

QUARTERLY ACTIVITIES REPORT

Quarter Ended 30 June 2023

Lotus Resources Limited (ASX: LOT, OTCQB: LTSRF) (Lotus or the Company) is pleased to provide its quarterly activities report for the quarter ended 30 June 2023.

HIGHLIGHTS

- **The Company announced, post quarter end, a merger with A-Cap Resources Limited (ACB.ASX) by way of a Scheme of Arrangements. The merger will create a leading Southern African-focused uranium player. Highlights of the transaction include:**
 - A-Cap Shareholders will receive 1 new Lotus Share for every 3.54 A-Cap shares held on the Scheme record date. Upon implementation of the Share Scheme, planned for late October 2023, Lotus shareholders will hold approximately 79% of the merged group and A-Cap Shareholders will hold approximately 21%.
 - The merged group will have two highly complementary and synergistic projects, both located in the same region, along a similar geological trend, and both with significant leverage to the global uranium thematic.
 - The merged group will have a combined resources of 241Mlbs and scale benefits to drive market re-rating potential.
 - The combined project portfolio will be more attractive to potential offtake partners and financiers, increasing financing flexibility to fast-track project development.
 - Lotus's highly credentialed, focused team will drive growth. The merged group will be led by Lotus's MD and Board, and Lotus's proven uranium expertise will assist in optimizing Letlhakane, one of the world's largest undeveloped uranium resources.
- **The Company continued to advance the MDA with the GoM, including hosting a site visit to Kayelekera by senior GoM officials.**
 - Post visit the Company was also able to present the MDA progress to the Malawi Parliamentary sub-committee for Natural Resources and Climate Change.
 - Meetings were also held with the relevant Ministers and the Attorney General.
 - An independent benchmarking study of comparable fiscal regimes under the direction of the GoM and their advisors was completed.
- **The Company participated in a number of Request for Proposals from utilities in connection with their future uranium demand.**
 - During the quarter, Lotus attended the WNFM Uranium Conference in Slovenia
 - Lotus continues to build the relationship with potential offtakers, leveraging our strong ESG credentials to establish relationships with potential new customers, especially in Europe, where ESG measures are critical in the supply chain.
- **Lotus continues to exercise fiscal discipline with net operating expenditure of \$2.4 million during the quarter and a closing cash balance of \$15.5m (unaudited), exclusive of the restricted cash holding of \$15.1m (US\$10m) which forms collateral for the Kayelekera Environmental Bond**
 - Majority of the quarterly outflows (\$1.9m) were related to the annual water treatment program on site following the end of the wet season.

MERGER WITH A-CAP

The Company recognises the importance of putting in place strategies that will provide a level of certainty to global utility providers that Lotus has the potential to become a multi-decade supplier in the industry.

Post quarter end, Lotus and A-Cap announced an agreement to merge via a Scheme of Arrangements, under which Lotus will acquire 100% of the A-Cap Shares on issue. Under the Share Scheme, A-Cap Shareholders will receive 1 new Lotus Share for every 3.54 A-Cap Shares held on the Scheme record date. Upon implementation of the Share Scheme, Lotus shareholders will hold approximately 79% of the Merged Group and A-Cap Shareholders will hold approximately 21%¹.

The merger will create a leading Southern African-focused uranium player with significant scale and resources by combining the production-ready asset, Kayelekera, with the future large-scale growth asset, Letlhakane, and will create the third largest resource base of ASX listed uranium developers.

