

COMPANY DETAILS

LITHIUM AUSTRALIA NL

ABN: 29 126 129 413

ASX CODE: LIT & LITCE

PRINCIPAL AND REGISTERED OFFICE

Level 1, 675 Murray Street
West Perth WA 6005

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POSTAL ADDRESS

PO Box 1088
West Perth WA 6872

CORPORATE INFORMATION

(31 January 2019)
464 M Ordinary Shares
170 M Listed Partly Paid Shares
45 M Unlisted Options
36 M Performance Rights
5 M Convertible Notes

BOARD OF DIRECTORS

George Bauk
(Non-executive Chairman)
Adrian Griffin
(Managing Director)
Bryan Dixon
(Non-executive Director)

For further information, contact:

Lithium Australia NL
Adrian Griffin (MD)

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IN A WORLD FIRST, LITHIUM AUSTRALIA DEMONSTRATES AN ABILITY TO BYPASS LITHIUM CARBONATE AND LITHIUM HYDROXIDE AS BATTERY PRECURSORS

QUARTERLY REPORT FOR DECEMBER 2018

HIGHLIGHTS

- Outstanding lithium recovery from Lithium Australia's Gen-2 SiLeach[®] pilot-plant run at ANSTO
- Lithium Australia produces lithium-ion batteries from mine waste
- Process improvements enhance European battery prospects
- Lithium Australia formalises Youanmi Lithium Project and commences exploration
- Cathode material sent to China and Japan for commercial evaluation.

SUBSEQUENT EVENTS

Lithium Australia successful in EIS grant and set to drill Lepidolite Hill.

