QUARTERLY ACTIVITIES REPORT – DECEMBER 2024

Strandline Resources Limited (**ASX: STA**) (**Strandline** or the **Company**) provides an update on its operational, development and corporate activities for the quarter ended 31 December 2024 (December 2024 Quarter).

KEY POINTS

Coburn Mineral Sands Project - Western Australia

- **There were no lost time injuries for the December 2024 Quarter and Total Recordable Injury Frequency Rate of 4.3 per million hours worked.**
- **36,781 tonnes of Heavy Mineral Concentrate (HMC) produced in the December 2024 Quarter (September 2024 Quarter production was 46,115 tonnes).**
- **Record month of ore processed in December 2024 of 1.78kt.**
- **Sales in the December 2024 Quarter totaled 39,776 tonnes (September 2024 Quarter sales - 46,035 tonnes).**
- **Stockpiles held at Coburn and Geraldton Port as at 31 December 2024 totaled 11,712 tonnes of HMC.**
- **Subsequent to the end of the December 2024 Quarter 10,593 tonnes of HMC were sold in early January 2024.**
- **Continued funding provided by the Northern Australia Infrastructure Facility (NAIF) of $10m, to meet ongoing financial commitments and airstrip construction.**

Corporate

- **Consolidated Cash of A$1.33m as at 31 December 2024.**
- **On 3 December 2024, the Company announced it had agreed in principle to extend standstill and deferral arrangements with its financiers until 28 February 2025.**
- **As discussions with financiers regarding the debt restructure are still in progress, the Company's shares will remain suspended.**

COBURN MINERAL SANDS PROJECT

Operational performance

Item	Dec 2024 Quarter	Sept 2024 Quarter
DMU mined (tonnes)	4,749,204	4,428,782
Mined grade (%)	0.98	1.24
HMC Produced (tonnes)	36,781	46,115
Sales (tonnes)	39,776	46,035
HMC Realised Price (A$/t HMC)1	866	847
C1 cost (A$/t HMC produced)2	1,123	746
Closing Stockpiles	11,712	14,707

Notes:
1 – Realised sale price per tonne net of sea freight costs (FOB).
2 - C1 cash costs include mining, processing, general and admin and HMC road transport costs.

Subsequent to the end of the December 2024 Quarter, Strandline completed a shipment of 10,593 tonnes of HMC in January 2025.

Production update

The amount of ore mined increased in the December 2024 Quarter (4.8Mt tonnes up from 4.4Mt tonnes for September 2024 Quarter) due to improved mining unit and process plant throughput and availability. Operations produced record throughput in December (1.78Mt).

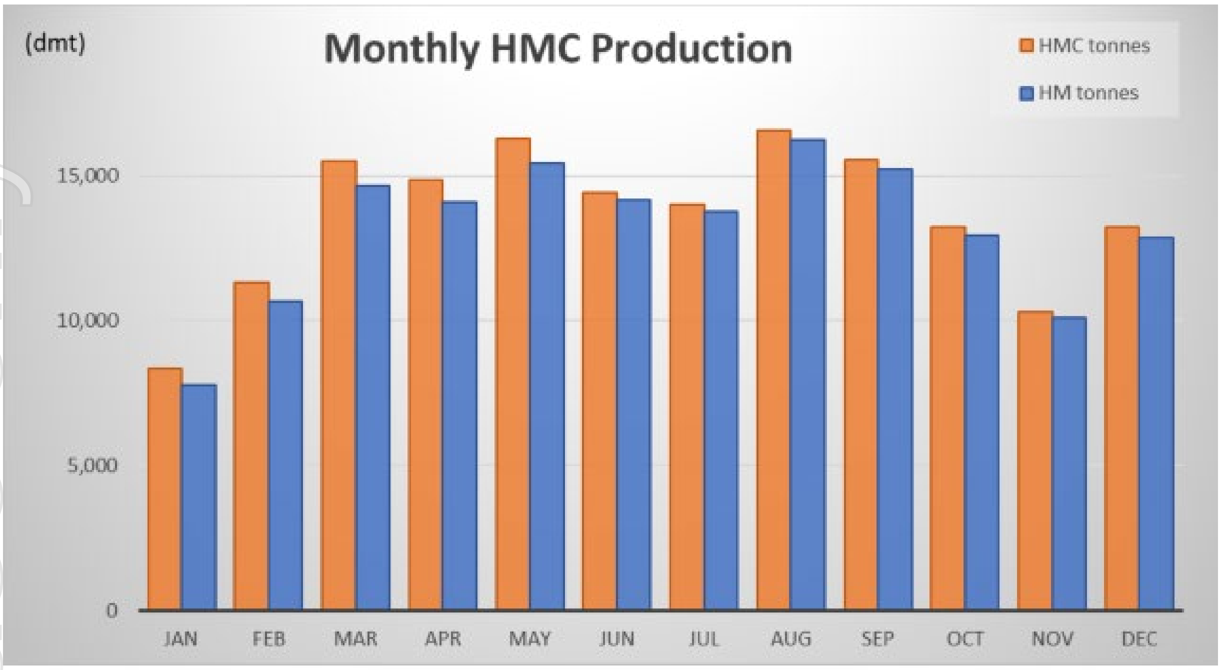
The amount of HMC produced was 36.8kt (down from 46.1kt for September 2024 Quarter). The lower production was due to forecast lower ore grades, and a lower than expected recovery of HM in the WCP. Mined grades are expected to improve in the March 2025 Quarter.

