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Queensland Bauxite Limited

Annual Report 2018

Queensland Bauxite Limited
ABN 18 124 873 507
and Controlled Entities

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22nd October 2018

EXECUTIVE CHAIRPERSON'S LETTER

Dear Shareholders,

"This is just the beginning" - December 2017 Quarterly Report

What a significant year it has been for the company and our loyal shareholders. This letter begins by quoting the phrase I used in the QBL December 2017 Quarterly, 'This is just the beginning', and there is so much more yet to come!

I am very pleased to present, as QBL's Executive Chairperson and responsible for business development, on behalf of the Board of Queensland Bauxite Limited (ASX:QBL or "the Company"), our most significant Annual Report to date.

In October 2017 we began our International Expansion project by engaging the services of the Israeli Research Organisation, EndoCRO Ltd, to advise us on research and product development for GMP grade medical cannabis products. Our goal was to take Queensland Bauxite Ltd from purely an exploration company to a major dominant global player by making a strategic investment in Medical Cannabis Ltd (MCL) thus allowing us to enter the burgeoning multi-billion dollar medical cannabis industry whilst still pursuing our bauxite mining developments. To achieve this goal the Company has recently had to undertake a major transformation of its business activities from a mining and exploration entity, and through a recompliance we are creating the new parent company "Cann Global Limited" (ASX:CGB) which is scheduled to commence trading on the ASX in mid-November, with the approval of the ASX. Our newly branded Cann Global Limited will oversee our medical cannabis, hemp food and mining divisions.

We are pleased to report that during the past 12 months QBL has successfully entered into formal agreements, joint ventures and is presently undertaking projects with no fewer than 11 Australian and International companies such as:

EndoCRO Ltd, Israel, for the formulation of a unique medical Cannabis drug delivery system;

CannTab Therapeuritics Ltd, Canada, for the rights to exclusively manufacture and distribute throughout Australia and Asia their exclusive pharmaceutical grade GMP (XR) CannTab pills intended to assist in alleviating some symptoms of various chronic illnesses and to assist with pain management;

Affinity Energy Health Limited (formerly Algae.Tec), is licensing our unique Cannabis cultivar seed bank to formulate Cannabis medicinal products for veterinary medications;

Certara, USA, is providing pharmaceutical consultative services for the development and distribution of the CannTab XR medication here in Australia. Drs Andreas Wallnoefer and Graham Scott are providing technical oversight;

THE TECHNION, Israel. MCRG, our Medical Cannabis Research group, has signed an agreement to fund the research studies of Dr David (Dedi) Meiri Ph.D., and his team as they investigate the intervention of medicinal cannabis to disrupt the debilitating mechanisms of Autoimmune Disease, in particular, Multiple Sclerosis. MCRG has the rights to an exclusive license agreement to benefit from any discoveries that come as a direct result of the research being conducted by Dr Meiri and his team. The team has already had ground breaking success in the lab in the first 6 months of this research with human trials currently being progressed;

John Easterling, Amazon Herb Co., a world-renowned expert in Cannabis Therapeuticals, and influential advocate for the medical cannabis industry, has joined the team of Medical Cannabis Ltd. John is providing valuable consultative services to all our MCL Projects;

Hemp Hulling Co, Queensland, oversees the processing and packaging of all our Hemp Seed nutritional products and Hemp Seed oil. We are very pleased to have the professional services of the Edwards family who are managing and developing this division;

VitaHemp's Seed and processing Division, HHC, and partners Waltanna Hemp Group, providing our Hemp Seed ingredients for the 'Red Tractor' group which currently supplies these products in hundreds of Coles stores around Australia;

T12 Holdings Ltd, managed by Seb and Sam Edwards, will be the main support company for our Retail brands: VitaHemp, Organic Markets Direct (OMD), EM Superfoods, Australian Grown Naturals, Blanck & Co., and Black Bag. These brands providing Certified Organic Foods such as hemp Food, Chia, Green Leaf Stevia, Brown Rice, Quinoa, BuckWheat and Cacao;

Medcan Australia will be overseeing our research, cultivation , production and manufacture of medical cannabis GMP pharmaceutical grade formulations, therapeutics, and nutraceuticals. The team is being led by Craig Cochran and Gareth Ball;

PharmoCann Israel, for the rights under a 50/50 JV agreement, to exclusively cultivate, manufacture and distribute throughout Australia and internationally Pharmocann's exclusive medical cannabis products together with their unique cultivation, manufacturing and product IP and expertise developed over many years.

The Board is also pleased that the South Johnstone Bauxite Project continues to progress towards achieving milestones and completing tests required to secure its final ML. Our Project team has met with the management and boards of international bauxite and alumina processing companies in China who have shown an interest to discuss partnering in the development of this project and discussions are continuing as we work towards finalising offtake partnerships.

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At the recent E.G.M. we were very pleased to have received overwhelming support for the approval of the 14 resolutions to take our company to the next stage in its development. In particular, and on behalf of the Board, I would like to thank all of our shareholders who participated in our recent successful capital raise (CR). Allocations will be confirmed in the coming weeks taking into account priority to longer term shareholders, larger shareholders, and those who applied earlier.

It is our belief that the following 12 months will be a significant year in the development and life of our company as we: 1) Bring on line our new medical cannabis facilities in Queensland for the cultivation and manufacture of the Canntab and Pharmocann medical cannabis products and formulations, 2) Increase our penetration into the natural health food sector in Australia and globally with our new range of organic and health foods, 3) Increase our footprint, yield and acreage on our hemp farms in NSW, Victoria and Tasmania, and 4) progress our research work to develop unique medical products, particularly the cutting edge research being undertaken on our behalf by Dr Meiri and his team at the leading Cannabis research lab located at the Technion in Haifa Israel.

We look forward to profitable returns on our investments and increasing shareholder wealth moving forward into 2019.

My thanks go to the Board, the entire management team, and to our shareholders for their invaluable support and contribution towards the fast progressing success of our company.

Pnina Feldman

Pnina Feldman
Executive Chairperson,
Director of Business Development,
Queensland Bauxite Limited

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Queensland Bauxite Limited

Providing global solutions …

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Corporate Directory

Directors

Pnina Feldman
(Executive Chairperson)

Sholom Feldman
(Executive Director, CEO)

Meyer Gutnick
(Non-Executive Director)

David Austin
(Alternate Director)

Company Secretary

Sholom Feldman

Registered Office

24 Birriga Rd

BELLEVUE HILL NSW 2023

Telephone: (02) 9291 9000
Facsimile: (02) 9291 9099

Email: mlesaffre@queenslandbauxite.com.au

Auditors

Nexia Sydney Partnership
Level 16
1 Market Street
Sydney NSW 2000

Telephone: (02) 9251 4600

Bankers

Bank of Western Australia
Sydney NSW 2000

Share Registry

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

Telephone: (08) 9323 2000

Stock Exchange Listing

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

Website

www.queenslandbauxite.com.au

Australian Securities Exchange Code:

QBL

Schedule of Mineral Tenements as at 30 June 2018

Project Name		Status	Interest Held %	Expiry date
Eastern Australia Bauxite Projects				
South Johnstone	EPM18463	Granted	100%	25/05/2020
South Johnstone	MDL2004	Granted	100%	31/10/2019

Directors' Report

The Directors present their report together with the consolidated financial statements of the Group comprising Queensland Bauxite Limited ("the Company" or "QBL") and its subsidiaries, for the financial year ended 30 June 2018 and the independent auditors report thereon.

Directors

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

Names, qualifications, experience and special responsibilities

Pnina Feldman
Executive Chairman

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

Sholom Feldman
Executive Director, Chief Executive Officer and Company Secretary

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

Meyer Gutnick
Non-executive Director

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

David Austin
Alternate Director

David Austin is a solicitor practising in Sydney.

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

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

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

	Ordinary shares	**Options over ordinary shares**
Pnina Feldman (1), (2)	193,597,812	-
Sholom Feldman (1), (2)	193,597,812	-
Meyer Gutnick	5,000,000	-
David Austin	-	-

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

2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which holds 189,375,000 shares.

Share options

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are NIL. (2017: 12,846,046)

Expiry date	Number expired prior to report date	Exercise price $	Number of shares
2018			
31/08/2018	2,846,046	0.06	2,846,046

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

Shares issued on exercise of options

During or since the end of the financial year, the Group issued ordinary shares of the Company, as a result of the exercise of 56,372,719 options at an amount of $0.012 paid on the shares. There are no amounts unpaid on the shares issued.

Earnings per share

	Cents
Basic earnings (loss) per share	(0.32)
Diluted earnings (loss) per share	(0.32)

Dividends

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

Directors' meetings

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

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

Notes

A = number of meetings attended

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

Principal activities

The principal activities of the Group during the year were mining exploration and evaluation, and legally growing and cultivating hemp and medicinal cannabis products in Australia.

There were significant changes in the nature of the Group's current metals and mining activities during the year. The Company needs to re-comply with Chapters 1 and 2 of the ASX Listing Rules as if it were seeking admission to the Official List of ASX.

Operating and financial review

Queensland Bauxite Ltd (ASX: QBL) ("QBL" or "the Company") presents the following report on activities for the year ending 30 June 2018.

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Queensland Bauxite Limited

Cannabis Division Timeline

Incorporated in its current form in 2015, MCL draws on over 15 years of licensed cannabis cultivation and genetic development

MCL
MEDICAL CANNABIS LIMITED

Sep 17
Oct 17
Nov 17
Nov 17
Nov 17
Dec 17
Jan 18
Jan 18
Feb 18
Feb 18
Mar 18
Apr 18
Apr 18
Jun 18
Jul 18
Aug 18
4Q 2018

MCL engages the services of EndoCro Ltd, an iCAN Israel-Cannabis company for research and development of medicinal Cannabis products

First 20 Tonnes of Seed secured for sowing in November with legislation approval

VitaHemp launches its new Hemp Food Seed

MCL acquires interest in Hemp Hulling Co., completing seed-to-customer integration of food business

Low-THC hemp food products approved for sale in Australia

Federal Government announces that it will allow export of Australian medicinal Cannabis products

Agreement with Algae.Tec (ASX:AEB) – AEB to give MCL 19.9% of its equity for access to seed bank & expertise

Processing plant expansion to be completed for food products division

MCL and CannTab sign JV agreement for Australian and Asian market

John Easterling joins MCL board

MCL implements Canntab drug development strategy in conjunction with Certara's Dr Andreas Wallnoefer and Dr Graham Scott to distribute Canntab XR medication in Australia

MCL completes an agreement to sponsor research into Medical Cannabis Treatments for Multiple Sclerosis with the Research and Development Foundation at the Technion Institute, Haifa, Israel under the leadership of Dr. David (Dedi) Meiri and his team

COLES now selling Hemp Products provided by MCL through Red Tractor

MCL first to release Australian Hemp Seed Oil gel Capsules

Medcan obtains Medical Cannabis import/export licence.

