



Activities Report for the Quarter ending 30 September 2021

Highlights

- Suzhou CATH Energy Technologies (“CATH”) signed as a cornerstone investor to develop the Manono Lithium and Tin Project
- CATH will pay US\$240 million for a 24% equity interest in the Manono Project and their pro rata portion of development capital with the transaction in totality contributing more than US\$400 million, subject to the final project capital being verified
- Completed A\$40 million capital raising (before costs)
- Exercised options to acquire Dathomir’s 15% shareholding in Dathcom Mining
- Upgraded Manono JORC Proved and Probable Ore Reserves Estimate to 131.7Mt – an increase of 41.6% from the 93Mt reported in the April 2020 DFS
- Life of Mine extended to 29.5 years based on a 4.5Mtpa operation (underpinned by the Ore Reserves) – an increase of 47.5% from the April 2020 DFS
- Actively engaged with the DRC Government on permitting and licence requirements, with Permis d’Exploitation (“Mining Licence”), Collaboration Development Agreement, Hydro Energy Power Plant Agreement and Manono Special Economic Zone Agreement all progressing well
- Primary Lithium Sulphate reagent optimisation study completed and Lithium Hydroxide Pre-Feasibility Study awarded
- Front End Engineering Design, process plant design and site geotechnical investigation studies completed
- Discussions with potential financiers on project funding progressing well
- Resource drilling at Carriere de l’Este deposit confirmed further high-grade lithium and tin mineralisation, approx 1.2 km long and open at both ends and down-dip

ASX ANNOUNCEMENT

29 October 2021

AVZ Minerals Limited

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Directors

Non-Executive Chairman: John Clarke

Managing Director: Nigel Ferguson

Technical Director: Graeme Johnston

Non-Executive Director: Rhett Brans

Non-Executive Director: Peter Huljich

Market Cap

\$1.16BN

ASX Code: AVZ

AVZ Minerals Limited (ASX: **AVZ**, “**the Company**”) presents its Quarterly Activities Report for the period ended 30 September 2021 and is pleased to provide the following commentary and update to shareholders.

AVZ Managing Director, Mr. Nigel Ferguson said: “The cornerstone investor deal with CATH marked one of the most significant days in our Company’s short history and clearly indicated to the world how important our Manono Lithium and Tin Project is.”

“AVZ is very excited to have someone of the calibre of Mr. Pei Zhenhua and Contemporary Amperex Technology Limited (“CATL”) as partners in our strategic objective to make the Manono Project a leading global producer of lithium products.”

“Both Mr. Pei and CATL clearly have the financial capacity, technical expertise and global credibility within the lithium conversion and lithium-ion battery industry to complement our world-class Manono Project.”

“The deal with CATH will fund a significant portion of the total required project financing, whilst AVZ maintains a controlling 51% interest in the Manono Project and our position as lead developer. The deal also provides significant opportunities to advance other downstream projects, providing an exciting future for AVZ shareholders.”

“From a licensing and permitting perspective, I remain confident that our excellent relationship with the Government of the Democratic Republic of Congo will soon deliver our all-important Mining Licence, Collaboration Development Agreement, Hydro-Electric Power Plant Agreement, and shortly thereafter, our Manono Special Economic Zone Agreement.”

“The granting of our Mining Licence will facilitate the release of our Bankable Feasibility Study and shortly, we will also be in a position to announce the appointment of a Mandated Lead Arranger to lead the syndicated debt funding facility for the Manono Project.”

“Once the deal with CATH is finalised, the Board will be able to make a Final Investment Decision which will kick-start project construction and ensure Dathcom will have sufficient equity capital to fund the first six to eight months of project construction capital with Financial Close for debt financing expected mid-2022.”

Cornerstone investor secured for development of Manono Project

In late September, AVZ announced its wholly owned subsidiary, AVZ International Pty Ltd (“AVZI”) had entered into a Transaction Implementation Agreement (“TIA”) with Suzhou CATH Energy Technologies (CATH) to develop the Manono Project.

