

## September 2023 Quarterly Activities Report

Carnavale Resources Limited (“CAV”, “Company” or “Carnavale”) reports on activities completed during the September 2023 Quarter at the **Kookynie Gold Project**, located only 60km south of Leonora in Western Australia.

- ✦ **Substantial 29 hole, 5,364m RC drilling program** completed targeting infill and down dip extensions of the high-grade plunging shoots at the **McTavish East** Prospect identified by RC drilling in fresh rock.
- ✦ **Results from this program are due in late October.**
- ✦ Previous exceptional RC results (refer ASX release dated 5 July 2023) at McTavish East results included:
  - **6m @ 79.21g/t** Au from 97m (inc. **3m @ 152g/t\***)
  - **4m @ 75.74g/t** Au from 114m (inc. **3m @ 100.25g/t\***)
  - **8m @ 13.65g/t** Au from 116m (inc. **1m @ 25.9g/t** and **3m @ 24.5g/t\***)
  - **5m @ 24.56g/t** Au from 79m (inc. **3m @ 39.43g/t\***)
  - **7m @ 16.15g/t** Au from 67m (inc. **1m @ 83.2g/t** and **1m @ 15.15g/t\***)
- ✦ Resource definition drilling to **20m x 20m** in this high-grade zone has been completed. RC Drilling focused on the high-grade intercepts over a strike length of 250m, chasing depth extensions to a depth of 200m below surface.
- ✦ **Conventional leach test work has yielded recoveries of between 97 and 99%.**
- ✦ Sixteen 200-250gm ore grade samples were selected and leach tested for 24 hours with outstanding results. Samples were selected from Oxide and fresh rock material. Recoveries in the Oxide were **99%** and in the fresh rock between **97% and 99%**
- ✦ Further metallurgical testwork planned to bolster these results including further leach testwork and gravity separation techniques.
- ✦ **McTavish East** mineralisation style, grade and scale shows growing similarities to the previously mined nearby Cosmopolitan Gold Mine. Carnavale’s goal at the Kookynie Gold Project is to establish a quality high grade gold resource, of a similar size to the historic Cosmopolitan Mine, that can be trucked and processed at a nearby processing plant.

### CEO Humphrey Hale commented:

“Carnavale is very pleased with progress at the Kookynie Gold Project this quarter with the high-grade zones being expanded at McTavish East with the results from the recent program expected in October. Results from the initial metallurgical testing demonstrated that the mineralisation at McTavish East has projected recoveries of between 97% and 99% enhancing the potential economics of the project.”

Extensive historic gold mining occurred between 1895 and 1922 throughout the Kookynie area, including the Cosmopolitan mine, the largest gold producer where historic high-grade gold production that amounted to more than 331,000 ounces of gold<sup>1</sup> at 15g/t.

Ref. <sup>1</sup>The Mining Handbook Geol. Surv. Memoir No 1. Chapter2, Economic Geology, Part3, Section1, 1919, Englishman/Cosmopolitan Mine production records listed on Minedex (<https://minedex.dmirs.wa.gov.au/>).



**Figure 1, Challenge Drilling onsite at McTavish East.**

Carnavale’s goal is to explore and define high-grade, truckable resources, of a similar size to the historic Cosmopolitan Mine that can be processed at an existing third-party nearby processing plant. The **McTavish East Prospect** is located 15km from Genesis Minerals Ltd.’s Ulysses Project and 63 km from a newly acquired processing plant at Leonora (figure 4).

The recent program of 29 holes for 5,364m completed in September 2023 infilled the high-grade gold zone identified in July 2023 to a nominal 20m x 20m pattern testing the along strike potential and chasing the plunging shoot geometry down dip to 200m below surface.

In addition, there remain further aircore anomalies concealed undercover along the main 2km long mineralising structure that trends to the Champion South prospect that will be tested in later programs.

