

18th October 2018

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Joint Venture with leading Israeli medicinal cannabis company Pharmacann

The Board of Queensland Bauxite Limited ('ASX: QBL' the 'Company') is very pleased to announce a materially strategic transaction, that its soon to be wholly owned subsidiary Medcan Australia, has entered into a memorandum of understanding (**MOU**) with top Israeli medicinal cannabis company Pharmacann. Pharmacann is recognised as being amongst the world's foremost and experienced cannabis growers, with their own proprietary products, intellectual property (**IP**) and expertise that will be of significant benefit to the Australian and global markets.

This MOU follows on from Medcan securing its Medical Cannabis Manufacturing License and Export License from the Office of Drug Control (**ODC**). Israel does not allow export of medical cannabis products. As a result of Medcan securing Manufacturing and Export Licences from the ODC, Pharmacann have agreed to enter into a 50/50 joint venture (**JV**) with Medcan under which Medcan will manufacture Pharmacann's proprietary medical cannabis products in Australia for distribution throughout Australia and globally.

Highlights

- Medcan will manufacture Pharmacann's range of products under a 50/50 JV for Australian and International distribution
- Medcan and Pharmacann will collaborate on clinical trials in both Israel and Australia
- Pharmacann will provide IP, standard operating procedures, recipes and manufacturing techniques including existing Israeli clinical trial data in respect of its products
- Medcan will be responsible for the manufacturing facility, required Australian licences and the raw cannabis material required for product manufacture and international export

Background – Pharmacann

Pharmacann Ltd is a company registered in Israel which develops and grows medicinal cannabis in GAP standard greenhouses, and supplies, under license, medical cannabis products throughout Israel. For over 10 years Pharmacann has supplied more than 4500 registered patients medicinal cannabis dried flower, oils and ointments.

Pharmacann has developed a range of medicinal cannabis products and is in the process of conducting human clinical trials in Israel on a number of these products.

Medcan Australia's CEO, Craig Cochran, commented "*We are excited to have finally entered into this MOU with Pharmacann after being in detailed discussions with them since early 2017. Pharmacann are one of the top Israeli medicinal cannabis companies and have developed a unique range of products which are showing extraordinary results in clinical trials. Their expertise*

in the medicinal cannabis field is well recognised globally, and we are excited to have access to a skillset and product range of this calibre”.

As at the date of this announcement, the costs of the JV have not yet been assessed, and as the parties have not yet agreed any specific commitments as to costs (which will simply be allocated among the parties equally), the partnership will initially proceed on a best efforts basis to make the joint venture succeed in good faith. The JV is not currently expected to have a material effect on QBL’s expected budget (which is set out in its recently lodged Prospectus). It is intended that any initial funds required under the JV will form part of Medcan’s operational costs relating to its manufacturing facility, and the parties are also considering a separate IPO of the Pharmocann JV to rapidly expand the Pharmocann JV business.

Comment from Pnina Feldman, Chairperson of QBL

“We are delighted that we have finalised this MOU with one of Israel’s top medicinal cannabis companies, Pharmocann. The addition of Pharmocann’s skillset and product range further builds on the expertise and product offering of the QBL group. With a huge international market for medicinal cannabis products we believe this JV will be of a major benefit to QBL’s shareholders as we continue to focus on building shareholder wealth.”



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

For further information, please contact:

Queensland Bauxite Ltd

Tel: +61 (0)2 9291 9000

For further information or any queries please email the Company at:

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.