

29 January 2021

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 DECEMBER 2020

The Board of European Lithium Limited (ASX: **EUR**, FRA: **PF8**, VSE: **ELI**) (the **Company**) is pleased to present its activities report and Appendix 5B for the three months ending 31 December 2020.

SUMMARY OF KEY UPDATES

- Subsequent to quarter end, placement to raise proceeds of approximately \$7 million (before expenses);
- EUR completes initial Tenement Application Compliance in respect to E47/4144 with the regulatory application process progressing in compliance with the WA Mining Act;
- COVID-19 pandemic and government enforced rules, related to international travel in particular, continues to impact operations and force EUR to observe closely any changes in government restrictions both in Austria and Australia;
- Company has continued operations in Austria but some restrictions have been reinforced, which reduced operational activities as reported for the previous periods;
- Tender process for the drill holes deeper than 300m has continued, numerous drilling contractors remain in lock down;
- Dorfner/Anzaplan lock cycle tests to recommence, the final report will be published once results are received and processed; and
- GREENPEG (EU-funded) supported infield and underground work has commenced.

CORPORATE MATTERS

Placement

Subsequent to the quarter end on, 19 January 2021, the Company announced that it had received commitments to raise A\$7 million (before expenses) through a placement to sophisticated investors at \$0.05 per share (**Placement**). Investors will also be issued one option (exercise price \$0.075, expiring 3 years from issue) for every two shares issued. Funds raised from the Placement will be used to continue exploration and development on the Company's Wolfsberg Lithium Project and WA tenement considered prospective for conglomerate gold and for working capital.

The Placement was completed and shares were issued on 28 January 2021.

Winance Financing Facility

The Company previously announced that it had secured a A\$10 million finance facility with Winance Investment LLC (**Winance**) (refer ASX Announcement 31 July 2019).

On 5 March 2020, the Company announced that it had agreed to draw down A\$2 million (2,000 convertible notes) under the Winance facility (**Tranche 2**).

During the quarter, Winance converted 200 convertible notes from Tranche 2. At 31 December 2020, there were 800 convertible notes remaining from the Tranche 2 drawdown.

Share Purchase Plan

On 23 September 2020, the Company offered all existing eligible investors the opportunity to subscribe for new shares at \$0.0475 per share up to a maximum of 631,579 shares (maximum of \$30,000) per investor, under a Share Purchase Plan (**SPP**). The SPP was capped at \$2 million, Funds raised under the SPP being used primarily towards exploration on E47/4144.

Subsequent to the quarter end, the SPP closed on 22 January 2021 and shares were issued on 28 January 2021.

NEX Exchange

During the quarter, the Company announced its intention to withdraw the Company's ordinary shares from trading on the AQSE Growth Market in the United Kingdom (**AQSE**). Trading of the Company's shares on AQSE ceased on 6 November 2020.

Corporate Advisor Mandate

During the quarter, the Company entered into a mandate with Empire Capital Pty Ltd to provide corporate advisory services to the Company (**Empire Mandate**).

Capital Movements

During the quarter, the Company issued the following securities:

- 9 October 2020 – 1,000,000 shares issued pursuant to the Empire Mandate and 106,383 shares issued for the conversion of debt into equity;
- 2 November 2022 – 20,634,199 unlisted options exercisable at \$0.05 each on or before 31 July 2022 (as approved at the Company's 2020 AGM held on 30 October 2020 in respect to resolutions 10, 11, 12, 17, 18 and 20); and
- 5 November 2020 – 5,000,000 shares issued to Winance upon the conversion of 200 convertible notes and 1,666,667 shares issued to Winance for the conversion of debt in relation to the Winance shortfall amount payable (refer to the 2019 and 2020 AGM notice of meeting for further details).

Appendix 5B Quarterly Report and Statement of Cash Flows

The ASX Appendix 5B quarterly report is attached to and lodged with this report. The Company's Appendix 5B Quarterly Report covers the 3-month period from 1 October 2020 to 31 December 2020.

Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled \$Nil. This amount is included at Item 6.1 of the Appendix 5B.

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

COVID-19

Q4/2020 continued to present a number of challenges for commodity markets due to the impact of the coronavirus pandemic. The situation remains highly uncertain with governments, companies and individuals required to follow recommendations to help in controlling the rate of infection at a global scale. Although circumstances have changed again during the quarter with re-strengthening of some restrictions, travel restrictions continue to impact the Company directly. The reinforcement of restrictions by the relevant government bodies has disturbed the Company's operational activities at its Wolfsberg Lithium project (**Wolfsberg Project**) in Q4/2020.

