

23 January 2025

FALCON METALS DECEMBER QUARTER ACTIVITIES REPORT

For the three-month period ended 31 December 2024

Mineral Sands (VIC)

- Reconnaissance roadside aircore (AC) drilling commenced in December 2024 exploring for potential additional Farrelly-style mineral sands deposits in the region
- QEMSCAN (Scanning Electron Microscope) analysis underway on bulk sample from the high-grade Farrelly Deposit, to evaluate minerals/elements in concentrates and potential deleterious elements, following up on the positive metallurgical characteristics indicated in the initial sighter tests
- Falcon continues to seek access to conduct further drilling at Farrelly to delineate the extent of the high-grade discovery

Pyramid Hill Gold Project (VIC)

- Gold exploration drilling underway including follow up on high priority targets at the Eddington, Karri, Pyramid Hill, Mead and Loddon Vale Prospects, generated from previous aircore drilling
- The regional target screening program also continues with wide-spaced aircore drilling

Errabiddy Gold Project (WA)

- Falcon has the right to earn up to a 70% interest from Errawarra Resources
- The project is located in the Errabiddy shear zone on the north-western margin of the Yilgarn Craton, a structural setting similar to the 5.4Moz¹ Tropicana Gold Mine
- The Olsen Well gold target, in the central part of the project, is a 3km long untested soil anomaly, with a peak soil value of 0.23g/t Au, that remains open along strike in both directions
- Falcon's recent 100% application adjacent to the earn-in ground expands the project area further east along the Errabiddy shear zone
- Initial phase of confirmatory soil sampling planned for Olsen Well in the first half of 2025 with drilling to follow

Mt Jackson Project (WA)

- Assay results received with no significant intercepts returned

Corporate

- Falcon remains well funded with \$9.9 million cash at the end of the quarter

¹ <https://www.anglogoldashanti.com/>

CORPORATE

Finance

During the quarter, Falcon Metals Ltd (ASX: FAL) (Falcon, the Company) spent \$1.08 million on operating activities, including:

- \$0.75 million on exploration and evaluation costs
- \$0.10 million on corporate costs and overheads
- \$0.23 million on staff costs

Falcon received \$0.13 million in interest on cash deposits. Net cash outflow from operating activities was \$0.95 million. Corporate costs, overheads and staff costs were in line with the previous quarter.

At the end of the December 2024 quarter, Falcon retained \$9.93 million in cash.

Capital Structure

At the end of the quarter, Falcon Metals had 177 million shares on issue and 15 million outstanding share options. During the quarter, 2.5 million share options were issued to directors following shareholder approval at the 2024 AGM, and 5.4 million pre-IPO share options issued to directors and management expired pursuant to the terms of the offer.

Annual General Meeting

The Annual General Meeting of the Company was held on 28 November 2024. All resolutions were passed by shareholder vote.

EXPLORATION

Victorian Mineral Sands Project (100% FAL)

Falcon has two permits totalling 1,333km² north-west of Bendigo in the prospective Murray Basin mineral sands province, host to several large projects at the advanced development stage. In early 2024, Falcon discovered the high-grade Farrelly mineral sands deposit, which shows favourable mineralogical and processing characteristics.

Regional Exploration

In May 2024, Falcon announced the discovery of the high-grade Farrelly Mineral Sands deposit (see ASX announcement released on 28 May 2024 "High-grade Mineral Sands Discovery"), 12km south of the town of Boort.

Falcon completed a review of its large tenement holding in this region of the prospective Murray Basin and planned a program of regional reconnaissance aircore drilling on roadsides on tenements EL006864 and EL007120, focused on the discovery of Farrelly-style mineral sands deposits. This drilling was completed in December 2024 with 57 holes drilled for 2,166m (see Figure 1). Results are anticipated in H1 2025 and follow up drilling will depend on results.

