



Quarterly Activities Report for the Quarter ending 30 September 2019

Highlights

- Meeting His Excellency, President Tshisekedi Tshilombo, President of the DRC, and senior DRC government officials;
- Appointment of GR Engineering as DFS engineer;
- Positive results from Phase 1 metallurgical test work;
- Dewatering pump commissioned at Roche Dure pit;
- Increased equity ownership in Manono Project by 5% in a highly NPV accretive option transaction, with further increase in ownership planned.

AVZ Minerals Limited (ASX: AVZ, "The Company") is pleased to provide the following report on its activities for the Quarter ended 30 September, 2019.

AVZ's Managing Director, Nigel Ferguson noted:

"The Company is continuing its fast-track production strategy and remains on target to complete its Definitive Feasibility Study ("DFS") in Q1 2020, with construction forecast to start in Q4 2020 and plant commissioning estimated by Q4 2021.

"Our Stage 1 metallurgical test work results have been extremely positive and we have immediately moved into Stage 2 test work, while at the same time we are progressing at full speed to complete our DFS by early 2020.

"The Company has also received excellent feedback during our recent round of government engagement and we look forward to securing a range of benefits for AVZ such as tax incentives and exemptions and planned rail and port upgrades should further beneficiation in Tanzania be investigated."

ASX ANNOUNCEMENT

31 October 2019

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Managing Director: Nigel Ferguson
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Non-Executive Director: Rhett Brans
Non-Executive Director: Hongliang Chen
Non-Executive Director: Peter Huljich

Market Cap

\$100 M

ASX Code: AVZ

PROGRESS AT ROCHE DURE

Definitive Feasibility Study Update

On 9 July 2019, the engineering portion of the Definitive Feasibility Study (“DFS”) was awarded to GR Engineering Services (“GRES”). GRES is progressing well on the initial design of the DMS concentrate plant based on the Phase 1 metallurgical test work campaign.

During the quarter, AVZ also awarded the geotechnical and hydrogeological studies contract that will assist in the development of final pit design based on the conversion of resources to reserves.

Johannesburg based geotechnical company, Middindi Consulting (Pty) Limited, was awarded the Phase 2 geotechnical contract to collect DFS level information to assist in the appraisal of wall angles required for the final mine design. Field studies will require mapping of hanging-wall overburden, along with specialist mapping of pegmatitic outcrops exposed near the current pit edges and the now exposed pit walls. Drilling of specialised orientated drill holes for statistical analyses of any discontinuities and to collect samples for a suite of rock strength tests may be carried out in the last quarter of 2019.

In August 2019, Mr Chris Lane of Land & Marine Geological Services Pty Ltd visited the site to appraise potential plant and tailings sites. His recent report has been very encouraging in the initial reconnaissance of various sites for the possible location of a new processing plant and tailings facilities for a minimum of a 20-year mine life. This work, which is being driven by GRES, will continue into the last quarter of calendar 2019 as they work to optimise the location of the new processing facilities under the guidance of AVZ Minerals.

Product transportation is being studied, with a consultant appointed to complete a technical review of the rail networks in the region to ensure the planned product volumes can be railed to the east coast port of Dar es Salaam. A section of road transportation to connect with the railway line is also being reviewed and assessed for upgrade to meet the trucking requirements of the project.

Marketing study consultants have been engaged to review supply and demand as well as potential product pricing for the SC6.0 concentrate. A financial consulting company is also now on board to assist with the financial modelling of the project.

In country, the Environmental Social Impact Assessment (“ESIA”) study kicked off in early October and is expected to be completed early in the first quarter of 2020. This will trigger converting the Permit du Recherche into a Permit d’Exploitation, which in turn will provide authority for early earth works to begin.

The Company’s target timeframe for the delivery of the Roche Dure DFS remains Q1 2020.

Roche Dure dewatering program

A five tonne Allight Sykes CP300 high volume dewatering pump was commissioned at Roche Dure early in September 2019 (*Figures 1 and 2*) with almost immediate results on reduction of the water level at Roche Dure. This pump has been combined with a pontoon based spindle pump, which can be maneuvered over deeper 'holes' in the pit floor to ensure there are no flooded, pit floor depressions that will come to light as the water level drops further (*Figure 3*).



