

17 January, 2024

Quarterly Activities and Cashflow Report for the period ending 31 December 2023

Boab Metals Limited (ASX: BML) (“Boab” or “Company”) is pleased to provide the following activity and cashflow report for the quarter ending 31 December, 2023. During the quarter, the Company continued progressing its 75% owned Sorby Hills Lead-Silver-Zinc Project (“Sorby Hills” or “the Project”), located in the Kimberley Region of Western Australia.

HIGHLIGHTS

- **Assays for Phase VII drilling program received.** Key results included:
 - SHSD_171: **11.05m @ 17.63% PbEq** (10.98% Pb & 189 g/t Ag) from 81.95m
 - SHSD_174: **11.60m @ 20.23% PbEq** (8.78%Pb & 325 g/t Ag) from 74.40m
 - SHSD_164: **6m @ 9.92% PbEq** (3.92% Pb & 170g/t Ag) from 101m
 - SHSD_183: **2m @ 6.85% PbEq** (4.43% Pb & 69g/t Ag) from 103m
 - SHSD_184: **2.8m @ 3.84% PbEq** (3.17%Pb & 19g/t Ag) from 129m
- **Assays confirm a significant Intercept of 9.55m @ 5.1% PbEq** from 243m from the first drill hole completed at the **Keep Seismic Target**, located approximately **2km from the existing Sorby Hills Reserves**.
- **Metallurgical test work arising from the Phase VII program commenced in the quarter.** The flotation testing and analysis is expected to be carried out through Q1 2024 with final results forecast for early Q2 2024.
- **FEED tender/quotation pricing.** Completed with updated pricing obtained for key contracts including, bulk earthworks and mining services. The latest tender process has highlighted opportunities to significantly lower mining costs and the company is investigating these opportunities as part the ongoing FEED study. Updated pricing to be included in the FEED Study report forecast to be released in Q2 2024.
- **Sorby Hills Project forecast as a low-cost producer by CRU Global.**
- **\$5M Equity Facility Established.** The Company entered into an At-The-Market Subscription Agreement (ATM) with Acuity Capital which will provide Boab with up to \$5,000,000 of standby equity capital over 38 months until 31 January, 2027.
- **The Company had a cash balance of approximately A\$2.3M as at 31 December 2023.**

***Boab Managing Director and CEO, Simon Noon, stated:** “Drilling results from our Phase VII program have been strong and have confirmed the high-grade silver component of the Sorby Hills deposits. Furthermore, our maiden intercept at the Keep Seismic Target is extremely exciting and represents an opportunity to discover a new economic deposit at Sorby Hills.*

With A\$2.3M in the bank and the recent establishment of a A\$5M standby Equity Subscription Agreement, the Company is well funded to pursue further drilling at Sorby Hills and within the region whilst simultaneously advancing Sorby Hills toward a Final Investment Decision.”

Phase VII Drilling Results

The Phase VII drilling program concluded with the completion of 22 drill holes for 2,634 metres (an additional 24% of metres than originally planned). Of the total program 1,433m across 13 holes were drilled for a metallurgical purpose with another 1,200m across 9 holes drilled for resource/reserve expansion and exploratory objectives.

Collar locations for all the completed drill holes are shown below in *(Figure 1)*.

