

ASX Announcement

ASX: CMG

30 April 2025

## Quarterly Activities Report & Appendix 5B for the period ending 31 March 2025

### Key Highlights

- **Critical Minerals Group (CMG) developed an expanded strategy which targets the delivery of vanadium flow battery energy storage solutions by 2026**
  - Market to Mine delivery strategy to achieve demand-led growth
  - Definition of target customers and achievable growth pathway
  - Development of downstream customer and offtake strategy
- **Design and development progress of the Vanadium Electrolyte facility**
  - The first phase of the Vanadium Electrolyte manufacturing facility is on track to be completed in May 2025
- **Appointment of Trudy Walsh as Chief Financial Officer**
- **PDAC: Showcasing Queensland and Critical Minerals Group**
  - Scott Winter attends PDAC as part of a distinguished QLD delegation
- **Pre-Feasibility Study Progress**
  - All studies progressing well
  - Continued metallurgical test work to reduce acid and water consumption
- **Continuation of environmental studies at Lindfield Vanadium Project**
  - IAS (Coordinated Project) application in final stages of review
  - Approvals and Environmental studies progress

Critical Minerals Group Limited (**ASX:CMG**), (**Critical Minerals Group, CMG, or the Company**) is pleased to provide shareholders with the following update in relation to the Company's activities for the quarter ended 31 March 2025 (Quarter).

## **Company activities**

### **CMG developed an expanded strategy to target the delivery of energy storage solutions by 2026**

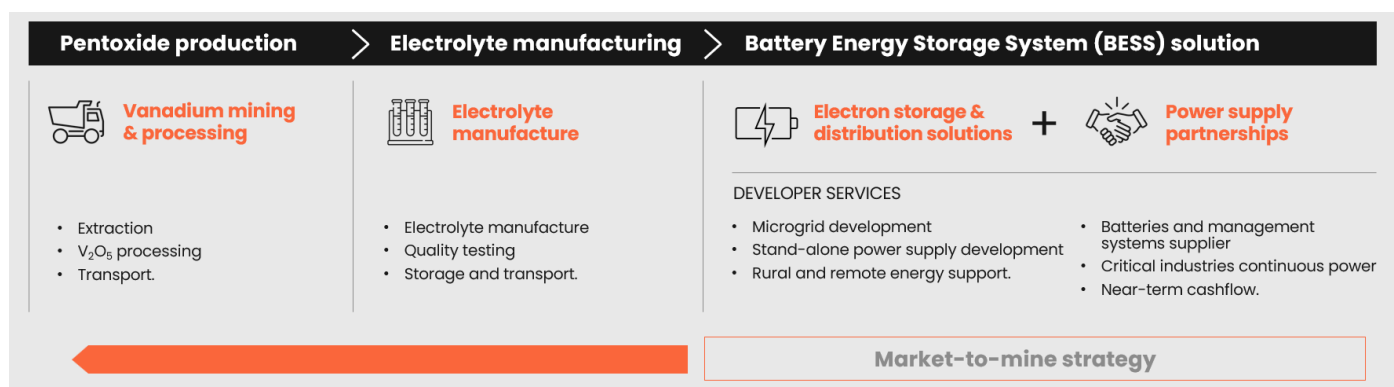
During the quarter, CMG developed and announced an expansion of its strategic focus to include delivering integrated and sustainable energy storage solutions. CMG will leverage Vanadium Flow Batteries (VFBs) to strengthen its position as a key supplier in the global vanadium market.

Following an extensive six-month review of the Long Duration Energy Storage (LDES) market, CMG has identified a significant opportunity to provide Vanadium Battery Energy Storage System (BESS) solutions, with commercialisation targeted for 2026.<sup>1</sup>

#### **Market to Mine delivery strategy**

CMG's enhanced strategy integrates its existing upstream (mining) and midstream (vanadium electrolyte production) activities with a downstream offering (energy storage solutions) for customers, creating a complete integrated supply chain. By offering tailored VFB solutions initially for small and medium-sized enterprises (SMEs) which optimises energy usage, enhances efficiency, reduces waste, and supports their sustainable business performance, CMG aims to generate demand for VFBs to support its upstream electrolyte manufacturing and vanadium mining business.

Through the implementation of the "market to mine" strategy CMG is able to better manage the supply demand dynamic through each aspect of the business. Focussing on early cash flow and risk mitigation, CMG aims to protect shareholder investments through enabling sustainable, demand-led growth.



