

18 October 2021

01 July – 30 September 2021

# Q3 Report

## Highlights

- Completion of Senegal RSSD sale to Woodside and sale proceeds of US\$126 million received
- Drilling of Bambo-1 well, offshore The Gambia, expected to commence 13 November
- Capital return to shareholders of A\$0.80 per share completed, cash at end quarter US\$64.7M

## Projects update

### The Gambia

#### Blocks A2/A5 (FAR 50% WI and Operator)

Operational and logistics planning for the drilling of the Bambo-1 well in offshore Block A2 (see Figure 1) are well advanced and the IceMax drillship is scheduled to be in Las Palmas in late October to complete preparations and loading before mobilising to The Gambia. FAR has been advised that the spud date for the Bambo-1 well is planned for 13 November, 2021.

FAR contracted Exceed's wells management team in Aberdeen to assist with the planning and execution of the well.

All other major contracts for the Bambo-1 drilling project have been awarded, including the contract with Stena for the IceMax and with Schlumberger for bundled services. Contracts for marine support vessels and helicopter services have also been awarded. Most long-lead materials and supplies have been received and are now at several locations in readiness for the operational phase of the project. The shore base for the project is located at Dakar, Senegal, and is now fully operational and ready to support the upcoming drilling activities.

The well is designed to drill into a series of vertically stacked targets (Figure 2) with a combined estimated recoverable, prospective resource of 1,118 mmbbls (arithmetic sum of the Best Estimates, unrisks, 100% basis with 559 mmbbls net to FAR\*) as shown in Table 1 (Refer ASX releases dated 16 June and 21 September 2021).

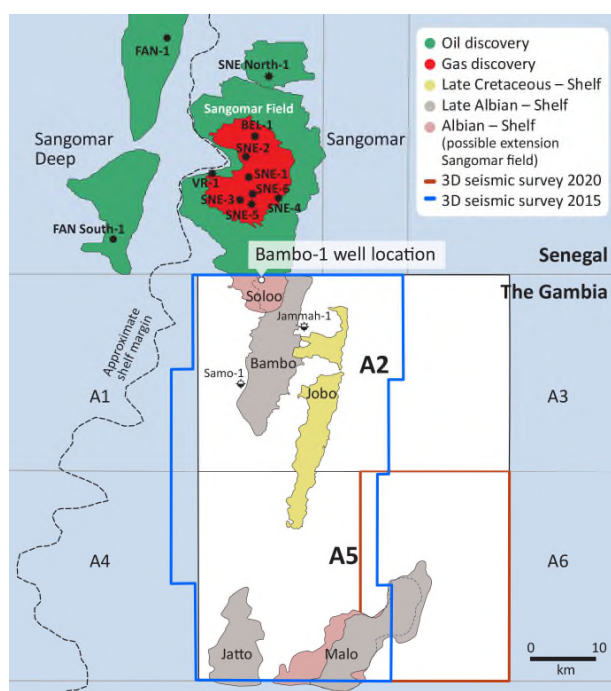


Figure 1: Location of FAR's Gambian blocks showing the Bambo-1 well location and the Sangomar Oil Field offshore Senegal.

\* Refer to Cautionary Statement in this report (page 8) relating to estimates of prospective resources

The targets are:

1. Bambo - A shallower reservoir not intersected during the Senegal campaign.
2. Soloo - The extension of the hydrocarbon-bearing reservoirs in the adjacent Sangomar Oil Field, Senegal.
3. Soloo Deep (S552 & S562) – two additional horizons, also not penetrated during the Senegal drilling campaigns. Soloo Deep has a lower chance of success but higher potential volumes.

Gambia Prospects	Reservoir	Block	Best Estimate (P50) *
			mmbbls
<b>Bambo</b>	<b>S390</b>	<b>A2</b>	<b>464</b>
	<b>S400</b>	<b>A2</b>	<b>75</b>
<b>Soloo</b>	<b>S410</b>	<b>A2</b>	<b>150</b>
	<b>S440</b>	<b>A2</b>	<b>51</b>
<b>Soloo Deep</b>	<b>S552</b>	<b>A2</b>	<b>238</b>
	<b>S562</b>	<b>A2</b>	<b>140</b>
<b>Bambo, Soloo, Soloo Deep (arithmetic sum)</b>		<b>A2</b>	<b>1,118</b>
Jobo	S172	A2/A5	280
Jatto	S176	A5	137
Malo	S480	A5	43
	S540	A5	222
<b>A2 &amp; A5 Prospective Resources</b>			<b>1,800</b>
<b>Prospective Resource net to FAR (arithmetic sum)</b>			<b>900</b>

Table 1: FAR's prospective resources for Blocks A2 & A5, offshore The Gambia

\*The estimated quantities of Petroleum that may potentially be recovered by the future application of a development project relate to undiscovered accumulations. These estimates have an associated risk of discovery and a further risk of development. Further exploration and appraisal is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Refer to the Cautionary Statement in this report (Page 8) relating to estimates of prospective and contingent resources.