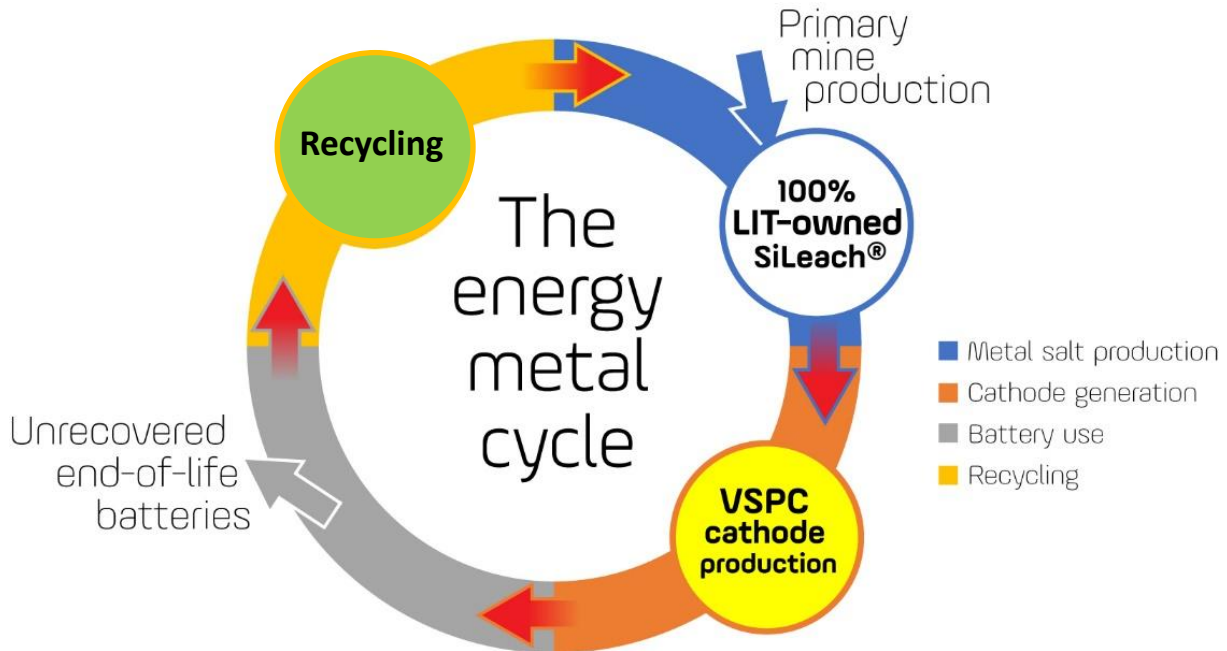
MEDIA CONTACTS

Adrian Griffin Lithium Australia – 08 6145 0288 | 0418 927 658

Kevin Skinner Field PR – 08 8234 9555 | 0414 822 631

DEVELOPMENT STRATEGY

Lithium Australia NL (ASX: LIT) has advanced its aim of developing an integrated business capable of capitalising upon all major sectors of the lithium supply chain, and in so doing closing the loop on the energy metal cycle.



Key elements of the Company's strategy include the following:

- 100%-owned SiLeach® and LieNA® technology is capable of converting mine waste to lithium chemicals;
- VSPC technology to convert lithium chemicals to lithium-ion battery cathode materials of superior quality; and
- recycling technology to recover valuable metals, including lithium and cobalt, from spent batteries, thereby closing the loop on the energy metal cycle.

Lithium Australia's developing processing technologies are complemented by its growing resource base by using proprietary processing technology to breathe new life into stranded assets. A prime example is the Sadisdorf deposit in Germany (an abandoned tin mine, see below), in which tin mineralisation is associated with lithium micas, which prior to the advent of SiLeach® had no commercial value. The SiLeach® process is capable of recovering the lithium from these micas, adding significant value to this asset.

During the quarter, production of cathode materials, a lucrative element in the lithium-ion battery production cycle, continued at the 100% owned VSPC pilot plant located in Brisbane. Samples of cathode powder produced at the VSPC plant are currently being evaluated by international battery manufacturers.

By integrating its SiLeach® and VSPC processes, Lithium Australia aims to establish a pathway from mine waste to lithium-ion battery manufacture. To that end, during the quarter, Lithium Australia succeeded in converting waste rock, sourced from a mine site close to Kalgoorlie, Western Australia, into a lithium chemical at its SiLeach® Gen-2 pilot plant at ANSTO's minerals facility in Lucas Heights, New South Wales. That chemical subsequently went to the VSPC facility to be used in the manufacture of a test battery. **Lithium Australia achieved a world first by transforming waste rock into a lithium-ion battery. Battery performance compares very favourably with batteries manufactured with battery grade lithium carbonate.**

QUARTERLY ACTIVITIES REPORT

December 2018

SILEACH® PILOT PLANT

Lithium Australia completed a successful pilot plant run in its Generation 2 SiLeach® pilot facility. The run achieved overall lithium recoveries of around 90% and the data generated has been used in the design of the Generation 3 pilot plant to be constructed at ANSTO's minerals facility in Lucas Heights, New South Wales, in 2019. This plant will be assembled from commercial components to demonstrate scalability and the veracity of SiLeach® for the commercial production of lithium chemicals.

At present, Lithium Australia's preferred supply model is obtaining lithium mica from the waste streams (historical dumps and tailings) of currently operating mines; however, other supply opportunities are also being evaluated.

CATHODE MATERIALS FROM VSPC

Lithium Australia's wholly-owned subsidiary VSPC Ltd creates advanced cathode materials of superior quality, for lithium-ion batteries, using its proprietary methods. The VSPC pilot facility, based in Brisbane, Queensland encompasses:

- proprietary technology for the production of lithium-ion battery cathode materials;
- a comprehensive pilot plant; and
- advanced laboratory and testing facilities.

VSPC technology begins with the cathode metals in a solution from which the cathode nanoparticles are precipitated to produce the nanopowders used in the manufacture of lithium-ion batteries. The initial process of producing the metal solutions can include the integration of SiLeach® generated chemicals (see above) to eliminate the requirement for lithium carbonate, or hydroxide, conventionally used in the production of lithium-ion batteries. This can potentially remove a number of steps in the manufacturing process, reducing cost. Lithium Australia is currently investigating such seamless production of cathode materials from hard-rock minerals.