**Image 1:** Graphical representation of CMG's integrated supply chain which is targeting vanadium BESS Solutions by 2026

## Definition of target customers and major opportunities

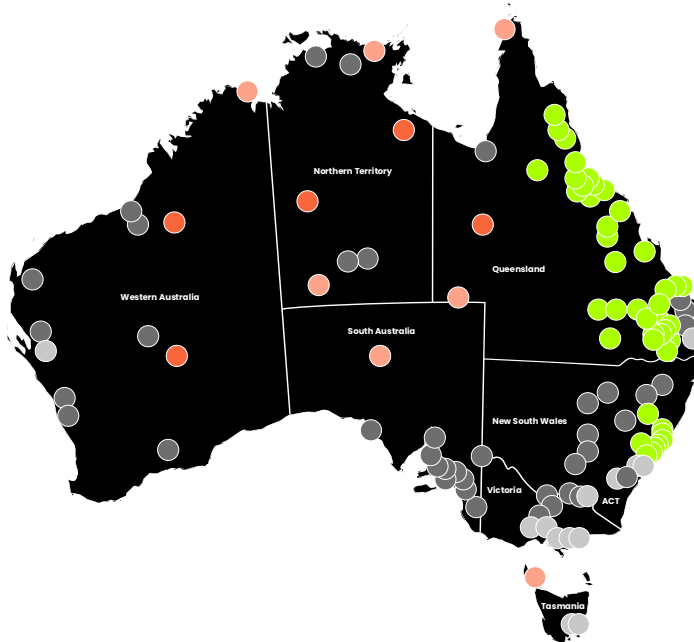
The LDES market review identified key factors shaping the global energy transition:

- The evolving energy mix and key drivers of long duration energy storage demand
- The important role of VFBs in medium and long-duration energy storage solutions<sup>2</sup>
- Strategic opportunities for CMG in the commercial & industrial, local community infrastructure, and mining sectors.

CMG has identified clear opportunities for VFBs and has identified its target customer applications including:

- Enhancing economic efficiency of renewable energy
- Load balancing and enhancing grid resilience
- Power security and reliability
- Continuous power supply
- Lowering diesel usage

CMG will stage its VFB implementation from low complexity, repeatable kWh applications to larger MWh installations. Projects will initially range up to 40MWh providing a market for CMG for the short to medium term.



**Image 2:** Identified customer target applications for VFBs that are potential current opportunities for CMG across various market segments. Opportunities identified in the above map include Communities, data centres, mines, solar PV, and substations.

<sup>2</sup> Short Duration Storage is <4hr, Medium Duration Storage is between 4-12 hr, and long duration is between 12-24hr (intraday) or between 24 – 100hr (Multiday) (Source: “Renewable Energy Storage Roadmap, March 2023, CSIRO”)

### Development of downstream customer and offtake strategy

CMG has engaged with potential customers who recognise the value of VFB solutions in energy cost stabilisation and supply security.

Discussions and scoping analyses have commenced with commercial buildings, remote mines, medium industrial facilities, data centres and a remote community council. CMG will work with potential customers to complete scoping studies, which will then inform the detail of the VFB solutions and commercial engagement.

Initial scoping studies for potential customers are anticipated to be completed by the end of 2025.

### Partnerships in the supply chain

CMG's strategy is supported by key supply chain partners that will assist in various components of the VFB assessment, design, delivery and installation. Working arrangements are being established with a number of these partners including battery hardware suppliers, battery and energy management software suppliers, EPC contractors and specialist consultants.

## **Design and development progress of the Vanadium Electrolyte Facility**

Sedgman Prudentia continued to progress the design phase of the Vanadium Electrolyte Facility during the quarter and remain on schedule to complete this work in May 2025.

Procurement of the long lead time items will follow CMG's review and acceptance of the design, with construction scheduled to be completed by the end of 2025 and commissioning in early 2026. Designers have confirmed that the chosen facility will accommodate the equipment for a electrolyte manufacturing facility with a nameplate capacity of 1 million litres per annum. CMG has ensured that the equipment layout facilitates a possible future 3-fold expansion of the production capacity to support the growth strategy.

Negotiations have commenced to secure sufficient high quality supply ingredients (vanadium pentoxide ( $V_2O_5$ )) for the manufacture of vanadium electrolyte. Samples have arrived for CMG to test quality against its detailed specification in advance of bulk supply procurement.

