

28 October 2024

ABOUT ADRIATIC METALS (ASX:ADT, LSE:ADT1, OTCQX:ADMLF)

Adriatic Metals Plc is focused on the development of the 100%-owned, Vares high-grade silver operation in Bosnia & Herzegovina, and exploration at the Raska base & precious metals project in Serbia.

DIRECTORS

Mr Michael Rawlinson
NON-EXECUTIVE CHAIRMAN

Ms Laura Tyler
MANAGING DIRECTOR & CEO

Ms Sanela Karic
EXECUTIVE DIRECTOR - CORPORATE AFFAIRS

Ms Sandra Bates
SENIOR INDEPENDENT DIRECTOR

Mr Mick Bardella
NON-EXECUTIVE DIRECTOR

Mr Peter Bilbe
NON-EXECUTIVE DIRECTOR

Mr Eric Rasmussen
NON-EXECUTIVE DIRECTOR

www.adriaticmetals.com



QUARTERLY ACTIVITIES REPORT

For the three months ended 30 September 2024
("Q3" or "Quarter")

Q3 HIGHLIGHTS

Operations

- 63.1kt ore mined at 289g/t Ag, 2.9g/t Au, 7.5% Zn, 5.1% Pb in Q3.
- Ore tonnes milled increased 123% quarter-over-quarter.
- Underground development increased 13% versus Q2 2024.
- Production ramp up at the Vares Silver Operation continues, with commercial production on track for Q4 2024.
- Production guidance for 2024 is approximately 180,000t mined, with 2025 guidance set at 750,000-800,000t.
- On 14 August a fatal accident occurred involving a subcontractor's vehicle at the Rupice mine site.
- On 3 October severe storms and subsequent flooding hit Bosnia and Herzegovina. Production was unaffected, however the railway line that connects Sarajevo to Ploce Port was damaged and therefore concentrate will be trucked by road until the railway line has been repaired.
- On 24 October Adriatic was granted all of the permits for Phase I of the tailings storage facility at Veovaca ("Veovaca TSF"). Construction has commenced and TSF will be ready for the storage of tailings in December 2024.

Corporate

- On 7 August Paul Cronin stepped down as CEO. Laura Tyler, who joined the Board on 1 July, was appointed Interim CEO on 9 August and as Managing Director and permanent CEO on 17 October.
- On 9 August Sanela Karic was appointed Executive Director – Corporate Affairs.
- On 3 October Mirco Bardella joined the Board of Directors as a Non-Executive Director and Chair of the Audit Committee and Sandra Bates was promoted to Senior Independent Director.

Finance

- Cash balance at 30 September 2024 of \$23.8m.
- Previously announced additional debt facility of \$25m from Orion Mine Finance ("Orion") remains undrawn.
- \$120m of senior secured debt from Orion has been drawn to date, with first debt repayment of \$18m scheduled for 31 December 2024.
- All \$ amounts are US dollars.

Laura Tyler, Managing Director & CEO of Adriatic, commented:

"As Adriatic's new CEO, I am excited to lead our dedicated team towards the important milestone of commercial production this year. Having spent the last few months onsite at the Vares Silver Operation, I am proud of the significant strides made throughout the quarter. We successfully mined our first stope, resulting in a substantial production increase to 63,100 tonnes and there was a notable advancement in underground development. Additionally, the processing plant is ramping up well with a 123% rise in ore milled and recoveries continually improving.

"Despite these successes, we faced a number of challenges, including a regrettable onsite fatality in August. In response, we have implemented substantial upgrades to contractor management and major hazard controls as part of our ongoing commitment to enhancing health and safety standards. Furthermore, severe storms in early October caused significant damage to our railway line to Ploce Port and therefore concentrate is now being trucked by road to port.

"The Constitutional Court ruling in July meant that the team had to work quickly to identify a new location for our tailings facility and I am delighted that the permits for Phase I of the Veovaca TSF were granted last week. I would like to thank the Federal Ministry of Bosnia and Herzegovina for their timely assistance. The Veovaca TSF will be constructed to global standards and provide a tailings solution for over 10 years of production.

