

29 JULY 2022

QUARTERLY ACTIVITIES REPORT

For the three months ended 30 June 2022
("Q2" or "Quarter")

ABOUT ADRIATIC METALS (ASX:ADT, LSE:ADT1, OTCQX:ADMLF)

Adriatic Metals Plc is focused on the development of the 100%-owned, Vares high-grade silver project in Bosnia & Herzegovina, and exploration at the Raska base & precious metals project in Serbia.

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Mr Paul Cronin
MANAGING DIRECTOR & CEO

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Julian Barnes
NON-EXECUTIVE DIRECTOR

Ms Sandra Bates
NON-EXECUTIVE DIRECTOR

Ms Sanela Karic
NON-EXECUTIVE DIRECTOR

adriaticmetals.com

HIGHLIGHTS IN THE QUARTER

Vares Silver Project, Bosnia & Herzegovina:

- Vares Silver Project construction activities update:
 - Contracting and mobilisation of the Mining Contractor
 - Upper Decline Portal complete
 - Lower Decline development commenced, with improving ground conditions and advance rates
 - Rupice access roads 65% complete, Section 1 of haul road, stockpile pad and paste & backfill pad under construction
 - Approximately 66% of capital expenditure awarded, pending award or recently quoted
 - Commencement of foundations at Vares Processing Plant
- Potential life of mine increase from both Rupice Northwest exploration drilling and confirmation drilling
- Staff count at 162 and growing. Contractor count at 158

Corporate

- Cash balance as at 30 June 2022 of US \$83.4 million
- Inflationary pressures under control, Project remains on time for concentrate production in Q2 2023



Paul Cronin, Adriatic's Managing Director and CEO commented:

"Despite the challenges posed to us by global macroeconomic conditions, the team have continued to progress the Vares Project to schedule. Elevated diesel prices have caused some project cost variances, but these have been largely offset by design and construction changes where cost saving opportunities were identified by our team here in BiH. Consequently, we see no reason that the project construction cannot be delivered on time, and a relatively small increase in construction costs can be funded out of existing treasury. In parallel to our construction efforts, our exploration team is making great progress, identifying a new Rupice style zone of mineralisation, which should add significant mine life to the project"

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company"), a well-funded development and exploration company building the world-class Vares Silver Project, is pleased to provide the following Quarterly Activities Report ("QAR") that summarises the progress made and reported during the three months ended 30 June 2022 ("Q2" or "Quarter").

1. EXPLORATION, CONFIRMATION AND DEFINITION DRILLING AT RUPICE

Rupice Northwest ("Rupice NW")

Recent drilling at Rupice NW, an extension to the existing orebody, continues to intercept thick, high-grade, massive sulphide mineralisation up-dip from previous intersections.

The current exploration drilling campaign at Rupice NW was designed to confirm whether the high-grade mineralisation at the existing Rupice Mineral Resource ("Rupice") continues along strike to the Northwest. The intercepts announced are assay results from three exploration holes out of five holes completed in the year to date (assays pending).

