

Stellar Resources

ASX Announcement



23 July 2020

Report for the Quarter ended 30 June 2020

Highlights

- Further discussions with several large corporates regarding interest in the Heemskirk Tin Project.
- Refreshment of placement capacity and approval of Non-Executive Director Share Rights Plan, under which all Directors are currently being paid in equity to preserve the Company's cash, obtained at the General Meeting of shareholders held on 10 June 2020.
- Cash balance of \$524,000 as at 30 June 2020 – total expenditure for the quarter was kept to \$103,000 through careful management of the Company's cash.
- To date there have been no material impacts from the COVID-19 outbreak on the Company's ongoing operations. Stellar's people are working from home and most activities on site in Tasmania had already been ceased early in 2020 in order to preserve capital.
- Tin prices strengthened from ~US\$15,000/t to ~US\$17,500/t over the quarter as Chinese tin imports and market conditions improve.
- The Company is well capitalised to navigate through this period of near-term uncertainty. Despite the impacts on capital markets and commodity prices due to COVID-19, market conditions are now improving, and we believe that the medium to long-term market fundamentals for tin remain strong.
- The Company is actively searching for new project opportunities as it awaits further strengthening of tin prices with a positive medium-long term outlook for tin demand and price.

Capital Structure

Shares: 442,714,441
Share Price (SRZ): A\$0.01
Unlisted Options: 37,000,000

Commodity

Tin Price: US\$17,630/t
Exchange Rate US\$ 0.71

Main Shareholders

J P Morgan Nominees 16.4%
Capetown SA 14.1%

Board & Management

Simon O'Loughlin
Non-Executive Chairman
Simon Taylor
Non-Executive Director
Thomas Whiting
Non-Executive Director
Gary Fietz
Non-Executive Director

Melanie Leydin
Company Secretary

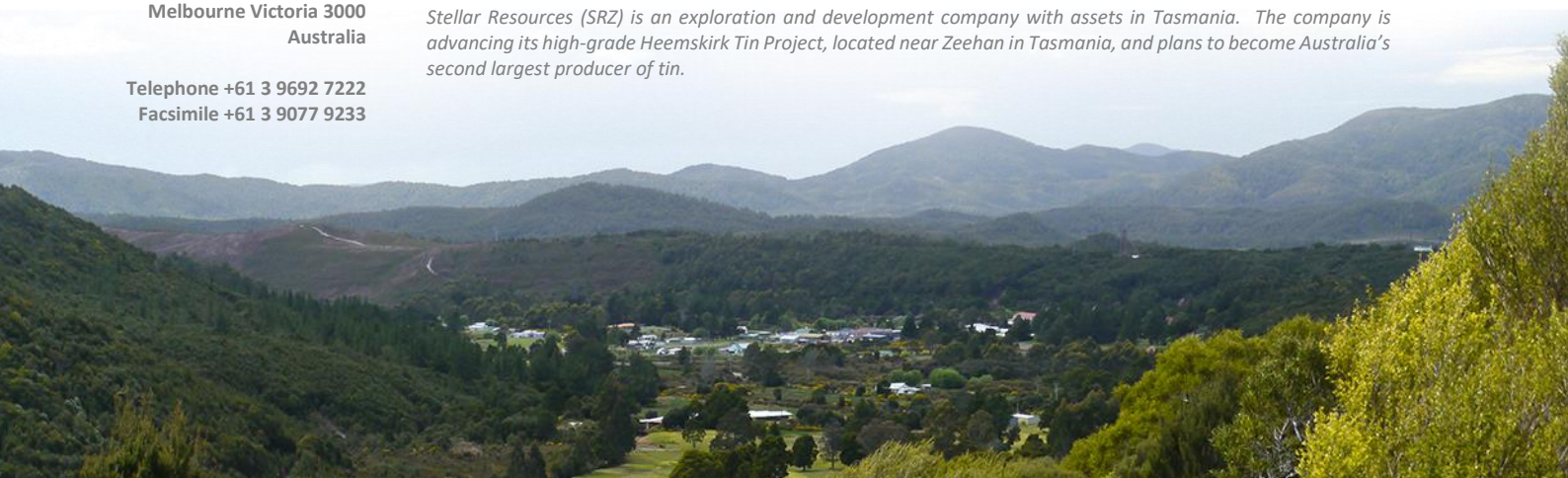
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About Stellar:

Stellar Resources (SRZ) is an exploration and development company with assets in Tasmania. The company is advancing its high-grade Heemskirk Tin Project, located near Zeehan in Tasmania, and plans to become Australia's second largest producer of tin.