Under the TIA, CATH will pay US\$240 million cash for a 24% equity interest in the Manono Project, as well as their pro rata portion of project development capital. (See ASX Announcement 27 September 2021 - “Cornerstone investor secured for development of Manono Lithium and Tin Project”)

Completion of the TIA is subject to the satisfaction or waiver of several conditions precedent before 30 November 2021.

CATH is a private investment entity jointly owned by Mr. Pei Zhenhua and Contemporary Amperex Technology Co. Limited (“CATL”), who both have significant influence in the global lithium conversion and lithium-ion battery industry.

Proceeds from the transaction will fund a significant portion of the total project financing that is required for the Manono Project, with AVZ retaining a controlling interest and its position as lead developer of the project.

AVZI and CATH have also agreed to evaluate and progress a study to expand Dense Media Separation capacity (“Expansion Scenario”).

On completion of the Expansion Study scenario, the results will be considered by AVZ management and the Manono Project joint venture partners, prior to any decision to increase throughput above that stated in the Definitive Feasibility Study (“DFS”). (See ASX Announcement 29 September – “Expansion Scenario – Manono Lithium and Tin Project”).

Highly successful \$A40 million Share Placement

In early July, the Company completed a highly successful Share Placement, comprising the issue of 307,692,308 new shares at an issue price of \$0.13 per share to raise A\$40 million (before costs).

The Share Placement was well supported by high-quality institutional investors in Australia, Europe, North America, Singapore, Malaysia and the Middle East.

Proceeds from the Share Placement increased AVZ’s cash reserves, allowing it to (i) increase AVZ’s equity in the Manono Project from 60% to 75% (post completion of the transaction), (ii) negotiate project financing with an enhanced balance sheet position, (iii) assist to establish a working capital and contingency cost buffer during project development and (iv) enhance AVZ’s early capital works program before a Final Investment Decision is made.

Project equity increased to 75%

AVZ increased its interest in the Manono Project from 60% to 75% by exercising the options to purchase Dathomir’s minority shareholding of 15% equity in Dathcom Mining for US\$20M (~AUD\$27M). Share certificates have been awarded and registered at the courts in the DRC.

Upgraded JORC Proved and Probable Ore Reserves

On 14 July 2021, the Company announced an upgraded JORC Ore Reserve at Roche Dure.

JORC Proved and Probable Ore Reserves are now estimated at 131.7Mt – an increase of 41.6% from the 93Mt reported in the April 2020 DFS. The Ore Reserves estimate contains 65.0Mt of Proved Category and 66.6Mt of Probable Category.

The average lithium grade increased by 3.1% from 1.58% to 1.65% Li₂O while the tin grade of 990 ppm remained the same but reported a 41% increase in contained tin metal to 130.3kt.

The Life of Mine was extended to 29.5 years based on a 4.5Mtpa operation underpinned by the Ore Reserves – representing an increase of 47.5% from the April 2020 DFS.

The Ore Reserve Estimate for the Manono Project at July 2021, compared to April 2020, is outlined in Table 1 below:

Reserve category (July 2021)	Tonnes (Mt)	Grade Li ₂ O (%)	Contained Li ₂ O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	65.0	1.64	1.07	942	61.2
Probable	66.6	1.61	1.07	1,037	69.1
Total	131.7	1.63	2.14	990	130.3

Reserve category (April 2020)	Tonnes (Mt)	Grade Li ₂ O (%)	Contained Li ₂ O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	44.6	1.62	0.72	958	42.7
Probable	48.5	1.54	0.75	1,016	49.3
Total	93.0	1.58	1.47	988	92.0

Table 1: Roche Dure Ore Reserve Statement

Permis d'Exploitation ("Mining Licence"), Collaboration Development Agreement, Mpiana Mwanga Hydro-Electric Power Plant ("HEPP") Agreement and Manono Special Economic Zone ("MSEZ")

All documentation relating to AVZ's Mining Licence was submitted to relevant authorities in the DRC Government in May 2021, with the Company receiving favourable outcomes in relation to its (i) environmental approvals, (ii) proof of financial capability and (iii) favourable cadastral opinion. The Department of Mines has provided favourable feedback in relation to the technical opinion on the DFS. The Minister of Mines has 30 days to award the Mining Licence following receipt of a favourable technical opinion.