ANODE MATERIALS

Lithium Australia failed to consummate an agreement to research the development of silicon/graphite battery anodes. The Company has the view that improvements in anode technology remains one of the best potentials for improved battery performance and will continue to evaluate anode development programs that suit the Company's aspirations.

EXPLORATION ACTIVITIES

Sadisdorf Lithium Project, Germany

Lithium Australia continued the evaluation of its 100% owned Sadisdorf resource located in Saxony (Germany). Sadisdorf is an historic tin mine close to the border with the Czech Republic. The style of mineralisation is a greisen (altered granite), with the tin mineralisation enveloped by a pervasive lithium-mica alteration. Application of Lithium Australia's SiLeach® technology provides an opportunity to realise the value of both the lithium and the tin, with the former contained within minerals otherwise considered waste. Further enhancements can be implemented by the application of VSPC technology to convert the lithium chemicals, recovered from the mica, into cathode powders.

A source of lithium for the European EV industry

Significantly, the Sadisdorf Lithium Project is located close to planned lithium-ion battery production facilities aimed at servicing the burgeoning electric vehicle (EV) industry in Europe. The Sadisdorf Project is also well serviced by established infrastructure and well placed for reagent supplies – attributes that would enable development of the resource to the stage of lithium chemical production and, with the addition of VSPC technology, production of cathode powders to the European EV battery industry.

QUARTERLY ACTIVITIES REPORT

December 2018

Maiden lithium resource estimate completed

Lithium Australia released its maiden lithium Inferred Mineral Resource at the Sadisdorf Project of 25 million tonnes grading 0.45% Li₂O (see Table 1 below) [on 7 December 2017](#), based on re-analysis and re-interpretation of historical drilling and underground sampling. This work was completed by CSA Global, a leading international mining consultancy. Lithium Australia is continuing to develop this estimate, towards being able to release Ore Reserves reported in accordance with the 2012 JORC Code in due course.

Classification	Domain	Tonnes (Mt)	Li (%)	Li ₂ O (%)
Inferred	Inner greisen	17	0.22	0.47
Inferred	Outer greisen	8	0.20	0.43
Inferred	Total	25	0.21	0.45

Note: the Mineral Resource was estimated within constraining wireframe solids defined above (with a nominal 0.15% Li cut-off). The Mineral Resource is reported from all blocks within these wireframe solids. Differences may occur due to rounding.

Table 1. Inferred Mineral Resource estimate for Sadisdorf.

Resource modelling has confirmed that the dormant tin mine at Sadisdorf, which contains significant lithium mineralisation, can be considered a polymetallic deposit with value contributions from lithium, tin and tungsten. Moreover, application of SiLeach® has the potential to provide significant by-product credits (for example, potassium sulphate fertiliser).



Figure 1. LIT managing director Adrian Griffin observes preparations for drilling at Sadisdorf.

Youanmi Lithium Project, Western Australia

Lithium Australia has expanded its extensive lithium holdings in Australia with an option to acquire the prospective Youanmi Lithium Project region 450 kilometres northeast of Perth (Figure 2).

The Youanmi Lithium Project, which consists of three exploration licences, hosts abundant lithium pegmatites which intrude layered mafic rocks that also host vanadium-rich magnetite horizons.

QUARTERLY ACTIVITIES REPORT

December 2018

The three ELs have been secured via the completion of a binding heads of agreement with private exploration company Diversity Resources Pty Ltd (Diversity). Details of the option are outlined in the ASX release dated 27 September 2018. Completion of formalities was announced on 11 December 2018.

The project area not only contains lithium pegmatites, but also hosts significant vanadium mineralisation associated with prolific mafic sequences. The Company plans to fly high-resolution magnetics and radiometrics as part of its evaluation and drill targeting.