HEEMSKIRK TIN PROJECT SCOPING STUDY

Introduction

In October 2019, Stellar announced the results of its scoping study for the development of the Queen Hill, Severn and St Dizier tin deposits (see Figure 1) referred to as the Heemskirk Tin Scoping Study.

There are several other assets in Stellar's tin portfolio that were not included in the scoping study which are listed below:

- **Montana and Oonah** inferred tin resources immediately to the east and north of Queen Hill
- **Deeper resources at Severn** – inferred resources below the underground mining plan
- **Mount Razorback** – satellite project located 8km east of Zeehan - includes an exploration target below the historical Razorback open pit mine
- **Large exploration potential** with multiple tin targets and historical metal mines in the Montana Flats and Mount Razorback ELs.

Stellar's projects have an enviable location within the well-established mining district on the West Coast of Tasmania with a competitive market for services, mining and processing inputs and labour, access to nearby water and power, and to the port of Burnie 150km to the north for export of concentrate.



Figure 1: Location of Stellar's Tin Tenements around Zeehan, Tasmania

Stellar released the details of its Heemskirk Tin Scoping Study in ASX announcement "Heemskirk Tin Scoping Study Confirms Attractive Economics" on 1st October 2019. A summary of the study conclusions follows and should be read with reference to the detailed disclosure and cautionary statements included in the 1st October 2019 release.

The Heemskirk Tin Project Scoping Study has been undertaken for the purpose of ascertaining whether a business case can be made to proceed to more definitive studies on the viability of the Heemskirk Tin Project. It is a preliminary technical and economic study of potential project viability based on low level technical and economic assessments that are not sufficient to support the estimation of ore reserves. Further exploration and evaluation work and appropriate studies are required before Stellar will be in a position to estimate any ore reserves or to provide any assurance of an economic development case.

Project Outline

The Heemskirk Tin Project Scoping Study is based on development of an underground mine, processing plant, tailings storage facility and surface infrastructure to mine ~ 350ktpa ore at a LOM head grade of ~ 0.95% tin from the Queen Hill and Severn tin deposits (2 of the 4 Heemskirk deposits) over a 10 year mine-life. The project also includes open-pit mining of the St Dizier satellite tin deposit and trucking of ore to the Heemskirk processing plant during year 11 of the mine plan. The processing plant is expected to produce ~ 4,500 tpa of concentrate containing ~ 2,200tpa of tin. As in the case of the neighbouring Renison tin mine, the plan calls for trucking of concentrate 150km to the north via a sealed road to the Port of Burnie for export to smelters in Asia.

Preliminary Mining Schedule

A study of mining the Queen Hill and Severn deposits based on the updated May 2019 Heemskirk mineral resource estimate (see ASX announcement dated 16 May 2019 “Updated Heemskirk Resource Increases Indicated Category and Confidence in the Project”) was recently completed by technical consultants, Mining One. Mining One have previously undertaken mining studies on the Heemskirk deposits in 2014 and 2016 and a number of inputs developed from these previous studies were modified and optimized to suit revised stoping areas in the 2019 mining study (see Figure 2).

