

## ASX ANNOUNCEMENT

29 July 2024

# Quarterly Activities Report

## For the Period Ending 30th June 2024

### HIGHLIGHTS

#### Parag Copper-Molybdenum Project, Peru (EVR 70%):

- Results of the 1980 metre HQ diamond core drilling programme were released.
- Outstanding copper-molybdenum drill results were assayed, demonstrating the potential of the Parag project.
- Angled drill holes through the breccias into porphyry intrusive suggest potential for porphyry mineralisation shallower than previously thought.
- Outstanding lengthy intercepts of:
  - Hole APG- 001 476m (metres) at 0.31% Cu and 0.14% Mo from 3.2m
  - APG-002 258.8m at 0.40% Cu and 0.14% Mo from 1m
  - APG- 003 211.5m (metres) at 0.40% Cu and 0.20% Mo from 3m
  - APG-DDH-005 at Parag assayed 148m at 0.54%Cu, 0.35% Mo, and 8.87g Ag from 0.2m
- Planning for a Geophysics campaign commenced

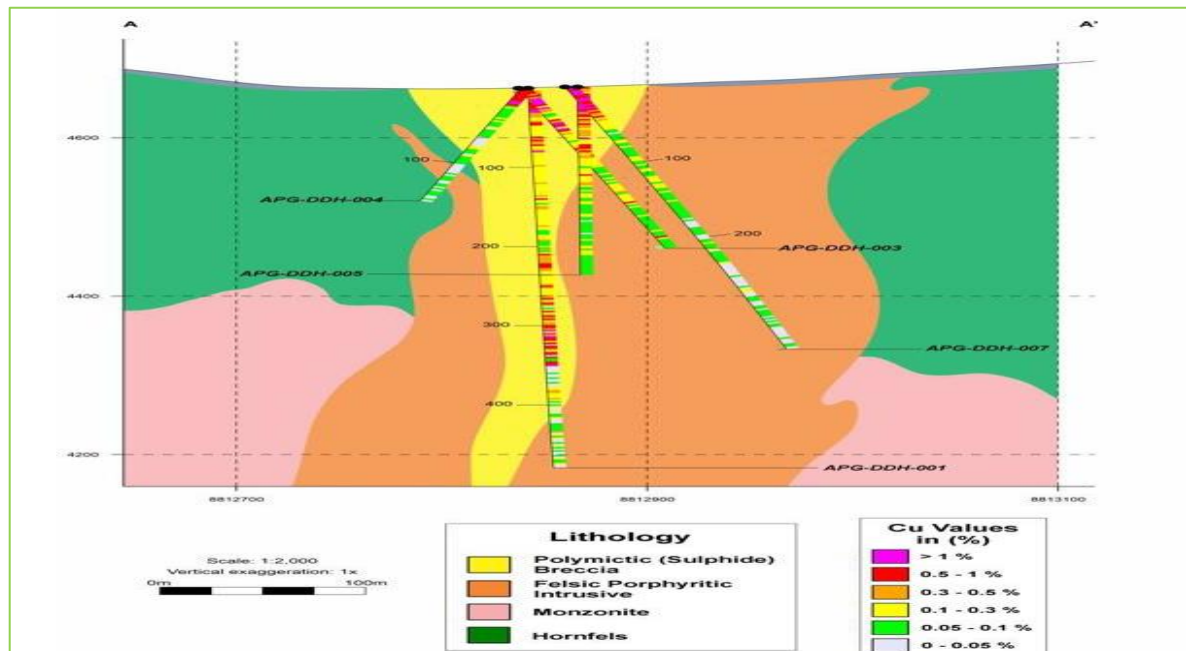
#### Don Enrique (EVR 50%):

- EVR agreed an extension of 1 year to 4<sup>th</sup> May 2025, to purchase the remaining 50% of the Don Enrique project for US\$850,000 in return for a commitment to spend US\$500,000 during the option period
- EVR secured by application, a licence adjacent to Don Enrique called Estrella which appears from IP surveys to host an extension of sulphide mineralisation

Copper focused explorer **EV Resources** (ASX:EVR) (“EVR” or the “Company”) is pleased to provide an update on its activities for the quarter ended 30th June 2024.

