

# Quarterly Activities Review

## For period ending 31 December 2022

Battery and advanced materials company Talga Group Ltd (“Talga” or “the Company”) (ASX:TLG) is pleased to report its activities for the quarter ending 31 December 2022.

### Commercial and project development

- ACC continues to advance 60,000 tonne Talga anode offtake agreement
- Battery maker Verkor enters LOI for Talga anode supply agreement post quarter end
- Environmental permit hearing for Vittangi graphite mine commencing 31 January 2023
- Permitting process for 19,500tpa Luleå anode refinery advanced

### Product and technology development

- Electric Vehicle Anode (EVA) qualification plant in Sweden achieves ISO 14001 accreditation
- Silicon anode product, Talnode®-Si, commercialisation and tech development progressed
- Talga announced opening of new battery Centre of Excellence to extend technology and commercialisation lead of next-generation graphitic battery materials post quarter end

### Corporate and finance

- European Investment Bank appraising up to EUR300m loan for Vittangi Anode Project
- A\$32 million raised via institutional placement and Share Purchase Plan
- Talga expands Stockholm office with Swedish leadership team appointments post quarter end
- Talga presenting and exhibiting at globally significant industry events

**Talga Managing Director, Mark Thompson, commented:** *“This reporting period marks the end of a significant year in Talga’s history on many levels. The validation of our natural graphite and silicon Li-ion anode products by leading battery and automotive customers is testimony to our Tier-1 technology and material assets. Leading European financiers have also recognised Talga’s advancements over the period.*”

*We are excited to enter 2023 viewing the finalisation of the environmental permit process for our planned graphite mine in Sweden and commercial developments for our unique critical battery material products.”*

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## Commercial and project development

### ACC continues to advance 60,000 tonne anode offtake with Talga

Talga and European battery maker Automotive Cells Company SE (“ACC”) continued in advanced stages of negotiations and completion of documentation, working towards a binding offtake agreement for supply of Talnode<sup>®</sup>-C anode from Talga’s Vittangi Anode Project in Sweden.

Talga and ACC are using commercially reasonable efforts, in accordance with the terms of the non-binding offtake term sheet (ASX:TLG 27 September 2022), to finalise definitive documentation, however the Company notes there can be no guarantee the documentation will be finalised.

### Talga and battery maker Verkor sign LOI to enter anode supply agreement

Subsequent to the quarter, Talga and French battery manufacturer Verkor finalised a non-binding Letter of Intent (“LOI”) to supply Talnode<sup>®</sup>-C, Talga’s flagship graphite anode product, from the Company’s Vittangi Anode Project in Sweden (ASX:TLG 11 January 2023).

The parties will work towards executing a binding term sheet in Q1 2023 alongside advancing further product qualification programs and supply agreements.

The LOI, which follows successful Talnode<sup>®</sup>-C customer qualification testwork to date, formalises commercial discussions underway between the parties and sets out non-binding terms for Talga to supply Verkor with Talnode<sup>®</sup>-C for electric vehicle applications over a 4-to-8-year period.

Verkor is backed by multiple prominent partners including Renault Group, EQT Ventures and Sibanye-Stillwater. Verkor’s goal is to open its first Li-ion battery Gigafactory in 2024 in Dunkirk, France, with a 16 GWh/annum capacity, followed by long-term expansion to 50 GWh/annum by 2030.

### Anode industry market update shows strong fundamentals and growth potential

The last quarter of 2022 showed encouraging signs for the battery electric vehicle (EV) and anode market. EV sales continued to increase, with 2022 full year sales expected to reach over 10 million units - approximately 50% higher than 2021<sup>1</sup>.

Auto industry demand for anode material also continued to rise throughout late November and early December<sup>1</sup>. This is despite uncertainty surrounding demand sentiment in the near term as a result of planned discontinuation of EV subsidies and recessionary market forecasts.

Natural graphite anode prices remained largely stable during Q4 2022, despite anode producers facing downward pricing pressure from downstream customers and rising natural graphite feedstock costs. The graphite market is on track to undergo a deficit in its -100 mesh market, the preferred smaller flake size for anode manufacturing<sup>2</sup>.

In Q1 2023, responding to the US Inflation Reduction Act, the European Commission announced significant new proposals to support EU battery production and local supply chains of critical minerals. This includes the European Critical Raw Materials Act and Net-Zero Industry Act, aimed at supporting green European industry.