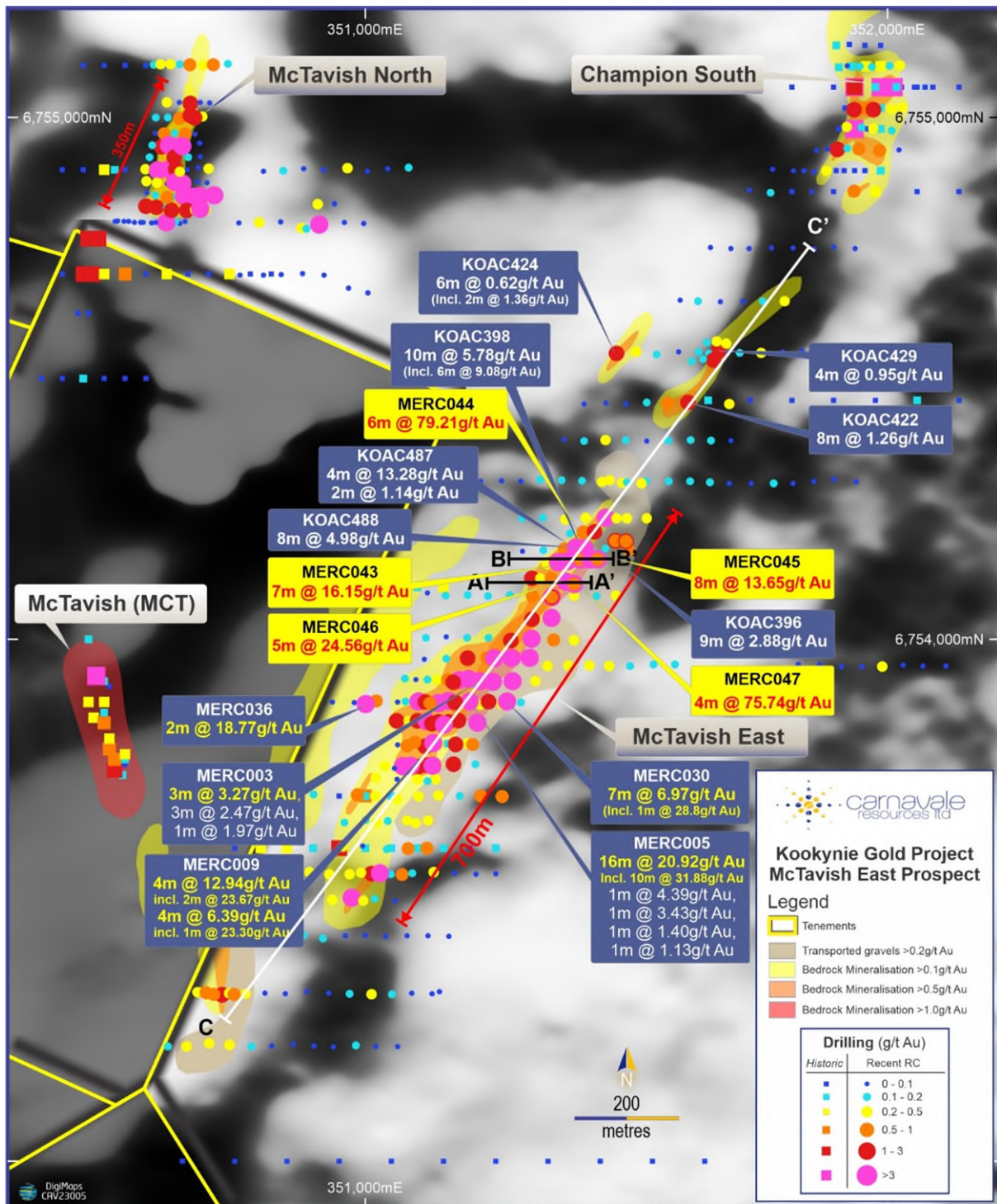


Figure 2, Plan of McTavish East Prospect. Gold contours over magnetic image

Figure 2 highlights the strong gold mineralisation defined by RC drilling over approximately 700m strike and remains open at depth. Along strike potential is considered high, as the cover sequence and the depleted weathered zone masks the high-grade mineralisation at depth.

