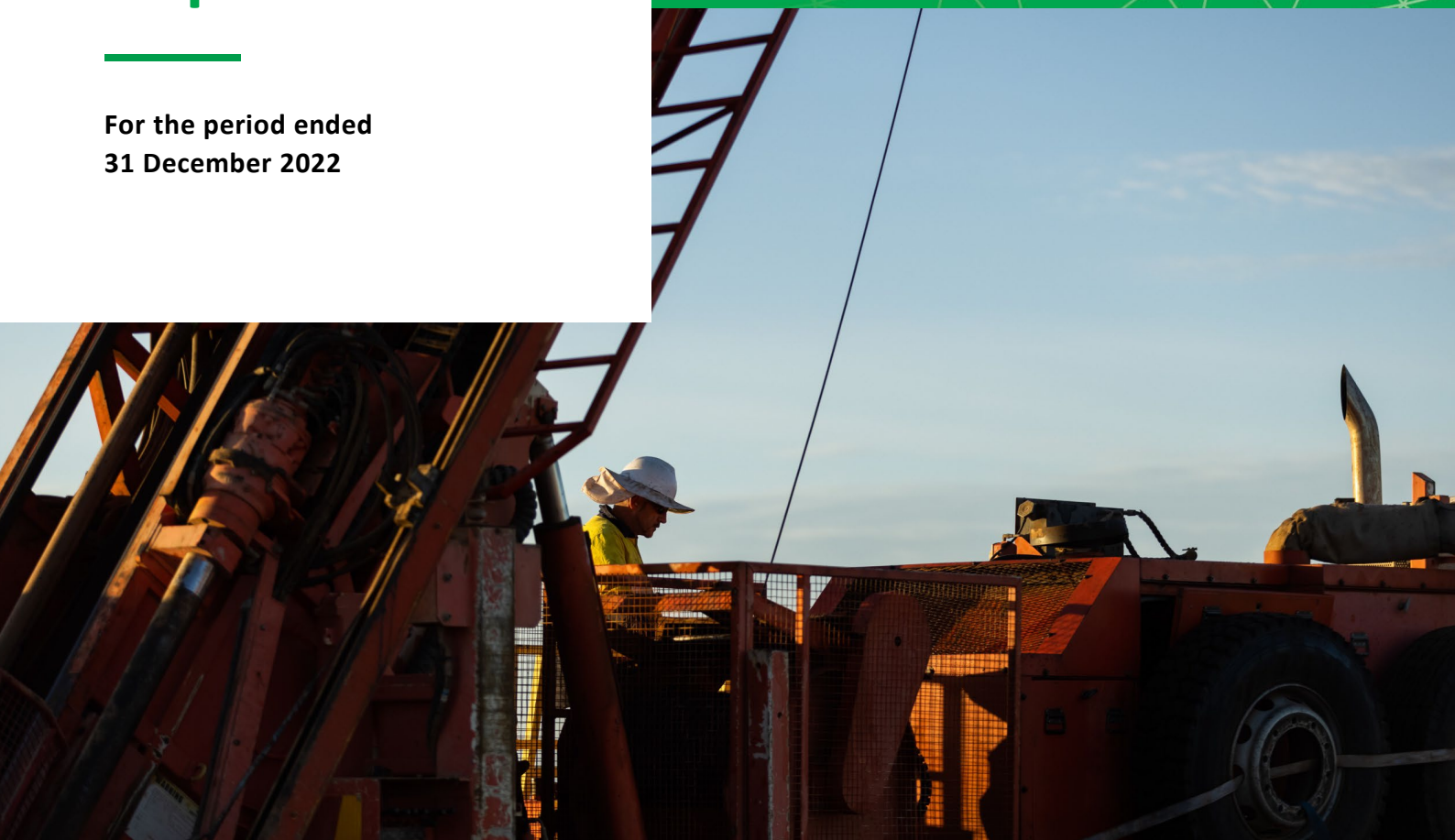


Quarterly Report

For the period ended
31 December 2022



Strategic Review instigated to consider all project development options

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ASX: HIO

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PRODUCT

Highlights

Hawsons Iron Project

- Escalating global costs and deteriorating economic conditions necessitated a Board decision to slow work on the Hawsons Iron Project's Bankable Feasibility Study (BFS) during the quarter.
- The decision affirmed that the BFS would not be completed by the end of December 2022, allowing the Company to undertake a Strategic Review to examine escalating capital expenditure and operating costs and all options to progress the project, including scaling.
- The Hawsons Iron Project's mineral process flow chart was selected (prior to the Strategic Review) following completion of laboratory test works on ore samples to verify key equipment sizing, mass balance and final product specifications.
- Hawsons signed a legally binding agreement with Flinders Ports Pty Ltd to co-operate on the potential development and operation of a greenfield port at Myponie Point on South Australia's eastern Spencer Gulf.
- Hawsons announced the Company held agreed non-binding Letters of Intent for the offtake of up to 58 million tonnes per annum (Mtpa) of high-grade Hawsons Supergrade® concentrate from the global steel sector.

