



28 January 2022

December 2021 Quarterly Report

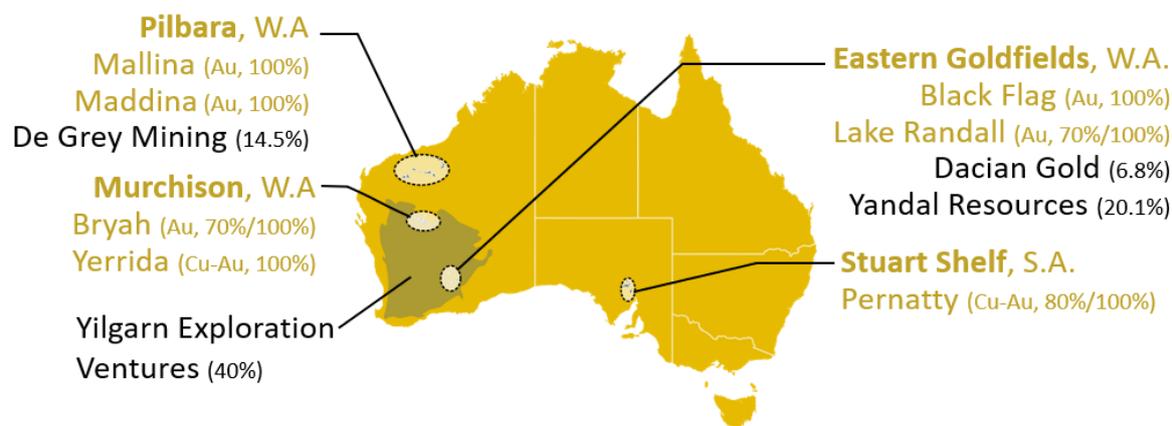
DGO focused on drilling at 4 strategic land holdings

DGO Gold Limited (ASX:DGO) is pleased to report on its December 2021 quarter activities. DGO continues to advance its objective of shareholder wealth creation through its brownfield and greenfield gold discovery strategy. This strategy gained momentum in 2021 with ongoing drilling activity at its brownfield investments, drilling activities at Pernatty SA and Yerrida, WA. The upcoming drilling will continue that momentum into 2022.

Highlights

- The next stage of drilling was completed at **Pernatty** testing for Zambian style copper mineralisation under cover. Wide spaced drilling defined a 15km long Transition Zone at Moseley with grades up to 4m @ 0.9% CuEq.
- Drilling at **Yerrida** testing the equivalent stratigraphic position to Sandfire Resources' DeGrussa copper-gold mine was completed and the geological data generated by drilling was evaluated.
- DGO activities in the March quarter will focus on drilling at Bryah, Yerrida, Lake Randall and a detailed gravity survey at Pernatty.
- DGO has a 14.5% interest in **De Grey Mining (ASX: DEG)**. DEG have 10 drilling rigs operating and reported the results of a Scoping Study on the 9Moz Mallina Gold Project resource in WA's Pilbara during the quarter. The market value of DGO's holding at January 27, 2022 was \$237 million.
- DGO participated in **Yandal Resources Limited's (ASX: YRL)** rights issue during the quarter, increasing its investment to 20.1% of issued capital and is the largest shareholder. YRL reported excellent results for a number of prospects during the quarter and three drill rigs will be operating this quarter. The market value of DGO's holding at January 27, 2022 was \$8.4 million.
- DGO has a 6.6% interest in **Dacian Gold (ASX: DCN)** with options to 8.7%. During the quarter DCN announced significant exploration results below the current resources at Jupiter. DGO participated in a \$20 million capital raise to accelerate exploration at Mt Morgans. The market value of DGO's holding at January 27, 2022 was \$13 million.

DGO Discovery Activity



Greenfield Discovery

Pernatty, Stuart Shelf, SA (DGO 100%)

The Stuart Shelf contains BHP's world class Olympic Dam copper-gold-uranium mine, and a number of other major copper-gold deposits including Oz Minerals' Prominent Hill and Carrapateena operations. DGO's 5,571km² landholding on the Stuart Shelf is a significant position adjacent to BHP, FMG, and OZ Minerals. The Stuart Shelf hosts Zambian Copper Belt style sediment copper and Olympic Dam style iron oxide copper-gold (IOCG).