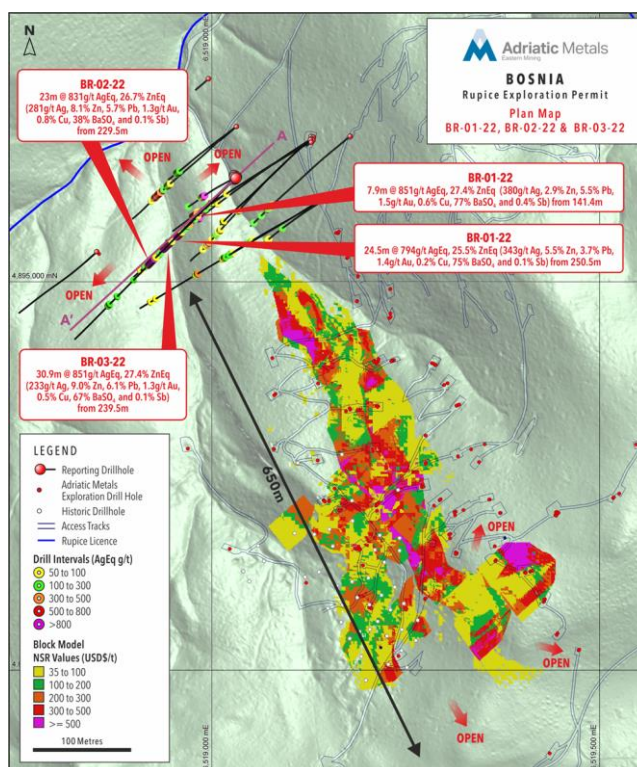


Figure 1: Plan view map of Rupice and location of recent drilling activity



Drillholes BR-01-22, BR-02-22 and BR-03-22, located 90 metres northwest of the existing Rupice Mineral Resource and drilled up-dip of previously reported holes BR-16-21 (7.1m @ 1,123g/t AgEq) and BR-19-21 (15.8m @ 508g/t AgEq), intercepted:

- BR-03-22 – **30.9 metres at 851g/t AgEq, 27.4% ZnEq** (233g/t Ag, 9.0% Zn, 6.1% Pb, 1.3g/t Au, 0.5% Cu, 67% BaSO₄ & 0.1% Sb) from 239.5 metres
Including **23.5 metres at 993g/t AgEq, 31.9% ZnEq** (269g/t Ag, 11.0% Zn, 7.3% Pb, 1.6g/t Au, 0.6% Cu, 68% BaSO₄ & 0.1% Sb) from 245.0 metres
- BR-01-22 – **24.5 metres at 794g/t AgEq, 25.5% ZnEq** (343g/t Ag, 5.5% Zn, 3.7% Pb, 1.4g/t Au, 0.2% Cu, 75% BaSO₄, 0.1% Sb) from 250.5 metres
Including **17.5 metres at 915g/t AgEq, 29.4% ZnEq** (386g/t Ag, 6.8% Zn, 4.4% Pb, 1.7g/t Au, 0.3% Cu, 77% BaSO₄ & 0.1% Sb) from 256.0 metres
- BR-02-22 – **23.0 metres at 831g/t AgEq, 26.7% ZnEq** (281g/t Ag, 8.1% Zn, 5.7% Pb, 1.3g/t Au, 0.8% Cu, 38% BaSO₄, 0.1% Sb) from 229.5 metres
Including **15.6 metres at 1,176g/t AgEq, 37.8% ZnEq** (408g/t Ag, 11.5% Zn, 8.2% Pb, 1.8g/t Au, 1.1% Cu, 52% BaSO₄ & 0.1% Sb) from 233.5 metres
- BR-01-22 – **7.9 metres at 851g/t AgEq, 27.4% ZnEq** (380g/t Ag, 2.9% Zn, 5.5% Pb, 1.5g/t Au, 0.6% Cu, 77% BaSO₄ & 0.4% Sb) from 141.4 metres
Including **5.0 metres at 1,127g/t AgEq, 36.2% ZnEq** (546g/t Ag, 4.4% Zn, 7.0% Pb, 1.9g/t Au, 0.8% Cu, 76% BaSO₄ & 0.5% Sb) from 144.0 metres