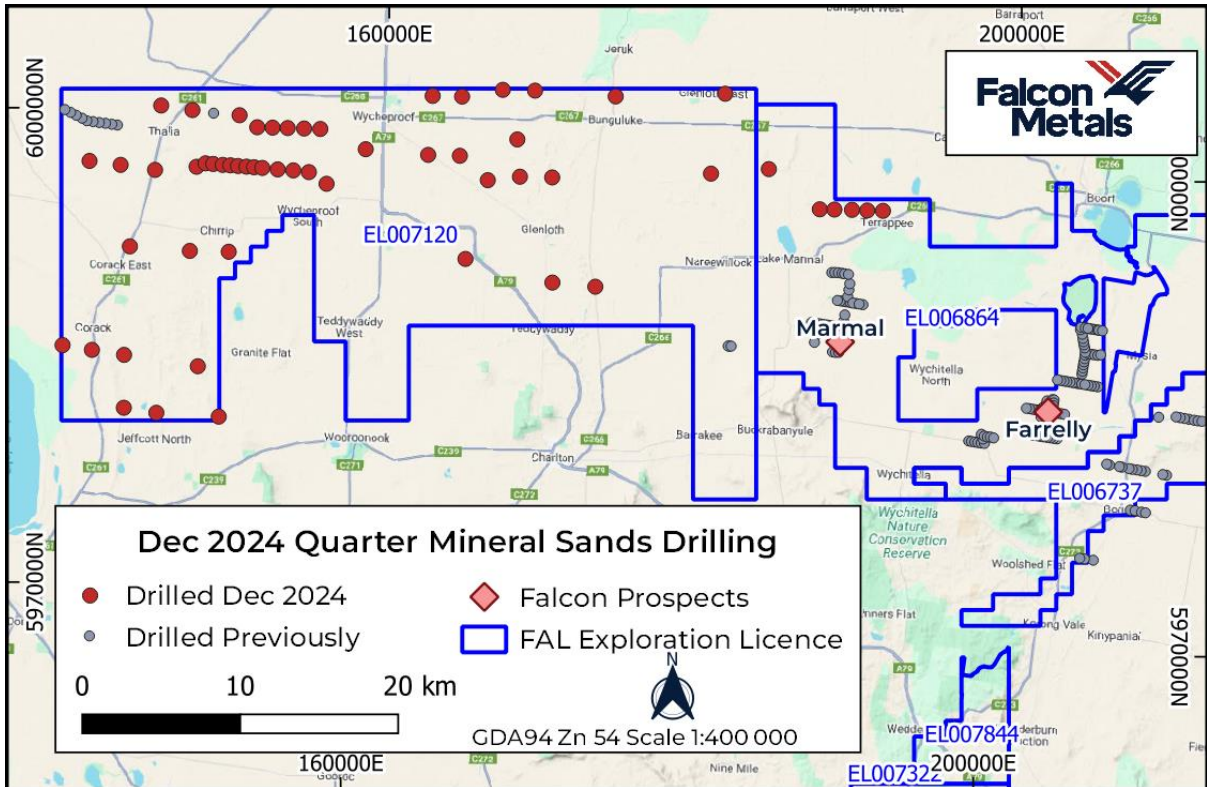


Figure 1 Location map of the regional reconnaissance mineral sands drilling on EL006864 and EL007120

Farrelly Update

Further mineralogical assessment including quantitative evaluation of minerals by scanning electron microscopy (QEMSCAN) is being undertaken on the concentrates produced from the preliminary metallurgical assessment announced in August 2024. The QEMSCAN analysis will provide more information on the mineral compositions, including any deleterious minerals and elements, which are important in determining saleability of potential products. This will include assessment of possible impurities like chrome and vanadium in the ilmenite, and thorium and uranium in the zircon. The QEMSCAN analysis will also test for the presence of xenotime, a mineral containing high levels of heavy REE, in the monazite concentrate.

A more comprehensive bulk test work program will be undertaken following the next phase of drilling. Falcon continues to seek access to conduct further low-impact exploration drilling on private land to test the extent of the high-grade discovery at the Farrelly Mineral Sands deposit.

Pyramid Hill Gold Project (100% FAL & Macorna JV)

Falcon has approximately 5,800km² of granted permits in Victoria, focused on undercover areas of the Bendigo Zone that is host to the high-grade historic >22 Moz Bendigo goldfield and the ~9 Moz Fosterville Gold Mine owned by Agnico Eagle (NYSE:AEM).

Gold follow-up drilling recommenced at Pyramid Hill during the quarter with three holes drilled for a total of 393 meters at the Loddon Vale Prospect. Priority targets for the current drill season include the Eddington, Loddon Vale, Pyramid Hill and Mead Prospects (see Figure 2 for the locations of the



key prospects). Falcon also intends to carry out further regional screening to generate new targets, in addition to a program of redrills at Ironbark and Pyramid Hill, where select holes in previous campaigns failed to reach target depth.

Gold drilling is expected to continue throughout Q1 2025, with all results expected in the first half of the year. Further drilling plans will be dependent on results.