<sup>1</sup> Q4 2022 Rho Motion Battery Outlook

<sup>2</sup> Benchmark article "[What to expect for graphite in 2023?](#)"

### **Environmental permit hearing for 100,000tpa Vittangi mine commencing 31 January 2023**

The hearing for Talga's Vittangi Graphite Project mine environmental permit is scheduled to commence 31 January 2023 and expected to conclude by 23 February 2023 (ASX:TLG 3 November 2022). The hearing will be held by the Swedish Land and Environment Court and will take place in Luleå, northern Sweden.

The environmental permit decision will be delivered after the hearing.

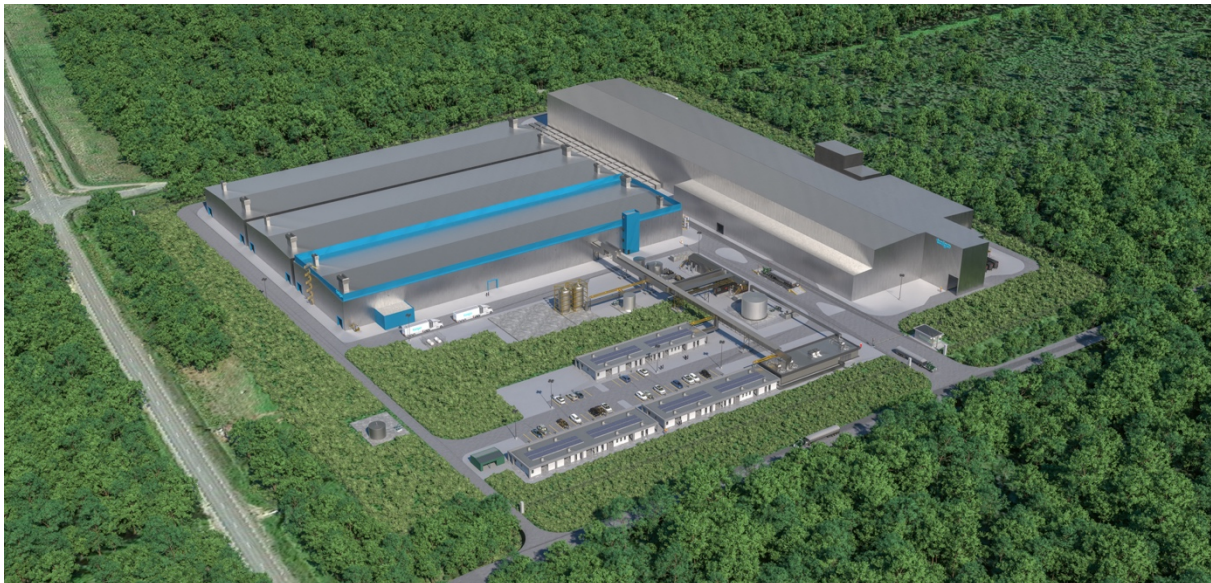
### **Permitting for 19,500tpa Luleå anode refinery advanced**

Talga's environmental permit application for the establishment of a commercial battery anode refinery in Luleå, northern Sweden, has progressed in the Swedish Land and Environment Court ("Court").

The refinery, part of Talga's vertically integrated Vittangi Anode Project, will produce 19,500tpa of the Company's natural graphite active anode product Talnode<sup>®</sup>-C.

Following receipt and review of public statements, along with deliberation, the Court is expected to rule on Talga's request for permission for early construction. The ruling would allow Talga to commence construction of its battery anode plant immediately upon receipt of the relevant building license. A separate building licence application is progressing with local authorities in Luleå Municipality to potentially commence construction as early as 2H 2023.

**Figure 1** Talga's planned 19,500tpa anode refinery in Luleå, Sweden.



## Product and technology development

### Talga EVA qualification plant achieves ISO 14001 accreditation

Talga was awarded the globally recognised ISO 14001:2015 certification for its Environmental and Social Management System (“ESMS”) at the Company’s Electric Vehicle Anode (“EVA”) plant in Luleå, Sweden (ASX:TLG 19 October 2022).