Figure 1 & 2. Sykes pump to right and spindle pump on the pontoon operating at the NE end of Roche Dure near the historical sump pump



Figure 3. Sediments exposed as water levels drop at Roche Dure

With both pumps combined, the Company was able to draw down the greatest surface area at the top of the water filled pit by 0.75 metres in 55 hours. As bathymetric work indicates the pit is a maximum of approximately 25 metres deep, the Company anticipates the pit may be emptied quicker than the three months initially anticipated.



Figure 4, 5 & 6. Dewatering status at Roche Dure taken mid-October 2019



Phase 1 Metallurgical Test Work Results

The metallurgical test work for Phase 1 has now completed.

Initial characterisation test work was completed using HLS (“Heavy Liquid Separation”) to determine the theoretical maximum spodumene liberation at various crush sizes. Additionally, mineral species were also investigated to examine if they can be readily separated with minimal mineral inter-growth to ensure spodumene itself does not contain excessive concentrations of iron bound in its structure. Examination of Roche Dure pegmatite sample indicated almost no inter-growth between spodumene and gangue minerals exists. Also, the spodumene contains very low iron percentages and well inside specified limits for spodumene concentrate.

HLS provides a perfect separation between test densities as opposed to less efficient density separations occurring in DMS “Dense Media Separation”. Consequently, HLS testing provides a theoretical result and removes any influence on the test result caused by varying equipment separation efficiencies in DMS test work.

HLS testing is typically conducted on particles sizes at and below where DMS testing is conducted. HLS test results on the smaller size fractions provide liberation characteristics and potential recovery opportunities for by-product minerals residing in the streams, too fine to be processed by DMS.

HLS testing at three crush sizes; 10.0mm, 5.56mm and 3.35mm (Table 1), was conducted to identify crush size with maximum lithium recovery and lithium grade. Current convention states that lithium grade be reported as *lithia* (Li₂O) instead of lithium. The Manono HLS results (*refer to ASX announcement dated 13th August 2019*) demonstrate that lithium recovery improves with decreasing crush size. Also, lithia grade improves with decreasing crush size. HLS results presented in *Table 1* below, are inclusive of lithium losses to the <0.5mm size fraction.

The smaller crush size liberates more spodumene from the gangue minerals than the coarser crush size. Iron concentrations in the spodumene product, reported as the iron oxide hematite (Fe₂O₃), are well below chemical grade limits in spodumene concentrates (SC6.0), which specify a maximum concentration of 0.8% Fe₂O₃. Based on this HLS test work the smallest tested crush size would be preferred and iron contamination in a Manono spodumene concentrate will be well below maximum limits.

Test Description	Recovery	Grade	
	Li ₂ O (%)	Li ₂ O (%)	Fe ₂ O ₃ (%)
1 HLS: 3.35mm	70.4	6.6	0.40
2 HLS: 5.56mm	65.9	6.2	0.36
3 HLS: 10.0mm	61.7	5.8	0.40

Table 1: Heavy Liquid Separation met test work results

Comminution testing was conducted using DMS. Three 5.56mm crush DMS tests were conducted, one to a test SG of 2.9, which failed to achieve 6% lithia in the concentrate and, two tests; one without and the other with a pre-treatment process to remove mica prior to testing (designated with an RC “Reflux Classifier” in the description). Both the 2.95 SG tests at 5.56mm could produce a concentrate lithia grade of 6% at 59% recovery.

To compare this result with the HLS test, at 6.2% lithia grade, HLS lithium recovery was 65.9% and DMS lithium recovery approximately 58%. This represents a lithium recovery discount of 8% for DMS compared with HLS, which is well within expectations.

Comparing the 3.35mm and 5.56mm crush results there is a 4% increase in lithium recovery achieved by reducing the crush size entailing a concentrate lithia grade of 6%. The recovery differences range is less at lower concentrate lithia grades.