The approved budget for the Bambo-1 well is US\$51M with US\$11.4M expended to date. At 50% working interest, FAR's share of the budgeted well cost is US\$25.5M with US\$19.8M yet to be spent. FAR's share of the well cost will be funded from cash at hand.

Outside well preparations for the drilling of the Bambo-1 well, FAR has completed success case planning in the event of a discovery. FAR is also continuing evaluation of the additional prospects in A2 and A5 (Jobo, Jatto and Malo) as well as reviewing opportunities for additional acreage in a success case. Success in the Bambo-1 well will high grade these other prospects for drilling in the future.

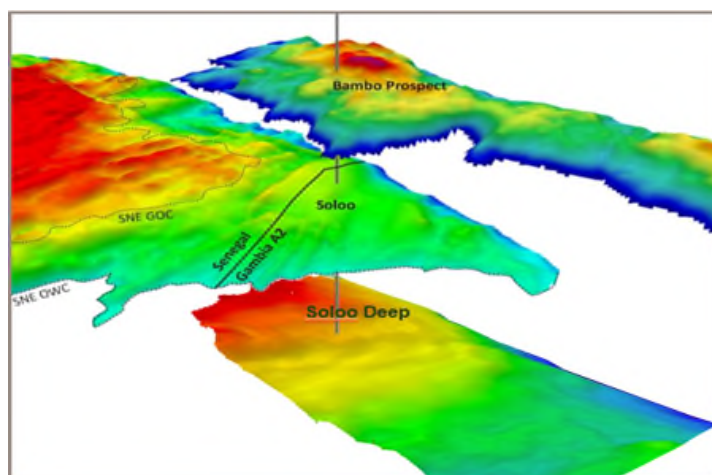


Figure 2: Vertically stacked targets at Bambo-1

## Senegal

### Rufisque, Sangomar and Sandomar Deep (FAR 0.0% Working Interest (WI))

On 19 January 2021 the FAR group executed a Sale and Purchase Agreement with Woodside in relation to FAR's Senegal RSSD asset.

Formal completion of the sale took place on 6 July in Senegal and monies were received by FAR in Australia on 7 July. As consideration for the sale Woodside has paid FAR US\$45 million and reimbursed FAR's share of working capital for the RSSD Project from 1 January 2020 of approximately US\$82 million, totalling US\$126 million (including deductions for interest charged on outstanding cash calls).

Following the completion of the sale to Woodside, FAR has no remaining interest in the RSSD licences offshore Senegal.

Pursuant to the Sale and Purchase Agreement with Woodside, future payments to FAR, up to US\$55 million, are contingent on future oil price and timing of first oil. First oil is targeted for 2023.

### Guinea-Bissau (FAR 21.43% WI)

The Sinapa (Block 2) and Esperança (Blocks 4A and 5A) licences in Guinea-Bissau have been extended for 3 years and are valid until 2 October 2023 during which time there is an obligation on the Joint Venture to drill an exploration well. FAR is working with the operator, PetroNor, to finalise the 2022 work program and budget for approval and finalisation by the middle of December. FAR remains open to farming down its interest prior to drilling a well.

PetroNor and FAR are undertaking a full review of a potential well location for the 2023 program with the Atum Prospect the key drill target (mapped to contain Best Estimate Prospective Resource of 471 mmbbls, gross, unrisks, 235 mmbbls net to FAR\*)

The Operator is also undertaking a review of the commerciality of the Sinapa discovery in the offshore shallow water. Sinapa contains 13.4 mmbbls of oil with 2.9 mmbbls net to FAR in 2C contingent resources (Best Estimate\*). In addition, there is an estimated 72 mmbbls of prospective resource in the West and East Sinapa Prospects that are able to be tied into a potential development at Sinapa (Best Estimate, unrisks, 15.4 mmbbls net to FAR\*).