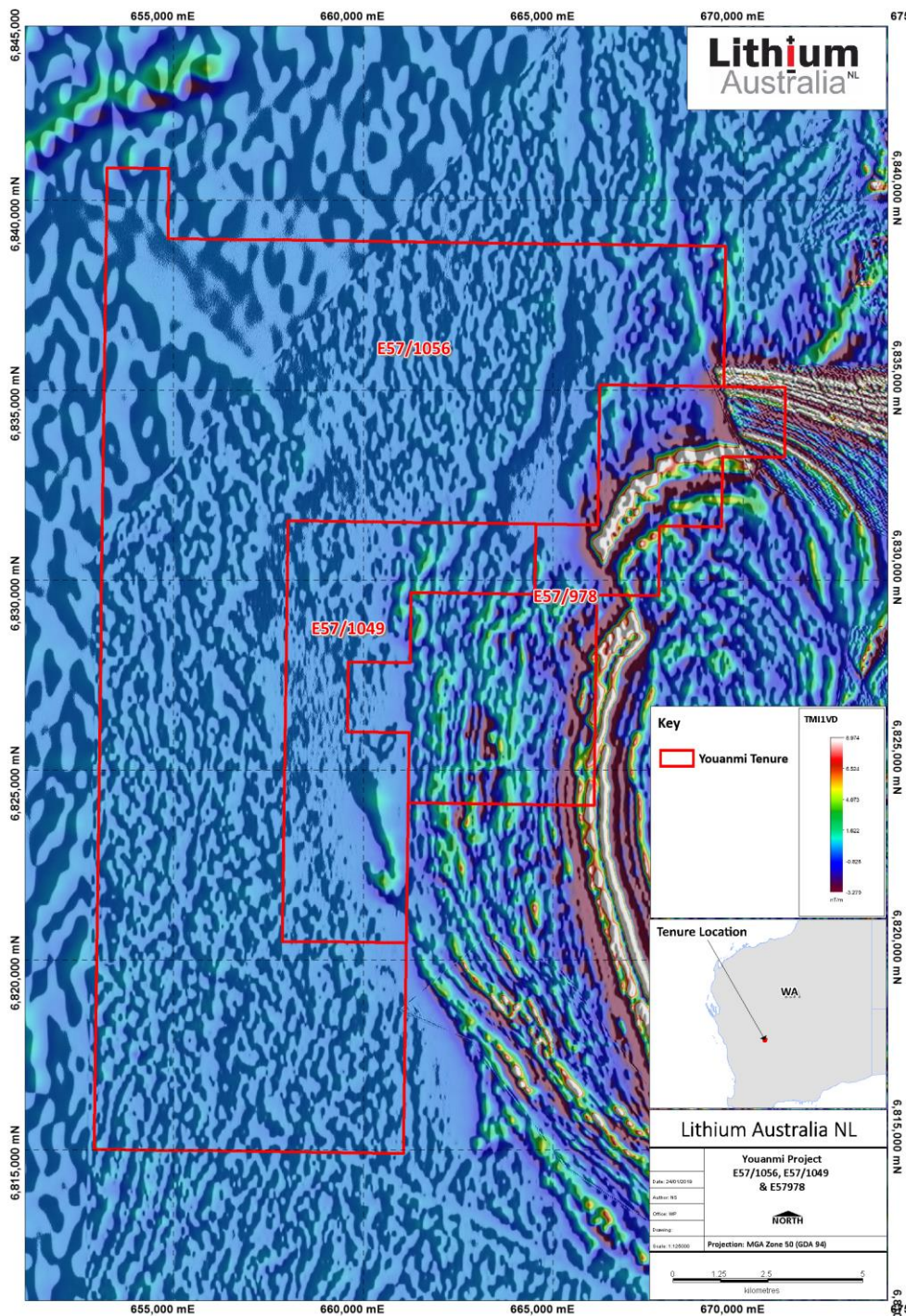


Figure 2 Youanmi Aeromag interpretation

QUARTERLY ACTIVITIES REPORT

December 2018

OTHER OPPORTUNITIES

Lithium Australia continues to explore opportunities in tantalum, tungsten, cobalt-manganese, graphite and rare-earth metals, with a view to directing further exploration efforts on currently held ground, and is considering the acquisition of other quality Australian and overseas properties.