Production was expected to increase further to offset the lower forecast grade however unplanned mechanical downtime impacted production. Tailings pump mechanical seal failures were the primary downtime event with fit for purpose seals being installed in February 2025 to address the reliability issue. There was also unplanned downtime when three recently repaired high voltage trailing cables failed electrical resistance testing prior to use. The root cause analysis determined that the resin used within the high voltage plugs was faulty. This resin is no longer used on site with all cables now repaired.

Mining costs were higher in the December Quarter due to an increase in material handled, including additional overburden and clearing compared to the prior quarter as well as an increase in core equipment unit rates following refurbishment to increase availability and productivity.

Maintenance costs were also higher in the Quarter due to temporary issues relating to mechanical seal failures on tailings pumps, trailing cables failing electrical resistance testing prior to use, and repair of exciter beams on dozer mining units.

The graph below shows the HMC production levels between January 2024 and December 2024.



December 2024 Quarter shipments

Stockpiles held at Coburn and Geraldton Port as at 31 December 2024 totalled 11,712 tonnes of which 10,593 tonnes was shipped in early January 2025. During survey of stockpiles it was identified that the September 2024 closing inventory previously reported of 16,470 tonnes was overstated by approximately 1,700 tonnes mainly attributable to an issue with the weightometer in September 2024. This issue has now been corrected.

Funds for the December 2024 Quarter shipments were received in December 2024 Quarter.

Three shipments scheduled for the March 2025 quarter have been secured. Coburn continues to maintain strong customer relationships, ensuring consistent product demand.

Airstrip

Construction of the Coburn Airstrip is progressing. Completion is expected by end of the March 2025 Quarter.

An aerial photo of the airstrip prior to stabilisation is below.

CORPORATE

Cash & Investments

The Company's consolidated cash was A$1.33m as at 31 December 2024 (30 September 2024: A$3.02m) and total concentrate stockpiles of HMC on hand at the end of the December 2024 Quarter were 11,712 tonnes (30 September 2024: 14,707 tonnes). Subsequent to the end of the December 2024 Quarter, a total of 10,593 tonnes of HMC were shipped in early January 2025.

Material receipts for the December 2024 Quarter included:

- A$36.1m from three shipments sold in the December 2024 Quarter comprising 36,781 tonnes (September 2024 Quarter sales comprised 46,035 tonnes).
- Funding of A$10m received in the December 2024 Quarter from NAIF.
- Additional revenue sourced through sale of Large-scale Generation Certificates (LGC) credits produced through the solar power station, receipt of A$0.7m in the December 2024 Quarter.

Material costs for December 2024 Quarter included:

- A$39.2m in operating costs for production.
- A$4.1m of Coburn project capital expenditure including airstrip construction costs.
- A$2.8m of corporate and administration costs including restructuring costs.
- A$1.1m interest cost paid relating to lease repayments.

Loan Facilities

On 3 December 2024, the Company announced that it had agreed with its lenders a deferral of all interest and principal due with its lenders until 28 February 2025. The Company continues debt and restructure negotiations with its lenders.

Health, Safety and Sustainability

There were no lost time injuries during the December 2024 Quarter. The Company's rolling twelve month Total Recordable Injury Frequency Rate (TRIFR) is 4.3 per million hours worked (30 June 2024: 3.21 per million hours worked).

