

Quarterly Activities Report for the Period Ended 30 September 2023

HIGHLIGHTS

- NGS's global business to be cash flow neutral or positive by Q1 2024, as the Company continues to execute its growth strategy.
- The Company's business operations and distribution channels remain unaffected by the current conflict in Israel and the middle east.
- NGS continued to achieve consistent growth in cash receipts for the September quarter of US\$760k (approx. A\$1.2m¹) a 2% increase compared to June 2023 quarter of US\$745k (approx. A\$1.1m²).
- Continued focus on the US market and building sales momentum through Walmart:
 - Sales velocity (units sold per store per week) remained consistent for the September quarter at 1.0 across all doors from January to the end of September, as Healthy Heights® products continued to outperform Walmart's expectations.
 - Happy Tummies® successfully launched in 850 Walmart stores, an increase of 55 stores from the 795 stores initially expected to stock the product.
 - NGS anticipates a further increase in Walmart stores stocking Healthy Heights® products by May 2024.
 - CVS onboarding completed with stock expected to be on shelves Q1 CY2024, as part of a multi brand "Children's Nutrition" display.
 - iHerb onboarding completed with initial order totaling approximately US\$10,000 and Healthy Heights® products to be available on iHerb's marketplaces from Q1 2024.
 - NGS continues discussions with other leading US retailers.
 - Sales through Amazon and NGS website continued to contribute to topline revenue.
- Progressed the strategic restructure to simplify operations and build a stronger foundation:
 - Staff costs reduced for the September quarter by 29% from the previous June quarter, whilst maintaining strong cash receipts for the period.
 - Appointment of Rob Valerio as a fractional CFO based in the US.

¹ 1 USD = 1.58 AUD

² 1 USD = 1.47 AUD at the time of June 2023 quarterly

Nutritional Growth Solutions Ltd (ASX:NGS) (“NGS”, or “the Company”) a global nutrition company, is pleased to provide an overview of the Company’s quarterly activities for the period ended 30 September 2023 (“Quarter”, “Reporting Period”).

Nutritional Growth Solutions CEO, Steve Turner, commented:

“During the Quarter, NGS continued to successfully execute on its growth strategy with the Company to be cash flow neutral or positive by Q1 2024. Achieving this will represent a key milestone for the Company as it moves into profitability and the next stage of growth, as we continue to build the Healthy Heights® brand with a strong focus on the US market.

The NGS business remains both robust and strongly positioned for further growth and the Company’s Board wishes to reiterate that its operations and distribution channels are unaffected by the current conflict in Israel and the middle east.

During the Quarter, NGS continued focus on the US market and building sales momentum through Walmart, with sales velocity remaining consistent during the Reporting Period. Our new product Happy Tummies® was successfully launched in 850 Walmart stores, an increase of 55 stores from the 795 stores initially expected to stock the product, and NGS looks forward to providing updates on initial sales velocity and the performance of the product.

Importantly, the Walmart merchant team are currently reviewing the performance of Healthy Heights® products, with further store increases expected, as Sales Velocity continues to outperform expectations with an average of 1 unit being sold per store per week, significant exceeding Walmart’s expectations of 0.5.

The strong sales velocity is expected to organically result in further Walmart store increases, and the Company looks forward to providing an update regarding Healthy Heights® being stocked in a greater number of the total 3,500 North American Walmart stores.

To further expand the Healthy Heights® footprint in the US, during the Quarter NGS completed the onboarding with CVS Pharmacy alternative formats and iHerb, with products to become available in both retailers from Q1 2024. NGS looks forward to confirming the store numbers for CVS and continues discussions with other leading US retailers, with the aim of further expanding the Company’s US footprint.

Sales through Amazon and the NGS webstore continued to contribute to the majority of revenue, as the Company continued to optimize both platforms and its digital marketing strategy, with iHerb expected to drive further online awareness for Healthy Heights® products.

Cash receipts for the September quarter grew 2% from the previous quarter, with the Company continuing to achieve steady quarterly revenue growth to date. NGS also reduced staff costs for the September quarter by 29% from the previous June quarter.

Aligning with the Company’s strategic restructure to reduce costs and streamline operations, the Company appointed Rob Valerio as a fractional CFO based in the US.