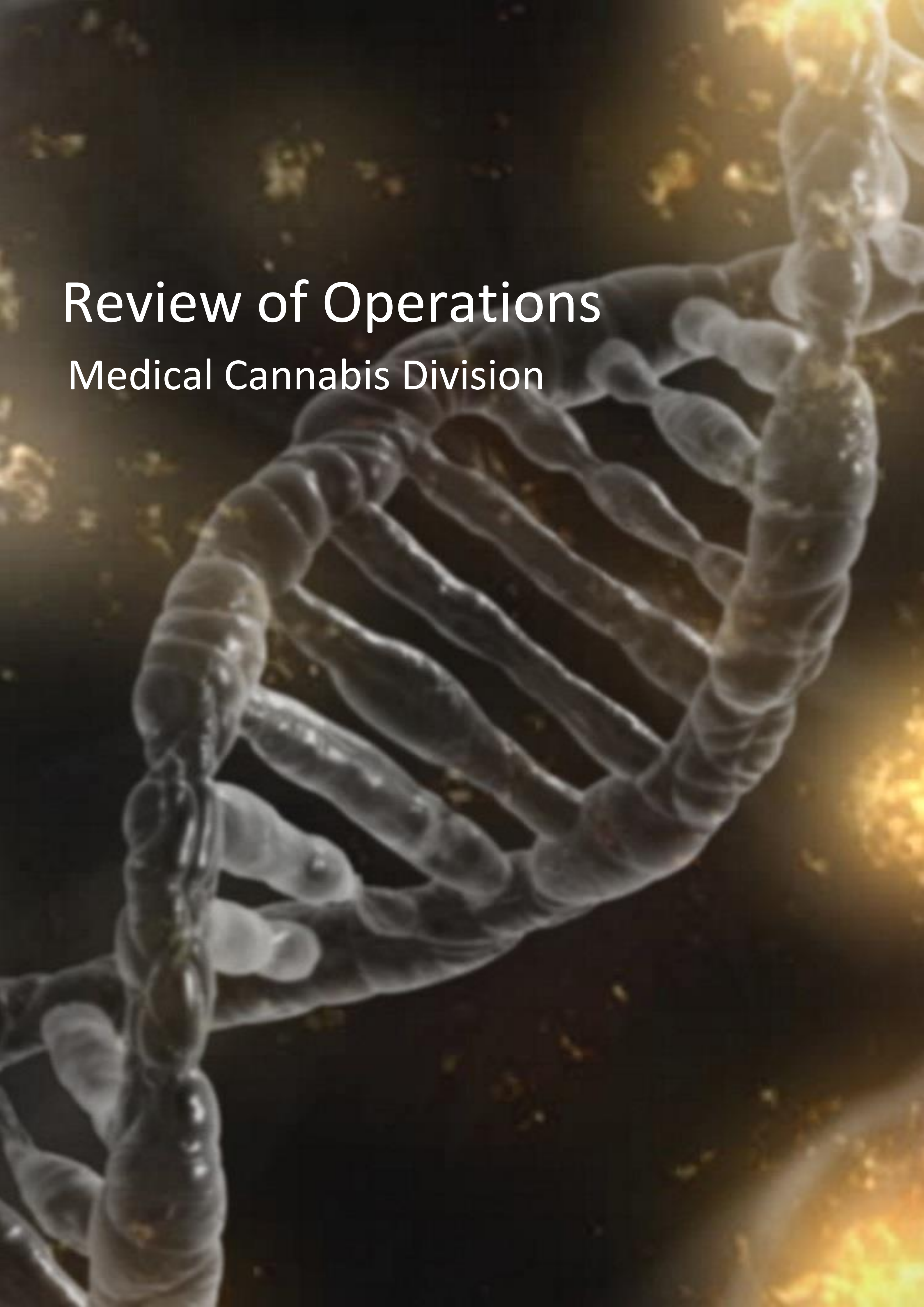
Medcan and MCL acquisitions announced. Medcan is licensed by the ODC for medical Cannabis cultivation and production

Dr. David (Dedi) Meiri and his team make a ground breaking discovery identifying a cannabinoid that could lead to potential cure for Multiple Sclerosis (MS)

CANN GLOBAL LIMITED

Review of Operations

Medical Cannabis Division



MEDICAL CANNABIS LIMITED

Key Strategic Relationships Developed

During the reporting period, the Group has established many strategic partnerships nationally and internationally.

In December 2017, the Group entered into a binding agreement with AFFINITY ENERGY AND HEALTH LIMITED (ASX: AEB previously known as Algae Tec Ltd) to supply them with genetics from Medical Cannabis Limited's seedbank. The agreement allows them to utilise MCL's cannabis genetics to cultivate, process, research and manufacture cannabinoid products for veterinary purposes. AEB is a specialist producer focused on key algae-based nutraceutical, animal and aquaculture and the medical marijuana markets. Algae is produced from the Company's state-of-the-art growing facility in Atlanta which produces multiple high-demand species to service both the growing nutraceutical and aqua feed markets. AEB has recently applied its industry-leading growing technology to the production of medicinal cannabis through partnerships in Uruguay for the rapidly expanding cannabis market.

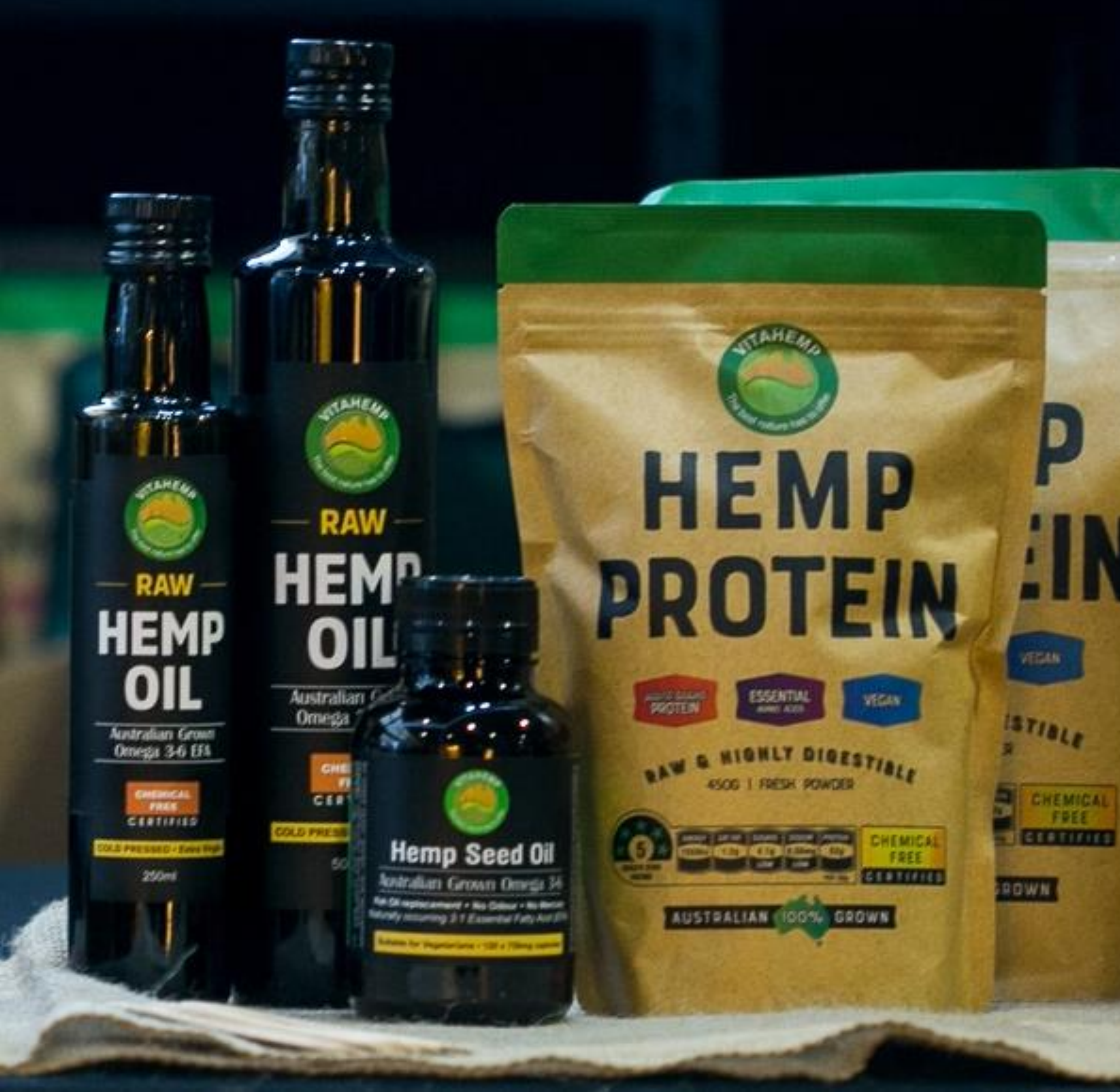
In January 2018 the company, through its subsidiary Vitacann Pty Ltd, entered into an exclusive 50/50 Joint venture partnership with the Canadian Canntab Therapeutics company which has developed a patent pending Cannabis GMP Pharmaceutical Grade Extended Release (XR) pill. The joint venture is to market and sell the CanntabTM proprietary products in Australia with a first right to distribute throughout Asia. VitaCann and CannTab will work towards having Canntab's tablets formally approved for sale in Australia and to export to Asia. Pursuant to recent and evolving legislation in Australia, the Canntab product should qualify for approval, as it should meet all the standard medical requirements that would be expected by the medical industry. The Canntab - VitaCann JV has intellectual property licensed by Canntab, with access now to MCL's Australian Cannabis strains, and six filed patents protecting the Extended Release Tablets™ (XR). Canntab's proprietary extended release tablets makes it easier for doctors and patients to manage dosage. They're easier to take, largely eliminates social stigma, and do not have many of the potential adverse side effects of smoking marijuana.

In February 2018, the Group through its subsidiary Medical Cannabis Research Group entered into a sponsored research agreement with the Technion Research and Development Foundation Ltd (TRDFor Technion). The research is led by Professor Dedi Meri from the faculty of biology. The overall objective of the study is to identify specific Cannabis compounds that can be used in clinical trials as a treatment for auto-immune disease focusing initially on Multiple Sclerosis (MS). In this work, the team of researchers at TRDF aims to elucidate the immunoregulatory properties of phytocannabinoids and terpenes in MS, as well as further investigate Cannabis' mechanisms of action in these areas. This research not only has the ability to advance the identification of new drug candidates, but also advance our abilities to optimize Cannabis treatment options and efforts toward the creation of personalised medicine for MS patients.

In June 2018, the Company entered into an agreement to acquire Medcan Australia, a company that is fully licensed by the Office of Drug Control to cultivate, produce, manufacture, import and export, medical cannabis products. The company is currently completing the fit out of a highly secure state-of-the-art production and manufacturing facility with capacity to grow up to 6500kg of dried flower per annum. It is anticipated that this facility will be fully operational in early 2019.

Review of Operations

Hemp Food Division



VITAHEMP

Developments

In 2018, VitaHemp, in conjunction with HHC, undertook a major infrastructure upgrade at our Coolum Beach Dehulling Facility in Queensland. The project involved installing and fitting out its current warehouse facilities with climate controlled logistics technology and machinery, resizing its floor space with a storage holding capacity space of up to 200 Metric Tonnes to handle its inward and outward branded & bulk flow.

VitaHemp is currently preparing for its own HACCP accreditation and Certified Organic Certification, and in 2018 became the Hemp Oil and dry goods (Hemp Powder & Flour) ingredient supplier to the Red Tractor brand, distributed by Coles throughout Australia.

The marketing and production team at VitaHemp continues to move forward with its Product development, which includes the highest quality, Australian Grown Hulled Hemp Seeds, Protein Powder, Flour, 250ml & 500ml Hemp Oil. In April, 2018, VitaHemp was pleased to be the first to market with Australian Grown Hemp Seed Oil Capsules. Many innovative and exciting new Hemp Food products are currently under development and testing for the Consumer market.

