

28 April 2023

## Quarterly Activities Report for the period ended 31 March 2023

### Significant Events

- Work programs during the recently completed quarter focused on advancing the optimised Battery Anode Material Study (**BAM Study**) for Renascor's proposed vertically integrated graphite mine and manufacturing operation in South Australia. The BAM Study is assessing an increase in the Stage 1 Purified Spherical Graphite (**PSG**) production capacity from 28,000tpa, as well as additional staged expansion of PSG operations<sup>1</sup>.
  - Following the approval of the Program for Environment Protection and Rehabilitation for its upstream Mine and Concentrator<sup>2</sup>, the BAM Study will reflect an accelerated commencement of construction of the upstream operation, with procurement of long-lead time items and tendering for front-end engineering and design (**FEED**) commencing in the current quarter.
  - All engineering deliverables for the BAM Study have been completed on the upstream Mine and Concentrator, with remaining works focused on finalising technical documentation to support project financing, detailed design and procurement.
  - Engineering deliverables have been received for the downstream PSG facility, based on an optimised purification process, with on-going works assessing key support infrastructure.
  - Renascor expects to complete the BAM Study in July 2023.
- Renascor completed a resource expansion drilling program in an area that includes the north-western extension of the Siviour Inferred Resource. The potential extension of the Siviour Mineral Resource in this area is expected to be used to support future capacity expansions beyond those considered in the optimised BAM Study.
- Renascor's cash position as of 31 March 2023 was approximately \$134 million.

**Siviour**  
Battery Anode Material Project  
Powering Clean Energy



**HF-free**



## BAM Study

Work programs during the recently completed quarter focused on advancing the optimised Battery Anode Material Study (**BAM Study**).

The BAM Study is assessing a vertically integrated operation in South Australia that will combine the Siviour Graphite Deposit in South Australia, the largest reported graphite Reserve outside of Africa<sup>3</sup>; and a state-of-the-art processing facility in South Australia to manufacture PSG through Renascor's eco-friendly purification process.

The BAM Study, which builds on previous feasibility studies for both the planned upstream and downstream operations<sup>4</sup>, is assessing an increase to the previously planned PSG production capacity of 28,000tpa and additional staged expansions to meet projected demand.



Figure 1. Artist's rendition of Renascor's proposed PSG facility in Bolivar, South Australia

Release of the optimised BAM Study is pending completion of the remaining work programs described below and the finalisation of cost estimates. While it is anticipated that the estimated capital costs will be subject to inflationary pressures, Renascor expects the improvements in productivity and the strong graphite market outlook will ensure the BAM project will continue to demonstrate robust returns and support a favourable final investment decision later this year.



### **Upstream Mine and Concentrator**

The upstream portion of the BAM Study is based on a definitive feasibility study (DFS) completed in November 2019 (the **2019 Upstream DFS**)<sup>5</sup> and incorporates design improvements and other modifications identified from subsequent work programs, including large-scale commercial pilot trials, variability test work and value engineering studies.

The process design for the upstream Concentrator in the BAM Study continues to be based on optimising graphite recovery and grade through froth flotation in a conventional graphite flowsheet. Ore from the mine will be crushed in stages, followed by grinding, flotation, filtering and drying before being prepared for transport to the downstream facility.

Following locked-cycle and pilot flotation trials completed in 2021<sup>6</sup> and further processing and variability trials undertaken in 2022, Renascor has incorporated changes to the regrind and cleaning circuits to improve the removal of gangue and finer material to better permit consistent production of battery-grade feedstock to meet customer specifications.

Other modifications to the 2019 Upstream DFS relate to support infrastructure following more recently completed design and engineering studies. These include revised engineering designs related to the installation of infrastructure associated with the proposed desalination facility, incorporating more detailed geotechnical assessments completed in early 2023, as well as supplementing grid-power supply with on-site solar.

Work on the upstream portion of the revised BAM Study is nearing completion, with all engineering deliverables completed on the Mine and Concentrator. Remaining works are focused on finalising technical documentation to enable detailed design, early procurement and completion of the proposed construction schedule.

Following the approval of the Program for Environment Protection and Rehabilitation<sup>7</sup>, the BAM Study construction schedule will reflect an accelerated commencement of operation of the upstream Mine and Concentrator operation.

In preparation for this accelerated upstream development schedule, Renascor is commencing procurement of long-lead time items and tendering for front-end engineering design of the Mine and Concentrator.