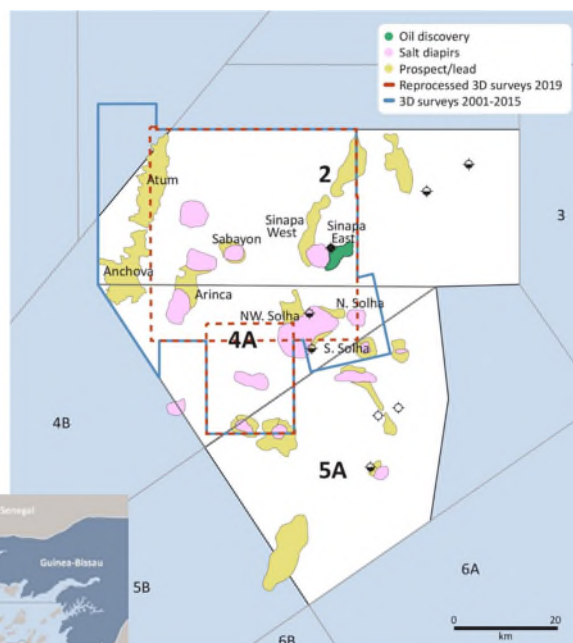


Figure 3: Location of exploration permits offshore Guinea-Bissau

\* Refer to disclaimer on Page 8.

### NW Shelf (Australia 100% WI and Operator)

Through its wholly owned subsidiary, Lightmark Enterprises Pty Ltd, FAR has a 100% interest in Petroleum Exploration Permit WA-458-P, which is in the prolific oil-producing Dampier Sub-basin along Australia's North West Shelf.

Divestment activities for some or all of FAR's interest in WA-458-P is ongoing. FAR has a "drill or drop" obligation on the licence in early 2023.

### Community and Social Projects

During the quarter, FAR, on behalf of The Gambian joint venture partners, continued works on the Ndemban Clinic which is being converted into a COVID-19 testing and treatment center. The project involves the repairs and refurbishment to several buildings and upgrades to the water supply system. The project is now mostly completed, and the clinic has been put into service. Finishing touches to the project will be completed in the next month.

## Corporate

On 1 July FAR announced the resignation of non-executive chairman, Nicholas Limb, and non-executive director, Reginald Nelson coincident with the appointment of Patrick O'Connor (non-executive chairman) and Robert Kaye SC (non-executive director) to the FAR board.

Early in the quarter the 1:100 share consolidation approved by shareholders at the Company's AGM was finalised. FAR now has 99,790,492 shares on issue.

FAR shares recommenced trading on the ASX on 23 July following the sale of the Senegal project. FARs shares had been suspended from trading since September 2020.

Following receipt of the RSSD sale funds on 7 July, the FAR board completed a capital management review, and, taking into account committed exploration costs and working capital requirements, determined that the surplus, being approximately A\$80M (at the rate of \$A0.80 per share), should be returned to shareholders by way of capital return. Shareholders approved the capital return at a General Meeting held on 15 September and payment was made on 28 September.

Following the end of the quarter, FAR announced on 13 October that the ATO had published a class ruling confirming that no part of the Capital Return will be assessable as a dividend. The Ruling also confirms that qualifying shareholders will be entitled to treat any resulting capital gain as a discount capital gain and that certain foreign resident Shareholders will be entitled to disregard any resulting capital gain or loss.

FAR's share of the forthcoming Bambo-1 well, contingency, success case options as well as expenditure on other assets and general administration costs will be funded from the remaining cash at hand. FAR estimates a year end cash balance of approximately US\$48M with approximately US\$6M of Bambo-1 well costs to be paid in Q1, 2022.

The Company has taken steps to reduce overheads and expects quarterly employment, administration and corporate costs going forward to average approximately US\$1.25M.

**Project Table**

Project	Permits	Activity	FAR paying Interest held	Beneficial interest	Operator
Senegal*	Rufisque, Sangomar and Sangomar Deep	Exploitation	0.00%	0.00%	Woodside Energy (Senegal) B.V.
		Exploration	0.00%	0.00%	
The Gambia	Blocks A2 and A5	Exploration	50.00%	50.00%	FAR
Guinea-Bissau	Blocks 2, 4A and 5A	Exploration	21.43%	21.43%	PetroNor
Australia	WA-458-P	Exploration	100.00%	100.00%	FAR