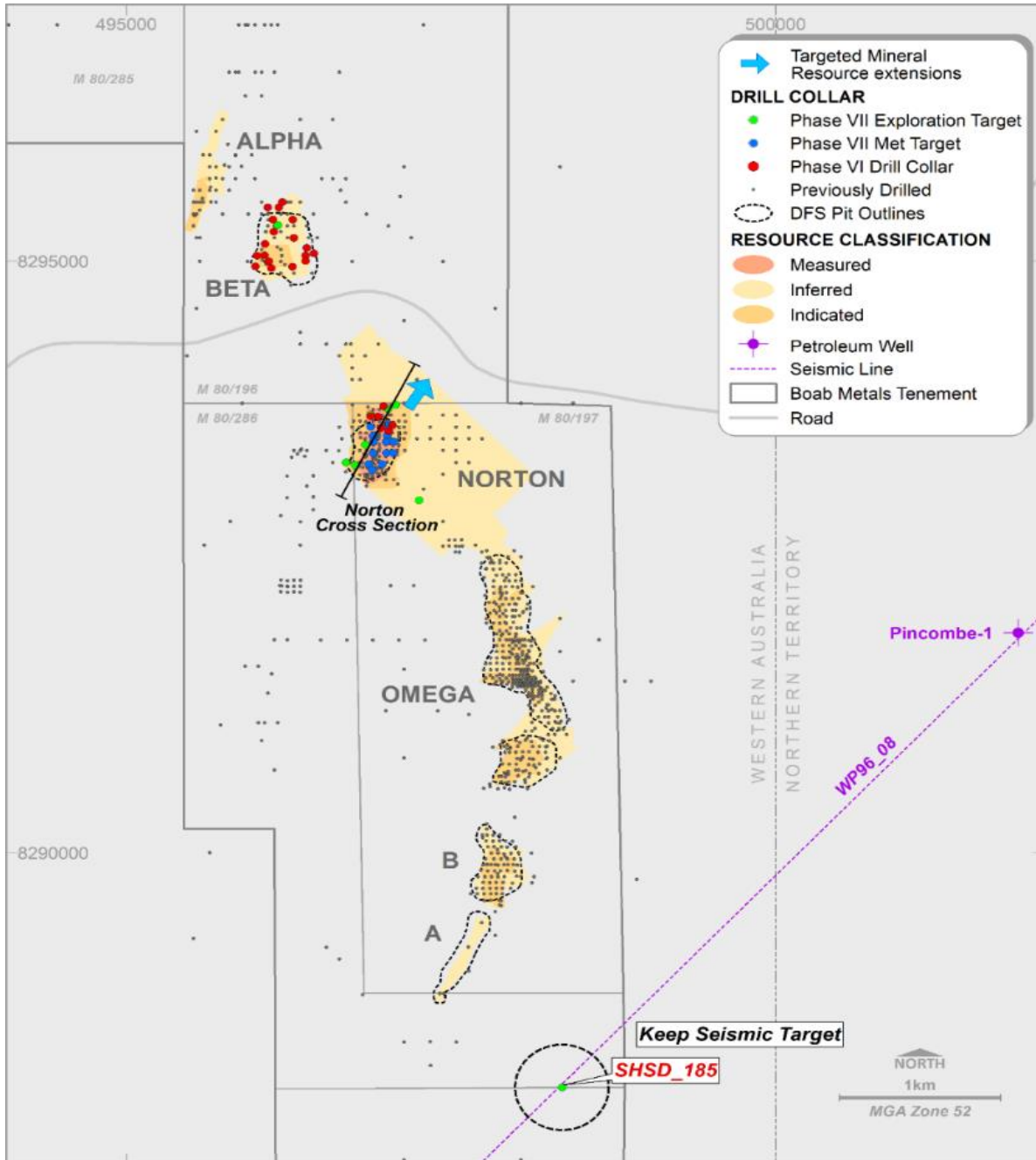


Figure 1: Plan view of the Sorby Hills Project showing the locations of completed drill holes for Phase VII with respect to previous drilling, the Mineral Resource and DFS open pit outlines.

KEEP SEISMIC TARGET

A highlight of the Phase VII program included a significant intercept from the maiden hole drilled at the Keep Seismic Target located ~2km from the existing Sorby Hills Reserves.

As announced in August 2023, the interpretation of seismic data from petroleum exploration across the Burt Range Sub-Basin resulted in a conceptual drill target – the Keep Seismic Target. SHSD_185 was aimed at testing the potential for a mineralised feeder fault system, which can be seen in the seismic data, and the potential for stratiform mineralisation at the Knox Formation/Sorby Dolomite interface (Figures 1 & 2).

