

## Quarterly Activities Report for Quarter Ended 31 December 2023

### Strategic Rare Earth Element staking puts Equinox on course for transformational growth.

#### HIGHLIGHTS

- Through the successful staking of over 2,550km<sup>2</sup> of highly prospective tenure in Brazil, Equinox has established two significant projects, Campo Grande and Mata da Corda, specifically for rare earth element (REE) exploration. The staking of this highly prospective grounds mark a significant step in the Company's strategic growth in the global rare earth sector.
- Demonstrating proactive engagement, Equinox is continuing to engage with the Wintawari Guruma Aboriginal Corporation to navigate and overcome challenges to advance the Hamersley Iron Ore Project in Western Australia. This collaborative approach underscores the Company's commitment to responsible and inclusive project development.
- Equinox is strategically increasing its exposure to rare earth projects. The Company is allocating additional resources to leverage emerging opportunities in cost-effective jurisdictions, with a particular focus on Brazil. This shift reflects Equinox's agility and responsiveness to market trends and conditions.
- Equinox raised \$1.6 million before costs through a strategic placement, with the fundraising including a substantial commitment of \$465,000 from the Company's directors, subject to approvals. This financial injection is pivotal in supporting the Company's exploration programmes in Brazil.

**Equinox Resources Limited (ASX: EQN) ("Equinox" or "Company")** is pleased to present the Company's Quarterly Activities Report for the quarter ending 31 December 2023 ("the Quarter"). During this period, the Company's primary focus was on growth and business development. This resulted in the pegging application of approximately 2,550 km<sup>2</sup> (255,000 ha) of highly prospective ground in Brazil for exploration targeting rare earth clay and sand deposits, culminating in the establishment of the province scale Campo Grande and Mata da Corda Rare Earth Projects.

Additionally, Equinox continued to engage with the Wintawari Guruma Aboriginal Corporation ("WGAC") to explore potential opportunities to collaboratively develop the Hamersley Iron Ore Project ("Hamersley Project") in Western Australia. On 24 November 2023, Zac Komur, CEO of Equinox, accompanied by Franklin Gaffney, the Company's external legal counsel from PBC Legal and Consultancy Services, attended the WGAC board meeting. This meeting aimed to explore options to address heritage concerns that WGAC might have with the Hamersley Project.

On 12 December 2023, Messrs Komur and Gaffney also briefed the Shire of Ashburton Council on the Hamersley Project.

## Iron Ore Project

### The Hamersley Iron Ore Project (Pilbara Western Australia, 100% interest)

The Hamersley Project is strategically located in the infrastructure-ready Pilbara iron ore region of Western Australia. Following the negotiation and execution of a Native Title Deed by WGAC in 2012, Mining Lease (M47/1450-I) was granted, encompassing a 343Mt JORC Mineral Resource.

A Programme of Works (POW) to drill and gather samples for further resource definition and metallurgical testing – essential for commercialising the project – is scheduled to commence following agreement with WGAC or, if agreement is not forthcoming, Section 18 approval is obtained under the Aboriginal Heritage Act 1972 (WA) (AHA).

Equinox recognises the significance of the evolving Indigenous cultural heritage landscape across all its operations in Australia, Canada and Brazil. It has engaged PBC Legal and Consultancy Services, a highly respected expert in this field, to advise on the Company's engagement with WGAC and its obligations under the AHA.

Messrs Komur and Gaffney attended a WGAC board meeting on 24 November in Tom Price, presenting various options to WGAC to progress the project as envisaged in the POW.

While WGAC has signed a Native Title Deed, the WGAC board, as previously disclosed, expressed concerns regarding heritage. As a result, the WGAC are currently opposed to any further drilling and exploration activities on the Mining Lease until these heritage concerns are addressed. Despite these concerns, WGAC's wholly owned subsidiary, Guruma Resource Pty Ltd, holds 13 active tenements with six additional tenements pending in the Eastern Guruma native title determination area, many located near Equinox's Mining Lease 47/1450-I.

Equinox remains committed to continuing its engagement with WGAC under the existing Native Title Deed and seeks to achieve a mutually beneficial outcome. However, the Company's inability to reach agreement with WGAC to date has compelled Equinox to consider alternative avenues.

As required by the terms of the Native Title Deed and the AHA, Equinox has issued WGAC with a Notice of Intention to file a Section 18 application if accommodation cannot be reached for the project to continue as envisaged under the POW.

