

QUARTERLY ACTIVITIES & CASHFLOW REPORT DECEMBER 2023

HIGHLIGHTS:

MPOSA DEPOSIT

- **A 6,000m sonic drill program commenced at Mposa to determine the depth to basement.¹**
- **Maiden four holes identified thicker unconsolidated sedimentary package and competent rock (footwall/bedrock) at significantly greater than anticipated depths.²**
- **Sonic drilling technique resulted in materially improved drill core recoveries.**
- **Community engagement and baseline studies completed.**
- **Post-quarter end, a diamond drill (dd) rig to be mobilised to Mposa to complement the sonic rig program.³**
- **Diamond rig will target the potential for deeper HMS or other deposits, whilst sonic rig focuses on the shallower mineral sand horizons.**
- **New priority target (Namasalima) identified adjacent to the Mposa deposit.**

CORPORATE

- **Mr Philip Lucas resigned as director of the company.⁴**
- **Existing non-executive director, Mr Alexander Shaw assumed the role of non-executive chair.**
- **Mr John Lewis resigned as company secretary .**
- **Mr Dennis Wilkins appointed non-executive director and company secretary.⁵**
- **Service agreement with Mota Engil to be extended and enhanced**

¹ CHW Announcement 10 October 2023 – Drilling Commences at Mposa

² CHW Announcement 14 November 2023 – Significantly Deeper Footwall Identified at Mposa

³ CHW Announcement 11 December 2023 – Second Drill Rig to be Mobilised at Mposa Following Encouraging Initial Holes

⁴ CHW Announcement 19 October 2023 – Board Changes

⁵ CHW Announcement 20 October 2023 – Company Secretary Change, Change of Registered Office, and Clarification of NED Appointment



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OVERVIEW

Chilwa Minerals Limited (ASX: CHW) (**Chilwa** or the **Company**) is pleased to present its Quarterly Activities Report for the period ended 31 December 2023 (**Quarter**). During the Quarter, the Company successfully commenced exploration activities at its Mposa Deposit, situated within the wider Lake Chilwa Heavy Minerals Sands Project (**Project**), located in Malawi, Africa.

CHILWA PROJECT

MPOSA DEPOSIT

The Mposa Deposit accounts for **19.4 Mt of HMS at 4.3%**, containing **0.83 Mt THM** at a 1% THM cut-off grade, which is 30% of the total Project Mineral Resource of **61.6 Mt of Heavy Mineral Sands (HMS) at 3.9%** containing **2.4Mt THM** at 1% cut off grade over ten known deposit areas.⁶

