

31 January 2022

## Quarterly Activities Report and Appendix 4C to 31 December 2021

### Clean TeQ Water Limited

ACN: 647 935 948

ASX:CNQ

OTCQX:CNQQF

### Corporate Information<sup>#</sup>

Ordinary shares: 44.7M

Performance rights:

2.9M

Cash at bank: A\$11.2M

### Executive Chairman

Peter Voigt

### CEO

Willem Vriesendorp

### Non-Executive Directors

Ian Knight

Stefanie Loader

Sam Riggall

Robyn McLeod

### Company Secretary

Anita Addorisio

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# As at 31 December 2021

## QUARTER HIGHLIGHTS

### Q2 FY22 Cash Flow

- Growing quarterly cash receipts of A\$3.8 million up from \$1.6 million in the previous quarter.
- Net cash used in operating activities of A\$2.5 million up from \$2.1 million from the previous quarter.
- The Company had A\$11.2 million cash on hand as at 31 December 2021.

### FY22 Trading and Operational Highlights and Outlook

- Steady progress across projects under implementation despite minor delays linked to tight supply chains and COVID
  - Ordos flagship 12,000 tons/day BIONEX™ nitrate removal project produced first nitrate free effluent
  - Koumala drinking water supply project on-site construction started
  - Oman industrial CIF® water re-use project completed C3 commissioning
  - Hassall EVAPX agricultural by-product wastewater manufacturing in progress
  - NESR bore water treatment and reinjection water supply project manufacturing finalised and shipping to site commenced
- Distribution agreement with National Energy Services Reunite Corp ("NESR") in the Middle East and North Africa
  - CNQ will work exclusively with NESR in the Oil and Gas sector in the Middle east to reduce the sector's water footprint

- Intention to jointly invest in water treatment assets and sell water as a service to end-user under long term supply agreements
- Exclusive distribution agreement signed with Chinese industry leader MCC Energy Conservation and Environmental Protection (“MCC Environment”)
  - CNQ to work exclusively with MCC Environment in promoting BIONEX™ technology across steel sector in China
  - Partnership has potential to quickly expand growth potential especially after planned commissioning of first large scale plant in China at beginning of 2022
- EnviroCopper commissioned Company to test CLEAN-IX® metal recovery technology to extract copper from a leachate produced at their Kapunda project in South Australia
- NematiQ produced Graphene Membranes in 1812 cartridge format. Field trials expected to commence in Q1 2022
- Overall outstanding achievement winner of the global IChemE (Institute of Chemical Engineers) award for BIONEX™ technology.
- Launch of a new phosphate removal and recovery technology PHOSPHIX™
- The Company has significant activities planned for the current quarter including final commissioning of the Oman and Ordos projects, advanced commercial discussions on potential projects after pilots, and further inroads into commercial application of metal recovery capabilities

### Message from the CEO

This quarter has seen substantial focus on implementation of our existing contracts as reflected by the increase in our total cash receipts. Our total revenues collected in the first 6 months of the year already exceeds the maximum annual revenues our water business has generated in any previous year. Despite some supply chain bottlenecks that caused some delays, progress in general has been good, and we are confident the current projects will be delivered over H2'22.