Carnavale aims to drill test and define potentially open pit mineable resources along the main McTavish to Champion South trend. The emerging multiple high-grade plunging shoots provides excellent scope to extend mineralisation underground at depth.

## Initial Metallurgical Testwork Program at McTavish East

Sixteen 200-250g samples were taken from four separate high-grade gold intersections defined by aircore drilling in September 2022 and the RC drilling completed in May 2023. Samples were selected from aircore holes KOAC487 and KOAC488 in oxide and RC holes MERC043 and MERC044 in the fresh rock on the cross section 6,754,150mN (figure 3). The samples were analysed by ALS laboratories in Perth, Western Australia.

Hole ID	Depth m	Head grade g/t	Leach grade g/t	Tail grade g/t	Recovery %
KOAC487	24 - 26	<b>23.73</b>	<b>23.5</b>	0.23	<b>99%</b>
KOAC487	26 - 28	<b>2.75</b>	<b>2.72</b>	0.03	<b>99%</b>
KOAC488	44 - 46	<b>4.19</b>	<b>4.16</b>	0.03	<b>99%</b>
KOAC488	46 - 48	<b>9.84</b>	<b>9.76</b>	0.08	<b>99%</b>
MERC043	48 - 50	<b>5.76</b>	<b>5.69</b>	0.07	<b>99%</b>
MERC043	67 - 68	<b>3.83</b>	<b>3.77</b>	0.06	<b>98%</b>
MERC043	68 - 69	<b>14.23</b>	<b>14.05</b>	0.18	<b>99%</b>
MERC043	69 - 70	<b>2.61</b>	<b>2.56</b>	0.05	<b>98%</b>
MERC043	70 - 71	<b>81.04</b>	<b>79.9</b>	1.14	<b>99%</b>
MERC043	71 - 72	<b>9.69</b>	<b>9.54</b>	0.15	<b>98%</b>
MERC043	72 - 73	<b>0.75</b>	<b>0.73</b>	0.02	<b>97%</b>
MERC044	97 - 98	<b>10.05</b>	<b>9.92</b>	0.13	<b>99%</b>
MERC044	98 - 99	<b>191.38</b>	<b>189.5</b>	1.88	<b>99%</b>
MERC044	90 - 91	<b>229.36</b>	<b>227</b>	2.36	<b>99%</b>
MERC044	91 - 92	<b>20.53</b>	<b>20.2</b>	0.33	<b>98%</b>
MERC044	92 - 93	<b>12.55</b>	<b>12.4</b>	0.15	<b>99%</b>

*Table 1, Results from 24-hour cyanide bottle roll leach test work.*

Samples were pulverized (PUL-23) to 85% passing 75 micron (85% of the particles are smaller than 75 microns) and then subjected to a bottle roll cyanide leach for 24 hours using the ALS Assay tabs / Leachwell cyanide technique with an ICPMS analysis on the leach liquor to measure the leach grade (ME-CN15). The residue was filtered (FIL-01) and analysed by fire assay (Au-AA26R) for contained gold to establish the tail grade.