## Parag Copper-Molybdenum-Silver (EVR 70%)

EVR released the results of the 1980 metre diamond drilling campaign during the quarter. The results exceeded expectations and produced not only lengthy high grade intercepts of copper and molybdenum from the Trinchera Este breccia, but also demonstrated significant intercepts of adjacent porphyry intrusive high grade mineralisation which suggests a shallower porphyry system than previously thought to be the case.



**Figure 1: Cross Section along A-A' looking West. Copper assay values on a 2 m interval.**

The assays also revealed the presence of silver in quantities that are significant as silver prices traded consistently above US\$30/oz.

A summary of key drill intercepts is as follows (for a full summary of drilling results see the ASX Announcements dated 22<sup>nd</sup> April 2024, 29<sup>th</sup> April 2024, 20<sup>th</sup> May 2024, and 9<sup>th</sup> July 2024)

Hole **APG- 001** 476m (metres) at 0.31% Cu and 0.14% Mo from 3.2m. This includes intersections of:

- 348m grading 0.40% Cu and 0.20% Mo from 3.2m to 351.2m, including intersections of:
  - 44m at 0.64% Cu and 0.31% Mo, from 3.2m to 47.2m.
  - 24m at 0.81% Cu and 0.43% Mo, from 7.2m to 31.2m.
  - 86m at 0.30% Cu and 0.40% Mo, from 55.2m to 141.2m.
  - 50m at 0.40% Cu and 0.24% Mo, from 209.2m to 259.2m

Hole **APG-002** 258.8m at 0.40% Cu and 0.14% Mo from 1m. This includes intersections of:

- 130m at 0.60% Cu and 0.30% Mo, from 1m to 131m.
- 80m at 0.80% Cu and 0.30% Mo, from 1m to 81m.
- 58m at 0.90% Cu and 0.30% Mo, from 23m to 81m.

Hole **APG- 003** 211.5m (metres) at 0.40% Cu and 0.20% Mo from 3m. This includes an intersection of:

- 160m grading 0.50% Cu and 0.20% Mo from 3m to 163m, including intersections of
  - 104m at 0.60% Cu and 0.40% Mo, from 3m to 107m.
  - 32m at 1.20% Cu and 0.40% Mo, from 3m to 35m.
  - 16m at 0.70% Cu and 0.30% Mo, from 43m to 59m.
  - 18m at 1.70% Cu and 0.40% Mo, from 11m to 29m.

Hole **APG-006** 218m at 0.30% Cu and 0.10% Mo from surface. This includes intersections of

- 186m at 0.30% Cu and 0.20% Mo, from surface to 186m
- 122m at 0.40% Cu and 0.20% Mo, from surface to 122m
- 56m at 0.50% Cu and 0.20% Mo, from surface to 56m.

Hole **APG-DDH-005** at Parag assayed 148m at 0.54%Cu, 0.35% Mo, and 8.87g Ag from 0.2m. including:

- 120m grading 0.62 %Cu, 0.43 %Mo and 10.45g Ag from 0.2 to 120.2m.

Hole **APG-DDH-007** at Parag assayed 180m at 0.31% Cu, 0.09%Mo and 4.20g Ag from surface including:

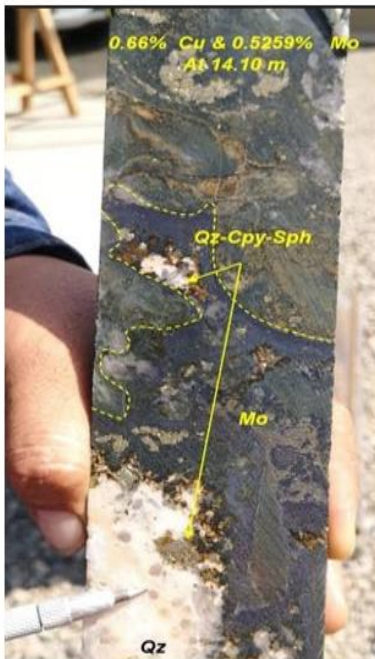
- 58m grading 0.78 %Cu, 0.27 %Mo and 11.12g Ag from 0 to 58m.
- 36m grading 1.08 %Cu, 0.36 %Mo and 15.61g Ag from 0 to 36 m.
- 30m grading 1.18 %Cu, 0.39 %Mo and 17.05g Ag from 0 to 30 m.

