

HEMP HULLING CO (QLD) PTY LTD
ABN 53 611 071 213

SPECIAL PURPOSE FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2018

HEMP HULLING CO (QLD) PTY LTD
ABN 53 611 071 213

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HEMP HULLING CO (QLD) PTY LTD
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Directors Report
for the Year Ended 30 June 2018

The director presents this report and the audited financial statements for the year ended 30 June 2018.

Director(s)

The name of the director in office at any time during or since the end of the year is:

Sebastian William Edwards

The director has been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Result

The company generated a loss of \$46,861 from its undertakings in hemp seed processing services.

Significant Changes in the State of Affairs

The company received an equity based investment of \$298,000 from Medical Cannabis Ltd during the year, which was utilized to advance establishment of its hemp hulling operations. In exchange, Medical Cannabis Ltd was allocated a 25% equity interest in the company.

Further to this investment, Medical Cannabis Ltd agreed to purchase a further 30% interest in the company from existing shareholder Sebastian Edwards for the consideration of AUD \$1.5million in shares of the parent entity of Medical Cannabis Ltd, Queensland Bauxite Limited ("QBL", to be renamed Cann Global Limited). The QBL shareholders approved the additional purchase on 14 September, 2018.

Medical Cannabis Ltd also provided \$77,168 in unsecured loans for hulling facility advancement during the year.

The establishment of its new hulling facility in Cooloom, QLD was finalized in June 2018 and the company realized first revenues from operations during the year.

No other significant changes in the company's state of affairs occurred during the year.

Principal Activities

The principal activities of the company during the year were:

- (a) Research and development of hemp-related products & associated product chain; and
- (b) Commencement of hemp seed hulling services

No significant change in the nature of these activities occurred during the year aside from the commencement of hulling services.

After Balance Date Events

The company materially increased its hulling output following the finalization of machinery upgrades during the year and consequently has materially increased its provision of hulling services to date.

As noted above, on 14 September 2018 the QBL shareholders approved the purchase of an additional 30% interest in the company by Medical Cannabis Ltd ("MCL"), bringing MCL's ownership of the company to 55%.

Dividends

There were no dividends paid, or recommended to be paid, during the year.

Share Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Indemnifying Office or Auditor

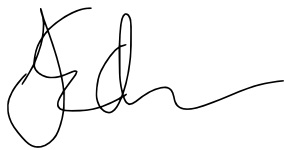
No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company, or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.

Signed in accordance with a resolution of the Director:

A handwritten signature in black ink, appearing to read 'S. Edwards', with a long horizontal flourish extending to the right.

Sebastian William Edwards
Director

Dated this 25th day of October 2018

HEMP HULLING CO (QLD) PTY LTD
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DIRECTOR'S DECLARATION

In the Director's opinion:

1. the company is not a reporting entity because there are no users dependent on the general purpose financial statements. Accordingly, as described in Note 2 to the financial statements, the attached special purpose financial statements have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of Hemp Hulling Co (QLD) Pty Ltd; and
2. the financial statements and accompanying notes set out on pages 8 to 16 are in accordance with the provisions of the *Corporations Act 2001* and:
 - (a) comply with Australian Accounting Standards to the extent as set out in Note 2 to the financial statements and the *Corporations Regulations 2001*; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
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.



Sebastian William Edwards
Director

7/30 Corbould Road, Coolum Beach QLD 4573

Dated: 25th October 2018

HEMP HULLING CO (QLD) PTY LTD
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
Revenue			
Hulling & packing services	3(v)	33,190	-
Share in Profit of Associates, net of tax		5,418	-
		<hr/>	<hr/>
Total revenue		38,608	-
Expenses			
Direct costs - packaging		(1,017)	-
Cleaning & sanitisation		(231)	-
Consultant & certification fees	3(i)	(30,250)	-
Depreciation & amortisation		(2,749)	-
Electricity & gas		(1,798)	-
Personnel & management costs	3(i)	(25,177)	-
Rent & outgoings	3(i)	(20,455)	-
Sales promotion & advertising		(83)	-
Other administrative expenses		(3,709)	-
		<hr/>	<hr/>
Total expenses		(85,469)	-
LOSS BEFORE INCOME TAX		(46,861)	-
Income tax expense		-	-
		<hr/>	<hr/>
LOSS FOR THE PERIOD		(46,861)	-
		<hr/>	<hr/>
Other comprehensive income for the period, net of tax		-	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE LOSS		(46,861)	-
		<hr/> <hr/>	<hr/> <hr/>

**The above statement of comprehensive income should be read
in conjunction with the accompanying notes.**

HEMP HULLING CO (QLD) PTY LTD
ABN 53 611 071 213

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

	Note	2018 \$	2017 \$
CURRENT ASSETS			
Cash at bank		81	12
Trade receivables	3(iv)	25,903	-
Inventory – packing materials		4,050	-
		30,034	12
TOTAL CURRENT ASSETS			
NON-CURRENT ASSETS			
Property, plant & equipment		360,271	-
Accumulated depreciation		(2,749)	-
		357,522	-
Equity Accounted Interest in Waltanna Hemp Group Pty Ltd		5,418	-
		362,940	-
TOTAL NON-CURRENT ASSETS			
		392,974	12
TOTAL ASSETS			
CURRENT LIABILITIES			
Trade payables	3(ii)	60,655	-
GST payable		4,000	-
Loan – Medical Cannabis Ltd - unsecured	3(iii)	77,168	-
		141,823	-
TOTAL CURRENT LIABILITIES			
		141,823	-
TOTAL LIABILITIES			
		251,151	12
NET ASSETS			
SHAREHOLDERS EQUITY			
Share capital		298,012	12
Accumulated losses		(46,861)	-
		251,151	12
TOTAL EQUITY			
		251,151	12

The above statement of financial position should be read
in conjunction with the accompanying notes.