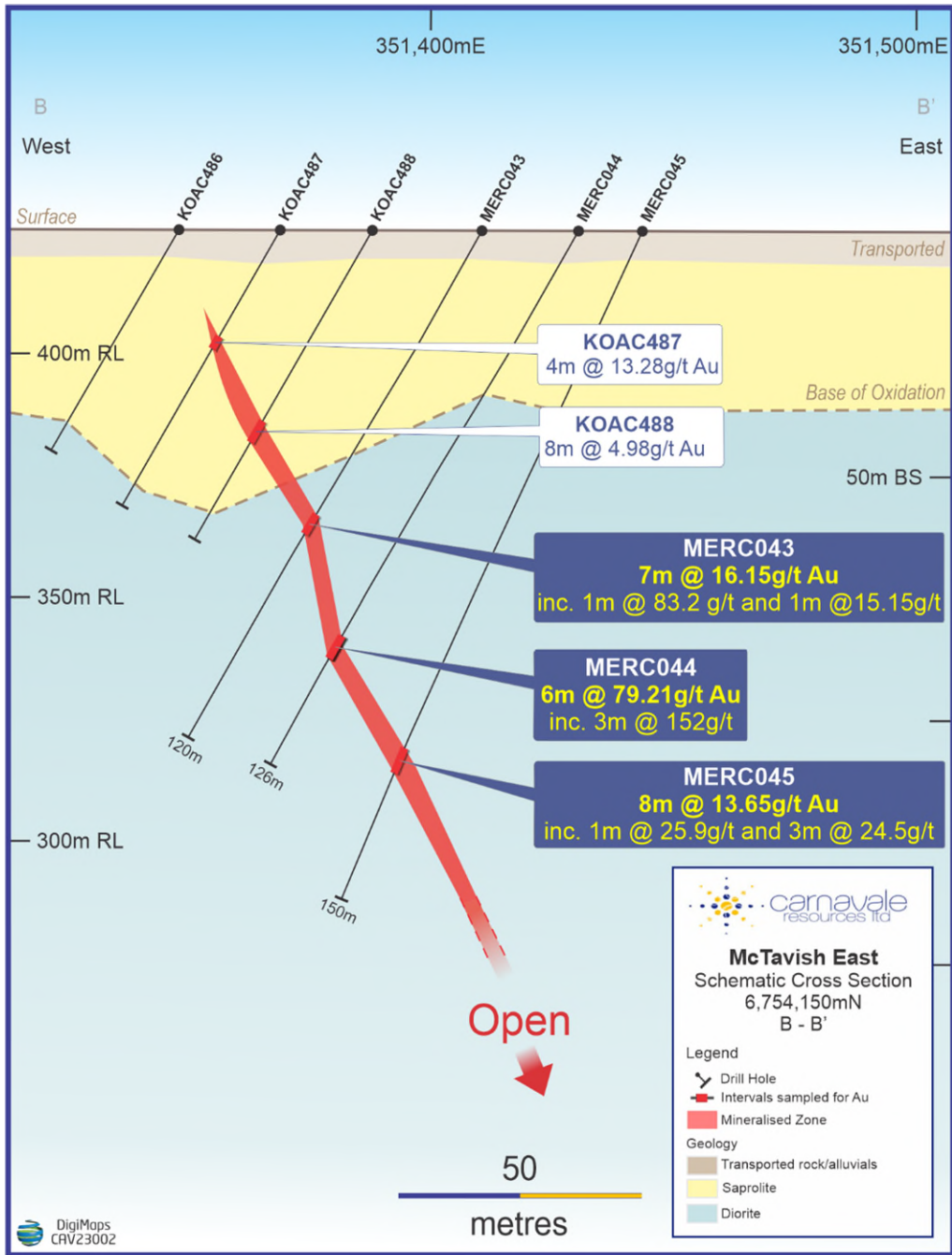
The sum of the leach grade and the tail grade represents the calculated Head grade of the original sample. Results from the test work are tabulated below (Table 1).

Additional variation test work will be completed in due course as the project progresses.