Hole **APG-DDH-004** at Parag assayed 62m (meters) at 0.36%Cu, 0.03% Mo and 5.98 ppm Ag from 1.7 m. including:

- 50m grading 0.43 % Cu, 0.03 %Mo and 7.12g Ag from 1.7 to 51.7m
- 26m grading 0.74 % Cu, 0.06 %Mo and 12.75g Ag from 1.7 to 27.7 m
- 20m grading 0.92 %Cu, 0.08 %Mo and 16.10g Ag from 1.7 to 21.7m.

A Geophysics campaign was planned to commence during July 2024, and ongoing work continued on the long term drill permit for more extensive drilling to follow the 20 drill platforms already permitted which will be sufficient for EVR's requirements until Q3, 2025.

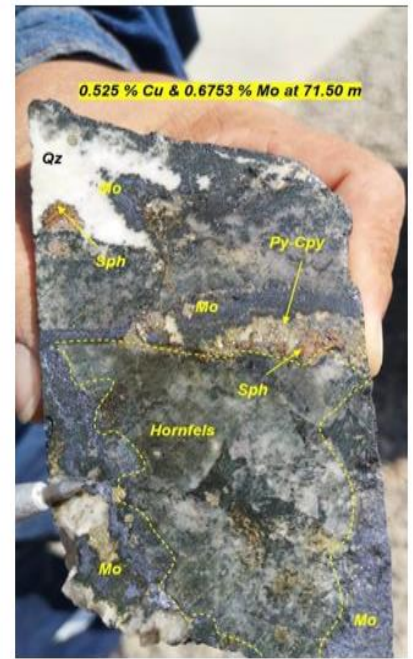
Hydrothermal breccia, matrix-supported with hornfels fragments, Molybdenite in matrix, and presence of chalcopyrite, sphalerite, and quartz in cement (APG-DDH-001)



Hydrothermal breccia, matrix supported with hornfels fragments, Molybdenite in matrix, and presence of chalcopyrite, sphalerite and quartz in cement (APG-DDH-001)



Hydrothermal breccia, matrix supported with hornfels fragments, Molybdenite in matrix, and presence of chalcopyrite, sphalerite and quartz in cement (APG-DDH-001)