Corporate

- The Company's Annual General Meeting was held in Brisbane on Tuesday, 15 November 2022, and all resolutions were passed except Resolution 1 – Adoption of the Remuneration Report – resulting in a first strike.
- On November 28, the Company completed an institutional placement which raised \$5,000,000 before costs to top up working capital through the issue of 62,500,000 new shares at \$0.08 each.
- On December 22, the Company issued 9,173,897 fully-paid ordinary shares at 0.218c (rounded) to LDA Capital Ltd, representing 50% of a 'Commitment Fee' payable at the first anniversary date of the \$200 million Put Option Agreement with LDA – the balance being \$2,000,000 in cash.
- Corporate and Investor Relations activities were maintained during the period, including presentations by Managing Director Bryan Granzien to the Noosa Mining Investment Conference and the International Mining and Resources Conference in Sydney.
- Net cash used to fund activities during the quarter was \$2.330 million, with cash reserves at the end of the quarter standing at \$2.515 million.



Hawsons Iron Project

The Bankable Feasibility Study (BFS) activity has concentrated on facilitating development of a 20 Mtpa magnetite mine near Broken Hill, NSW, connected to a new deep-water port at Myponie Point on South Australia's eastern Spencer Gulf by a 390km, direct-to-port, underground slurry pipeline.

However, on 17 October the Board took the prudent and responsible decision to slow the pace of activity on the BFS to preserve capital, given mounting global cost pressures and restricted access to equity markets.

Following this decision, Hawsons' focus shifted to thoroughly examining escalating capital expenditure and operating cost estimates and all options to progress development of our proposed, high-grade Hawsons Iron Project.

The resulting Strategic Review has considered all potential development pathways, including options to scale up production in stages and using existing transport infrastructure to reduce capital costs.

While the global economic climate and associated supply chain cost impacts changed rapidly over the course of the second half of calendar 2022, the longer-term future potential of the Hawsons Iron Project remains.

Accordingly, on 5 December the Company announced that it was holding agreed non-binding Letters of Intent (LOIs) for the offtake of up to 58 Mtpa of high-grade Hawsons Supergrade® concentrate from the global steel sector as pressure on that industry rises to decarbonise production.

Managing Director Mr Bryan Granzen noted that this potential demand from 18 prospective off-takers, including 12 steel mills, was almost three times the project's envisaged 20 Mtpa production rate before BFS activity was slowed.

"The LOIs we now have in hand provide additional confidence that there is more than sufficient market demand to support a modular expansion plan to 20 Mtpa," he said.

During the quarter Hawsons also signed a legally binding agreement with Flinders Ports Pty Ltd to co-operate on the potential development and operation of a greenfield port at Myponie Point.

Mr Granzen said the agreement's terms accommodated the potential to use the existing rail network and the construction

of initial port infrastructure at Myponie Point to support a barging operation during the first stage of the project's development.

"This approach at Myponie Point could deliver the best of both worlds through a lower output start-up operation at a lower capital cost and a clear pathway forward to expand production to 20 Mtpa using the direct-to-port underground slurry pipeline," he said.

Prior to the announcement of the Strategic Review, a mineral process flow chart for the Hawsons Iron Project was selected following completion of laboratory test works on ore samples to verify key equipment sizing, mass balance and final product specifications.

The selected process was designed to enable the Company to produce a high-grade Hawsons Supergrade® concentrate, inclusive of a flotation circuit.

However, technical analysis confirmed the plant could still produce a premium-grade product without including the additional flotation stage of processing.

This work has also been re-evaluated as part of the Strategic Review.

Stakeholder meetings and option negotiations with impacted landholders at the proposed mine site near Broken Hill progressed, as well as some access meetings and negotiations with landholders along the pipeline route and at the proposed Myponie Point port site. Landholder property maps along the proposed slurry pipeline were developed to be used as consultative tools during landholder meetings.