Assay results confirmed the significance of the observed mineralisation:

- SHSD_185: 9.55m @ 5.10% PbEq (2.59% Pb & 2.26% Zn) from 242.55m
 - Incl. 3.12m @ 13.43% PbEq (6.37% Pb & 6.36% Zn) and 26.5 g/t Ag from 245.36m.

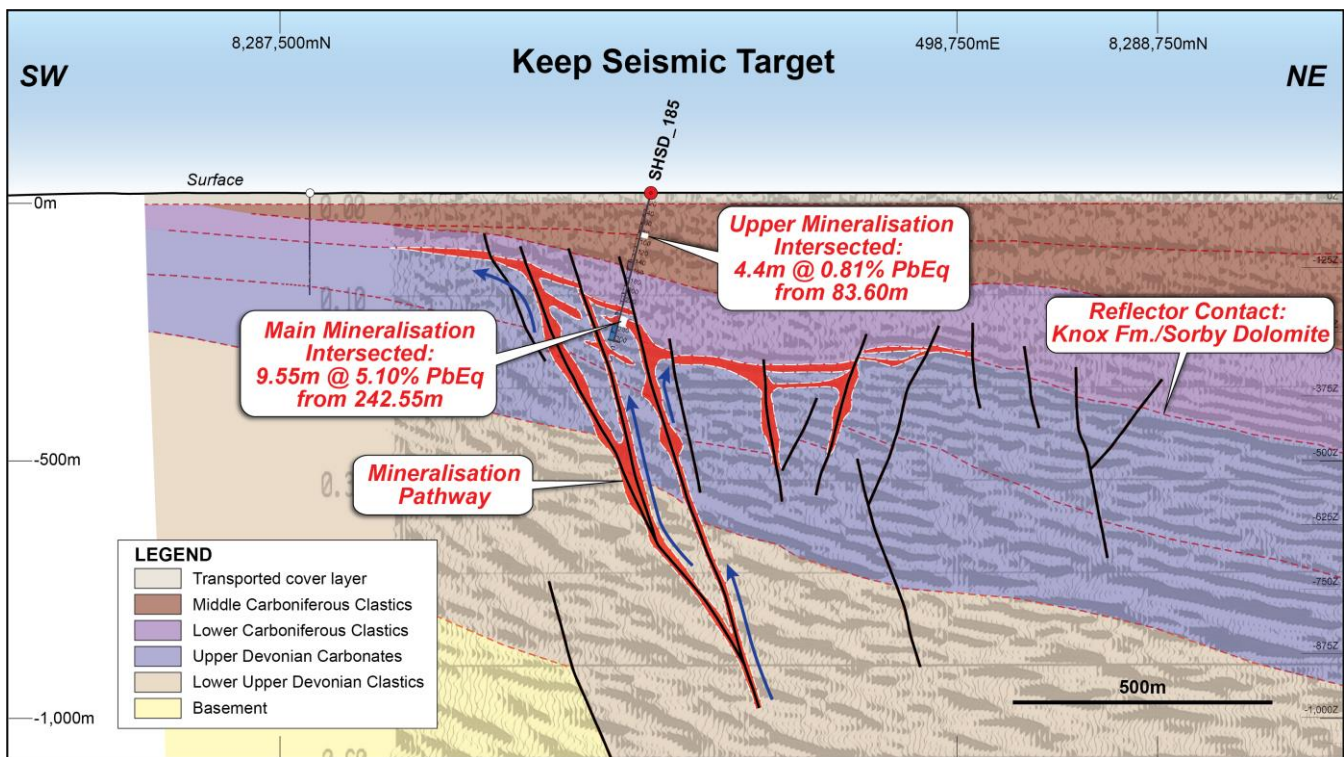


Figure 2: Close up view of section and geological interpretation of SHSD_185 and seismic line WP_96-08.

