

30 April 2021

QUARTERLY ACTIVITIES REPORT AND APPENDIX 5B FOR THE QUARTER ENDING 31 MARCH 2021

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 March 2021.

SUMMARY OF KEY UPDATES

- Placement to raise proceeds of \$7.05 million (before expenses);
- EUR continues stakeholder consultation in respect to Pilbara tenement E47/4144 and areas of existing or intended infrastructure;
- 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 in Europe, Austria specifically and Australia;
- Due to the Company's strict COVID safe rules and other mitigation measures, no COVID-19 incidents or cases were reported by staff and contractors since March 2020. The Company has continued operations in Austria despite rising incident numbers in the general public, COVID-19 rules have been tightened during Q1/2021 within the European Union;
- Tender process for the drill holes deeper than 300m was successful, despite numerous drilling contractors remain in lockdown, the Company mobilised the 1st drill rig and completed drilling of 3 holes at a total of ~900m;
- 2nd drill rig to be mobilised in Q2/2021 to fast-track the drilling program;
- Dorfner/Anzaplan has been reengaged and commenced locked cycle tests, final report will be published once results are received and processed; and
- GREENPEG (EU-funded) supported infield and underground work continues.

CORPORATE MATTERS

Placement

During the quarter, the Company issued 141m shares at an issue price of \$0.05 per share to raise cash proceeds of \$7.05m (before expenses) (**Placement**). Pursuant to the Placement, Investors were also issued one option (exercise price \$0.075, expiring 3 years from issue) for every two shares issued (**Options**). The Options were issued subsequent to quarter end following receipt of shareholder approval. 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.

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 500 convertible notes from Tranche 2. At 31 March 2021, there were 300 convertible notes remaining from the Tranche 2 drawdown.

Share Purchase Plan

On 23 September 2020, the Company offered 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.

During the quarter, the Company issued approximately 42m shares pursuant to the SPP. Funds raised under the SPP being used primarily towards exploration on E47/4144.

Capital Movements

During the quarter, the Company issued the following securities:

- 21 January 2021 – 926,111 shares issued upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022)
- 28 January 2021 – 138,100,000 shares issued pursuant to the Placement, 42,105,193 shares issued pursuant to the SPP, 194,444 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022), 12,500,000 shares issued to Winance upon the conversion of 500 convertible notes and 753,335 shares issued in satisfaction of debts of \$35,703 owed by the Company to unrelated third parties.
- 1 February 2021 – 2,900,000 shares issued pursuant to the Placement
- 5 February 2021 – 1,249,999 shares upon the exercise of unlisted options (\$0.05 each expiring 31 July 2022) and 600,000 shares issued in satisfaction of debts of \$30,000 owed by the Company CEO

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 January 2021 to 31 March 2021.

Exploration and evaluation expenditure during the quarter was \$380k, associated with the advancement of the Wolfsberg lithium project. In addition, administration and corporate expenditure during the quarter was \$755k which covered expenditure dating back to the prior quarter.

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 \$228k. This amount comprises Director fees dating back to September 2020 (\$142k) as well as payments to director-related entities for success fee in respect to capital raising costs (\$86k).

EXPLORATION AND DEVELOPMENT ACTIVITIES

Wolfsberg Lithium Project

COVID-19

Q1/2021 continued once more 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 further re-strengthening of restrictions, travel restrictions continue to impact the Company directly. Due to the continuously raising incident numbers of COVID-19, reducing this is a major KPI for European governments during the pandemic, the relevant public bodies have significantly tightened restrictions. This has disturbed the Company's operational activities at its Wolfsberg Lithium project (**Wolfsberg Project**) in Q1/2021. However, the Company is continuously addressing the changing circumstances with suitable measures including COVID safe rules and safe operating procedures and hasn't recorded any COVID-19 incidents or cases since the start of the pandemic in March 2020.

Drilling

In Q1/2021, the Company successfully completed the tender process for the drilling contractor. The 1st drill rig was mobilised and completed 3 drill holes at a total ~900m length. To fast track the drilling program, it is planned to mobilise a 2nd drilling rig in Q2/2021. All relevant consultants supervising the progress of these exploration activities have also commenced their work. As some of these contractors are not based in Austria, the Company took preventive measures in advance to avoid potential delays in Q1/2021 due to differing regulations and restrictions during the COVID-19 pandemic period. The Company is pleased to advise that contractors who were in lockdown, or who had significantly reduced operational activities, are now fully operational.

Definitive Feasibility Study (DFS)

The Company has commenced the Phase 2 resource drilling program in Zone 1 as an essential part of the DFS and has completed 3 drill holes with ore body penetration as expected.

The Company has engaged their DFS-team, based in Europe, South Africa and Canada covering geology, mining and scheduling, Ore concentration and metallurgy with conversion as well as structural design work, marketing, financial planning and scheduling covering future CAPEX and OPEX for the operations.

The Company reported in Q4/2020 that Dorfner/Anzaplan completed in 2020 the metallurgical test work to assess and optimise process lines, flowsheets and layouts. Dorfner/Anzaplan was reengaged in Q1/2021 to complete the remaining locked cycle tests to sufficiently assess the process to produce reliable results for the Lithium Hydroxide product. The Company is expecting to complete the DFS in a timely manner and as efficiently as possible. Although the Company has put strong measures in place to mitigate the risk of delays caused by the COVID-19 pandemic, unexpected delays may still occur that could impact the completion of the DFS.

Hydrogeology

The Company continues with its hydrogeology monitoring program and has integrated the data collection and interpretation into the DFS process.

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 Q1/2021.

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 Q1/2021, the Company's 100% owned subsidiary ECM Lithium AT GmbH (ECM) continued 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.