I would like to thank shareholders for their ongoing support to date we look forward to an exciting Quarter and 2024 for NGS.”

NGS to be Cash Flow Positive by Q1 2024

NGS is pleased to update shareholders that the Company's global business will be cash flow neutral or positive by Q1 2024. With the aim of achieving a cash flow positive business, NGS has pursued the strategy of reducing costs to streamline operations, whilst maintaining cash receipts and concurrently laying the foundation for further revenue increases in 2024 and beyond.

NGS' operating costs have dropped significantly since making the changes last March. Most of the savings will be seen in future months, but the company is trending in the right direction and expects to see an average of approximately \$300K in gross monthly burn going forward.

NGS Business Operations Unaffected by Israel Conflict

The Board of NGS wishes to reiterate that the Company's business operations and distribution channels are unaffected by the current conflict in Israel and the middle east.

Shareholders and investors should note that the Company's headquarters are located in the US, with North America representing the major growth market and revenue generator. NGS CEO, Steve Turner, and the NGS marketing and operations team are located in San Diego, with the Board of Directors based in Australia.

The Company's shares are listed on the Australian Securities Exchange and although the original Healthy Heights[®] products were developed by the Schneider Children's Medical Centre in Israel, the NGS product development pipeline and supply chain is not affected, with the Company continuing to work on the development of new products from its US headquarters. NGS's intellectual property is not impacted by the situation.

The Board and Management of NGS sends their condolences to those affected in the middle east.

Consistent Growth in Cash Receipts

For the Quarter, NGS realized cash receipts of US\$760k (approx. A\$1.2m³) a 2% increase compared to June 2023 quarter of US\$745k (approx. A\$1.1m⁴).

Cash receipts for the September quarter are usually lighter compared to typical seasonal peaks, with the North American back to school peak taking place in late July and early August.

Historically the Company has seen sales soften just after the back-to-school promotions and prior to the holiday sales in November around Black-Friday and Cyber-Monday, the sales events that occur following the US Thanksgiving holiday. In addition to the seasonal promotions, NGS has added incremental distribution with Walmart, following the launch of Happy Tummies, building on the current base sales. For these reasons, NGS expects to see further increases in sales for the months of November and December.

As shown below in Figures 1 and 2, NGS has achieved steady growth in quarterly cash

³ 1 USD = 1.58 AUD

⁴ 1 USD = 1.47 AUD at the time of June 2023 quarterly

receipts across both its global and US businesses to date.