### **Downstream PSG Facility**

The downstream portion of the BAM Study is based on a Prefeasibility Study (PFS) completed in February 2019 (the **2019 Downstream PFS**)<sup>8</sup> and is assessing an increased production capacity for PSG via an increased scale of both the milling and purification circuits. The BAM Study is based on the establishment of the downstream operation at the proposed site in Bolivar, South Australia that Renascor secured last year from South Australian Government-owned utility SA Water<sup>9</sup>.

The process design for the downstream plant continues to be based on a conventional milling process to micronise and spheronise graphite, followed by a purification circuit that avoids the use of hydrofluoric (HF) acid to achieve lithium-ion battery grade PSG.

Improvements to the process are noted below:

- **Milling circuit.** The milling circuit is being expanded to permit a throughput capacity of up to 100% of the expected production of Graphite Concentrates from the upstream operation. Additional changes to the milling circuit include adding streams that permit the spheronisation of finer flake, thereby permitting the production of both a primary larger PSG product and finer secondary PSG products. The changes are based on equipment trials that resulted in aggregate yields of 65% (versus 50% used 2019 Downstream PFS and 2020 BAM study)<sup>10</sup>.



- *Purification circuit.* The purification circuit is similarly being expanded to permit the processing of increased volumes of Spherical Graphite that will pass through the downstream milling circuit. Additional changes to the purification circuit include the incorporation of an optimised purification flow-sheet. The original purification design, adopted in the 2019 Downstream PFS, was based on performing a caustic roast, followed by a multi-step leaching process<sup>11</sup>. Following optimisation trials on Siviour Spherical Graphite in 2021<sup>12</sup> and 2022, Renascor modified the process design to commence with leaching, to be followed by a caustic roast and a secondary leach. Renascor considers this updated design to offer better efficiencies in meeting customer specifications and offer potential operating savings through lower water usage.

Other modifications to the 2019 Downstream PFS include detailed infrastructure and construction planning for the proposed downstream site in Bolivar, South Australia. Electricity and gas is to be provided through connection to local networks and water is to be provided from SA Water's adjacent waste treatment facility, with the inclusion of a water treatment facility with the ability to recycle wastewater.

Downstream engineering deliverables based on the optimised process design were received earlier this month, with ongoing works focused on the finalising the water treatment system and electricity supply infrastructure.

#### **Completion of Optimised BAM Study**

Completion of the optimised BAM Study is expected in July, pending completion of the remaining work programs described above and finalisation of cost estimates. While it is anticipated that the estimated capital costs will be subject to inflationary pressures, Renascor expects the improvements in productivity and the strong graphite market outlook will ensure the BAM project will continue to demonstrate robust returns and support a favourable final investment decision later this year.





## Resource expansion drilling

Earlier this month, Renascor completed a drill program focusing on an area that includes the north-western extension of the Siviour Inferred Resource and other areas immediately along-strike of the existing Mineral Resource.<sup>13</sup> See Figure 2 below. In total Renascor completed 26 diamond drill holes for 2,963 metres, with six of the 26 holes abandoned prior to intersecting mineralisation.

