

QUARTERLY ACTIVITIES REPORT

for the period ending 31 March 2019

(All figures are unaudited and in A\$ unless stated otherwise)

Key Points

Operations

- L-Max[®] Pilot Plant commissioning commenced in April 2019 and the design and construction phase is on-track to complete on 30 April, as per schedule and within budget before contingency.
- Concentrate feed preparation for the Pilot Plant is well advanced following receipt of a 20 tonne sample of lepidolite mineralisation from the Alvarrões mine in early March.
- High purity lithium hydroxide was produced using a new proprietary process, LOH-Max[™], over which Lepidico has entered into a worldwide exclusivity arrangement.
- A preliminary process design has been developed for LOH-Max[™] for incorporation into the Pilot Plant. This parallel circuit will not result in any delay to the construction and operation of the Pilot Plant Project.
- Considerable capital cost savings have been identified associated with the integration of LOH-Max[™] into the Phase 1 Plant design. Engineering work is scheduled to commence in June based on data from the Pilot Plant operation.
- Global Mineral Resource tonnes at Alvarrões increased by 290% and contained lithium rose by approximately 210%, versus the December 2017 estimate. The Mineral Resource is estimated at 5.87 Mt @ 0.87% Li₂O in Indicated and Inferred categories.
- Drilling at Youanmi identified the presence of a number of lepidolite-mineralised individual pegmatites that could collectively provide sufficient tonnage for an economic opportunity.

Corporate

- Cash and cash equivalents as at 31 March 2019 of \$4.9 million and no debt.
 - National and regional patent processes for L-Max[®] and S-Max[™] progressing.
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OVERVIEW & OUTLOOK

Lepidico continues to have a zero-harm track record since health, safety and environmental incident reporting and data collection commenced in September 2016. L-Max[®] Pilot Plant Project commissioning commenced on schedule in April 2019, and the design and construct phase is on-track to conclude on 30 April 2019, within budget prior to contingency being drawn. Lepidolite concentrate production commenced in April 2019, sourced from a sample of Alvarrões mineralisation. Concentrate feed to the pilot plant is scheduled to start in late May. Lepidico has acquired the exclusive rights to a new hydrometallurgical process, LOH-Max[™], for the production of lithium hydroxide. Incorporation of LOH-Max[™] functionality into the design for the Phase 1 Plant has led to the engineering review continuing into the current quarter. It is planned that Lycopodium will commence engineering of the LOH-Max[™] circuit for the Phase 1 Plant in June 2019, with designed output capacity of approximately 5,000 tonnes per annum (tpa) lithium hydroxide.

Following the substantial increase in the Alvarrões Mineral Resource to 5.87 Mt @ 0.87% Li₂O it is anticipated that a maiden Ore Reserve will be able to be estimated and the upstream mine and concentrator integrated into the Phase 1 Plant Feasibility Study (the “Study”) during the second half of the year. Permitting processes in both Canada and Portugal continued, and a permitting assessment of an alternative location for the Phase 1 Plant, which commenced earlier in the year, is now close to completion. Permitting, along with the registration processes for the various L-Max[®] products, continues to represent key critical path elements for the integrated Project.

DEVELOPMENT

Phase 1 L-Max[®] Plant Feasibility Study

Two opportunities were identified during the review of the engineering design for the Phase 1 L-Max[®] Plant provided by Lycopodium that could materially enhance the economics of the Project. A preliminary evaluation of the LOH-Max[™] technology (see Research & Development Below) indicates that considerable capital cost savings are possible at the back end of the Phase 1 Plant (downstream from the proprietary elements of the L-Max[®] circuit), in large part via the elimination of the sodium sulphate circuit. Secondly, an alternative location to Sudbury, Canada has been identified for the Phase 1 Plant that could also provide material capital and operating cost savings. A number of sensitive commercial discussions specific to the site and regional markets for consumables and by-products are ongoing, necessitating the location to be kept confidential at this time. A trade off study is well advanced on the location, with results expected to be available during the June 2019 quarter.