Drilling

In Q4/2020, the Company continued with the tender process for the drilling contractor and engaging relevant consultants to supervise the progress of these exploration activities. As some of these contractors are not based in Austria, the Company anticipates delays due to differing regulations and restrictions during the COVID-19 pandemic period. Due to the reinforcement of restrictions in Q4/2020 numerous contractors remain in lockdown and/or significantly reduced operational activities.

Definitive Feasibility Study (DFS)

The Company has identified the Phase 2 resource drilling program in Zone 1 as an essential part of the DFS. Based on the receipt of the decree in Q3/2020, authorising the deep hole drilling program in Zone 1, it will be prioritised once operational activities can recommence at the Wolfsberg Project.

The Company reported in Q4/2019 and Q1/2020 that Dorfner/Anzaplan completed the metallurgical test work to assess and optimize process lines, flowsheets and layouts. The results and scope of work have been reviewed and the remaining lock cycle tests to assess sufficiently the process to produce reliable results for the Lithium Hydroxide product were pending during Q2/2020. As advised in the Company's Q2/2020 report, Dorfner/Anzaplan were advised to recommence the lock cycle tests in Q3/2020. DRA, the consultant who coordinates the technical DFS work, is based outside the EU and became affected with severe restrictions during Q4/2020. Consequently, the metallurgic test work taking place at the pilot plant for the Wolfsberg Project at Dorfner/Anzaplan's testing facility in Hirschau, Germany, were impacted with completion and review, including the detailed technical report, being delayed.

Hydrogeology

The Company continues with its hydrogeology monitoring program.

All hydrogeological data continues to be stored and secured within the Company's database.

The preparation work by SRK, and the geological consultant, GEO Unterweissacher, continues to ensure in-hole hydrogeological test work has been completed appropriately and can continue in the future.

Data from the above activities is fed into a water measuring database from which an annual report is produced.

Environmental

No environmental work has been carried out in Q4/2020.

Monitoring of water flows and quality from the mine is continuous.

Product Marketing

The strategy for the Company remains unchanged and focuses on the supply of lithium hydroxide to the nascent lithium battery plants of Europe. The Company is in discussion with a number of industry players regarding future off-take contracts and good progress has already been made in the advanced discussions with potential off-take partners.

Horizon 2020

In Q4/2020, the Company's 100% owned subsidiary ECM Lithium AT GmbH (ECM) commenced work on the infield and underground geophysical survey program reporting required in respect to ECM's participation in the European Union funded Horizon 2020 - GREENPEG project.

The Company continued to work proactively in the already approved and funded Horizon 2020 LithRef programme.