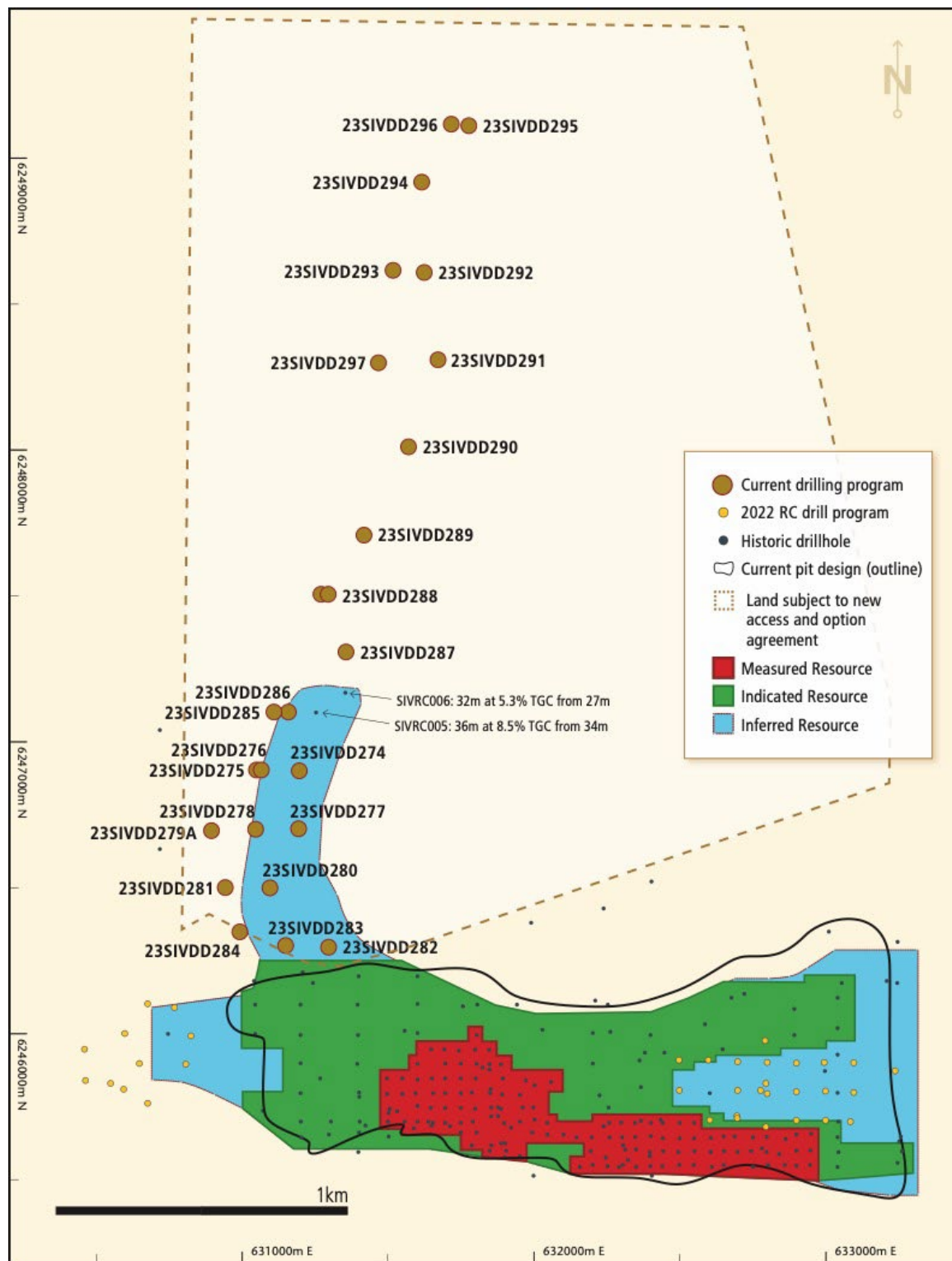


Figure 2. Siviour, showing the location of the Mineral Resource zones and drill holes from the recent Resource expansion drill program in relation to proposed pit design to be include in the optimised BAM Study



Based on airborne electro-magnetic (EM) conductivity data and historical drill information, Renascor considers the area to the immediate north of the western portion of the Siviour Mineral Resource to offer potential for thick, high-grade graphite and an opportunity to further extend the current pit design in future staged expansions to Siviour's production capacity beyond production levels being considered in Renascor's optimised BAM Study.

As shown in Figure 2, this north-western zone includes portions of the Siviour Inferred Resource where previous drilling intersected significant graphite intersections, including: 36 metres at 8.5% TGC from 34 metres (SIVRC005) and 32 metres at 5.3% TGC from 27 metres (SIVRC006)<sup>14</sup>.

The recently completed drill program was designed to confirm the continuity, and to test for possible extensions, of mineralisation in the north-western portions of the Siviour Inferred Resource, as well as to permit the compilation of structural information to be used to optimise later infill drilling and collect sample material for metallurgical testing.

Upon receipt of assay results, which are expected later this quarter, Renascor will provide a further update on the drill program.

### Offtake and Product Qualification

During the recently completed quarter, Renascor continued negotiations on potential binding PSG and Graphite Concentrate offtake terms with its existing non-binding offtake partners<sup>15</sup>, with discussions focusing on price, delivery schedules and other material contract terms.

In addition, Renascor continues to have discussions with other leading anode, battery and electric vehicle manufacturers in Northeast Asia, Europe and North America concerning potential PSG and Graphite Concentrate offtake.

