

WARREGO ENERGY LIMITED (ASX: WGO)
ACTIVITY REPORT FOR THE QUARTER ENDED 31 DECEMBER 2021

HIGHLIGHTS

EP469 West Erregulla Gas Project Development

- Upstream (gas gathering system) and midstream (gas processing plant) environmental approvals progressing with additional information provided to the EPA.
- The JV partners are nearing finalisation of Development and Gas Processing Services Agreements with AGIG for the construction and operation of the 87 TJ/d gas plant and trunk line to DBNGP.
- Project financing preliminary due diligence is underway.
- Independent certification of West Erregulla gas fields, completed in October 2021 by NSAI, confirmed sufficient 2P Reserves to support the JV's foundation gas sales agreements with Alcoa and CSBP.
- The JV has agreed to drill an additional production well, WE-6, prior to first gas.

EP469 Exploration and Appraisal

- The EP469 JV is planning to re-enter WE-3 in Q2 2022 and will drill ahead to the target formations in the Kingia and High Cliff, followed by flow testing.
- The JV is continuing to evaluate options for recompletion and retesting WE-5.

STP-EPA-0127 Northern Perth Basin Exploration

- Warrego executed a farm-out agreement for EPA-0127 with Mitsui E&P Australia, a wholly owned subsidiary of Mitsui & Co. Ltd, with a major presence in the Perth Basin.
- Following the permit grant and in exchange for a 50% working interest in the permit, Mitsui will carry 100% of Warrego's exploration costs in the first two years up to a cap of \$1.5 million.
- Studies have identified multiple West Erregulla-sized leads with the potential for Waitsia and West Erregulla analogues.

Mid West Blue Hydrogen and CCS Project

- Warrego entered a consortium of energy and infrastructure companies to undertake a feasibility study for the innovative Mid West Blue Hydrogen and Carbon Capture and Storage project
- Consortium comprises APA Group, Pilot Energy and Warrego, with member companies contributing funding and sector expertise. The project has the potential to deliver cost-effective and competitive clean energy.

Corporate and Financial

- Consolidated cash at 31 December 2021 was \$40,186,000.
- The Company held its AGM on 24 November 2021 with all resolutions passed.
- Executive Director, Mr David Biggs resigned from the Board and his management position as CEO Australia effective 31 December 2021, but remains available to the Company to facilitate the smooth transition of responsibilities.
- The Company made changes to its management structure in Europe, including Mr Duncan MacNiven retiring from the business and Mr Owain Franks stepping away from his management role. Both Mr MacNiven and Mr Franks remain significant shareholders.
- Mr Michael Atkins, B. Comm (WA) FAICD, has been appointed as an independent, Non-Executive Director of Warrego Energy Limited effective from 31 December 2021.

WESTERN AUSTRALIA

EP469 (50%) West Erregulla Gas Fields

Exploration Permit located onshore northern Perth Basin, WA, targeting conventional gas reservoirs

West Erregulla Gas Project Development

Warrego is nearing finalisation of key agreements with Australian Gas Infrastructure Group (“AGIG”) and Strike Energy Limited (“Strike”, the “Operator”) for the construction and operation of a gas processing facility for Phase 1 of the West Erregulla Gas Project (the “Project”). The JV is continuing to instruct AGIG to procure Long Lead Items (“LLI”) for the construction of the gas plant and trunk line in order for the Project to remain on track for first gas in the second half of 2023. LLI commitments are being funded by each of the EP469 JV partners and will effectively be repaid from the proposed project finance facilities.

Western Australia’s Environmental Protection Authority (“EPA”) continues to assess the upstream (gas gathering system) and midstream (gas processing plant) submissions. The Operator and AGIG provided additional information to the EPA in December for review. Subject to satisfying all requests for supplementary information and meeting regulatory requirements, the Operator and AGIG anticipate the EPA to approve and issue the environmental permits during CY 2022 after which construction can commence.

Preparation of project financing due diligence packages has commenced with various experts appointed to prepare preliminary reports. Once the final banking group is mandated, these reports will underpin key aspects of the legal and commercial due diligence.

The JV has agreed to drill an additional production well, WE-6, prior to first gas which will provide redundancy and additional flexibility.

West Erregulla Gas Field Appraisal

During the quarter the Joint Venture finalised the well design for the re-entry into WE-3 (WE-3 ST2) and approved long lead item expenditure for drilling operations. It is anticipated that the Ensign 970 rig will mobilise to the WE-3 well location in H1 2022.