The Company is of the view that the initial analytical and geological results at the Keep Seismic Target are a major exploration success proving up concept but most importantly the potential of several kilometres of thick sedimentary rocks of the Burt Range Basin to be the source of significantly more base metal mineralisation.

The Company intends to undertake step-out drilling during the upcoming field season.

NORTON NORTH EXPLORATION DRILLING

Further exploration success was encountered on the northern periphery of the Norton deposit with drilling of holes SHSD_164 and SHS_183 (Figures 1 & 3). The drill holes intersected mineralisation at the target depth of approximately 100m down hole and add to the confidence of continuity of mineralisation in this area and further confirm the high-grade silver component of the deposit. The mineralisation remains open to the north.

The following mineralisation intervals were encountered:

- SHSD_164: 6m @ 9.92% PbEq (3.92% Pb & 170g/t Ag) from 101m (down hole); and
- SHSD_183: 2m @ 6.85% PbEq (4.43% Pb & 69g/t Ag) from 103m (down hole)

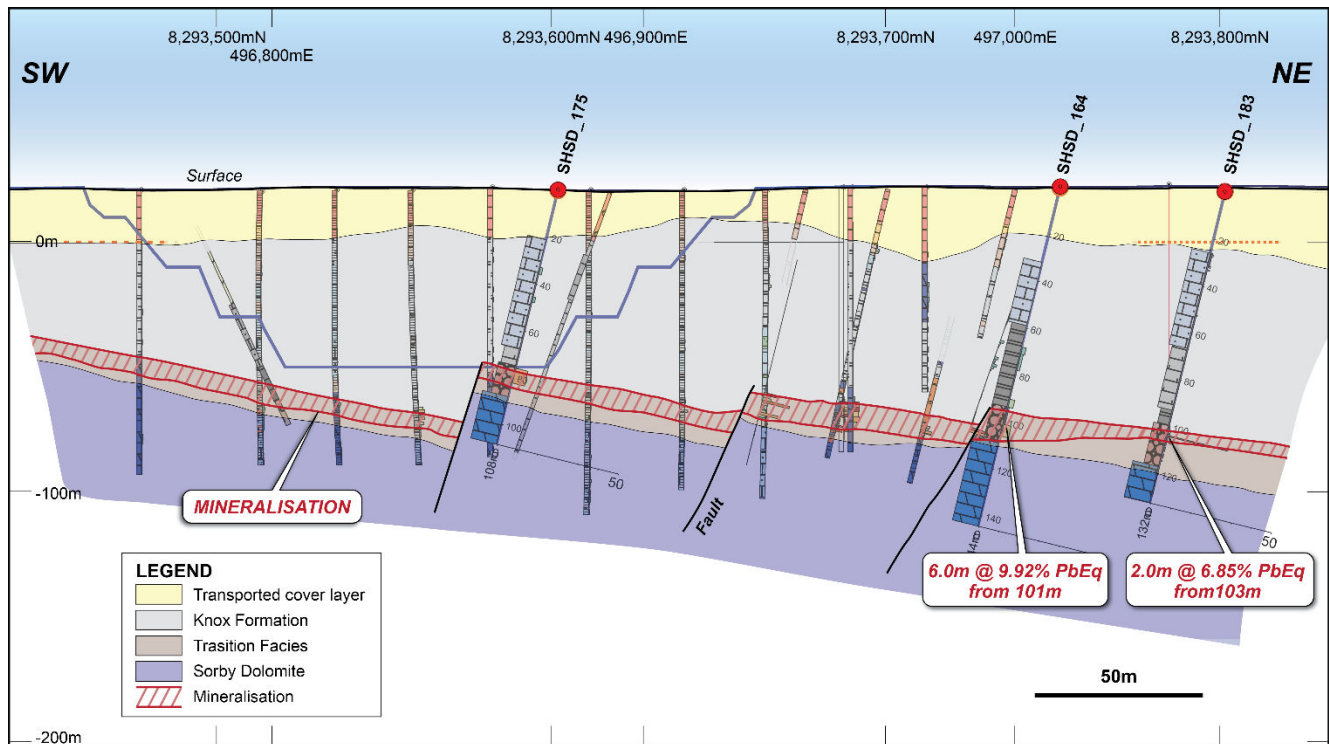


Figure 3: Cross section of the northern extension drilling at Norton.

