

March 2022 Quarterly Report

Highlights

- ✓ **Conditional finance support received from Korea Trade Insurance Corporation (“K-SURE”) for the provision of debt funding for the TECH Project, reinforcing QPM’s ties with Korea.**
- ✓ **Baseload ore supply contract executed with Société Le Nickel (“SLN”) and approved by New Caledonian government.**
- ✓ **Continuing to advance through the Definitive Feasibility Study (“DFS”), with extensive testwork being undertaken during the quarter with key vendors to ensure commercial equipment is fit for purpose and optimised.**
- ✓ **First High Purity Alumina (“HPA”) made from New Caledonia ore in testwork with Lava Blue.**
- ✓ **Regulatory approvals required to construct the TECH Project are progressing on schedule**
- ✓ **Residue testwork and discussions with Queensland State Government regarding use as engineered landfill have been positive – pathway to zero solids waste and reinforcement of QPM’s ESG credentials**

Queensland Pacific Metals Ltd (ASX:QPM) (“QPM” or “the Company”) is pleased to present a summary of activities from the March 2022 quarter.

K-SURE Funding

Ever since the investment and binding offtake agreement signed with LG Energy Solution and POSCO, QPM has targeted Korean export credit agencies as potential financiers of the project. QPM commenced discussions with K-SURE in 2021, culminating in the provision of a formal Expression of Interest letter from K-SURE to QPM.

The Expression of Interest from K-SURE is a significant milestone in their internal consideration for the provision of debt funding. K-SURE has indicated that its participation in the debt syndicate will be in line with the terms and conditions of Export Finance Australia (“EFA”), which has previously provided a letter outlining \$250m of conditional financing support. The letter received from K-SURE does not constitute a commitment or an offer and any provision of debt funding will be subject to due diligence and typical terms and conditions.

The Korean and Australian governments have recently focused on formal cooperation regarding critical minerals. In December 2021, the Australian and Korean governments entered into a Memorandum of Understanding (“MOU”) regarding cooperation in Critical Minerals Supply Chains. Following this, both countries’ Export Credit Agencies (K-SURE and EFA) entered into an MOU to strengthen their capacity to work together and undertake joint financings.

QPM's strong ties to Korea have positioned it well to access financing from both Australian and Korean export credit agencies and strong progress has been made. As the project progresses towards financial close, QPM is confident that these strong Korean-Australian ties will assist in obtaining credit approval for debt funding from these parties.



(L-R) Steve Kang, K-SURE Director Project Finance Department; Baek Seung Dal, K-SURE Deputy President; Stephen Grocott, QPM Managing Director; Duane Woodbury QPM CFO.

Ore Supply

QPM and SLN have been in discussions and negotiating terms for ore supply since the execution of an MOU in April 2021. In parallel, SLN had been working with the New Caledonia government to obtain the requisite approvals it required to export ore to QPM.

In February 2022, a press conference was held by the President of New Caledonia, Louis Mapou, and SLN. At the press conference, it was announced that the Government of New Caledonia had approved an increase in the annual nickel ore export quota of SLN. This increase includes the supply of up to 1,000,000 wet metric tonnes (“wmt”) of nickel ore per annum to QPM. The approval is valid through to 2029, in line with SLN's existing export approvals that are currently in place.

Shortly after receiving government approval, QPM and SLN executed a binding contract for up to 1,000,000 wmt of nickel ore per annum. The key terms of the agreement are set out in the table below:

Area	Terms
Term	Five year ore supply term with five year extension, subject to mutual agreement
Tonnage	Up to 1,000,000 wmt per annum, ramping up in line with the TECH Project
Specification	Limonite ore 1.4 – 1.7% Ni (typical 1.6%) 0.1 – 0.25% Co (typical 0.18%) 30.0 – 47.5% Fe (typical 42%) 1.5 – 8.0% MgO (typical 2%) 2.0 – 9.0% Al ₂ O ₃ (typical 3%) 28.0 – 40.0% moisture (typical 33%)
Pricing	Commercial in confidence, linked to underlying price of Ni (LME exchange) and Co (Metal Bulletin) on an FOB basis
Source	Multiple SLN mines
Termination	Typical termination clauses including Force Majeure, material breach and insolvency.
Conditions	QPM making a final investment decision to build the TECH Project.

The execution of this contract is a major de-risking milestone for QPM with regards to its ore supply and demonstrates the support of the project from New Caledonia and SLN.

QPM is in active discussions with other ore suppliers for the balance of its ore required at full production.