The aim of the regional exploration program is to prioritise areas of higher potential for major mineral discoveries. Areas of lower prospectivity are in the process of being either partially or fully relinquished to focus the exploration efforts on the higher priority targets. Falcon also continues to apply for ground in new potentially high-priority areas as they are identified and become available.

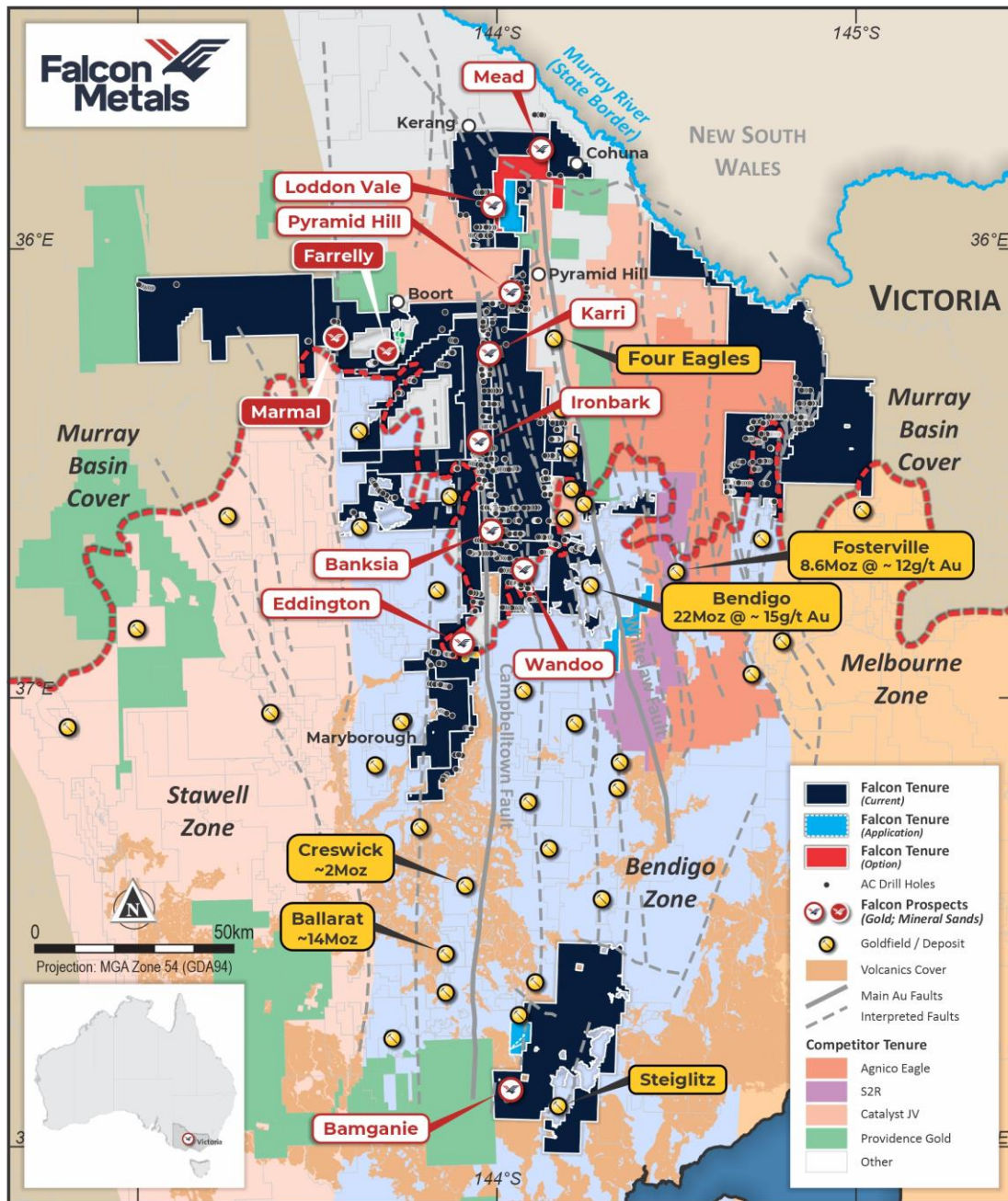


Figure 2 Pyramid Hill Gold Project



Errabiddy Gold Project (Earning up to 70% plus 100% owned application)

The Errabiddy Gold Project is a craton margin gold target, located 220km northwest of Meekatharra in Western Australia. Falcon is earning up to 70% of permit E09/2457 by spending \$2 million in 60 months in two stages. Falcon also has E09/2984, a 100%-owned application adjacent to E09/2457

During the quarter, Falcon entered into an Earn-in, Joint Venture and Mineral Rights Agreement with ASX-listed Errawarra Resources (ASX: ERW) (“Errawarra”), granting Falcon the right to earn up to a 70% interest in Exploration Licence E09/2457, covering all minerals excluding graphite (the “License”).