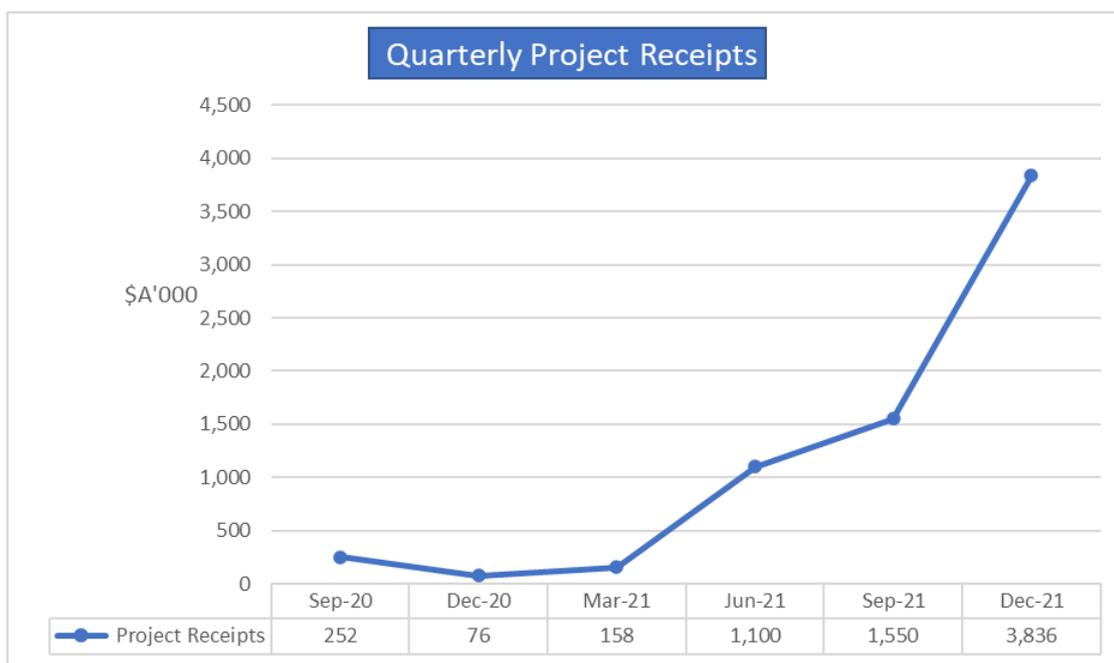
Meanwhile, we have increased our commercial strength through the signing of two distribution agreements with

MCC Environment in China and National Energy Services Reunited Inc in the Middle East, while making concrete inroads for future application of our technology in the metal recovery sector. These developments, together with progress across multiple individual prospects, and the impact the new large-scale demonstration sites will have across the world, make us optimistic about our ability to maintain rapid growth over the upcoming years.

Finally, our Graphene Membrane development program has developed substantially, and we will soon be ready for market introduction through customer pilots.

We look forward to keeping our shareholders updated with further activities.

## Q2 FY22 CASH FLOW



*# Pre-demerger revenue was recognised under SRL's group structure*

Cash inflow from project revenue has increased in Q2 FY2022 to A\$3.8 million (up from A\$1.6 million in Q1).

Net cash used in operating activities of A\$2.5 million and increase of \$0.4 million from the previous quarter. Net project cashflow improved as delivery milestones of long lead time equipment were met, with positive net project cash receipts and operating costs in Q2. R&D spend was A \$0.35 million compared to \$0.16 million in the previous quarter as trials of various graphene membrane support coating processes scaled up. Advertising and marketing spend was A\$ 0.2 million vs A \$0.06 million in the previous quarter due to once off brokerage fees and branding packages.

In accordance with Listing Rule 4.7C, payments made to related parties and their associates included in items 6.1 of the Appendix 4C include payments for remuneration of directors' fees to executive and non-executive directors in the normal course of business at commercial rates.

At 31 December 2021 the Company had cash reserves of A\$11.2 million. The Company has no debt or convertible instruments. A summary of the revenue and expenditure incurred during the quarter is detailed in the attached Appendix 4C.

## Q2 FY22 TRADING AND OPERATIONAL HIGHLIGHTS AND OUTLOOK

### Trading Highlights

Two exclusive distribution agreements were signed this quarter.

#### Distribution agreement for the gas and oil sector in the Middle East

During the quarter, CNQ signed an exclusive distribution agreement with the National Energy Services Reunited Corp ('NESR') to promote the Company's unique water treatment and reuse solutions to Oil and Gas companies in the Middle East.

NESR is one of the largest oilfield services providers in the MENA (Middle East and North Africa) and Asia Pacific regions and is listed on NASDAQ (NASDAQ: NESR). NESR has established a Water Conservation and Management business focused on improving water availability and reuse in the oil and gas sector. CNQ's suite of water technologies are developed for such applications and provide NESR with competitive advantage in this market sector.

The distribution agreement came after CNQ signed a contract with NESR to design, procure, deliver, and install a HIROX<sup>®</sup> (High Recovery Reverse Osmosis) plant to treat bore water used for enhanced oil recovery in the Middle East.