Definitive Feasibility Study

As part of QPM's ongoing discussions with potential financiers of the project, the scale up of the DNI Process™ technology will be a particular focus of financial due diligence. Therefore, QPM's strategy has been to demonstrate low process risk by working closely only with key vendors provide commercial scale equipment for various parts of the flowsheet.

As an extension to its pilot plant operations, QPM has a substantial testwork program to ensure that debt financiers will be satisfied with regards to equipment choice and supply. This testwork remains ongoing, and significant progress was made during the quarter.

Ore Preparation Testwork

Ore preparation involves the handling of ore from when it lands in Townsville through ship unloading, truck loading/unloading, to milling of oversize ore ahead of leaching. Given the high moisture content of the ore (>30%), materials handling is an important consideration when designing conveyors, hopper bins and other equipment. Materials handling testwork is being undertaken by Jenike & Johanson in Perth, Western Australia.

Prior to leaching, the ore is also required to be dried and the oversize fraction milled to the appropriate sizing. QPM is working with Metso Outotec on this front end equipment. A 2 tonne bulk sample from New Caledonia has been transported to Metso Outotec's USA operations and tested to determine fundamental engineering properties. The goal of this work is to optimise the front end design of the plant and minimise capital expenditure.

Leach Circuit Testwork – Counter Current Leaching

The DNi Process™ employs a conventional co-current leach of ore using nitric acid. When operating its pilot plant, QPM utilised 2.5 tonnes of acid per tonne of ore to achieve strong leaching of metals into solution. The key trait of the DNi Process™ involves the recycling of nitric acid. Naturally, the more nitric acid that is used, the more has to be recycled, which leads to greater capital and operating expenditure.

In order to reduce nitric acid levels in the circuit, QPM is optimising the leach circuit by employing counter current leaching. Counter current leaching testwork is being carried out at ALS Global Hydrometallurgy Centre of Excellence laboratories in Perth, Western Australia. Testwork to date has demonstrated that equal to or better extraction of metals can be achieved by counter current leaching and with much lower levels of acid.

	Pilot Plant Extraction (2.5t nitric acid per tonne ore)	Counter Current Testwork Extraction (1.8t nitric acid per tonne ore)
Nickel	98.6%	98.6%
Cobalt	96.2%	96.2%
Iron	95.3%	96.4%
Aluminium	64.2%	81.5%
Magnesium	74.4%	85.7%

By reducing nitric acid required in the circuit, the following benefits will be realised:

- Reduced energy (gas) consumption as less liquid (nitric acid and water) is required to be evaporated; and
- Less nitric acid to be recycled, resulting in lower capital expenditure for these areas of the flowsheet.

Iron Hydrolysis and Hematite Pelletisation

After the leaching of metals, the first product to be precipitated is hematite. This is undertaken through a process known as iron hydrolysis. During pilot plant trials, hematite was precipitated by heating up the solution to 165°C. This process is the largest consumer of energy (gas) within the flowsheet.

In order to optimise the process and further reduce gas consumption, QPM is undertaking testwork to carry out the process at a modestly elevated pressure of approximately 10 atmospheres and heating up the solution to 195°C. This testwork is being carried out at Simulus' laboratories in Perth, Western Australia.

The benefit of this and other related circuit improvements will be to reduce the gas consumption and

reduce the number of nitric acid recovery columns required to perform this part of the flowsheet, which will assist in reducing capital expenditure.



Iron hydrolysis testwork at Simulus

Iron hydrolysis precipitates the hematite as a fine particle which then needs to be agglomerated or pelletised. QPM engaged Metso Outotec to undertake agglomeration and pelletisation testwork using QPM's precipitated hematite, which is being carried out in their testing centre in Finland. Metso Outotec are a globally leading supplier of iron ore pelletisation equipment. Testwork to date has been undertaken at both lab and pilot scale. Initial conclusions from the testwork are that pellets can easily be formed using the hematite precipitate. Further testwork will be undertaken to optimise pellets and their handling properties.

QPM is also working with CSIRO and their specialist hematite pelletisation team. An agreement has been executed with CSIRO where they will characterise QPM's hematite products and assist with determining optimal conditions for various customers.



Pilot scale pelletisation testwork at Metso Outotec

Strong Acid Recovery

During iron hydrolysis, as the iron precipitates as hematite, nitric acid is regenerated. Nitric acid vapours are captured and returned as concentrated nitric acid back to the leach circuit. QPM has identified KBR Plinke as a global expert and supplier of commercial equipment for concentration, purification and recovery of nitric acid.

During the quarter, representatives from KBR Plinke travelled to Australia to work directly with the QPM and Hatch teams on this part of the flowsheet. Given the importance of acid recycling in the flowsheet, the strong working relationship with KBR Plinke and extensive detailed engineering will help facilitate technical confidence for financiers and minimise equipment supply lead times.