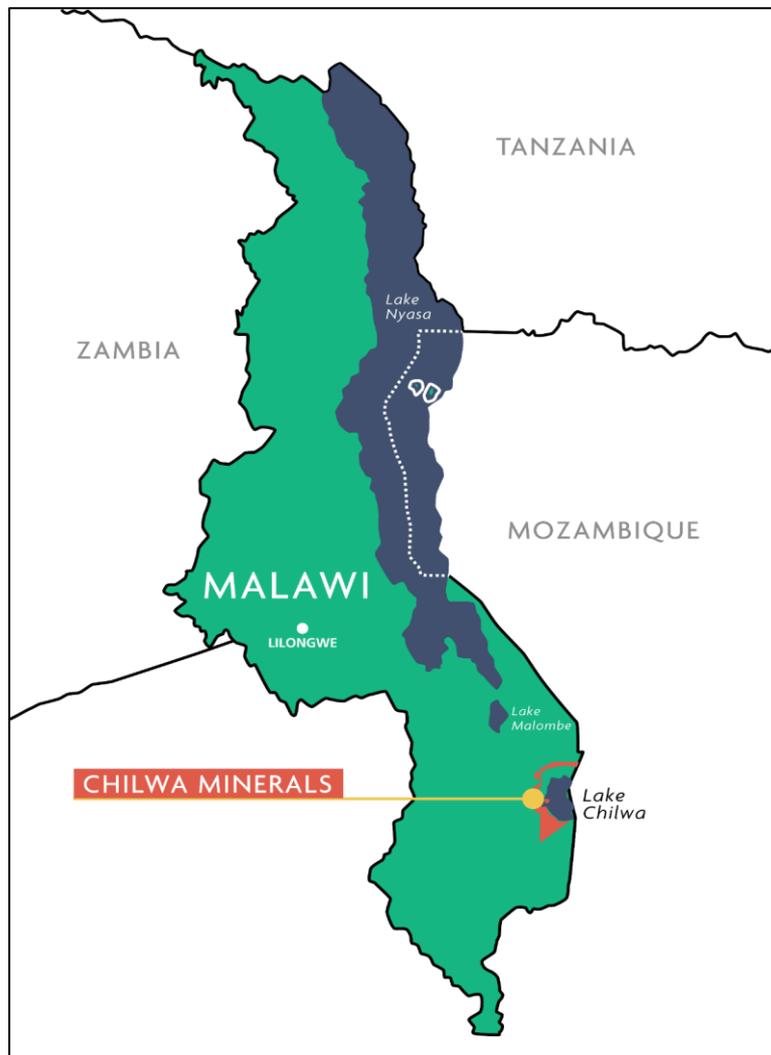


Figure 1 – Chilwa Minerals Mposa Project Location

⁶ CHW Announcement 5 April 2023 – Prospectus

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6,000M DRILLING PROGRAM

During the Quarter, the Company successfully commenced a 6,000m sonic drill program designed to test the extent of potential mineralisation at depth as well as its lateral continuity by twinning selected existing holes and drilling further holes in the areas adjacent to Mposa.

A sonic rig has several advantages to aircore, notably, sonic drilling involves the complete encapsulation of the sample within the core barrel, which prevents drill holes from collapsing, enhancing the recovery of intact samples. Moreover, sonic drilling enables drilling operations to be conducted beneath the water table, a scenario where conventional methods encountered challenges.