BATTERY RECYCLING RESEARCH

Globally only about 9% of lithium-ion batteries are recycled. In Australia the rate is less than 3%. As the market for power storage matures, widespread recycling will become a necessity. Much of what drives battery recycling is the value of the cathode metals, cobalt especially. Although current recycling practices recover most of the base metals, lithium recovery is close to zero. The reason for this is simply the processing technology preferred by the companies conducting the recycling. In other words, the very low rates of lithium recovery currently experienced can be resolved by improving processing options.

Lithium Australia is evaluating the logistical chain for lithium-ion batteries from 'cradle to grave'. The aim is to determine the deconstruction of all components and develop a strategy that maximises the recovery of all these components at the end of the batteries' useful life.

Process flowsheet development work has been undertaken at a number of Australian universities, and pilot testing is planned for 2019.

CORPORATE

At the moment, the Arena Investors, LP convertible note facility, as described [in the ASX release dated 1 March 2018](#), is not the ideal funding mechanism for Lithium Australia's requirements. Consequently, that facility has been terminated. The Company will continue evaluating financing options that complement its strategic agenda and will update the market as appropriate.

ABOUT LITHIUM AUSTRALIA NL

Lithium Australia aspires to 'close the loop' on the energy metal cycle by ensuring an ethical and sustainable supply of those metals to the battery industry. To that end, the company has not only assembled a portfolio of lithium projects and alliances but also developed hydrometallurgical extraction processes designed to convert *all* lithium silicates (including mine waste) to lithium chemicals. Subsequently, those chemicals will be used to produce advanced components for the lithium-ion battery industry. The final step in closing the loop involves recycling spent batteries and e-waste to recover the energy metals within. Through this unity of resources and innovation, Lithium Australia seeks to vertically integrate lithium extraction and processing.

Competent Persons' Statement – Lithium Mineral Resources – Sadisdorf

The information in this announcement that relates to *in situ* lithium Mineral Resources for Sadisdorf is based on and fairly represents information compiled by Mr Thomas Branch under the direction and supervision of Dr Andrew Scogings, in accordance with the requirements of the JORC Code 2012. Dr Scogings is an Associate of CSA Global Pty Ltd and takes overall responsibility for the Mineral Resource estimate and associated report. Dr Scogings is a Member of both the Australian Institute of Geoscientists and Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as a Competent Person in terms of the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)*. Dr Scogings consents to the inclusion of such information in this announcement in the form and context in which it appears. Lithium Australia confirms that it is not aware of any new information or data that materially affects the information included in this announcement, and in the case of the Sadisdorf Mineral Resource estimate the company confirms that all material assumptions and technical parameters underpinning the estimates in the 7 December 2017 and 1 June 2018 announcements continue to apply and have not materially changed.

Competent Persons' Statement – Eichigt Germany

The information contained in the report that relates to Exploration Results, together with any related assessments and interpretations, is based on information reviewed by Mr Adrian Griffin, Managing Director of Lithium Australia, a Member of the Australasian Institute of Mining and Metallurgy. Mr Griffin has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity being undertaken, to qualify as a Competent Person as defined in the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code 2012)*. Mr Griffin consents to the inclusion in this report of the matters based on Mr Albert Gruber's data in the form and context in which it appears. Lithium Australia is not aware of any new information or data that materially affects the information in this report.

Competent Person's Statement – Lithium Mineral Resources – Australia

The information in this report that relates to Australian exploration results, together with any related assessments and interpretations, is based on information compiled by Mr Adrian Griffin on behalf of Lithium Australia NL. Mr Griffin is a member of the Australasian Institute of Mining and Metallurgy and has sufficient experience relevant to the styles of mineralisation under consideration, and to the activity they have undertaken, to qualify as Competent Persons, as defined in the *Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 edition)*. Mr Griffin consents to the inclusion in the report of the matters based on their information in the form and context in which it appears. Lithium Australia is not aware of any new information or data that materially affects that contained herein.

Forward Looking Statements

This report contains forward-looking statements. Forward-looking statements are subject to a variety of risks and uncertainties beyond the company's ability to control or predict which could cause actual events or results to differ materially from those anticipated in such forward looking statements.