Comparisons of detrimental compounds or elements like iron as iron oxide, mica and fluorine is best presented in a tabular form where the contaminant concentration applies to a specific concentrate product grade and recovery.

Table 2 below includes iron oxide, mica and fluorine contaminant concentration where assayed, otherwise depicted with a "NA", in the DMS100 test spodumene concentrates.

Test Description	Recovery		Grade		
	Li ₂ O (%)	Li ₂ O (%)	Fe ₂ O ₃ (%)	Mica (%)	F (g/t)
1 DMS100: 5.56mm, 2.95SG	59.8	5.8	0.50	2.7	59
2 DMS100: 5.56mm, RC, 2.9SG	60.9	5.9	0.45	2.1	82
3 DMS100: 3.35mm, RC, 2.9SG	62.8	6.0	0.44	1.7	NA

Table 2: Dense Media Separation 100 met test work results

From a metallurgical perspective a graphical presentation of test lithia grade versus test lithium recovery provides the most useful data and any reference to test density is presented by the graphical points; the higher the grade, the higher the density. Figure 7 below presents the grade-recovery curves for each DMS 100 test.

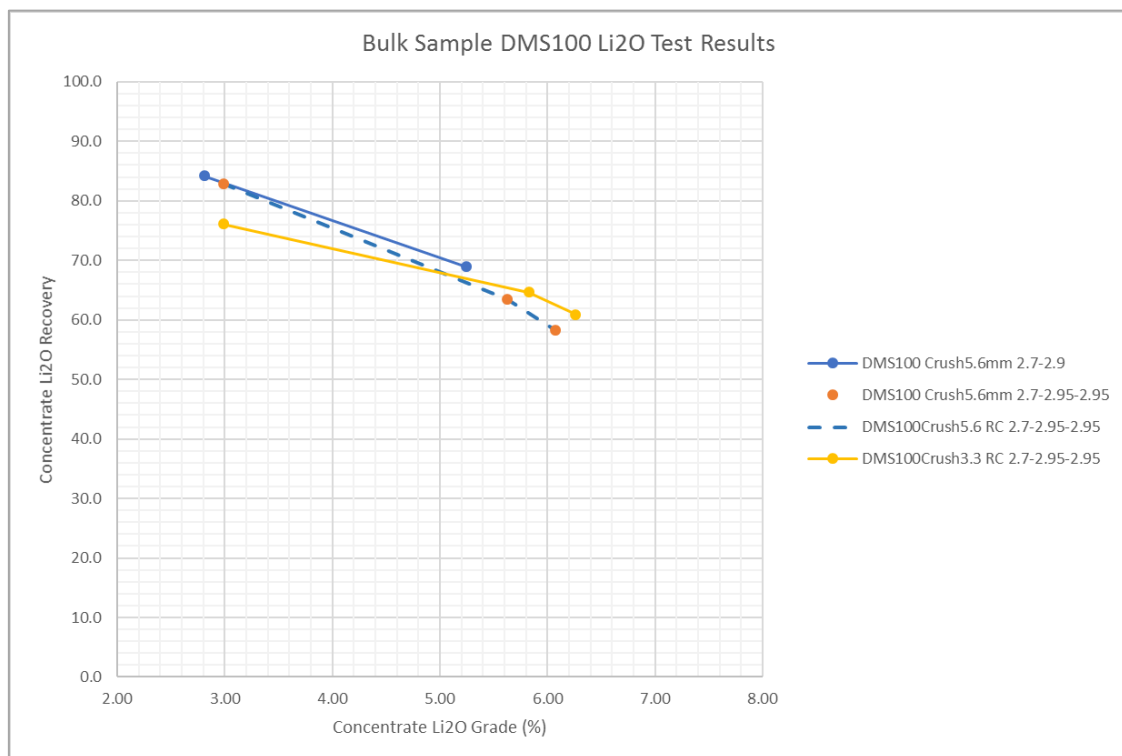


Figure 7: Dense Media Separation 100 – Grade Recovery test results

Iron oxide as Fe_2O_3 in the concentrates of all tests was well below the chemical grade SC6.0 limit of 0.8% and above the technical grade limits of between 0.12-0.25%.