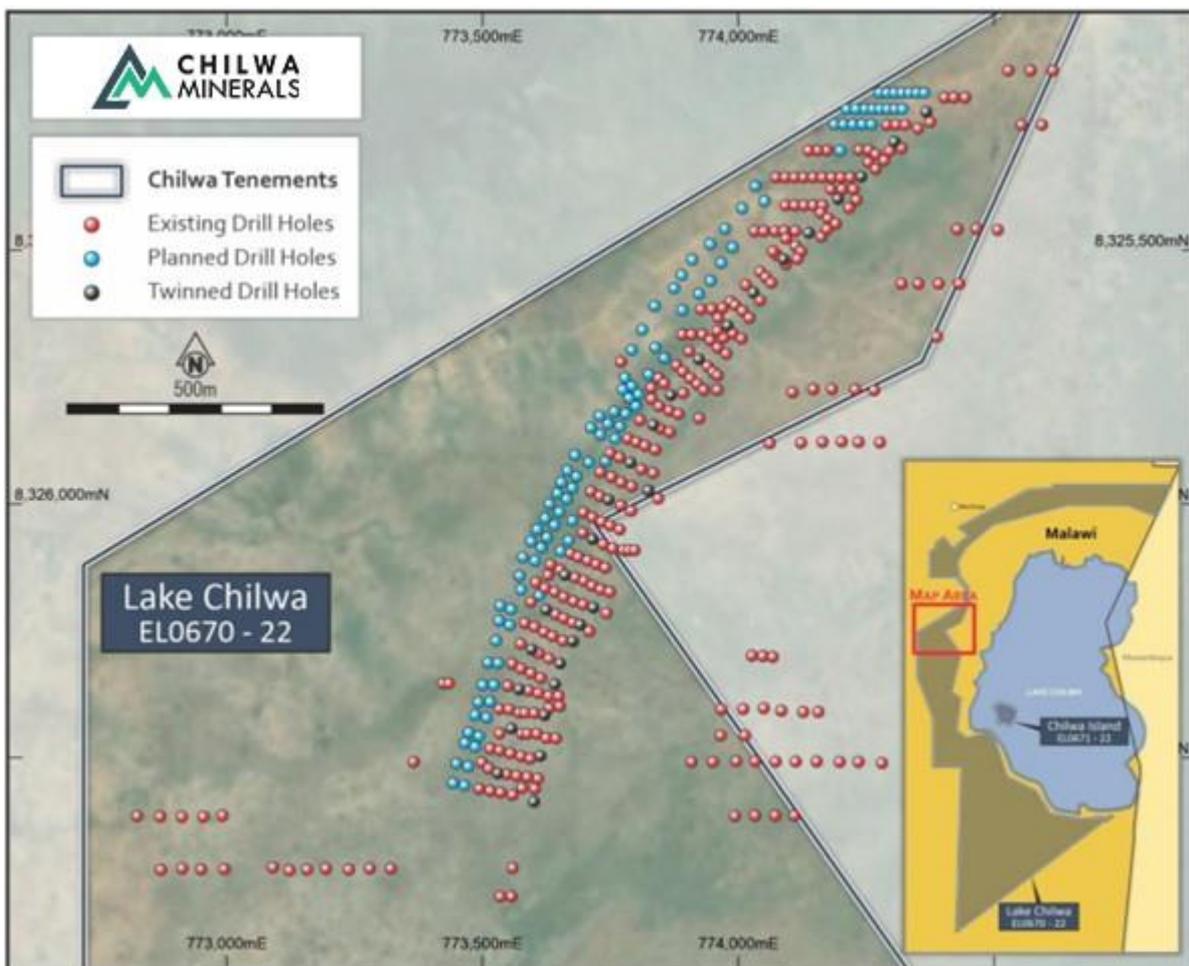


Figure 2 – Mposa Drill Hole Locations

The first four (4) infill and extensional drillholes (Figure 3) at the Mposa Main target area reached competent rock (bedrock) at a significantly increased depth and, from visual interpretation⁷, indicate a substantially thicker fluvio-lacustrine deposit compared to what was previously identified by drilling in this area (refer ASX announcement dated 14 November 2023). Assays are pending at the time of writing this report.

⁷ The Company draws attention to the inherent uncertainty in reporting visual results. Visual estimates of mineral abundance should never be considered a proxy or substitute for laboratory analyses where concentrations or grades are the factor of principal economic interest. Visual estimates also potentially provide no information regarding impurities or deleterious physical properties relevant to valuations.

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Table 1 – Initial Mposa Drill Depth Results

	PREVIOUS DEPTH (m)	NEW DEPTH (m)	INCREASE (m)	INCREASE (%)
MPO-SD-001	5	30.5	25.5	510%
MPO-SD-002	8	44.6	36.6	457%
MPO-SD-297*	5	50	45	900%
MPO-SD-295	4	50	46	1150%

The first hole drilled in the 6,000m campaign at the northern end of the Mposa area, MPO-SD-001, reached a depth of 30.5 metres, however, did not reach the bedrock. The expectation was that the bedrock would be around 20 metres in depth and as such, casings were not used until a depth of 10 metres. This was a twinned hole (CWCMPA-20001-5) from 2015, which ended at 5 metres.

The second hole drilled at this site, MPO-SD-002, was cased from surface and encountered the bedrock at 44.6 metres. This hole was also a twin (CWCMPA-20002) that had a depth of 8 metres.

Following the completion of the first two holes, the Company decided to shift the drilling program to the southern part of the Mposa area, a distance of approximately seven kilometres, in order to determine the southerly extent of the Mposa deposit.

Hole 3 (MPO-SD-297) was drilled in the southern extremity of Mposa and obtained a depth of 50 metres. This hole was not a twin but lies within close proximity to several holes from 2015 which recorded depths of between 4 and 5 metres. Hole 4 (MPO-SD-295) reached a depth of 50 metres, twinning a previously drilled hole (CWCMPA-76004) with a depth of 4 metres. Refer Figure 3.

Importantly, holes MPO-SD-297 & MPO-SD-295 did not end in competent bedrock (footwall), rather they ceased at 50 metres because the drill rig only had 50 metres of drill rods. This further illustrates how the depths of these holes have been greater than hoped and anticipated.

The competent bedrock is at a depth in excess of 50 metres for these two holes with more drill rods ordered to determine the ultimate depth of the bedrock for these holes.

Improved Recoveries

A key factor behind the Company's decision to employ sonic drilling techniques moving forward, was the variable levels of material recovered from the previous campaign. Many of these holes terminated in mineralisation due to the use of an aircore rig, which was unable to penetrate the water table. Recoveries from this drilling were also variable, averaging <70%.

Recoveries obtained by using a sonic drill rig averaged 85% and, in some cases, 100% was achieved.

Amended Drilling Program

Having established that the northerly and southern extents of the Mposa deposit were deeper than anticipated, the Company amended the drilling program, (which will see 10 holes drilled along an East – West transect) in order to gain an understanding of the stratigraphic composition of Mposa.