QUARTERLY ACTIVITIES REPORT

December 2018

Details of Mining Tenements at Quarter ended 31 December 2018
ASX Listing Rule 5.3.3

Australian projects

Tenement ID	Name	Location	State	Interest
E09/2168	Yinnietharra	Gascoyne	WA	100%
E09/2191	Thomas River	Gascoyne	WA	100%
E09/2200	Mount James 2	Gascoyne	WA	100%
E09/2201	Mount James 1	Gascoyne	WA	100%
E27/562	Gindalbie	Gindalbie	WA	100%
E45/4660	Hillside 3	Pilbara	WA	100%
E45/4766	Moolyella	Pilbara	WA	100%
E57/978	Youanmi	Murchison	WA	100%
E57/1049	Youanmi	Murchison	WA	100%
E57/1056	Youanmi	Murchison	WA	100%
E59/2297	Edah 1	Mt Magnet	WA	100%
E59/2298	Edah 2	Mt Magnet	WA	100%
E59/2299	Edah 3	Mt Magnet	WA	100%
E59/2300	Edah 4	Mt Magnet	WA	100%
E59/2301	Edah 5	Mt Magnet	WA	100%
E63/1777	Lake Johnson	Dundas	WA	100%
E63/1805	Mt Day A	Dundas	WA	100%
E63/1806	Mt Day B	Dundas	WA	100%
E63/1807	Mt Day C	Dundas	WA	100%
E63/1808	Mt Day D	Dundas	WA	100%
E63/1809	Lake Johnson S	Dundas	WA	100%
E63/1866	Lake Johnson	Dundas	WA	100%
E63/1870	Lake Johnson	Dundas	WA	100%
E70/4778	Greenbushes	Greenbushes	WA	100%
E70/4788	Greenbushes	Greenbushes	WA	100%
E70/4789	Greenbushes	Greenbushes	WA	100%
E70/4790	Greenbushes	Greenbushes	WA	100%
E70/4888	Greenbushes A	Greenbushes	WA	100%
E70/4890	Greenbushes C	Greenbushes	WA	100%
E70/5047	Greenbushes	Greenbushes	WA	100%
E74/0543	Ravensthorpe	Ravensthorpe	WA	100%
E77/2279	Lake Seabrook	Yilgarn	WA	100%
E77/2484	Lake Seabrook	Yilgarn	WA	100%
EL 5960	Vivonne Sa	Kangaroo Island	SA	100%
EL 6212	Dudley 1 Sa	Kangaroo Island	SA	100%
EL 6213	Dudley 2 Sa	Kangaroo Island	SA	100%
ELA30897	Angers	Bynoe	NT	100%
EPM 26252	Cape York 1	Cape York	QLD	100%
EPM 26255	Cape York 2	Cape York	QLD	100%
EPM 26395	Amber 3	Amber	QLD	100%
EPM 26396	Amber 4	Amber	QLD	100%
EPM 26733	Croydon	Croydon	QLD	100%
M15/1809	Coolgardie	Coolgardie	WA	80% ⁴
P15/5519	Coolgardie	Coolgardie	WA	80% ⁴
P15/5574	Coolgardie	Coolgardie	WA	80% ⁴
P15/5575	Coolgardie	Coolgardie	WA	80% ⁴

QUARTERLY ACTIVITIES REPORT

December 2018

Australian projects

Tenement ID	Name	Location	State	Interest
P15/5576	Coolgardie	Coolgardie	WA	80% ⁴
P15/5625	Coolgardie	Coolgardie	WA	80% ⁴
P15/5626	Coolgardie	Coolgardie	WA	80% ⁴
P15/5629	Coolgardie	Coolgardie	WA	80% ⁴
P15/5738	Coolgardie	Coolgardie	WA	80% ⁴
P15/5739	Coolgardie	Coolgardie	WA	80% ⁴
P15/5740	Coolgardie	Coolgardie	WA	80% ⁴
P15/5741	Coolgardie	Coolgardie	WA	80% ⁴
P15/5742	Coolgardie	Coolgardie	WA	80% ⁴
P15/5743	Coolgardie	Coolgardie	WA	80% ⁴
P15/5749	Coolgardie	Coolgardie	WA	80% ⁴