The JV is continuing to evaluate technical options for WE-5 and it is anticipated that recompletion and retesting will be carried out in H2 2022.

Independent Reserves Certification

In October 2021 Netherland, Sewell & Associates, Inc. (NSAI) completed its certification of West Erregulla Reserves, Contingent and Prospective Resources on behalf of the EP469 JV¹. The independent Reserves certification by NSAI strongly correlates with the initial Resources certification that RISC Advisory completed for Warrego in May 2020² and supports the ability of the West Erregulla Gas Field to satisfy foundation Gas Sales Agreements.

NSAI attributed 2P Reserves (proved plus probable) of 300 PJ of gas (gross) to the Kingia reservoir, with 3P upside of 372 PJ (gross). In addition, 2C Contingent Resources of 128 PJ of gas (gross) were assigned to the Kingia and High Cliff reservoirs with a further 198 PJ of gas (gross) in 2U Prospective Resources from the Kingia, High Cliff, Dongara and Wagina reservoirs. There remains potential to grow West Erregulla Reserves and Resources through further exploration and appraisal in EP469³.

¹ Issued by Warrego via the ASX on 11 October 2021, “West Erregulla Independent Reserves Certification”

² Issued by Warrego via the ASX on 18 May 2020, “Certification confirms West Erregulla 2C of 513 Bscf gross”

³ Issued by Warrego via the ASX on 29 September 2021, “Lockyer Deep-1 Discovery Supports EP469 Exploration”

Further Exploration Potential

The EP469 JV will undertake a 3D seismic survey over the remaining permit areas of interest that are unmapped to provide better definition and enhanced subsurface data over a number of undrilled prospects with potential for tie-in to the West Erregulla Gas Project at some stage in the future. Only 1/3 of the block has been currently covered by 3D seismic.

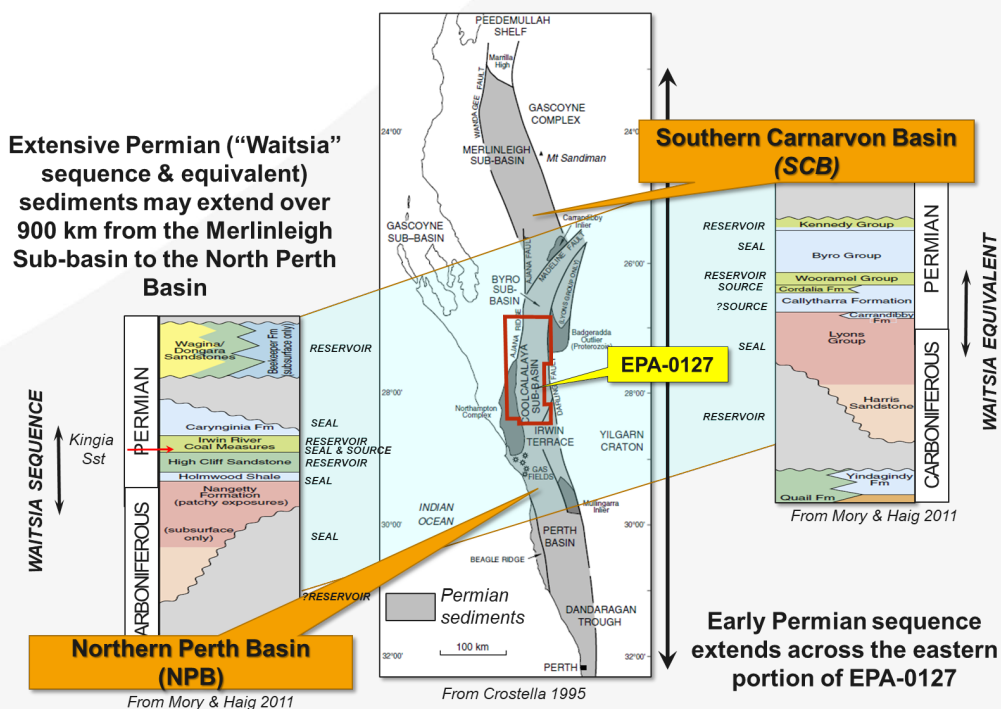
The primary prospects lie to the north and east, up dip from West Erregulla, in Permian structures similar to Waitsia and West Erregulla. Recent success at Lockyer Deep-1 (located to the north of EP469 and drilled by Norwest Energy) augurs well for WE-3 appraisal, future exploration of the undrilled prospects, and potential reserves growth. Scheduling for the survey is yet to be confirmed and is subject to securing appropriate approvals.