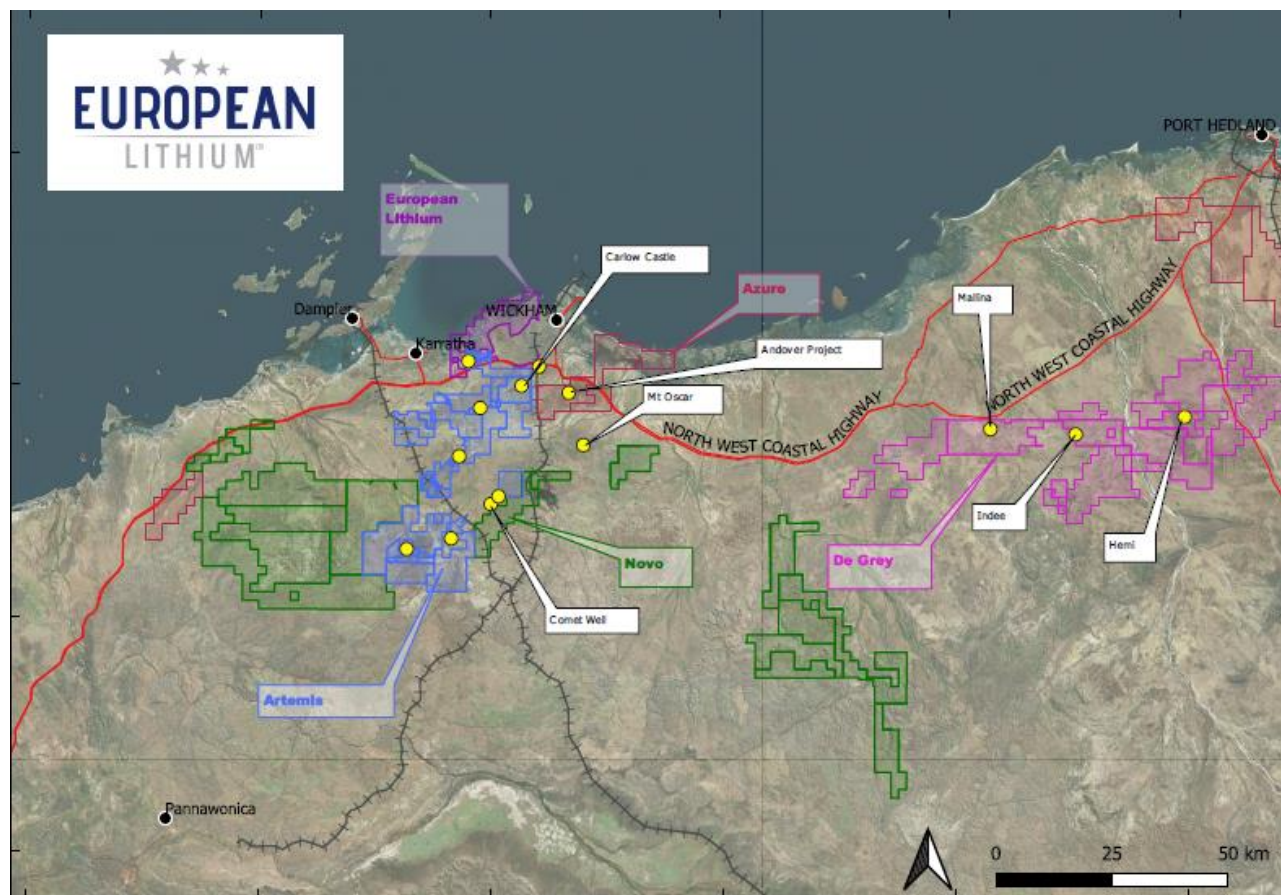
Continued participation shows the Company's abilities and eligibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

Australia

E47/4144

On 23 September 2020, the Company announced that it had secured tenement E47/4144 via ballot under the WA Mining Act.

During the quarter, the Company completed initial Tenement Application Compliance and confirmed that E47/4144 is progressing through the WA Mining Act regulatory application process. The Company will shortly complete the required heritage compliance to allow Native Title Notification to commence. The Company has engaged with stakeholders to negotiate access with respect to areas of existing or intended infrastructure.



After initial desktop analysis of government data and previous open file statutory reports, the Company has identified several areas of prospectivity within E47/4144 that continue from known gold occurrences in the immediate area.

Previous gold discoveries in the district, particularly in the Nickol River and Weerianna areas are both associated with the Regal formation, the Nickol River formation and the Roebourne Group which are comprised of a series of greenstone mafic/ultramafic volcanics intercalated at times with sedimentary units including various cherts, BIF, clastic sediments, conglomerates and carbonates. Some of these units have undergone some degree of contact and regional metamorphism. There has been significant structural deformation associated with the Shall shear zone and the Regal thrust as well as numerous related splays and faults. Epigenetic gold mineralisation is found in association with shearing and faulting often in contacts between units around the Regal thrust and splay shears in quartz veins within strongly sheared chlorite serpentine schists.

These geological settings occur within E47/4144 as extensions to two known mineralised locations in Weerianna and Nickol River. EUR is planning to target exploration along these trends specifically where they intersect structures such as shears in and around the Regal thrust or crests/troughs of folded units for possible reef style formations. In addition, potential for an extension to the Mt Anketell magnetite deposit exists crossing the south eastern corner of the tenure within the Cleaverville Formation (host to Mt Anketell to the north).

This announcement has been authorised for release to the ASX by the Board of the Company.