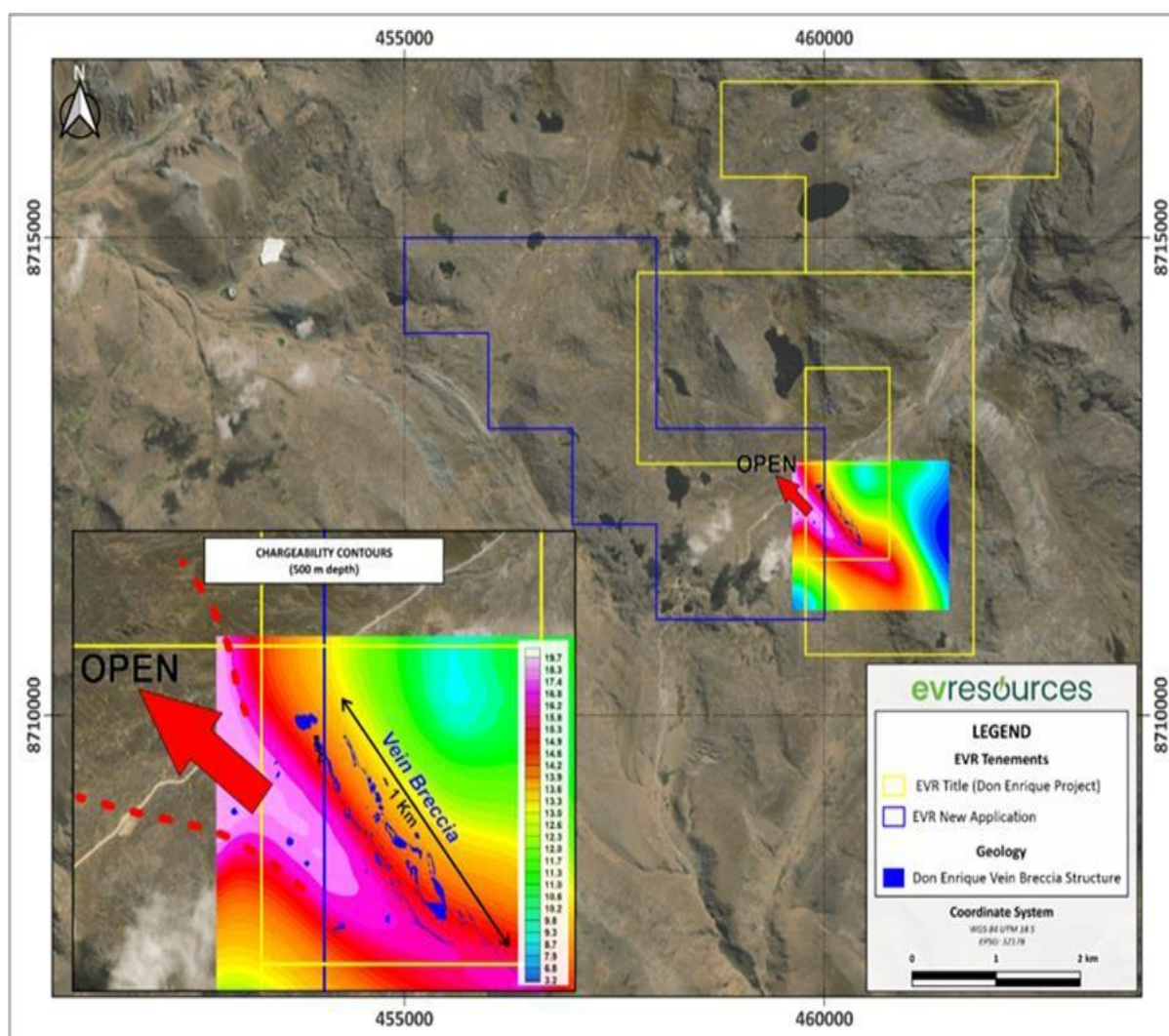


## Don Enrique Copper Project, Peru (EVR 50%)

During the quarter, EVR agreed a one year extension of the option to purchase the remaining 50% of the project for US\$850,000, in return for a commitment to either spend US\$500,000 during the option period, or make a US\$100,000 payment to the JV partner at the end of the option period. EVR is planning to drill at Don Enrique in the second half of 2024.

EVR secured by way of application, the "Estrella" licence to the west of Don Enrique after noting that the large chargeability high anomaly appears to extend west into this area. This is a follow up target for mapping and IP later in 2024.





## Other Projects

EVR commenced a data review at the 100% owned Khartoum polymetallic project in Northern Queensland.

During the quarter EVR sold all of its shares in Balkan Mining and Minerals Limited (ASX:BMM). EVR no longer holds an indirect interest in the Serbian permits.

EV did not complete any activities at its remaining projects and has commenced a process of disposal of its non-core holdings, by way of outright sale or Joint Venture.

## CORPORATE

The Group's cash balance as at 30<sup>th</sup> June 2024 was \$404,000

During the quarter the aggregated amount of payments made to related parties and their associates totalled \$52,000 comprising director fees and accounting fees.

\$943,000 was spent on exploration expenditure during the quarter and further details of the exploration activity during the quarter are set out in this report.

## SCHEDULE OF TENEMENTS

Project	Tenement ID	Indirect Interest * this Quarter	Indirect Interest * previous Quarter
<b>PERU – PARAG PROJECT</b>			
Viento	010196004	70%	70%
Parag 192	650003719	70%	70%
Viento 193	650003819	70%	70%
Parag 191	650003619	70%	70%
<b>PERU – DON ENRIQUE PROJECT</b>			
Don Enrique	0100769-12	50%	50%
Chaupiloma 2007	0105549-07	50%	50%
Chaupiloma 2008	0101581-08	50%	50%
COCOA Beach	0101558-15	50%	50%
<b>UNITED STATES – LA CIENEGA</b>			
La Cienega Project	AZ105298039 to AZ105298112	100%	100%
La Cienega Project	AZ105298113 to AZ105298187	100%	100%
<b>PERU – YANAMINA PROJECT</b>			
Malu I	RJ. N° 5721-95-RPM	100%	100%
Malu II	R.P. N° 1294-2010	100%	100%
Malu III	R.P. N° 4646-2010	100%	100%
MonicaT	R.P.N°6057-2008	100%	100%
Gladys E	R.P. N° 4152-2009	100%	100%
<b>AUSTRALIA - KHARTOUM PROJECT</b>			
Khartoum	EPM19112	100%	100%
Khartoum	EPM19113	100%	100%
Khartoum	EPM19114	100%	100%
Khartoum	EPM19203	100%	100%
Khartoum	EPM14797	100%	100%
Khartoum	EPM27892	100%	100%
Khartoum	EPM28310 - Application	100%	100%
<b>AUSTRALIA – PILBARA LITHIUM PROJECTS</b>			
Shaw River	E45/5849	100%	100%
<b>AUSTRIA – WEINEBENE PROJECT</b>			
Weinebene	82/16 (001/16) – 141/16 (060/16)	80%	80%
<b>AUSTRIA – EASTERN ALPS PROJECT</b>			
Glanzalm-Ratzell-Poling	01/19/JDR – 17/19/JDR	80%	80%
Millstätter Seerücken	18/19/JDR – 23/19/JDR, 55/16 (FS 13)	80%	80%
Thalheim (Judenburg)	43/16 (FS 1) - 44/16 (FS 2)	80%	80%
Hohenwart	56/16 (1083/16) – 81/16 (1181/16)	80%	80%
Mitterberg	45/16 (FS 3) – 49/16 (FS 7)	80%	80%
St. Radekund - Garrach	51/16 (FS 9) – 53/16 (FS-11)	80%	80%
Mittereck	24/19/JDR - 36/19/JDR	80%	80%
<b>SERBIA PERMITS</b>			
Rekovac	2224	0%	14.5%
Pranjani	2427	0%	14.5%
Dobranja	2428	0%	14.5%
Ursule	2429	0%	14.5%
Siokovac	2430	0%	14.5%