⁴ Coolgardie Rare Metals Venture

International projects

Project	Country	Interest
Electra Lithium Project (Tecolote, Tule, Agua Fria Concessions)	Mexico	54% ⁵

Sadisdorf Project, Saxony	Germany	100%
Hegelshoehe Project Saxony	Germany	100%
Eichigt Project, Saxony	Germany	100%

⁵ Electra Joint Venture - TSXV listed Infinite Lithium Corp (previously Alix Resources)

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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

Name of entity

Lithium Australia NL

ABN

29 126 129 413

Quarter ended ('current quarter')

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	–	–
1.2 Payments for		
(a) exploration and evaluation	(335)	(1,415)
(b) development	(706)	(770)
(c) production	–	–
(d) staff costs	(220)	(943)
(e) administration and corporate costs	(570)	(1,344)
1.3 Dividends received (see note 3)	–	–
1.4 Interest received	63	108
1.5 Interest and other costs of finance paid	-	(19)
1.6 Income taxes paid	–	–
1.7 Research and development refunds	–	–
1.8 Other (provide details if material)	–	–
1.9 Net cash from/ (used in) operating activities	(1,768)	(4,383)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(213)	(324)
(b) tenements (see item 10)	–	–
(c) investments	(89)	(89)
(d) other non-current assets	(1,103)	(2,730)
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	–	–
(b) tenements (see item 10)	–	–
(c) investments	2	62
(d) other non-current assets	–	–
2.3 Cash flows from loans to other entities	–	–
2.4 Dividends received (see note 3)	–	–
2.5 Other (provide details if material)	–	–
2.6 Net cash from / (used in) investing activities	(1,403)	(3,081)
3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	–	–
3.2 Proceeds from issue of convertible notes	–	–

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
3.3 Proceeds from exercise of share options	–	–
3.4 Transaction costs related to issues of shares, convertible notes or options	–	–
3.5 Proceeds from borrowings	–	–
3.6 Repayment of borrowings	–	–
3.7 Transaction costs related to loans and borrowings	–	–
3.8 Dividends paid	–	–
3.9 Other	–	–
3.10 Net cash from / (used in) financing activities	–	–

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	14,136	18,429
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1,768)	(4,383)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1,403)	(3,081)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	–	–
4.5 Effect of movement in exchange rates on cash held	(15)	(15)
4.6 Cash and cash equivalents at end of period	10,950	10,950

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	752	6,385
5.2 Call deposits	7,698	7,751
5.3 Bank overdrafts	–	–
5.4 Other (Term Deposit)	2,500	–
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	10,950	14,136

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	91
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	–
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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Mining exploration entity and oil and gas exploration entity quarterly report

7.1	Aggregate amount of payments to these parties included in item 1.2	–
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	–
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8.	Financing facilities available Add notes as necessary for an understanding of the position	Total facility amount at quarter end	Amount drawn at quarter end
		\$A'000	\$A'000
8.1	Loan facilities	–	–
8.2	Credit standby arrangements	–	–
8.3	Other (LITCE's)	42,462	–
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

LITCE - Current outstanding amounts on LITCE – 25 cent contributing shares

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	567
9.2	Development	1,931
9.3	Production	–
9.4	Staff costs	645
9.5	Administration and corporate costs	491
9.6	Other (provide details if material)	
9.7	Total estimated cash outflows	3,634

10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter (%)	Interest at end of quarter (%)
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	E59/2297	Surrendered	100	0
		E59/2298	Surrendered	100	0
		E59/2299	Surrendered	100	0
		E59/2300	Surrendered	100	0
		E59/2301	Surrendered	100	0
10.2	Interests in mining tenements and petroleum tenements acquired or increased				

COMPLIANCE STATEMENT

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

Sign here: 'Barry Woodhouse'
(~~Director~~/Company secretary)

Date: 31 January 2019

Print name: Barry Woodhouse

Notes

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