"Finally, I want to extend my gratitude to all our key stakeholder and shareholders for their continued support over the past months and I look forward to updating the market on our progress as Adriatic becomes a significant metals producer in Europe."

Adriatic Metals PLC (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) ("Adriatic" or the "Company") is pleased to provide an update on development and construction activities at the Vares Silver Operation in Bosnia and Herzegovina over Q3 2024.

1. OPERATIONS & PRODUCTION

Health & Safety

At the end of Q3 2024, the 12-month rolling Lost Time Injury Rate ('LTIFR') and Total Recordable Injury Rate ('TRIFR') were 0.75 and 1.05 respectively compared to Q2 2024 where LTIFR and TRIFR were 1.02 and 1.46, respectively.

On 14 August, a fatal accident occurred involving a subcontractor's vehicle at the Rupice mine site. The vehicle overturned near the rescue station and tragically the driver, an employee of a local Bosnian subcontractor, sustained fatal injuries. No other individuals were seriously injured in the accident. Adriatic has worked closely with authorities on the response and the subsequent investigation. Since the event, Adriatic has made significant improvements to contractor management controls and major hazard implementation and verification processes.

Production

	Q3 2024	Q2 2024
Ore mined (t)	63,053	8,284
Ore milled (t)	21,078	9,454
Ag produced (oz)	95,535	21,591
Au produced (oz)	831	62
Zn produced (t)	958	58
Pb produced (t)	554	86
Cu produced (t)	87	18

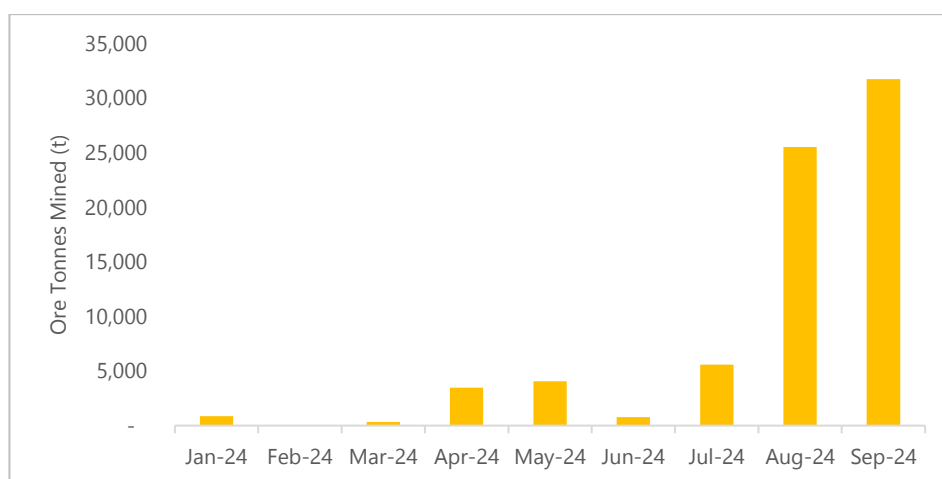


Figure 1: YTD Production Metrics

Mining

In Q3 2024, 63,100 tonnes of ore was mined at mined grades of 289g/t Ag, 2.9g/t Au, 7.5% Zn, 5.1% Pb. There was a total of 890m of underground development in Q3, a 13% increase compared to Q2 2024 at 787m. August was a milestone month at Rupice Mine, with development rates a record high of 318m, above the forecasted 300m/month required, and the first stope was brought into production. In September development metres were on budget at 271m as the main ventilation systems were installed.

The number of active stopes will increase from one per month to two by December 2024. The number of available headings will also rise from 11 to 15, which will allow the mine to reach commercial production levels by the end of the year. As previously announced Adriatic expects full-year 2024 mine production to total approximately 180,000t. Guidance for 2025 remains unchanged at 750,000-800,000t, and the Company will provide updated long-term guidance after reaching commercial production, anticipated in Q4.