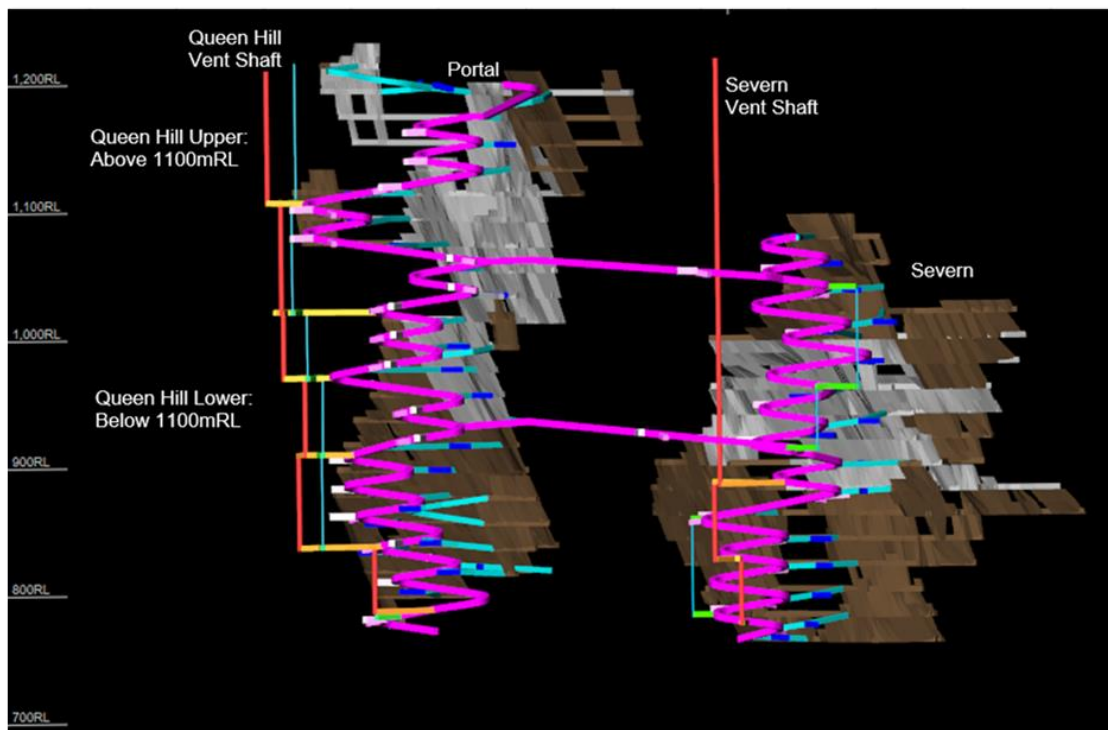


Figure 2: Conceptual Heemskirk Mine Design Showing Stopes based on Indicated Mineral Resource (Grey) and Inferred Mineral Resource (Brown)

The preliminary mining schedule for Queen Hill and Severn includes total mineral resources of 3.29Mt @ 0.95% Sn after application of mining dilution and recovery factors and mining cut-off grades. Figure 3 shows that for the first 5 years of production and most of year 6, ore is mined from indicated resources. Also, tin head grades during the early years are generally higher than later in the schedule. Mining of indicated resources from the St Dizier satellite deposit has also been included in the final year (year 11) of the preliminary mining schedule. Indicated resources represent 58% of total ore mined over the 11 year life of the project.