The 519km² license covers a 42km strike extent of the Errabiddy shear zone, located along the northern margin of the Yilgarn Craton, 220km northwest of Meekatharra (see Figure 3). Falcon has further increased the size of the ground holding in the project area with application E09/2984 covering an additional 102km² and extending coverage of the Errabiddy shear zone strike extent by 22km to the east. This new project is referred to as the Errabiddy Gold Project (see Figure 4).

Background of the Errabiddy Gold Project

The Errabiddy shear zone is a compelling Cratonic margin gold target. This shear zone demarcates the boundary between the Yilgarn Craton and the Glenburgh Terrane of the Capricorn Orogen. Cratonic margins are prospective for the formation of large gold deposits, including the Tropicana deposit that was discovered on the eastern margin of the Yilgarn Craton in 2005 through the follow up of a regional public domain gold-in-soil anomaly. Tropicana was the first world-class gold deposit discovered in high-grade metamorphic gneissic rocks in an Archaean terrane, not previously considered prospective for gold. Similarly, the 2.6Moz² Karlawinda Gold Project is another recently discovered gold deposit in a similar setting on the southern margin of the Pilbara Craton.

The Errabiddy shear zone contains known gold mineralisation, including the Big Sky Prospect, discovered less than 3km from the eastern boundary of E09/2984 by Lodestar Minerals in 2015³. The Glenburgh deposit, sold by Spartan Resources to Benz Mining in November 2024, is also considered to be a cratonic margin deposit. This is located 35km to the northeast of Olsen Well, with a current Resource of 16.3Mt @ 1.0g/t for 510,000 ounces⁴ of gold.

The Errabiddy Gold Project is considered highly prospective and remains underexplored with no exploration drilling for gold conducted within the project tenure.

Errawarra identified the Olsen Well target from a review of public domain Bulk Leach Extractable Gold (BLEG) stream sediment data that highlighted this area from the sampling conducted by Peregrine Gold Mining NL in 1994. Additionally, regional geochemical sampling by the Geological Survey of Western Australia, with a 4km spaced geochemical grid, detected a 6 ppb Au anomaly near Olsen Well.

² <https://capmetals.com.au/investor-centre/presentations> “Presentation Diggers & Dealers August 2024

³ ASX announcement: LSR 20 October 2015 “Extremely high-grade gold up to 105g/t in RC drilling at Big sky”

⁴ ASX announcement: BNZ 6 November 2024 “Benz to acquire WA gold projects from Spartan Resources”