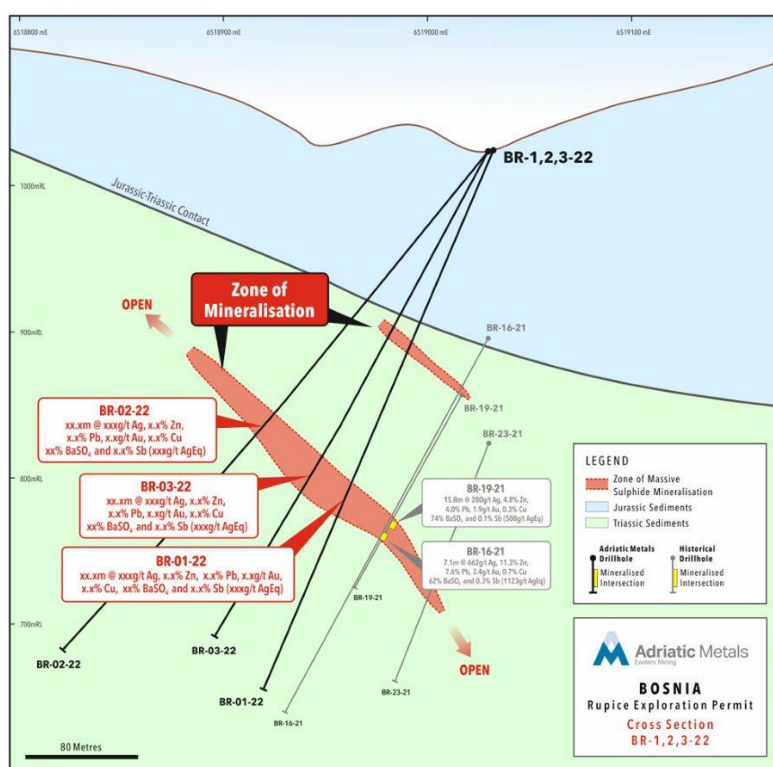


Figure 2: Cross-section (A-A') through BR-01-22, BR-02-22 and BR-03-22



A further 7,500m of exploration step-out drilling at Rupice NW is scheduled in the remainder of the year, ahead of a planned Mineral Resource Estimate update in Q4 2022.

2. VARES PROJECT CONSTRUCTION ACTIVITIES UPDATE

Construction of the Vares Silver Project has gathered momentum over the quarter. Nova Mining & Construction d.o.o., the Main Mining Contractor ("MMC"), commenced decline development in June. Daily advance rates are improving as the decline moves towards the orebody. Foundation preparation is near completion at the Vares Processing Plant and Section 1 of the Haul Road development has commenced. Long lead items delivery times have generally come in longer than those allowed within the 2021 DFS. However, we are still anticipating first concentrate production at the end of Q2 2023. While not immune to inflation, particularly of diesel, the Project expenditure to date is under budget. However, the final Project cost estimate is anticipated to be approximately \$170m vs a 2021 DFS budget of \$168.2m primarily as a result of the increased diesel costs associated with the remaining Rupice civil works and the Haul Road construction.

Definition/Confirmation drilling, targeting the first two years of scheduled production, is proceeding well with indications of a potential re-classification of inferred to indicated resources and the inclusion of previously undeclared additional mineralisation as additional inferred resources.

Decline Development

In the quarter the MMC mobilised to site, incorporated a local operating company and started hiring, inducting and training local staff. In June development of the lower decline commenced. Initially operating on a single day shift, this has now increased to three shifts per day and is averaging 4m of advance per day. The ground conditions immediately following the portal were as expected, and ground support consisting of steel arch sets bolting, meshing and fibre-crete were required. However, as the MMC has advanced away from the weathered, near surface ground, into more competent rock, advance rates have increased and the need for extensive ground support has decreased. It is anticipated that the current ground conditions will continue for the remainder of the decline development. The upper decline portal construction was largely completed during the quarter and in early August the MMC will commence development of this second decline.

Advancing the Lower Decline first, at 485m compared to the Upper Decline at 285m in length, allows for the two to reach the ore body simultaneously in late October, after which initial development on the orebody footwall drives and the stope cross-cuts in ore will prepare for the opening of the first stopes towards the end of Q1 2023, which will enable a sufficient stockpile to be established prior to the VPP plant commissioning in Q2 2023. Commissioning of the Rupice crushing facility is planned for late Q1 2023 in preparation for the supply of cement-aggregate-fill (CAF) for the initial support of the mined-out stopes. Engineering studies completed in the Quarter have determined that, after production starts in Q2 2023, only paste-aggregate-fill (PAF) will be required for underground backfill.