BETA EXPLORATION DRILLING

SHSD_184 was drilled at the western periphery of the Beta Deposit to test the continuity of mineralisation. The hole intersected a noteworthy interval of mineralisation at around 129m below surface.

- SHSD_184: 2.80m @ 3.84% PbEq (3.17% Pb & 19 g/t Ag) from 129.0m (down hole).

NORTON METALLURGICAL DRILLING

The metallurgical portion of the program was underpinned by the prospect of the spatially restricting or revising upwards recovery factors of ore from Norton and to provide additional core upon which further testwork can be undertaken.

A positive result could lead to a material increase in both the size of the Norton production target and the overall metal recovered from the Norton Deposit.

The intervals encountered testify to the robustness of the Norton mineralisation with its clean low-iron and high silver values within the mineralisation envelope.

- SHSD_171: 11.05m @ 17.63% PbEq (10.98% Pb & 189 g/t Ag) from 81.95m; and
- SHSD_174: 11.60m @ 20.23% PbEq (8.78%Pb & 325 g/t Ag) from 74.40m

Over and beyond its main purpose, the metallurgical portion of the drill program has also confirmed the geometry and grade of mineralisation at Norton at a depth and over a width consistent with the current Sorby Hills Resource Model.

Independent cost analysis

As part of the ongoing financier due diligence process, Boab received an independent assessment of the projects relative operating costs from reputable market consultant CRU Global. The analysis by CRU placed Sorby Hills in the first quartile of projected global lead producers in 2027 on an ex-works basis (i.e. Mining, Processing and G&A costs, before by-product credits) (Figure 4) underlining the competitive advantage of the Sorby Hills Project as an open pit mine.