The purpose of the Notice of Intention is to commence the formal consultation process under the Native Title Deed and if an accommodation cannot be reached, enables Equinox to pursue legal options to ensure that the project progresses.

## Rare Earth Projects

### Campo Grande Rare Earth Project (Bahia Brazil, 100% interest)

Equinox's pegging of approximately 1,760 square kilometres of tenements in Bahia, north-eastern Brazil, has laid the foundation for the decisive Campo Grande Rare Earth Project.

This region, renowned for its potential in ionic clay-hosted rare earth deposits, is strategically located adjacent to the Rocha da Rocha Rare Earths Project, owned by recently listed Brazilian Rare Earths Limited (ASX: BRE). The proximity of Equinox's newly established Brazilian rare earths venture to a

project with a JORC-estimated Mineral Resource of 510.3Mt at 1,513ppm TREO<sup>1</sup> underscores the significant emerging potential of the area as a major new global rare earths province.

Over half, specifically 52% of these tenement applications have already converted to exploration concessions. Equinox is actively pursuing an environmental concession for granted tenements, with the aim of commencing drilling early in the first quarter of CY2024.

Concurrently, a thorough geological mapping and soil sampling campaign is being conducted across these areas. In preparation for the drilling phase, Equinox is engaging in discussions with landowners for access rights and meticulously evaluating proposals from various drilling contractors.

### **Mata da Cordo Rare Earth Project (Minas Gerais Brazil, 100% interest)**

To enhance its strategic foothold in Brazil and the burgeoning rare earth sector, Equinox has strategically pegged approximately 850km<sup>2</sup> of high-potential tenements in Minas Gerais, specifically in Patos de Minas, for the Mata da Corda project.

These tenements applications, located in Patos de Minas rich in ionic clay-hosted rare earth deposits, are under review by the Agência Nacional de Mineração (ANM). Upon conversion to exploration licenses, Equinox is poised to initiate an extensive soil sampling campaign. This will be integrated with geophysical mapping to provide in-depth geochemical analyses, enabling precise identification of high-grade tenements and the commencement of targeted drilling programs.

### **Lithium Projects**

The Company has undertaken a strategic review of its lithium projects, including the Dome Lake and Larder Lake Projects in Ontario, Canada, and the Auxesia Project in Western Australia. This review was undertaken in light of deteriorating market conditions in the lithium sector which has seen an 86% decline in the price of spodumene between December 2022 and 2023.

As a result, Equinox has decided to pause exploration across its lithium projects with the cash previously allocated to these projects now redirected towards new business development ventures and drilling programs at its rare earth projects in Brazil.

### **Business Development**

During the quarter, the Company actively scouted land for potential staking and development, with a focus on ionic rare earth clay, niobium and uranium deposits in South America. These commodities are seen as future-facing and pivotal in the global energy transition, with the opportunity for significant downstream value. Concurrently, the Company is assessing potential acquisition opportunities and strategic partnerships that align with its objectives and could offer significant value to its shareholders.

In this context, Equinox is poised to benefit significantly from its exploration activities in Brazil, a country dedicated to green energy, in line with the Company's environmental ethos. Brazil's use of hydro and wind power eliminates Scope 2 emissions in downstream processing and may enable future green premiums on mineral production.

---

<sup>1</sup> Refer to BRE's Prospectus announced to the ASX on 19 December 2023.

The nation's advanced infrastructure provides operational efficiency with an extensive network of highways, railways, and ports ensure cost-effective, seamless logistics, vital for large-scale exploration and mining. The clear, stable mining rights framework in Brazil provides legal certainty, aiding strategic planning and reducing legal risk.

Rich in mineral resources, Brazil offers Equinox substantial opportunities. Its vast reserves of precious metals and minerals, along with a mature, robust regulatory environment – evidenced by the success of leading global miners – bodes well for a profitable mining future.

Economically, Brazil's lower operational costs and experienced mining labour force are advantageous, enhancing the long-term sustainability and profitability of Equinox's projects. The combination of green initiatives, efficient infrastructure, favourable mining rights, abundant resources and economic benefits all make Brazil an ideal location for Equinox, aligning with its commitment to responsible, sustainable value mining.

## Appendix 5B

The Appendix 5B quarterly cashflow report for the quarter ended 31 December 2023 is submitted separately.

The Group had a cash balance of \$3,175k as of 31 December 2023. Exploration expenditure during the quarter totalled \$847k.