Mica concentration in the product improved (decreased) with increasing concentrate lithia grade. Spodumene concentrates can contain up to 4% mica, however, concentrates with less than 2% mica are preferred by the battery manufacturers. DMS testing with a mica removal pre-treatment step was able to achieve slightly above 2% mica in the spodumene concentrate at 5.56mm crush. At the 3.35mm crush size and a mica removal pre-treatment step, spodumene concentrate mica concentration was below 2%, making it a highly desirable product in the marketplace. Ongoing test work is expected to improve this aspect of the product at Manono.

Fluorine concentrations in the spodumene concentrates are negligible and pose no issue for battery manufacturing.

A large scale DMS test was conducted in a DMS circuit containing a 250mm cyclone, approximately 2.5 times the diameter of the pilot scale DMS100 cyclone.

A sample was prepared to a crush size of 5.56mm, which presently appears to be the most economic crush size. The DMS250 test result is graphically presented in the Figure 8 below, with all other 5.56mm DMS test results for comparison.

The DMS250 test lithium recovery is approximately 4% less than the DMS100 result at equivalent lithia grade of 6% (SC6.0). The recovery reduction in the larger scale test is more than expected and upon closer examination the mass reporting to the final DMS stage of the test was far greater than the mass reporting to the DMS100 test final DMS stage. Consequently, the efficiency of this final DMS20 separation stage was less efficient than the DMS100 tests. Minor DMS250 test parameter changes will rectify the over representation of mass to the first DMS stage and optimization is expected to reduce the recovery difference with the DMS100.

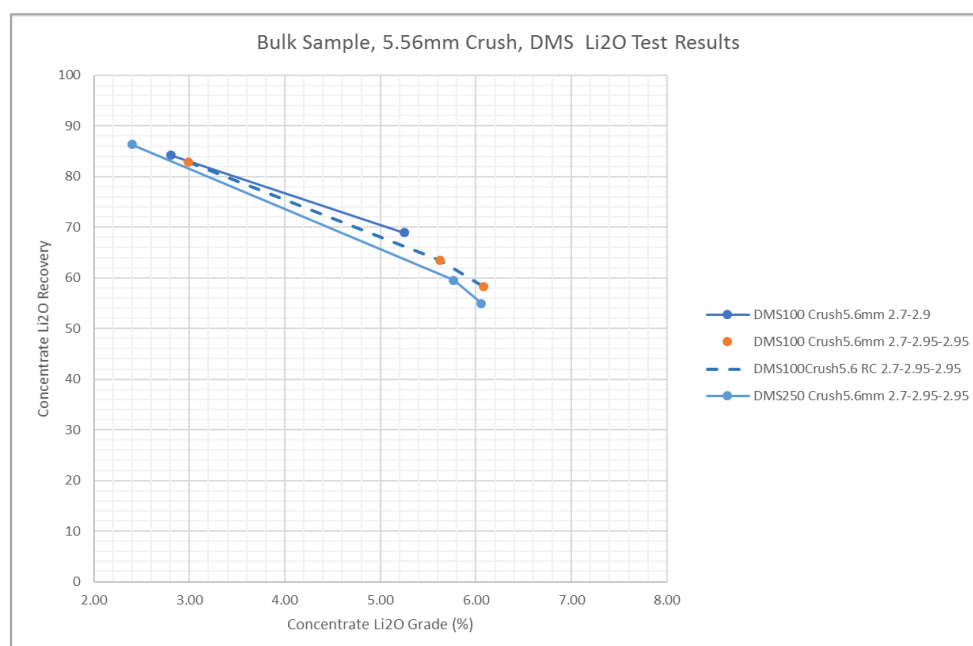


Figure 8: DMS100 and DMS200 – Grade Recovery test results

Only iron oxide impurity in the DMS250 test spodumene concentrate is presently available for reporting and is presented at Test Description '4' with other 5.56mm crush DMS test spodumene concentrate assays in *Table 3* below.