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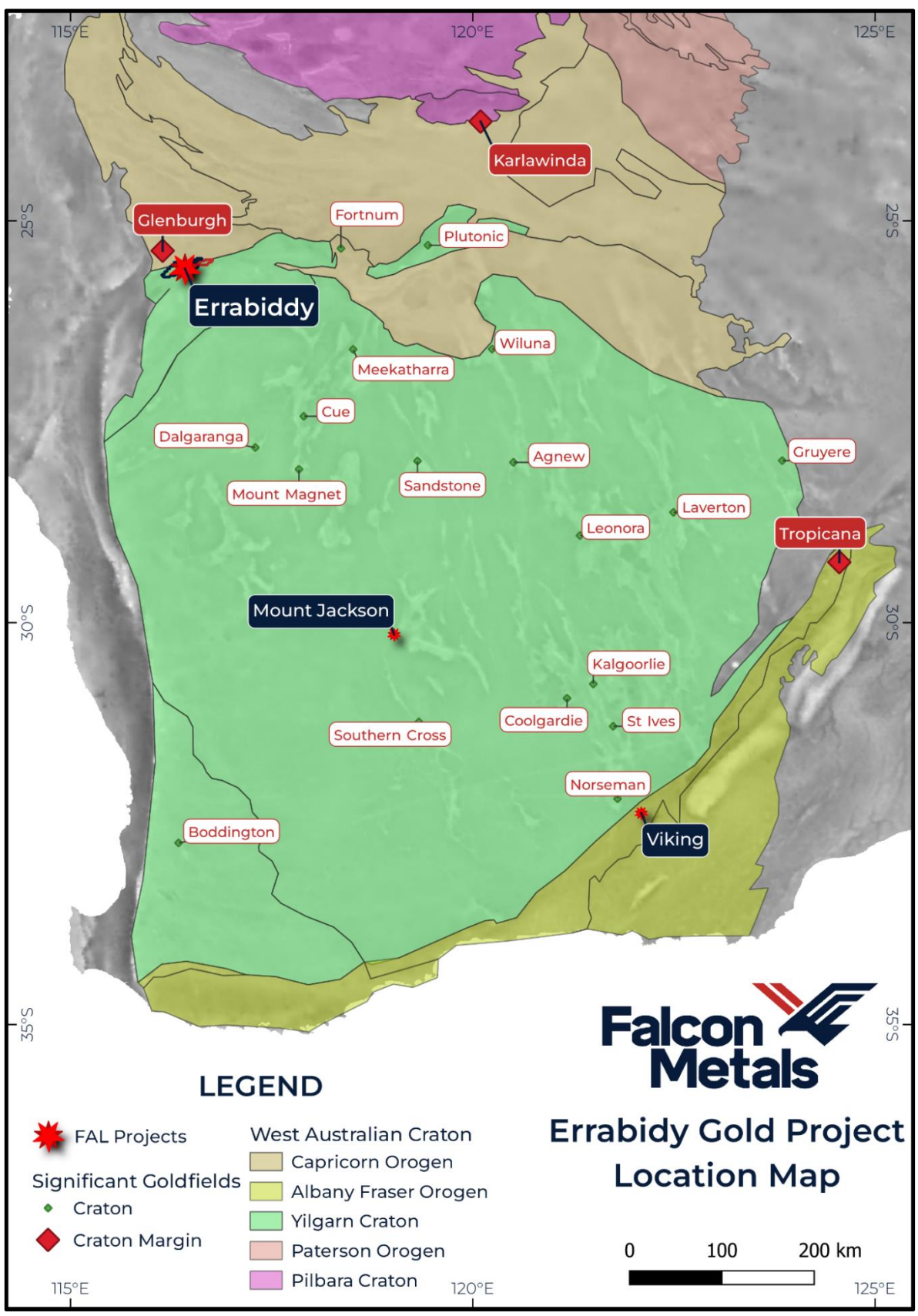


Figure 3 Location of the Errabiddy Gold Project in relation to the West Australian Craton