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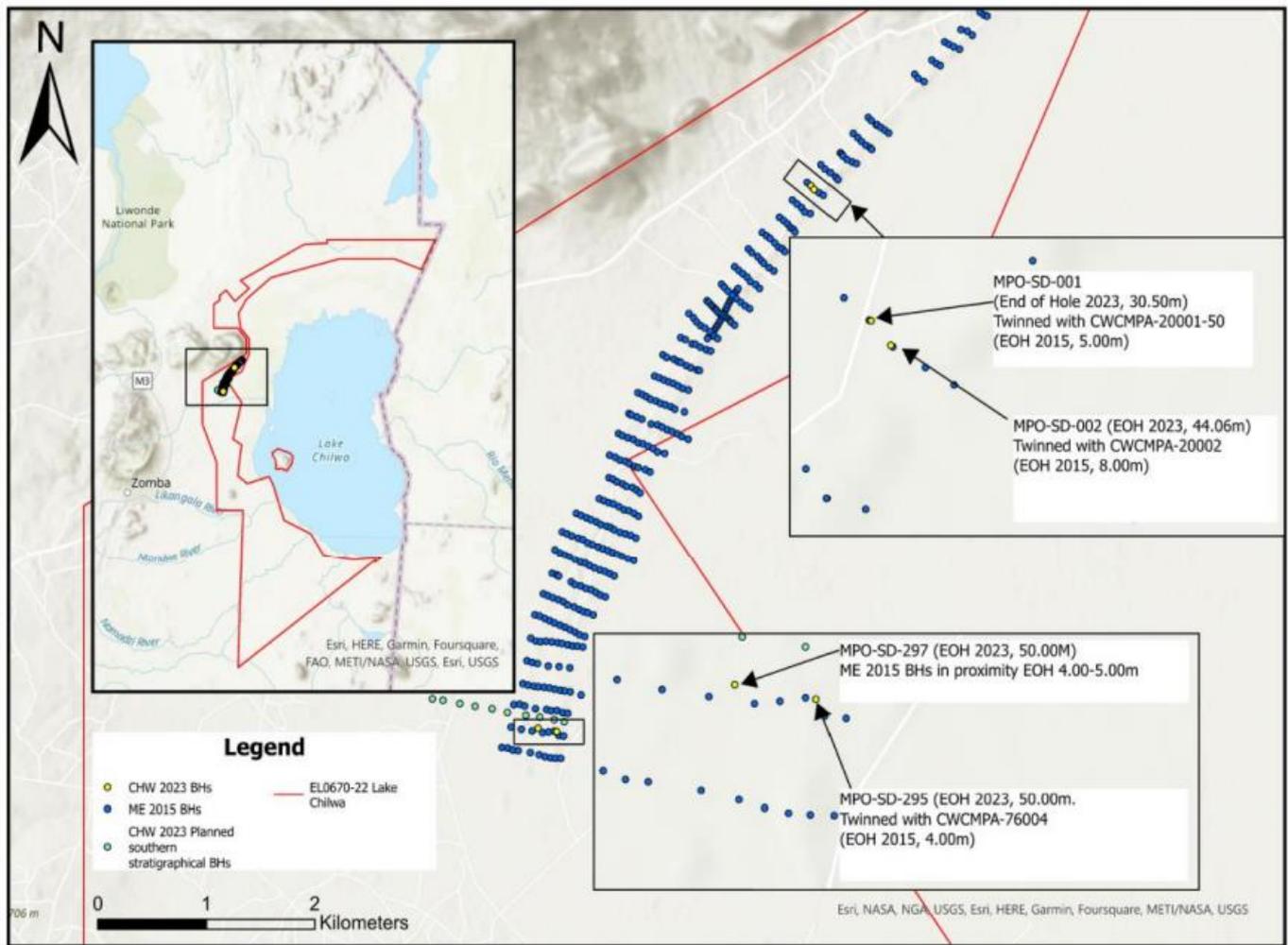


Figure 3 – Mposa drillhole locations

DIAMOND DRILL RIG

Following the success of the maiden holes in the 6,000m sonic drill program, the Company mobilised a diamond drill (DD) rig to the Mposa Deposit, which will work in parallel with the existing sonic rig. The bedrock has proven to be located significantly deeper than anticipated and DD is considered to be a faster method to test the potential for mineralisation in the deeper zones.