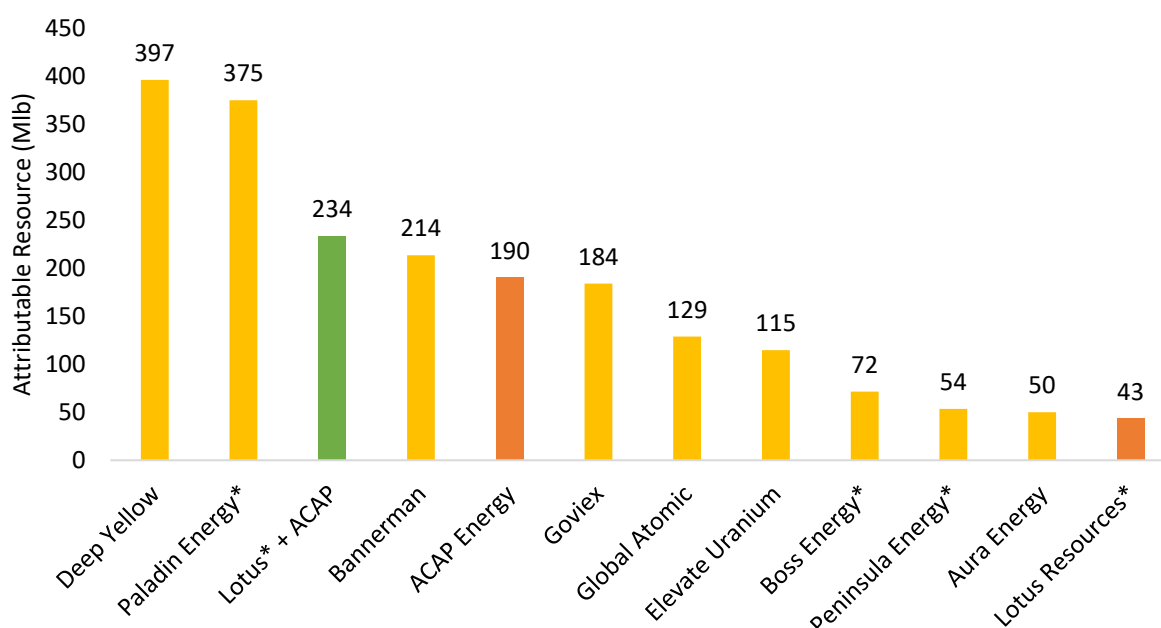


Figure 1 – Resources of uranium developers². *denotes developers restarting an operation that had previously been producing

The Merger combines two highly complementary and synergistic projects, both located in the same region, along a similar geological trend, and both with significant leverage to the global uranium thematic. Benefits of the merger include

- Increased resources and scale benefits to drive re-rating potential – a combined 241.5Mlb U₃O₈ Mineral Resource inventory³ positions the Merged Entity for a market re-rating

¹ See detail in ASX announcement 13 July 2023

² See ASX Announcement 13 July – Scheme of Arrangement Investor Presentation – for details and source data references

³ Combination of JORC (2012) Mineral Resources of Lotus (~51.1 Mlbs) and A-Cap (~190.4 Mlbs), on a 100% basis.

- Increased financing flexibility to fast-track project development, as the combined project portfolio will be significantly more attractive to potential offtake partners and financiers
- Lotus's highly credentialled, focused team to drive growth. Lotus's proven uranium expertise will assist in optimizing Letlhakane, one of the world's largest undeveloped uranium resources
- Key diversification benefits and risk mitigation – two geographic project locations are a differentiator to other single asset uranium developers and serve to mitigate single asset risk, while regional synergies can potentially be captured

A-Cap's Board unanimously support the Share Scheme, with board members intending to vote all their shares in favour of the Share Scheme⁴. A-Cap's largest shareholder, Singapore Shenke International Investment Pte Ltd, which has ~38%, also intends to vote all A-Cap shares it holds in favour of the Share Scheme.

The Board of the merged group will be the current Board of Lotus Resources, and by Lotus's Managing Director, Keith Bowes and Non-Executive Chairman Michael Bowen. A-Cap's in country exploration, technical and environmental personnel will transition to the combined entity to ensure existing knowledge is maintained.

The Scheme of Arrangement is planned to be implemented by end October 2023.

Further details regarding the transaction can be found at the Company's website – www.lotusresource.com.au

MINE DEVELOPMENT AGREEMENT MOVES FORWARD

The Company has continued negotiations with the GoM on the MDA. This Agreement will set the fiscal regime in which the Project will operate and is one of the inputs the Company is seeking prior to making its Final Investment Decision (FID) for the restart of Kayelekera.

Lotus hosted a site visit to Kayelekera by senior GoM officials at the end of May, who expressed their strong support for the Kayelekera Project. Further meetings were held in Lilongwe with the Parliamentary sub-committee on Natural Resources and Climate Change, the Attorney General and the Ministers of Mining and Finance.

During this trip, the Lotus management team was also able to meet with HRH Paramount Chief Dr Kyungu, the traditional authority in the Karonga district of northern Malawi where the Kayelekera mine is located. Paramount Chief Kyungu has been a strong advocate for the restart of the mine and was able to update the GoM officials during their site visit on the community's desire to see the mine start up as soon as possible.