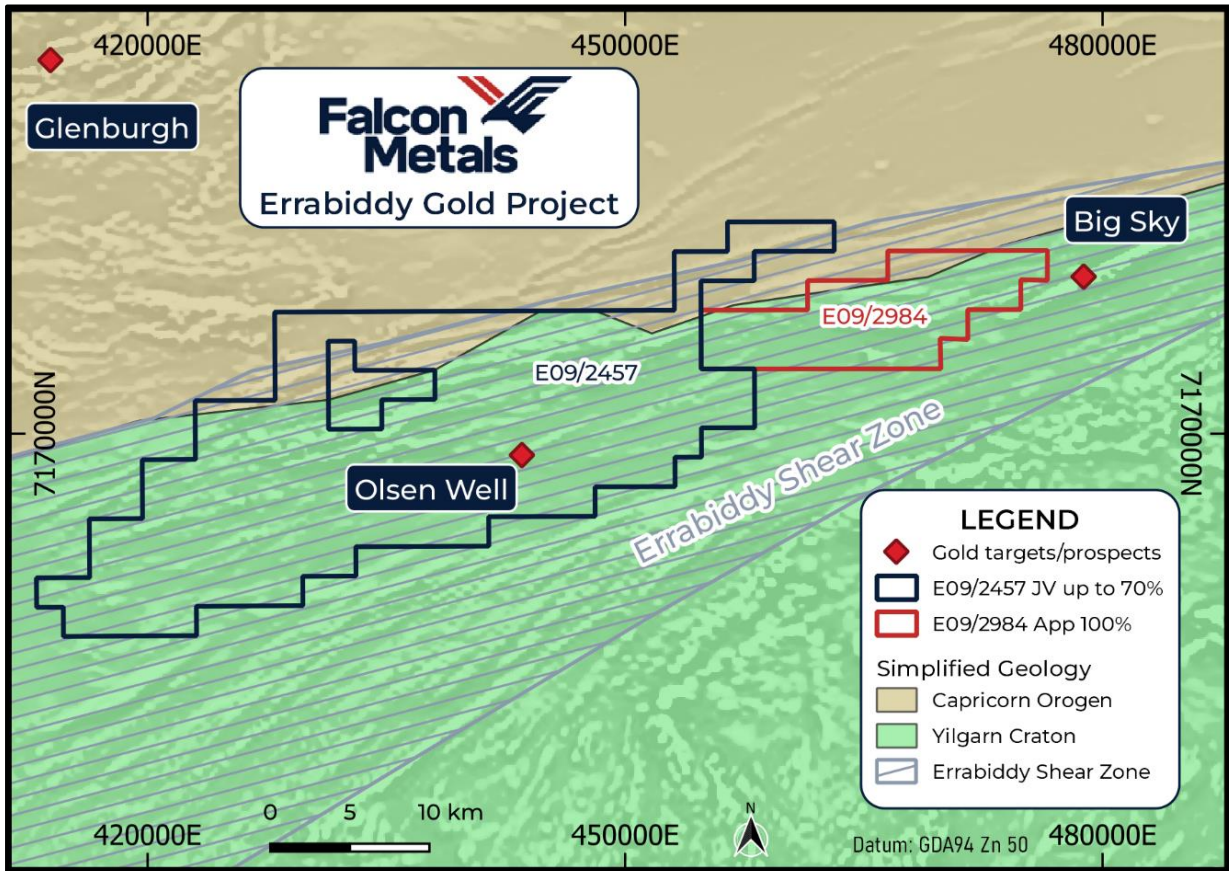


Figure 4 Errabiddy Gold Project tenements

In 2021, Errawarra completed a high-resolution aeromagnetic survey over E09/2457, consisting of 100m spaced flight lines over the entire tenement. An ultrafine soil sampling program over the Olsen Well target, undertaken in 2023, defined a 3km by 1km 10ppb gold anomaly with coincident arsenic and bismuth, with a peak gold value of 234ppb Au. This anomaly remains open along strike, with areas in similar structural and geological positions yet to be soil sampled (See Figure 5).

The agreement with Errawarra provides Falcon with the opportunity to test the compelling gold target already defined at Olsen Well and potentially generate new targets along strike on this prospective structure. The proposed initial work program will focus on confirmatory soil sampling at Olsen Well in the first half of 2025 and a potential drilling program to follow.