HEMP HULLING CO (QLD) PTY LTD
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STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	Share Capital \$	Retained Earnings \$	Total \$
Balance at 01 July 2016	12	-	12
Profit for the period	-	-	-
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	-	-
Share capital issued	12	-	12
Balance at 30 June 2017	12	-	12
Balance at 30 June 2017	12	-	12
Loss for the period	-	(46,861)	(46,861)
Other comprehensive income for the period	-	-	-
Total comprehensive loss for the period	-	(46,861)	(46,861)
Share capital issued	298,000	-	298,000
Balance at 30 June 2018	298,012	(46,861)	251,151

**The above statement of changes in equity should be read
in conjunction with the accompanying notes.**

HEMP HULLING CO (QLD) PTY LTD
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018

	Note	2018 \$	2017 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers		23,493	-
Cash paid to suppliers		(35,160)	-
GST paid		(3,161)	-
		(14,828)	-
Net Cash used in Operating Activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for plant and equipment		(360,271)	-
		(360,271)	-
Net Cash used in Investing Activities			
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares		298,000	-
Proceeds of loans from shareholders		77,168	-
		375,168	-
Net Cash from Financing Activities			
NET INCREASE IN CASH AND CASH EQUIVALENTS			
		69	-
Cash and Cash Equivalents at the Beginning of the Financial Period		12	12
		81	12
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD			

**The above statement of cash flows should be read
in conjunction with the accompanying notes.**

HEMP HULLING CO (QLD) PTY LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1 GENERAL INFORMATION

The financial statements cover Hemp Hulling Co (QLD) Pty Ltd as an individual entity.

The financial statements are presented in Australian Dollars (AUD) which is the company's functional and presentation currency.

Hemp Hulling Co (QLD) Pty Ltd (the 'company') is a company domiciled in Australia. The address of the company's registered office is Suite 12, 175 Ocean Drive, Twin Waters, QLD 4564. The company conducts research and development for hemp-related products and associated product chain and commenced hemp seed hulling services during the year.

The financial statements were authorized for issue, in accordance with a resolution of director, on 25 October 2018. The director has the power to amend and reissue the financial statements.

NOTE 2 BASIS OF PREPARATION

In the director's opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are special purpose financial statements that have been prepared for the purposes of complying with the Corporations Act 2001 requirements to prepare and distribute financial statements to the owners of the company. The director has determined that the accounting policies adopted are appropriate to meet the needs of the owners of the company.

These financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention and do not take into account changing money values or current valuations of non-current assets, except as otherwise stated.

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 recognized in the period in which the estimate is revised and in any future periods affected.

Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

New or amended Accounting Standards and Interpretations adopted

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Revenue

Revenue is recognized at the fair value of consideration received or receivable. Revenue is recognized 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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

Property, plant and equipment

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 capitalized 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.

Subsequent costs

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

Depreciation

Items of property, plant and equipment are depreciated on a diminishing 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 year of significant items of property, plant and equipment are as follows:

- plant and equipment (non-fixed)	10 years
- plant and equipment (fixed)	15 years

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Impairment

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

An impairment loss in respect of a financial asset measured at amortized 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.

Non-financial assets

The carrying amounts of the company'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 recognized 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.

Income tax

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

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Going concern basis of accounting

Notwithstanding the loss for the year, negative cash flow from operations, net current liabilities and historical financial performance, the financial report has been prepared on a going concern basis. This assessment is based on the commitment by a major shareholder to provide continuing financial support for the period until at least 12 months after the signing date of this financial report.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the company for the annual reporting period ended 30 June 2018. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

NOTE 3 RELATED PARTY TRANSACTIONS

(i) The company was charged for occupancy costs and personnel services by Emanor Holdings Pty Ltd during the year, a body corporate of which director Sebastian Edwards is a director and shareholder.

In particular, operating premises of Shed 6, 30 Corbould Road, Coolum QLD 4573 is sub-let on a monthly casual basis by the company and packing, certification and management fees were also provided on a reasonable arms-length basis, reviewed by both the director and independent accountant as follows:

Emanor Services	2018	2017
	\$	\$
Rent	20,455	-
Cerficiation fees	23,475	-
Management and packing services	24,717	-
Total	68,647	-

(ii) Amount included in trade payables as at 30 June 2018, payable to Emanor Holdings Pty Ltd was \$35,831.13.

(iii) Loan provided by an associate entity, Medical Cannabis Limited, with a balance payable as at 30 June 2018 of \$77,168. The loan is unsecured, interest free and has no fixed repayment date.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(iv) Amount included in trade receivables as at 30 June 2018 of \$13,015.20 is owed by a subsidiary of associated company Medical Cannabis Limited (Vitahemp Pty Ltd).

(v) Hulling & packing services income includes \$11,832.00 charges to a subsidiary of associated company Medical Cannabis Limited (Vitahemp Pty Ltd).

NOTE 4 AUDITORS' REMUNERATION

Remuneration of the auditor (Nexia Sydney Audit Pty Ltd) for:

Audit or review of the financial report of the company

- current year \$3900.00
- half-year \$3900.00

NOTE 5 EVENTS SUBSEQUENT TO BALANCE DATE

The company materially increased its hulling output following the finalization of machinery upgrades during the year and consequently has materially increased its provision of hulling services to date.

On 14 September 2018 the QBL shareholders approved the purchase of an additional 30% interest in the company by Medical Cannabis Ltd ("MCL"), bringing MCL's ownership of the company to 55%.