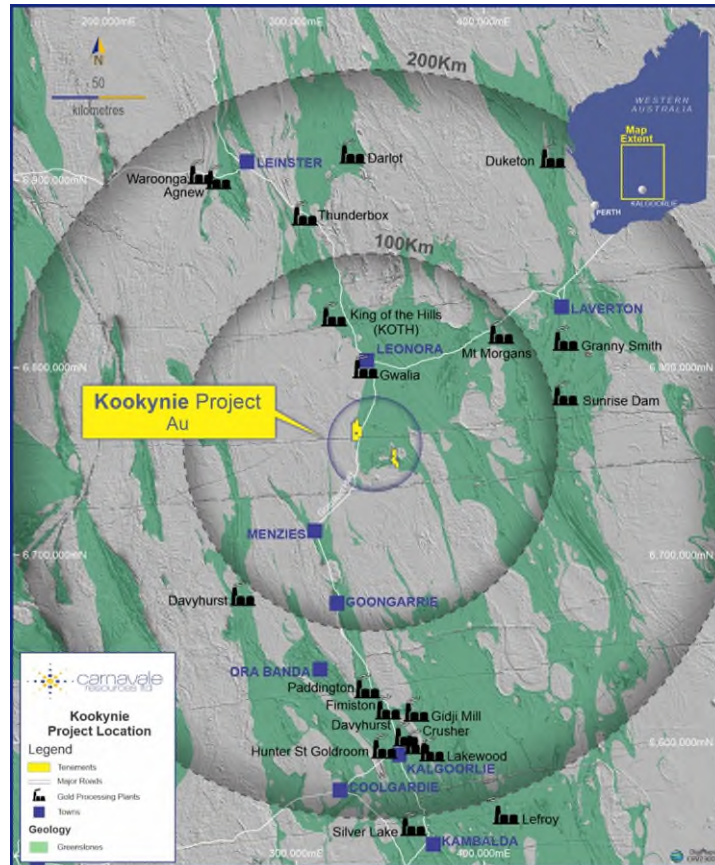
Samples were selected as individual metre samples from the drill holes to establish if there was any variance in the leach recoveries across the intercepts downhole or at varying grades. The measured recoveries have very little variance with grade or location within the intercept.

The Company is very pleased with these excellent first pass metallurgical recoveries, which give a good indication as to what can be expected from the oxidised and fresh rock areas of the McTavish East Prospect at Kookynie.

The Company is looking forward to reporting the important assay results from the recent RC drilling program at McTavish East as these results become available and are assessed.



**Figure 3, Section 6,754,150mN through McTavish East showing the location of the Metallurgical samples taken in holes KOAC487 KOAC488 MERC043 and MERC044.**



**Figure 4:** Location plan of Kookynie Project with reference to other gold mines and processing plants.

## Exploration Strategy / Next steps

CAV's planned work program at the Kookynie Gold Project includes:

- ✦ Complete further work to establish JORC compliant resource potential over the 700m zone at McTavish East providing an asset base to CAV.
- ✦ Identify additional targets at McTavish North and within the Kookynie tenement package.
- ✦ Continue metallurgical characterization of the mineralisation as part of establishing a resource.
- ✦ Expand known mineralisation down dip and explore continuity of other high-grade intersections utilising the updated knowledge from the recently completed infill program at McTavish East.

## Other Projects

Carnavale continues to review the exploration information at the Ora Banda South Gold Project and explore possible treatment options for the Grey Dam Nickel laterite resource.

Carnavale is always reviewing possible new opportunities in the battery metal space including projects that may include lithium, nickel and REE.

## Corporate

### Capital raising

In July 2023, CAV issued 600 million shares at an issue price of \$0.0045 each to raise \$2.7 million to high net worth overseas, sophisticated and professional investors, comprising existing and new shareholders ("Placement") (before costs of raising). In September 2023 following receipt of shareholder approval, Carnavale Chairman, Mr Ron Gajewski and non-executive director, Mr Andrew Beckwith each subscribed for 45 million new ordinary shares at \$0.0045 raising a further \$405,000.

Argonaut Securities Pty Ltd ('Argonaut') was appointed as Lead Manager for the Placement. For managing the Placement (including obtaining the firm commitments), Argonaut (and its nominees) subscribed for 67.5 million options exercisable at \$0.007, expiring on or before 31 July 2025 at an issue price of \$0.00001 ('Options').