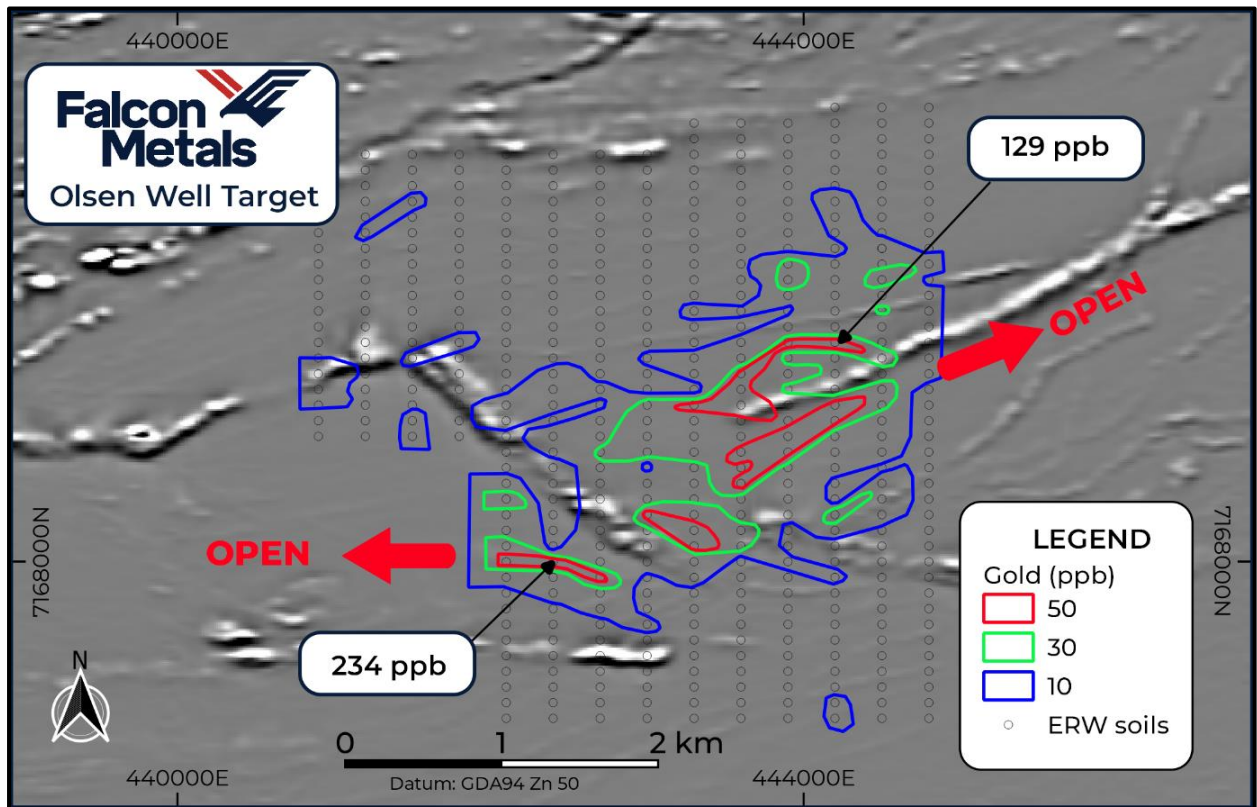


Figure 5 Soil anomaly at the Olsen Well Target on detailed magnetic image (second vertical derivative)

Agreement terms

- Falcon has the right to earn an interest up to 70% in the License from Errawarra by incurring the following staged expenditure:
 - **Stage 1:** \$750,000 in expenditure within 24 months to earn a 51% interest
 - **Stage 2:** \$1,250,000 in expenditure within 36 months from earning the Stage 1 interest to earn a further 19%
- Minimum expenditure commitment of \$200,000 prior to withdrawal, which includes \$80,000 in cash reimbursement to Errawarra for expenditure incurred to date
- Once the Stage 2 Earn-in has been achieved, contribution to the joint venture will be on a pro rata basis:
 - If a joint venture participant elects not to contribute its pro rata share of the approved program and budget, its interest will be diluted pursuant to the formula in the agreement
 - If Errawarra's interest dilutes to 10% or less, its interest will convert to a 2% NSR Royalty
 - Alternatively, once the Stage 2 Earn-in has been achieved, Errawarra has the option to elect to convert its percentage interest to a 2% NSR Royalty
 - Falcon has the right but not the obligation to purchase 50% of the NSR Royalty back for \$2,000,000
- Falcon has the right to withdraw from the agreement as long as the minimum expenditure commitment of \$200,000 is incurred

Mt Jackson (100% FAL)

The Mt Jackson project area is located at the northern end of the Southern Cross Belt where it converges with the Koolyanobbing Shear Zone. The Southern Cross Greenstone Belt has a prolonged mining history and hosts multiple significant gold deposits, including Marvel Loch (>1.5Moz).

During the quarter, all assays for the aircore drilling completed at Mt Jackson were received. The drilling was focused on gold and base metals soil anomalies generated from several phases of soil sampling. The aircore drilling results returned low-level anomalism considered of sufficient grade to explain these soil targets. Results from the aircore drilling are not considered significant and as such, no further work is planned at Mt Jackson at this stage.

Other Projects

Viking (E63/1963 – 51% Falcon, earning up to 70% & application E63/1994 - 100% Falcon)

The project is located approximately 30 km east of the regional township of Norseman within the high-grade metamorphic Albany-Fraser Province, host of the Tropicana Gold Mine operated by AngloGold Ashanti, that has produced over 3Moz since 2013.

There was no activity at the Viking Project during the quarter. Falcon and its joint venture partner are in the process of completing a strategic review of this project, including the potential for divestment.

Hawkstone (applications E04/2883 & E04/2284 – Stavelly Minerals earning up to 80%)

The Hawkstone Ni-Cu-Co Project is located in the emerging West Kimberley magmatic nickel province, along strike from IGO/Buxton's JV Merlin and Dogleg Ni-Cu discoveries.

There was no activity at the Hawkstone Project during the quarter.

ASX ADDITIONAL INFORMATION

As per ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure during the Quarter was \$0.75 million. Full details of exploration activity during the Quarter are set out in this report.

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

As per ASX Listing Rule 5.3.5: There were payments of \$0.13m consisting of director fees to related parties of the Company and their associates during the Quarter.

This announcement has been approved for release by the Board of Falcon Metals.