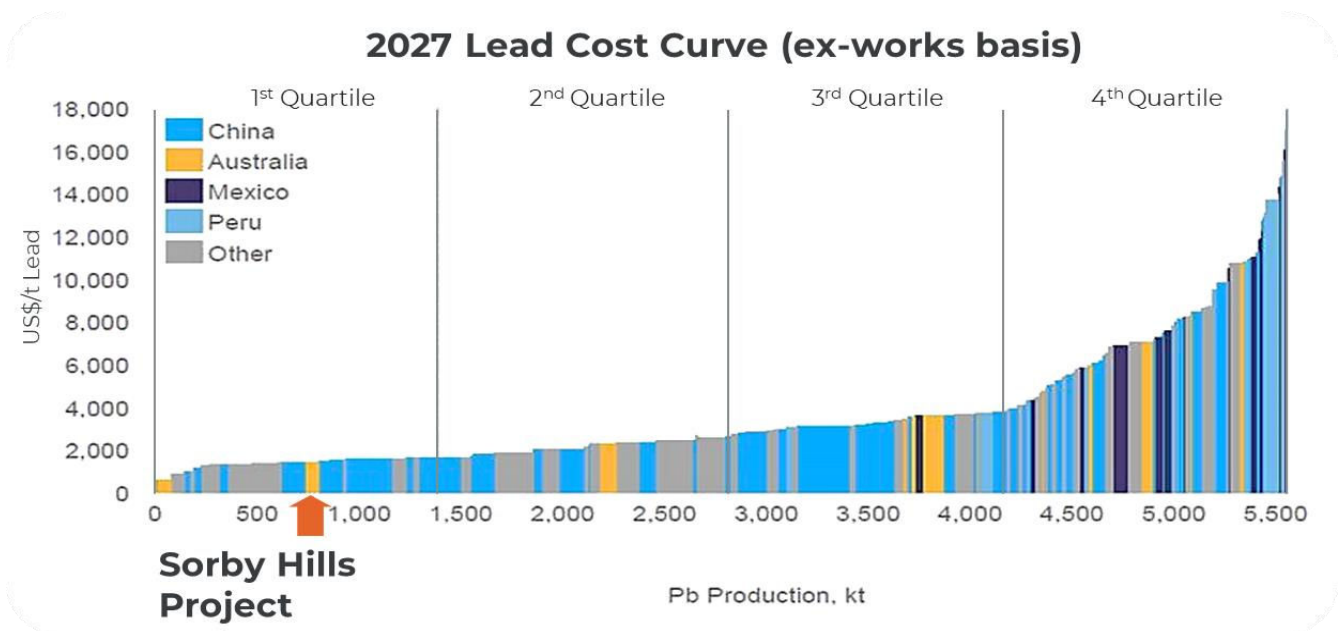


Figure 4: Global Lead Cost Curve 2027 (ex-works basis)

The projected ex-works operating costs are covered by a historically non-volatile Lead price indicating the Projects high leverage to fluctuation in the price of Silver.



Project Optimisation

The Company continues to undertake a range of project optimisation workstreams as part of its ongoing discussion with project financiers and progression toward a Final Investment Decision at the Sorby Hills Project.

REFRESHED BULK EARTHWORKS DESIGN AND TENDER

The civil Bulk Earthworks Design has been updated in line with the revised Process Plant Layout and updated Water and Tailings Management. As a result, the Process and Non-Process infrastructure layout and footprint were reviewed and refreshed. The resultant output of the revised design quantities has been repriced for ongoing evaluation purposes and inclusion in the FEED Study report.

UPDATED MINING TENDER

The Company has finalised repricing activities for the Mining Contract. The proposals obtained provided reassurance of the DFS operating costs and have highlighted opportunities to further reduce mining costs which the company are now investigating further.

METALLURGICAL TESTWORK TO ENHANCE METAL RECOVERIES AT NORTON

The metallurgical testwork arising from the Phase VII program commenced during the quarter. As previously noted, the testwork is centred on updated metal recoveries from the Norton Deposit compared to the conservative metal recoveries adopted in the DFS.

The flotation testing and analysis will occur in Q1 2024 with final results forecast for early Q2 2024.

CONCESSIONAL LOADING FOR PRODUCT TRANSPORT BETWEEN SITE AND WYNDHAM PORT

An in-principal agreement between the Company and the departmental representatives of the Shire of Wyndham and East Kimberley ("SWEK") during the period provides for the ability to transport an increased volume of concentrate product to port per load in exchange for a modest payment contribution to SWEK for the upgrade of the road's infrastructure.

The proposal was presented and approved at the end of year meeting of the SWEK council.

The approval for concessional loading allows Boab to transport approximately 20% more product per road train.. This increase in additional overall movement of material per load results in an approximate \$5 per wmt saving over the cost for non-concessional loading vehicle movements which equates to an approximate \$4.5m saving in haulage costs over the life of mine.

Approvals

The Sorby Hills Project has Environmental Protection Authority (EPA) approval via a Ministerial Statement approving open pit mining and associated infrastructure.



A s45C application seeking amendments to the current approval is currently under assessment by the regulator. During the quarter BML met with the EPA to discuss its required amendments and the Company expects the 45C to progress over the next quarter.

The Project received clearance under the Environmental Protection and Biodiversity Conservation Act (“EPBC”) act in 2013. However, given the increased scale the Company deemed it prudent to seek reconfirmation.

In a request for further information received during the quarter, the Department of Climate Change, Energy, the Environment and Water (“DCCEEW”) confirmed the project is now considered a “controlled action” under the EPBC act, however, can be assessed with only preliminary documentation required.

The Company has secured the services of a specialist consultant to undertake a Survey commencing in January and subsequently compile the response for the DCCEEW by the end of Q1 2024.