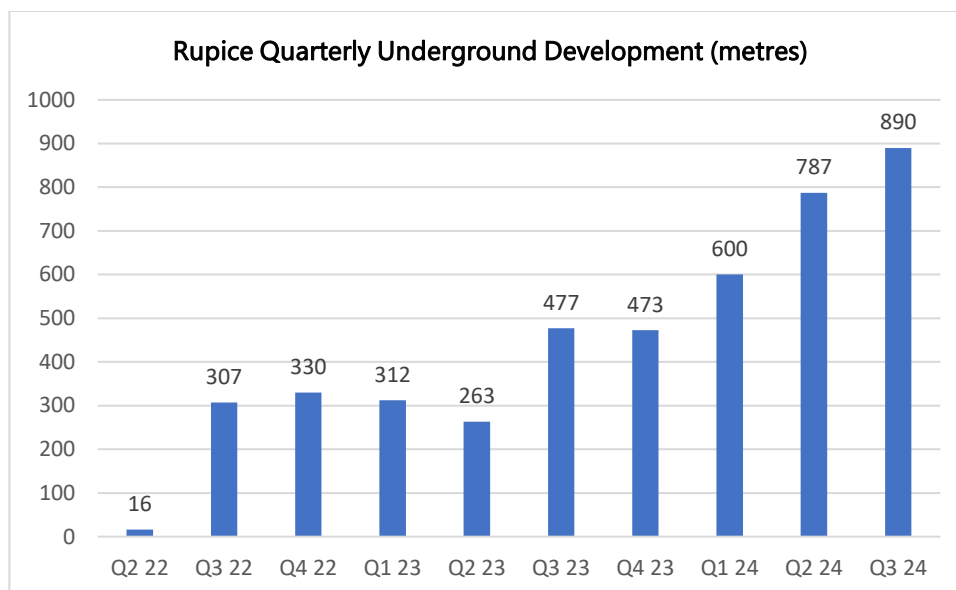


Figure 2: Rupice Mine quarterly underground development

Processing

The stockpile at Rupice currently contains approximately 48,000t at 262g/t Ag, 2.6g/t Au, 6.1% Zn and 4.3% Pb, which will allow for blended plant feed closer to design head grades. As stoping ore increases, grade variability will decrease which will further optimise recoveries.

The Vares Processing Plant has moved from operating three days a week to five days a week, with 24 / 7 operations expected to commence in November. More senior experienced staff have now been recruited to the plant to ensure operations are running effectively.

Metal recoveries in Q3 were below design rates, as expected during the initial ramp-up phase and with variable feed grades. As detailed in the Operations Update on 23 September, the Company guided that base metal recoveries would improve to 70% in Q4. Through October, zinc and lead recoveries have averaged 69% and 68% respectively, as expected, along with good precious metal recoveries above 80% for silver and 60% for gold.

Infrastructure

Throughout Q3, all logistical aspects (truck, rail, port) were working well as shipment volumes continued to increase and in September, the first full train shipment of 36 containers moved concentrate to Ploce Port via the rail line from Vares. However, on 3 October severe storms and subsequent flooding hit Bosnia and Herzegovina. Production was unaffected, however the railway line that connects Sarajevo to Ploce Port in Croatia was damaged in the Jablanica region.

Due to this damage, concentrate product is being trucked to Ploce Port by road until the railway track is fully repaired and operating safely. In October the Company has trucked an average of 15 containers per day, showing the ability to meet production requirements at full throughput.

Tailings

The Constitutional Court decision regarding access to state forestry land in July 2024 impacted the Company's ability to use the planned tailings storage facility. Adriatic subsequently identified an alternative location for tailings storage at the former Veovaca open pit, which is located approximately 2km from the Vares Processing Plant. The Veovaca TSF does not involve the use of state forestry lands and the Company owns the surface rights.

On 24 October all permits for Phase I were received from the Federal Ministry of Energy, Mining, and Industry ('FMERI') of Bosnia and Herzegovina. These permits include Environmental, Water, Full Design and Construction Permits. Construction has commenced and the first tailings disposal is planned for December 2024.