CMG have also commenced the process of qualifying its vanadium electrolyte with battery manufacturers and are in discussion regarding offtake agreements with strategic battery and associated partners.

## Appointment of Trudy Walsh as Chief Financial Officer

During the Quarter, Critical Minerals Group welcomed Trudy Walsh as its new Chief Financial Officer. With over 25 years of experience in financial management, Trudy is highly experienced in corporate strategy and has an extensive background in the financial and commercial development of companies within the engineering, manufacturing and the renewables sector.

Trudy brings a wealth of experience to the role, having held senior leadership positions in both listed and unlisted companies. A Certified Public Accountant (CPA), Trudy also holds an MBA and a Graduate Diploma in Risk & Corporate Governance.

## PDAC: Showcasing Queensland and Critical Minerals Group

Scott Winter had the honour of attending and presenting at the Prospectors & Developers Association of Canada (PDAC) Convention in Toronto in March, alongside Queensland's Minister for Natural Resources and Mines, the Hon. Dale Last MP, and a distinguished delegation from Queensland.

It was a unique opportunity to showcase the future of critical minerals and energy storage, highlighting Queensland's leadership in the sector. Scott shared insights on the future of energy storage, the critical role of vanadium flow batteries, and how CMG is positioning itself at the forefront of the global energy transition.



**Image 3:** Scott Winter presenting on behalf of the State of Queensland at PDAC in March 2025

With demand for reliable, sustainable energy solutions increasing, CMG's fully integrated vanadium flow battery supply chain is expected to unlock new opportunities—from mining to

battery storage. CMG's Lindfield Vanadium Project and Vanadium Electrolyte Manufacturing Facility are set to play a vital role in establishing supply chains and driving innovation and cost reduction in long-duration energy storage.

Further insights from the conference identified key opportunities for the Critical Minerals industry in Queensland, including the general positive interest in Australia and Queensland's critical minerals from international stakeholders.

### **Pre-Feasibility Study Progress**

Considerable progress was made on the critical path activities of EIS field work and the process flow sheet during early Q1. It is expected that PFS studies (geology, geotechnical, tailing storage facility (TSF), mining planning and scheduling, financial, human resources, and all mining/processing and non-mining infrastructure studies) will be completed on schedule in mid-2025.

### **Jameson Cell and Leach Test work**

Jameson cell testing utilising the standard bench dilution test and a Jameson L150 pilot rig was completed in the Quarter. Results are currently under evaluation to determine the comparable efficiencies of using Jameson cells vs conventional flotation.

Substantial effort was also focussed on optimisation of the leaching process to reduce reagent consumption and improve vanadium recovery.

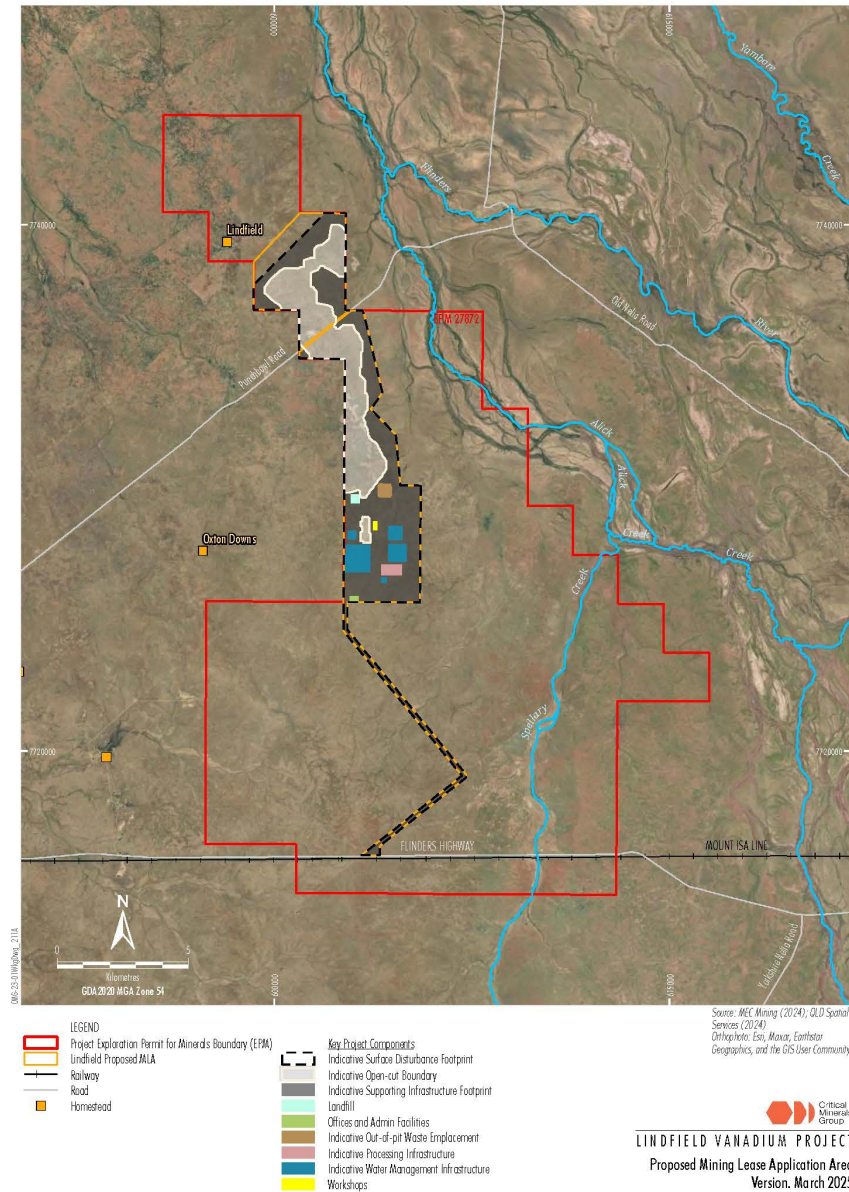
The focus in the June quarter is on optimisation of the solvent extraction/ion exchange and precipitation steps to update the mass balance. Evaluation of the water balance is ongoing as ways to reduce consumption are investigated.