During the recently completed quarter, Renascor provided additional graphite sample material to potential offtake partners. Renascor has received favourable feedback regarding the recently provided graphite samples, as well as previous samples.

Renascor recently met with current and potential offtake partners in Japan and also participated in Austrade's Critical Mineral Delegation to Tokyo and Osaka. The Austrade delegations included meetings, together with Australian government and other critical mineral representatives, with Japanese government officials and industry representatives active in the critical mineral and electric vehicle supply chain.



Figure 3. Renascor Managing Director David Christensen presenting during recent meetings in Japan



## Finance

The Australian Government, through Export Finance Australia (**EFA**), has conditionally approved a loan facility of A\$185 million (**Loan Facility**) to fund the development of the Siviour BAM Project<sup>16</sup>. The Loan Facility was approved through Export Finance Australia under the Australian Government's \$2 billion Critical Minerals Facility.

During the recently completed quarter, Renascor has continued to work with EFA towards satisfying the conditions for final approval of the Loan Facility, which include customary project financing conditions including progression of technical, legal and marketing due diligence workstreams.

Satisfaction of the conditions of approval is projected to coincide with a final investment decision for the development of the BAM Project.

## Corporate Events

### Cash position

Renascor's cash position as of 31 March 2023 was approximately \$134 million.

### Notes in relation to Appendix 5B

The Company had exploration and evaluation costs of A\$18,000 and development asset costs of A\$2 million during the quarter relating principally to the Siviour project as detailed above.

Payments to related parties and their associates during the recently completed quarter and outlined in Section 6 of Appendix 5B to this quarterly activities report were A\$245,000. These payments are related to salaries, superannuation and service and consultancy fees paid to directors and director-related entities during the quarter.



## Competent Person's Statements

### Exploration Results

The results reported herein, insofar as they relate to exploration activities and exploration results, are based on information provided to and reviewed by Mr G.W. McConachy (Fellow of the Australasian Institute of Mining and Metallurgy) who is a director of the Company. Mr McConachy has sufficient experience relevant to the style of mineralisation and type of deposits being considered to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code, 2012 Edition). Mr McConachy consents to the inclusion in the report of the matters based on the reviewed information in the form and context in which it appears.

This report may contain forward-looking statements. Any forward-looking statements reflect management's current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. It should be noted that a number of factors could cause actual results, or expectations to differ materially from the results expressed or implied in the forward-looking statements.

Renascor confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. Renascor confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

This ASX announcement has been approved by Renascor's Board of Directors and authorised for release by Renascor's Managing Director David Christensen.

### For further information, please contact:

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## Appendix 1

### Summary of tenements for quarter ended 31 March 2023

(ASX Listing Rule 5.3.3)

Project Name	Tenement	Area km <sup>2</sup>	Registered holder/Applicant	District	Company Interest
Flat Hill	EL 6549	283	Renascor	South Australia	100%
Witchelina	EL 6403	316	Renascor	South Australia	100%
Iron Baron	EL 6698	253	Renascor	South Australia	100%
Old Wartaka	EL 6191	14	Renascor	South Australia	100%
Carnding	EL 6687	35	Renascor	South Australia	100%
Malbooma Railway	EL 6585	32	Renascor	South Australia	100%
Outalpa	EL 6450	159	Astra Resources Pty Ltd (Astra) *	South Australia	100%*
Cutana	EL 6451	157	Astra*	South Australia	100%*
Malbrom	EL 6197	81	Ausmin Development Pty Ltd (Ausmin) *	South Australia	100%*
Lipson Cove	EL 6423	307	Ausmin*	South Australia	100%*
Verran	EL 6469	690	Ausmin*	South Australia	100%*
Malbrom West	EL 6668	225	Ausmin*	South Australia	100%*
Dutton Bay	EL 6032	31	Ausmin*	South Australia	100%*
Cleve	EL 6879	162	Ausmin*	South Australia	100%*
Hincks	ELA 2022/00078	927	Ausmin*	South Australia	100%*
Sivour	ML 6495	16	Ausmin*	South Australia	100%*

\* Astra and Ausmin are 100%-owned subsidiaries of Renascor.

<sup>1</sup> Studies to date have considered an initial Stage 1 production capacity of 28,000tpa PSG. See Renascor ASX announcement dated 1 July 2020.

<sup>2</sup> The PEPR was lodged by Renascor's wholly-owned subsidiary Ausmin Development Pty Ltd, the registered holder of the Mineral Lease for Sivour.