Tony Sage

Non-Executive Chairman

Competent Person's Statement

The information in this announcement pertaining to the Wolfsberg Lithium Project, and to which this statement is attached, relates to Project Development and Metallurgical Studies and is based on and fairly represents information and supporting documentation provided by the Company and its Consultants and summarized by Dietrich Wanke who is a Qualified Person and is a Member of the Australian Institution of Mining and Metallurgy (AusIMM) since 2006 with about 30 years' experience in the mining and resource development industry. Dietrich Wanke has sufficient experience, as to qualify as a Competent Person as defined in the 2012 edition of the "Australian Code for Reporting of Mineral Resources and Ore reserves". Dietrich Wanke consents to the inclusion in the report of the matters based on information in the form and context in which it appears. The company is reporting progress on project development and metallurgical results under the 2012 edition of the Australasian Code for the Reporting of Results, Minerals Resources and Ore reserves (JORC code 2012).

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Tenement Status

The mining tenements held at the end of the quarter, acquired and disposed of during the quarter and their location:

Tenement reference	Location	Acquired interest during the quarter	Disposed interest during the quarter	Interest at the end of the quarter
104/96	Wolfsberg Project, Austria	-	-	100%
105/96	Wolfsberg Project, Austria	-	-	100%
106/96	Wolfsberg Project, Austria	-	-	100%
107/96	Wolfsberg Project, Austria	-	-	100%
108/96	Wolfsberg Project, Austria	-	-	100%
109/96	Wolfsberg Project, Austria	-	-	100%
110/96	Wolfsberg Project, Austria	-	-	100%
111/96	Wolfsberg Project, Austria	-	-	100%
112/96	Wolfsberg Project, Austria	-	-	100%
113/96	Wolfsberg Project, Austria	-	-	100%
114/96	Wolfsberg Project, Austria	-	-	100%
115/96	Wolfsberg Project, Austria	-	-	100%
116/96	Wolfsberg Project, Austria	-	-	100%
117/96	Wolfsberg Project, Austria	-	-	100%
118/96	Wolfsberg Project, Austria	-	-	100%
119/96	Wolfsberg Project, Austria	-	-	100%
120/96	Wolfsberg Project, Austria	-	-	100%
121/96	Wolfsberg Project, Austria	-	-	100%
122/96	Wolfsberg Project, Austria	-	-	100%
123/96	Wolfsberg Project, Austria	-	-	100%
124/96	Wolfsberg Project, Austria	-	-	100%
125/96	Wolfsberg Project, Austria	-	-	100%
370/11(611/11)	Wolfsberg Project, Austria	-	-	100%
371/11(612/11)	Wolfsberg Project, Austria	-	-	100%
372/11(613/11)	Wolfsberg Project, Austria	-	-	100%
373/11(614/11)	Wolfsberg Project, Austria	-	-	100%
374/11(615/11)	Wolfsberg Project, Austria	-	-	100%
375/11(616/11)	Wolfsberg Project, Austria	-	-	100%
378/11(619/11)	Wolfsberg Project, Austria	-	-	100%
379/11(620/11)	Wolfsberg Project, Austria	-	-	100%
380/11(621/11)	Wolfsberg Project, Austria	-	-	100%
381/11(622/11)	Wolfsberg Project, Austria	-	-	100%
382/11(623/11)	Wolfsberg Project, Austria	-	-	100%
383/11(624/11)	Wolfsberg Project, Austria	-	-	100%
384/11(625/11)	Wolfsberg Project, Austria	-	-	100%
386/11(627/11)	Wolfsberg Project, Austria	-	-	100%
387/11(628/11)	Wolfsberg Project, Austria	-	-	100%

388/11(629/11)	Wolfsberg Project, Austria	-	-	100%
389/11(630/11)	Wolfsberg Project, Austria	-	-	100%
390/11(631/11)	Wolfsberg Project, Austria	-	-	100%
391/11(632/11)	Wolfsberg Project, Austria	-	-	100%
392/11(633/11)	Wolfsberg Project, Austria	-	-	100%
394/11(636/11)	Wolfsberg Project, Austria	-	-	100%
395/11(637/11)	Wolfsberg Project, Austria	-	-	100%
396/11(638/11)	Wolfsberg Project, Austria	-	-	100%
397/11(639/11)	Wolfsberg Project, Austria	-	-	100%
398/11(640/11)	Wolfsberg Project, Austria	-	-	100%
400/11(645/11)	Wolfsberg Project, Austria	-	-	100%
401/11(646/11)	Wolfsberg Project, Austria	-	-	100%
402/11(647/11)	Wolfsberg Project, Austria	-	-	100%
403/11(648/11)	Wolfsberg Project, Austria	-	-	100%
408/11(648/11)	Wolfsberg Project, Austria	-	-	100%
409/11(641/11)	Wolfsberg Project, Austria	-	-	100%
412/11(649/11)	Wolfsberg Project, Austria	-	-	100%
Andreas 1	Wolfsberg Project, Austria	-	-	100%
Andreas 2	Wolfsberg Project, Austria	-	-	100%
Andreas 3	Wolfsberg Project, Austria	-	-	100%
Andreas 4	Wolfsberg Project, Austria	-	-	100%
Andreas 5	Wolfsberg Project, Austria	-	-	100%
Andreas 6	Wolfsberg Project, Austria	-	-	100%
Andreas 7	Wolfsberg Project, Austria	-	-	100%
Andreas 8	Wolfsberg Project, Austria	-	-	100%
Andreas 9	Wolfsberg Project, Austria	-	-	100%
E47/4144 ^{1, 2}	Western Australia	-	-	-