STP-EPA-0127 (100%, Operator) North Perth Basin

A 2.2 million acre permit application located onshore Coolcalalaya Perth Basin, Western Australia, targeting conventional gas reservoirs.

Exploration Potential and Permit Grant

At 2.2 million acres (8,700km²), EPA-0127 is the largest exploration permit located onshore Western Australia. The permit area is 130km north of the Waitsia and West Erregulla fields and is in the Coolcalalaya Sub-basin. Extensive analysis of available sub-surface data suggests that extensive Permian (“Waitsia” sequence and equivalent) may extend over 900 km from the Merlineigh Sub-basin to the North Perth Basin with an early Permian sequence that extends across the eastern portion of the permit area.



Surface geology and potential field modelling point to a deep, asymmetric structured basin with excellent exploration potential. Multiple West Erregulla-sized prospects and leads with potential for the conventional extraction of gas and liquid hydrocarbons have been identified.

Negotiations with Native Title groups are ongoing as the final step before the exploration permit can be issued by DMIRS in 2022.

Farm-out Agreement

During the quarter, Warrego executed a farm-out agreement with Mitsui E&P Australia, a wholly owned subsidiary of Mitsui & Co. Ltd.⁴ Under the terms of the farm-in Mitsui will, in exchange for receiving a 50% working interest in the permit, carry 100% of Warrego’s exploration costs in the first two years of the planned six-year conventional work program up to a cap of \$1.5 million. Mitsui also has the option to assume operatorship of the permit from year three. The agreement remains subject to grant of the exploration permit and approval of the work program by the Department of Mines, Industry Regulation and Safety.

CARBON MANAGEMENT

Mid West Blue Hydrogen and Carbon Capture and Storage Project

On 4 November 2021⁵, the Company announced it has joined a consortium with APA Group and Pilot Energy to undertake and jointly fund a feasibility study for the Mid West Blue Hydrogen and Carbon Capture and Storage (CCS) project.

The feasibility study is designed to assess potential Blue Hydrogen and CCS projects that can integrate with existing upstream, midstream and downstream assets to deliver competitive clean energy. It will identify and select potential development projects and will form the basis for future FEED studies, partnering and other corporate initiatives. Key outcomes of the study will include detailed description and assessment of development projects, levelised cost of hydrogen and CO₂ management services. The feasibility study is anticipated to complete in H1 2022.