The ISO 14001:2015 certification is an independent, third-party assurance of Talga's ESMS. The certification forms part of a broader quality assurance program being implemented across Talga’s operations in preparation for commercial production of battery materials. The ESMS covers safe use, management and transport of chemicals, waste, and dust; safety procedures for emergencies; ongoing monitoring and auditing; and commitment and active support from leadership.

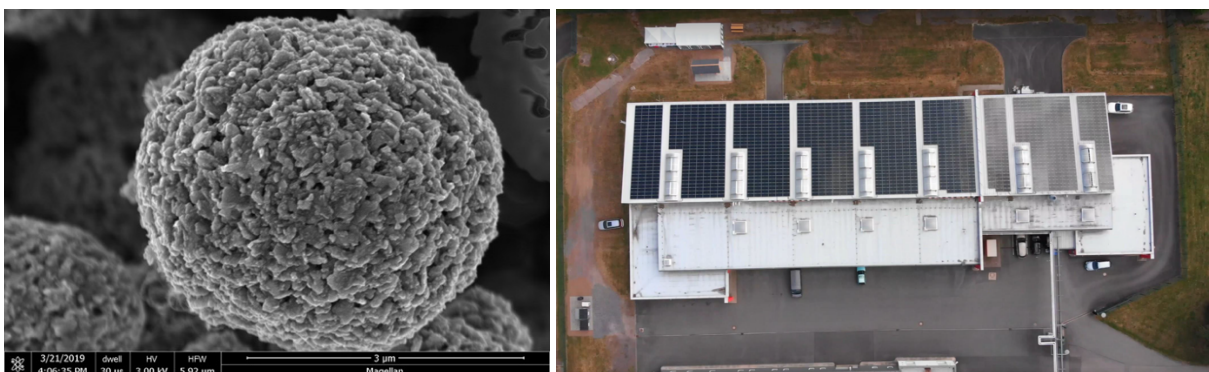
**Figure 2** Kiln in Main Hall (L) of Talga’s Electric Vehicle Anode plant in Luleå, Sweden (R).



### Commercialisation progress for Talga silicon anode product, Talnode®-Si

During the reporting period, Talga provided an update on commercialisation and customer qualification of Talnode®-Si, the Company’s proprietary silicon anode for Li-ion batteries. Talnode®-Si is designed to significantly boost battery energy capacity when blended into existing commercial graphite anode materials (ASX:TLG 14 December 2022).

**Figure 3** Scanning electron microscopy image of Talnode®-Si particle during development at Talga’s R&D facilities in the UK (L) and Talga’s German pilot plant housing Talnode®-Si commercial sample production (R).



Qualification and pilot trials have been completed with a global EV manufacturer under commercial cell manufacturing, conditions confirming Talnode®-Si performance. Li-ion battery cells containing 9% Talnode®-Si, manufactured in battery tolling and in-house development facilities, boosted battery energy capacity by ~40%. Test results of first cycle efficiency and 500 cycle life to date exceed customer targets at this stage of development.

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Following positive customer tests and feedback Talga is expanding its existing pilot line in Rudolstadt, Germany, to produce greater quantities of Talnode<sup>®</sup>-Si for commercial qualification. Commissioning of the expanded pilot line is to be completed in Q1 2023.

In parallel, the Company is conducting feasibility work towards accelerating commercial Talnode<sup>®</sup>-Si production options. Negotiations with leading global EV manufacturers regarding supply volumes have commenced and production site location selection in Europe is well underway.

#### Talga opens new UK battery Centre of Excellence

Talga also announced in January the opening of its new battery Centre of Excellence in Cambridge, UK (ASX:TLG 17 January 2023).

The facility forms a key part of realising Talga's strategy to become a global player in the battery supply chain and increases Talga's capacity to develop Talnode<sup>®</sup> battery materials, including next-generation silicon anodes and performance-boosting conductive additives for cathodes.

**Figure 4** Making and testing next-generation battery materials at Talga's new Centre of Excellence.



This development work aims to diversify Talga's product portfolio into emerging energy storage materials and future scope technologies. In addition, the centre is home to Talga's material recycling and repurposing R&D operations.

The centre is designed to support and complement Talga's existing facilities in Rudolstadt, Germany (processing technology scale-up and graphene sample production); and Luleå, Sweden (Talnode<sup>®</sup>-C electric vehicle qualification production and battery quality control labs).