### **Development and Environmental Studies and Approvals/Permits**

During the Quarter, the office of the Coordinator-General provided detailed feedback on CMG's initial IAS submission under Part 4 of the State Development and Public Works Organisation Act 1971 (Qld) (SDPWO Act). The application was updated based on the feedback and was resubmitted in early April 2025. In parallel, a submission was prepared for the Federal Government EPBC business portal relating to whether the project needs to be established as a 'Controlled Action' under the Environment Protection and Biodiversity Conservation Act 1999 (EPBC Act). This submission was completed in early April 2025. Engagement continued with key stakeholders throughout the Quarter, including the Office of the Coordinator-General (CG), the Queensland Government's Critical Minerals Office (**CMO**) and local Aboriginal People and underlying landholders.



Consultation with the various technical specialists continued to ensure the progression of necessary background and impact assessments for the EIS. Desktop studies were completed and field studies commenced, however inclement weather in March resulted in suspension/delay of all activities due to access issues. Studies will recommence when land access is deemed safe.



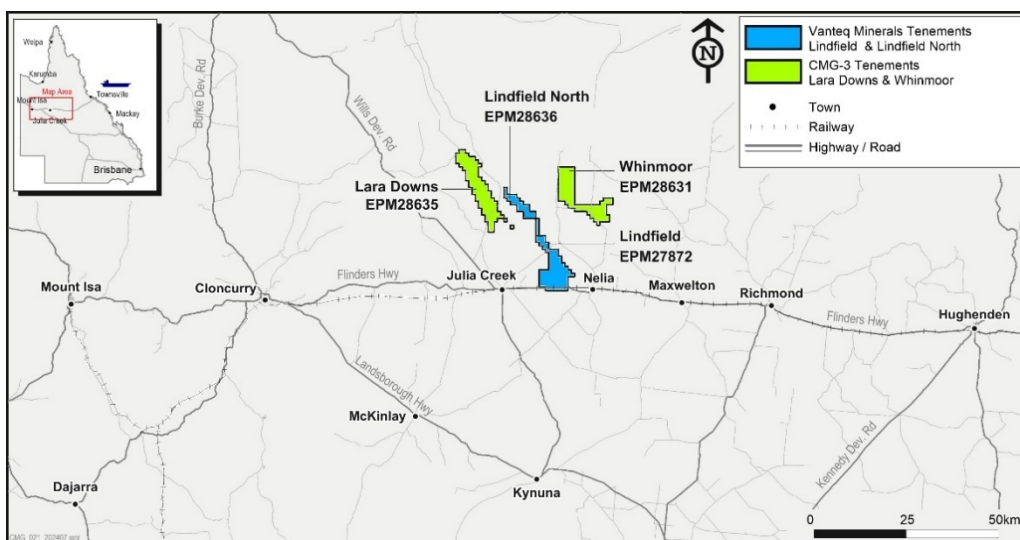
**Image 4:** Revised project footprint for Lindfield – currently under review with relevant stakeholders

## Grant Application for the Collaborative Exploration Initiative

CMG have received notification that the application for a grant to assist in exploration on its Lindfield North tenement (EPM28636) to determine if learnings from previous exploration on the Lindfield Project (EPM27872) could be applied on a wider regional basis was unsuccessful in this instance.