According to the distribution agreement CNQ will work with NESR exclusively in the Oil and Gas sector across the Middle East and in selected other African and Asian countries for an initial period of five years provided minimum revenue objectives are met along the way.

Besides the standard integrated equipment supply model used for the first contract, CNQ and NESR have the intention to cooperate and co-invest in alternative delivery models including BOO (Build, Own, and Operate) where parties jointly invest in the building the plant and sell the treated water to the end-user under long term agreements. CNQ is pursuing BOO as an attractive future alternative sales model that can generate attractive and stable multi-year returns.

#### Distribution agreement for steel sector with industry leader in China

CNQ also signed an exclusive distribution agreement with the MCC Energy Conservation and Environmental Protection ('MCC Environment'). The agreement gives MCC Environment exclusive distribution rights for selling the BIONEX<sup>™</sup> technology into the Chinese steel sector for the next three years subject to reaching minimum revenue targets.

MCC Environment is a subsidiary of Metallurgical Corporation of China (MCC), a state-owned Chinese EPC company listed in the Fortune 500. MCC Environment is a leading provider of equipment and design services related to waste processing and recycling for MCC and the broader Chinese iron and steel industry.

The distribution agreement followed a successful pilot program run by MCC Environment at a steel factory in Tianjin, China during which CNQ's BIONEX<sup>™</sup> technology was able to remove nitrate from waste-water effluent with minimal brine production thus reducing the operating cost and

minimising the environmental footprint. This pilot has resulted in CNQ recently becoming the overall outstanding achievement winner of the global IchemE award mentioned below.

## Projects Update

### Ordos BIONEX™ Nitrate Removal Project

The BIONEX™ nitrate removal plant combines the Company's unique continuous ion exchange technology with its BIOCLENS® technology to treat 12,000 tons per day mining wastewater. At the end of November, the first water was successfully treated during manual operation and demonstration of the installation to the customer and local regulators. The project is currently in the final commissioning phase.

The BIONEX™ plant will be the first of its kind in China and will act as a demonstration site for other prospective customers. The market for BIONEX™ includes nitrate removal from effluents from mines, industries, and municipal water treatment facilities located in ecologically sensitive areas such as the Yellow River basin in Northern China where this first project is located.