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## Corporate and finance

### European Investment Bank appraising up to EUR300m for Vittangi Anode Project

Following substantial due diligence undertaken to date, including site visits, the European Investment Bank (“EIB”) advanced Talga’s Vittangi Anode Project to ‘Under Appraisal’ in preparation for a debt financing decision (ASX:TLG 23 November 2022).

EIB’s potential financing commitment of up to EUR300m, pending final due diligence, credit approvals and agreements, will complement debt funding discussions underway with a consortium of leading export credit agencies and international banks.

### A\$32 million raised via institutional placement and Share Purchase Plan

During the reporting period Talga raised a total of A\$32 million, with a strongly supported institutional placement that raised A\$22 million at A\$1.10 per share (“Placement”) (ASX:TLG 7 October 2022), and a Share Purchase Plan (“SPP”) open to eligible Talga shareholders that raised A\$10 million (ASX:TLG 24 October 2022).

The Placement, jointly managed by Morgan Stanley Australia Securities Limited and Euroz Hartleys Limited, and supported by UK placing agent Longspur Capital Limited, resulted in the issue of 20.1 million shares. This represents approximately 6.6% of Talga’s existing fully paid ordinary shares on issue immediately prior to the issue of the New Shares.

The SPP was opened on 14 October 2022 and closed early, on 24 October 2022, having reached the targeted raising amount.

Proceeds from the Placement and the SPP will be used to fund Talga’s advancement of the Vittangi Anode Project, expanded operation of the Electric Vehicle Anode qualification plant, Niska expansion workstreams and resource drilling, next-generation anode development (including Talnode®-Si commercialisation), and for general working capital.

### Talga expands Stockholm office with new Swedish leadership team appointments

Subsequent to the quarter, Talga made two new additions to its Swedish leadership team in Stockholm.

Talga appointed Anne Jansen as the Company’s new Head of Business Development. Ms Jansen will work closely with Talga’s established sales and marketing teams to identify and develop new commercial opportunities. Ms Jansen has a proven track record in sales, customer success and product management with a background in engineering.

Talga also appointed Ola Enarson as the new EU Management Accountant. Mr Enarson is an experienced finance manager and accountant, having held multiple central roles in future-oriented and fast-growing companies.

These appointments will support an increased Swedish corporate presence as the Company scales up to commercial production and are complemented by growth in the Swedish operations team.

In addition, Melissa Roberts, the Group’s Chief Financial Officer, joined Talga’s Swedish Board of Directors. Talga’s Swedish Board was formed to support the growth of Talga’s European battery anode value chain on a strategic and operational level.

**Talga presenting and exhibiting at globally significant industry events**

- Svemin's Environmental Summit, 4 to 5 October 2022, Kiruna, Sweden
- IZB Wolfsburg, 11 to 13 October 2022, Wolfsburg, Germany
- #Batteries4EU, 27 October 2022, Brussels, Belgium
- Bright Green Summit, 22 November 2022, Stockholm, Sweden
- Arctic Futures Summit, 30 November 2022, Brussels, Belgium
- Rho Motion Seminar Series, 1 December 2022, Paris, France
- Visit of the European Commission, 13 January 2023, Kiruna, Sweden
- Rho Motion Seminar Series, 7 February 2023, Singapore
- Benchmark Gigafactories, 28 to 29 March 2023, Budapest, Hungary
- RIU Sydney Resources Roundup, 9 to 11 May 2023, Sydney, Australia

**Figure 5** Talga CEO Europe Martin Phillips speaking with Ebba Busch, Sweden's Minister for Energy, Business and Industry and Deputy Prime Minister, at the visit of the European Commission to Kiruna (top); Martin Phillips speaking at Bright Green Summit, Stockholm (BL); Dr Anna Motta, Talga's Head of Advanced Materials and Technologies, speaking at Rho Motion Seminar Series, Paris (BR).



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### Tenement Interests

As required by ASX listing rule 5.3.3, refer to Appendix 1 for details of interests in mining tenements held by the Company. No new joint ventures or farm-in/farm-out activity occurred during the quarter.

### Financial

Talga ended the December quarter with A\$23.3 million cash-in-bank and was capitalised at ~A\$590 million based on closing price on 27 January 2023. The Company has 334.3 million quoted ordinary shares and 12.1 million unlisted options on issue.