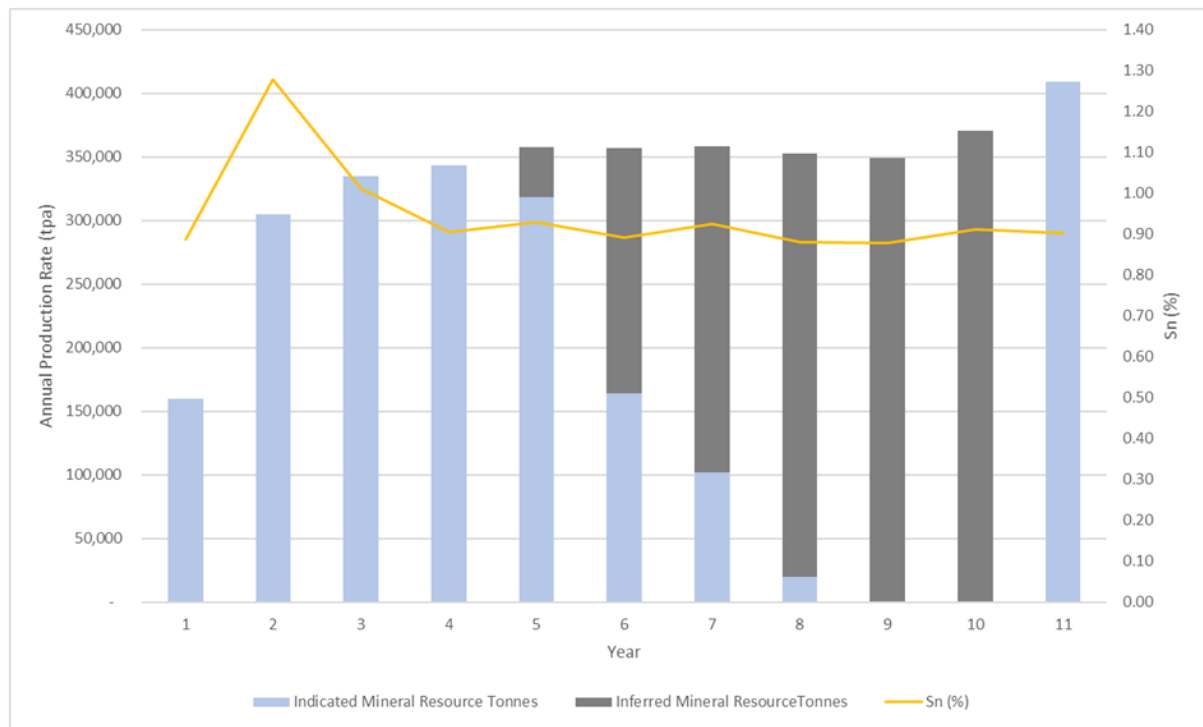


Figure 3: Heemskirk Tin Project – Preliminary Production Schedule by Resource Category

Processing Plant and Surface Infrastructure

In July 2016, engineering consultants, Mincore, completed plant layout, typical equipment drawings and a +/-35% capital cost estimate for a 200ktpa Heemskirk Processing Plant and Surface Infrastructure based on a modified version of the Renison Tin processing flow sheet. Modifications to the flow sheet reflect metallurgical test results from programs conducted by ALS Metallurgical Laboratory in Burnie between 2010 and 2015 with oversight and analysis by Worley.

Mincore were re-engaged by Stellar in August 2019 to scale their June 2016 estimate up to a 350ktpa Heemskirk Processing Plant and Surface Infrastructure capital cost estimate which has been used as the basis for the current scoping study.

An illustrative view of the processing plant and surface infrastructure designed by Mincore is shown in Figure 4.



Figure 4: Proposed Heemskirk Tin Processing Plant (Mincore)

Pre-production Capital Cost

The Heemskirk Tin pre-production capital cost is estimated to be ~A\$57M. Mine development cost is expected to be relatively low at ~A\$8M due to the rapid 6-month decline development schedule required to support a 350ktpa operation. In addition, the Zeehan location is well serviced by existing and available infrastructure resulting in little additional mine specific infrastructure to connect to existing services.

A breakdown of the Capital Cost estimate is shown in Table 1 (*note: Capital Costs are also stated in US\$ for comparison purposes*). Capital cost estimates use a combination of first principals, quotes and industry benchmarks. The accuracy of the capital cost estimate is up to $\pm 35\%$.

Table 1: Heemskirk Tin Project Capital Cost Summary

	(A\$M)	(US\$M)
Mining	8	6
Processing & Surface Infrastructure	34	24
Tailings	5	4
Working Capital	9	6
Contingency	1.7	1
Total Development Capital Cost	57	40

Economic Evaluation

An economic evaluation of the Heemskirk Tin Project was undertaken by Stellar based on the scoping study input assumptions described in the 1st October 2019 announcement. The base case valuation results are summarized in Table 2. The valuation results have an accuracy of $\pm 35\%$.

Table 2: Heemskirk Tin Project – Summary of Financial Parameters

	Unit	Total LOM
Ore Production	(Mt)	3,695,386
Sn Grade (LOM Ave)	(%)	0.94
Tin Recovery (LOM Ave)	(%)	69.4
Tin Produced	(Tonnes)	24,000
Mine Life	(Yrs)	11
Tin Price	(US\$/t)	20,000
Exchange rate	USD:AUD	0.70
Tin Price	(A\$/t)	28,571
Gross Revenue	(A\$M)	691
Total Operating Costs (AISC)	(A\$M)	454
Total Operating Costs (AISC)	(US\$/t Tin)	13,100
Operating Cash Flow	(A\$M)	237
Operating Margin	(%)	34%
Capital Cost	(A\$M)	57
Net Cash Flow (Pre-Tax)	(A\$M)	180
Pre-Tax NPV_{10%}	(A\$M)	83
Post-Tax NPV_{10%}	(A\$M)	71
IRR (Pre-Tax)	(%)	45
Payback Period	(Yrs)	3.0
Pre-Tax NPV / Capex		1.5

At an All-In Sustaining Cost (AISC) of approximately US\$13,100/t of tin produced over the Life of Mine, the Heemskirk Tin Project Base Case generates an attractive expected operating margin of approximately 34% based on the US\$20,000/t tin price assumed.

