLUTION 14 – REPLACEMENT OF CONSTITUTION

12.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 14 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which

is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2007.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating the name of the Company to that adopted in Resolution 14;
- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website www.queenslandbauxite.com and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 2 9291 9000). Shareholders are invited to contact the Company if they have any queries or concerns.

12.2 Summary of material proposed changes

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an "unmarketable parcel" of shares, being a shareholding that is less than \$500 based on the closing price of the Company's Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with "unmarketable parcels" outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended ASX Listing Rule 8.14 with the effect that the Company may now charge a "reasonable fee" for registering paper-based transfers, sometimes referred to "off-market transfers".

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (c) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (d) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 14.

GLOSSARY

A\$ means Australian dollars.

Acquisition means the Medcan Acquisition and the MCL Acquisition.

Acquisition Resolution means any or all of Resolutions 1 to 13, as the context requires.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Bauxite Projects means the South Johnstone Project located in Queensland and the New England Bauxite Project located in New South Wales.

Board means the current board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Capital Raising means the capital raising to be undertaken by the Company, and required as a condition precedent to the Acquisition, being the subject of Resolution 10.

CBD means cannabidiol.

Chair means the chair of the Annual General Meeting.

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

CPI means consumer price index.

Directors means the current directors of the Company.

DSO means direct shipping ore.

EST means Eastern Standard Time.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

GMP means good manufacturing practice.

HHC or **Hemp Hulling Co** means MCL's 55% owned subsidiary Hemp Hulling Co (Qld) Pty Ltd (ACN 611 071 213).

HHC Acquisition means the proposed acquisition by MCL of an additional 30% interest in HHC pursuant to the terms of the HHC Agreement.

HHC Agreement means the heads of agreement between (among others) HHC and MCL dated in or around November 2017.

HHC Consideration means the consideration payable for the HHC Acquisition, as described in Section 5.

Management Shares means the 2,250,000 Shares to be issued pursuant to the Medcan Agreement the subject of Resolutions 5 and 6.

MCL means Medical Cannabis Ltd (ACN 604 732 612).

MCL Acquisition means acquisition by the Company of the MCL Shares from the MCL Shareholders under the MCL Agreement.

MCL Agreement means the legally binding terms sheet between QBL, MCL and the MCL Shareholders (as amended).

MCL Consideration means 1,195,000,000 Shares to be paid to the MCL Shareholders by the Company as consideration under the MCL Agreement (the subject of Resolution 3).

MCL Shareholders means the holders of the MCL Shares.

MCL Shares means 45% of the issued share capital of MCL to be acquired by the Company.

Medcan means Medcan Australia Pty Ltd (ACN 615 734 220).

Medcan Acquisition means acquisition by the Company of the Medcan Shares and Medcan Units from the Medcan Securityholders under the Medcan Agreement.

Medcan Agreement means the legally binding terms sheet dated 25 May 2018 between QBL, MCL and the Medcan Securityholders (as amended).

Medcan Consideration means 250,000,000 Shares to be issued to the Medcan Securityholders in consideration for the Medcan Shares and Medcan Units under the Medcan Agreement (the subject of Resolution 2).

Medcan Securityholders means the holders of the Medcan Shares and Medcan Units.

Medcan Shares means 100% of the issued share capital of Medcan.

Medcan Trust means the Medcan Australia Unit Trust.

Medcan Units means 100% of the issued units in the Medcan Trust.

Meeting refer to General Meeting.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share on the terms set out in Schedule 2.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

ODC means the Office of Drug Control.

Production Licences means the Medical Cannabis Production Licences (Australian Cultivation and Production Licences) granted to Medcan by the ODC in November 2017.

Proposed Constitution has the meaning set out in section 12.1.

Prospectus means the prospectus to be prepared by the Company in accordance with Chapter 6D of the Corporations Act, pursuant to which the Capital Raising will be undertaken.

Proxy Form means the proxy form accompanying the Notice.

QBL or **Company** means Queensland Bauxite Limited (ACN 124 873 507).

Related Parties means Directors Prina Fedman and Sholom Feldman.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Security has the meaning set out in the ASX Listing Rules.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

THC means tetrahydrocannabinol.

T12 means T12 Holdings Pty Ltd (ACN 611 071 455).

T12 Acquisition means the proposed acquisition by MCL of a 100% interest in T12 pursuant to the terms of the T12 Agreement.

T12 Agreement means the heads of agreement between (among others) T12 and MCL dated in or around August 2018.

T12 Consideration means the consideration payable for the T12 Acquisition, the subject of Resolution 7.

T12 Management Shares means the 5,410,000 Shares to be issued pursuant to the T12 Agreement the subject of Resolutions 8 and 9.

T12 Management means Sebastian Edwards and Sam Edwards.