Refining

Vitahemp continues to focus on excellence in refining techniques with the patient expelling of its seed when producing oil. There is a quantum taste difference between competing brands sold within Australia, be it local or imported. VitaHemp is clearly the best Hemp oil on the market. True cold pressing, sensitive filtering and processing, all without commercial pressures nor compromising the integrity of the oil.

The Australian Agricultural Industry in 2018, experienced one of its toughest years for growing and harvesting of sown crops due to severe drought conditions. With experienced teams managing our farms, Vitahemp maintains a carefully managed stock control process ensuring that its existing customers, both wholesale & retail will have stock of Australian Grown Hemp regardless of seasonal conditions.

VitaHemp's focus has been on functional Hemp Foods grown here in Australia. Longer term planning, ensures sustainability. VitaHemp is here for the long term, having a high regard for quality and transparency on its supply chain.

HHC

Developments

HHC, in conjunction with VitaHemp, completed a fit-out and upgrade on its proprietary (new technologies) Hemp Seed processing and automated nitrogen flushing, packaging assembly line. The facility at Coolum Beach now has world's best, state of the art, dehulling processing and assembly line infrastructure guaranteeing the finest quality Hemp Seed product for the Consumer Foods market.

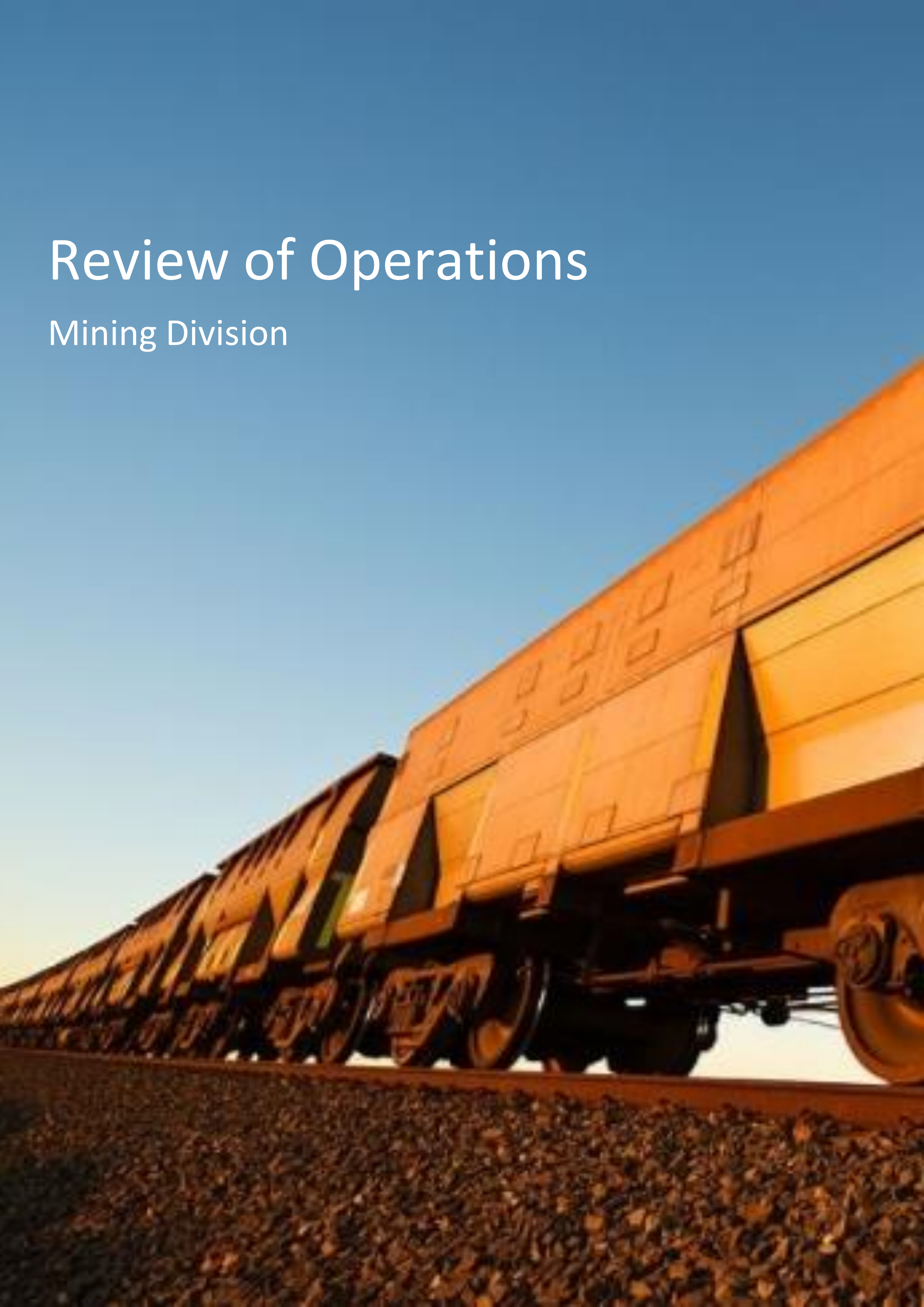
HHC are concerned about protecting the environment. The upgraded facilities now boast Eco-Friendly Dust extraction management systems for managing all fine particulate matter that is produced during the dehulling process. Ongoing development of its processing plant, makes it arguably one of the most advanced Hemp Hulling facilities in the Southern Hemisphere.

Certifications

In 2018, HHC were given HACCP Certification, having passed its inspection and audit. The HACCP management system is an Australian quality control process in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards from raw material production, procurement and handling, to manufacturing, distribution and consumption of the finished product. As part of HHC zero-waste policy, markets were created for 100% of its hulling and processing by-products.

Review of Operations

Mining Division



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Review of Operations

QUEENSLAND BAUXITE LIMITED MINING OPERATIONS

Queensland Bauxite Limited (ASX: QBL) operates two (2) Bauxite projects under its Mining Division. These projects form the basis of its overall strategy to develop long term mining and export operations based on offtake or partnership arrangements.

THE SOUTH JOHNSTONE PROJECT IN QUEENSLAND (EPM 18463 & MDL 2004)

Developments

In 2017, Queensland Bauxite Limited ("QBL" "the company") was successful in its application for a Minerals Development Lease (MDL) at Camp Creek. The MDL was granted on the 13th October, 2017.

The company continues to work towards satisfying requirements to make application for a mining lease (ML) over its Camp Creek JORC Resource.

On the 24th of July 2017 a groundwater monitoring bore was completed by Ingham Drilling at Camp Creek. This monitoring bore is key to the environmental study currently being conducted by Northern Resource Consultants (NRC) on behalf of QBL.

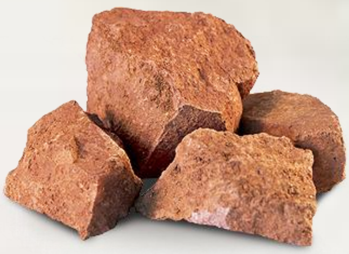
In pursuit of Offtake clients, Dr. Robert Coenraads, and members of the Company's management team visited China for meetings with executives in the aluminium industry who expressed interest in toll processing of ore, offtake agreements, or partnering in the development of the South Johnstone Bauxite Project. The team also met Hong Kong based metals marketing experts to discuss the logistics of bauxite trading. These investigations are ongoing.

QBL has an Indicated JORC Resource of 1.9 million tonnes at Camp Creek located within the larger South Johnstone Project (1.9Mt at 29.7% Av Al_2O_3 3.2% Rx SiO_2). These thin surficial bauxite caps are geographically situated only 15-24 kilometres from the Port of Mourilyan where a currently-available export allocation to QBL provides capacity for direct shipping to export markets.

THE NEW ENGLAND BAUXITE PROJECT IN NEW SOUTH WALES (EL 7301)

Project Status

QBL, under the direction of its Project Manager, Dr. Robert Coenraads PhD. decided that no further exploration was required on the New England Project during the previous period, as the company believes it has sufficient understanding of the bauxite deposit parameters to enable its ongoing offtake and marketing investigations.



Review of operations

As at 30th June 2018, the Company held the following tenements:

Project Name			Interest Held %
Eastern Australia Bauxite Projects			
South Johnstone QLD	EPM18463	Granted	100%
South Johnstone	MDL2004	Granted	100%

Competent Person Statement

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

Material Risks

For a discussion of material risks which could impact on the Company's ability to deliver its strategy set out in the above Review of Operations, refer to pages 108-119 of the Prospectus dated 27 September, 2018.

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

Sholom Feldman

Executive Director/Company Secretary

E: sfeldman@queenslandbauxite.com.au

www.twitter.com/QLDBauxite

About Queensland Bauxite

Queensland Bauxite Ltd is an Australian listed company focused on the exploration and development of its bauxite tenements in Queensland and New South Wales. The Company's lead project is the South Johnstone Bauxite Deposit in northern Queensland which has rail running through the project area and is approximately 15-24 kilometres from the nearest deep water port. The Company intends to become a bauxite producer with a focus on commencing production at South Johnstone as early as possible. The Company has recently agreed to acquire a 100% shareholding in Medical Cannabis Limited, an Australian leader in the hemp and Cannabis industries, and a 100% shareholding in Medcan Australia Pty Ltd, a company with an ODC cultivation and production License, ODC Cannabis import and export Licenses, and a DA approved Cannabis production and manufacturing facility.

Operating results

The operating loss after tax for the year ended 30 June 2018 for the Group was $5,001,453 (2017: loss $1,855,224).

Environmental regulation

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

Significant changes in the state of affairs

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

Events subsequent to balance date

On 27th September 2018, the Company released a Prospectus pursuant to which, the Company will be offering up to 170,000,000 new Shares at an issue price of $0.035 per Share to raise up to $5,950,000, with a minimum subscription of $1,995,000 (together with one (1) free attaching Option for every two (2) Shares subscribed for and issued).

(a) The minimum subscription for the Capital Raising Offer is $1,995,000. If the minimum subscription has not been raised within three months after the date of this Prospectus, the Offers will not proceed, and no Shares will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

(b) Based on the capital structure of the Company as at the date of this Prospectus, if the Capital Raising Offer proceeds, a maximum of 170,000,000 Shares and 85,000,000 free attaching Options will be issued pursuant to the Capital Raising Offer.

(c) All of the Shares offered under the Capital Raising Offer will be new Shares and will rank equally with the Shares on issue at the date of this Prospectus.

(d) The free attaching Options offered under the Capital Raising Offer have an exercise price of $0.10 on or before the expiry date of 30 April 2020.

(e) The Capital Raising Offer is not underwritten.

(f) To participate in the Capital Raising Offer, you must be a person resident in Australia or New Zealand. The Company is not in a position to guarantee a minimum application of Shares under the Capital Raising Offer.

(g) Applications under the Capital Raising Offer must be for a minimum of $2,000 worth of Shares (57,143 Shares) and thereafter, in multiples of $500 worth of Shares (14,286 Shares).

(h) Application for quotation of the Shares issued under the Offers will be made to ASX no later than 7 days after the date of the Prospectus.

Other Offers

(a) The Prospectus also contains the following Other Offers:

(i) Medcan Offer: An offer of 250,000,000 Shares to Medcan Securityholders in consideration for the Medcan Acquisition.