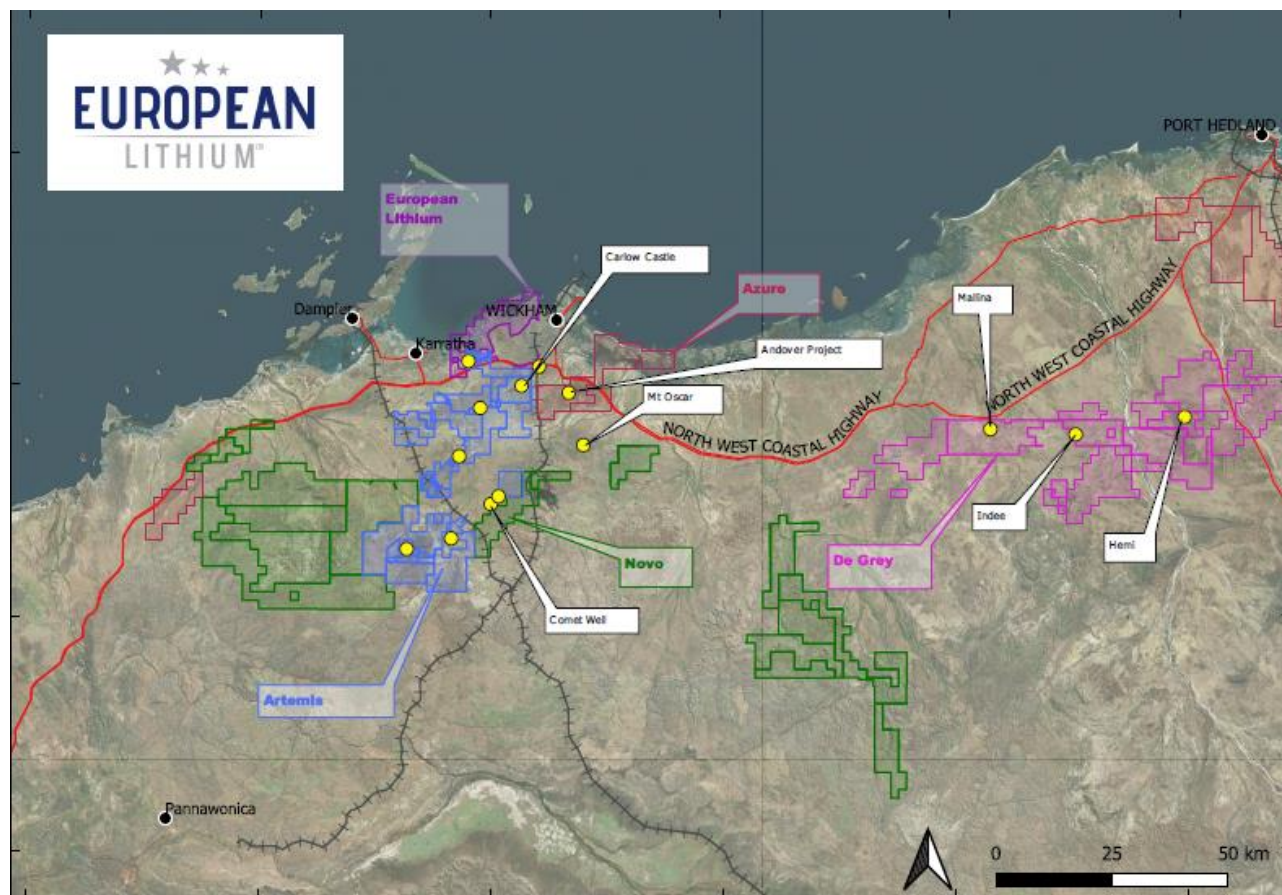
Continued participation shows the Company's abilities and eligibility to contribute with EU-level support to the sustainable supply of battery grade lithium, sourced and produced in Europe.

Australia

E47/4144

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

E47/4144 is progressing through the WA Mining Act regulatory application process and the Native Title Notification period has commenced. The Company is continuing discussions 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 Sholl 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).

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 March 2021

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(380)	(1,078)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	-	-
	(e) administration and corporate costs	(755)	(1,707)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	14	15
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)	(94)	(227)
	Other (overseas listing fees)	-	(157)
	Other (arbitration costs)	-	(260)
1.9	Net cash from / (used in) operating activities	(1,215)	(3,414)
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	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 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)	9,050	11,136
3.2	Proceeds from issue of convertible debt securities	-	1,000
3.3	Proceeds from exercise of options	119	119
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(565)	(688)
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	8,604	10,931

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	410	301
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,215)	(3,414)
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)	8,604	10,931

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(30)	(49)
4.6	Cash and cash equivalents at end of period	7,769	7,769

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	7,769	410
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)	7,769	410

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	228*
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.		

Payments included in item 6.1 relates to payment of director fees (\$142k).

In addition, payments included in item 3 relates to payments to director-related entities for success fee in respect to capital raising costs (\$86k).

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$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	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. Winance Facility 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. 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). Refer to ASX announcement dated 31 July 2019 and notice of meeting dated 28 October 2019 for material terms and conditions. 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 March 2021 there are 300 convertible notes remaining from the Tranche 2 drawdown. 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.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,215)
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)	(1,215)
8.4	Cash and cash equivalents at quarter end (item 4.6)	7,769
8.5	Unused finance facilities available at quarter end (item 7.5)	_*
8.6	Total available funding (item 8.4 + item 8.5)	7,769
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	6.40
<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>		
* 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 March 2021, there were 300 convertible notes remaining from the Tranche 2 drawdown.		
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?	
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?	
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?	
<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

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

Date: 30 April 2021.....

Authorised by: Board of Directors.....
(Name of body or officer authorising release – see note 4)

Notes

- 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

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

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.