<sup>3</sup> Renascor ASX announcement 21 July 2020

<sup>4</sup> Renascor completed a definitive feasibility study for the upstream operation in November 2019 (see Renascor ASX announcement dated 11 November 2019) and a prefeasibility study for the downstream operation in February 2019 (see Renascor ASX announcement dated 21



February 2019). In July 2020, Renascor completed a Battery Anode Material Study that integrated the results of the previous studies (see Renascor ASX announcement dated 1 July 2020).

<sup>5</sup> See Renascor ASX announcement dated 11 November 2019.

<sup>6</sup> Additional mineral processing work completed since the original Siviour DFS includes locked cycle flotation tests that achieved graphite recovery of up to 94.5%, as compared to 91.0% in the Siviour DFS (Renascor ASX announcement dated 12 July 2021) and pilot trials conducted at an independent commercial graphite facility that achieved graphite purities of up to 97.5% total carbon with graphite recovery of 93.2% (Renascor ASX announcement dated 28 July 2021) versus the Siviour DFS, which adopted average purities of approximately 94% total graphitic carbon (Renascor ASX announcement dated 28 July 2021).

<sup>6</sup> See Renascor ASX announcement dated 11 November 2019, page 17.

<sup>7</sup> The PEPR was lodged by Renascor's wholly-owned subsidiary Ausmin Development Pty Ltd, the registered holder of the Mineral Lease for Siviour.

<sup>8</sup> See Renascor ASX announcement dated 21 February 2019.

<sup>9</sup> See Renascor ASX announcement dated 20 September 2022.

<sup>10</sup> See Renascor ASX announcement dated 10 January 2022.

<sup>11</sup> See Renascor ASX announcement dated 21 February 2019, p. 12.

<sup>12</sup> See Renascor ASX announcement dated 13 December 2021.

<sup>13</sup> As announced on 12 July 2022, Renascor entered into an access and option agreement that will permit it to explore in, and potentially purchase the land over, an area that includes the north-western extension of the Siviour Inferred Resource and other areas immediately along-strike of the existing Mineral Resource. See Renascor ASX announcement dated 12 July 2022.

<sup>14</sup> See Renascor ASX announcement dated 3 December 2015.

<sup>15</sup> Renascor has entered into four non-binding offtake agreements covering up to 60,000tpa of PSG. The existing non-binding offtake agreements are comprised of up to 30,000tpa of PSG to South Korean conglomerate POSCO (See Renascor ASX announcement dated 7 September 2021) and up to 10,000tpa of PSG to each of Japan-based trading company Hanwa Co. Ltd. (See Renascor ASX announcement dated 25 March 2021) and Chinese anode companies Shanxi Minguang New Material Technology Co. Ltd (see Renascor ASX announcement dated 29 September 2020) and Jiangxi Zhengtuo New Energy Technology Co. Ltd (see Renascor ASX announcement dated 11 February 2021).

<sup>16</sup> See Renascor ASX announcement dated 2 February 2022.



## Appendix 5B

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

Name of entity

RENASCOR RESOURCES LIMITED

ABN

90 135 531 341

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	(18)
(b) development	-	-
(c) production	-	-
(d) staff costs	(169)	(217)
(e) administration and corporate costs	(200)	(838)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	234	444
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(135)</b>	<b>(629)</b>

<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(4)	(13)
(d) exploration & evaluation	(18)	(242)
(e) investments	-	-
(f) other non-current assets (Development Asset)	(2,048)	(7,990)

## 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
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,070)</b>	<b>(8,245)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	70,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	(8)	2,577
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(341)	(3,503)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(349)</b>	<b>69,074</b>

<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	136,788	74,034
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(135)	(629)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,070)	(8,245)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(349)	69,074



## 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	-	-
4.6	<b>Cash and cash equivalents at end of period</b>	<b>134,234</b>	<b>134,234</b>

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	134,234	136,788
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>134,234</b>	<b>136,788</b>

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	98
6.2	Aggregate amount of payments to related parties and their associates included in item 2	147
<i>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.</i>		

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

7.	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(137)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(18)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(155)
8.4	Cash and cash equivalents at quarter end (item 4.6)	134,234
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	134,234
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	866
<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: N/A		
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: N/A		

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## Compliance statement

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

Date: 28 April 2023

Authorised by: The Board of Renascor Resources Ltd

## 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.