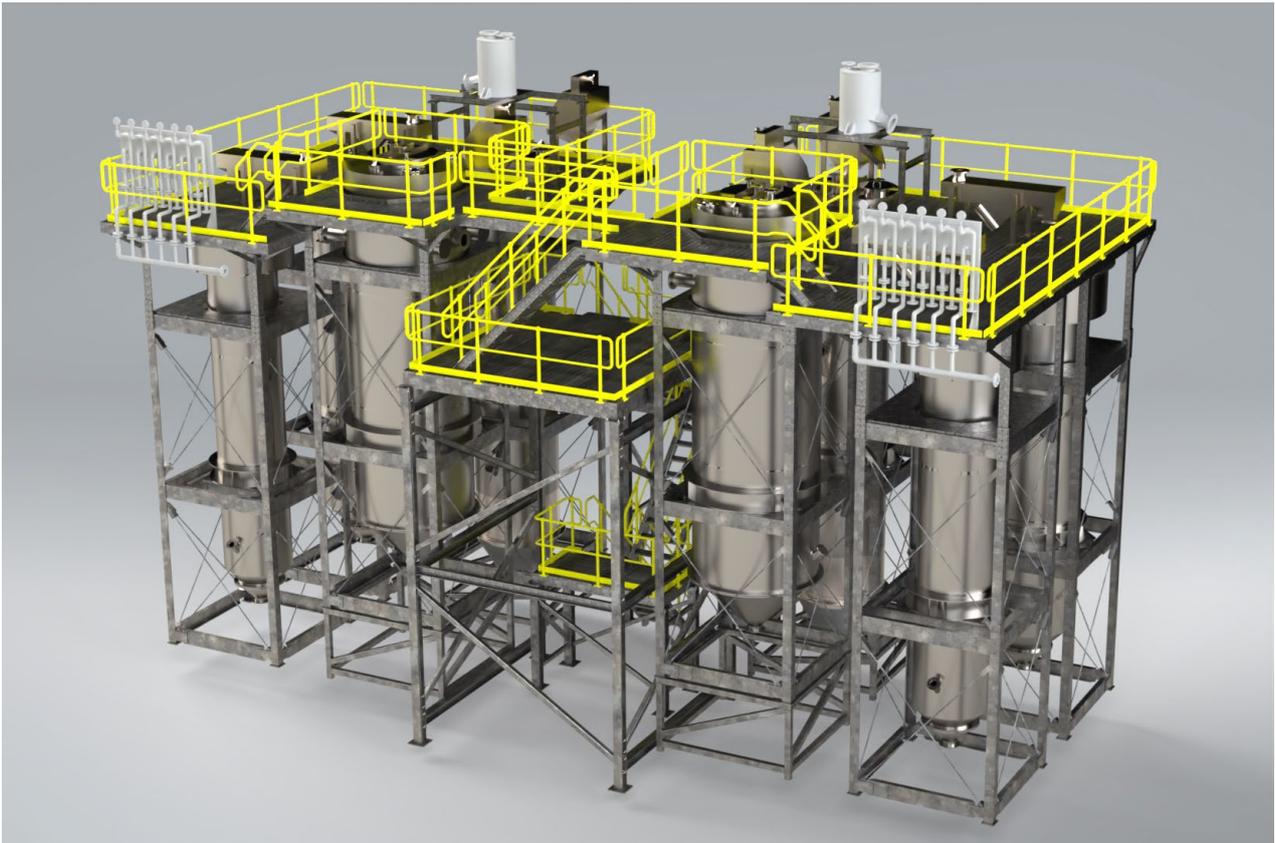


*BIONEX™ plant at Ordos*

### NESR HIROX® Project

In the last quarter the Company was awarded a significant contract valued around A\$3 million to design, procure, deliver, and install a HIROX® (High Recovery Reverse Osmosis) plant to treat bore water used for enhanced oil recovery in the Middle East. The project has progressed substantially with most of the equipment on its way or under manufacture.

The end-user will be a multinational oil company and the solution provided is expected to dramatically reduce not only the required water withdrawal, but also the energy and chemicals used for producing a ton of treated water.



*3D render NESR continuous ionic filtration plant that will be part of the HIROX® installation*

### EVAPX® Technology Project

On 23 September 2021, CNQ was awarded a \$1.6m contract to design, procure, and deliver an EVAPX system to treat wastewater and recover clean water at an agriculture by-product processing facility located in New South Wales, Australia. The design phase is nearing completion, and the sourcing of equipment has commenced.

### Koumala Drinking Water Project

CNQ won the Koumala Drinking Water Project by offering an ion exchange solution to the treatment of ground water providing improved effluent quality compared to alternative bids. Site construction has commenced, and the project size scope increased to A\$3 million. The project is experiencing some delays due to scope change and COVID related travel restrictions. The updated target commissioning date is Q2 2022.



*Koumala resin exchange drinking water plant under construction*

### Oman CIF® Plant Upgrade

In Oman, CNQ was asked to provide an expansion of its previous Oman project where our CIF® technology treats industrial brine from an antimony smelting plant for reuse. Installation of this expansion project is in progress and C3 commissioning status was achieved by December 2021. Finalization of commissioning work is planned for January 2022.



*Oman CIF® plant*

### Townsville HIROX® Wastewater Reuse Plant

In December Townsville City Council issued the announcement of a new tender for a design and construct project following changes to the scope of the Recycled Water Treatment Facility project (the 'Project'). Local legislative rules require the Council to issue a new tender because of those

scope changes. This means the negotiations on the EPC contract, which followed the 2019 tender, will not be continued.

The Council has since released detailed tender specifications and scope which cover civil construction of a pipeline and foundation plus some water treatment disinfection packages but excluding a recycling facility for producing industrial water, which was a central component of the previous tender. The council indicated it plans to add this industrial water re-use equipment in a next phase. CNQ intends to bid for the more limited water treatment scope of the current tender in cooperation with a civil contractor.