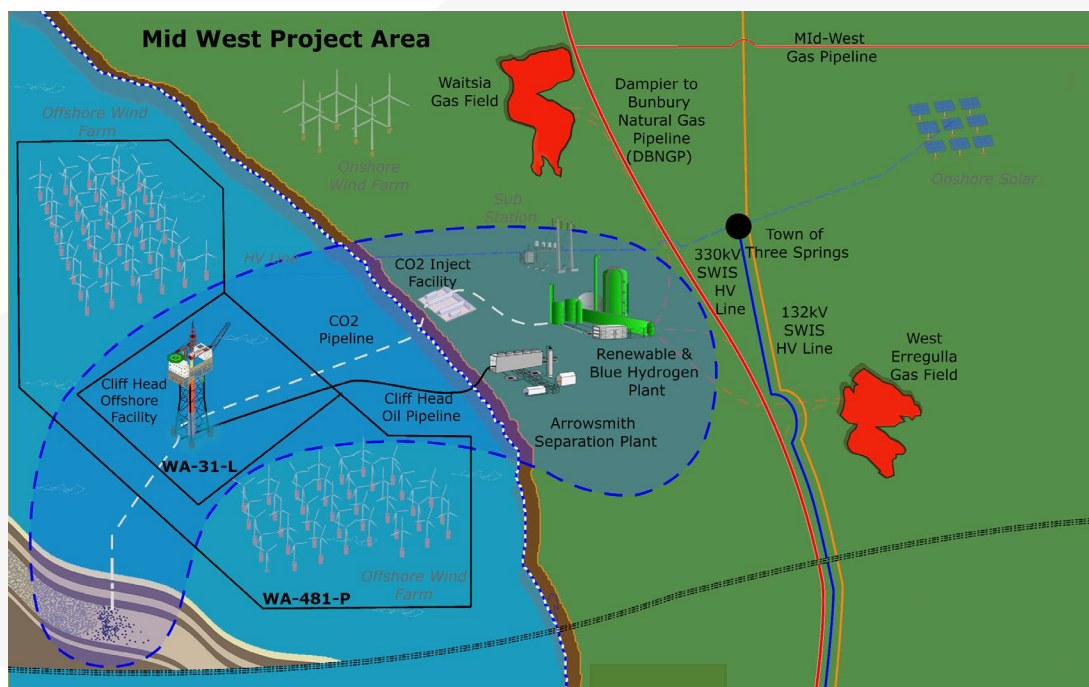


Figure 2. Mid West Blue Hydrogen + CCS project location and key elements

⁴ Announced by Warrego via the ASX on 29 December 2021 “Warrego farms-out 50% of STP-EPA-0127 to Mitsui and prepares to explore potential of largest onshore block in northern Perth Basin”.

⁵ Announced by Warrego via the ASX on 4 November 2021 “Warrego joins innovative Mid West Blue Hydrogen and CCS consortium and accelerates carbon management initiatives”

During the quarter Pilot engaged CO2Tech to broaden the CCS experience available to undertake the assessment of the Mid West CCS opportunities. CO2Tech is the commercial arm of the CO2CRC, a world leader in carbon capture, utilisation and storage (CCUS) research.

The Mid West Blue Hydrogen study consultants have progressed assessments of the Cliff Head CCS capacity and the production of Blue hydrogen. To date the CCS assessment has indicated the Cliff Head area can support ~550,000 tpa CO₂ injection and ~ 6.5 million tpa (P50 estimate) of CO₂ storage, pending additional analysis of water production required to facilitate CO₂ injection.

SPAIN

Warrego continues to examine ways to realise value from its Spanish exploration prospects and power generation assets. The northern hemisphere energy crisis has focused attention on the considerable revenue generating potential of these assets which has extended the range of options available to the Company, including divestment of all or part of the assets, new partnering arrangements, and complementary development opportunities with access to new technologies and renewables.

TESORILLO PROJECT, Cadiz Region (85% ownership of Operator and permits)

Targeting conventional sandstone gas reservoirs in 94,000 acres in Southern Spain. Tesorillo is estimated to contain 830 BCF gross unrisked prospective resources on a best estimate basis⁶. There are no financial or drilling commitments attached to the permit.

The Tesorillo Project in the Cadiz province of Southern Spain comprises two petroleum exploration licences, the Tesorillo and Ruedalabola Permits, that include a conventional gas discovery at the El Almarchal-1 well and have excellent proximity to existing pipeline infrastructure.

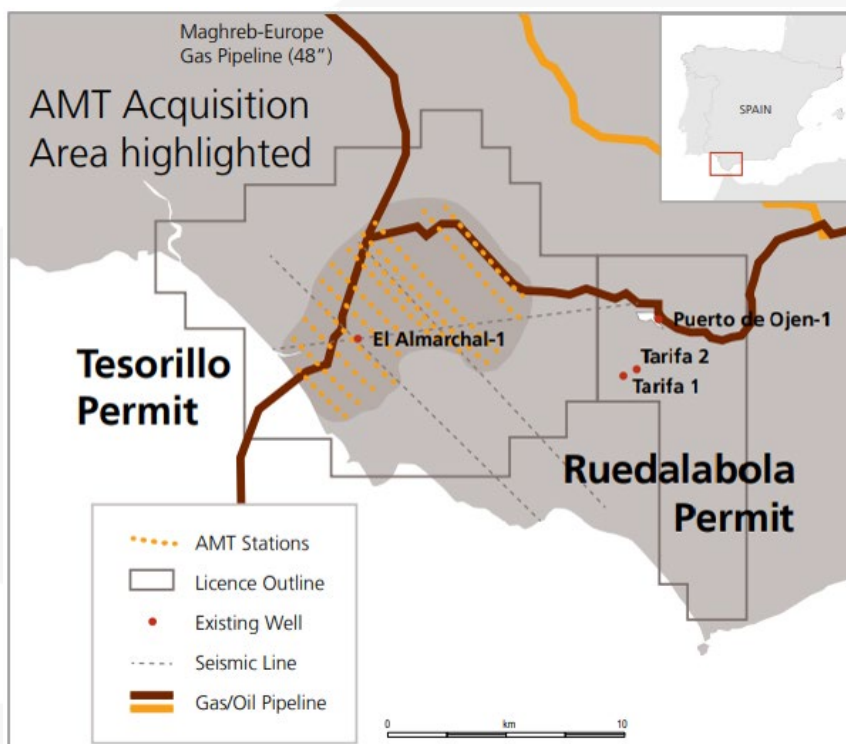


Figure 3. Location of Tesorillo Project, including the El Almarchal-1 discovery well

⁶ The Contingent and Prospective Resource estimates for the Tesorillo asset referred to were first released to the ASX by the Company on 7 May 2015.