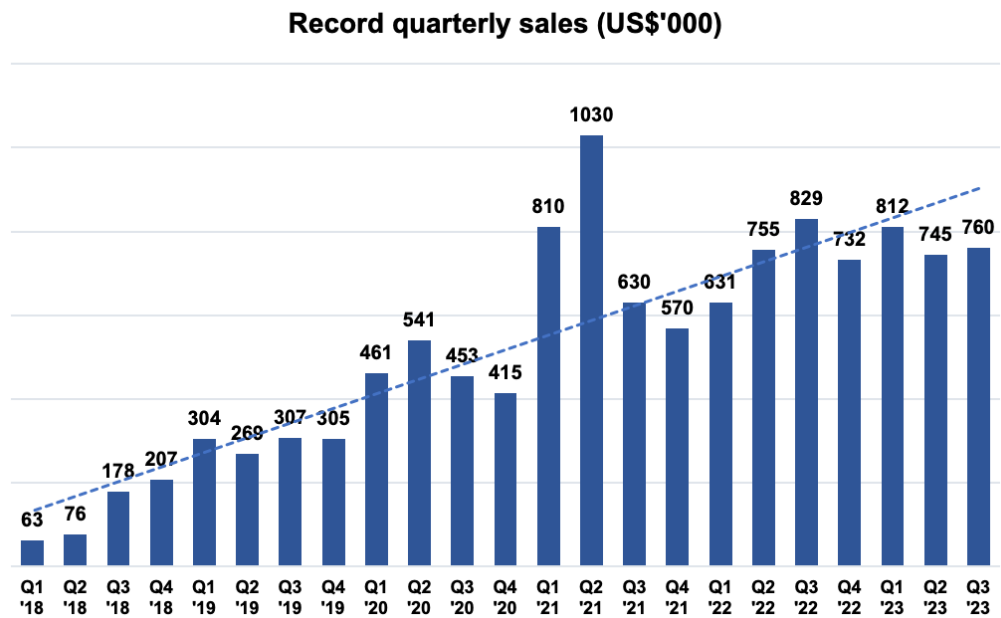


Figure 1 – NGS's global quarterly cash receipts to date showing steady growth

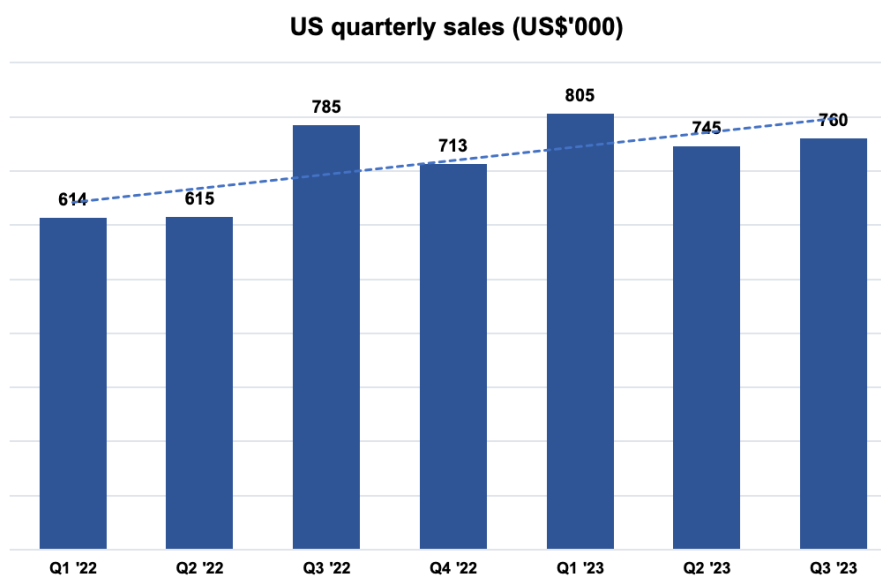


Figure 2 – NGS's quarterly cash receipts for US business showing steady growth

Continued Focus on the US Market and Building Sales Momentum through Walmart

During the Quarter, NGS maintained its focus on the US market and building momentum through leading US retailer Walmart.

NGS's strategy to increase revenues in the US is based on the following strategy:

Increase Sales Velocity Through Walmart (units sold per week) – via the continued execution of NGS' strategic and targeted North American marketing campaign.

Grow Number of Walmart Stores – Increased sales velocity will result in Healthy Heights® products being stocked in a greater number of the total 3,500 North American Walmart stores.

Expand Product Lines through Further Development – New NGS product Happy Tummies® stocked in 850 Walmart stores from September 2023, further increasing revenue, with NGS continuing to work with Walmart to identify further product development opportunities.

Increase US Retail Distribution – Gain further retail distribution in the US with additional retailers seeking to leverage off Walmart's sales success. A clearly defined strategy for US expansion in 2023 and beyond.

Continued Support and Optimization on Amazon and E-Commerce platforms – Building on momentum gained with newer campaigns and content to build on growth in daily sales and reach. Provides a needed platform whilst NGS grows the retail channel.

During the Quarter, NGS continued to achieve several key milestone relating to successful execution of its growth strategy as outlined below.

Consistent Sales Velocity for the September Quarter

Sales velocity remained consistent for the September quarter, with average Sales Velocity (units sold per store per week) of 1.0 across all doors year to date, as the Sales Velocity for Healthy Heights® products continues to exceed the Sales Velocity of 0.5 expected by the Walmart category buyer by nearly 100%, with the Company aiming to continue to deliver further store increases and higher sales.

The consistent sales velocity compares favourably to the average sales velocity for the June 2023 quarter as it accounts for the increase in the number of Walmart stores stocking Kidz Protein® from 409 to 465 on 15 May 2023, as well as the initial sales of Happy Tummies® through 850 stores which commenced in September 2023. The Company expects sales velocity for Kidz Protein® to increase further as the additional 56 stores added in May gain sales and marketing momentum with the product and as NGS continues to execute on its North American marketing strategy.

This aligns with the Company's strategy of increasing sales velocity through the continued execution of NGS' strategic and targeted North American marketing campaign.