⁴ based on the disclosed terms of the Share Scheme, in the absence of a Superior Proposal and subject to the Independent Expert concluding (and continuing to conclude) that the Share Scheme is in the best interest of A-Cap Shareholders



Figure 2 – Lotus Managing Director Keith Bowes meets HRH Paramount Chief Dr Kyungu

A benchmarking report was finalised by GOM's advisers and issued during the quarter. The work was undertaken to inform the GoM on the share of economic benefits seen in other mining jurisdictions. On the 20th June a meeting was held with GoM and their advisors so that each party could provide their position on the proposed share of economic benefits that will support the concessions sought in the fiscal regime.

Subsequent to the quarter end, Lotus engaged Tier 1 law firm Herbert Smith Freehills (HSF) to support the Company in finalising its negotiations of the MDA.

OFFTAKE DISCUSSIONS

The Company continues its discussions with multiple electricity utilities regarding potential offtake agreements, including participating in formal Request for Proposals (RFPs) with a number of these utilities and other off-takers during the reporting period, an important part of our FID decision and financing discussions. During the quarter, Lotus attended the WNFM Uranium Conference in Slovenia, where it was able to provide an update to the various groups we have established relationships with on updated timelines and plans. As a result of these meetings further opportunities to participate in RFPs were received.

We have also noted, particularly with the European utilities, a strong focus on a potential supplier's ESG credentials as these utilities look towards net-zero carbon emissions in their supply chains and geopolitical diversity in their supply.

POWER SUPPLY AGREEMENT ADVANCES

A Power Implementation Agreement along with the Power Supply Agreement with ESCOM will facilitate the connection of the Project site to the Malawi national grid and allow the Company access to cheaper power, a critical component of the lower operating costs reported in the Definitive Feasibility Study (DFS).

As reported in our DFS, it is also recognised that the Malawian grid power, being sourced predominantly from hydro, is considered “green” in nature and ensuring this source as a major component of our power mix fits with our low carbon strategies.

During the reporting period Lotus, along with its technical consultants, worked with ESCOM through a technical working group to define the optimal grid connection solutions and the associated power reliability and upgrade costs. These options are being reviewed now with the preferred options being carried through the next stage. Once these options have been selected the commercial working group will consider the business case for the upgrades and new installations required, including negotiating the electricity tariffs that will be applicable for Kayelekera.

The Company has also initiated an assessment of what will be required for the installation of the new transmission line from an environmental impact assessment perspective depending on the selected route, and this will also form part of the selection process.

SITE ACTIVITIES

Site activities during the quarter focused on four main areas:

- Compliance with all regulatory requirements;
- Maintain the equipment on site so as to minimise restart costs;
- Ensure security of the assets on site; and
- Management of water onsite to control the discharge of water to the environment, during the wet season in accordance with licence conditions and world standards.

The key site activity during the June Quarter was the operation of the water treatment plant to process the contaminated water that has fallen on disturbed areas during the wet season and collected in the return water dams. This year the wet season has seen lower levels of rainfall, resulting in less water required for treatment. The water treatment plant ran for total of six weeks and treated ~300,000m³ of water. Both the operating time and volumes treated are lower than required during a normal season and this has allowed savings on Lotus’s care and maintenance cost for the year.

ESG UPDATE

The Company has commenced preparing its FY2023 Sustainability Report and similar to last year is focusing on the UN Sustainable Development Goals and the Global Reporting Initiative (GRI) Standards to report and measure its progress with respect to its ESG performance. In line with the requirements of the 2021 GRI Standards, the Company completed a materiality assessment with representatives from the Kayelekera site team, the corporate team and Lotus’ Board. The

outcome of the materiality assessment identified 14 material topics similar to last year with the addition of Diversity and Equal Opportunities as a new material topic for FY23.

As part of Corporate and Social Responsibility program the Company continues to sponsor health and education programs for the Kayelekera Mine community, as well as supporting local Malawian suppliers and labour wherever possible and has issued purchase orders for ~181 million MWK (~US\$176,000) with a total of 22 local suppliers during the quarter in addition to payments for labour for water treatment and employees.