(ii) Medcan Management Offer: An offer of 18,000,000 Shares to Medcan Management pursuant to the terms of the Medcan Agreement.

(iii) MCL Offer: An offer of 1,212,857,143 Shares to the MCL Shareholders in consideration for the MCL Acquisition.

(iv) HHC Offer: An offer of 40,540,541 Shares to the HHC Shareholders pursuant to the terms of the HHC Agreement.

(v) T12 Offer: An offer of 21,621,622 Shares to the T12 Shareholders pursuant to the terms of the T12 Agreement.

(vi) T12 Management Offer: An offer of 5,410,000 Shares to the T12 Management.

(vii) L1 Offer: An offer of 10,492,858 L1 Options to L1.

(viii) Lead Manager Offer: An offer of 2,857,143 Shares and 20,000,000 Options to the Lead Manager.

Likely developments

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

Indemnification and insurance of officers

Indemnification

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

Non-audit services

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

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

Statutory audit

- audit of financial report	63,641
- half-year review of financial report	46,607
- audit of newly acquired subsidiaries	23,600

Services other than statutory audit

- corporate advisory services	50,000

Remuneration Report – Audited

Remuneration policies

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

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

Fixed remuneration

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

Remuneration levels are reviewed annually by the Board of Directors.

Performance linked remuneration

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

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

Consequences of performance on shareholders wealth

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

Service agreements

The Company and Australian Gemstone Mining Pty Limited (**AGMPL**) are parties to a management services agreement (**Management Services Agreement**) dated 1 July 2007, and the Variation Deed signed 1 July 2017, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

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

In respect of each of these executives (**Key Persons**), AGMPL was paid a retainer for the period ended 30 June 2018. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

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

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

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

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

AGMPL Services	Consolidated Entity	
	2018	2017
	$	$
Rent	168,000	138,000
Management and secretarial	180,000	162,000
Geological fees	360,000	360,000
Executive and corporate services	624,000	468,000
Reimbursement of expenses	34,577	41,007
Administration fees	240,000	-
Marketing services	120,000	-
Total	1,726,577	1,169,007

Non-Executive Directors

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

Director and Executive disclosures

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

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

Directors and Key Management Personnel

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

Specified Directors	Short term Salary & fees $	Cash bonus $	Non-monetary benefits $	Post employment Super-annuation $	Termination Benefits $	Share based payments Shares $	Share based payments Options $	Other Bonuses $	Total $	Proportion of remuneration performance Related %	Value of options as a proportion of remuneration %
Pnina Feldman											
2018	312,000	-	-	-	-	-	-	-	312,000	-	-
2017	234,000	-	-	-	-	-	-	-	234,000	-	-
Sholom Feldman											
2018	312,000	-	-	-	-	-	-	-	312,000	-	-
2017	234,000	-	-	-	-	-	-	-	234,000	-	-
Meyer Gutnick											
2018	70,000	-	-	-	-	-	-	-	70,000	-	-
2017	70,000	-	-	-	-	-	-	-	70,000	-	-
David Austin											
2018	20,000	-	-	-	-	-	-	-	20,000	-	-
2017	20,000	-	-	-	-	-	-	-	20,000	-	-
Total Compensation: Directors including Key Management Personnel (Company and Group)											
2018	714,000	-	-	-	-	-	-	-	714,000	-	-
2017	558,000	-	-	-	-	-	-	-	558,000	-	-
Total Compensation: Executive Officers (Company and Group)											
2018	-	-	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-	-	-

Options and rights over equity instruments granted as compensation

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

2018 Directors	Vested Number	Granted Number	Grant Date	Value per Option at Grant Date $	Exercise Price per Share $	First Exercise Date	Last Exercise Date
Pnina Feldman	-	-	-	-	-	-	-
Sholom Feldman	-	-	-	-	-	-	-
Meyer Gutnick	-	-	-	-	-	-	-
David Austin	-	-	-	-	-	-	-
Total	-	-					

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

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

Movements in shares

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

2018

	Held at 1 July 2017	Acquired	Disposed	Held at 30 June 2018
Directors	-	-	-	
Pnina Feldman (1)(2)	193,597,812	-	-	193,597,812
Sholom Feldman (1)(2)	193,597,812	-	-	193,597,812
Meyer Gutnick	5,000,000			5,000,000
David Austin	-	-	-	-

2017

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

(1) Pnina Feldman and Sholom Feldman are each directors of L'Hayyim Pty Ltd which currently holds 4,222,812 Shares in its capacity as trustee of the 770 Unit Trust; and

(2) Pnina Feldman and Sholom Feldman are each directors of Volcan Australia Corporation Pty Ltd which currently holds 189,375,000 shares.

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

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

Exercise of options granted as compensation

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

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

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

Analysis of share-based payments granted as compensation

2018

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

2017

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

Exercise of options granted as compensation

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

End of audited Remuneration Report.

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

The lead auditor's independence declaration is set out on page 24 and forms part of the directors' report for the year ended 30 June 2018.

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

Pnina Feldman, Chairperson
Dated this 22nd day of October 2018

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

To the Board of Directors of Queensland Bauxite Limited

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

As lead audit partner for the audit of the financial statements of Queensland Bauxite Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(a) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(b) any applicable code of professional conduct in relation to the review.

Yours sincerely

Nexia Sydney Partnership

Stephen Fisher
Partner

Sydney
22 October 2018

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Financial Statements

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2018

	Note	2018 $	2017 $
Revenue from sale of goods		144,773	-
Licence fee revenue		3,577,308	-
Operating revenue		3,722,081	-
Administrative and corporate expenses		(1,390,888)	(552,655)
Advertising and marketing		(212,324)	-
Cost of goods sold		(202,851)	-
Amortisation	20	(23,000)	-
Depreciation	19	(10,226)	(4,290)
Foreign currency exchange gain realised/(loss)		104,091	(22,441)
Loss on equity settled liabilities		(1,835,920)	(171,969)
Legal expenses		(172,281)	(105,893)
Directors fees QBL		(714,000)	(558,000)
Occupancy expenses		(187,844)	(138,000)
Exploration written off	18	(13,579)	37,831
Impairment of exploration assets	18	(1,678,687)	-
Impairment of other receivables		-	(27,660)
Financial assets at FVTPL – net change in value		(674,455)	-
Research costs		(500,282)	-
Share of loss in equity-accounted investees – net of tax	22	(11,715)	-
Travelling expenses		(325,814)	(208,589)
Other expenses		(63,070)	(28,702)
Share based payments expense	32	(223,500)	(195,000)
		(8,136,345)	(1,975,368)
Finance income	7	152,685	193,834
Finance costs	7	(447,208)	(73,690)
Net finance costs		**(294,523)**	**120,144**
Loss before income tax		**(4,708,787)**	**(1,855,224)**
Income tax expense	8	(292,666)	-
Loss after tax from continuing operations		**(5,001,453)**	**(1,855,224)**
Other comprehensive income, net of tax		-	-
Total comprehensive loss	27	**(5,001,453)**	**(1,855,224)**

Loss attributable to members of Queensland Bauxite Limited		(5,440,129)	**(1,855,224)**
Profit attributable to non-controlling interest		**438,676**	**-**
Total comprehensive loss attributable to members of Queensland Bauxite Limited		**(5,440,129)**	**(1,855,224)**
Total comprehensive income attributable to non-controlling interest	28	438,676	-
Basic loss per share (cents per share)	11	(0. 32)	(0.15)
Basic loss per share from continuing operations (cents per share)	11	(0. 32)	(0. 15)
Diluted loss per share (cents per share)	11	(0. 32)	(0.15)
Diluted loss per share from continuing operations (cents per share)	11	(0. 32)	(0.15)

The accompanying notes form part of these financial statements.

Consolidated statement of financial position

As at 30 June 2018

	Note	2018 $	2017 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	12	6,409,317	8,540,458
Trade and other receivables	13	579,247	101,298
Inventories	14	563,995	21,926
TOTAL CURRENT ASSETS		7,552,559	8,663,682
NON-CURRENT ASSETS			
Other receivables	15	-	-
Exploration and evaluation	18	1,863,762	3,124,895
Property, plant and equipment	19	95,933	42,288
Intangible assets	20	1,933,261	1,956,261
Investments	21	2,902,853	-
Equity-accounted investees	22	286,285	-
TOTAL NON-CURRENT ASSETS		7,082,094	5,123,444
TOTAL ASSETS		14,634,653	13,787,126
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	23	586,741	602,988
Current tax liability		292,666	-
Other financial liabilities	24	2,205,857	1,987,623
TOTAL CURRENT LIABILITIES		3,085,264	2,590,611
TOTAL LIABILITIES		3,085,264	2,590,611
NET ASSETS		11,549,389	11,196,515
EQUITY			
Share capital	25	29,600,842	25,287,433
Share based payments reserve	26	4,701,599	4,728,549
Accumulated losses	27	(23,617,200)	(18,622,071)
TOTAL		10,685,241	11,393,911
Non-controlling interest	28	864,148	(197,396)
TOTAL EQUITY		11,549,389	11,196,515

The accompanying notes form part of these financial statements.

Consolidated statement of changes in equity

For the year ended 30 June 2018

	Note	Share Capital Ordinary $	Accumulated Losses $	Share Based Payments Reserve $	Non-controlling Interest $	Total $
Balance at 30 June 2016		19,982,993	(17,186,147)	4,914,098	-	7,710,944
Loss attributable to members of consolidated entity	27	-	(1,855,224)		-	(1,855,224)
Share based payments	26	-	-	233,751	-	233,751
Non-controlling interest capital	28	-	-	-	(197,396)	(197,396)
Transfer from share based payments reserve to accumulated losses	27	-	419,300	(419,300)		-
Shares issued during the year	25	5,304,440	-	-		5,304,440
Balance at 30 June 2017		25,287,433	(18,622,071)	4,728,549	(197,396)	11,196,515
Loss attributable to members of consolidated entity	27		(5,440,129)	-	438,676	(5,001,453)
Share based payments	26			282,330	-	282,330
Share based payment related to options issued in respect of the issue of convertible securities	26	-	-	135,720	-	135,720
Transfer from share based payment reserve to accumulated losses	27	-	445,000	(445,000)	-	-
Shares issued during the year	25	4,313,409	-	-	622,868	4,936,277
Balance at 30 June 2018		29,600,842	(23,617,200)	4,701,599	864,148	11,549,389

The accompanying notes form part of these financial statements

Consolidated statement of cash flows

For the year ended 30 June 2018

	Note	Consolidated Entity 2018 $	2017 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		84,638	-
Payments to suppliers and employees		(4,444,302)	(1,836,062)
Interest received		152,685	193,834
Net cash used in operating activities	31	(4,206,979)	(1,642,228)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in equity-accounted entity		(298,000)	-
Payment for plant and equipment		(63,871)	-
Payment for exploration asset		(417,555)	(393,314)
Net cash used in investing activities		(779,426)	(393,314)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of loan by related entity – Australian Gemstone Mining Pty Ltd		12,106	(32,838)
Loan provided to other entity – Medcan Australia Trust Pty Ltd		(73,560)	-
Loan provided to related entity – Hemp Hulling Co. (QLD) Pty Ltd		(77,168)	-
Proceeds from convertible securities		600,000	2,134,630
Proceeds from share capital		766,018	2,959,671
Proceeds from share capital – non controlling interest	28	622,868	-
Proceeds from seed capital		1,005,000	-
Net cash from financing activities		2,855,264	5,061,463
Net (decrease)/increase in cash held		(2,131,141)	3,025,921
Cash acquired from acquisition of subsidiary	17	-	788
Cash at beginning of financial year		8,540,458	5,513,749
Cash at end of financial year	12	6,409,317	8,540,458

The accompanying notes form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2018

Note 1: Reporting entity

Queensland Bauxite Limited (the 'Company') is a company domiciled in Australia. The address of the company's registered office is 24 Birriga Road, Bellevue Hill NSW 2023. The consolidated financial statements of the Company as at and for the year ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

The Group is a for-profit entity and is primarily involved in the exploration for mineral deposits and the legal growing and cultivation of hemp and medicinal cannabis products in Australia.