\* FAR disposed of its entire interest in the Senegal project on 6 July 2021

**Top 10 shareholders (12 October 2021)**

	Shareholder	Units	%
1.	CITICORP NOMINEES PTY LIMITED	28,209,698	28.27
2.	FARJOY PTY LTD	5,144,633	5.16
3.	JP MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,325,296	3.33
4.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,245,995	3.25
5.	CITY SECURITIES LTD	3,096,097	3.10
6.	CS FOURTH NOMINEES PTY LIMITED	2,916,126	2.92
7.	MORGAN STANLEY AUSTRALIA SECURITIES PTY LTD	2,444,937	2.45
8.	BNP PARIBAS NOMINEES PTY LTD	936,971	0.94
9.	NATIONAL NOMINEES LIMITED	902,783	0.90
10.	BNP PARIBAS NOMS PTY LTD	780,741	0.78
	<b>TOTAL</b>	<b>51,003,277</b>	<b>51.10</b>

## Additional Notes to Appendix 5B

Appendix 5B reference	ASX description reference	FAR commentary
1.2 (a)	Exploration and evaluation costs expensed	The FAR group accounts for the cost of exploring and evaluating discoveries under the successful efforts method. During the quarter, the company spent US\$1.32M on exploration and evaluation expenditure, including general permit activity, geological and geophysical costs and seismic processing, mainly relating to its Gambian and Guinea-Bissau projects.
1.2 (d)	Staff cost	During the quarter termination payments to Mr Woodall and Mr Thiessen were made, comprising payment in lieu of notice plus other statutory entitlements. No other termination benefits were provided.
1.2 (e)	Administration and corporate costs	Included in these costs are expenditures associated with operating the Company's office, ASX listing fees, insurances, costs associated with the Capital Return and share consolidation, software licences, audit, tax, legal and other administrative costs.
1.4	Interest received	FAR holds a significant portion of its cash in interest bearing accounts in order to optimise interest income. The amount of interest received varies each quarter based on the interest rate, the term held in the interest-bearing account and the maturity dates.
1.8	Other	Payments related to discontinued Senegal RSSD operations including the interest charged on outstanding cash calls to the Operator at the formal completion of the sale.
2.1 (d)	Exploration and evaluation capitalised	During the quarter FAR spent US\$1.08M on well planning and preparation activities for the Bambo-1 Well in The Gambia.
2.2 (d)	Investments – Senegal RSSD project	Formal completion of the Senegal RSSD sale took place on 6 July in Senegal and monies were received by FAR in Australia on 7 July. As consideration for the sale Woodside has paid FAR US\$45 million and reimbursed FAR's share of working capital for the RSSD Project from 1 January 2020, totalling US\$127.02M excluding interest charged on outstanding cash calls to the Operator.
3.9	Other – return of capital	Shareholders approved the capital return (at the rate of A\$0.80 per share) at a General Meeting held on 15 September 2021 and payment was made on 28 September 2021.
4.5	Effect of movement in exchange rates	The AUD weakened against the USD during the quarter which resulted in a foreign exchange translation adjustment on payment of the Capital Return and on the AUD cash held. This decreased the Company's USD equivalent cash holdings by US\$2.35M.
5.4	Other – Term deposits	Includes a term deposit of U\$0.215M (A\$0.297M) restricted cash and not readily available for use. This term deposit is held as security over the Company's corporate head office lease in the form of a bank guarantee. The remaining U\$55M is held as unrestricted term deposits and available for use on maturity.



6.1	Aggregate amount of payments to related parties and their associates	These costs include payments to Directors in respect to remuneration for the Managing Director, Executive Director (ED) and the Company's Non-Executive Directors (NED). During the quarter a termination payment was made to Executive Director Mr Woodall comprising payment in lieu of notice plus other statutory entitlements.
8.0	Future operating activities	For the upcoming quarter FAR forecasts US\$15.93M of exploration and evaluation expenditure (US\$14.15M relating to the drilling of the Bambo-1 Well), and US\$0.91M in corporate costs. In Q1 2022 US\$5.7M additional payments relating to the drilling of the Bambo 1 Well will be made.

This announcement has been approved for release by the FAR Board of Directors.