Prior to the commencement of drilling, it was expected that the targeted mineral sand horizon would be thicker than the 6.2m average depth that the Mineral Resource is based upon. The initial holes at the north, south and central portions of Mposa intersected the consolidated bedrock at depths ranging from of 35 to 51 metres below surface. Of this, the thickness of the mineral sand horizon measured in the core varies from 2 to 12 metres, with interbedded clays occurring below (Figure 4).

Chilwa will utilise the diamond rig to test the full sequence of clays and sands on a wide spaced drill pattern, with the sonic rig continuing with the originally planned drill spacing. Drilling undertaken by the sonic rig will stop as soon as the clays have been intersected.

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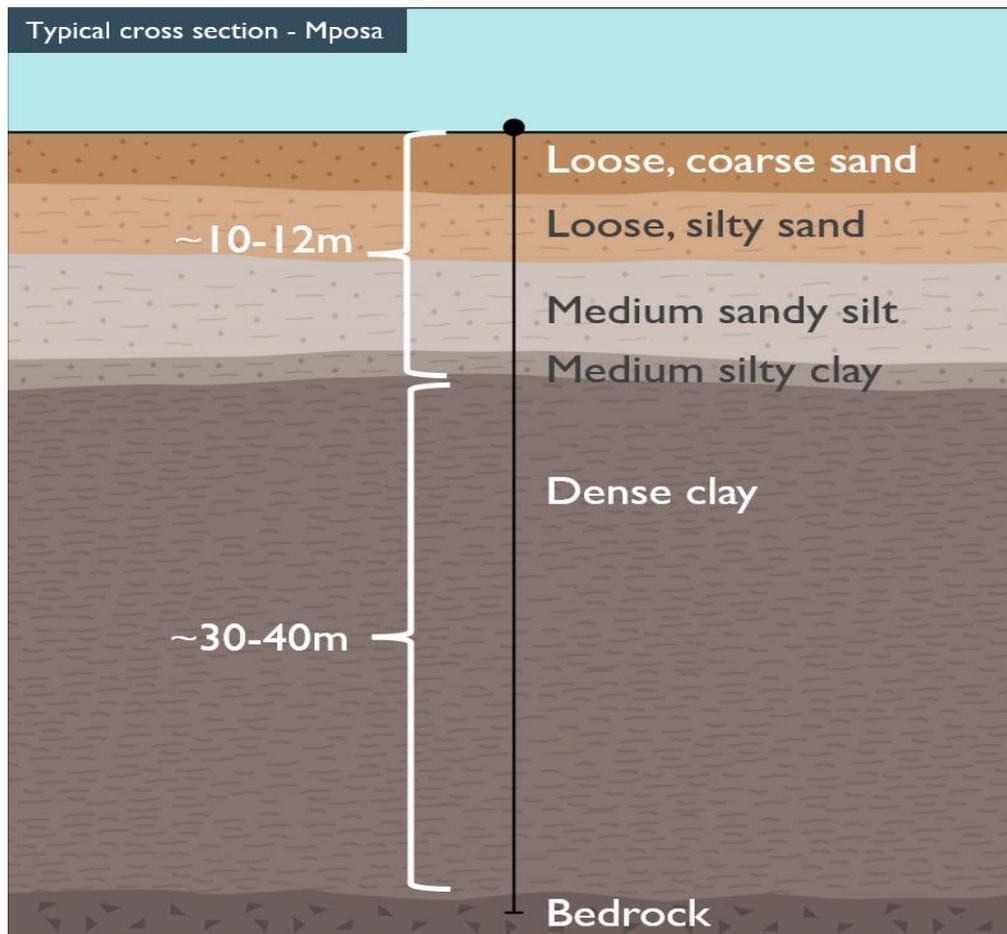


Figure 4 – Schematic cross section showing typical variations downhole.

New Priority Target Area Identified

Reconnaissance by Chilwa geologists along with Competent Person, Mr Mark Burnett, during a site visit indicated the presence of a large topographic high, which Chilwa will explore at Namasalima. This target area is located between the Mposa and Bimbi deposits on the western shore of Lake Chilwa (Figure 5). It was identified as a target in 2016 following a radiometric survey and mapping with 173 auger holes being drilled on the target. As none of the historical data remains, Chilwa will explore the area to determine if this feature contains HMS mineralisation as well as completing an updated Lidar survey to confirm the elevation and location of the 631 amsl and 623 amsl terraces.