Test Description	Recovery		Grade		
	Li ₂ O (%)	Li ₂ O (%)	Fe ₂ O ₃ (%)	Mica (%)	F (g/t)
1 DMS100: 5.56mm, 2.95SG	59.8	5.8	0.50	2.7	59
2 DMS100: 5.56mm, RC, 2.9SG	60.9	5.9	0.45	2.1	82
3 DMS100: 3.35mm, RC, 2.9SG	62.8	6.0	0.44	1.7	NA
4 DMS250: 5.56mm, 2.9SG	59.6	5.8	0.49	NA	NA

Table 3 - DMS100 and DMS250 Beneficiation Results

The larger scale DMS spodumene concentrate iron oxide concentration is similar to the lab-pilot scale DMS100 tests at 0.486% Fe₂O₃, which is still well within SC6.0 concentrate iron limits.

Looking forward

Options exist to optimise the concentrate grade and recovery with the Phase 2 metallurgical program devised to support the optimal process scale and flowsheet selection. In addition to metallurgical optimisation, the Phase 2 metallurgical program proposes to:

- To verify Phase 1 process flowsheet and design parameters;
- Examine ore variability and its effects on economic performance;
- Generate Spodumene concentrates for marketing assessment and value adding test program;
- Define a heavy mineral recovery circuit and verify Phase 1 heavy mineral recovery performance; and
- Perform all necessary Engineering and Vendor testing.

Refer to the following ASX announcements relating to Phase 1 metallurgical test work results released in 2019 (5th & 13th of August; 16th of September and the 9th of October).

GOVERNMENT ENGAGEMENT

During the quarter, a Dathcom Mining SA delegation led by AVZ's Technical Director, Mr Graeme Johnston, met with his Excellency Mr. Felix Tshisekedi Tshilombo, the President of the Democratic Republic of the Congo, in Kinshasa, following on from several meetings with Government officials and Presidential advisors.

These meetings offered an opportunity to present and update His Excellency and his advisors on the progress being made at the Manono Lithium and Tin Project. Specific mention was made of the highly successful resource drilling carried out in 2018 which has led to the decision by AVZ to fast track the DFS for the project.

During the meetings, questions relating to taxation, logistics, energy supply, industrialisation, economic and social development in the Tanganyika Province and further engagements on key aspects of the Manono Project were also discussed.



Figure 9: L – R. Mr Tony Kanku (Advisor), Mr Graeme Johnston (AVZ Technical Director), Mr Balthazar Tshiseke (Dathcom Chief Administrator), His Excellency Mr Felix Tshisekedi, President of the DRC, Mr Christian Lukusa and Mr John Kaninda (Dathcom legal advisors).

CORPORATE

At a corporate level, AVZ is in ongoing discussions with a number of parties around longer-term strategic partnerships involving "off-takers", off-take financing and strategic project investment.

The Company will continue to keep the market and its shareholders up-to-date with any formal agreements once they are confirmed.

Equity interest in Manono Project increased

During the quarter, an Extraordinary General Meeting of Dathcom Mining SA ("Dathcom") was convened which approved the sale to AVZ of a 5% equity interest in Dathcom – the holding company of the Manono Project.

As announced in the previous quarter, Dathomir Mining Resources SARL ("Dathomir") had agreed to sell a 5% equity share in Dathcom to AVZ for a total consideration of US\$5.5 million. AVZ has now paid the first tranche of US\$500,000 to Dathomir, with US\$5 million to be paid to Dathomir at any time within 36 months from the date of the agreement.

AVZ's equity in the operating subsidiary Dathcom - which owns 100% of the Manono Project concession will increase by 5% upon completion of the transaction, rendering AVZ a 65% shareholder in the Manono Project.

AVZ is continuing the process to secure additional equity in the Manono Project from its main partner, La Congolaise D'Exploration Miniere (Cominiere").