**For more information please contact:**

**FAR Limited**

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## Disclaimers

*The resources estimate presented in this report have been prepared by the Company in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System June 2018, approved by the Society of Petroleum Engineers and have been prepared using probabilistic and deterministic methods.*

**Prospective Resources** - *The Prospective Resource estimates presented in this report are prepared as at 16/6/21 and 21/9/2021 (Reference: FAR ASX releases of the same dates). Prospective Resources relate to undiscovered accumulations. The estimated resources represent those volumes which may potentially be recovered by the application of a future development project(s). These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The Best Estimates in each case represent that, in the case of a successful discovery, there is a 50% probability that the resource volume will be in excess of the amounts reported. The resource estimates are unrisks and have not been adjusted for the chance of discovery or chance of development. The 100% basis and net to FAR Prospective Resource estimates include Government share of production applicable under the Production Sharing Contract or License.*

**Competent Person Statement Information** - *The hydrocarbon resource estimates in this report have been compiled by Peter Nicholls, the FAR Limited exploration manager. Mr Nicholls has over 40 years of experience in petroleum geophysics and geology and is a member of the American Association of Petroleum Geology, the Society of Petroleum Engineers, and the Petroleum Exploration Society of Australia. Mr Nicholls consents to the inclusion of the information in this report relating to hydrocarbon Contingent and Prospective Resources in the form and context in which it appears. The Contingent and Prospective Resource estimates contained in this report are in accordance with the standard definitions set out by the Society of Petroleum Engineers, Petroleum Resource Management System.*

**Forward looking statements** - *This document may include forward looking statements. Forward looking statements include, are not necessarily limited to, statements concerning FAR's planned operation program and other statements that are not historic facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Although FAR Ltd believes its expectations reflected in these are reasonable, such statements involve risks and uncertainties, and no assurance can be given that actual results will be consistent with these forward-looking statements. The entity confirms that it is not aware of any new information or data that materially affects the information included in this announcement and that all material assumptions and technical parameters underpinning this announcement continue to apply and have not materially changed.*



## Appendix 5B

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

(Expressed in **United States dollars** unless otherwise stated)

**Name of entity**

FAR Ltd

**ABN**

41 009 117 293

**Quarter ended ("current quarter")**

30 September 2021

<b>Consolidated statement of cash flows</b>		<b>Current quarter US\$'000</b>	<b>Year to date (9 months) US\$'000</b>
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers	-	22	
1.2 Payments for			
(a) exploration & evaluation	(1,317)	(1,649)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(1,426)	(3,446)	
(e) administration and corporate costs	(1,047)	(1,373)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	31	34	
1.5 Interest and other costs of finance paid	(4)	(15)	
1.6 Income taxes paid	-	-	
1.7 Government grants and tax incentives	-	-	
1.8 Other – costs related to discontinued operations <sup>(i)</sup>	(616)	(18,942)	
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(4,379)</b>	<b>(25,369)</b>	

(i) Costs related to discontinued operations in investing and financing activities reported in the Appendix 5B lodged on 22 July 2021 have been reclassified to operating activities to agree with the half-year financial report ended 30 June 2021.

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

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(14)	(17)
	(d) exploration & evaluation	(1,078)	(2,714)
	(e) investments	-	-
	(f) oil and gas properties	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments – Senegal RSSD project	127,018	127,018
	(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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>125,926</b>	<b>124,287</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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 – return of capital	(57,698)	(57,698)
3.9	Other - payment of lease liabilities	(101)	(365)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(57,799)</b>	<b>(58,063)</b>

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

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,312	25,934
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(4,379)	(25,369)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	125,926	124,287
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(57,799)	(58,063)
4.5	Effect of movement in exchange rates on cash held	(2,345)	(2,704)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>64,715</b>	<b>64,715</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter US\$'000</b>	<b>Previous quarter US\$'000</b>
5.1	Bank balances	4,428	434
5.2	Call deposits	5,072	2,655
5.3	Bank overdrafts	-	-
5.4	Other – Term deposits	55,215	223
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>64,715</b>	<b>3,312</b>

(iii)

**6. Payments to related parties of the entity and their associates**

- 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

**Current quarter  
US\$'000**

611

-

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. <b>Financing facilities</b>		<b>Total facility amount at quarter end US\$'000</b>	<b>Amount drawn at quarter end US\$'000</b>
<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>			
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	-	-
7.5	<b>Unused financing facilities available at quarter end</b>		-
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. <b>Estimated cash available for future operating activities</b>	<b>US\$'000</b>
8.1 Net cash used in operating activities (Item 1.9)	(4,379)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(1,078)
Capitalised development expenditure for oil & gas properties (item 2.1(f))	-
8.3 Total relevant outgoings (Item 8.1 + item 8.2)	(5,457)
8.4 Cash and cash equivalents at quarter end (item 4.6)	64,715
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	64,715
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b> <b>*this is not reflective of forecast expenditure, for further details please see reference 8.0 of the Additional notes to Appendix 5B in the Activities Report</b>	11.86

*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.*

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:

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:

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:

*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: 18 October 2021

Authorised by: FAR Limited Board.....

(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.