Financing and Offtake

The Company is currently working through the completion, documentation and modelling of the project optimisation workstreams and intends to deliver the results via a Sorby Hills FEED Study to be released to the market in Q2 2024. The production of a documented FEED Study will not hold up the ongoing engagement with potential project financiers.

The Company has held positive discussions with Offtakers dating back prior to the DFS and subsequently has shortlisted and advanced negotiations with preferred parties. More recently, Boab has opened discussions with Offtakers with respect to providing finance to compliment that sought from other potential lenders. Whilst negotiations on offtake are well progressed, the Company has reserved its right to award offtake for the Sorby Hills concentrate, in order to maximise the potential for securing project finance from the Offtake parties. Positive discussions are ongoing.

A\$5M Standby Equity Subscription Agreement

During the quarter, the Company established an At-The-Market Equity Subscription Agreement (ATM). The ATM provides Boab with up to \$5,000,000 of standby equity capital over the coming 38 month period until 31 January, 2027.

Boab will have full discretion as to the maximum number of shares to be issued, the minimum issue price of shares and the timing of each subscription. There are no requirements on Boab to utilise the ATM and Boab may terminate the ATM at any time, without cost or penalty.

Financial and Corporate Overview

The consolidated cash balance of the Company as at 31 December 2023 was A\$2.3M. During the period, the Company paid \$77k to related parties. These payments were made to Directors of Boab Metals Limited in relation to salaries and directors’ fees, on normal commercial terms.



Based on Boab's current cash position and estimated cashflow forecasts, the Company is sufficiently funded well into 2024.

Boab's ATM facility of up to \$5,000,000 has not been utilised to date.

The Board of Directors have authorised this announcement for release to the market.

FOR FURTHER INFORMATION, PLEASE CONTACT:

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Managing Director & CEO

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About Boab Metals Limited

Boab Metals Limited ("**Boab**", ASX: **BML**) is a Western Australian based exploration and development company with interests in Australia and South America. In Australia, the Company is currently focused on developing the Sorby Hills Lead-Silver-Zinc Joint Venture Project in WA. Boab owns a 75% interest in the Joint Venture with the remaining 25% (contributing) interest held by Henan Yuguang Gold & Lead Co. Ltd.

Sorby Hills is located 50km from the regional centre of Kununurra in the East Kimberley and has existing sealed roads to transport concentrate from site to the facilities at Wyndham Port, a distance of 150km. Established infrastructure and existing permitting allows for fast-track production.

Compliance Statements

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves.

Information included in this activities report relating to Exploration Results has been extracted from the ASX Announcements titled "Significant Intercepts at Sorby Hills" dated 8 November 2023, "Amended Drilling Announcement" dated 4 September 2023", "Assays Confirm Further Positive Outcome for Sorby" dated 23 January 2023, "High-Grade Lead-Silver Confirmed at Beta Deposit" dated 1 February 2022, and "Sorby Hills DFS Metallurgical Testwork Results" dated 19 November 2021 available to view at www.boabmetals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in these announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the form in which they were first presented.



Information included in this activities report relating to Mineral Resources has been extracted from the Mineral Resource Estimate dated 17 December 2021, available to view at www.boabmetals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the Mineral Resource Estimate and that all material assumptions and technical parameters underpinning the estimates, continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the Mineral Resource Estimate.

Information included in this activities report relating to Ore Reserves, Production Targets and Financial Forecasts has been extracted from the Sorby Hills Definitive Feasibility Study and dated 19 January 2023, available to view at www.boabmetals.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the Ore Reserve Statement and that all material assumptions and technical parameters underpinning the estimates, production targets and financial forecasts continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the Ore Reserves Statement.