ASX Additional Information

1. ASX Listing Rule 5.3.1: There were no payments relating to Exploration and Evaluation Expenditure during the December 2024 Quarter.
2. ASX Listing Rule 5.3.2: Details of its mining production and development activities during the December 2024 Quarter are set out in detail in this report and a summary of the expenditure incurred on those activities is as follows:

Activities	**A$**
Expenditure on mining production activities during the December 2024 Quarter	39,333,000
Expenditure on development activities during the December 2024 Quarter	4,050,000

3. ASX Listing Rule 5.3.5: Payments to related parties of the Company and their associates during the December 2024 Quarter: A$189,000 - The Company advises that this relates to non-executive director's fees as well as Managing Director salary. Please see Remuneration Report in the Annual Report for further details on Directors' remuneration.

Tenement Holdings

A detailed listing of tenement holdings is included in Annexure A.

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

For further information contact:
Jozsef Patarica
CEO and Managing Director
Strandline Resources Limited
+61 8 9226 3130
enquiries@strandline.com.au

Media and broker enquiries:
Paul Armstrong
Read Corporate
+61 8 9388 1474
paul@readcorporate.com.au

A$ means Australian dollars in this report.

"tonnes" means dry metric tonnes in this report. Where a product is "wet" it will be specifically described as "wet tonnes"

FORWARD LOOKING STATEMENTS

This announcement contains certain forward looking statements and comments about future events, including statements about Strandline's expectations about the financial and operating performance of its business. Forward looking statements can generally be identified by the use of forward looking words including (without limitation) words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target" and other similar expressions within the meaning of securities laws of applicable jurisdictions. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements. Forward looking statements involve inherent risks and uncertainties, both general and specific, and there is a risk that such predictions, forecasts, projections and other forward looking statements will not be achieved.

A number of important factors could cause Strandline's actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward looking statements, including (without limitation) the Australian and global economic environment and capital market conditions, with many of these factors being beyond Strandline's control. Forward looking statements are provided as a general guide only and should not be relied on as an indication or guarantee of future performance.

Forward looking statements involve known and unknown risks, uncertainty and other factors, many of which are outside the control of Strandline. The forward-looking statements are based on information available to the Company as at the date of this announcement. Circumstances may change and the contents of this announcement may become out-dated as a result. As such, you are cautioned not to place any reliance on any forward looking statement.

ABOUT STRANDLINE

Strandline Resources Limited (ASX: STA) is an emerging producer of critical minerals with a portfolio of 100%-owned development assets located in Western Australia

ANNEXURE A – MINING TENEMENTS HELD AS AT THE END OF THE QUARTER

Location	Name	Interest
Australia	**Coburn Mineral Sands Project**	
L09/21	Shark Bay District, Western Australia	100%
L09/43	Shark Bay District, Western Australia	100%
M09/102	Shark Bay District, Western Australia	100%
M09/103	Shark Bay District, Western Australia	100%
M09/104	Shark Bay District, Western Australia	100%
M09/105	Shark Bay District, Western Australia	100%
M09/106	Shark Bay District, Western Australia	100%
M09/111	Shark Bay District, Western Australia	100%
M09/112	Shark Bay District, Western Australia	100%
R09/02	Shark Bay District, Western Australia	100%
R09/03	Shark Bay District, Western Australia	100%
R09/4	Shark Bay District, Western Australia	100%
E09/2355 (Pending)	Shark Bay District, Western Australia	100%
L09/99	Shark Bay District, Western Australia	100%
L09/101	Shark Bay District, Western Australia	100%
E09/2644 (Pending)	Shark Bay District, Western Australia	100%
E09/2645 (Pending)	Shark Bay District, Western Australia	100%
P09/500 (Pending)	Shark Bay District, Western Australia	100%
P09/501 (Pending)	Shark Bay District, Western Australia	100%

Appendix 5B

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

Name of entity

Strandline Resources Limited

ABN	Quarter ended ("current quarter")
32 090 603 642	31 December 2024

	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		36,132	77,574
1.2	Payments for			
	(a)	exploration & evaluation	-	(100)
	(b)	development	-	-
	(c)	production	(39,233)	(75,640)
	(d)	staff costs	(771)	(4,783)
	(e)	administration and corporate costs (inclusive of GST)	(2,766)	(6,225)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	5
1.5	Interest and other costs of finance paid		(1,170)	(6,912)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		-	-
1.8	Other (technical services income)		-	2,300
1.9	Other (LGC credit revenue)		743	743
1.10	**Net cash from / (used in) operating activities**		**(7,065)**	**(13,038)**