Lycopodium Minerals Pty Ltd, a subsidiary of Lycopodium Limited (ASX:LYL) (“Lycopodium”) has provided a proposal to complete the further engineering required for the Phase 1 Plant, rated at a nominal concentrate throughput of 6.9 tonnes per hour (tph) to produce approximately 5,000 tpa of lithium hydroxide, plus by-products of SOP fertiliser and amorphous silica. Importantly the plant design will not contemplate production of sodium sulphate. This

engineering will also take into account the alternative location being contemplated. It is envisaged that this work will commence in June to take into account data provided from the Pilot Plant and take approximately four months to complete.

Proposals are being sought for further Phase 1 Plant residue growth trials as well as for a second evaluation project (originally conducted by the Department of Earth and Environmental Sciences at the University of Waterloo in Ontario) to characterise the blended residue streams for industrial application. It is envisaged that these work streams will commence once material is available from the pilot plant and the first LOH-Max™ continuous operating trial and a final site selection has been made. The objective of this work is for the Phase 1 Plant to be a zero-waste facility.

The Ministry of Energy, Northern Development and Mines for Ontario provided feedback during the quarter on the Phase 1 Plant project description. Final site selection is required to progress the permitting and approval process. Terms for a land lease option agreement are in the advanced stage of negotiation and on track for consideration in the June 2019 quarter. This will allow a Project closure plan to be developed and finalised. The permitting process, which is on the critical path for the Project is scheduled to conclude in the second half of calendar year 2019.

Alvarrões Lepidolite Mine (Gonçalo), Portugal¹

Feasibility Study

Following the excellent blended mica and amblygonite bulk flotation testwork results received last quarter, requests for proposals were issued to equipment suppliers specialising in the design of turn key small-scale modular and semi-transportable process plants for the Alvarrões concentrator. The concentrator ore feed rate has increased to approximately 200,000tpa to produce approximately 60,000tpa of lepidolite and amblygonite concentrates. Proposals were received in April and it is expected that the concentrator Feasibility Study engineering work will be awarded in June 2019, with results due in the September 2019 quarter.

Mine optimisation work commenced in early April following receipt of the revised Mineral Resource estimate (see below). All Ore Reserve input assumptions, including unit operating costs, recoveries, production rates and other physical data have been updated. An inaugural Alvarrões Ore Reserve estimate is scheduled for completion in August 2019. Pit shell evaluation indicates that a considerable tonnage of mineralisation in the newly identified Sill P is in Inferred Mineral Resource category and therefore will need further drilling to upgrade into Measured and Indicated categories that are capable of conversion into Ore Reserves. This material has the potential to materially reduce the strip ratio of the designed open pit.

¹ Lepidico announced on 9 March 2017 that it had signed a term sheet for ore off-take from the Alvarrões Lepidolite Mine with Grupo Mota, the 66% owner and operator of Alvarrões.

Environmental Impact Study (EIS) work recommenced in March following receipt of comments on the terms of reference for the mine and concentrator from the regulator. A revised mine plan is expected to be submitted for review late in the June 2019 quarter.

Alvarrões Mineral Resource

In December 2018, the Company completed a diamond drilling program to infill and extend the existing lepidolite-bearing pegmatite Inferred Mineral Resource. 25 holes were drilled for 1,677 m of core (351 m PQ and 1,326 m HQ). Subsequently an updated Mineral Resource estimate (“MRE”) was completed by Snowden Mining Industry Consultants Pty Ltd (“Snowden”) as announced on 11 April 2019.

Global Mineral Resource tonnes increased by 290% and contained lithium within the estimate rose by approximately 210%, versus the December 2017 estimate. While the global grade has reduced as a result of the inclusion of mineralised halo material, the average grade of the pegmatite mineralised units has risen modestly.

Snowden estimates a total JORC Code-compliant Indicated and Inferred Resource at Alvarrões of 5.87 Mt @ 0.87% Li₂O comprising lithium mineralisation within five pegmatites and a 0.5 m mineralised halo within the granite host rock (Table 1).