Note 2: Basis of preparation

a Statement of compliance

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

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the AASB that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the Group.

The consolidated financial statements were authorised for issue by the Board of Directors on 18 October 2018. The Board of Directors have the power to amend and reissue the financial statements.

b Basis of measurement

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

i Investments

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

ii Other non-derivative financial liabilities

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

c Functional and presentation currency

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

d Use of estimates and judgements

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

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

e Key estimates and judgements

Impairment

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

Business combinations

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

Note 3: Significant accounting policies

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

a Basis of consolidation

i Business combinations

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

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

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

ii Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has a right to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

iii Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

iv Interests in equity-accounted investees

The Group's interest in equity-accounted investees comprise interests in associates. Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

Interests in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which significant influence ceases.

v Transactions eliminated on consolidation

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

b Foreign currency

i Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of Group companies at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency exchange are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign-currency differences are generally recognised in profit or loss.

ii Foreign operations

The asset and liabilities of foreign operations, are translated in $A at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into $A at the exchange rates at the dates of the transactions.

c Financial instruments

i Non-derivative financial assets

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

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

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

Loans and receivables

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

Financial assets at FVTPL

A financial asset is classified as at FVTPL if it is classified as held-for-trading or is designated as such on initial recognition to avoid an accounting mismatch. Directly attributed transaction costs are recognised in profit and loss as incurred. Financial assets at FVTPL are measured at fair value and changes therein, including any interest or dividend income are recognised in profit or loss.

Cash and cash equivalents

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

ii Non-derivative financial liabilities

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

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

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

Other financial liabilities comprise trade and other payables, loans and convertible notes.

d Share capital

Ordinary shares

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

e Property, plant and equipment

i Recognition and measurement

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

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

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

ii Subsequent costs

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

iii Depreciation

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

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

. mining equipment	10 years
. plant and equipment	10 years

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

f Exploration and evaluation expenditure

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

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

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

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

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

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

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

g Goodwill

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

h Other intangible assets

Acquired intangible assets

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

Subsequent measurement

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

Amortisation of seedbank and plant genetics is calculated to write-off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognised in the profit and loss.

The following useful lives are applied:

- Seedbank and plant genetics 10 years

i Impairment

i Non-derivative financial assets

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

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

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

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

ii Non-financial assets

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

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

Impairment losses are recognized in profit or loss.

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

j Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle. In the case of manufactured inventories, cost includes an appropriate share production overhead based on normal operating capacity

k Revenue

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

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

License fee revenue

License fee revenue is recognised when the right to receive payment is established.

Interest

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

l Research and development

Expenditure on research activities is recognised in profit and loss as incurred.

m Finance income and finance costs

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

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

n Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

o Income tax

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

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

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

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

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

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

p Goods and services tax

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

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

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

q Share-based payments

Equity-settled share-based payments are provided to certain vendors and suppliers in exchange for the acquisition of businesses or rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date of the businesses acquired or services received if reasonably measurable. Otherwise, fair value is measured at the quoted market price of the Company's ordinary shares on grant date, adjusted where applicable to take into account the terms and conditions upon which the shares were granted.

r Going concern basis of accounting

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

Note 4: New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2018, and have not been applied in preparing these consolidated financial statements of the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

Note 5: Determination of fair values

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

Investments

Investments are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the market value of the ASX publicly listed share price.

Other non-derivative financial liabilities

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

Note 6: Financial risk management

Overview

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

liquidity risk; and

market risk.

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

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

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

Liquidity risk

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

Market risk

Market risk is the risk that changes in market prices will affect the Group, for example changes in interest rates, and changes in share price for investments at FVTPL.

Note 7: Finance costs

	2018 $	2017 $
Interest income on cash at bank	152,685	193,834
Finance income	**152,685**	**193,834**
Financial liabilities measured at amortised cost – interest expense	(388,378)	(34,939)
Equity settled (share based payment expense – note 26)	(58,830)	(38,751)
Finance costs	**(447,208)**	**(73,690)**
Net finance (costs)/income	**(294,523)**	**120,144**

Note 8: Income tax

	2018 $	2017 $
Major components of income tax expense		
a. Income tax benefit		
Loss before income tax	(4,708,786)	(1,855,224)
Prima facie tax benefit on the loss from ordinary activities before income tax at 27.5% (2017: 30%) differs from the income tax provided in the financial statements as follows:	(1,294,916)	(510,187)
Tax benefit at 27.5%		
Add/(Less) tax effect		
- Non-assessable income	(56,382)	-
- Non-deductible expenses	1,324,284	116,699
- Exploration expenditure capitalised	(107,402)	(109,239)
- Tax loss recouped	(154,552)	-
- Deferred tax asset not brought to account	581,634	502,727
Income tax expense attributable to operating loss	292,666	-
b. Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following item:		
Add/(Less) tax effect		
- Tax losses – income at 27.5%	4,566,070	4,005,987
- Tax losses – capital at 27.5%	135,076	135,076)

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

Note 9: Key management personnel disclosures

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

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

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

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2018	**2017**
	$	**$**
Short-term employee benefits	714,000	558,000
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	-
	714,000	558,000

Short term employee benefits

These amounts include fees and benefits paid to non-executive directors as well as salary, paid leave benefits, fringe benefits and cash bonuses awarded to the executive Chairman, executive directors and other KMP.

Post-employment benefits

These amounts are the current-year's costs of providing for superannuation contributions under the Australian Government's superannuation guarantee scheme.

Other long-term benefits

These amounts represent long service leave benefits accruing during the year, long-term disability benefits and deferred bonus payments.

Share based payment expense

These amounts represent the expense related to the participation of specified executives in equity-settled benefit schemes as measured by the fair value of the shares granted on grant date.

Note 10: Auditors' remuneration

	2018 $	2017 $
Remuneration of the auditor (Nexia Sydney Partnership) of the parent entity for:		
An audit or review of the financial report of the Company		
- Current year	63,641	36,744
- Audit of the newly acquired subsidiaries	23,600	-
- Half-year	46,607	20,081
Other services		
- Taxation services	-	2,500
- Corporate advisory services	50,000	-

Note 11: Earnings per share

	2018	2017
Basic Earnings per Share		
a. Basic loss per share (cents)	(0.32)	(0.15)
Loss attributable to ordinary shareholders ($)	(5,001,453)	(1,855,224)
Earnings used to calculate basic EPS ($)	(5,001,453)	(1,855,224)
b. Issued ordinary shares at 1 July	1,408,097,244	854,592,485
Effect of shares issued during the year	134,815,892	352,003,497
.		
Weighted average number of ordinary shares at 30 June	1,542,913,136	1,206,595,982

Diluted Earnings per Share

a. Diluted loss per share (cents)	(0.32)	(0.15)
Loss attributable to ordinary shareholders ($)	(5,001,453)	(1,855,224)
Earnings used to calculate diluted EPS ($)	(5,001,453)	(1,855,224)
	No.	No.
b. Weighted average number of ordinary shares (basic)	1,542,913,136	1,206,595,982
Weighted average number of ordinary shares (diluted) at 30 June	1,542,913,136	1,206,595,982

As at 30 June 2018, 2,846,046 options (2017: 158,455,323) and 50,000,000 performance shares (2017: 50,000,000) were excluded from the diluted weighted-average number of ordinary shares calculation because their effect would have been anti-dilutive.

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

Note 12: Cash and cash equivalents

	2018 $	2017 $
CURRENT		
Cash on hand	100	100
Cash at bank	6,409,217	8,540,358
Cash and cash equivalents in the statement of cash flows	6,409,317	8,540,458

Note 13: Trade and other receivables

	2018 $	2017 $
CURRENT		
Trade receivables	100,782	77,661
Other receivables	309,870	-
Loans to related parties – refer to note 33	88,699	23,637
Loan to other party – Medcan Australia Pty Ltd	73,560	-
Prepayments	6,336	-
	579,247	101,298

Note 14: Inventories

	2018 $	2017 $
CURRENT		
Seeds and crops in progress – at cost	106,532	21,926
Finished goods – at cost	457,463	-
	563,995	21,926

Note 15: Other receivables

	2018 $	2017 $
NON CURRENT		
Loan to Volcan Australia Corporation Pty Ltd - Unsecured#	1,200,000	1,200,000
Less impairment of loan	(1,200,000)	(1,200,000)
Loan to Volcan Australia Corporation Pty Ltd – Unsecured	79,258	79,258
Less impairment of loan	(79,258)	(79,258)

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

Note 16: Controlled entities

	Country of incorporation	Percentage owned (%)	
		2018	2017
Controlled entities consolidated			
Parent entity:			
Queensland Bauxite Limited	Australia		
Subsidiaries of Queensland Bauxite Limited			
South Johnstone Bauxite Pty Ltd	Australia	100%	100%
Volcan Queensland Bauxite Pty Ltd	Australia	100%	100%
Rosie’s Gold Pty Ltd (Deregistered by ASIC on 01.07.18)	Australia	100%	100%
New England Bauxite Pty Ltd	Australia	100%	100%
Medical Cannabis Limited	Australia	55%	55%
Medical Cannabis Information Service Pty Ltd	Australia	55%	55%
Medical Cannabis Research Group Pty Ltd	Australia	100%	
Vitahemp Pty Ltd	Australia	52%	-
Vitaseeds Pty Ltd	Australia	55%	-
Vitacann Pty Ltd	Australia	100%	-
Medical Cannabis (Cambodia) Co., Ltd	Cambodia	51%	-

* Percentage of voting power is in proportion to ownership.

Note 17: Business combinations

Acquisition of Medical Cannabis Limited during year ended 2017.

On 30 May 2017, the Group acquired 55 percent of the shares and voting interests in Medical Cannabis Limited (MCL). As a result, the Group obtained control of MCL. The following tables set out the provisional amounts recognised at acquisition date, which are now final amounts at 30 June 2018.

	$
A. Consideration transferred	
The following consideration was transferred:	
Equity instruments (49,000,000 ordinary shares)	735,000
The value of the ordinary shares issued was	
based on the listed share price of the Company on	
30 May 2017 of $0.015 .	
Contingent consideration shares	
Equity instruments (50,000,000 performance shares)	750,000

The value of the contingent consideration was	
based on the listed share price of the Company on	
30 May 2017 of $0.015	
TOTAL	1,485,000

B. Identifiable assets acquired and liabilities assumed at fair value

	$
Cash	788
Receivables	8,443
Inventory	21,926
Plant and equipment	18,000
Intangible assets	230,000
Total assets	279,157
Trade creditors	34,905
Other creditors	335,000
Loans	127,909
Other liabilities	220,000
Total liabilities	717,814
Total identifiable net assets acquired	(438,657)
Non-controlling interest	(197,936)
Total identifiable net assets acquired (55%)	(241,261)
Goodwill	1,726,261

C. Cash outflow on acquisition

The following table summarises the cash outflow on acquisition.