## Use of Funds

A comparison of the Company's actual expenditure since admission to the Official List of ASX to 31 December 2023 against estimated expenditure in the Use of Funds statement in the Prospectus dated 31 August 2021 as supplemented by the Supplementary Prospectus dated 7 September 2021 (together the "Prospectus") is set out below:

Use of funds	Prospectus estimate (2 years)	Use until 31 December 23
Exploration and development at the Hamersley Iron Ore Project	4,970,000	1,816,547 <sup>b</sup>
Corporate Administration	1,950,000	2,132,489 <sup>c</sup>
Working capital	528,000	664,452 <sup>c</sup>
Expenses of the Offers	852,000	815,089 <sup>d</sup>
Expenses of the Acquisition	500,000	425,485
M&A budget for complementary assets/opportunities	200,000	1,096,697 <sup>e</sup>
<b>Total</b>	<b>9,000,000</b>	<b>6,950,759</b>

Use of funds variance explanations are outlined below:

- The use of funds until 31 December 23 covers 2.2 years which exceeds the Prospectus estimate of 2 years, consequently including an additional 2.5 months of additional expenditure.
- The material variation on the exploration and development at the Hamersley Iron Ore Project has arisen as a result of delays with heritage and other matters. In response to these challenges, the Company is maintaining ongoing discussions with WGAC regarding the Company's intended approved POW for both current and future activities. The Company

remains committed to the Hamersley Iron Ore Project and expending the funds committed in the Prospectus.

- c) Variances on administration and working capital costs result from the greater number of work programs due to the Company project portfolio expansion together with higher than anticipated administrative, travel, consulting fees arising from the expansion of operations.
- d) The Company completed a placement in December 2023 for \$1.13m. Transaction fees of \$75k were paid during the quarter.
- e) The variance in the M&A budget for complementary assets/opportunities comprises:
  - 1) exploration and prospecting efforts undertaken at Dome Lake and Larder Lake in Canada. The Company has secured grants from the Ontario Junior Exploration Program for the Dome Lake project, with C\$200k in expenditures eligible for reimbursement (C\$60k received so far);
  - 2) exploration and prospecting efforts undertaken at Auxesia project in Western Australia;
  - 3) staking new tenements in Brazil, and
  - 4) as explained in note d), additional funds were raised to support the operations and working capital.

These additional investments aim to facilitate the pursuit of new opportunities while the Hamersley project is in progress. Although the Hamersley project remains the Company's primary focus, exploring new opportunities aligns with the best interests of the shareholders.

### Related Parties

As outlined in Section 6 of the attached Appendix 5B, during the Quarter approximately \$52k in payments were made to related parties and/or their associates for director's remuneration.

### EQN's exploration tenement interests

Project	Tenement/Tenure ID	Acquired during the Quarter	Disposed during the Quarter	EQN's Interest
Hamersley	ML 47/1450-I	-	-	100%
	E47/4987	-	-	100% (In application)
Auxesia	E15/1902, E15/1903	-	-	100%
Dome Lake	764625 - 765049, 765123 - 765135, 765156 - 765200, 765365 - 765382, 766417 - 766444, 766899 - 766928, 766939 - 767162	-	-	100%

Project	Tenement/Tenure ID	Acquired during the Quarter	Disposed during the Quarter	EQN's Interest
Larder Lake	772983 - 773057, 773007 - 773096, 773108 - 773206, 776638 - 776660, 777437 - 777462, 777464 - 777479, 783088 - 783122, 783131 - 783178, 790316 - 790450, 790562 - 790572, 790574 - 790623, 790625 - 790671	-	-	100%
Campo Grande	872027, 872035, 872039, 872042, 872049-872053, 872057, 872058, 872061, 872067, 872069, 872073, 872113-872117, 872184, 872185, 872189, 872191, 872194, 872242-872247, 872249, 872251, 872286-872304, 872306, 872307, 872310-872313, 872315-872328, 872345, 872347-872349, 872352 - 872354, 872357-872359, 872361 - 872371, 872374, 872376, 872380, 872383	100% (48% in application)	-	100% (48% in application)
Mata Da Corda	833351 - 833355, 833362 - 833366, 833368 - 833381, 833383 - 833386, 833388, 833389, 833391 - 833394, 833396 - 833407, 833409, 833411, 833413, 833419, 833420, 833422	100% (in application)	-	100% (in application)