Appointment of Project Director

As announced post the quarter, Mr Michael Hughes has been appointed as Project Director for AVZ Minerals' world-class Manono Lithium and Tin Project. Mr Hughes has more than 35 years' experience in Engineering, Procurement and Construction in the minerals and metal market, having worked for both engineering companies and clients to execute studies and projects.

His experience covers all metals and minerals commodity plant design and construction in Africa, India, France and Australia. He has worked in many African countries, including Malawi, Mozambique, Namibia, Botswana, Madagascar and Ethiopia.

Mr Hughes has served as General Manager and Vice President of companies as well as Managing Director of Bateman Engineering India Private Limited. He joins the Manono team from Evolution Mining where he was Project Director of significant plant expansions at its Cowal gold mine in New South Wales.

For further information, visit www.avzminerals.com.au or contact:

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Competent Person Statement

The information in this report that relates to metallurgical test work results is based on, and fairly represents information compiled and reviewed by Mr Nigel Ferguson, a Competent Person who is a Fellow of The Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists. Mr Ferguson is a Director of AVZ Minerals Limited. Mr Ferguson has sufficient experience that 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 2012 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves”. Mr Ferguson consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in the document that relates to the geology of the Roche Dure pegmatite is based upon information compiled by Mr Michael Cronwright, who is a fellow of The Geological Society of South Africa (GSSA) and is a registered professional with the South African Council for Natural Scientific Professions (SACNSAP). Mr Cronwright was a Principal Consultant with The MSA Group (Pty) Ltd (an independent consulting company). Mr Cronwright has sufficient experience 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 as defined in the 2012 edition of the JORC Code. Mr Cronwright consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Mineral Resource estimate has been completed by Mrs Ipelo Gasela (BSc Hons, MSc (Eng) who is a geologist with 14 years’ experience in mining geology, Mineral Resource evaluation and reporting. She is a Senior Mineral Resource Consultant for The MSA Group (an independent consulting company), is registered with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mrs Gasela has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code. Mrs Gasela consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as at 30 September 2019):

Country / Project	Tenement	Interest	Status
DRC – Manono Project	PR 13359	60%	Granted
DRC – Manono Extension Project	PR 4029 PR 4030	100%	Granted

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li₂O cut-off as at 30 September 2019:

Category	Tonnes (Millions)	Li ₂ O %	Sn ppm	Ta ppm	Fe ₂ O ₃ %	P ₂ O ₅ %
Measured	107	1.68	836	36	0.93	0.31
Indicated	162	1.63	803	36	0.96	0.29
Inferred	131	1.66	509	30	1.00	0.28
Total	400	1.65	715	34	0.96	0.29



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

AVZ Minerals Limited

ABN

81 125 176 703

Quarter ended ("current quarter")

30 September 2019

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(1,797)	(1,797)
(b) development	-	-
(c) production	-	-
(d) staff costs	(212)	(212)
(e) administration and corporate costs	(372)	(372)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	32	32
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Deposit paid	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(2,349)	(2,349)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(54)	(54)
(b) tenements	-	-
(c) investments	(712)	(712)
(d) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
2.2 Proceeds from the disposal of:		
(a) property, plant and equipment	-	-
(b) tenements	-	-
(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	(766)	(766)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
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 (provide details if material)	-	-
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	8,751	8,751
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,349)	(2,349)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(766)	(766)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5 Effect of movement in exchange rates on cash held	7	7
4.6 Cash and cash equivalents at end of period	5,643	5,643

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	2,618	5,751
5.2 Call deposits	3,025	3,000
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	5,643	8,751

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

175

-

\$A'000

Payment to directors and related entities – director fees and corporate services (excluding GST)

115

Payment to director related entity – technical services (excluding GST)

60

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

-

-

Mining exploration entity and oil and gas exploration entity quarterly report

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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	1,500
9.2 Development	-
9.3 Production	-
9.4 Staff costs	250
9.5 Administration and corporate costs	350
9.6 Other	-
9.7 Total estimated cash outflows	2,100

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

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:


(Company secretary)

Date: 31 October 2019

Print name: Leonard Math

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.