The pegmatites themselves represent an Indicated and Inferred Resource of 3.9 Mt @ 1.16% Li₂O, with the flat-lying Alvarrões pegmatite system remaining open in all directions.

The work at Alvarrões is part of Lepidico’s Mineral Resource definition program to establish a multi-deposit inventory of high-quality lithium mica Mineral Resources to provide feedstock for not just the proposed Phase 1 Plant but also conceptual full-scale plants using Lepidico’s proprietary technologies.

Table 1. Alvarroes Mineral Resource estimate by category (0.20% Li₂O cut-off)

	Pegmatite	Li₂O%	0.5 m Halo	Li₂O%	Total
Indicated	1.84 Mt	1.12	0.76 Mt	0.26	2.60 Mt @ 0.87% Li₂O
Inferred	2.06 Mt	1.20	1.21 Mt	0.31	3.27 Mt @ 0.87% Li ₂ O
Total	3.90 Mt	1.16	1.97 Mt	0.30	5.87 Mt @ 0.87% Li₂O

Full-Scale L-Max[®] Plant Scoping Study

Encouraging results from the alternative chemical plant location and logistics studies were fed into the Phase 1 Plant study as a priority. Further desktop work will be undertaken in the second half of 2019 with the objective of developing scoping study level capital and operating cost figures for a hybrid LOH-Max[™]-L-Max[®] with configurations ranging from 10,000tpa to 20,000tpa lithium hydroxide.

RESEARCH & DEVELOPMENT

Pilot Plant Development, Perth, Western Australia

As announced on 17 April 2019, the design and construct phase for the pilot plant is scheduled to complete on 30 April and plant commissioning has commenced. The Project implementation is on-track to be delivered on schedule and within the budget before contingency of \$2.6 million. The commissioning milestone has been reached with no lost time incidents.

All major capital equipment for the Pilot Plant has been delivered to site in Perth, Western Australia. At the end of March 96% of the budget had been committed. All the steel skids that house the process equipment was received in March. The filter plates were the final pieces of mechanical equipment to be received, thereby eliminating sea freight delivery risk for the project timetable. All mechanical equipment has now been installed, and the electrical and piping installations are well advanced. The leach and impurity removal skids have been connected to power and wet commissioning of the leach skid commenced on 15 April 2019.

It is envisaged that it will take between five and six weeks to program and calibrate all drives, pumps and instruments. Once this is achieved slurry concentrate will start to be fed to the leach circuit, planned for late May 2019. Once the L-Max[®] circuit is fully charged it will be run continuously for ten days at a rate of approximately 15kg/hr, producing lithium carbonate as well as sulphate of potash (SOP), and the S-Max[™] circuit will produce amorphous silica.

The 20 tonne sample of lepidolite plant feed, sourced from the Alvarrões mine was received in Perth on 1 March 2019. Feed preparation started on 11 March with the material being crushed. Mill commissioning commenced late in March and the flotation circuit came on stream to produce the first lepidolite and amblygonite concentrate on 16 April.

Work has commenced to adapt the final process stages of the Pilot Plant to include a LOH-Max[™] circuit, initially at mini-plant scale using laboratory equipment. Strategic Metallurgy is developing the process design criteria for this circuit which will be used by Lycopodium to finalise the design for the Phase 1 Plant and a smaller scale circuit appropriate for the Pilot Plant, providing lithium hydroxide capability.

Lithium Hydroxide process developed

During the quarter the Company announced that high purity lithium hydroxide had been produced using a new process, LOH-Max[™], by the owners of Strategic Metallurgy Pty Ltd (“Strategic Metallurgy”). The Company has entered into a binding exclusivity arrangement with the developers of the process technology, whereby Lepidico has the right to use the process and sole rights for marketing the technology to third parties worldwide. The LOH-Max[™] technology is held within a special purpose vehicle owned by the owners of Strategic Metallurgy that developed the process. A provisional patent application for this process was filed with the Australia Patent Office.