The Veovaca TSF will be a dry stack facility and constructed in two phases. Phase I will have the capacity to receive tailings for approximately 4-5 years of production and in total the Veovaca TSF will be operational for over 10 years of production. The capital cost of Phase I is estimated at US\$5m over a six-month period. The facility has been designed and will be constructed under GISTM ('Global Industry Standard on Tailings Management') standards.

The current operating temporary TSF at the Vares Processing Plant has a maximum capacity of approximately 133,000t, which on current projections will allow tailings deposition into mid-Q1 2025. Therefore, as Adriatic aims for construction of the Veovaca TSF to be completed by the end of 2024 there will be no impact on production or the current ramp up to commercial production due to tailings storage capacity.



Figure 3: Temporary Tailings Storage Facility at VPP



Figure 4: Veovaca Tailings Storage Facility

2. EXPLORATION & GRADE CONTROL DRILLING

In Q3 Rupice underground grade control drilling achieved 3,809m from 37 holes and 4 underground drilling platforms. Initial results for the first two stope areas generally reconcile well with the reserve model, and further drilling is ongoing ahead of production areas.

The 2024 Rupice infill and step-out resource drilling program was completed for a total of 13,283m from 49 holes using three diamond core drilling rigs. Drilling successfully infilled and extended the Rupice deposit to the north by 80m and southwards by 90m and results are being incorporated into an end of year mineral resource estimate.

3. CORPORATE

On 1 July, Laura Tyler was appointed to the Board of Directors. Ms Tyler has a wealth of industry knowledge with over 30 years' experience in mining, and is a specialist in technical, technology and safety applications for Tier 1 projects globally.

On 7 August, Paul Cronin, CEO and Managing Director, tendered his resignation to the Board. Laura Tyler was appointed Interim CEO, effective 9 August. Sanela Karic, Non-Executive Director, became Executive Director for Corporate Affairs. Eric Rasmussen, Non-Executive Director, was appointed chair of the Sustainability Committee.

On 3 October, Mirco Bardella was appointed to the Board of Directors as a Non-Executive Director and Chair of the Audit Committee. Mr Bardella is an experienced specialist in assurance and governance, predominantly in the natural resources sector, having previously advised companies including Xstrata, Rio Tinto, Gold Fields and Hochschild Mining in his capacity as Assurance Partner at professional services firm, Ernst & Young. His previous roles include Global Lead Audit Partner for Xstrata and Global Assurance Lead for Rio Tinto.

On 3 October, Sandra Bates was appointed Senior Independent Director.

Following the changes to the Adriatic Board, the Company's Committees are as follows:

Audit & Risk Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Chair: Mick Bardella	Chair: Peter Bilbe	Chair: Peter Bilbe	Chair: Eric Rasmussen
Sandra Bates	Mick Bardella	Mick Bardella	Mick Bardella
Eric Rasmussen	Sandra Bates	Sandra Bates	Peter Bilbe
	Eric Rasmussen	Eric Rasmussen	Michael Rawlinson

On 17 October, Laura Tyler was appointed Managing Director and Chief Executive Officer of Adriatic.

4. FINANCE

As at 30 September 2024, Adriatic held a cash balance of \$23.8m. The additional Orion loan facility of \$25m remains undrawn. Combined with revenue from current stockpiles and ongoing production, the Company expects to have sufficient liquidity to ramp up to commercial production and cover forthcoming debt repayments.

To date a total of \$120m senior secured debt from Orion has been received by the Company. The first quarterly debt repayment of approximately \$18m to Orion is scheduled for 31 December 2024, with quarterly repayments thereafter.

Summary of Cash flow

A summary of operating, investing and financing cash flows during the Quarter, before movements in exchange rates, as reported in the Appendix 5B Cash Flow Report, is as follows:

	USD'000
Receipts from customers	863
Exploration & evaluation (capitalised)	(3,785)
Exploration & evaluation (expensed)	(1,289)
Staff costs	(8,132)
Administration and corporate costs	(5,858)
Property, plant and equipment acquisitions	(17,428)
Interest received	97
Other: VAT Inflow	3,470
Other: Nova Termination Payment	(4,348)
Net expenditure	(36,410)
Net cash flows from financing activities	-
Net cash inflow before exchange movement	(36,410)

Payments to Related Parties

During the Quarter, Adriatic paid an aggregate total of \$502,000 to Directors, or companies controlled by them, consisting of salaries, fees, and reimbursement/recharge of corporate office facilities and associated services used/provided by the Company. This is disclosed in Item 6 of the accompanying Appendix 5B Cash Flow Report.