The energy crisis in the northern hemisphere has highlighted the critical need for reliable local supplies of natural gas across Europe. Against this backdrop, with the freeing of COVID restrictions Warrego's UK team has increased its efforts with various government agencies to progress drilling approvals. Warrego is targeting conventional onshore sandstone reservoirs. An application for progression to a production permit for Tesorillo was submitted to the Ministry along with a field development plan for approval in Q4 FY21. Discussions with the Ministry have made good progress and, subject to requests for further information, Warrego anticipates a response in the first half of 2022.

EL ROMERAL PROJECT, Seville Region (50.1% ownership of Operator and permits)

Integrated gas production and power station operation on 76,600 acres in southern Spain. Three producing wells, 13 prospects and multiple low-cost development opportunities with the potential to significantly increase gas production, electricity generation and revenue. El Romeral is one of only four producing assets in Spain and has operated since March 2021 with no HSE or lost time.

Operations

During the quarter, the cost-effective well intervention operations enhancement program was implemented to increase gas and electricity production to capitalise on strong electricity demand in Spain. The system optimisation project is expected to boost income from power generation by up to 65% by achieving 24-hour operations.

Electricity prices have continued at unprecedentedly high levels increasing income from power generation significantly in the quarter. Pressure on gas prices generally continues, leading to sustained high electricity prices. Power generated from El Romeral is not hedged into offtake arrangements and is able to take advantage of the prevailing high prices in the spot market.

An application to extend the Romeral production licences was submitted to the regulator in Q4 FY21 and plans are being explored with our joint venture partner Prospec Energy Limited to capitalise on the unprecedented electricity prices.

During the quarter A\$234,000 was repaid to the company by its Spanish subsidiary representing cash generated from profitable power generation activities. Warrego's Spanish activities and current future plans are being met through cash flow being generated by its El Romeral operation.

CORPORATE AND FINANCIAL

Executive Director, Mr David Biggs, resigned from the Board and his management position as CEO Australia on 31 December 2021, but remains available to the Company to facilitate the smooth transition of responsibilities.

The Company made changes to its management structure in Europe, including Mr Duncan MacNiven retiring from the business and Mr Owain Franks stepping away from his management role. Both Mr MacNiven and Mr Franks remain significant shareholders.

Mr Dennis Donald remains as sole Managing Director and Group CEO and will oversee the Spanish and the Australian operations. Mr Donald resides in the UK and will have management oversight of the Spanish operations. The Company's strong Western Australian based management team will continue working under Mr Donald's direction.

Mr Michael Atkins, B. Comm (WA) FAICD, was appointed as a non-executive Director of Warrego Energy Limited on 31 December 2021. Based in Perth, Michael has a successful history as an executive and non-executive chairman and director of over 20 publicly listed companies.

Consolidated cash at 31 December 2021 was \$40,186,000. Principal outflows for the quarter were \$3,425,000 for West Erregulla exploration and \$4,809,000 for EP469 AGIG long lead item security deposit payments. There were \$268,000 in payments made to related parties for directors fees (section 6 of Appendix 5B).

A summary of Warrego's cash flow for the Quarter and year to date is contained in the attached Appendix 5B statement.

Annual General Meeting

The Company held its Annual General Meeting as a virtual meeting on 24 November 2021 with all resolutions passed.

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About Warrego Energy Limited

Warrego Energy is focused on the development of onshore assets in Australia, primarily in Western Australia. It holds a 50% interest in EP469, including the West Erregulla gas project, and 100% of EPA-0127, potentially the largest exploration block in the Perth Basin. Warrego was admitted to the ASX All Ordinaries Index in June 2020.