The Company will also commence a termite mound sampling program in the Namasalima target area in Q1 of 2024. Samples will be hand panned and examined for HMS using handheld XRF, with selected samples being sent to ALS Perth for further test work.

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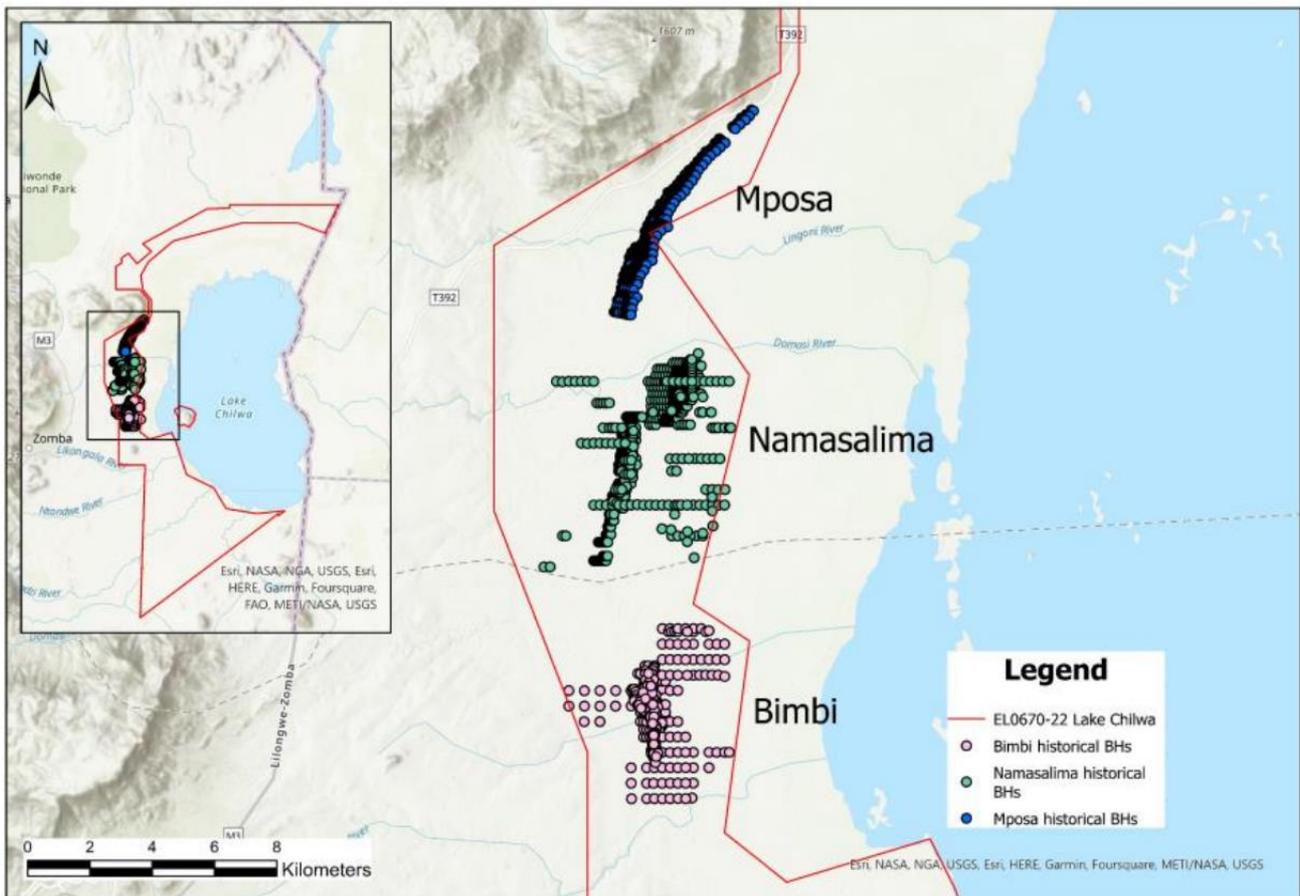


Figure 5 – New priority target area, Namasalima, in relation to Mposa and Bimbi

MARCH QUARTER NEWSFLOW

The Company expects that the results of the first four holes from the Mposa program will be announced in early 2024. Drilling will continue through the March quarter, with both the sonic and diamond drill rigs operational. It is expected that further assay results will also be returned during the March quarter.