5. TENEMENT HOLDINGS

In accordance with ASX Listing Rule 5.3.3, please find below the Company's tenements as at 30 September 2024. The Company holds a 100% interest in all concession agreements and licences via its wholly owned subsidiaries, with the exception of the Raska (Suva Ruda) licence held by Deep Research d.o.o. The Company does not hold an equity interest in Deep Research d.o.o. but has an option agreement pursuant to which it may acquire the entire share capital of Deep Research d.o.o.

	Concession document	Registration number	License holder	Concession name	Area (km ²)	Date granted	Expiry date
Bosnia and Herzegovina	Concession Agreement	No.:04-18-21389-1/13	Eastern Mining d.o.o.	Veovaca1	1.08	12-Mar-13	12-Mar-38
				Veovaca 2	0.91	12-Mar-13	12-Mar-38
				Rupice-Jurasevac, Brestic	0.83	12-Mar-13	12-Mar-38
	Annex 3 & 6 Area	No.: 04-18-21389-3/18	Eastern Mining d.o.o.	Rupice - Borovica	4.52	14-Nov-18	12-Mar-33
	Extension			Veovaca - Orti - Seliste - Mekuse	1.32	14-Nov-18	12-Mar-33
	Annex 5 - Area	No: 04-18-14461-1/20	Eastern Mining d.o.o.	Orti-Selište-Mekuše- Barice-Smajlova Suma-Macak	19.33	3-Dec-20	3-Dec-50
	Extension			Droskovac - Brezik	2.88	3-Dec-20	3-Dec-50
				Borovica - Semizova Ponikva	9.91	3-Dec-20	3-Dec-50
	Concession Agreement	No: 04-14-5359-3/22	Eastern Mining d.o.o.	Saski Do	1.28	19-Jul-22	19-Jul-25
Serbia	Exploration License	310-02-1721/2018-02	Adriatic Metals d.o.o.	Kizevak	1.84	3-Oct-19	29-May-26
	Exploration License	310-02-1722/2018-02	Adriatic Metals d.o.o.	Sastavci	1.44	7-Oct-19	29-May-26
	Exploration License	310-02-1114/2015-02	Adriatic Metals d.o.o.	Kremice	8.54	21-Apr-16	07-Jul-25
	Exploration License	310-02-00060/2015-02	Deep Research d.o.o.	Rudno Polje Raska	81.39	28-Dec-15	24-Oct-24**
	Exploration License	310-02-01670/2021-02	Adriatic Metals d.o.o.	Kaznovice	37.1	11-Oct-21	22-Nov-24

**Pending Ministry decision on getting a two year extension for preparation of reserves elaborate which excludes any geological exploration work. Upon approval, plan is to split the exploration area into 2 new areas and continue exploration work.

-ends-

Authorised by Laura Tyler, Managing Director & CEO of Adriatic Metals

For further information please visit: www.adriaticmetals.com; email: info@adriaticmetals.com, [@AdriaticMetals](https://twitter.com/AdriaticMetals) on Twitter; or contact:

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ABOUT ADRIATIC METALS

Adriatic Metals Plc (ASX:ADT, LSE:ADT1, OTCQX:ADMLF) is a precious and base metals developer that is advancing the world-class Vares Silver Operation in Bosnia & Herzegovina, as well as the Raska Zinc-Silver Project in Serbia. First concentrate production took place in February 2024 and the Vares Silver Operation is fully funded to nameplate production, which is expected in Q4 2024. Concurrent with ongoing operational activities, the Company continues to explore across its highly prospective 44km² concession package.