Metal Equivalent Calculation Method

The contained metal equivalence formula is based on the Sorby Hills DFS including:

- Lead Price US\$2,253.19/t;
- Lead recovery of 91.0% (weighted average of oxide and fresh Pb recoveries);
- Lead Payability rate of 95%;
- Silver Price US\$27.4/oz;
- Silver recovery of 81.8% (weighted average of oxide and fresh Ag recoveries); and
- Silver Payability rate of 95%.

It is Boab's opinion that all elements included in the metal equivalent calculation have a reasonable potential to be recovered and sold.

The formula used to calculate lead equivalent grade is:

$$\text{MetalEq (\%)} = G_{\text{pri}} + (G_{\text{pri}} \times [\sum_i R_i S_i V_i G_i] / (R_{\text{pri}} S_{\text{pri}} V_{\text{pri}} G_{\text{pri}}))$$

where R is the respective metallurgical metal recovery rate, S is the respective smelter return rate, V is metal price/tonne or ounce, and G is the metal commodity grade for the suite of potentially recoverable commodities (i) relative to the primary metal (pri).

Metal equivalents are highly dependent on the metal prices used to derive the formula. Boab notes that the metal equivalence method used above is a simplified approach. The metal prices are based on the DFS values adopted and do not reflect the metal prices that a smelter would pay for concentrate nor are any smelter penalties or charges included in the calculation. Owing to limited metallurgical data, zinc grades are not included at this stage in the lead equivalent grade calculation.

DFS Macroeconomic Assumptions

Assumption	Unit	FY2023	FY2024	FY2025	FY2026	FY2027+
Lead Price	US\$/t	2,259	2,268	2,269	2,254	2,251
Silver Price	US\$/oz	24.8	25.8	26.4	27.3	27.5
Exchange Rate	A\$:US\$	0.70	0.70	0.70	0.69	0.68

APPENDIX 1

INTERESTS IN TENEMENTS

Farm-In Agreements/ Projects/Tenements	Location	Held at Start of Quarter	Held at End of Quarter
Sorby Hills Project M80/196 M80/197 M80/285 M80/286 M80/287 E80/5317	WA, Australia	75% 75% 75% 75% 75% 100%	75% 75% 75% 75% 75% 100%
Borroloola West Project EL31354 EL26938 EL26939 EL28508 EL28658 EL30305 MLN624	NT, Australia	100% 51% 51% 51% 51% 51% 51%	100% 51% 51% 51% 51% 51% 51%
Manbarrum Project EL24395 MA24518 MA26581	NT, Australia	100% 100% 100%	100% 100% 100%
Urrao Project 2791	Colombia	100%	100%

Appendix 5B

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

Name of entity		
BOAB METALS LIMITED		
ABN	Quarter ended ("current quarter")	
43 107 159 713	31 DECEMBER 2023	
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	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(198)	(1,374)
(b) development	-	-
(c) production	-	-
(d) staff costs	(175)	(358)
(e) administration and corporate costs	(387)	(609)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	14	38
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other:-		
Recharge of staff costs and other administration costs to the Sorby JV	26	100
1.9 Net cash from / (used in) operating activities	(720)	(2,203)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-

Appendix 5B

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
(e) investments	-	-
(f) other non-current assets	-	(129)
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	-	(129)

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	-	-
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	-	-

Appendix 5B

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.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,006	4,618
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(720)	(2,203)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(129)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,286	2,286

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	426	909
5.2	Call deposits	1,860	2,097
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)	2,286	3,006

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	(77)*
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<p><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></p> <p><i>*Salaries and Directors fees paid on normal commercial terms</i></p>		

Appendix 5B

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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(720)
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)	(720)
8.4 Cash and cash equivalents at quarter end (item 4.6)	2,286
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	2,286
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	
<i>*Note, Estimated quarters of Funding available is calculated using the two previous quarters of expenditure. Boab funded a drilling program during this period which has been completed with no further expenditure to be incurred.</i>	3.17
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	

Appendix 5B

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

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: 17 January, 2024

Authorised for release by the Board of Directors of Boab Metals Limited

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.