### ASX Additional Information

1. ASX Listing Rule 5.3.1: Exploration and Evaluation Expenditure (excluding staff costs) during the Quarter was \$323,000. Full details of exploration activity during the Quarter are set out in this report.
2. ASX Listing Rule 5.3.2: There were no substantive mining production and development activities during the Quarter.
3. ASX Listing Rule 5.3.5: A total of \$33,150 was paid to related parties during the quarter comprising Director fees. During the quarter, \$21,681 was paid to Corporate Consultants Pty Ltd, a company in which Chairman Mr Gajewski is a director and has a beneficial interest, for accounting, secretarial, corporate service fees and provision of office space.

**This release is approved by the Board of Carnavale Resources Limited.**

### For further information contact:

#### **Humphrey Hale**

Chief Executive Officer      P: +61 8 9380 9098

### **Competent Persons Statement**

*The information that relates to Exploration Results for the projects discussed in this announcement represents a fair and accurate representation of the available data and studies; and is based on, and fairly represents information and supporting documentation reviewed by Mr. Humphrey Hale, a Competent Person who is a Member of The Australian Institute of Geoscientists. Mr. Hale is the Chief Executive Officer of Carnavale Resources Limited and has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr. Hale consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.*

## Forward Looking Statements

Statements regarding Carnavale's plans with respect to the mineral properties, resource reviews, programs, economic studies and future development are forward-looking statements. There can be no assurance that Carnavale's plans for development of its mineral properties will proceed any time in the future. There can also be no assurance that Carnavale will be able to confirm the presence of additional mineral resources/reserves, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of Carnavale's mineral properties.

## Information relating to Previous Disclosure

Information relating to Exploration Results and Mineral Resources associated with previous disclosures relating to the Grey Dam Project, Ora Banda South Project and the Kookynie Gold Project in this announcement has been extracted from the following ASX announcements:

*Carnavale acquires a High-Grade Gold Project - Kookynie, 4 August 2020*  
*Carnavale secures additional ground at Kookynie Gold Project, 14 September 2020*  
*Strategic Acquisition and Intensive Exploration to commence at Kookynie High-Grade Gold Project, 22 Oct 2020*  
*Kookynie Exploration update, 9 November 2020*  
*Kookynie Gold Project – Aircore Drilling commenced, 1 Dec 2020*  
*Kookynie Gold Project – Drilling update, 17 Dec 2020*  
*Kookynie Gold Project – Aircore drilling success, 9 Feb 2021*  
*Kookynie Gold Project – Second phase of Aircore Drilling commenced 3 March 2021*  
*High grade Gold discovered at Kookynie Gold Project, 19 April 2021*  
*Kookynie Gold Project – Aircore continues at Kookynie targeting high-grade gold, 11 May 2021*  
*Kookynie Gold Project – Phase 3 aircore drilling at Kookynie Gold Project complete, 28 May 2021*  
*Kookynie Gold Project delivers Bonanza Gold grades, 15 July 2021*  
*CAV Acquires 80% of Kookynie Gold Project, 26 July 2021*  
*RC drilling commenced at the high-grade Kookynie Gold Project, 28 October 2021*  
*Initial RC drilling completed at the Kookynie Gold Project, 16 Nov 2021*  
*RC drilling intersects Bonanza Gold at Kookynie Gold Project, 17 Jan 2022*  
*Kookynie Delivers Further High-Grade Gold Results and Expands Potential, 31 Jan 2022*  
*Kookynie RC drilling recommences at McTavish East targeting high grade gold extensions, 29 March 2022*  
*Aircore to test 1km prospective structure at high grade Kookynie Gold Project completed, 20 June 2022*  
*Diamond drilling commenced at Kookynie, 15 July 2022*  
*New high-grade gold discovery at Kookynie Gold Project. 1 August 2022*  
*Exciting new zones discovered along high-grade corridor at Kookynie Gold Project, 8 September 2022*  
*Diamond drilling extends down dip extensions to high-grade gold zone at Kookynie, 18 October 2022*  
*New high-grade gold discovery at Kookynie Gold Project. 1 August 2022*  
*Exciting new zones discovered along high-grade corridor at Kookynie Gold Project, 8 September 2022*  
*Diamond drilling extends down dip extensions to high-grade gold zone at Kookynie, 18 October 2022*  
*RC drilling testing high-grade aircore results at Kookynie, 23 May 2023*  
*Bumper grades in RC drilling at Kookynie Gold Project, 5 July 2023*  
*RC drilling chasing extensions to bumper high-grade gold at Kookynie, 14 Aug 2023*  
*RC drilling chasing extensions high-grade gold at Kookynie completed, 12 Sept 2023*  
*Initial metallurgical test work demonstrates outstanding recoveries, 19 Sept 2023*