The Heemskirk Tin Project Scoping Study has demonstrated attractive economics with a Base Case pre-tax NPV_{10%} of approximately A\$83m, at a tin price of US\$20,000/t, determined to an accuracy of $\pm 35\%$. The pre-tax IRR of the project is approximately 45% and the payback period is approximately 3.0 years which is well within the first 5 years of production from indicated resources. The project has a Base Case post-tax NPV_{10%} of approximately A\$71m as a result of tax shielding from A\$24.2m Stellar group accumulated losses and capital depreciation on the project. A 30% tax rate and depreciation over the life of the project have been assumed.

Capital costs required for the project have been significantly reduced to \$57m from earlier internal estimates and ore production accelerated with mine and process plant production commencing 6 months and concentrate sales 9 months from the start mine development.

Project Funding

To achieve the range of outcomes indicated in the Scoping Study, funding of in the order of A\$57m will likely be required for project development in addition to pre-development funding of approximately A\$8m for exploration to convert the mineral resource to an ore reserve and to complete a Bankable Feasibility Study. Whilst there is no certainty that project development funding will be obtained on satisfactory terms, at the time required, or at all, the Stellar Directors believe that it is reasonable to assume the availability of funding for the development of the Heemskirk Tin Project for the purposes of the Scoping Study.

TIN MARKET

Tin prices strengthened from ~US\$15,000/t to ~US\$17,500/t over the quarter as Chinese tin imports and market conditions improve.

CORPORATE

General Meeting of Shareholders (10 June 2020)

The Company held a General Meeting of Shareholders on 10 June 2020. All resolutions were passed at the meeting including:

- Refreshment of the Company's placement capacity; and
- Approval of Non-Executive Director Share Rights Plan under which all Directors are currently being paid in equity to preserve the Company's cash.

Investor interest in Heemskirk Tin Project

During the quarter the Company has received interest from several large corporates in relation to its Heemskirk Tin Project.

Search for new project opportunities

The Company has been actively searching for new project opportunities as it awaits further strengthening of tin prices with a positive medium-long term outlook for tin demand and price.

COVID-19 Outbreak

To date there have been no material impacts from the COVID-19 outbreak on the Company's ongoing operations. Stellar's people are working from home and most activities on site in Tasmania had already been ceased early in 2020 in order to preserve capital.

With a cash balance of \$524,000 at 30 June 2020, the Company is well capitalised to navigate through this period of near-term uncertainty. Despite the impacts on capital markets and commodity prices due to COVID-19, market conditions are now improving, and we believe that the medium to long-term market fundamentals for tin remain strong.

Payments to related parties and their associates during the quarter was \$0.02m. These payments related to Director fees and consulting fees as outlined in section 6 of the Appendix 5B.

TENEMENT REGISTER

Project	Licence Number	Tenement	Location	Interest held (%)
Development				
Heemskirk Tin	2023P/M ¹	Zeehan	Tasmania	100%
	RL5/1997			
	2M/2014	Tailings Dam	Tasmania	100%
	2040P/M	Tailings Pipeline	Tasmania	100%
St Dizier	ML10M/2017	St Dizier	Tasmania	100%
Exploration				
Tin	EL11/2017	Razorback	Tasmania	100%
	EL13/2018	Montana Flats	Tasmania	100%
Uranium	EL6350 ²	Midgee	South Australia	100%

¹ ML2023P/M granted over Heemskirk tin deposits; RL5/1997 maintained over private land holdings within ML2023P/M

² EL6350 (formerly EL5426) JV with Samphire Uranium Limited earning 73% on declaring a uranium resource

MINERAL RESOURCE STATEMENTS – HEEMSKIRK TIN PROJECT

Heemskirk Tin Deposits

Classification	Deposit	Tonnage mt	Total Sn %	Contained Sn t	Cassiterite ¹ % of total Sn	Cu %	Pb %	Zn %
Indicated	Upper Queen Hill	0.32	1.0	3,230	87	0.2	2.1	1.0
	Lower Queen Hill	0.65	1.4	9,230	97	0.0	0.1	0.1
	Severn	1.15	1.0	11,500	99	0.1	0.0	0.1
	Total Indicated	2.12	1.1	23,960	97	0.1	0.4	0.2
Inferred	Upper Queen Hill	0.11	1.6	1,760	94	0.2	1.9	0.7
	Lower Queen Hill	0.36	1.4	5,040	97	0.0	0.2	0.0
	Severn	2.74	0.9	24,660	99	0.0	0.0	0.0
	Montana	0.68	1.5	10,200	96	0.1	0.7	1.4
	Oonah	0.59	0.9	5,310	36	0.8	0.1	0.1
	Total Inferred	4.48	1.0	46,970	90	0.1	0.2	0.3
Total Indicated + Inferred		6.60	1.1	70,930	92	0.1	0.3	0.3