\* Designates EV Resources Limited's interest in permits held through the following entities:

- Peru Permits (Parag) – Anta Parag S.A.C. incorporate in Peru and owned 70%.
- Peru Permits (Don Enrique) – Minera Montserrat incorporated in Peru and owned 50%.
- United States Permits – EV Resources USA Inc incorporated in the US and owned 100%
- Peru Permits (Yanamina) - Coripucuio SAC (formerly Minera Wealth Peru S.A.C) incorporated in Peru and owned 100%.
- Australia Khartoum Project – EV Resources Silver Pty Ltd incorporated in Australia and owned 100%.
- Australia Shaw River Project – EV Resources Pilbara Lithium Pty Ltd incorporated in Australia and owned 100%.
- Austria Permits – EV Resources GmbH incorporated in Austria and owned 80%.
- Serbia Permits – held by Balkan Mining and Minerals (ASX:BMM).

**-ENDS-**

**For further information, please contact:**

**Luke Martino**  
**Non-Executive Chairman**  
 Tel: +61 8 6489 0600  
 E: luke@evresources.com.au

**Hugh Callaghan**  
**Executive Director**  
 Tel: +61 8 6489 0600  
 E: adrian@evresources.com.au

*This ASX announcement was authorised for release by the Board of EV Resources Limited.*

#### **Compliance Statement**

This announcement contains information on the Parag Project extracted from an ASX market announcements dated 22<sup>nd</sup> April 2024, 29<sup>th</sup> April 2024, 20<sup>th</sup> May 2024, and 9<sup>th</sup> July 2024 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"). EVR confirms that it is not aware of any new information or data that materially affects the information included in the original ASX market announcements.

#### **Forward Looking Statement**

Forward Looking Statements regarding EVR's plans with respect to its mineral properties and programs are statements that are not historical facts. Words such as "expect(s)", "feel(s)", "believe(s)", "will", "may", "anticipate(s)", "potential(s)" and similar expressions are intended to identify forward-looking statements. These statements include, but are not limited to statements regarding future production, resources or reserves and exploration results. All of 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. There can be no assurance that EVR's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that EVR 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 EVR's mineral properties. The performance of EVR may be influenced by a number of factors which are outside the control of the Company and its Directors, staff, and contractors.

These risks and uncertainties include, but are not limited to: (i) those relating to the interpretation of drill results, the geology, grade and continuity of mineral deposits and conclusions of economic evaluations, (ii) risks relating to possible variations in reserves, 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. Our audience is cautioned not to place undue reliance on these forward-looking statements that speak only as of the date hereof, and we do not undertake any obligation to revise and disseminate forward-looking statements to reflect events or circumstances after the date hereof, or to reflect the occurrence of or non-occurrence of any events.