An ecology assessment of potential Biodiversity Stewardship Sites surrounding the mine, developed in line with the Biodiversity Conservation Act 2016 (NSW) and Hawsons' ESG guidelines, was completed. An ecological desktop assessment was completed at the proposed Myponie Point port site for onshore port geotechnical clearance.

Geochemistry characterisation and assessment of the potential mine waste materials has continued. Ongoing heritage assessment on the mine site occurred to assess the placing of infrastructure and future drilling programs.

Corporate

On October 17, the Board took the difficult decision to slow the pace of work on the BFS. Chairman Mr Dave Woodall explained that Hawsons, like many companies, was being challenged by the current economic climate, falling Australian dollar, supply chain cost escalations and restricted access to equity markets.

“A project slow-down is the most sensible and prudent response to preserve capital, given global cost pressures, and will allow a focus on optimising pathways in the best interests of shareholders which are reflective of deteriorating world conditions,” he said.

On November 28, the Company completed an institutional placement which raised \$5,000,000 before costs to top up working capital through the issue of 62,500,000 new shares at \$0.08 each.

The pricing discount required to successfully complete the placement reflected the difficult equity market conditions and prevailing investor sentiment.

The Company's Annual General Meeting was held in Brisbane on Tuesday, 15 November 2022. All resolutions were passed except for Resolution 1 – the Adoption of the Remuneration Report – for which 63.7% of the total votes in the poll were cast against.

Although the poll involved less than 15% of the Company's total share capital on issue at the time, this first strike protest vote reflected broad shareholder concerns about the decision to slow activity on the BFS and negative impact on the share price.

Those concerns are acknowledged and the Board is taking this vote and related shareholder feedback received into account in regard to future remuneration decisions to avert potential for a second strike.

On December 22, the Company issued 9,173,897 fully-paid ordinary shares issued at 0.218c (rounded) to US-based financier LDA Capital Ltd as approved by shareholders under Resolution 9 at the AGM held on 15 November 2022.

These shares represented 50% of a 'Commitment Fee' payable by the first anniversary date of the Company's \$200 million Put Option Agreement with LDA – the balance being a cash payment of \$2,000,000.

On November 25, the Company issued 5,000,000 unlisted options to each of two recently appointed directors, Mr Dave Woodall and the Hon Tony McGrady, pursuant to shareholder approvals of Resolution 7 and Resolution 8 at the AGM.

On 13 October, the Company announced the selective buyback of 7,485,000 ordinary shares from LDA Capital Ltd for nil consideration as approved by shareholders at the AGM under Resolution 10. LDA did not subscribe for these shares subject to a Call Notice announced on 12 July 2022, to subscribe for 25 million shares.

Corporate and Investor Relations activities were maintained during the period, including presentations by Managing Director Bryan Granzien to the Noosa Mining Investment Conference and the International Mining and Resources Conference in Sydney.

Net cash used to fund activities during the quarter was \$2.330 million, with cash reserves at the end of the quarter standing at \$2.515 million.

Cash Activities for the Quarter ending 31 December 2022

Hawsons Iron Ltd held cash of \$2.515 million at the end of the December 2022 quarter. An institutional placement yielded \$5 million before costs in November 2022.

Expenditure included a payment of \$2 million to LDA Capital Ltd, being 50% of a 'Commitment Fee' payable by the first Option Agreement.

anniversary of the Company's Put Otherwise, expenditure was in line with planned Operating and Investing activities necessary for the scheduled completion of the Bankable Feasibility Study and the subsequent decision to pause this work and undertake a Strategic Review.

Table 1: Quarterly summary of spending activities

	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Operating Activities		
1.2 (d) - Staff Costs	(117)	(257)
1.2 (e) - Administration Costs	(379)	(792)
1.4 - Interest	7	14
Total Operating Activities	(489)	(1,035)
2. Investing Activities		
2.1 (c) - Plant and Equipment	(1)	(4)
2.1 (d) - Exploration & Evaluation, made up of:		
- Salaries & Wages	(359)	(783)
- EIS & Approvals	(721)	(1,377)
- Resource Upgrade	(1,311)	(4,339)
- Project maintenance	(8)	(30)
- Marketing	(84)	(205)
- Pilot Plant Test work	-	(8)
- Additional asset purchase	-	(2,000)
- Power supply	(51)	(61)
- Engineering & Design	(917)	(1,879)
- Community & Landowners	(357)	(430)
- Port/pipeline	(702)	(1,396)
Total Exploration & Evaluation	(4,510)	(12,508)
Total Investing Activities	(4,511)	(12,512)
3. Financing Activities		
3.1 - Proceeds from issue of equity securities	5,000	10,566
3.4 - Transaction Costs ¹	(2,330)	(2,432)
Total Financing Activities	2,670	8,134