Happy Tummies® Successfully Launched in 850 Walmart stores

During the Quarter, NGS announced that its new product Happy Tummies® had successfully launched in 850 Walmart stores, an increase of 55 from the initial 795 Walmart stores that were allocated to stock the product, demonstrating Walmart's strong commitment and support for the Healthy Heights® brand.

As announced on 18 September 2023, Walmart initially confirmed it would stock NGS' new supplement Happy Tummies® in a minimum of 795 Walmart stores throughout the United States per the original modular award.

On 5 October 2023, the Company announced Walmart had increased its commitment by awarding NGS an additional 55 stores for the placement of Happy Tummies®, increasing the total to 850 stores. This milestone follows the initial performance of NGS's Kidz Protein® products in Walmart stores and the Company's participation in Walmart's exclusive "Open Call" event the previous year.

Happy Tummies® hit shelves in early September as part of the Week 32 Modular in department 40, which features over-the-counter (OTC) and Pharmacy items and serves as the designated area for Happy Tummies®. NGS received an initial order of 5,750 units, totaling US\$70,560, which exceeded initial expectations and indicated a strong market interest for the product.

Developed at the request of Walmart, Happy Tummies® is part of a newly updated set of products focusing on cleaner versions of supplements called "Cleaner Living", with Healthy Heights® identified as a priority brand to act as a leader in this transition at Walmart. The formulation for Happy Tummies® takes a cleaner approach in comparison to other fiber and probiotics products available on the market, and consists of a limited amount of ingredients, with all-natural sweeteners and no sugar.

NGS's new product Happy Tummies® being stocked in 795 Walmart stores aligns with NGS's strategy of growing the number of stores and expanding product lines.



Figure 3 – The new Healthy Heights® Happy Tummies® product

Further Increases Expected in the Number of Walmart Stores Stocking Healthy Heights®

NGS anticipates further increases in the number of stores stocking Healthy Heights® products following the ongoing strong performance with sales velocity continuing to exceed Walmart buyer expectations.

Walmart is currently reviewing the number of stores which stock Healthy Heights® products, with store increases for all product lines to come into effect in May 2024.

NGS looks forward to updating shareholders on the number of Walmart stores before the end of 2023.

The anticipated increase in the number of Walmart stores stocking Healthy Heights® products aligns with NGS's strategy of growing the number of stores stocking the products to a greater number of the total 3,500 North American Walmart stores.

Happy Tummies® - 850 Walmart Stores



Kidz Protein® - 465 Walmart Stores



**Figure 4 – Healthy Heights® products stocked by Walmart
and the number of stores for each.**

NGS Successfully Completes Onboarding with CVS

During the Reporting Period, the Company announced it had successfully completed the onboarding process with CVS Pharmacy-owned alternative formats, CVS Ymás and Navarro Discount Pharmacy stores, with products expected to be on shelves in Q1 CY2024.

CVS Pharmacy Alternative Formats includes approximately 1,500 stores, servicing the Hispanic community. CVS Ymás currently has 575 stores across FL, CA, TX, NY & NJ, and 22 stores in Puerto Rico. The CVS tailored offering stores also include the Navarro Discount Pharmacy with 32 stores in Florida and over 970 stores across the United States. These stores will stock two Healthy Heights® products, which will be set in a permanent planogram/modular at these stores, with the Company's products to be part of a multi-brand, combined "Power Wing" display, aimed to drive awareness, and focus on children's nutrition. NGS looks forward to confirming the final store count, while discussions regarding the configuration of the fixed display unit continue to be finalized.

As announced on 13 May 2023, NGS commenced the process of onboarding with CVS Pharmacy for two Healthy Heights® products to be set in permanent planogram/modular for these

stores, with the Company's products to be part of a multi-brand, combined "Power Wing" display, aimed to drive awareness and focus on children's nutrition.

The onboarding of CVS alternative formats aligns with the Company's growth strategy of increasing US retail distribution.

NGS Successfully Completes Onboarding with iHerb

In the Quarter, NGS completed the onboarding process with leading health and wellness eCommerce platform, iHerb, with Healthy Heights® products to be made available on iHerb's marketplace portals in Q4 CY2023. The initial order totalled approximately US\$10,000 consisting of three (3) cases of each item within the Healthy Heights® portfolio.