DGO's earlier drill program confirmed the presence of Zambian style copper mineralisation under cover on the Stuart Shelf. Results from the proof-of-concept drilling at Moseley included 4m @ 0.8% CuEq (0.41% Cu and 0.04% Co) from 73m.

During the quarter DGO completed a further 6,340m program of reverse circulation (RC) drilling to test for Zambian Copper Belt (ZCB) style sediment hosted copper under shallow cover at Moseley. Drilling on wide spaced (+1km) lines defined a 15km long Transition Zone at Moseley. The best intersections from the program include:

4m @ 0.9% CuEq from 76m (0.57% Cu and 242ppm Co)

4m @ 0.7% CuEq from 172m (0.28% Cu and 326ppm Co)

A review of the IOCG potential of Pernatty has also generated a number of targets within DGO's land position at Pernatty. Targets with similar geophysical signatures to Carrapateena style hematite dominant systems at depths that can be tested by RC drilling have been prioritised. A detailed gravity survey over three priority targets is planned to commence in the March quarter

DGO continued to progress land access approvals for a drilling program on its 100% owned tenements during the quarter. The negotiated Native Title Mining Agreement with Kokatha Aboriginal Corporation awaits approval by the Kokatha Board and the common law holders.

Refer to DGO's ASX announcement on 17 December 2021.

Bryah, Murchison, WA (DGO 70-100%)

Bryah is located 95km southwest of Sandfire Resources' DeGrussa copper-gold mine (0.65Mt Cu & 0.74Moz Au, ASX:SFR 4/03/2011), 70km north of Meekatharra, and includes Judge's Find, an area of known gold nugget occurrences where surface mining for gold has occurred for some time. The source of this alluvial gold is unknown.

During the previous quarter DGO completed a maiden diamond drilling program of seven holes for 3,412m to test for both sediment-hosted and volcanogenic-hosted massive sulphide (VHMS) style copper-gold mineralisation on the basin margin.

Several horizons of intense quartz/carbonate veining were intersected, containing pyrite, minor chalcopyrite, and intense magnetite zoning including traces of galena and sphalerite, in a highly altered sequence of sediments, acid and mafic volcanics and dolomites.

Detailed analysis of the drill core and initial multi-element assays has been conducted by DGO's expert geological consultants Professor Ross Large AO and Dr Stuart Bull. Professor Large and Dr Bull have identified 3 distinct horizons (M1, M2, and M3) approximately 100m apart in the volcano-sedimentary stratigraphy with potential for hosting VHMS mineralisation immediately northwest of Judges' Find gold nugget field. When extrapolated to the surface and along strike these horizons intersect an AEM anomaly further north west. Laser ICPMS analyses completed on pyrite from the M3 horizon has identified a Pb isotope ratio ($^{207}\text{Pb}/^{206}\text{Pb}$) in the same range as in the DeGrussa VHMS deposit suggesting both systems share a common mineralising fluid source.

The AEM anomaly overlying the high potential VHMS horizons will be tested with drilling this quarter.

During the quarter DGO completed the acquisition of the Judge's Find tenements located on the southern boundary of the Company's Bryah tenements.

Refer to DGO's ASX announcement on 22 June 2021.

Yerrida, Murchison, WA (DGO 100%)

Yerrida is located in the Yerrida Basin, 75km south of Sandfire Resources' DeGrussa copper-gold mine (0.65Mt Cu & 0.74Moz Au, ASX:SFR 4/03/2011) and 60km northeast of Meekatharra, Western Australia. DGO's 4,574km² landholding is a substantial position second only to Sandfire Resources in the Yerrida-Bryah Basin. The Yerrida Basin is prospective for both DeGrussa style copper-gold mineralisation and stratiform sediment-hosted copper deposits analogous to the world-class Zambian Copper Belt.

DGO's exploration and detailed analysis has identified coincident electromagnetic, magnetic, and signature VHMS geochemical anomalies. These coincident anomalies are within a geological sequence of the right lithology, age, and structure for hosting DeGrussa style VHMS mineralisation.

During the quarter, DGO completed a reverse circulation (RC) and diamond drilling program at Yerrida testing the equivalent stratigraphic position to DeGrussa over a strike length of 10km. During the quarter 3,743m of diamond and 6,488m of RC was drilled and the geological data generated by drilling was evaluated.