As previously advised, a meeting of Council of Ministers is expected to be held shortly to deliberate on the award of the HEPP Agreement and Prime Ministerial Decree for the Collaboration Development Agreement.

PLS conversion to Lithium Hydroxide PFS

A pre-feasibility study to produce lithium hydroxide from primary lithium sulphate was awarded to Noram Engineering and Constructors Ltd.

The information from the PFS will assist to identify the preferred global location for a lithium hydroxide conversion facility, fed with product from Manono.

Early-stage discussions occurred with interested parties in various jurisdictions wishing to partner with AVZ in the development of a lithium hydroxide facility, where it is intended that AVZ will maintain a controlling interest.

Bankable Feasibility Study ("BFS")

AVZ has advised it will issue a BFS to the market once the Company has been granted a Mining Licence for the Manono Project. The Company made the decision to issue a BFS rather than an updated Definitive Feasibility Study as the financial institutions require a bankable level study being submitted which must include the award of the Mining Licence for the Manono Project.

During the September quarter, the Front End Engineering Design (“FEED”) Study, process plant design and site geotechnical investigation studies were all completed. The FEED study has better defined the indicative Capital and Operational Costs of the Manono Project which will be included in the BFS.

Project Funding Discussions

AVZ’s management team was actively engaged during the September quarter with various commercial banks, finance brokers, private equity investors and non-commercial lenders such as Pan-African Development Finance Institutions (“DFI’s”) to progress debt and equity funding agreements for the development of the Manono Project.

Carriere de l’Este deposit confirmed a likely rival to Roche Dure

Resource drilling of four new, widely spaced ‘step-out’ holes at the Carriere de l’Este deposit confirmed further high-grade lithium and tin mineralisation directly beneath thin soil and laterite cover.

The drill data confirmed the presence of sub-cropping spodumene mineralisation at Carriere de l’Este up to 1.2 kilometres long at average widths of 200 metres in places, confirming the deposit as a likely rival to Roche Dure. (See ASX Announcement “Assays from Carriere de l’Este drilling confirms deposit a likely rival to Roche Dure – 16 August 2021).

Corporate

The Company closed the September quarter with a cash balance of A\$10.03 million.

Cash for the September quarter was used to fund the project development activities of the AVZ corporate and technical team in Perth and the Dathcom corporate and technical team in the DRC, including:

- A\$1.24 million for payroll, administration and corporate costs (including an amount of A\$0.245 million paid to directors in relation to employment and consultancy service agreements);
- A\$2.44 million was capitalised as exploration and evaluation costs to the Manono Project; and
- A\$27 million for the exercise of options to increase AVZ’s interest in the Manono Project from 60% to 75%.

In September 2021, the Company issued 16,675,000 performance rights to employees and consultants under its Performance Rights Plan and advised it was planning to issue 31,750,000 performance rights to Directors, subject to shareholder approval at the Company’s 2021 Annual General Meeting to be held on 18 November 2021.

This release was authorised by Mr. Nigel Ferguson, Managing Director of AVZ Minerals Limited.

For further information, visit www.avzminerals.com.au or contact:

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Information required under ASX Listing Rule 5.3.3

List of current mining and exploration tenements (as of 30 September 2021):

Country / Project	Tenement	Interest	Status
DRC – Manono Project	PR 13359	75%*	Granted
DRC – Manono Extension Project	PR 4029 PR 4030	100%	Granted

**AVZ Minerals Limited has secured a further 15% equity in the Manono Project from Dathomir Mining Resources SARL. AVZ Minerals now has a 75% interest in the Manono Project following completion of the acquisition in August 2021. On 27 September, AVZ Minerals announced Suzhou Cath Energy Technologies ("CATH") will earn a 24% interest in the Manono Project subject to the satisfaction or waiver of several conditions precedent before 30 November 2021.*