Sampling of termite mounds from the newly announced Namasalima target area is expected to occur during the March quarter.

The Company has been invited by major shareholder Mota Engil to participate in the Mining Indaba conference in February 2024, where we will undertake meetings with existing and potential shareholders as well as other stakeholders.

CORPORATE

BOARD CHANGES

Mr Philip Lucas has resigned as a director of the Company due to ongoing work commitments with his law firm and other ASX roles. Existing non-executive director, Mr Alexander Shaw, assumed the role of Non-Executive Chair. Mr Dennis Wilkins was appointed as Non-Executive Director and Company Secretary following the resignation of Mr John Lewis as Company Secretary.

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SERVICE AGREEMENT WITH MOTA ENGIL TO BE EXTENDED AND ENHANCED

Subsequent to the end of the Quarter, the Company announced that it has reached an agreement with Mota Engil Engenharia Construção Africa S.A. which is part of Chilwa’s major shareholder, the Mota Engil Group (**Mota Engil**), for the further provision of technical and associated services in Malawi (**Agreement**). The new Agreement replaces an existing agreement that expired on 31 December 2023 (refer to section 7.3 of the prospectus dated 5 April 2023 and supplementary prospectus dated 26 June 2023 (together, the **Prospectus**)).

The Company is extremely pleased with the support already shown by Mota Engil, who has a long and successful track record of operating in Malawi. The services provided are expected to cost the Company significantly less than if sourced through third party suppliers.

The Agreement includes the provision of accommodation and office facilities in Malawi, technical and administrative support staff, 4WD and support vehicles and other infrastructure, including a large storage shed which will be utilised for storing samples.



Figure 6 - proposed storage shed to be utilised by Chilwa Minerals



Figure 7- Entrance to Zalewa Camp

RELATED PARTY PAYMENTS

In accordance with Listing Rule 5.3.5, Table 2 provides a description and explanation of the payments made to related parties of the Company and their associates, which is included in the Appendix 5B for the Quarter.

Table 2 Description of Payments

Related Parties	Description	Amount (AUD\$)
Directors	Fees and salary (including superannuation)	189,017
Mota Engil and associated companies	Technical and associated services in Malawi in accordance with the Services Agreement as described in section 7.3 of the Prospectus	497,974
Total		686,991

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USE OF FUNDS

Table 3 below shows the comparison between the estimated Use of Funds stated in the Prospectus and the actual expenditure since the Company's date of admission to the official list of ASX in accordance with ASX Listing Rule 5.3.4.

Table 3 – Use of Funds

Category	Prospectus (AUD\$)	Actual (AUD\$)	Variance (AUD\$)
Exploration of the Project	4,500,000	832,227	3,667,773
Working Capital (including corporate overheads)	2,679,360	1,111,681	1,567,679
Managing Director's Bonus (paid upon successful admission to the Official List of the ASX)	140,074	140,074	-
Cost of the transaction	838,546	790,898	47,648
Total	8,157,980	2,874,880	5,283,100

The Company is proceeding with the business objectives as set out in the Prospectus. As the Company was only admitted to the official list of ASX in July 2023, variances in the use of funds arise as a result of the timing of payments and the short time between admission and the end of the Quarter.

During the Quarter, the Company made payments of \$543,000 for exploration activities on the Project. There were no funds spent on mining production and development activities for the Quarter.

LICENCE SCHEDULE

The schedule below discloses the exploration tenements held by the Company at the end of the Quarter. No licences were acquired, sold or cancelled during the Quarter.

Location	Tenement Number	Interest Beginning of Quarter	Interest end of Quarter
Lake Chilwa, Malawi	EL0670/22	100%	100%
Lake Chilwa, Malawi	EL0671/22	100%	100%

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AUTHORISATION STATEMENT

This update has been authorised to be given to ASX by the Board of Chilwa Minerals Limited.

For further information contact:

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-ENDS-

JORC 2012 Inferred Mineral Resource Estimate

A Mineral Resource Estimate for the Project has been classified and reported in accordance with the JORC Code (2012). The Mineral Resource Estimate has been classified as Inferred, at a 1.0 % THM cut-off is estimated to contain 2.4 Mt of THM, and is allocated across the Project deposits in **Table A** below.