URANIUM MARKET UPDATE

The uranium spot price has increased during the quarter from a low of US\$50.75/lb to finish the quarter at US\$56.00/lb, trading as high as US\$57.75/lb during June. The UxC Long-Term price increased by US\$3.00/lb to US\$56.00/lb over the quarter.

There has been further significant movement in the term markets, with ~125Mlbs U₃O₈ traded since the start of the year, already more than the ~120Mlbs U₃O₈ traded in calendar year 2022 (which had been the largest volume traded in many years), on the back of utilities moving forward aggressively with their purchasing cycle.

The positive sentiment is being supported by governments around the world recognising the need for greater energy security. This is led by the USA where the Biden administration is offering further funding for distressed nuclear power plants. Other positive news includes that the Olkiluoto 3 (OL3) nuclear reactor in Finland, Europe's largest, began regular output in April. It is expected to run for a minimum of 60 years. Nuclear power remains controversial in parts of Europe, primarily due to safety concerns, and news of OL3's start-up comes as Germany switched off its last three remaining reactors, while Sweden, France, Britain and others plan new developments.

The past year has seen large price increases in the conversion and enrichment services (as a result of the Russian invasion of Ukraine) and it is expected that these increases will cascade down to the U₃O₈ market as more U₃O₈ is needed to account for overfeeding in the conversion facilities that is maximising production. At the same time the demand from new reactors is over the long term increasing total demand should this support a sustained bull market for uranium equities.

CORPORATE

Cash at the end of the Quarter

As at 30 June 2023, Lotus had cash of \$15.5m (unaudited), exclusive of restricted cash of \$15.1m (US\$10m) which forms cash collateral for the Kayelekera environmental bond.

The cash balance decreased by \$2.4m compared to the 31 March 2023 quarter (\$17.9m), with the majority of these expenses related to care and maintenance for which costs were escalated in the quarter as expected due to the annual water treatment program following the end of the wet season.

During the quarter, the majority of the Company outflows of approximately \$1.9m related to site care and maintenance including the majority of payments for the annual water treatment activities which were completed at the start of April.

Payments to Related Parties

Mr Grant Davey, who is a Non-Executive Director of the Company, is a Director and shareholder of Matador Capital Pty Ltd (Matador Capital).

The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, general office services, bookkeeping services, company secretarial services, ESG consulting services and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis (June quarter \$208,000).

The Company's Non-Executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the March quarter, the Company paid legal fees of \$2,000 to Thomson Geer for legal services.

Payments to all directors for executive and non-executive directors' fees in the quarter were \$181,000.

TENEMENT INTERESTS

The Company's tenement interests as at 30 June 2023 are shown in Table 1.

Table 1. Tenement interests as at 30 June 2023

Tenement	Ownership	Registered Holder	Location
ML0152 - Kayelekera	85%	Lotus Africa Limited	Malawi
EL418 - Chilumba	85%	Lotus Africa Limited	Malawi
EL489 - Nthaliire	85%	Lotus Africa Limited	Malawi
EL502 - Juma-Miwanga	85%	Lotus Africa Limited	Malawi
EL417 - Rukuru	85%	Lotus Africa Limited	Malawi
EL595 - Livingstonia	85%	Lotus Africa Limited	Malawi
EL583 - Livingstonia West	85%	Lotus Africa Limited	Malawi

This Quarterly Report has been authorised for release by the Lotus board of directors.

For more information, visit www.lotusresources.com.au

REFERENCE TO PREVIOUS ASX ANNOUNCEMENTS

In relation to information in this announcement that relates to previously reported exploration results, the dates of which are referenced, Lotus confirms that that it is not aware of any new information or data that materially affects the information included in that announcement.

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ABOUT LOTUS

Lotus Resources Limited (**ASX: LOT, OTCQB: LTSRF**) owns an 85% interest in the Kayelekera Uranium Project in Malawi. The Project hosts a current resource of 51.1Mlbs U₃O₈ (see table below), and historically produced ~11Mlb of uranium between 2009 and 2014. The Company completed a positive Restart Study⁵ which has determined an Ore Reserve of 23Mlbs U₃O₈ and demonstrated that Kayelekera can support a viable long-term operation and has the potential to be one of the first uranium projects to recommence production in the future.