Sales performance will be closely monitored to set the expectation for sales velocity with future orders to be subsequently placed. NGS is forecasting substantial growth through this retailer with iHerb's strong focus on sales outside the US, mainly in Asian markets. The agreement with iHerb also incorporates performance bonuses designed to drive growth and increase annual sales targets.

The Company expects that the brand awareness gained through iHerb will have a positive effect on sales through Amazon and NGS' online web store.

iHerb is a leading health and wellness eCommerce platform, with a multi-billion dollar market presence across more than 185 countries and over 9.5 million active customers worldwide.

The onboarding of iHerb aligns with the Company's growth strategy of increasing US retail distribution.

Amazon and NGS Webstore Sales

During the Quarter, Amazon and NGS webstore sales continued to account for the majority of revenue, with NGS continuing to optimize its online stores and digital marketing strategy to drive further growth.

Revenues from sales on NGS's direct to consumer webstore are near-immediate and represent an important part of the Company's cash flow to support operations. The e-commerce channel enables a "digital shelf" and a forum for significantly more content, to drive awareness and consumer education of the brand. These important elements significantly contribute to NGS's ability to drive demand and enhance the overall awareness of the brand in the minds of consumers around the country. Another advantage of the e-commerce channels is the ability to split test and provide feedback in terms of the content which generates the highest engagement, enabling redeployment in support on other platforms or sales channels while building on daily sales and overall consumer reach.

Strategic Restructuring

29% Reduction in Staff Costs

NGS continued to execute on its strategic restructuring, with staff costs reduced by 29% for the

September quarter from the previous June quarter, whilst still maintaining strong cash receipts for the period. Reducing the cash burn, from operations, while maintaining sales is the key to these improvements and will enable the company to reach a cash neutral or cash positive operating position in the coming future months.

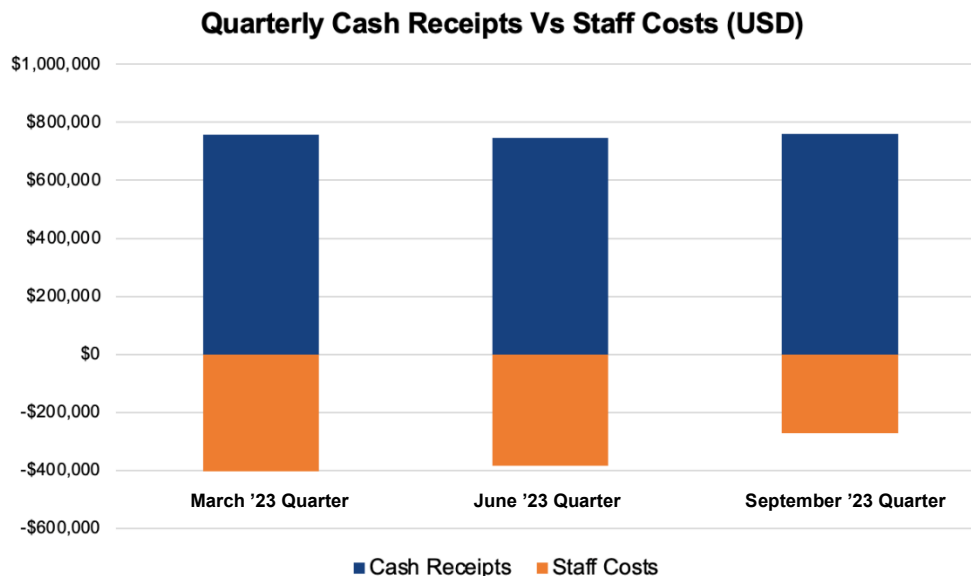


Figure 5 – Quarterly cash receipts vs staff costs for the past three quarters, showing a decrease in staff costs whilst maintaining cash receipts.

Board and Management Changes

During the Quarter, NGS appointed Rob Valerio as a fractional CFO based in the US, as part of its strategic restructuring efforts to streamline operations and build a stronger foundation.

Mr. Valerio joined NGS's accounting team in July 2019, and prior to this, he served as a fractional CFO for a diverse portfolio of corporate clients with annual sales ranging from \$1 million to \$15 million. Mr. Valerio holds a degree in Economics from the University of California San Diego. Subsequently, Yossi Nizhar stepped down from the role of acting CFO and the Company extends its gratitude for his contributions.