Roche Dure Main Pegmatite Ore Reserve Estimate (as of 30 September 2021):

Reserve Category	Tonnes (Mt)	Grade Li ₂ O %	Contained Li ₂ O (Mt)	Grade Sn (g/t)	Contained Sn (kt)
Proved	65.0	1.64	1.07	942	61.2
Probable	66.6	1.61	1.075	1,037	69.1
Total	131.7	1.63	2.14	990	130.3

Note: The Ore Reserve estimate has been based on a cut-off > US\$0.00 block value comprising an economic block by block calculation. Figures may not sum due to rounding.

Roche Dure Main Pegmatite Mineral Resource at a 0.5% Li₂O cut-off (as of 30 September 2021):

Category	Tonnes (Millions)	Li ₂ O %	Sn ppm	Ta ppm	Fe ₂ O ₃ %	P ₂ O ₅ %
Measured	100	1.67	870	35	0.93	0.30
Indicated	174	1.65	807	35	0.97	0.29
Inferred	128	1.65	585	31	1.01	0.28
Total	401	1.65	752	34	0.97	0.29

Competent Person Statement

The information in the document that relates to the geology of the Roche Dure pegmatite is based upon information compiled by Mr. Michael Cronwright, who is a fellow of The Geological Society of South Africa (GSSA) and is a registered professional with the South African Council for Natural Scientific Professions (SACNSAP). Mr. Cronwright was a Principal Consultant with The MSA Group (Pty) Ltd (an independent consulting company). Mr. Cronwright has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the JORC Code. Mr. Cronwright consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Roche Dure pegmatite Mineral Resource estimate has been completed by Mr. Anton Geldenhuys (BSc Hons, MEng) who is a geologist with 20 years' experience in exploration and mining as well as Mineral Resource evaluation and reporting. He is a Principal Resource Consultant for CSA Global Pty Ltd (an independent consulting company), is a member in good standing with the South African Council for Natural Scientific Professions (SACNASP) and is a Member of the Geological Society of South Africa (GSSA). Mr. Geldenhuys has the appropriate relevant qualifications and experience to be considered a Competent Person for the activity being undertaken as defined in the 2012 edition of the JORC Code.

The information that relates to Roche Dure pegmatite Ore Reserves is based on information compiled by Mr. Daniel Grosso who is an employee of CSA Global Pty Ltd. Mr. Grosso takes overall responsibility for the Report as Competent Person. Mr. Grosso is a Member of the Australasian Institute of Mining and Metallurgy and has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration, and to the activity he is undertaking, to qualify as Competent Person in terms of the JORC (2012 Edition). The Competent Person, Daniel Grosso has reviewed the Ore Reserve statement and given permission for the publication of this information in the form and context within which it appears.

The information in this report that relates to geology and the exploration results is based on information compiled by Mr. Nigel Ferguson (BSc) FAusIMM MAIG, a Competent Person who is a Fellow of the Australian Institute of Mining and Metallurgy and a Member of the Australia Institute of Geoscientists. Mr. Ferguson is the Managing Director of AVZ Minerals Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken 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'. Mr. Ferguson consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