LOH-Max™ provides an elegant solution to produce lithium hydroxide – which currently attracts a premium price compared with lithium carbonate and is in strong demand – from lithium sulphate, using conventional industrial equipment and without the production of sodium sulphate. As part of Lepidico’s Phase 1 Plant Feasibility Study, cost comparisons have been conducted for LOH-Max™ versus the industry conventional process step to convert lithium sulphate to either lithium carbonate (which is employed by L-Max®) or lithium hydroxide. This work indicates that material reductions in both capital cost – estimated at more than US\$10 million for 5,000tpa of lithium hydroxide – and operating cost should be achieved using LOH-Max™. Such cost advantages mean that LOH-Max™ has application in the final processing of a broad range of lithium concentrates sourced from both hard rock, including spodumene and sedimentary hosted deposits. Accordingly, Lepidico sees opportunity for licensing this process technology to the growing number of lithium chemical producers.

EXPLORATION

Lepidico’s exploration strategy is to identify and secure lithium mica deposits that are capable of providing material quantities of quality L-Max® concentrate feed. In addition to exploration undertaken at Alvarrões in Portugal, evaluation of lithium mica projects continues in Australia at Youanmi as well as at various locations globally.

Youanmi Lepidolite Project, Youanmi, Western Australia²

As reported on 8 January 2019³ the reverse circulation exploration program completed in the previous quarter confirmed multiple lepidolite-bearing pegmatites. Specifically, the Central Zone contains a complex cluster of over ten pegmatites ranging from 1 m to 7 m in thickness. Average grades over mineralised intercepts range from 0.4% Li₂O to 0.7% Li₂O and often exceed 1.0% Li₂O. At the Northern Zone, the results show the main “Target 1” pegmatite continues as a 3 m to 5 m thick body to at least 50 m depth in places, carrying 10%-25% lepidolite with average grades of 0.7% Li₂O.

A total of 181 1m-samples were assayed for a suite of 48 elements. A full review and interpretation of the results is underway. Although the Youanmi pegmatites are relatively thin, early indications suggest the presence of a number of strongly lepidolite-mineralised individual pegmatites that could collectively represent an economic opportunity.

Future work will depend on the outcomes from the ongoing interpretation of the results.

² Lepidico announced on 26 July 2018 that it had entered into an option agreement with Venus Metals Corporation Limited (ASX:VMC) to earn up to an 80% interest in lithium pegmatite rights within exploration licence E57/983.

³ ASX release dated 8 January 2019: Multiple lithium intercepts at Youanmi

CORPORATE

As at 31 March 2019, Lepidico had cash and cash equivalents of \$4.9 million and no debt.

Patents

The Company currently holds International Patent Application PCT/AU2015/000608 and a granted Australian Innovation Patent (2016101526) in relation to the L-Max[®] Process.

In 2017, the Company proceeded with the national and regional phase of patent applications in the main jurisdictions in which L-Max[®] may operate in the future. This regional phase of the patent process is expected to continue through much of 2019.

In addition, the Company holds an Australian Patent Application (2018901424) in relation to the S-Max[™] Process.

Further Information

For further information, please contact

Joe Walsh
Managing Director
Lepidico Ltd
Tel: +1 (647) 272 5347

Tom Dukovic
Exploration Director
Lepidico Ltd
Tel: +61 (8) 9363 7800

Email: info@lepidico.com
Website: www.lepidico.com

Exploration and Resources

The information in this report that relates to Exploration Results is based on information compiled by Mr Tom Dukovcic, who is an employee of the Company and a member of the Australian Institute of Geoscientists and who has sufficient experience relevant to the styles of mineralisation and the types of deposit under consideration, and to the activity that has been undertaken, to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves." Mr Dukovcic consents to the inclusion in this report of information compiled by him in the form and context in which it appears.