1. cassiterite = (total Sn% - soluble Sn%)/total Sn%

2. block cut-off grade of 0.6% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology under JORC 2012

St Dizier Tin Deposit

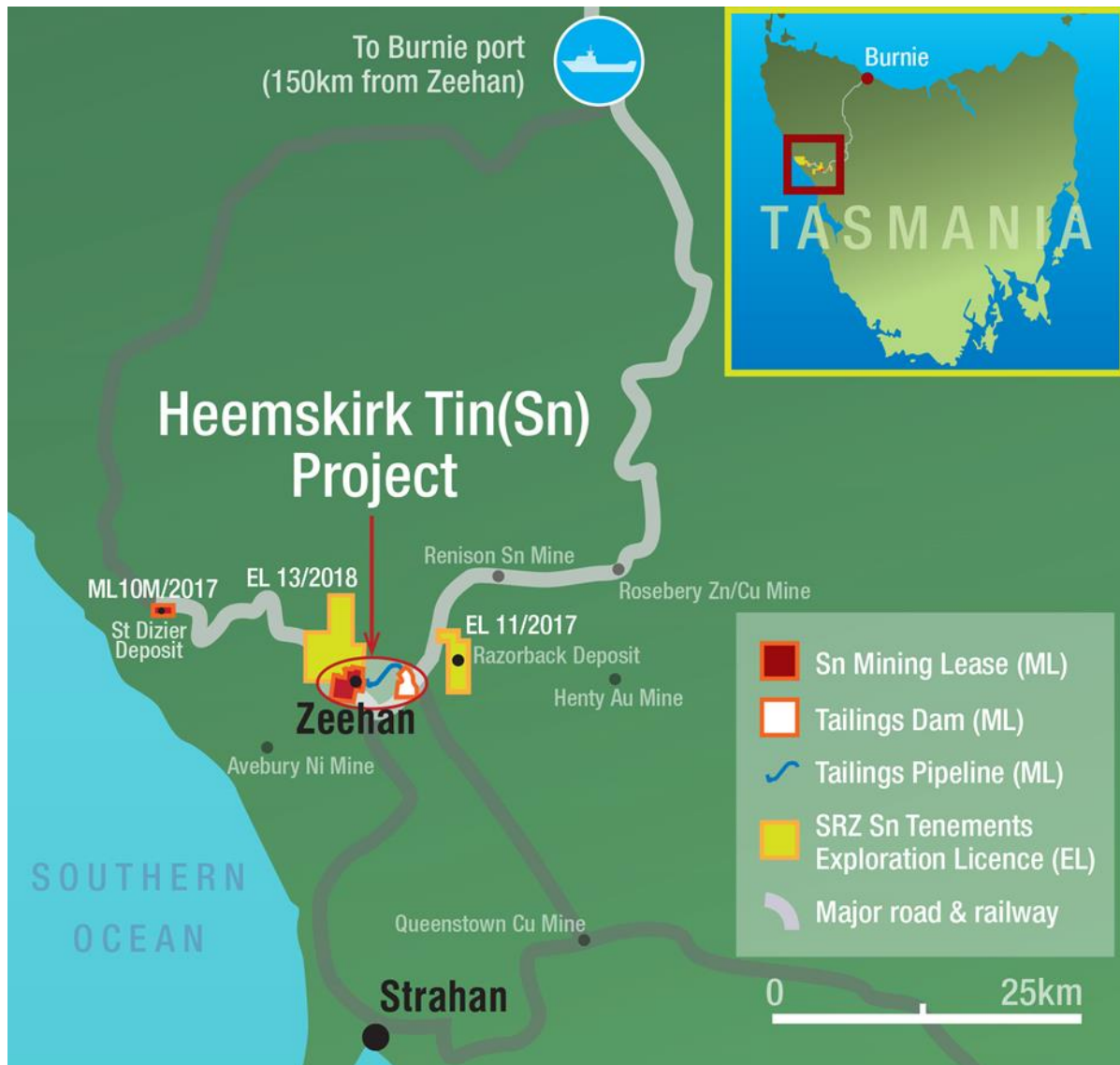
Classification	Tonnage mt	Total Sn %	Contained Sn t	Soluble Sn %	Cassiterite ¹ % of total Sn	WO ₃ %	Fe %	S %
Indicated	1.20	0.69	8,280	0.09	87	0.04	23.70	2.64
Inferred	1.06	0.52	5,512	0.22	58	0.05	22.22	1.81
Total Resource	2.26	0.61	13,786	0.15	75	0.04	23.00	2.25