Refer to DGO's ASX announcement on 22 July 2021.

Mallina, Pilbara, WA (DGO 100%)

DGO holds 281km² of prospective tenements adjoining De Grey's Mallina Gold Project. The Mallina Basin hosts substantial structurally controlled gold resources including the intrusion related gold at Hemi, 75km east-northeast of DGO's tenure.

Detailed analysis by DGO suggests that mineralisation at Hemi is associated with the Millindinna intrusives which are present in DGO's Mallina tenements. Broad spaced (400m x 160m) UltraFine soil sampling completed over the Millindinna intrusives has identified a series of gold-in-soil anomalies including a high priority gold and semi-coincident arsenic anomaly. Detailed reprocessing and interpretation of geophysical data has identified a series of targets coincident with the Millindinna intrusives and the soil anomalies.

During the quarter the Kurlarnunya Tjinapi, who are seeking to register a native title claim over an area containing three DGO tenements, provided a survey report clearing DGO to recommence drilling. Subject to weather conditions and rig availability it is expected that this program will commence in the next quarter.

Refer to DGO's ASX announcements on 27 May 2021 and 13 July 2021.

Lake Randall, Eastern Goldfields, W.A (DGO 70-100%)

DGO holds 230km² of untested, prospective terrain under shallow lake and transported sediment cover 50km east of Kambalda and 7km south of Silverlake Resources' Mt Belches Mining Centre. The Lake Randall target was generated as a result of a comprehensive review for sediment hosted gold mineralisation in the Eastern Goldfields of Western Australia.

A ground gravity survey in late 2019 identified fourteen targets with potential to host granite-associated Granny Smith style, and banded iron formation-associated Mt Belches-style, gold mineralisation beneath the lake sediments.

Recent exploration by Lefroy Exploration (ASX:LEX) intersected 60m at 5.22g/t Au and 0.38% Cu from 112m to end of hole at Burns (ASX:LEX 23 February 2021), 15km west of DGO's Lake Randall. Mineralisation is associated with a large felsic intrusion which does not outcrop.

These results have led to DGO planning the drilling of intrusive-associated Granny Smith style targets at Lake Randall and an 18-hole air core drilling program will be conducted in the March quarter. Access terms are agreed and a heritage survey was completed in the December quarter with the native title holders.

Refer to DGO's ASX announcement on 28 January 2020.

Deleta, Eastern Goldfields, W.A (DGO 100%)

Interpretation of historical geochemical datasets has identified gold and arsenic soil anomalies associated with structures within the Deleta Greenstone Belt to the west of the Yamarna Belt. DGO is progressing heritage approvals in preparation for additional soil sampling and drilling programs to evaluate the under-explored Deleta targets.

Yilgarn Exploration Ventures Pty Ltd (DGO 40%)

During the quarter, an RC drilling program was completed at Balugundi, 20km east of Kalgoorlie to test the target generated by machine learning. Results are expected in the March quarter.

Brownfield Discovery

De Grey Mining Limited (DGO 14.5%)

DGO's investment in De Grey Mining Limited (De Grey) is 203.6 million De Grey shares or 14.5% of issued capital and DGO is De Grey's largest shareholder.

During the quarter De Grey announced the results of a scoping study for the 9Moz Mallina Gold Project. The study shows that a 10 year, 427,000 ounce per annum operation could be developed with a post-tax NPV₅ of \$2 billion (ASX:DEG 5 October 2021). These results continue to demonstrate that the Mallina Gold Project is a Tier 1 asset.

Significant extensional results at Hemi and regional exploration results were released during the quarter which highlight the potential for continued resource growth. These include:

- 63m @ 4.3g/t Au from 87m (Diucon, ASX:DEG 17 December 2021)
- 53.0m @ 5.8g/t Au from 315.0m (Eagle, ASX:DEG 10 December 2021)
- 5m @ 14.8g/t Au from 14m (Gillies, ASX:DEG 13 October 2021)
- 29m @ 5.4g/t Au from 80m (Withnell, ASX:DEG 13 October 2021)

De Grey raised \$125 million during the quarter through a placement in which DGO did not participate.