The information in this report that relates to the Alvarrões Mineral Resource estimate is based on information compiled by John Graindorge who is a Chartered Professional (Geology) and a Member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd and consents to the inclusion in the report of the matters based on this information in the form and context in which it appears.

Forward-looking Statements

All statements other than statements of historical fact included in this release including, without limitation, statements regarding future plans and objectives of Lepidico, are forward-looking statements. Forward-looking statements can be identified by words such as "anticipate", "believe", "could", "estimate", "expect", "future", "intend", "may", "opportunity", "plan", "potential", "project", "seek", "will" and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Lepidico that could cause Lepidico's actual results to differ materially from the results expressed or anticipated in these statements.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this release will actually occur and investors are cautioned not to place any reliance on these forward-looking statements. Lepidico does not undertake to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this release, except where required by applicable law and stock exchange listing requirements.

CORPORATE INFORMATION

Board

Gary Johnson	Non-Executive Chairman
Joe Walsh	Managing Director
Tom Dukovcic	Director Exploration
Mark Rodda	Non-Executive Director
Cynthia Thomas	Non-Executive Director
Brian Talbot	Non-Executive Director
Shontel Norgate	CFO & Joint Company Secretary
Alex Neuling	Joint Company Secretary

Registered & Principal Offices

23 Belmont Avenue, Belmont, WA 6104, Australia
Suite 200, 55 University Avenue, Toronto, Ontario, M5J 2H7, Canada

Stock Exchange Listings

Australian Securities Exchange (Ticker LPD)
Frankfurt Stock Exchange (Ticker AUB)

Forward Shareholder Enquiries to

Security Transfers Australia Pty Ltd
770 Canning Highway
Applecross WA 6153
Telephone +61 (0) 8 9315 2333
Email: registrar@securitytransfer.com.au
Website: www.securitytransfer.com.au

Issued Share Capital

As at 31 March 2019, issued capital was 3,356,175,188.

As at 29 April 2019, issued capital was 3,356,175,188.

Quarterly Share Price Activity

High	Low	Close			
January – March 2019		3.2c	1.5c	2.7c	

TENEMENT INFORMATION (Provided in accordance with ASX Listing Rule 5.3.3)

AUSTRALIAN OPERATIONS

The Company currently holds interests in tenements as set out below.

Farm-in Agreements

Project/ Tenement ID	Registered Holder	Lepidico Interest in tenement	Expiry Date	Area
Youanmi Lepidolite Project (E57/983) Youanmi, WA	Venus Metals Corporation Limited	Earning up to 80% of lithium pegmatite rights	3 February 2020	29 blocks

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

Lepidico Ltd

ABN

99 008 894 442

Quarter ended ("current quarter")

31 March 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(422)	(1,004)
(b) development	(1,903)	(4,662)
(c) production	-	-
(d) staff costs	(327)	(1,084)
(e) administration and corporate costs	(468)	(1,774)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	45
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	485
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(3,106)	(7,994)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(1)	(1)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(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)	(1)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	8,190
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	363
3.4 Transaction costs related to issues of shares, convertible notes or options	-	(571)
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 (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	7,982

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	7,993	4,860
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,106)	(7,994)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1)	(1)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	7,982
4.5	Effect of movement in exchange rates on cash held	40	79
4.6	Cash and cash equivalents at end of period	4,926	4,926

5. Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1 Bank balances	4,926	7,993
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	4,926	7,993

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	1,766
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	
	\$A'000
Salaries	142
Directors Fees	99
Payments to Director Related Entities (Development)	1,525

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	134
9.2 Development	1,365
9.3 Production	-
9.4 Staff costs (includes exploration and evaluation)	314
9.5 Administration and corporate costs	465
9.6 Other	-
9.7 Total estimated cash outflows	2,278

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	Nil			
10.2	Interests in mining tenements and petroleum tenements acquired or increased	Nil			

Compliance statement

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

Sign here: 
 (Director/Company secretary)

Date: 29 April 2019

Print name: Shontel Norgate

Notes

1. The quarterly report provides a basis for informing the market 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 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.