2.	**Cash flows from investing activities**			
2.1	Payments to acquire or for:			
	(a)	entities	-	-
	(b)	tenements	-	-
	(c)	property, plant and equipment	(56)	(45)
	(d)	exploration & evaluation	-	-
	(e)	investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(f) other non-current assets		
	- Mine properties in development Coburn Project	(4,050)	(7,698)
	- Mine properties in development Fungoni Project	-	(1)
2.2	Proceeds from the disposal of:		
	(a) entities	-	43,000
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	53	53
	(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**	**(4,053)**	**35,309**

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	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	10,000	15,000
3.6	Repayment of borrowings	(351)	(35,695)
3.7	Transaction costs related to loans and borrowings	(30)	(4,102)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.11	**Net cash from / (used in) financing activities**	**9,619**	**(24,797)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	3,021	3,953
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(7,065)	(13,038)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,053)	35,309
4.4	Net cash from / (used in) financing activities (item 3.10 above)	9,619	(24,797)
4.5	Effect of movement in exchange rates on cash held	(195)	(100)
4.6	**Cash and cash equivalents at end of period**	**1,327**	**1,327**

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	1,269	2,963
5.2	Call deposits	58	58
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)**	**1,327**	**3,021**

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	189
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.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities – Bond Facility[1]	96,481	(96,481)
	Loan facilities – NAIF Facility[2]	135,000	(135,000)
	Loan facilities – Working Capital Facility[3]	15,000	(15,000)
	Loan facilities – NAIF Facility Super Senior[4]	15,000	(5,000)
	Loan facilities – Bond Facility Super Senior[5]	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	**261,481**	**(251,481)**
7.5	**Unused financing facilities available at quarter end**		10,000
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.		

[1]Bond Facility – US$60m

- 5 year tenor with a maturity date of 20 March 2026.
- The Bond Terms originally provided for amortisation payments of principal from March 2024, comprising quarterly amortisation of US$4.25m from 20 March 2024 to 20 June 2025, and amortisation of US$2.25m at 20 September 2025 and 20 December 2025. The final payment of the balance was then due on the Maturity Date. The Company and the Bondholders have agreed as part of its existing standstill arrangements to defer the March 2024, June 2024 and September 2024 payments to 28 February 2025, with a further revised amortisation schedule to be agreed as part of a broader debt restructure under discussion with all of its lenders.
- The Company may buy back the debt on-market at any time or redeem the bonds early (subject to make whole payments and call premia depending on the time of the prepayment).
- Financial covenants are customary for a loan facility of this nature, aligning with the NAIF loan facility, comprising a Debt Service Cover Ratio, Loan Life Cover Ratio, Reserve Tail Ratio and minimum unrestricted cash balance requirement, Group Liquidity, minimum product output and minimum product sales.
- Listed on Oslo Børs
- Governing law is Norwegian law for Bond terms and Australian law for security package.
- Comprehensive senior security package over assets and rights of Coburn project, Pari Passu with the NAIF (Facility B and Facility C1) and NAB loan facility.
- US$60m (A$96.5m at AUD: USD 0.6219 as at 31 December 2024). This amount does not include accrued interest that has been capitalised. The repayment schedule of capitalised interest will be determined as part of a broader debt restructure.

[2]NAIF Facility – A$150m

- Up to 15 year tenor with no principal repayments until the earlier of 20 March 2028 or 3 months after the Bond or any Bond refinancing is repaid. Thereafter, quarterly principal repayments of Facility B and Facility C2 for a period of 7 years and 9 months. Additional sweep of a portion of available excess cashflow will also apply under certain circumstances.
- First NAIF Loan Tranche (Facility B): Up to A$130m towards the construction of Coburn's core mine process and non-process infrastructure.
- Second NAIF Loan Tranche (Facility C1): Up to A$5m provided towards financing the Airstrip Project.
- Third NAIF Loan Tranche (Facility C2): Up to A$15m towards financing Project remediation costs including costs of expansion of the tailings storage capacity of the Project and "truck and shovel" costs related or incidental to such expansion. Note that this facility is super senior and ranks pari passu with the Bond Facility Super Senior listed below. See further details of Facility C2 below.
- Comprehensive senior security package over assets and rights of Coburn project, pari passu (with respect to Facility B and Facility C1) with the Bond and NAB facility. Facility C2 ranks pari passu with Bond Facility Super Senior, and super senior to other secured lenders.
- Financial covenants comprise a Debt Service Cover Ratio, Loan Life Cover Ratio, Reserve Tail Ratio, minimum unrestricted cash balance requirement, Group Liquidity, minimum product output and minimum product sales.
- The facility amount does not include accrued interest that has been capitalised. The repayment schedule of capitalised interest will be determined as part of a broader debt restructure.