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

D. Details relating to acquisition

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

Contingent consideration shares

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

Intangible assets

The acquired intangible assets have been fair valued at their cost of acquisition as at 9 April 2015.

Goodwill on acquisition

Goodwill on acquisition of $1,726,261 is not considered to be impaired at 30 June 2018.

Note 18: Exploration and evaluation

	2018 $	2017 $
NON-CURRENT		
EPM 18463		
Balance as at 30 June	1,473,208	1,120,335
Mining permits, tenement acquisition and administration and geologist expenses	363,554	352,873
Impairment of exploration assets	-	-
Balance as at 30 June	1,863,762	1,473,208
EL 7301		
Balance as at 30 June	1,651,687	1,611,246
Mining permits, tenement acquisition and administration and geologist expenses	27,000	40,441
Impairment of exploration assets	(1,678,687)	-
Balance as at 30 June	-	1,651,687
TOTAL	1,863,762	3,124,895
Exploration expenses written off during the year	13,579	(37,831)

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

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

The exploration and evaluation asset balance relating to the mining tenement EL 7301 is NIL as at 30 June 2018 (2017 $1,651,687). The mining tenement EL 7301 expired on 23 February 2016. Application forms have been lodged to renew and transfer the tenement from Volcan Australia Corporation Pty Ltd to Queensland Bauxite Limited ("QBL") for a further 5 years to 23 February 2021. This process has not yet been finalised with the NSW Department of Industry, therefore the exploration and evaluation asset has been impaired during the financial year end 30 June 2018.

The exploration and evaluation asset balance relating to the mining tenement EPM 18463 is $1,863,761 as at 30 June 2018 (2017 $1,473,208). The mining tenement EPM 18463 has been renewed for a further 2 years to 25 May 2020.

Note 19: Property, plant and equipment

	2018 $	2017 $
NON-CURRENT		
Mining Equipment		
At cost	195,426	188,074
Accumulated depreciation	(169,725)	(163,786)
TOTAL	25,701	24,288
Plant and Equipment	76,519	20,000
At cost	(6,287)	(2,000)
Accumulated depreciation	70,232	18,000
Total written down amount	95,933	42,288

Movements in carrying amounts

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

2018	Plant and Equipment $	Mining Equipment $	Total $
Carrying amount year ended 30 June 2017	18,000	24,288	42,288
Additions	56,519	7,352	63,871
Disposals	-	-	-
Depreciation expense	(4,287)	(5,939)	(10,226)
Impairment loss		-	-
Carrying amount year ended 30 June 2018	70,232	25,701	95,933

2017	Plant and equipment	Mining Equipment	Total
	$	$	$
Carrying amount year ended 30 June 2016	-	28,578	28,578
Additions	-	-	-
Acquired through business combinations	18,000	-	18,000
Disposals	-	-	-
Depreciation expense	-	(4,290)	(4,290)
Impairment loss	-	-	-
Carrying amount year ended 30 June 2017	18,000	24,288	42,288

Note 20 – Intangible assets

	2018 $	2017 $
Seedbank and plant genetics	230,000	230,000
Accumulated amortisation	(23,000)	-
Goodwill	1,726,261	1,726,261
Total intangible assets	1,933,261	1,956,261

2018	Seedbank and plant genetics	Goodwill	Total
	$	$	$
Carrying amount year ended 30 June 2017	230,000	1,726,261	1,956,261
Accumulated amortisation	(23,000)	-	(23,000)
Carrying amount year ended 30 June 2018	207,000	1,726,261	1,933,261

Impairment testing

Goodwill acquired through a business combination has been allocated to the cannabis cash-generating unit.

Refer to Note 17 for further detail.

The Group determines whether goodwill is impaired at least on an annual basis. The recoverable amount of goodwill is based on the Directors' estimate of fair value of the cash generating unit to which it relates less costs to sell. In determining fair value, Medical Cannabis Ltd is considered a separate cash generating unit. The measure used in assessing fair value is based on the Directors' estimate of market value of the proposed sale of the remaining 45% interest in Medical Cannabis Ltd. The resulting fair value is compared to the carrying value for the cash generating unit and in the event that the carrying value exceeds the recoverable amount, an impairment loss is recognised. No reasonable change in assumptions would result in the recoverable amount of the cash generating unit being materially less than the carrying value.

Note 21: Investments

	2018 $	2017 $
Listed ordinary shares – designated as at FVTPL	2,902,853	-

The equity securities were acquired as non-cash consideration received for the licensing of certain cannabis intellectual property of the company to an unrelated company.

Equity securities have been designated as at fair value through profit and loss (FVTPL) to avoid an accounting mismatch arising from the recognition of the licensing income in profit and loss if the fair value movements of the equity securities were being recognised in other comprehensive income.

Movement in fair value for FVTPL

Reconciliations
Reconciliation of the written down value at the beginning and end of the current and previous financial year are set out below:

	Total $
Balance at 1 July 2016	-
Changes	-
Balance at 30 June 2017	-
Recognition of license fee revenue	3,577,308
Write-down to fair value	(674,455)
Balance at 30 June 2018	2,902,853

Note 22: Equity-accounted investees

On 31 January 2018, the Group acquired a 25% equity interest in the associate Hemp Hulling Co. (QLD) Pty Ltd (HHC). HHC is involved in the processing of hemp seeds.

	2018 $	2017 $
Percentage ownership owned	25%	-
Current assets	30,022	-
Non-current assets	1,256,941	-
Current liabilities	(141,823)	-
Non-current liabilities	-	-
Net assets (100%)	1,145,140	-
Group's share of net assets (25%)	286,285	-
Carrying amount of interest in investee	286,285	-
Revenue	33,190	-
Loss from continuing operations (100%)	(46,861)	-
Other comprehensive income (100%)	-	-
Total comprehensive income (100%)	(46,861)	-
Total comprehensive income (25%)	(11,715)	-
Group's share of total comprehensive income	(11,715)	-

On 27 December 2017, the Group entered a 50:50 joint venture arrangement with Canntab Therapeutics Ltd, named Canntab Therapeutics Australia (JV). The initial investment and carrying value at 30 June 2018 is $2. The JV did not trade prior to 30 June 2018. Refer to Note 29 for disclosure of future commitments to the JV at 30 June 2018.

Note 23: Trade and other payables

	2018 $	2017 $
CURRENT		
Unsecured liabilities		
Trade payables	546,741	236,788
Accrued expenses	40,000	360,500
Other creditors	-	5,700
	586,741	602,988

Note 24: Other financial liabilities

	2018 $	2017 $
CURRENT		
Loan - Seed capital – unsecured	1,206,000	-
Loan from Andrew Kavasilas - unsecured	474,522	274,961
Convertible notes - MEF 1 LP pursuant to the financing agreement – secured	-	1,712,662
Convertible securities - L1 Capital pursuant to the financing agreement – unsecured	525,335	-
	2,205,857	1,987,623

The loan from MEF 1 LP was in default as at 30 June 2018. However, an agreement was reached on 27 August 2018 whereby the conversions of debt to equity that were deemed to occur prior to balance date, were sufficient to satisfy the creditor.

Note 25: Issued capital

	2018 $	2016 $
Share capital on issue		
1,606,852,092 (2017: 1,408,097,244) fully paid ordinary shares (no par value)	28,850,842	24,537,433
50,000,000 (2017: 50,000,000) performance shares (no par value)	750,000	750,000
	29,600,842	25,287,433

The Company has no authorised capital.

	2018 No.	2018 $	2017 No.	2017 $.
Ordinary shares				
At the beginning of reporting period	1,408,097,244	24,537,433	854,592,485	19,982,993
Share based payments (note 32)	11,848,201	-	19,583,379	-
Conversion of convertible notes into ordinary shares	130,533,928	3,547,391	86,218,305	859,769
Share issue	-	-	17,857,143	125,000
Placement under NRRI	-	-	330,970,133	2,317,790
Options exercised @0.012	56,372,719	766,018	49,875,799	598,509
Investment in Medical Cannabis Limited	-	-	49,000,000	735,000
Less: Cost of capital raising	-	-	-	(81,628)
	1,606,852,092	28,850,842	1,408,097,244	24,537,433

	2018 No.	2018 $	2017 No.	2017 $.
At reporting date (30 June 2018)				
Performance shares				
At the beginning of reporting period	50,000,000	750,000	-	-
Investment in Medical Cannabis Limited	-	-	50,000,000	750,000
At reporting date (30 June)	50,000,000	750,000	50,000,000	750,000
TOTAL at reporting date (30 June)	1,656,852,092	29,600,842	1,458,097,244	25,287,433

Terms and Conditions of Issued Capital

Ordinary Shares

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

Performance Shares

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

b. Options on issue

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

	2018 No.	2017 No.
Description		
At the beginning of reporting period	158,455,323	208,994,871
Granted during the financial year	-	165,485,076
Forfeited during the financial year	-	-
Exercised during the financial year	(56,372,719)	(49,875,799)
Expired during the financial year	(99,236,558)	(166,148,825)
Balance at the end of the financial year	2,846,046	158,445,323
Exercisable at the end of the financial year	2,846,046	158,455,323

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

- 2,846,046 exercisable at $0.06 on or before 31 August 2018.

Note 26: Share based payments reserve

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

	Consolidated Entity	
	2018 $	2017 $
Balance as at 1 July	4,728,549	4,914,098
Equity settled share based payment – consulting fees – shares (Note 32)	223,500	171,000
Equity settled share based payment – shares issued to employees of related entity Australian Gemstone Mining Pty Ltd (Note 32)	-	24,000
Equity settled share based payment – finance costs – shares issued in respect to finance costs relating to the issue of convertible securities (Note 32)	58,830	38,751
Equity settled share based payment – options issued in respect of the issue of convertible securities	135,720	-
Transfer to accumulated losses for expired options	(445,000)	(419,300)
Balance as at 30 June	4,701,599	4,728,549

Note 27: Accumulated losses

	2018 $	2017 $
Balance as at 1 July	(18,622,071)	(17,186,147)
Loss for the year	(5,001,453)	(1,855,224)
Transfer from share based payments reserve for expired and forfeited options	445,000	419,300
Non-controlling interest in operating loss	(438,676)	-
Balance as at 30 June	(23,617,200)	(18,622,071)

Note 28: Non-controlling Interests

	2018 $	2017 $
Non-controlling interest in equity – Balance as at 1 July	(197,396)	(197,396)
Non-controlling interest in equity – Medical Cannabis Ltd capital	622,868	-
Profit attributable to non-controlling interest	438,676	-
Balance as at 30 June	864,148	(197,396)

Note 29: Commitments for expenditure

	2018 $	2017 $
Exploration and evaluation (Note i)		
– not later than 1 year	272,000	-
– later than 1 year but no later than 5 years	282,000	235,000
Research and development		
Canntab therapeutics (Note ii)		
- Not later than a year	259,000	-
- Later than 1 year but no later than 5 years	1,037,000	-
TRDF Israel Research (Note iii)		
- Not later than a year	1,333,000	-
- Later than 1 year but no later than 5 years	2,009,000	-
	5,192,000	235,000

Notes:

i. This relates to exploration and evaluation activity for mining tenement EPM18463.

ii. On 27 December 2017 QBL entered into a joint venture agreement with Canntab Therapeutics Ltd. Under the agreement, each party will contribute $1.3 million (USD$1 million).

iii. On 16 February 2018 Medical Cannabis Research Group and The Research Development Foundation entered into a research funding agreement. Under the agreement, MCL is required to pay $3.7 million (USD$2.87 million) over a four-year period.