Financial Overview

The Company achieved quarterly customer collection of US\$760k, up 2% on Q1 FY22 (US\$745k).

Operating cash outflows of US\$1.216m for the Quarter included:

- US\$398k in advertising and marketing
- US\$14k in research and development;
- US\$336k in product manufacturing and operating costs (includes increased production and inventory build for Walmart launch);

- US\$272k in staff costs;
- US\$196k in other, general and administrative expenses.

It should be noted that inventory purchases during the June quarter included the product required for the launch of Healthy Tummies®, increased production to meet future demand among other inventory payments.

The Company's Cash Balance as of 30 September 2023 was US\$552k.

Payments made to related parties and their associates shown in the Appendix 4C of \$54,000 are as a result of the payment of Directors fees.

-ENDS-

This announcement has been authorised for release by the CEO and the Chairman of the Board of Directors of Nutritional Growth Solutions Ltd.

For Further information

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About Nutritional Growth Solutions

Nutritional Growth Solutions is a global nutritional health company focused on the well-being of children. NGS develops, produces and sells clinically tested nutritional supplement formulae for children following 20 years of medical research into pediatric nutrition at Schneider Children's Medical Centre, Israel's largest pediatric hospital. The nutritional supplements market has experienced tremendous growth in recent years, but most attention has been focused on adult users and children under three years of age. The three to twelve-year-old consumers represent a larger market opportunity and NGS is highly differentiated from its competitors with clinically tested products and an expanding product portfolio to capture this market opportunity.

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Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Nutritional Growth Solutions Ltd.

ABN

642 861 774

Quarter ended ("current quarter")

On 30/09/2023

Consolidated statement of cash flows	Current quarter \$US'000	Year to date (9 months) \$US'000
1. Cash flows from operating activities		
1.1 Receipts from customers	769	2,272
1.2 Payments for		
(a) research and development	(14)	(134)
(b) product manufacturing and operating costs	(336)	(1,024)
(c) advertising and marketing	(398)	(1,438)
(d) leased assets	-	-
(e) staff costs	(272)	(1,059)
(f) administration and corporate costs	(196)	(609)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(8)	(22)
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	(455)	(2,014)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	574	705
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	-	-
3.5	Proceeds from borrowings	275	561
3.6	Repayment of borrowings	(98)	(193)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	(19)
3.10	Net cash from / (used in) financing activities	751	1,054

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	265	1,521
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(455)	(2,014)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$US'000	Year to date (9 months) \$US'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	751	1,054
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	561	561

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 \$US'000	Previous quarter \$US'000
5.1	Bank balances	561	265
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)	561	265

6.	Payments to related parties of the entity and their associates	Current quarter \$US'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	54
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>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$US'000	Amount drawn at quarter end \$US'000
7.1	Loan facilities	368	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	368	-
7.5	Unused financing facilities available at quarter end		-
7.6	<p>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.</p> <p>In January 2023, two loans were received: A US\$ 200K loan from Amazon Lending for 12 months. Annual interest rate 9.49%. first 3-month interest only and then 9 equal monthly payments (Principal and Interest). The loan repayments are offset from the company's monthly sales deposits.</p> <p>A US\$ 86K loan from Shopify Capital for 10 months. Estimated costs as a yearly rate 15%. Repayments - a 0.17% of the daily sales amount of the Company is remitted to Shopify Capital until Shopify Capital has received the full agreed amount of US\$97K. In September 27, a loan of \$190K was received from Amazon and in September 29 a loan of \$84K was received from Shopify.</p>		

8.	Estimated cash available for future operating activities	\$US'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(455)
8.2	Cash and cash equivalents at quarter end (item 4.6)	561
8.3	Unused finance facilities available at quarter end (item 7.5)	
8.4	Total available funding (item 8.2 + item 8.3)	561
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.23
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	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?	
	Yes, we expect to have the current level of net operating cash flows	
8.6.2	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?	
	Yes, the entity is actively taking steps to raise additional funds and expects to be successful in order to continue operations.	

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

Yes, revenues generated from sales, growth on current activities and our ability to access capital from investors.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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 October 2023.....

Authorised by: ...Board of Directors.....
(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 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 standard applies 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.