Thermal Decomposition of Magnesium Nitrate (Fluid Bed Reactors)

The back end of the DNi Process™ is a section of the flowsheet known as thermal decomposition. Once all valuable metals have been recovered from the leach solutions, the barren solution is concentrated magnesium nitrate. Thermal decomposition involves heating up the magnesium nitrate to approximately 650°C causing it to decompose into magnesia (MgO) solid and nitrogen oxide gas which is converted directly to nitric acid. The magnesia is recovered and used within the plant, with excess sold as a co-product. The nitric acid vapour is captured to produce nitric acid, which is then recycled to the leach part of the circuit.

Thermal decomposition is carried out using a Fluid Bed Reactor, industry-standard technology used in the industrial production of magnesia from magnesium chloride. QPM is working with Hatch Pyrometallurgy Group on the design and supply of Fluid Bed Reactors for the TECH Project.

QPM is undertaking piloting of Fluid Bed Reactors in conjunction with Hatch Pyrometallurgy and Roundhill Engineering in Glen Innes, New South Wales. Previous testwork at a smaller scale demonstrated the successful use of Fluid Bed Reactors on magnesium nitrate. This pilot program at larger scale will further de-risk scale up risk and provide the design data that will allow the Fluid Bed Reactors to be optimally designed.



Fluid Bed Reactor pilot plant testwork being undertaken in Glen Innes

Outside of the testwork, the DFS continues to progress with lead engineers Hatch. During the quarter, QPM engaged internationally renowned nickel laterite processing expert Mark Benz and a senior processing expert within Hatch, Ian Skepper, to undertake a strategic review of the DFS. The conclusion of this review was that the direction QPM is taking with regards to the DFS, associated testwork program and execution strategy is the right pathway to achieve final investment decision. The nature of the review undertaken is more thorough than which an Independent Technical Expert would undertake for a banking syndicate. Therefore, this process has helped position QPM well for upcoming due diligence of financiers.

High Purity Alumina Update

QPM has been undertaking testwork in conjunction with its HPA partners Lava Blue. The testwork is being undertaken at speciality labs at Queensland University of Technology (“QUT”). During the quarter, the testwork was successful in producing 4N HPA from aluminium hydroxide feedstock produced by QPM as part of its piloting. This represents the first HPA made from New Caledonia laterite ore. The purity of the product was 99.996%.

Project Approvals

During the quarter, strong progress was made on both Federal and State approvals required for the TECH Project.

Federal Approvals – EPBC Act

The assessment of the referral under the Commonwealth Environment Protection and Biodiversity Conservation Act 1999 (“EPBC Act”) is currently progressing through the decision stage. QPM submitted the response and supporting materials to the Commonwealth Department of Agriculture, Water and the Environment’s (“DAWE”) request for information in early April 2022. DAWE is currently reviewing the additional information and is expected to make a final decision on the approval in Q3 2022.

Queensland Approvals – Material Change of Use Development Application (“MCU DA”)

Since the submission of the MCU DA in December 2021, QPM has received Information Requests from both Townsville City Council (“TCC”) and the State Assessment Referral Agency (“SARA”). QPM is progressing an Addendum to the MCU DA, which includes comprehensive responses to the Information Requests, and updated impact assessments for air quality, surface water and noise which reflects the latest design iterations which have occurred since the submission of the MCU DA. Approvals are expected to be received in Q3 2022.

Treatment of Residue as Engineered Landfill

QPM has been working with James Cook University (“JCU”) in Townsville on the potential use of its residue as an engineered fill. The testwork has two main areas of focus:

- Mixing varying levels of simple binding agents with the residue and testing structural properties to determine suitability as engineered fill; and

- Undertaking leaching chemical content tests of the residue to ensure it met regulatory guidelines.

Residue from the TECH Project is neutralised, and filtered and is predominantly comprised of silicates. From JCU's testwork, it has been determined that with a simple binder, the residue from the TECH Project can be used as engineered fill, demonstrating the requisite structural properties.



Structural testwork being undertaken at JCU

JCU has also undertaken chemical leaching content tests which involves:

- Toxic content leaching procedure (“TCLP”);
- Inductively coupled plasma mass spectrometry (“ICP-MS”); and
- X-Ray powder diffraction.

The results of this testwork demonstrated that under the TCC guidelines, QPM met the threshold of all elements of concern except nickel. QPM and JCU are confident that with additional washing, nickel thresholds can also be reduced to below the threshold.