## Projects and Exploration Update

During the Quarter, CMG continued to make progress across its Vanadium projects and tenements. Below is the current map showing CMG's current Vanadium tenements.



**Image 5:** Location of CMG Limited vanadium tenements in the Julia Creek area

## Lindfield Project (EPM 27872)

The Lindfield Project is CMG's flagship project located 30km east of Julia Creek in North-West Queensland. The Lindfield Project consists of 92 sub-blocks, covering 295km<sup>2</sup>. An update on this project is outlined below:

### Progression of Pilot Plant Test work

Please see the separate section above for the relevant update.

### Specific Environmental (EIS) Studies Conducted to Advance Approvals

The next phase of ecological studies commenced in March, however the work was suspended as mentioned above. Several desktop studies were also completed and are currently being reviewed. Tentative dates have been set for recommencement of field activities but are still subject to feedback from the landowners on ground conditions.



### Community and Government Engagement

Discussions with various landholders and the Traditional Owners are ongoing as questions arise and activities are planned that affect the relevant parties. A series of meetings with relevant stakeholders in Julia Creek are currently being planned in association with attendance of CMG personnel to the next Critical Minerals Roundtable scheduled for May 2025 in Julia Creek. Engagement with various government departments is ongoing on an as needs basis.

### Upcoming Works Program

During the upcoming June Quarter, the Company plans to carry out the following work for the Lindfield Project:

- PFS work will continue following refinements made to the project footprint (Image 4) and process flowsheet (from the pilot and metallurgical bench test work).
- PFS trade-off study work on aspects of mineral processing.
- Metallurgical test work including
  - Optimisation of solvent extraction/ion exchange chemistry and conditions
  - Optimisation of the AMV (ammonium metavanadate) precipitation stage
- Finalise preparation of the *Environment Protection and Biodiversity Conservation Act 1999* (Cth) referral to the Federal Government targeting submission on 13<sup>th</sup> April 2025. Progress environmental and approvals related works and studies required for the preparation of the Environmental Impact Study (including work on obtaining various government approvals).
- Submission of a draft Mining Lease (MLa) boundary that minimises landholder impacts and minimises annual lease costs. The boundary informs the zones that the EIS field studies are focused on. Landholder feedback will be sought in the June quarter.

### **Lara Downs Project (EPM 28635) and Lindfield North Project (EPM 28636)**

The Lara Downs and Lindfield North Project are both located within 70km (north) of Julia Creek, with the Lindfield North Project adjoining the existing Lindfield Project and the Lara Downs Project within 35km of the Lindfield Project.

Lindfield North consists of 36 sub-blocks covering 115 km<sup>2</sup>. Lara Downs consists of 118 sub-blocks covering 378km<sup>2</sup>.

### Exploration plan for Lindfield North and Lara Downs Projects

CMG considers that both the Lindfield North Project and the Lara Downs Project can benefit from the learnings of, and results from, exploration in the region to date.

Other than the feedback on the CEI application (see above) there is no further update for these tenements for this Quarter.

#### Upcoming Works Program

There is no work currently scheduled for these two tenements in the upcoming June Quarter.

#### **Whinmoor Project (EPM 28631)**

The Whinmoor Project consists of 100 sub-blocks covering 320 km<sup>2</sup> and is located 60km north of Julia Creek.

The Whinmoor Project intends to extend on exploration by previous explorers and known extensions to vanadium mineralisation in the Company's Lindfield Project.

There is no further update for this tenement for this Quarter.

#### Upcoming Works Program

A drilling plan has been developed for exploration of the Whinmoor tenement, however timing is yet to be confirmed. There is no work scheduled for this tenement in the June Quarter.

#### **Figtree Creek Project (EPM 27998) and Lorena Surrounds Project (EPM 27999)**

No substantive exploration activities or fieldwork had been undertaken on the Tenements for this Quarter. The Company will continue to assess commercial options going forward.