## Appendix 5B

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

Name of entity

EV Resources Limited

ABN

66 009 144 503

Quarter ended ("current quarter")

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 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		
	(b) development		
	(c) production		
	(d) staff costs	(48)	(501)
	(e) administration and corporate costs	(307)	(1,651)
1.3	Dividends received (see note 3)		
1.4	Interest received	1	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 - legal fees	-	(210)
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(354)</b>	<b>(2,357)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities		
	(b) tenements	(76)	(449)
	(c) property, plant and equipment	-	(45)
	(d) exploration & evaluation	(943)	(3,137)
	(e) investments	-	-
	(f) other non-current assets		

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments	539	914
	(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>(480)</b>	<b>(2,717)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	4,167
3.2	Proceeds from issue of convertible debt securities	-	1,306
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(6)	(587)
3.5	Proceeds from borrowings	-	1,200
3.6	Repayment of borrowings / convertible notes	-	(1,122)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other – Share applications		
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(6)</b>	<b>4,964</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	1,244	514
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(354)	(2,357)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(480)	(2,717)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(6)	4,964

## 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 (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	404	404

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	404	1,244
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	404	1,244

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
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	-
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.	<b>Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</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>			
7.1	Loan facilities	1,200	1,200
7.2	Credit standby arrangements		
7.3	Other	25,000	-
7.4	<b>Total financing facilities</b>	26,200	1,200
7.5	<b>Unused financing facilities available at quarter end</b>		25,000
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

**\$25M Finance Facility**

Terms of the \$25M Equity Placement Agreement are as follows:

- **Investment:** \$25 million via an equity drawdown facility.
- **Term:** The Company has the option to drawdown on the facility for 60 months commencing on 1 March 2023, or an earlier date agreed upon.
- **Security Shares:** The security provided to the Investor is 35 million shares to be issued prior to the first drawdown (Security Shares) which may be utilised to offset any drawdown.
- **Placement Request:** On drawdown of the facility, the Company is to send a Placement Request requiring either:
  - an amount of securities for the Investor to purchase at the Placement Price. The number of securities to be purchased will be equal to the lower of:
    - The number of securities requested;
    - 30% of the total volume traded in the 10 trading days prior to each Placement Request;
    - \$2m divided by the Placement Price;
    - The Available Facility Limited (being \$25M less drawdowns completed) divided by the Placement Price;
    - The Company's available placement capacity under LR 7.1; and
    - The number of Security Shares less the aggregate amounts of any reductions; or
  - a placement amount (the "Requested Placement Amount"). The Requested Placement Amount will be the lesser of:
    - the Requested Placement Amount;
    - \$250,000, which may be increased to \$500,000 by mutual agreement;
    - the Available Facility Limit (being \$25M less drawdowns completed);
    - the Placement Price multiplied by the total of Security Shares less the aggregate amount of any reductions to the Security Share number; and
    - the Placement Price multiplied by the Company's available capacity under Listing Rules 7.1.
- **Placement Price:** The price of the drawdown will be 95% of the average of the lowest 3 daily VWAPs during the 11 trading days following the Placement Request being sent to the Investor ("Calculation Period").
- **Trading Restriction:** The Investor agrees to not trade more than \$25,000 worth of EVR shares or more than 20% of the relevant days' volume (whichever is higher), in a single day. Where the number of shares has been specified in the Placement Request, then the Investor agrees not to sell in excess of 3m shares or 20% of the daily trading volume (whichever is greater) during the Calculation Period.
- **Placement Conditions:** The following conditions must be met prior to a Placement:
  - The Shares are not suspended from trading on the ASX or subject to a trading halt.
  - It has been at least 12 Trading Days since the immediately prior Placement Request Date, provided that this may be reduced to a lesser number of days by mutual agreement between the Investor and the Company.
  - The Shares have not traded below A\$0.008 per Share during any of the 10 prior Trading Days;
  - The immediately prior Placement Request has Completed.
  - No Event of Default has occurred.



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

**\$1.2M Loan**

The material terms of the loan facility agreement are as follows:

- Loan facility amount: A\$1,200,000
- Loan term: 12 months
- Interest Rate: 10% per annum
- Security: Nil
- The agreement does not include any right to convert the loan to EVR shares.

The agreement also contains warranty clauses standard for an agreement of this nature.

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(354)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(943)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,297)
8.4	Cash and cash equivalents at quarter end (item 4.6)	404
8.5	Unused finance facilities available at quarter end (item 7.5)	25,000
8.6	Total available funding (item 8.4 + item 8.5)	25,404
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	19.5
<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: 29 July 2024

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.