For more information, please contact:

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Media and Investor Queries
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Tenement Register

Project	Tenement Reference	Location	Interest at 1/10/2024	Acquired / Disposed	Interest at 31/12/2024	Registered Holder / Applicant [^]
Pyramid Hill	EL006738	VIC	100%		100%	Falcon Metals
	EL006943	VIC	100%		100%	Falcon Metals
	EL006661	VIC	100%		100%	Falcon Metals
	EL006669	VIC	100%		100%	Falcon Metals
	EL006737	VIC	100%		100%	Falcon Metals
	EL006864	VIC	100%		100%	Falcon Metals
	EL006898	VIC	100%		100%	Falcon Metals
	EL006901	VIC	100%		100%	Falcon Metals
	EL006960	VIC	100%		100%	Falcon Metals
	EL007120	VIC	100%		100%	Falcon Metals
	EL007040 [§]	VIC	100%		100%	Falcon Metals
	EL007200	VIC	100%		100%	Falcon Metals
	EL007320	VIC	100%		100%	Falcon Metals
	EL007322 [§]	VIC	100%		100%	Falcon Metals
	EL007656 [§]	VIC	100%		100%	Falcon Metals
	EL007838	VIC	100%		100%	Falcon Metals
	EL007839	VIC	100%		100%	Falcon Metals
	EL007840	VIC	100%		100%	Falcon Metals
	EL007844 [§]	VIC	100%		100%	Falcon Metals
	EL007845	VIC	100%		100%	Falcon Metals
	EL008084	VIC	100%		100%	Falcon Metals
	EL008302	VIC	100%		100%	Falcon Metals
	EL008303	VIC	100%		100%	Falcon Metals
	EL008360	VIC	100%		100%	Falcon Metals
	EL008447	VIC	100%		100%	Falcon Metals
	EL008486	VIC	-*		-*	Falcon Metals
	EL008505	VIC	-*		-*	Falcon Metals
EL008506	VIC	100%		100%	Falcon Metals	
EL008581	VIC	-		-*	Falcon Metals	
EL006549 ^{&}	VIC	-		-	PGM	
Mt Jackson	E77/2577	WA	100%		100%	Falcon Metals
	E77/2946	WA	100%		100%	Falcon Metals
	E77/3134	WA	-*		-*	Falcon Metals
Viking	E63/1963 [#]	WA	51%		51%	Falcon Metals
	E63/1994	WA	-*		-*	CGM (WA) [^]
Basin Edge	E04/2883 [@]	WA	-*		-*	Falcon Metals
	E04/2884 [@]	WA	-*		-*	Falcon Metals
Errabiddy	E09/2457 [^]	WA	-		-	Errawarra Resources
	E09/2984	WA	-		-*	Falcon Metals
Longford	EL8/2024	TAS	-*		-*	Falcon Metals

*Applications

[^] Tenements registered to CGM (WA) Pty Ltd have an executed deed of transfer to Falcon

[#] E63/1963 is subject to earn in agreement with Metals Hawk (MHK) whereby Falcon has earned 51% by spending \$1M and can earn further 19% by spending an additional \$1.75M

[&] EL006549 is subject to earn in agreement with Providence Gold and Minerals Pty Ltd (PGM) whereby Falcon can earn 100% by completing 50 aircore drill holes for a minimum aggregate meterage of 6,250m and a minimum combined 750m of drilling through bedrock

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@ E04/2883 and E04/2884 is subject to an earn-in agreement with Stavely Minerals Limited (SVY) whereby SVY has the right to earn an 80% interest in the tenements by spending \$0.5 million

⌘ E09/2457 is subject to an earn in agreement with Errawarra Resources (ERW) whereby Falcon can earn up to a 70% interest in two stages by spending a total of \$2 million

§ Tenement in the process of being relinquished/surrendered

Appendix 5B

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

Name of entity

FALCON METALS LTD

ABN

87 651 893 097

Quarter ended ("current quarter")

31 December 2024

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	(745)	(1,377)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(230)	(471)
	(e) administration and corporate costs	(97)	(195)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	133	278
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (listing/compliance costs, insurance, bank fees and legal)	(11)	(96)
1.9	Net cash from / (used in) operating activities	(950)	(1,861)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(7)	(15)
	(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 (security deposits paid)	-	10
2.6	Net cash from / (used in) investing activities	(7)	(5)
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	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(12)	(24)
3.10	Net cash from / (used in) financing activities	(12)	(24)
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	10,895	11,816
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(950)	(1,861)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(12)	(24)

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	9,926	9,926

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	9,926	9,926
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)	9,926	9,926

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	134
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.

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

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.	<div style="border: 1px solid black; padding: 5px; min-height: 100px;"> <p>N/A</p> </div>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(950)
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)	(950)
8.4 Cash and cash equivalents at quarter end (item 4.6)	9,926
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	9,926
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	10.4
<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?	
<p>Answer: N/A</p>	
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?	
<p>Answer: N/A</p>	

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

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

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.

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 January 2025

Authorised by: By the Board of Falcon Metals Ltd
(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.