MARKET ABUSE REGULATION DISCLOSURE

The information contained within this announcement is deemed by the Company (LEI: 549300OHAH2GL1DP0L61) to constitute inside information for the purpose of Article 7 of EU Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) ACT 2018, as amended. The person responsible for arranging and authorising the release of this announcement on behalf of the Company is Laura Tyler, Managing Director & CEO.

Appendix 5B

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

Name of entity

ADRIATIC METALS PLC

ABN

624 403 163

Quarter ended ("current quarter")

30 SEPTEMBER 2024

Consolidated statement of cash flows	Current quarter USD'000	Year to date (9 months) USD'000
1. Cash flows from operating activities		
1.1 Receipts from customers	863	1,074
1.2 Payments for		
a) exploration & evaluation (if expensed)	(1,289)	(3,843)
b) development	-	-
c) production	-	-
d) staff costs	(8,132)	(21,173)
e) administration and corporate costs	(5,858)	(16,591)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	97	438
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other - VAT refund / (outflow)	3,470	12,368
1.9 Net cash from / (used in) operating activities	(10,849)	(27,727)

Consolidated statement of cash flows	Current quarter USD'000	Year to date (9 months) USD'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
a) entities	-	-
b) tenements	-	-
c) property, plant and equipment	(17,428)	(61,228)
d) exploration & evaluation (if capitalised)	(3,785)	(6,750)
e) investments	-	-
f) other non-current assets	-	-
2.2 Proceeds from the disposal of:		
entities	-	-
tenements	-	-
property, plant and equipment	-	-
investments	-	-
other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other	(4,348)	(4,348)
2.6 Net cash from / (used in) investing activities	(25,561)	(72,326)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	50,000
3.2 Proceeds from issue of convertible debt securities	-	2,553
3.3 Proceeds from exercise of options and warrants	-	-

Consolidated statement of cash flows		Current quarter USD'000	Year to date (9 months) USD'000
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	(2,418)
3.5	Proceeds from borrowings	-	30,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	(772)
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	-	79,363

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	59,887	44,856
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(10,849)	(27,727)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(25,561)	(72,326)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	79,363
4.5	Effect of movement in exchange rates on cash held	330	(370)
4.6	Cash and cash equivalents at end of period	23,807	23,796

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 USD'000	Previous quarter USD'000
5.1 Bank balances	23,807	59,887
5.2 Call deposits	-	-
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)	23,807	59,887

6. Payments to related parties of the entity and their associates	Current quarter USD'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	502
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-
Note: a description of, and an explanation for, the above payments is included in the quarterly activities report	

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 USD'000	Amount drawn at quarter end USD'000
7.1 Loan facilities	167,500	142,500
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	167,500	142,500

7.5 **Unused financing facilities available at quarter end** 25,000

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

The \$167.5m Orion Debt Financing package consists of \$145m Senior Secured Debt and \$22.5m Copper Stream arrangement. The first two tranches of \$30m of the \$145m Senior Secured Debt were drawn down in December 2022 and February 2023 and the third tranche was drawn down in April 2023. The \$22.5m Copper Stream deposit was received in February 2023. The fourth \$30m tranche of the Senior Secured Debt was drawn down in January 2024. The remaining \$25m tranche remains undrawn at Quarter End.

8. Estimated cash available for future operating activities	USD'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(10,849)
8.2 Net cash from / (used in) investing activities (Item 2.6)	(25,561)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(36,410)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	23,807
8.5 Unused finance facilities available at quarter end (Item 7.5)	25,000
8.6 Total available funding (Item 8.4 + Item 8.5)	48,807
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1.3

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

- 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: No, expenditures are expected to be at a lower level while operating cash inflows are expected to increase in Q4 2024 as concentrate production and sales continue to ramp up.

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: The Company has advanced several options for additional working capital, however does not expect additional financing to be required given the material increase in revenue expected over the coming quarters

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: Yes, on the basis of its existing cash holdings and the factors noted in section 8.8.1 above.

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: 27 October 2024

Authorised by: *Audit and Risk Committee*
(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 – e.g. 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.