No New Information

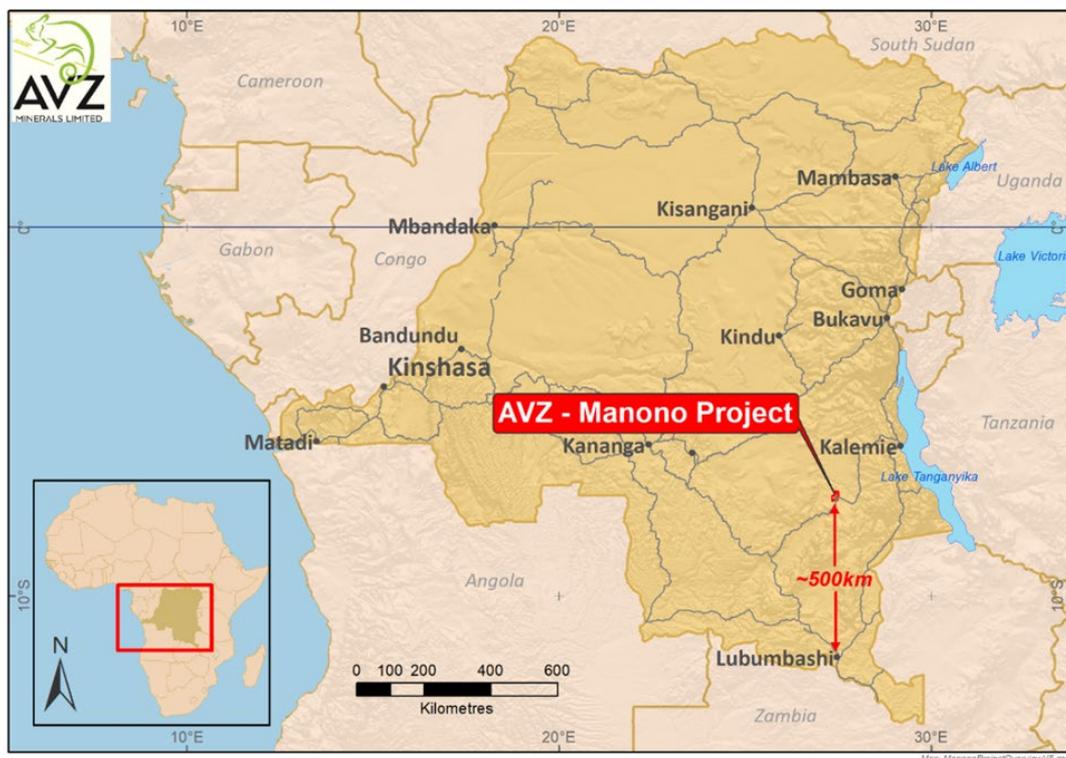
This document may include references to information that relates to Mineral Resources and Ore Reserves prepared and first disclosed under the JORC Code 2012. The information was extracted from the Company's previous ASX announcements as follows:

- "JORC Ore Reserves increase by 41.6% at Roche Dure" released to ASX on 14 July 2021; and
- "Updated Mineral Resource Estimate Includes Pit Floor "Wedge" Drill Results" released to ASX on 24 May 2021.

These announcements are available to view on the Company's website www.avzminerals.com.au.

The Company confirms it is not aware of any new information or data that materially affects the information included in the relevant market announcements and, in the case of estimates of Mineral Resources and Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the relevant original market announcements.



Appendix 5B

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

Name of entity

AVZ Minerals Limited

ABN

81 125 176 703

Quarter ended ("current quarter")

30 September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 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	(452)	(452)
(e) administration and corporate costs	(786)	(786)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	41	41
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants: COVID-19 Cashflow Boost	-	-
1.8 R&D Tax Incentive	-	-
1.9 Net cash from / (used in) operating activities	(1,197)	(1,197)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(86)	(86)
(d) exploration & evaluation	(2,436)	(2,436)
(e) investments	(27,045)	(27,045)
(f) other non-current assets	-	-

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 (3 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)	-	-
2.6	Net cash from / (used in) investing activities	(29,567)	(29,567)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	40,000	40,000
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	167	167
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(1,814)	(1,814)
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)	-	-
3.10	Net cash from / (used in) financing activities	38,353	38,353
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,484	2,484
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,197)	(1,197)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(29,567)	(29,567)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	38,353	38,353

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 (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(40)	(40)
4.6	Cash and cash equivalents at end of period	10,033	10,033

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	10,033	2,484
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)	10,033	2,484

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	245
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<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. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		
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.		
N/A		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,197)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(2,436)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(3,633)
8.4 Cash and cash equivalents at quarter end (item 4.6)	10,033
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	10,033
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.76
<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	

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

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: 29 October 2021

Authorised by: By the Board of AVZ Minerals Limited
(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.