Yandal Resources Limited (DGO 20.1%)

During the quarter, DGO acquired an additional 3.3 million shares in Yandal Resources Limited (Yandal) through participation in a rights issue increasing DGO's shareholding to 23.4 million shares or 20.1% of issued capital. DGO is Yandal's largest shareholder.

Yandal continued to announce significant, high-grade results from a number of prospects including:

- Gordons Dam: 23m @ 1.2g/t Au from 52m (ASX:YRL 12 January 2022)
- Bradman: 11m @ 2.0g/t Au from 257m (ASX:YRL 1 December 2021)

The results from Star of Gordon are in a similar geological position to Kanowna Belle 20km to the south and DGO looks forward to seeing further results from this prospect.

Dacian Gold Limited (DGO 6.8%; Options to 8.7%)

During the quarter, DGO supported a \$20 million capital raise acquiring 10.2 million shares increasing DGO's shareholding to 74.3 million shares or 6.8% of issued capital with options to 8.7%.

Dacian announced significant exploration results below the current resources at Jupiter including:

- Heffernans: 215.2m @ 0.9g/t from 598.0m (ASX:DCN 21 December 2021)
- Ganymede: 44.5m @ 1.1g/t from 247.1m (ASX:DCN 25 October 2021)
- Doublejay: 202.6m @ 1.1g/t from 497.0m (ASX:DCN 18 January 2022)

DGO's investment in Dacian was driven by the significant exploration potential and these recent results support that view.

Corporate

As disclosed in the Cashflow Report (item 2.1(d)) DGO's exploration expenditure for the quarter was \$3.58M; and details of the exploration activities underlying this expenditure are as set out in the Activities Report. Cash as at 31 December 2021 was \$332,000. Payments to related parties and their associates for executive director and non-executive director fees, expense reimbursement and consultancy fees during the quarter totalled \$200,797, as set out in the Cashflow Report (item 6.1).

As announced on 13 July 2021, DGO established a \$15m secured loan facility with Bell Potter, to fund short term cash requirements and provide further flexibility for the business. DGO has strong confidence in its ability to fund future activities through realising its investments or further equity issuances. \$3m of the facility was drawn in the December quarter to fund purchases of additional shares in Yandal Resources Ltd and Dacian Gold Limited.

Commenting on the use of the debt facility, Executive Director Bruce Parncutt noted, "We are fortunate to have the backing of Bell Potter in the form of a competitively priced debt facility to provide flexibility for our funding decisions. With our share price at a considerable discount to the value of our listed assets and exploration portfolio, we preserve shareholder value by drawing on the debt facility." Executive Chairman, Eduard Eshuys said, "It's important that we continue the significant investment in our greenfields exploration in WA and SA. The encouraging results from our work in 2021 will be followed up in 2022 as we get closer to our discovery objective. DGO continues to focus on maximising shareholder value through our unique exposure to high quality brownfield gold assets and multiple high discovery opportunities in our greenfield asset portfolio. Managing the funding of our investment and exploration activities to optimise the outcome for our shareholders, is front of mind in our decision making."

As at 31 December 2021 the Company's holdings in DEG, DCN and YRL had a market value of \$270 million versus DGO's market capitalization of \$230 million. At the end of trading on 27 January 2022 the market value of DGO's listed investments was \$259 million compared to DGO's market capitalization of \$225 million.

As at 27 January 2022 the Company has 83,477,112 fully paid shares, 3,271,082 \$2.50 unlisted options, 505,000 \$4.50 unlisted options, 195,000 \$5.37 unlisted options, 1,000,000 Series C performance rights, 1,000,000 Series D performance rights, and 405,000 Series E performance rights on issue.

- ENDS -

This announcement is authorised for release by the Board of Directors.

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Competent person statement

*Exploration or technical information in this release has been prepared by **David Hamlyn**, who is the General Manager - Exploration of DGO Gold Limited and a Member of the Australasian Institute of Mining and Metallurgy. Mr Hamlyn has sufficient experience which is relevant to the style of mineralisation under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the JORC Code). Mr Hamlyn consents to the report being issued in the form and context in which it appears.*

Appendix I: Announcements during the quarter relating to exploration

Date	Title
17/12/2021	DGO: Pernatty Drilling Results
30/11/2021	AGM Presentation
30/11/2021	Chairmans Address to Shareholders
3/11/2021	YEV Drilling at Balagundi
29/10/2021	Quarterly Report and Appendix 5B