Note 30: Operating leases

	2018 $	2017 $
The Group leases a factory facility under operating lease. The lease runs for a period of 2 years, with no option to renew:		
– not later than 1 year	28,000	-
– later than 1 year but no later than 5 years	14,000	-
	42,000	-

Note 31: Cash flow information

	2018 $	2017 $
a. **Reconciliation of cash flows from operating activities**		
Loss for the year	(5,001,453)	(1,855,224)
Non-cash flows in loss		
Licence fee income	(3,577,308)	-
Share of loss of equity-accounted investee - net of tax	11,715	-
Depreciation	10,226	4,290
Amortisation	23,000	-
Share based payments expense	282,330	195,000
Impairment of exploration asset	1,678,687	-
Loss on financial assets at FVTPL	674,455	-
Finance cost	388,378	245,659
Loss on equity settled liabilities	1,835,920	
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries		
Increase in other receivables	(20,133)	-
Increase in trade debtors	(100,782)	
Increase in prepayments	(6,336)	-
Increase in GST receivable	(212,076)	(5,613)
Increase in inventory	(542,069)	-
Increase/(decrease) in trade payables, accruals and other creditors	55,801	(226,340)
Increase in current tax liability	292,666	-
Net cash from operating activities	(4,206,979)	(1,642,228)

b. Acquisition of entities

Refer Note 17.

c. Non-cash investing and financing activities	Consolidated	
	2018	2017
	$	$
Conversion of convertible notes into ordinary shares	3,547,391	859,769
Consideration for finance costs and consulting services by shares issues – refer note 32	277,330	233,751
Acquisition of 55% of Medical Cannabis Ltd – refer notes 17 and 32	-	1,485,000

d. Changes in liabilities arising from financing activities

	Seed capital	MEF 1 LP	L1 Capital	Total
	$	$	$	$
Balance at 1 July 2016	-	230,893	-	230,893
Net cash provided by financing activities:				
Convertible securities issued	-	2,134,630	-	2,134,630
Other changes:				
Finance cost recognised	-	34,939	-	34,939
Loss on equity settled liability	-	171,969	-	171,969
Conversion to shares	-	(859,769)	-	(859,769)
Balance at 30 June 2017	-	1,712,662	-	1,712,662
Net cash provided by financing activities:				
Seed capital loans advanced	1,005,000	-	-	1,005,000
Convertible securities issued	-	-	600,000	600,000
Other changes:				
Increase in face value to $1.05	-	-	30,000	30,000
Finance cost to be amortised to June 2019	-	-	(165,720)	(165,720)
Finance cost recognised	201,000	126,323	61,055	388,378
Loss on equity settled liability	-	1,835,920	-	1,835,920
Conversion to shares	-	(3,547,391)	-	(3,547,391)
Realised foreign exchange gain	-	(127,514)		(127,514)
Balance at 30 June 2018	1,206,000	-	525,335	1,731,335

Note 32: Share based payment arrangements

Description of the share based payment arrangements.

The following share based payment arrangements exist as at 30 June 2018.

Ordinary shares granted

On 25 July 2017, the Company issued 2,671,856 ordinary shares as commitment shares for convertible notes. The share price at the grant date was $0.011 per share, resulting in consideration for finance costs of $29,390.

On 4 August 2017, the Company issued 2,676,345 ordinary shares as commitment shares for convertible notes. The share price at the grant date was $0.011 per share, resulting in consideration for finance costs of $24,440.

On 4 August 2017, the Company issued 1,000,000 ordinary shares as consideration for consulting services. The share price at the grant date was $0.011 per share, resulting in consideration for consulting services of $11,000.

On 4 August 2017, the Company issued 1,500,000 ordinary shares as consideration for consulting services. The share price at the grant date was $0.011 per share, resulting in consideration for consulting services of $16,500.

On 12 September 2017, the Company issued 50,000,000 performance shares as part consideration for the acquisition of 55% of the shares in Medical Cannabis Ltd. The share price at the grant date of 30 May 2017 was $0.015 per share.

On 23 November 2017, the Company issued 500,000 ordinary shares as consideration for consulting services. The share price at the grant date was $0.049 per share, resulting in consideration for consulting services of $24,500.

On 23 November 2017, the Company issued 3,500,000 ordinary shares as consideration for consulting services. The share price at the grant date was $0.049 per share, resulting in consideration for consulting services of $171,500.

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

Ordinary shares granted

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

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

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

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

On 30 May 2017, the Company issued 49,000,000 ordinary shares as part consideration for the acquisition of 55% of the shares in Medical Cannabis Ltd. The share price at the grant date of 30 May 2017 was $0.015 per share.

Expense recognised in profit or loss

	Consolidated Entity 2018 $	2017 $
Equity settled share based payment transactions		
Consulting fees – ordinary shares granted (note 26)	223,500	171,000
Consulting fees – ordinary shares granted to employees of related entity Australian Gemstone Mining Pty Ltd (note 24)	-	24,000
	223,500	195,000
Finance costs – ordinary shares granted (note 8 and 26)	58,830	38,751
Total expense recognised for equity settled share based payments	282,330	233,751

Reconciliation of outstanding share options

	2018 Number of options	2018 Weighted Average Exercise price	2017 Number of options	2017 Weighted average exercise price
Outstanding at the beginning of the year	32,846,046	0.11	135,346,046	0.05
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	(30,000,000)	0.12	(102,500,000)	0.03
Outstanding at year-end	2,846,046	0.06	32,846,046	0.11
Exercisable at year-end	2,846,046	-	32,846,046	-

The options outstanding at 30 June 2018 have an exercise price of $0.06 (2017: $0.06 to $0.20) and a weighted average contractual life of 0.2 years (2017: 0.3 years).

There were no options exercised during the year ended 30 June 2018 (2017: Nil) in respect of share-based payment arrangements.

The 2,846,046 options outstanding and exercisable at 30 June 2018 expired on 31 August 2018.

Note 33: Related parties disclosures

Identity of related parties

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

Related party transactions with Australian Gemstone Mining Pty Limited

The Company and Australian Gemstone Mining Pty Limited (AGMPL) are parties to a management services agreement (Management Services Agreement) dated 1 July 2007, and the Variation Deed dated 1 July 2017, for the provision by AGMPL of executive and corporate services, including geological and technical expertise, to the Company by the following executives:

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

In respect of each of these executives (Key Management Personnel), AGMPL was paid a retainer for the period ended 30 June 2018. The Company was also reimbursed for all reasonable expenses incurred by or on behalf of the Key Persons.

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

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

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

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

AGMPL services	2018	2017
	$	$
Rent	168,000	138,000
Management and secretarial	180,000	162,000
Geologist fees	360,000	360,000
Executive and corporate services	624,000	468,000
Reimbursement of expenses	34,577	41,007
Marketing services	120,000	-
Administration services	240,000	-
Total	1,726,577	1,169,007

Amounts owed by AGMPL as at 30 June 2018 is $11,531 (2017: $23,637)

	2018 $	2017 $
Other transactions with related parties		
Loans advanced to director related companies		
CURRENT		
Australian Gemstone Mining Pty Ltd	11,531	23,637
NON-CURRENT		
Volcan Australia Corporation Pty Ltd	1,200,000	(1,200,000)
Impairment recognised as at 30 June 2018	(1,200,000)	(1,200,000)
Due for repayment on 14 December 2012		
Volcan Australia Corporation Pty Ltd	79,258	79,258
Impairment recognised as at 30 June 2018	(79,258)	(79,258)
No due date for repayment.		

The above loans are unsecured and interest free. See note 14 for explanation of Loan to Volcan Australia Corporation Pty Ltd.

Loan advanced to associate entity		
CURRENT		
Hemp Hulling Co (QLD) Pty Ltd	77,168	-

The above loan is unsecured and interest free.

Trade creditor balance with associate company -		
Hemp Hulling Co (QLD) Pty Ltd	13,015	-
Purchases from associate company –		
Hemp Hulling Co (QLD) Pty Ltd	11,832	-

(Purchases are made on normal terms and conditions.)

Note 34: Financial instruments

a. Financial risk management

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

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency fluctuation risk and liquidity risk.

Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result in changes in market interest rates, arises mainly from bank deposits accounts. The effective weighted average interest rates on the financial assets and financial liabilities and interest rate sensitivity analysis are set out at Note 34(b).

Foreign currency risk

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

Credit risk

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

Liquidity risk

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

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

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

30 June 2018		Contractual cash flows				
	Carrying amount $	Total $	Less than 12 months $	1-2 Years $	2 to 5 years $	More than 5 years $
Non derivative financial liabilities						
L1 Capital Global	525,335	630,000	630,000	-	-	-
Seed capital loan	1,206,000	1,206,000	1,206,000	-	-	-
Loan - A Kavasilas	474,522	474,522	474,522	-	-	-

30 June 2017						
	Carrying amount $	Total $	Less than12 months $	1-2 Years $	2 to 5 years $	More than 5 years $
Non derivative financial liabilities						
MEF1 LLC	1,712,662	1,712,662	1,712,662	-	-	-
Loan – A Kavasilas	274,961	274,961	274,961	-	-	-

Price risk

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

b. Financial Instrument interest rate risk

The tables below disclose the contractual interest rates applicable for financial statements and a sensitivity analysis of movements in variable interest rates.

	Weighted average effective interest rate		Floating interest rate		Non-interest bearing		Total	
	2018	2017	2018	2017	2018	2017	2018	2017
Consolidated Entity	%	%	$	$	$	$	$	$
Financial assets:								
Cash and cash equivalents	2.0%	2.8%	6,409,217	8,540,358	100	100	6,409,317	8,540,458
Trade and other receivables	-	-	-	-	579,247	101,298	579,247	101,298
Investments at FVTPL	-	-	-	-	2,902,853	-	2,902,853	-
Financial liabilities:								
Trade and other payables	-	-	-	-	586,741	602,988	586,741	602,988
Current tax liability	-	-	-	-	292,666	-	292,666	-
Other financial liabilities	-	-	-	-	2,205,857	1,987,623	2,205,857	1,987,623

Interest rate sensitivity analysis

At 30 June 2018, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	2018 $	2017 $
Increase in interest rate by 1%	64,092	85,403
Decrease in interest rate by 1%	(64,092)	(85,403)

c. Fair values vs carrying amounts

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

	2018 Total Carrying Amount $	2018 Fair Value $	2017 Total Carrying Amount $	2017 Fair Value $
Financial Assets				
Cash and cash equivalents	6,409,317	6,409,317	8,540,458	8,540,458
Trade and other receivables	579,247	579,247	101,298	101,298
Investment at FVTPL	2,902,853	2,902,853	-	-
Financial Liabilities				
Trade and other payables	586,741	586,741	602,988	602,988
Current tax liability	292,666	292,666	-	-
Other financial liabilities	2,205,857	2,205,857	1,987,623	1,987,623

Note 35: Parent entity disclosures

As at and throughout the financial year ending 30 June 2018 the parent entity of the Group was Queensland Bauxite Limited.