Figure 3: Lower Decline Portal and Underground Development (July 2022)

Earthworks

The civil works at Rupice continue, making rapid advancement during the long, dry summer months. Internal access roads are 65% complete, with work now focussing on levelling the locations for the ROM stockpile, backfill plant and the remaining area of the Upper Portal pad, where the main mining operating services will be located. At the end of the quarter there were 48 excavators as well as supporting trucks and ancillary plant equipment working on site.

Haul Road

Construction of Section 1 of the Haul Road, that is located within the Exploitation Area boundaries, commenced in June. The construction permit for the remainder of Section 1 has been submitted and approval is expected imminently.

Confirmation/Definition Drilling

The resource definition and in-fill drilling programmes are still progressing well, and once complete, all three drill rigs will then be available to focus on the Rupice NW area and other planned exploration targets within close-proximity to the Rupice orebody.

With the new drilling contractor delivering results with significantly improved advance rates, the Company plans to complete approximately 22,000m of exploration and infill drilling by the end of the year, with a continued focus on adding to the existing 10 years of mine life by systematically exploring around Rupice and the greater Vares project.

Update on geo-metallurgical Test-work

Continued test-work and analysis, using core from the first two years of mine operation, further validates the assumptions made in the DFS; that there is one dominant geological domain at Rupice characterised as high barite with high Pb-Zn-Ag +/-Cu mineralization. This domain makes up the central zone of the resource and contains the majority of the high-grade mineralization. There are



peripheral domains that have variable amounts of quartz and carbonate gangue minerals, presumed to represent less altered primary host rock mineralogy. These areas also have Pb-Zn-Ag +/- Cu mineralization, albeit with lower valuable metal content. The confirmation test-work has validated the robustness of the process flowsheet to handle the expected variability.

Vares Processing Plant

The Vares Processing Plant site is being prepared for construction activities. A contract has been executed with Grading KGM d.o.o. for construction of the plant buildings, with design commencing in July and site work scheduled to commence in August. The early construction of the Plant buildings will allow the remaining construction and installation works for the process facilities to continue uninterrupted through the winter months.

Long lead time orders

Key capital equipment items (ball & regrind mills, thickener, crushers, flotation, concentrate & tailings filters, cyclones, agitators, and analyser) finalised and awards made.

Package	Description	Expected on Site
1	Ball Mill	Jan-23
2	Flotation Cells	Nov-22
3	Regrind Mills	Feb-23
6	Thickeners	Jan-23
7	Filtration	Jan-23
12	Agitators	Jan-23
13	Cyclones	Jan-23
26	On-Stream Analyser	Nov-22
27	Crushing Plant Equipment	Dec-22

Table 1: Long lead time delivery dates



3. VARES PROJECT BUDGET UPDATE

The final Project cost estimate is anticipated to be approximately \$170m, including a retained contingency of \$10m. Of this total, 66% of capital expenditure is awarded, pending award or recently quoted, as shown below:

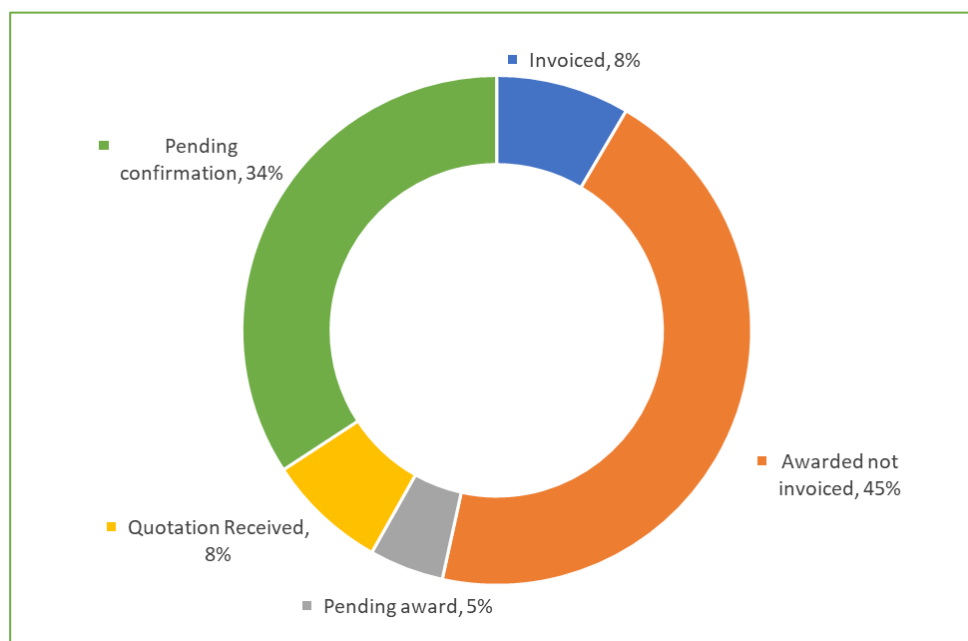


Figure 4: Basis of construction estimate

Summary of Expenditure

A summary of operating, investing and financing expenditure made by Adriatic on a consolidated basis during the Quarter, as reported in the Appendix 5B Cash Flow Report is as follows:

	USD'000
Exploration & Evaluation (capitalised)	1,201
Exploration & Evaluation (expensed)	394
Staff costs	1,053
Administration and corporate costs	2,052
Property, plant and equipment acquisitions	8,743
Interest paid	425
Transaction costs related to loans and borrowings	299
Other: VAT Inflow	<u>(762)</u>
Total	13,405

Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of \$130k to Directors, or companies controlled by them, consisting of salaries, fees, and reimbursement / recharge of corporate office facilities and associated services used / provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.



4. HUMAN RESOURCES

The rollout of the bespoke “Docebo Talent & Learning” programme continues, with staff completing induction, compliance, individual workspace-specific training, performance management and language assessment & consequent training amongst others. An increasing number of the training modules, including OH&S, are being conducted using Virtual Reality training.

Headcount and gender diversity

The headcount continues to rise, in line with operational activity and currently tracking the Board set target of 25% female workforce. The Contractor head count is at 158, of which the MCC accounts for 81 (47 expatriate and 34 local).

Country	Bosnia	Serbia	UK	Board	Total
Male (%)	89 (75%)	19 (73%)	10 (83%)	4 (67%)	122 (75%)
Female (%)	29 (25%)	7 (27%)	2 (17%)	2 (33%)	40 (25%)
TOTAL	118	26	12	6	162