Deposit	Volume (million m ³)	Tonnes (million t)	Dry Density (t/m ³)	Gangue (%)	Ilmenite (%)	Slimes (%)	THM (%)	Zircon (%)
Bimbi	1.5	2.6	1.7	0.7	4.3	15.3	5.3	0.3
Northeast Bimbi	3.6	6.1	1.7	0.3	2.2	15.9	2.7	0.1
Mposa (Main)	11.7	19.4	1.7	0.7	3.2	11.7	4.3	0.4
Mposa (North)	0.6	1.0	1.7	0.3	1.4	8.3	1.9	0.2
Mpyupyu (dune)	2.0	3.5	1.7	1.2	5.7	15.3	7.1	0.2
Mpyupyu (flat)	9.5	16.4	1.7	0.5	2.9	15.4	3.6	0.2
Nkotamo	0.1	0.2	1.5	1.1	3.0	28.3	4.2	0.2
Halala	6.0	8.9	1.5	0.9	2.6	9.8	3.7	0.2
Beacon	0.4	0.6	1.5	0.6	1.8	17.7	2.5	0.1
Namanja West	2.0	2.9	1.5	0.8	2.3	14.7	3.3	0.2
Total	37.5	61.6	1.6	0.7	3.0	13.3	3.9	0.3

Table A Inferred Mineral Resources at 1.0% THM as at 31st July 2022

- Estimates of the Mineral Resource were prepared by AMC Consultants (UK) Limited (AMC).
- In situ, dry metric tonnes have been reported using varying densities and slime cut-off per deposit.
- Material below 30% slimes for Halala, 20% slimes for Bimbi, Northeast Bimbi and Mpyupyu (dune and flat) and 25% slimes for Mposa Main and Mposa North. All other deposits are a stated using 30% slimes cut-off.
- Tonnages and grades have been rounded to reflect the relative uncertainty of the estimates and resultant confidence levels used to classify the estimates. As such, columns may not total.

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- Estimates of the Mineral Resource have been constrained by ultimate pit shells to demonstrate Reasonable Prospects for Eventual Economic Extraction
- Estimates are classified as Inferred according to JORC Code.

Compliance Statement

The information in this announcement that relates to Mineral Resource estimates and exploration results which were prepared and first disclosed under JORC Code 2012. The information was extracted from the Company's previous AX announcements as follows:

- Project Mineral Resource estimate: 3 July 2023 'Prospectus' (dated 5 April 2023);
- Footwall exploration results: 14 November 2023 'Significantly Deeper Footwall identified at Mposa'.

All of the above announcements are available to view on the Company's website <https://www.chilwaminerals.com.au/>. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original announcements, and, in the case of reporting of Ore Reserves and Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcements continue to apply and have not materially changed. The Company confirms that the form and context in which any Competent Person's findings are presented have not been materially modified from the original market announcement.

Forward Looking Statements and Important Notice

This announcement may contain some references to forecasts, estimates, assumptions and other forward-looking statements. Although Chilwa believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved where matter lay beyond the control of Chilwa and its Officers. Forward looking statements may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein.

Appendix 5B

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

Name of entity

Chilwa Minerals Limited

ABN

43 656 965 589

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(543)	(746)
(b) development	-	-
(c) production	-	-
(d) staff costs	(164)	(566)
(e) administration and corporate costs	(174)	(773)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	55	110
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes refunded/(paid)	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(826)	(1,975)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	(68)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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 (6 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	(68)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	(8)	(447)
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 (Principal elements of lease payments)	-	-
3.10	Net cash from / (used in) financing activities	(8)	(447)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	6,366	8,022
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(826)	(1,975)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(68)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	(447)

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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,532	5,532

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	5,532	6,366
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)	5,532	6,366

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	687
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

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 <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 \$A'000	Amount drawn at quarter end \$A'000
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.		
	N/A		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(826)
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)	(826)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,532
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,532
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.7
<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: 31 January 2024

Authorised by: Cadell Buss, Managing Director
(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.
6. By the Company lodging this Appendix 5B, the Managing Director and CFO declare that the Appendix 5B for the relevant quarter:
 - presents a true and fair view, in all material respects, of the cashflows of the Company for the relevant quarter and is in accordance with relevant accounting standards;
 - the statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
 - the Company's financial records have been properly maintained and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.