Appendix II: DGO Gold Tenement Holdings

Project	Location	Tenement Number	Interest at Beginning of Quarter	Interest at End of Quarter
Lake Randall	WA	E15/1573 ¹ E25/584	30 100	30 100
Black Flag	WA	E24/197, P24/4986-4992	100 100	100 100
Mallina	WA	E47/3327-3329 E47/4315, 4316	100 100	100 100
Maddina	WA	E45/5940 ² , E46/1397 ² E47/4557 – 4564 ² E45/5962, 6025 – 6028 ² E46/1401, 1402, 1405 ² E47/4577, 4578 ² E46/1425 ²	100 100 100 100 100 0	100 100 100 100 100 100
Tom Price	WA	E47/3898, 3900 ²	100	100
Bryah	WA	E51/1590 ⁴ E51/1729 E51/2045 ² M51/555 ⁶ , P51/3180 ⁶ G51/28 ⁶ , L51/84 ⁶	80 100 100 0 0	80 100 100 100 100
Yerrida	WA	E51/1725, 1726, 1730, E51/1748-1753, 1833, E51/1897, 1920, 1921 E51/1952, 2023 E51/2016 ⁴ E51/2040 – 2043 ³ E53/2163 - 2166 ³ E51/2060 ² E53/2183 ²	100 100 100 100 0 100 100 100 100	100 100 100 100 0 100 100 100 100
Deleta	WA	E38/3343, 3344, 3547	100	100
Pernatty Lagoon	SA	EL 6145, 6302, 6030, 6436 EL 6303, 6473, 6474, 6507 EL 6583, 6636, 6686 EL 6643, 6642, 6641 ⁵ EL 6640, 6402 ⁵ EL 5929 2021/00095 ²	100 100 100 0 0 100 100	100 100 100 0 0 100 100

¹ Farm-in and Joint Venture with Romardo Gold WA Pty Ltd – DGO earning up to 70%

² Tenement application – on grant 100% DGO

³ Tenements granted during the quarter

⁴ Farm-in and Joint Venture with TasEx Geological Services Pty Ltd – DGO earning 90%

⁵ Farm-in and Joint Venture with Investigator Resources Limited – DGO earning 80%

⁶ Acquired during the quarter

Appendix 5B

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

Name of entity

DGO Gold Ltd

ABN

96 124 562 849

Quarter ended ("current quarter")

31 December 2021

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		
(b) development		
(c) production		
(d) staff costs <i>(included in 1.2 (a),(e), 2.1(d))</i>		
(e) administration and corporate costs	(724)	(1,156)
1.3 Dividends received (see note 3)		
1.4 Interest received		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		
1.9 Net cash from / (used in) operating activities	(724)	(1,155)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements	(660)	(660)
(c) property, plant and equipment	(7)	(98)
(d) exploration & evaluation	(3,582)	(6,872)
(e) investments	(3,424)	(10,826)
(f) other non-current assets		

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		
2.6 Net cash from / (used in) investing activities	(7,673)	(18,456)

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	1,214	9,886
3.4 Transaction costs related to issues of equity securities or convertible debt securities		
3.5 Proceeds from borrowings	3,000	3,000
3.6 Repayment of borrowings		(24)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other	(6)	(6)
3.10 Net cash from / (used in) financing activities	4,208	12,857

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	4,521	7,086
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(724)	(1,155)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(7,673)	(18,456)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	4,208	12,857

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	332	332

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	332	4,521
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)	332	4,521

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	201
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0

Note: Payments to Related Parties relate to Director Fees, expense reimbursements and consultancy fees.

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	15,000	3,000
7.2	Credit standby arrangements		
7.3	Other (please specify)	100	47
7.4	Total financing facilities	15,100	3,047
7.5	Unused financing facilities available at quarter end		12,053
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.		
	Unsecured credit card from ANZ with a \$100,000 limit. Secured loan facility from Bell Potter with \$15,000,000 limit		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(724)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(3,582)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(4,306)
8.4 Cash and cash equivalents at quarter end (item 4.6)	332
8.5 Unused finance facilities available at quarter end (item 7.5)	12,053
8.6 Total available funding (item 8.4 + item 8.5)	12,385
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.88
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
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:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 28/01/2022

Authorised by: By the board

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.