Metal	TCC guideline (ppm)	Result (ppm)
Antimony	5.0	< 0.1
Arsenic	5.0	< 0.1
Barium	100.0	< 0.1
Boron		< 0.1
Cadmium	0.5	< 0.1
Chromium	5.0	0.3
Cobalt	5.0	2.8
Copper	100.0	< 0.1

Metal	TCC guideline (ppm)	Result (ppm)
Lead	5.0	< 0.1
Nickel	5.0	9.37
Mercury	0.1	0.0001
Molybdenum	1.0	< 0.1
Selenium	1.0	< 0.05
Silver	5.0	< 0.1
Tin	3.0	< 0.1
Titanium		< 0.1
Vanadium	5.0	< 0.1
Zinc	500.0	0.1

QPM recently held a pre-lodgement meeting with the Queensland Department of Environment and Science to discuss the JCU test work, potential commercial applications of the residue, and the next steps required to commence an End of Waste Code. An EOW Code allows a previously characterised waste stream (i.e. the residue) to be re-classified as a resource (i.e. engineered fill).

Typically as part of an EOW Code approval, a large scale field trial is required to use a waste stream in a commercial application prior to final approval being granted. However, given positive results from JCU's testwork and planned future work program, DES indicated that QPM probably will not be required to undertake this trial as part of the approval process. This would eliminate a hurdle and fast track QPM's ability to obtain the EOW Code approval and utilise the residue in commercial applications.

The next step for QPM and JCU will be to undertake further geotechnical testwork on the residue and also environmental leaching testwork to confirm compliance with regulations. QPM will also start the approvals process to obtain the EOW Code. There are no statutory timeframes tied to developing an EOW Code; however, it is expected that the code will be finalised during the construction phase, pending confirmation of assessment requirements by DES.

Cash and Corporate

Cash at the end of the quarter was \$40.7m

Additional ASX Information

ASX Listing Rule 5.3.1: Exploration and Evaluation during the quarter was \$10.6m. The majority of this was spent on the Company's TECH Project.

ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the quarter.

Tenement Table: ASX Listing Rule 5.3.3: Tenements currently held by QPM as at 31 December 2021 are detailed in the table below.

TENEMENT ID	STATUS	APPLIC DATE	GRANTED DATE	EXPIRY DATE	HOLDING	NAME	REGISTERED CO.
EPM27035	GRANTED	28 Aug 2018	12 Feb 2021	12-Feb-23	100%	Serpentinite Ridge	QPM Tech Project Pty Ltd
EL 1761	Renewal application submitted and pending approval	11 Mar 2020	18 Sep 2020	12-Mar-22	100%	Sewa Bay	Queensland Pacific Metals Ltd

ASX Listing Rule 5.3.5:

RELATED PARTY	AMOUNT	DESCRIPTION
Directors and CEO	\$272,098	Director and consulting fees paid to Directors and/or Director related entities

This announcement has been authorised for release by the Board.



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FORWARD LOOKING STATEMENT Statements & material contained in this ASX Release, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of QPM, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events & expectations and, as such, involve known and unknown risks & uncertainties. Although reasonable care has been taken to ensure facts stated in this Release are accurate and/or that the opinions expressed are fair & reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results & developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this Release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.

Appendix 5B

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

Name of entity

Queensland Pacific Metals Limited

ABN

61 125 368 658

Quarter ended ("current quarter")

31 March 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	23
1.2 Payments for		
(a) exploration & evaluation	(4,572)	(21,662)
(b) development	-	-
(c) production	-	-
(d) staff costs	(982)	(3,129)
(e) administration and corporate costs	(829)	(1,929)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	1	(61)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	140	2,563
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,241)	(24,194)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(85)	(255)
(d) exploration & evaluation	-	(81)
(e) investments	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$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	3	3
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(82)	(333)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	50,173
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	360
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	(2,465)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	(1,000)
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	-	47,068

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	47,134	17,745
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(6,241)	(24,194)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(82)	(333)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	47,068

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(63)	462
4.6	Cash and cash equivalents at end of period	40,748	40,748

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	40,748	47,134
5.2	Call deposits	-	-
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)	40,748	47,134

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	(272)
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>		
6.1	Director and consulting fees paid to Directors and/or Director related entities	\$272,098

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 (please specify)	-	-
7.4 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(6,241)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(6,241)
8.4 Cash and cash equivalents at quarter end (item 4.6)	40,748
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	40,748
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.5
<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?	
Answer: N/A	
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?	
Answer: N/A	
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?	
Answer: N/A	
<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: 27 April 2022

Authorised by: The Board of Queensland Pacific Metals Limited
(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.