¹ 50% of total LDA Commitment fee payable in cash \$2M, Shaw & Partners costs relating to institutional placement \$330K



Payments to related parties of the entity and their associates

Total Director wages and fees for the quarter were \$74,228. Sixty-five per cent of Bryan Granzien's expense was charged and capitalised within the activities outlined in Table 1 at 2.1 (d). Thirty-five per cent remains at item 6.1 of the attached Appendix 5B for Bryan Granzien and 100% for the director fees, totalling \$74,228.

Bryan Granzien Gross Wages	\$27,364
Bryan Granzien Superannuation	\$ 2,406
David Woodall Director Fee	\$16,278
David Woodall Superannuation	\$ 1,838
Paul Cholakos Director Fee	\$11,859
Paul Cholakos Superannuation	\$ 1,312
Tony McGrady Director fee	\$11,859
Tony McGrady Superannuation	\$ 1,312
Total	<u>\$74,228</u>

In relation to Listing Rule: 5.3.2 – There were no substantive mining production and development activities during the Quarter.

The statement of cash flows for the quarter and financial year to date are attached to this report at Appendix 5B.

Overview and outlook

After receiving new and significantly higher than expected capital and operating cost estimates, Hawsons announced on 17 October that the Board had decided to slow the pace of work on the Hawsons Iron Project BFS.

This decision was taken prudently to preserve capital and allow the Company to undertake a Strategic Review to carefully examine these escalating capital expenditure and operating cost estimates and consider all options to progress the project, including scaling opportunities.

The resulting reassessment of all the available project data has involved a team of highly regarded partners including project management specialist JukesTodd, international engineering company Stantec, Flinders Ports, mining consultancy Australian Mine Design and Development and resource specialist H&S Consultants.

The Board has been considering the Strategic Review's findings and recommendations and the release of a related announcement on the Company's response is imminent.

Hawsons Iron Ltd tenement schedule 31 December 2022

Licence	Notes	Name	Grant date	Expiry date	Equity	Units	Area – km2
EL6979	1,2	Redan	11/12/2007	11/12/2026	100%	62	180
EL7208	2	Burta	22/09/2008	22/09/2025	100%	100	290
EL7504	2	Little Peak	08/04/2010	08/04/2023	100%	14	41
MLA460	3,4	Hawsons Iron	Under application	Under application	100	n/a	187

- 1) 1.5% NSR royalty to Perilya Broken Hill Pty Ltd.
- 2) Title to 100% Hawsons Iron Ltd completed.
- 3) MLA made on 18 October 2013. Tenement application subject to unspecified grant date and conditions.
- 4) Application to amend Mining License Application to 100% Hawsons Iron Ltd, in progress.

This report references Mineral Resource information released to the ASX on 26 July, 2022: “Hawsons delivers Mineral Resource upgrade”. This report references Mineral Resource information released to the ASX on 30 September, 2022: “Updated Mineral Resource Estimate”. The Company is not aware of any new information which would materially affect the outcome of the Mineral Resources reported on 26 July and 30 September 2022.

Release authorised by the Board

Corporate directory

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ACN: 095 117 981

Australian Securities Exchange Ltd

ASX Code: HIO Ordinary Shares

Share Registry

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Brisbane, QLD, 4000
Phone: 1300 737 760

Contact information

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Phone: +61 (0)7 3220 2022
Company Secretary & Chief Financial Officer
Greg Kahn
Phone: +61 (0)7 3220 2022

Disclosure

The information in this report that relates to Exploration Results, Exploration Targets and Mineral Resources is based on information evaluated by Mr Simon Tear of H&S Consultants Pty Ltd who is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity 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 (the “JORC Code”). Mr Tear consents to the inclusion in the report of the Mineral Resources in the form and context in which they appear.