Table 2: Gender Division and Head Count Per Country of Operations

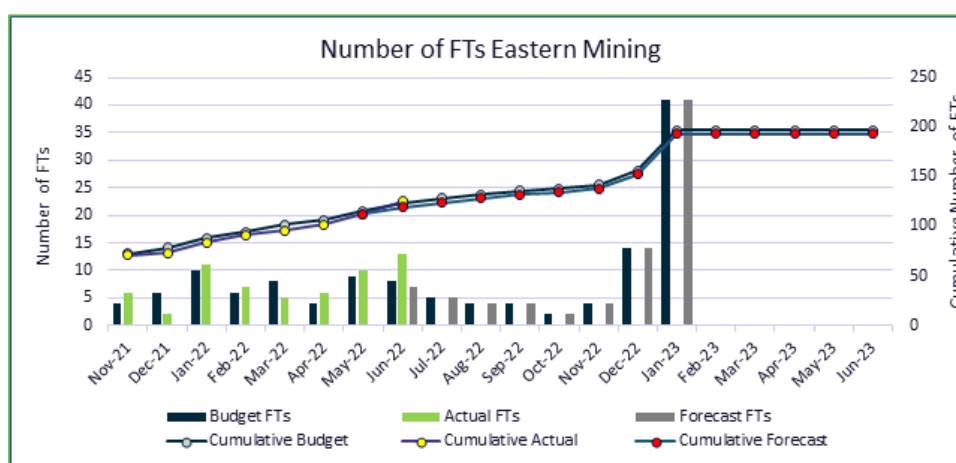


Table 3: Eastern Mining Full Time ("FT") recruitment 'S' curve

5. TENEMENT HOLDINGS

In accordance with ASX Listing Rule 5.3.3 please find below the Company’s tenements as at 30 June 2022. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries, with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o. The Company does not hold an equity interest in Deep Research d.o.o. but has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o.



	Concession document	Registration number	License holder	Concession name	Area (km ²)	Date granted	Expiry date
Bosnia and Herze- govina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-13	11-Mar-38
				Veovaca 2	0.91	12-Mar-13	11-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	13-Mar-38
	Annex 3 - Area	No. : 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	13-Nov-38
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	13-Nov-38
	Annex 5 - Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše-Barice-Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
				Borovica - Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
Serbia	Exploration License	310-02-1721/2018-02	Ras Metals d.o.o.	Kizevak	1.84	3-Oct-19	16-Oct-22
	Exploration License	310-02-1722/2018-02	Ras Metals d.o.o.	Sastavci	1.44	7-Oct-19	16-Oct-22
	Exploration License	310-02-1114/2015-02	Taor d.o.o.	Kremice	8.54	21-Apr-16	26-Jul-22
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	18-Feb-22*
	Exploration License	310-02-01670/2021-02	Global Mineral Resources d.o.o.	Kaznovice	37.1	22-Nov-21	22-Nov-24

* Raska concession is pending renewal, application for extension has been submitted, the Company is awaiting to receive confirmation of extension from authorities.

-ends-

Authorised by, and for further information, please contact Paul Cronin, Managing Director & CEO

info@adriaticmetals.com

MARKET ABUSE REGULATION DISCLOSURE

The information contained within this announcement is deemed by the Company (LEI: 549300OHAH2GL1DP0L61) to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. The person responsible for arranging and authorising the release of this announcement on behalf of the Company is Paul Cronin, Managing Director and CEO.



For further information please visit www.adriaticmetals.com, @AdriaticMetals on Twitter, or contact:

Buchanan

Bobby Morse
Ariadna Peretz

Tel: +44 (0) 207 466 500
Adriatic@buchanan.uk.com

Canaccord Genuity Limited (Joint Corporate Broker)

Jeremy Dunlop (Australia)
James Asensio (UK)

Tel: +61 2 9263 2700
Tel: +44 (0) 207 523 8000

RBC Capital Markets (Joint Corporate Broker)

Marcus Jackson / Jamil Miah

Tel: +44 (0) 20 7653 4000

Stifel Nicolaus Europe Limited (Joint Corporate Broker)

Ashton Clanfield / Callum Stewart

Tel: +44 (0) 20 7710 7600

ABOUT ADRIATIC METALS

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) is a precious and base metals developer that is advancing the world-class Vares Silver Project in Bosnia & Herzegovina, as well as the Raska Zinc-Silver Project in Serbia.

The Vares Silver Project is fully-funded to production, which is expected in Q2 2023. The 2021 Project Definitive Feasibility Study boasts robust economics of US\$1,062 million post-tax NPV₈, 134% IRR and a capex of US\$168 million. Concurrent with ongoing construction activities, the Company continues to explore across its highly prospective 41km² concession package.

There have been no material changes to the assumptions underpinning the forecast financial information derived from the production target in the 19 August 2021 DFS announcement and these assumptions continue to apply and have not materially changed. Adriatic Metals is not aware of any new information or data that materially affects the information included in the announcement of the updated Mineral Resource Estimate announced on 1 September 2020 and all material assumptions and technical parameters underpinning the Mineral Resource Estimate continue to apply and have not materially changed.