¹ 100% owned by EUR and 50% beneficially held by EUR, with the remaining 50% held by Wombat Resources Ltd

² Application pending

Appendix 5B

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

Name of entity

European Lithium Limited

ABN

45 141 450 624

Quarter ended ("current quarter")

31 December 2020

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	(212)	(698)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(138)	(952)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	1
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (promotion and marketing expenses)	(16)	(133)
	Other (overseas listing fees)	(13)	(157)
	Other (arbitration costs)	-	(260)
1.9	Net cash from / (used in) operating activities	(378)	(2,199)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	-	-

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
	(f) other non-current assets	-	-
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	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,086
3.2	Proceeds from issue of convertible debt securities	-	1,000
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(123)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	(636)
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	-	2,327

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	799	301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(378)	(2,199)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,327

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	(11)	(19)
4.6	Cash and cash equivalents at end of period	410	410

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	410	799
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)	410	799

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	-
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.

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	10,000,000	4,000,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	10,000,000	4,000,000
7.5	Unused financing facilities available at quarter end		6,000,000
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>Winance Facility</p> <p>On 31 July 2019, the Company entered into a Convertible Note Agreement with Winance Investment LLC (Winance) of which A\$2.0m (2,000 convertible notes) was drawn down on 20 September 2019 (Tranche 1). As at 30 June 2020, there were nil convertible notes remaining from the Tranche 1 drawdown.</p> <p>The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four (24) months after the issue date. The conversion price for each convertible note is the lower of an 8% discount from the lowest VWAP over ten (10) days prior to the conversion date, provided that the conversion price shall not in any case be lower than \$0.04 (revised floor price).</p> <p>Refer to ASX announcement dated 31 July 2019 and notice of meeting dated 28 October 2019 for material terms and conditions.</p> <p>On 5 March 2020, the Company announced that it had agreed to draw down a further A\$2.0m (2,000 convertible notes) under the Winance facility (Tranche 2). As at 31 December 2020 there are 800 convertible notes remaining from the Tranche 2 drawdown.</p> <p>Further drawdowns of A\$6m are at the Company's election available in tranches of A\$1m each upon full conversion of the notes from the previous drawdown, subject to a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period and prior approval by EUR's shareholders.</p>		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(378)
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)	(378)
8.4 Cash and cash equivalents at quarter end (item 4.6)	410
8.5 Unused finance facilities available at quarter end (item 7.5)	-*
8.6 Total available funding (item 8.4 + item 8.5)	799
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.08
<p><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></p> <p>* As outlined above in section 7, further drawdown on the Winance facility is subject to full conversion of the notes from the previous drawdown. As at 31 December 2020, there were 800 convertible notes remaining from the Tranche 2 drawdown.</p>	
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>No. Expenditure in the current quarter reported under net cash used in operating activities is not representative of the Company's current level of net operating cash flows. Operating expenditure is expected to increase following the completion of the capital raise (as outlined below).</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>Yes. As announced on 28 January 2021, the Company has completed a share placement plan to raise funds up to A\$7m. In addition, the Company has successfully raised \$2m from the share purchase plan.</p>
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?	<p>Yes. The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern based on the following factors:</p> <ul style="list-style-type: none"> ▪ Raising additional funds (as outlined above) ▪ Continued support from external creditors allowing for the deferred payment of certain liabilities ▪ Continued support from current debt holders of the Company
<p><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></p>	

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: 29 January 2021.....

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 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.