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market 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 original market announcement.



## **Appendix**

Carnavale Resources Limited (ASX: CAV) provides the following addendum in relation to additional information required by Listing Rule 5.3.3.

### **Schedule of Mining Tenements, Beneficial Interests and agreements**

Held as at the end of the Quarter

<b>Project/Location</b>	<b>Country</b>	<b>Tenement</b>	<b>Percentage held/earning</b>
Grey Dam Project, WA	Australia	M28/378	100%
		E28/1477	100%
Barracuda Project, WA	Australia	E58/551	100%*
Kookynie Gold Project, WA	Australia	P40/1480	100%
		E40/355	80%
		P40/1380	80%
		P40/1381	80%
		E40/394	100%
Ora Banda South, WA	Australia	P16/3081	80%
		P16/3082	80%
		P16/3077	80%
		P16/3000	80%
		P16/3001	80%
		P24/5274	80%
		P24/5275	80%
		P24/5276	80%
		P24/5277	80%
		P24/5278	80%
		P24/5279	80%
		P24/5280	80%
		P24/5281	80%
		P24/5282	80%
		P24/5518	80%
		P24/5519	100%
		P24/5520	100%
		P24/5521	100%
		P24/5522	100%
		P24/5523	100%

\* Option agreement entered into with Midas Resources Limited (ASX: MM1) - refer ASX release dated 23 August 2022.

**Schedule of Mining Tenements, Beneficial Interests and agreements**

Acquired during the Quarter

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<b>Project/Location</b>	<b>Country</b>	<b>Tenement</b>	<b>Percentage held/earning</b>
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**Schedule of Mining Tenements, Beneficial Interests and agreements**

Disposed of during the Quarter

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<b>Project/Location</b>	<b>Country</b>	<b>Tenement</b>	<b>Percentage held/earning</b>
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## Appendix 5B

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

Name of entity

CARNAVALE RESOURCES LIMITED

ABN

49 119 450 243

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(97)	(97)
(e) administration and corporate costs	(116)	(116)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	12	12
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives – R & D rebate	99	99
1.8 Other -	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(102)</b>	<b>(102)</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	-	-
(d) exploration & evaluation	(323)	(323)
(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 (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment		
	(d) investments	-	-
	(e) other non-current assets		
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other – Option fee received	20	20
2.5	Other – GST (paid) / received on tenement acquisition	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(303)</b>	<b>(303)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,106	3,106
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 –	(176)	(176)
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 –	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>2,930</b>	<b>2,930</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	919	919
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(102)	(102)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(303)	(303)

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,930	2,930
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>3,444</b>	<b>3,444</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	944	919
5.2	Call deposits	2,500	-
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>3,444</b>	<b>919</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	55
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

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

<b>7. 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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	(102)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(323)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(425)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,444
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,444
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	8.10
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A.	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A.	
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.	
<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>	

## **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: 16 October 2023

Authorised by the Board of Directors

## **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.