## ASX Announcements during the Quarter

This quarterly report contains information released to ASX, which has been reported in accordance with the JORC Code (where required). These announcements can be found on the Company's website at [criticalmineralsgroup.com.au/investor](https://criticalmineralsgroup.com.au/investor)

- 29 January 2025 Quarterly Activities/Appendix 5B Cash Flow Report
- 7 February 2025 Changes to Managing Director's Remuneration
- 13 February 2025 Details of Company Address
- 14 March 2025 Half Year Accounts
- 17 March 2025 Appointment of Chief Financial Officer
- 2 April 2025 Strategy Update & Webinar notification
- 2 April 2025 Investor Presentation – CMG Strategy
- 4 April 2025 Webinar Reminder – Strategy Update Presentation
- 23 April 2025 Entitlement Offer to raise up to approximately \$7.4 million
- 23 April 2025 Proposed issue of securities – CMG
- 23 April 2025 Cleansing notice under section 708AA(2)(f) Corporations Act
- 23 April 2025 Cancel – Proposed issue of securities – CMG
- 24 April 2025 Entitlement Offer
- 24 April 2025 Proposed issue of securities – CMG
- 24 April 2025 Cleansing Notice
- 24 April 2025 Notice regarding Entitlement Offer

## Financial Commentary

The Quarterly Cashflow Report (Appendix 5B) for the Quarter provides an overview of the Company's financial activities.

Exploration expenditure for the Quarter was \$451,675, while corporate and other expenditures totalled \$787,173 (including \$351,659 in salaries and director fees).

In accordance with the Company's disclosure obligations under ASX listings rule 5.3.5, the total amount paid to directors and their associates in the Quarter (item 6.1 of the Appendix 5B) was \$120,812 and included the Managing Director's salary.

## **Forward-Looking Statements**

This announcement may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

This announcement was approved by the board of directors of CMG.

## **For more information contact:**

### **Scott Winter**

CEO and Managing Director

[info@criticalmineralsgroup.com.au](mailto:info@criticalmineralsgroup.com.au)

(07)3132 3504

## Schedule 1 – Tenement Schedule as at 31 March 2025

Project Name	Location	Tenement	Status	Equity at 31 December 2024	Equity at 31 March 2025	Changes during Quarter
Lindfield Project	Julia Creek	EPM 27872	Granted	100%	100%	-
Figtree Creek Project	Cloncurry	EPM 27998	Granted	100%	100%	-
Lorena Surrounds Project	Cloncurry	EPM 27999	Granted	100%	100%	-
Whinmoor Project	Julia Creek	EPM 28631	Granted	100%	100%	-
Lara Downs Project	Julia Creek	EPM 28635	Granted	100%	100%	-
Lindfield North Project	Julia Creek	EPM 28636	Granted	100%	100%	-

## Appendix 5B

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

Name of entity

CRITICAL MINERALS GROUP LIMITED

ABN

91 652 994 726

Quarter ended ("current quarter")

31 MARCH 2025

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	(2)
	(b) development		
	(c) production		
	(d) staff costs	(352)	(890)
	(e) administration and corporate costs	(436)	(1,123)
1.3	Dividends received		
1.4	Interest received	2	11
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	750	750
1.8	Other (relates to R&D tax incentive)	530	530
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>495</b>	<b>(724)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment	(156)	(158)
	(d) exploration & evaluation	(452)	(1,642)
	(e) investments		
	(f) other non-current assets	(214)	(275)



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
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		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(822)</b>	<b>(2,076)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	2,493
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 (i)	-	(245)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>2,248</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	1,205	1,432
4.2	Net cash from / (used in) operating activities (item 1.9 above)	495	(724)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(822)	(2,076)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	2,248

Appendix 5B

**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 (9 months) \$A'000</b>
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>881</b>	<b>881</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	881	1,205
5.2	Call deposits		
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>881</b>	<b>1,205</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 1.2	121
6.2	Aggregate amount of payments to related parties and their associates included in item 2.3	-
6.3	Aggregate amount of payments to related parties and their associates included in item 3.4	-

*Note: if any amounts are shown in items 6.1, 6.2 or 6.3, your quarterly activity report must include a description of, and an explanation for, such payments.*

<b>7. Financing facilities</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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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)	495
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(452)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	43
8.4 Cash and cash equivalents at quarter end (item 4.6)	881
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	881
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	N/A
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer:	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer:	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

## **Compliance statement**

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

Date: 30 April 2025

Authorised by: The Board  
(Name of body or officer authorising release – see note 4)

## **Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.