- END -

**For further information please contact:**

**Zac Komur**  
**Chief Executive Officer**

P: +61 8 6109 6689

E: [info@eqnx.com.au](mailto:info@eqnx.com.au)

**Media Inquiries**

Nicholas Read – Read Corporate

P: +61 8 9388 1474

E: [info@readcorporate.com.au](mailto:info@readcorporate.com.au)

**Authorised for release by the Board of Equinox Resources Limited.**

**Compliance Statement**

This announcement contains information on the Hamersley Iron Ore Project extracted from ASX market announcements dated 31 August 2021, 7 September 2021, 9 March 2022, 26 April 2022, 3 April 2023, 17 April 2023, 23 May 2023 and 13 June 2023 released by the Company and reported in accordance with the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (2012 JORC Code) and available for viewing at [www.eqnx.com.au](http://www.eqnx.com.au) or [www.asx.com.au](http://www.asx.com.au). EQN is not aware of any new information or data that materially affects the information included in the original market announcement and, in the case of estimates of Mineral Resources (as that term is defined in the JORC Code) that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

This announcement contains information on the Campo Grande and Moata da Corda Projects extracted from ASX market announcements dated 28 November and 13 December 2023 released by the Company and reported in accordance with the 2012 edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves” (2012 JORC Code) and available for viewing at [www.eqnx.com.au](http://www.eqnx.com.au) or [www.asx.com.au](http://www.asx.com.au). EQN is not aware of any new information or data that materially affects the information included in the original market announcement.

### Forward-looking Statements

Certain statements included in this release constitute forward-looking information. Statements regarding EQN’s plans with respect to its mineral properties and programs are forward-looking statements. There can be no assurance that EQN’s plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that EQN will be able to confirm the presence of additional mineral resources, that any mineralisation will prove to be economic or that a mine will successfully be developed on any of EQN’s mineral properties. The performance of EQN may be influenced by a number of factors which are outside the control of the Company and its Directors, staff, and contractors.

These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All such statements are subject to certain risks and uncertainties, many of which are difficult to predict and generally beyond the control of the Company, that could cause actual results to differ materially from those expressed in, or implied or projected by, the forward-looking information and statements. These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of exploration sample, mapping and drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves and resources, grade, planned mining dilution and ore loss, or recovery rates and changes in project parameters as plans continue to be refined, (iii) the potential for delays in exploration or development activities or the completion of feasibility studies, (iv) risks related to commodity price and foreign exchange rate fluctuations, (v) risks related to failure to obtain adequate financing on a timely basis and on acceptable terms or delays in obtaining governmental approvals or in the completion of development or construction activities, and (vi) other risks and uncertainties related to the company’s prospects, properties and business strategy.

Except for statutory liability which cannot be excluded, each of EQN, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in these forward-looking statements and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in forward-looking statements or any error or omission. EQN undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today’s date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly, you should not place undue reliance on any forward-looking statement.

## Appendix 5B

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

Name of entity

Equinox Resources Limited

ABN

65 650 503 325

Quarter ended ("current quarter")

31 December 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation	(52)	(97)
(b) development		
(c) production		
(d) staff costs	(204)	(353)
(e) administration and corporate costs	(269)	(491)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	66	66
1.8 Other (provide details if material)		
- GST received/ paid	51	68
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(408)</b>	<b>(807)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire or for:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation	(795)	(1,345)
(e) investments		
(f) other non-current assets		

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(795)</b>	<b>(1,345)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,126	1,126
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	(75)	(75)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,051</b>	<b>1,051</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	3,327	4,267
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(408)	(807)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(795)	(1,345)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,051	1,051

## 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 (6 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	9
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>3,175</b>	<b>3,175</b>

<b>5. 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	3,175	3,175
5.2 Call deposits		
5.3 Bank overdrafts		
<b>5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>3,175</b>	<b>3,175</b>

<b>6. 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	(52)
6.2 Aggregate amount of payments to related parties and their associates included in item 2	
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>	

<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)	-	-
<b>7.4 Total financing facilities</b>	<b>-</b>	<b>-</b>
<b>7.5 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.		

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

<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)	(408)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(795)
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,203)
8.4 Cash and cash equivalents at quarter end (item 4.6)	3,175
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	3,175
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.64
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
8.8.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	

## Compliance statement

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

Date: 23 January 2024

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

### Notes

- 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.
- 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.

**Mining exploration entity or oil and gas exploration entity quarterly cash flow 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.