## **NematiQ Graphene Membranes**

### NematiQ

NematiQ has developed a ground-breaking technology to produce Graphene Membranes at scale. Graphene Membranes provide multiple customer benefits through their ability to remove dissolved organics without concentrating salts into a by-product, at low energy, and without added chemicals.

The layer-by-layer technology employed to produce the Graphene Membrane has been further refined to allow the production of 1,000mm wide flat sheet membrane in the next quarter. Several hundred of meters of Graphene Membranes have now been produced on a commercial coating machine in readiness for commercial production of membranes. The flat sheet Graphene Membranes have been used to manufacture 1812 cartridges which have been subjected to vigorous testing of the critical properties of robustness, flux and rejection and are showing consistent results meeting the specifications.

The 1812 cartridges have now also been tested in the laboratory in the treatment of surface water to remove dissolved organic compounds (DOC) with excellent results. We expect that the Graphene Membrane will see uptake by industrial and municipal customers who are looking to meet increasingly strict regulatory requirements while reducing their operating cost and carbon footprint.

We are looking to produce larger 4040 and 8040 cartridges during the next quarter and begin larger scale demonstrations of the Graphene Membrane in municipal and industrial situations.

## **Technology Services for Sunrise Energy Metals**

CNQ is providing technical services to Sunrise Energy Metals in relation to lithium battery products.

The agreed scope of works has focused on two areas: characterisation of precursor cathode active material and optimisation of black mass processing. Work has commenced on the black mass recycling with three samples being received and first stage of testing of the proposed flowsheet has commenced.

With European legislation soon to mandate a minimum percentage of recycled material in lithium-ion batteries, recycling processes (in particular, black mass recycling) will become an increasingly critical component of future integrated supply chains.

## Technology Development

### Launch of Phosphate Removal and Recovery Technology, PHOSPHIX™

PHOSPHIX™ uses a combination of CNQ's Continuous Ionic Filtration (CIF®) technology and a specially designed chemical precipitation step to selectively remove phosphate to <0.1 ppm and to recover a solid phosphorus product which is suitable for reuse.

PHOSPHIX™ reduces chemical consumption and halves the operating cost when compared to commonly used recovery systems, making it economically attractive to implement across a much wider set of applications. This will assist municipalities in meeting the ever-tightening limits of phosphate discharged to the environment while allowing for phosphate recycling which is becoming a priority in some countries due to concerns about global shortages.

PHOSPHIX™, together with BIONEX™ and BIOCLENS® which target ammonia and nitrates, provides a complete solution to assist municipalities and industries in making the shift to circular nutrient flows.

The PHOSPHIX™ development demonstrates our ability and intention to continually improve and update our technology portfolio. This portfolio approach is a core pillar of the Company's strategy to reduce the impact demand volatility, regulation, and competition while facilitating market entry and growth through a unique and comprehensive set of customer solutions.

### Winner Outstanding Achievement Award for BIONEX™

CNQ won the Outstanding Achievement Award at IChemE's Global Awards, widely considered as one of the world's most prestigious chemical engineering awards. CNQ won the prize for its BIONEX™ nitrate removal technology, which was commended both for its engineering ingenuity, and its potential for substantially reducing the negative impact nitrate pollution has on ecosystems and human health. Some of the past winners include companies like BP, Nestlé, and DuPont, and CNQ is very proud to be joining these companies as winners.



## Outlook

The Company has significant activities planned for the current quarter including:

- Planned commissioning of our Ordos BIONEX™ and Oman CIF® project
- Continuation of commercial discussions on projects across geographies, sectors and technologies. Examples include:
  - Multiple BIONEX™ project discussions ongoing in China for which the end users are waiting commissioning of our Ordos project
  - Multiple mining wastewater projects whose development plans are stimulated by high metal prices
  - Drinking water supply for remote communities. The challenge here is often operability and waste management for which the Company has good solutions
  - Various HIROX® discussions in Australia and China
- Commencement of pilot for using CLEAN-IX® for valuable metal recovery from tailings and recycling waste in China
- Commercial scale production test runs for large modules for ground-breaking Graphene Membranes
- Pilot demonstrations of water filtration system employing Graphene Membrane technology
- Continuation towards completion of projects in Middle East, Australia, and China

### For more information, please contact:

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Website: [www.cleanteqwater.com](http://www.cleanteqwater.com)

This announcement is authorised for release to the market by the Board of Directors of Clean TeQ Water Limited.