Lotus Mineral Resource Inventory – June 2022⁶

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Measured	0.9	830	0.7	1.6
Kayelekera	Measured – RoM Stockpile ⁷	1.6	760	1.2	2.6
Kayelekera	Indicated	29.3	510	15.1	33.2
Kayelekera	Inferred	8.3	410	3.4	7.4
Kayelekera	Total	40.1	510	20.4	44.8
Kayelekera	Inferred – LG Stockpiles ⁸	2.4	290	0.7	1.5
Kayelekera	Total All Materials	42.5	500	21.1	46.3
Livingstonia	Inferred	6.9	320	2.2	4.8
Total		49.4	475	23.3	51.1

Lotus Ore Reserve Inventory – July 2022⁹

Project	Category	Mt	Grade (U ₃ O ₈ ppm)	U ₃ O ₈ (M kg)	U ₃ O ₈ (M lbs)
Kayelekera	Open Pit - Proved	0.6	902	0.5	1.2
Kayelekera	Open Pit - Probable	13.7	637	8.7	19.2
Kayelekera	RoM Stockpile – Proved	1.6	760	1.2	2.6
Kayelekera	Total	15.9	660	10.4	23.0

⁵ See ASX announcement dated 11 August 2002 for information on the Definitive Feasibility Study

⁶ See ASX announcement dated 15 February 2022 for information on the Kayelekera mineral resource estimate. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 15 February 2022 and that all material assumptions and technical parameters underpinning the Mineral Resource Estimate in that announcement continue to apply and have not materially changed.

⁷ RoM stockpile has been mined and is located near mill facility.

⁸ Low-grade stockpiles have been mined and placed on the medium-grade stockpile and are considered potentially feasible for blending or beneficiation, with studies planned to further assess this optionality.

⁹ Ore Reserves are reported based on a dry basis. Proved Ore Reserves are inclusive of RoM stockpiles and are based on a 200ppm cut-off grade for arkose and a 390ppm cut-off grade for mudstone. Ore Reserves are based on a 100% ownership basis of which Lotus has an 85% interest. Lotus confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 11 August 2022 and that all material assumptions and technical parameters underpinning the Ore Reserve Estimate in that announcement continue to apply and have not materially changed.

Appendix 5B

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

Name of entity

Lotus Resources Limited

ABN

38 119 992 175

Quarter ended ("current quarter")

30 June 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(62)	(1,592)
	(b) care & maintenance	(1,947)	(4,140)
	(c) development	-	-
	(d) production	-	-
	(e) staff costs	(261)	(1,132)
	(f) administration and corporate costs	(429)	(2,205)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	300	935
1.5	Interest and other costs of finance paid	(149)	(149)
1.6	Income taxes paid	(21)	(162)
1.7	Government grants and incentives	-	-
1.8	Other (Business development activities)	-	-
1.9	Net cash from / (used in) operating activities	(2,569)	(8,445)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	(4,518)
	(c) property, plant and equipment	-	(525)
	(d) exploration & evaluation (if capitalised)	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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	-	(5,043)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	25,000
3.2	Proceeds from issue of convertible debt securities	-	
3.3	Proceeds from exercise of options	61	482
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(1,346)
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	61	24,136

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,915	4,876
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,569)	(8,445)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(5,043)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	61	24,136

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	112	(5)
4.6	Cash and cash equivalents at end of period	15,519	15,519

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	508	577
5.2	Call deposits	511	2,337
5.3	Bank overdrafts	-	-
5.4	Other (Term Deposits < 3 Months)	14,500	15,000
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	15,519	17,914

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

Current quarter \$A'000
392
-

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

Payments to all Directors for Directors' fees (June quarter: \$181,000).

Mr Grant Davey, who is a Non-Executive Director of the Company is a Director and shareholder of Matador Capital Pty Ltd (Matador Capital). The Company makes payments to Matador Capital under a Shared Services Agreement in which Matador Capital provides office space, general office services, bookkeeping services, company secretarial services, ESG consulting services and technical exploration and geological staff to the Company. The services provided by Matador Capital are recovered from the Company on a cost-plus basis (June quarter \$208,000).

The Company's Non-executive Chairman, Mr Michael Bowen, is a partner of law firm, Thomson Geer. During the March quarter, the Company paid legal fees of \$2,000 to Thomson Geer for legal services.

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
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)	(2,569)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,569)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	15,519
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	15,519
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	6.0

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

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?

N/A

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?

N/A

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

N/A

Compliance statement

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

Date: 28 July 2023.....

Authorised by: 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.