[3]NAB Working Capital Facility - $15m

- 12 month revolving facility for working capital purposes.
- Comprehensive senior security package over assets and rights of Coburn project, pari passu with the NAIF (Facility B and Facility C1) and Bond financing.
- Financial covenants comprise a Debt Service Cover Ratio, Loan Life Cover Ratio, Reserve Tail Ratio, minimum unrestricted cash balance requirement, Group Liquidity, minimum product output and minimum product sales.
- The facility amount does not include accrued interest that has been capitalised. The repayment schedule of capitalised interest will be determined as part of a broader debt restructure.

[4]NAIF Facility Super Senior - $15m

- As noted above, the third NAIF Loan Tranche (Facility C2) is super senior and ranks pari passu with the Bond Facility Super Senior (listed below). Facility C2 is up to A$15m towards financing Project remediation costs including costs of expansion of the tailings storage capacity of the Project and “truck and shovel” costs related or incidental to such expansion.
- A$10m was drawn down in December 2023, a further $2.5M drawn in June 2024 and A$2.5M drawn in July 2024.
- 100% bullet repayment at the Maturity Date (being the earliest of 8 March 2025; (ii) 2 Business Days before the first scheduled repayment under the Bond Terms; and (iii) the Business Day before the date of the first schedule repayment under the NAB Working Capital Facility
- Comprehensive senior security package over assets and rights of Coburn project, ranks pari passu with Bond Facility Super Senior, and super senior to other secured lenders.
- Financial covenants comprise a Debt Service Cover Ratio, Loan Life Cover Ratio, Reserve Tail Ratio, minimum unrestricted cash balance requirement, Group Liquidity, minimum product output and minimum product sales.
- On 8 August 2024, Strandline completed the sale of the Tanzanian Projects, with the consideration used to repay Facility C2 along with accrued interest and fees. Facility C2 is expected to be available for redrawing following the implementation of the broader debt restructure under discussion with all of its lenders and subject to release conditions to be agreed.
- A$5m was redrawn in December 2024. Further access by the Company to the undrawn amounts under this Facility is subject to the implementation of the restructure referred to above.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(6,813)
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)	(6,813)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,327
8.5	Unused finance facilities available at quarter end (item 7.5)	10,000
8.6	Total available funding (item 8.4 + item 8.5)	11,327
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	1.66

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as “N/A”. Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

No - with expected improvements in sales prices and reduced operating costs, the Company is expecting lower cash outflows. Subsequent to the end of the December 2024 Quarter, a shipment of approximately 11,000 tonnes of HMC was sold in early January 2025 with further shipments scheduled for the March 2025 quarter. The Company continues to experience strong demand for product and has broaden it's customer base.

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?
	The Company announced on 20 September 2024 that the Northern Australian Infrastructure Facility (NAIF) will advance $5m under an existing facility for construction of a new airstrip and associated infrastructure. During the quarter the Company received the $5 million. On 8 August 2024, Strandline completed the sale of the Tanzanian Projects, with the consideration used to repay NAIF Facility C2 along with accrued interest and fees. Facility C2, $15 million, will be available for redrawing following the implementation of the broader debt restructure under discussion with all of its lenders and subject to release conditions to be agreed. The Company announced on 9 December 2024 that the Northern Australian Infrastructure Facility (NAIF) advanced A$5m under the facility for use to meet ongoing financial commitments. In addition to the facilities above, Strandline had previously agreed with its financiers (NAIF, National Australia Bank and Nordic Bondholders) to extend the standstill arrangement on certain interest payments and near-term repayments and covenant waivers, subject to certain conditions (see ASX Announcement dated 3 December 2024). It remains in discussions with its financiers in relation to a further extension of such.
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?
	Presently the Company is negotiating with its debt financiers to restructure the Company's debt. Pending successful outcome of these negotiations, the Company believes there are reasonable grounds to believe the operations and its business objectives will be met.
	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: ....31 January 2025...

Authorised by: ....the Board of Strandline Resources 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.