Appendix 5B

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

Name of entity

HAWSONS IRON LIMITED

ABN

63 095 117 981

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation		
	(b) development		
	(c) production		
	(d) staff costs	(117)	(257)
	(e) administration and corporate costs	(379)	(792)
1.3	Dividends received (see note 3)		
1.4	Interest received	7	14
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(489)	(1,035)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(1)	(4)
	(d) exploration & evaluation	(4,510)	(12,508)
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) 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	(4,511)	(12,512)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	10,566
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2,330)	(2,432)
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	2,670	8,134

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,845	7,928
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(489)	(1,035)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,511)	(12,512)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,670	8,134

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,515	2,515

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	2,411	4,741
5.2	Call deposits Term deposits for office lease guarantee	104	104
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)	2,515	4,845

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	74
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

7.	Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>			
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (Put Option Agreement)	194,434	-
7.4	Total financing facilities	194,434	-
7.5	Unused financing facilities available at quarter end		194,434
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.		

A\$200 million equity financing Put Option Agreement with United States investment group LDA Capital Limited. The company may access up to A\$200m in equity capital over four years at its sole discretion. Hawsons Iron (HIO) will be entitled to flexibly draw down up to A\$200 million by issuing put options to LDA Capital over the duration of the four-year Agreement.

The Company can draw down funds during the term of the Agreement by issuing ordinary shares of the Company (Shares) for subscription to LDA Capital. The Company may issue call notices to LDA Capital with each call notice being a put option on LDA Capital to subscribe for and pay for those Shares. A Call Notice draws upon the Companies placement capacity which there must be available capacity to initiate a Call Notice on LDA Capital.

On 12 July 2022, the Company submitted a capital Call Notice to LDA Capital Limited (LDA Capital) targeting a \$10,000,000 equity draw-down under the terms of its strategic \$200 million Put Option Agreement with the US-based financier.

Hawsons put 25,000,000 Collateral Shares to LDA Capital. Under the terms of the LDA Facility, Hawsons may, subject to certain conditions precedent, issue call notices to LDA Capital to subscribe for fully paid ordinary shares in Hawsons, up to a maximum of 10 times the average daily number of the Company's shares traded on the ASX during the 15 trading days before the issue of the Call Notice.

The issue price of the Shares is calculated at the completion of the 30-Day pricing period, following the Capital Call Notice as the higher of 90% of the 30-day Volume Weighted Average Price (VWAP) after the issue of the Call Notice, and the 'minimum acceptable price' (as defined in the LDA facility) notified by Hawsons to LDA Capital, in each case subject to adjustments for various factors. LDA has the right to reduce the Proposed Capital Call Shares (Subject to adjustments) by up to 50% or increase the number of Proposed Capital Call Shares by up to 100%. Except for option shares, LDA must not, on any Trading Day during the Pricing Period sell Collateral Shares representing more than 1/30th of the Shares specified in the Capital Call Notice.

The pricing period ended 23 August 2022, with LDA subscribing for 17,515,000 shares (Subscription Shares) of the 25,000,000 shares (Collateral Shares) put to LDA pursuant to the Call Notice for a total of \$5,566,448 at a price per Subscription Share of \$0.3178 (rounded). At the Annual General Meeting, the Company got shareholder approval to buy-back for nominal consideration those remaining 7,485,000 Collateral Shares for which LDA has not subscribed.

The Agreement includes unlisted share options under which HIO will issue 71,500,000 options to LDA Capital. The strike price of the options is 125% of the 90-day VWAP at the two-year anniversary of the issue of the options, or if the 90-day VWAP at the two-year anniversary of the issue of the options is at least \$0.55c, then \$0.70c. Each option has an exercise period of four years. Options exercised by LDA Capital will inject up to a further A\$50.05 million in equity capital into HIO.

The Company paid an Option Premium Fee (2%) to LDA Capital of A\$4 million on 21 December 2022 – 50% (A\$2 million) in cash and 50% in shares (9,173,897 shares) based on 90% of the average VWAP of Shares in the 90-trading day period preceding the 12-month anniversary date from signing of the Agreement. HIO has paid AUD\$21,258 on 16th December 2021 to cover LDA Capital legal costs which were capped at US\$25,000, and AUD\$14,423 on 24th August 2022 for costs related to the Call Notice.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(489)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(4,510)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(4,999)
8.4	Cash and cash equivalents at quarter end (item 4.6)	2,515
8.5	Unused finance facilities available at quarter end (item 7.5)	194,434
8.6	Total available funding (item 8.4 + item 8.5)	196,949
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	39.40
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>		
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Answer: </div>	
8.8.2	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?	
	<div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Answer: </div>	
8.8.3	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	<div style="border: 1px solid black; padding: 5px; min-height: 40px;"> Answer: </div>	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>		

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: ..30 January 2023.....

Authorised by: The Board.....
 (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.