Rule 5.5

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

30 JUNE 2022

Consolidated statement of cash flows	Current quarter USD'000	Year to date (6 months) USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	0	0
1.2 Payments for		
exploration & evaluation (if expensed)	(394)	(871)
development	0	0
production	0	0
staff costs	(1,053)	(2,472)
administration and corporate costs	(2,052)	(3,841)
1.3 Dividends received (see note 3)	0	0
1.4 Interest received	0	0
1.5 Interest and other costs of finance paid	(425)	(850)
1.6 Income taxes paid	0	0
1.7 Government grants and tax incentives	0	0
1.8 Other - VAT refund / (outflow)	762	982
1.9 Net cash from / (used in) operating activities	(3,162)	(7,052)



Consolidated statement of cash flows		Current quarter USD'000	Year to date (6 months) USD'000
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	entities	0	0
	tenements	0	0
	property, plant and equipment	(8,743)	(12,688)
	exploration & evaluation (if capitalised)	(1,201)	(2,568)
	investments	0	0
	other non-current assets	0	0
2.2	Proceeds from the disposal of:		
	entities	0	0
	tenements	0	0
	property, plant and equipment	0	0
	investments	0	0
	other non-current assets	0	0
2.3	Cash flows from loans to other entities	0	0
2.4	Dividends received (see note 3)	0	0
2.5	Other	0	0
2.6	Net cash from / (used in) investing activities	(9,944)	(15,256)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	0	0
3.2	Proceeds from issue of convertible debt securities	0	0
3.3	Proceeds from exercise of options and warrants	0	2
3.4	Transaction costs related to issues of equity securities or convertible debt securities	0	(18)
3.5	Proceeds from borrowings	0	0
3.6	Repayment of borrowings	0	0
3.7	Transaction costs related to loans and borrowings	(299)	(1,991)
3.8	Dividends paid	0	0



Consolidated statement of cash flows		Current quarter USD'000	Year to date (6 months) USD'000
3.9	Other (Pre-acquisition loan to Tethyan)	0	0
3.10	Net cash from / (used in) financing activities	(299)	(2,007)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	100,507	112,506
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,162)	(7,052)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9,944)	(15,256)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(299)	(2,007)
4.5	Effect of movement in exchange rates on cash held	(3,665)	(4,754)
4.6	Cash and cash equivalents at end of period	83,437	83,437

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 USD'000	Previous quarter USD'000
5.1	Bank balances	83,437	100,507
5.2	Call deposits	0	0
5.3	Bank overdrafts	0	0
5.4	Other (provide details)	0	0
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	83,437	100,507



6. Payments to related parties of the entity and their associates	Current quarter USD'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	130
6.2 Aggregate amount of payments to related parties and their associates included in item 2	0

Note: a description of, and an explanation for, the above payments is included in the quarterly activities report

7. Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end USD'000	Amount drawn at quarter end USD'000
7.1 Loan facilities	162,500	20,000
7.2 Credit standby arrangements	0	0
7.3 Other (please specify)	0	0
7.4 Total financing facilities	162,500	20,000

7.5 Unused financing facilities available at quarter end	142,500
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The loan facilities comprise US\$20 million unsecured convertible debentures at 8.5% interest and a maturity date of December 2024 issued to Queen's Road Capital Investment Ltd. For further details see announcement dated 27 October 2020.

In addition, the US\$142.5 million Orion Debt Financing package comprises of US\$120 million debt facility and US\$22.5 million copper streaming arrangement. The facility is subject to the Company satisfying standard conditions precedent prior to drawdown. For further details see announcement dated 10 January 2022.



8.	Estimated cash available for future operating activities	USD'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(3,162)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(1,201)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(4,363)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	83,437
8.5	Unused finance facilities available at quarter end (Item 7.5)	142,500
8.6	Total available funding (Item 8.4 + Item 8.5)	225,937
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	51.8

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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.

Date: 28 July 2022

Authorised by: *Audit and Risk Committee*
(Name of body or officer authorising release – see note 4)



Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee* – *eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.