SCHEDULE 1 – PRO FORMA BALANCE SHEET

	Queensland Bauxite Ltd 31 Dec 2017 (Reviewed) ¹ \$	Unaudited post acquisition Pro-forma Queensland Bauxite Ltd 31 Dec 2017 \$
CURRENT ASSETS		
Cash	8,924,918	10,693,413
Trade and other receivables	166,657	189,388
Inventory	358,508	358,508
TOTAL CURRENT ASSETS	9,450,083	11,241,309
NON-CURRENT ASSETS		
Plant and equipment	45,555	261,791
Investments	145,250	0
Intangible assets	1,956,261	13,033,844
Exploration and evaluation assets	1,682,308	1,682,308
TOTAL NON-CURRENT ASSETS	3,829,374	14,977,943
TOTAL ASSETS	13,279,457	26,219,252
CURRENT LIABILITIES		
Trade and other payables	941,500	1,086,295
Other liabilities	2,207,757	2,207,757
Income tax liability	0	0
TOTAL CURRENT LIABILITIES	3,149,257	3,294,052
TOTAL LIABILITIES	3,149,257	3,294,052
NET ASSETS	10,130,200	22,925,200
EQUITY		
Share capital	27,125,842	82,620,842
Reserves	5,010,879	(37,409,522)
Non-controlling interest	29,599	0
Accumulated losses	(22,036,120)	(22,286,120)
TOTAL EQUITY	10,130,200	22,925,200

Notes:

1. The above QBL 31 December 2017 Statement of Financial Position is based on the QBL Half-Yearly Report for the half year ended 31 December 2017.
2. The above unaudited post-acquisitions QBL 31 December 2017 pro-forma is based on the QBL 31 December 2017 Statement of Financial Position adjusted for:
 - (a) the issue of a minimum of 57,000,000 Shares at an estimated issue price of \$0.035 per Share to raise up to \$1,995,000 under the Capital Raising;
 - (b) QBL's costs for re-compliance with Chapters 1 and 2 of the ASX Listing Rules of \$250,000;
 - (c) the issue of 250,000,000 Shares in consideration for the Medcan Acquisition at a proposed issue value of \$0.037, the price at last close of trading, resulting in a material increase to intangible assets and share capital;
 - (d) the issue of 1,212,857,143 Shares in consideration for the MCL Acquisition, at a proposed issue value of \$0.037, the price at last close of trading, resulting in material changes to the share capital and reserve accounts;
 - (e) the issue of 21,621,622 shares in consideration for the acquisition of T12 assets, at a proposed value of \$0.037, the price at last close of trading, resulting in an increase to intangible assets and share capital; and
 - (f) the issue of 40,540,541 Shares to HHC to complete the acquisition of MCL's 55% interest in HHC, at a proposed issue value of \$0.037, the price at last close of trading, resulting in a material increase to plant and equipment, intangible assets and share capital accounts.

SCHEDULE 2 – OPTION TERMS

1. Entitlement

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

2. Exercise Price

The amount payable upon exercise of each Option will be \$0.10 (**Exercise Price**)

3. Expiry Date

Each Option will expire at 5:00 pm (EST) on 30 April 2020 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

4. Exercise Period

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

5. Notice of Exercise

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

6. Exercise Date

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

7. Timing of issue of Shares on exercise

Within 15 Business Days after the Exercise Date, the Company will:

- (a) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (b) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (c) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under clause 7.2 for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such

notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

8. Shares issued on exercise

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

9. Reconstruction of capital

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

10. Participation in new issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

11. Change in exercise price

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

12. Transferability

The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.



QBL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your vote:

Online:
www.investorvote.com.au

By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
(outside Australia) +61 3 9415 4000



Proxy Form

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Vote online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 999999

SRN/HIN: I9999999999 PIN: 99999

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your vote to be effective it must be received by 11:30am (EST) Wednesday, 12 September 2018

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** ➔

MR SAM SAMPLE
 FLAT 123
 123 SAMPLE STREET
 THE SAMPLE HILL
 SAMPLE ESTATE
 SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

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I/We being a member/s of Queensland Bauxite Limited hereby appoint

the Chairman of the Meeting OR

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Queensland Bauxite Limited to be held at Computershare Investor Services Pty Limited, Level 4, 60 Carrington Street, Sydney, New South Wales on Friday, 14 September 2018 at 11:30am (EST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

		For	Against	Abstain			For	Against	Abstain
Resolution 1	Change to Nature and Scale of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 10	Capital Raising	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Issue of Consideration to Medcan Securityholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 11	Approval for Sholom Feldman (or nominee), as a Director and Related Party, to participate in the Offer under the Prospectus, to issue the Shares under the Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Issue of Consideration to MCL Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 12	Approval for Phina Feldman (or nominee), as a Director and Related Party, to participate in the Offer under the Prospectus, to issue the Shares under the Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Issue of Shares to HHC Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 13	Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Issue of Management Shares to Gareth Ball	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 14	Replacement of Constitution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Issue of Management Shares to Craig Cochran	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 7	Issue of Shares to T12 Shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 8	Issue of Management Shares to Sebastian Edwards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					
Resolution 9	Issue of Management Shares to Sam Edwards	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>					

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name _____

Contact Daytime Telephone _____

Date / /