Financial Position of parent entity at year end	2018 $	2017 $
Assets		
Current assets	6,710,901	8,637,248
Non-current assets	2,260,189	3,229,202
Total assets	8,971,090	11,866,450
Liabilities		
Current liabilities	290,662	1,944,939
Non-current liabilities	-	-
Total liabilities	290,662	1,944,939
Total equity of the parent entity comprising of		
Issued capital	29,600,842	25,287,433
Share based payment reserve	4,565,879	4,728,549
Accumulated losses	(25,486,293)	(20,094,470)
Total equity	8,680,428	9,921,512
Financial performance		
Loss for the year	(5,836,823)	(2,208,097)
Other comprehensive income	-	-
Total comprehensive loss for the year	(5,836,823)	(2,208,097)

Note 36: Company details

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

Queensland Bauxite Limited
24 Birriga Road
Bellevue Hill, NSW 2023

Note 37: Segment information

OPERATING SEGMENTS

a. **Basis for segmentation**

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

b. Information about reportable segments

Information related to each reportable segment is set out below.

	Mining Exploration and Evaluation	Medical Cannabis	Corporate	Total
2018				
Segment revenues	-	3,722,078	-	3,722,078
Less intersegment revenue	-	-	-	-
Revenues	-	3,722,078	-	3,722,078
Interest income	-	-	152,685	152,685
Depreciation	(5,939)	(4,287)	-	(10,226)
Amortisation	-	(23,000)	-	(23,000)
Impairment of exploration assets	(1,678,687)		-	(1,678,687)
Finance costs	-	-	(447,208)	(447,208)
Other costs	(13,579)	(1,392,830)	(5,018,020)	(6,424,429)
(Loss)/Profit before tax	(1,698,205)	2,301,961	(5,312,543)	(4,708,787)
Income tax expense	-	(292,666)	-	(292,666)
		-		
(Loss)/Profit after tax	(1,698,205)	2,009,295	(5,312,543)	(5,001,453)
Capital expenditures	397,905	56,519	-	454,424
Total assets	1,889,463	5,756,626	6,988,564	14,634,653
Total liabilities	-	(758,575)	(2,326,689)	(3,085,264)

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

Note 38: Capital management policies and procedures

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

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

	2018 $	2017 $
Total equity	11,549,389	11,196,515
Capital	11,549,389	11,196,515

Note 39: Events subsequent to balance date

On 27th September 2018, the Company released a Prospectus pursuant to which, the Company will be offering up to 170,000,000 new Shares at an issue price of $0.035 per Share to raise up to $5,950,000, with a minimum subscription of $1,995,000 (together with one (1) free attaching Option for every two (2) Shares subscribed for and issued).

(a) The minimum subscription for the Capital Raising Offer is $1,995,000. If the minimum subscription has not been raised within three months after the date of this Prospectus, the Offers will not proceed, and no Shares will be issued pursuant to this Prospectus. If this occurs, the Company will repay all application monies received by it in connection with this Prospectus within the time prescribed under the Corporations Act, without interest.

(b) Based on the capital structure of the Company as at the date of this Prospectus, if the Capital Raising Offer proceeds, a maximum of 170,000,000 Shares and 85,000,000 free attaching Options will be issued pursuant to the Capital Raising Offer.

(c) All of the Shares offered under the Capital Raising Offer will be new Shares and will rank equally with the Shares on issue at the date of this Prospectus.

(d) The free attaching Options offered under the Capital Raising Offer have an exercise price of $0.10 on or before the expiry date of 30 April 2020.

(e) The Capital Raising Offer is not underwritten.

(f) To participate in the Capital Raising Offer, you must be a person resident in Australia or New Zealand. The Company is not in a position to guarantee a minimum application of Shares under the Capital Raising Offer.

(g) Applications under the Capital Raising Offer must be for a minimum of $2,000 worth of Shares (57,143 Shares) and thereafter, in multiples of $500 worth of Shares (14,286 Shares).

(h) Application for quotation of the Shares issued under the Offers will be made to ASX no later than 7 days after the date of the Prospectus.

Other Offers

(a) The Prospectus also contains the following Other Offers:

(i) Medcan Offer: An offer of 250,000,000 Shares to Medcan Securityholders in consideration for the Medcan Acquisition.

(ii) Medcan Management Offer: An offer of 18,000,000 Shares to Medcan Management pursuant to the terms of the Medcan Agreement.

(iii) MCL Offer: An offer of 1,212,857,143 Shares to the MCL Shareholders in consideration for the MCL Acquisition.

(iv) HHC Offer: An offer of 40,540,541 Shares to the HHC Shareholders pursuant to the terms of the HHC Agreement.

(v) T12 Offer: An offer of 21,621,622 Shares to the T12 Shareholders pursuant to the terms of the T12 Agreement.

(vi) T12 Management Offer: An offer of 5,410,000 Shares to the T12 Management.

(vii) L1 Offer: An offer of 10,492,858 L1 Options to L1.

(viii) Lead Manager Offer: An offer of 2,857,143 Shares and 20,000,000 Options to the Lead Manager.

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

Directors’ Declaration

In the directors’ opinion:

1. the financial statements and accompanying notes set out on pages 25 to 68, and the Remuneration Report on pages 17 to 23 of the Directors’ Report, are in accordance with the *Corporations Act 2001* and:

    a) comply with Accounting Standards and the *Corporations Regulations 2001;* and

    b) give a true and fair view of the Group’s financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

2. the financial statements and notes also comply with International Financial Reporting Standards, as disclosed in Note 2(a) to the financial statements;

3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

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

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

Pnina Feldman, Chairperson
Dated this 22nd day of October 2018
Bellevue Hill NSW

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Queensland Bauxite Limited (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the Corporations Act 2001, including:

i) giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

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

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Exploration and Evaluation Expenditure - EPM 18463 Refer to note 18 - Exploration and Evaluation Expenditure. The Group's accounting policy in respect of exploration and evaluation assets is described in Note 3(f).	Our procedures included, amongst others: ▪ We confirmed the existence and tenure of EPM 18463 by obtaining the renewal authorisation from the relevant Government department; ▪ In assessing whether an indicator of impairment exists in relation to the exploration asset in accordance with AASB 6, we:

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w nexia.com.au

Key audit matter	How our audit addressed the key audit matter
At 30 June 2018, the Group had total capitalised Exploration and Evaluation Expenditure of $1,863,762. The Exploration and Evaluation Expenditure is a key audit matter because the asset's carrying amount is material to the financial statements and significant judgements have been applied in determining whether an indicator of impairment exists in accordance with Australian Accounting Standard AASB 6.	– examined the minutes of the Group's board meetings and market announcements; – interviewed the Group's geologist, management and the directors in relation to the Group's current activities and their ability and intention to undertake further exploration activities; and – obtained evidence of the Group's intentions for the areas of interest, including reviewing future budgeted expenditure and related work programmes; and ▪ We tested a sample of additions of capitalised exploration expenditure to supporting documentation.
Other Financial Liabilities – Convertible Notes and Convertible Securities Refer to note 24 and note 31(d). During the year ended 30 June 2018, the Group issued a number of convertible securities, and converted some convertible securities to equity. Convertible securities are considered to be a key audit matter due to: ▪ the value of the transactions involving convertible securities; and ▪ complexities involved in the recognition and measurement of convertible financial instruments.	Our procedures included, amongst others: ▪ Examined the underlying agreements for the convertible securities; ▪ Verified funds received from the issue of convertible securities; ▪ Examined the conversion notices and verified the shares issued upon conversion; ▪ Recalculated the loss on equity settled liability and amortisation of finance cost for the year; and ▪ Assessed the accounting treatment of the financial instruments in accordance with the recognition and measurement as well as the disclosure requirements of the relevant Australian Accounting Standards.

Other information

The Directors are responsible for the other information. The other information comprises the information in Queensland Bauxite Limited's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the other information we are required to report that fact. We have nothing to report in this regard.

Directors’ responsibility for the financial report

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

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

Auditor’s responsibility for the audit of the financial report

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

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

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 23 of the Directors’ Report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Queensland Bauxite Limited for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

Nexia Sydney Partnership

Stephen Fisher
Partner

Dated: 22 October 2018
Sydney

Additional Information – as at 30 September 2018

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

Distribution schedule and number of holders of equity securities as at 30 September 2018

	1 – 1,000	1,001 – 5,000	5,001 – 10,000	10,001 – 100,000	100,001 and over	Total
Fully Paid Ordinary Shares (QBL)	134	64	1,214	5,027	2,134	8,573

The number of holders holding less than a marketable parcel of fully paid ordinary shares as 30 September 2018 is 1,902.

20 largest holders of quoted equity securities as at 30 September 2018

The names of the twenty largest holders of fully paid ordinary shares (ASX code: QBL) as at 30 September 2018 are:

Rank	Name	Units	% of Units
1.	VOLCAN AUSTRALIA CORPORATION PTY LTD	189,375,000	11.74
2.	FIRST STATE PTY LIMITED <THE NEW FAMILY A/C>	71,261,700	4.42
3	CHASE BUSINESS CONSULTING PTY LIMITED <CHASE SUPER FUND ACCOUNT>	18,000,000	1.12
4	JACOBSON HOLDINGS PROPRIETARY LIMITED <P V & A W JACOBSON S/F A/C>	15,200,000	0.94
5	MEF I LP	15,000,000	0.93
6	GVC INTERNATIONAL INVESTMENT PTY LTD <GARY & VICKI CAI FAMILY A/C>	13,400,000	0.83
7	MR JOHN MCDONALD + MR SHAUN MCDONALD <SOUTHLAND SNIPE SF A/C>	12,544,811	0.78
8	MR ISAAC JOHN ESPOSITO	12,500,000	0.78
9	MR KARL BAARDA	10,500,000	0.65
10	BNP PARIBAS NOMS PTY LTD <UOB KAY HIAN PRIV LTD DRP>	10,000,000	0.62
11	MR PETER KWONG MING KIEW + MRS JOLINA KIEW	8,500,000	0.53
12	MS HIROYO KITATANI	7,730,000	0.48
13	MR ANDREW KAVASILAS	7,360,124	0.46
14	MR JOHN PIZZOFERRATO	6,800,000	0.42
15	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,637,743	0.41
16	MR SAMUEL FROSH <THE FROSH S/F A/C>	6,500,000	0.40
17	MR WASSIM RIFAI	6,500,000	0.40
18	J P MORGAN NOMINEES AUSTRALIA LIMITED	6,465,542	0.40
19	NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	5,554,982	0.34
20	CAPPO NOMINEES (GLADSTONE) PTY LTD <CAPPO FAMILY SUPER FUND A/C>	5,110,000	0.32
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		434,939,902	26.97
Total Remaining Holders Balance		1,177,495,523	73.03

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

Substantial shareholders

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

	No. Shares Held	% of Issued Capital
Volcan Australia Corporation Pty Ltd	189,375,000	11.74

Unquoted Securities

There are no unquoted securities on issue as at 30 September 2018:

Unquoted Securities	Number on Issue	Exercise Price	Expiry Date
Unquoted Options	-	-	-

Names of persons holding more than 20% of a given class of unquoted securities (other than employee options) as at 30 September 2018

Security	Name	Number of Securities
Unquoted Options	-	-

Restricted Securities as at 30 September 2018

There are no restricted shares or options.

Voting Rights

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

Schedule of Mineral Tenements as at 30 September 2018

Project Name	Project number	Status	Interest Held %	Expiry date
Eastern Australia Bauxite Projects				
South Johnstone	EPM18463	Granted	100%	25/05/2020
South Johnstone	MDL2004	Granted	100%	31/10/2019