**About Clean TeQ Water Limited (ASX: CNQ)** – Based in Melbourne, Australia, Clean TeQ Water provides innovative metals recovery and water treatment solutions for governments and companies. Our sectors of focus include municipal wastewater, surface water, industrial wastewater, and mining wastewater. Clean TeQ Water has offices in Melbourne, Perth, Beijing and Tianjin, and partners in Africa and Latin America. We provide turnkey metals recovery and water treatment plants everywhere in the world.

For more information about CNQ please visit [www.cleanteqwater.com](http://www.cleanteqwater.com).

### FORWARD-LOOKING STATEMENTS

Certain statements in this news release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws. Such statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements of the Company or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified

using words such as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “scheduled”, “forecast”, “predict” and other similar terminology, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. These statements reflect the Company’s current expectations regarding future events, performance, and results, and speak only as of the date of this new release. Readers are cautioned not to place undue reliance on forward-looking information or statements.

Although the forward-looking statements contained in this news release are based upon what management of the Company believes are reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement. Subject to applicable securities laws, the Company does not assume any obligation to update or revise the forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release.

## Appendix 4C

### Quarterly cash flow report for entities subject to Listing Rule 4.7B

**Name of entity**

CLEAN TEQ WATER LIMITED

**ABN**

12 647 935 948

**Quarter ended ("current quarter")**

31 December 2021

<b>Consolidated statement of cash flows</b>	<b>Current quarter A\$'000</b>	<b>Year to date (6 months) A\$'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	3,836	5,386
1.2 Payments for		
(a) research and development	(349)	(507)
(b) product manufacturing and operating costs	(3,452)	(5,033)
(c) advertising and marketing	(209)	(271)
(d) leased assets	-	-
(e) staff costs	(1,587)	(3,004)
(f) administration and corporate costs	(690)	(1,005)
(g) insurance costs	(24)	(150)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	5
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(2,472)</b>	<b>(4,579)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	(1)	(97)
(d) investments	-	-
(e) intellectual property	-	-

Consolidated statement of cash flows	Current quarter A\$'000	Year to date (6 months) A\$'000
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) 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)	-	-
<b>2.6 Net cash from / (used in) investing activities</b>	<b>(1)</b>	<b>(97)</b>

<b>3. Cash flows from financing activities</b>		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	-
3.4 Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (repayment of lease liabilities)	(60)	(119)
<b>3.10 Net cash from / (used in) financing activities</b>	<b>(60)</b>	<b>(119)</b>

<b>4. Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>-</b>	<b>-</b>
4.1 Cash and cash equivalents at beginning of period	13,756	16,005
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,472)	(4,579)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(1)	(97)

Consolidated statement of cash flows		Current quarter A\$'000	Year to date (6 months) A\$'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(60)	(119)
4.5	Effect of movement in exchange rates on cash held	(10)	3
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>11,213</b>	<b>11,213</b>

Note: On 1 July 2021 Clean TeQ Water Limited was demerged from Sunrise Energy Metals Limited. The cash and cash equivalents at that date are noted at item 4.1

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	6,213	8,756
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Term Deposits	5,000	5,000
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>11,213</b>	<b>13,756</b>

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

- |     |   | Current quarter<br>A\$'000 |
|-----|---|----------------------------|
| 6.1 | Aggregate amount of payments to related parties and their associates included in item 1 | (143)                      |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | -                          |

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

**7. Financing facilities**

*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.*

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

Total facility amount at quarter end A\$'000	Amount drawn at quarter end A\$'000
-	-
-	-
-	-
-	-

**7.5 Unused financing facilities available at quarter end**

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- 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)	(2,472)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	11,213
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	11,213
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>4.54</b>

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 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: Not applicable as 8.5 is greater than 2.

8.6.2 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

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

Answer: n/a

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*

## Compliance statement

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

Date: 31 January 2022

Authorised by the Board of Directors of Clean TeQ Water Limited

## Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 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 standard applies 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.