1. cassiterite = (total Sn% - soluble Sn%)/total Sn%

2. block cut-off grade of 0.3% tin

3. tonnes rounded to reflect uncertainty of estimate

4. estimates prepared by Resource and Exploration Geology under JORC 2012



Tin Tenement Map – Western Tasmania

This announcement is authorised for release to the market by the Board of Directors of Stellar Resources Limited.

For further details please contact:

Gary Fietz
Director
Stellar Resources Limited
Tel: 03 9692 7222
Email: gary@widerange.net.au
or visit our Website at: <http://www.stellarresources.com.au>

Competent Persons Statement

The Information in this report that relates to Mineral Resources was prepared in accordance with the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (JORC Code), by Tim Callaghan (Principal of Resource and Exploration Geology Pty Ltd), who is a Member of the Australasian Institute of Mining and Metallurgy ("AusIMM"), has a minimum of five years' experience in the estimation, assessment and evaluation of Mineral Resources of this style and is a Competent Person as defined in the JORC Code. This announcement accurately summarises and fairly reports his estimations and he has consented to the resource report in the form and context in which it appears. The estimated mineral resources underpinning the production target have been prepared by Tim Callaghan (Principal, Resource and Exploration Geology Pty Ltd), in accordance with the requirements of the JORC Code 2012.

The drill and exploration results reported herein, insofar as they relate to mineralisation, are based on information compiled by Mr R K Hazeldene (Member of the Australasian Institute of Mining and Metallurgy and Member of the Australian Institute of Geoscientists) who is an employee of the Company. Mr Hazeldene has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition). Mr Hazeldene consents to the inclusion in the report of the matters based on his information in the form and context in which it appears. It should be noted that the abovementioned exploration results are preliminary.

Forward Looking Statements

This report may include forward-looking statements. Forward-looking statements include, but are not limited to statements concerning Stellar Resources Limited's planned activities and other statements that are not historical facts. When used in this report, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. In addition, summaries of Exploration Results and estimates of Mineral Resources and Ore Reserves could also be forward-looking statements. Although Stellar Resources Limited believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed. Nothing in this report should be construed as either an offer to sell or a solicitation to buy or sell Stellar Resources Limited securities.

For more information on specific risks associated with forward looking statements refer to the Key Risks section of the announcements "Heemskirk Tin Scoping Study Confirms Attractive Economics" 1 October 2019 and "St Dizier Tin Mining Lease Granted and Scoping Study Results" 22 January 2019.

Appendix 5B

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

Name of entity

STELLAR RESOURCES LIMITED

ABN

96 108 758 961

Quarter ended ("current quarter")

30 June 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	(203)
	(e) administration and corporate costs	(88)	(306)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	4
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	(87)	(505)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(13)	(148)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	31
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Security Deposits)	-	39
2.6	Net cash from / (used in) investing activities	(13)	(78)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	540
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	-	(36)
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 (Repayment of Lease liabilities)	(3)	(12)
3.10	Net cash from / (used in) financing activities	(3)	(492)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	627	615
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(87)	(505)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(13)	(78)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3)	492

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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	524	524

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	224	187
5.2	Call deposits	300	440
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)	524	627

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

15

1

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

7. Financing facilities

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.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

**Total facility
amount at quarter
end
\$A'000**

**Amount drawn at
quarter end
\$A'000**

-	-
-	-
-	-
-	-

7.5 Unused financing facilities available at quarter end

-

- 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.

Answer: N/A

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(87)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(13)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(100)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	524
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	524
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	5.24

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: N/A

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: N/A

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: N/A

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: 23 July 2020

Authorised by: By the Board of Directors

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.