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Glossary

2P	Proved + Probable Reserves
3P	Proved + Probable + Possible Reserves
2C	Best Estimate Contingent Resources
2U	Best Estimate Prospective Resources
3D	Three-dimensional seismic survey
ASX	Australian Securities Exchange
Bbl/d	Barrels per day
Bcf	Billion cubic feet
EP-XXX	Exploration Permit
EPA-XXXX	Exploration Permit Application
EPA	Environmental Protection Authority (WA)

FEED	Front End Engineering and Design
FY	Financial Year
GSA	Gas Sales Agreement
H1,2	First Half, Second half
JV	Joint Venture
Km	kilometres
m	metres
PJ	petajoules
Q1,2,3,4	Quarter 1, 2, 3, 4
TJ/d	Terajoules per day
WA	Western Australia
WE-2,3,4,5,6	West Erregulla wells

TENEMENT LISTING

Tenement reference	Location	Nature of interest	Interest at 31 Dec. 2021		Interest at 30 Sep. 2021	
				<u>Gross Acres</u>		<u>Gross Acres</u>
EP469	North Perth Basin Western Australia	Direct JV interest	50.0%	56,000	50.0%	56,000
STP-EPA-0127 application	North Perth Basin Western Australia	Application	100.0%	2,200,000	100.0%	2,200,000
El Romeral 1 [#]	Guadalquivir Basin, Spain	} Via Tarba Energia S.L.	50.1%	} 76,600	50.1%	} 76,600
El Romeral 2 [#]	Guadalquivir Basin, Spain		50.1%			
El Romeral 3 [#]	Guadalquivir Basin, Spain		50.1%			
Tesorillo [^]	Cadiz, Spain	} Via Tarba Energia S.L.	85.0%	68,800	85.0%	68,800
Ruedalabola [^]	Cadiz, Spain		85.0%	10,200	85.0%	10,200
<u>Legacy Assets</u>				<u>Gross Acres</u>		<u>Gross Acres</u>
Piedra Sola	Norte Basin, Uruguay	Via Schuepbach Energy International LLC	41.0%	2,525,000	41.0%	2,525,000
19-25-3W5M	Cardium, Alberta, Canada	Direct JV interest	-	-	40.0%	640

[^] Warrego's 85% working interest in Tesorillo and Ruedalabola will reduce to 50.1% upon notification by Prospex Energy plc that they wish to proceed to the Final Closing of the Prospex Share Purchase Agreement and acquire an additional 34.9% interest.

[#] Government and Regional Administration approval for the Romeral transfer of title was received in Q3 2021.

Appendix 5B

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

Name of entity

WARREGO ENERGY LIMITED

ABN

82 125 394 667

Quarter ended ("current quarter")

31 December 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,323	1,949
1.2 Payments for		
(a) exploration & evaluation (if expensed)	(104)	(347)
(b) development	-	-
(c) production	(467)	(913)
(d) staff costs	(540)	(1,598)
(e) administration and corporate costs	(834)	(1,655)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
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)		
➤ Security deposit paid	-	-
➤ Security refunded	-	-
➤ EI Romeral completion payment	-	-
1.9 Net cash from / (used in) operating activities	(621)	(2,563)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment	(64)	(70)
(d) exploration & evaluation (if capitalised)	(3,425)	(10,871)
(e) investments	-	-

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 the disposal of:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)		
➤ Security deposit paid – EP469 AGIG LLIs	(4,809)	(6,226)
2.6 Net cash from / (used in) investing activities	(8,298)	(17,167)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	49,159
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	-	(2,838)
3.5 Proceeds from borrowings		
➤ Loan from associate - PXOG	-	114
3.6 Repayment of borrowings		
➤ Loan from associate - PXOG	(233)	(233)
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
➤ Funds from share placement issue (shares not yet issued)	-	-
3.10 Net cash from / (used in) financing activities	(233)	46,202

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	49,352	13,721
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(621)	(2,563)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(8,298)	(17,167)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(233)	46,202
4.5	Effect of movement in exchange rates on cash held	(14)	(7)
4.6	Cash and cash equivalents at end of period	40,186	40,186

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	1,213	1,958
5.2 Call deposits	38,832	46,538
5.3 Bank overdrafts	-	-
5.4 Other – share of JV bank account	141	856
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	40,186	49,352

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

6.1	Aggregate amount of payments to related parties and their associates included in item 1*	235
6.2	Aggregate amount of payments to related parties and their associates included in item 2*	33

* Non-Executive Directors fees and Executive Directors - salaries included

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

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

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

7.5 Unused financing facilities available at quarter end

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(621)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(3,425)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(4,046)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	40,186
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	40,186
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	9.9

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

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

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?

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

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.

31 January 2022

Date:

the Board of Directors

Authorised by:
(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.