### ASX Appendix 5B, Section 6

Payments to related parties of the entity and their associates: during the quarter \$224,000 was paid to Directors and associates for salaries, superannuation, and consulting fees.

Authorised for release by the Board of Directors of Talga Group Ltd.

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## About Talga

Talga Group Ltd (ASX:TLG) is building a European battery materials supply chain to offer products critical to the green transition. Talga's innovative technology and vertical integration of 100% owned Swedish graphite resources provides security of supply and creates additional value for stakeholders.

Website: [www.talgagroup.com](http://www.talgagroup.com)

## No New Information

To the extent that announcement contains references to prior technical information, exploration results and mineral resources; these have been cross referenced to previous market announcements made by the Company. These had been disclosed to JORC 2012 standard. Unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements that assumptions and technical parameters underpinning the relevant market announcement continue to apply and have not materially changed.

## Forward-Looking Statements & Disclaimer

Statements in this document regarding the Company's business or proposed business, which are not historical facts, are forward-looking statements that involve risks and uncertainties, such as estimates and statements that describe the Company's future plans, objectives or goals, including words to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements address future events and conditions, by their very nature, they involve inherent risks and uncertainties. Actual results in each case could differ materially from those currently anticipated in such statements. Investors are cautioned not to place undue reliance on forward-looking statements.

This announcement may not be distributed in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction. Recipients should inform themselves of the restrictions that apply in their own jurisdiction. A failure to do so may result in a violation of securities laws in such jurisdiction. This document does not constitute investment advice and has been prepared without taking into account the recipient's investment objectives, financial circumstances or particular needs and the opinions and recommendations in this representation are not intended to represent recommendations of particular investments to particular persons.

## Appendix 1: Tenement Holdings

Project/location	Tenements	Interest at end of quarter	Acquired during quarter	Disposed during quarter
<b>Aitik East Project</b>				
Norrbottn County, Sweden	Suorravaara nr 3	100%		
<b>Jalkunen Project</b>				
Norrbottn County, Sweden	Jalkunen nr 1	100%		
<b>Kiskama Project</b>				
Norrbottn County, Sweden	Kiskama nr 1	100%		
<b>Masugnsbyn Project</b>				
Norrbottn County, Sweden	Masugnsbyn nr 102	100%		
<b>Raitajärvi Project</b>				
Norrbottn County, Sweden	Raitajärvi nr 5	100%		
<b>Vittangi Project</b>				
Norrbottn County, Sweden	Nunasvaara nr 2	100%		
	Nunasvaara nr 3	100%		
	Vathanvaara nr 102	100%		
	Vittangi nr 2	100%		
	Vittangi nr 6	100%		
<b>Pajala Project</b>				
Norrbottn County, Sweden	Lautakoski nr 5	100%		

## Appendix 5B

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

Name of entity

Talga Group Ltd

ABN

32 138 405 419

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	28	46
1.2 Payments for		
(a) exploration & evaluation <sup>(i)</sup>	(4,690)	(7,997)
(b) development <sup>(ii)</sup>	(1,810)	(3,150)
(c) qualification plant production <sup>(iii)</sup>	(1,624)	(2,556)
(d) staff costs - corporate	(990)	(1,799)
(e) administration and corporate costs	(2,008)	(2,823)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	104	112
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government R&D grants and tax incentives	149	388
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(10,841)</b>	<b>(17,779)</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	(1,495)	(2,848)
(d) exploration & evaluation	-	-
(e) investments	-	-
(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 (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,495)</b>	<b>(2,848)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	32,110	32,110
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	(1,224)	(1,224)
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>30,886</b>	<b>30,886</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	4,722	13,013
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,841)	(17,779)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,495)	(2,848)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	30,886	30,886

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>23,272</b>	<b>23,272</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	1,681	1,062
5.2	Call deposits	21,591	3,660
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>23,272</b>	<b>4,722</b>

## Notes

- (i) Exploration and evaluation includes Sweden trial mining, technical & FEED studies, and exploitation permitting costs.
- (ii) Development includes UK product development and German test facility operations.
- (iii) EVA plant anode sample production costs.

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	224
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.*

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

7. <b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>		
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)	(10,841)
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)	(10,841)
8.4 Cash and cash equivalents at quarter end (item 4.6)	23,272
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	23,272
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.15
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

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## 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: 30 January 2023

Authorised by: The Board  
(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.