

QUARTERLY ACTIVITIES REPORT

1 January 2024 – 31 March 2024

HIGHLIGHTS:

- Compressed Natural Gas Facility (“CNG”) commissioned and delivering gas output in line with design expectations
- Initial sales of compressed gas to commence shortly, following final compliance approval for virtual pipeline trailers
- Receiving approaches from other industry participants in respect of both CNG supply and the wider application of its CNG technology

State Gas Limited (ASX: GAS)

(“State Gas or “the Company”) is pleased to provide this update for the quarter ended 31 March 2024 (“the Quarter”). During the Quarter, the Company achieved both mechanical and practical completion of its “first-of-its-kind” in Australia, coal seam gas (“CSG”) to compressed natural gas (“CNG”) plant (“the CNG Facility”).



Figure 1: Completed CNG Facility including all weather access road (top of photo) leading to Carnarvon Highway.

Successful commissioning of the CNG Facility represents a significant milestone for the Company and is the culmination of a program of design, engineering and construction activities which commenced in early calendar 2023. The commissioned CNG Facility is a strategically critical asset for the Company as it:

1. demonstrates State Gas’ credentials as an emerging provider of alternative fuels that can support decarbonisation initiatives in Queensland;
2. brings forward initial revenues and cashflow, thereby reducing the Company’s ongoing reliance on new equity capital to support its activities; and
3. supports ongoing exploration and appraisal activities within Rolleston West (ATP 2062).

What does the CNG Facility do?

The CNG Facility allows the Company to compress and sell CSG generated from the ongoing production and appraisal testing of Rougemont 2/3. State Gas believes that this “first-of-its-kind” in Australia CNG supply approach will create substantial opportunities for natural gas (an environmentally superior fuel source to diesel) to be used in a range of industrial activities that are seeking to reduce carbon emissions, such as coal mining. The supply flexibility provided by CNG and the Virtual Pipeline, also delivers substantial environmental benefits for gas producers, as it provides a reliable method for capturing and commercialising production testing gas which has historically been released to the atmosphere. It allows State Gas to generate initial operating cashflows while it expands the Rolleston West Project and pursues a permanent production license.

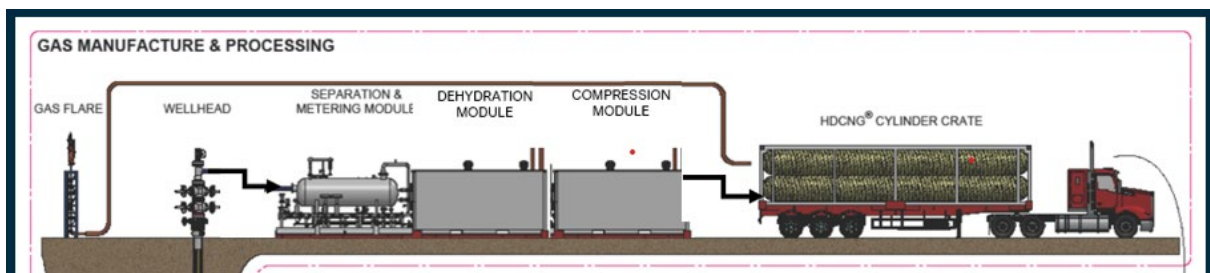


Figure 2: CSG to CNG Process Flow Diagram.

CNG Facility Completion and Commissioning Outcomes

The CNG Facility has been progressively tested by a team of experienced gas plant operators and commissioning specialists. As part of the commissioning process, the CNG Facility has been tested across a range of performance and safety scenarios and in all cases has performed in line with, and in some cases superior to, design specification. This has included systematic pressure testing with nitrogen, introduction of gas to each component of the plant and successful operational testing of all process components and control systems. This has included the test filling of Virtual Pipeline trailers to various pressures up to 250 Bar (25,000 kpa). Transport equipment, including Virtual Pipeline trailers are undergoing final compliance certification, with shipping of first gas to commence immediately thereafter.



Figure 3: Commissioned modular compressor package, capable of compressing up to 1.7TJ of natural gas per day



Figure 4: Commissioned dehydrator package, capable of reducing moisture content to less than 35mg/sm³

Compressed gas off-take

During the quarter, the Company entered into an initial offtake agreement for the delivery of CNG to a local coalmine, that has been conducting trials for hybrid (diesel/natural gas) mine-truck engine technology. Initial CNG supply volumes will be small to support an orderly ramp up of production from the CNG Facility and to establish efficient loading and unloading processes.

The provision of CNG using the Virtual Pipeline is a bundled gas supply solution, which reflects significant added value when compared to raw natural gas sourced from the traditional pipeline network. Raw coal seam gas from Rougemont 2/3 is processed by the CNG Facility to meet gas specifications and pressures required for the efficient operation of the hybrid mine-truck engines. The ability for State Gas to supply flexible quantities of CNG to locations remote from traditional pipeline infrastructure is a unique aspect of State Gas' value proposition. As such, the contracted price for CNG under this supply arrangement is at a premium to the spot price of raw pipeline gas.



Figure 5: Loading post and virtual pipeline trailers.

As part of the CNG supply arrangement, it is the intention of State Gas to support increased gas supply during the trial, to support additional trucks and extend the length of the supply arrangement.

Encouragingly, State Gas is already receiving third party inquiry for both CNG supply, but also the wider application of its CNG technology to support a variety of commercial applications, particularly in the mining sector.

Further delineation of gas assets within Rolleston West

During this dewatering process, the Company has observed significantly higher water production than during the first stage of de-watering, which suggests greater permeability across a wider zone of influence around the dual lateral well structure. The Company intends to continue its appraisal of Rougemont 2/3 in conjunction with initial gas supply from the CNG Facility.

The Company is well advanced in its planning activities for further appraisal wells at Rougemont West in close proximity to Rougemont 2/3 and the CNG facility. A priority for the Company is to drill at least two new exploration and appraisal wells which, if successful, will assist in further geological delineation of the Company's resource base and provide additional production testing gas which can be processed through the CNG Facility. The Company is currently evaluating a range of alternatives to finance these activities. Once the CNG Facility is commissioned, the Company will begin generating revenue and will be capable of funding further drilling and development activity from operating cashflows over time.

State Gas' aim remains to achieve 2P reserve accreditation for a portion of the Company's existing 2C resources associated with the Rougemont West project, as soon as possible and rapidly pursue more permanent production tenure. Establishing a substantial 2P reserve is an important step in demonstrating the commercial viability of a larger gas project at Rougemont West and will also enable the Company to engage with financiers about the development of traditional pipeline infrastructure which could connect the CNG plant into the Gladstone to Wallumbilla pipeline network.

Outlook

In the Company's view, the operating environment remains challenging, with the regulatory framework for new project development remaining uncertain. Pleasingly, however, there is an increasing recognition, both politically and commercially, that natural gas remains a critical bridging fuel source which is environmentally superior to diesel. Successful commissioning of the CNG Facility uniquely positions State Gas to meet this growing demand.

The early sale of gas from Rougemont 2/3 will also enable the Company to demonstrate that the Rolleston West Project has the hallmarks of a world class development asset and, importantly, begins to unlock part of the substantial value inherent in the Company's asset base.

Importantly, the Company's permits are not restricted by domestic gas reservation requirements or other pricing controls. The Company's future planning includes a pipeline connecting its adjacent conventional gas reserves at Reid's Dome directly to the CNG Facility.

The Board of Directors continues to evolve the Company's strategy to capitalise on opportunities arising from continued rapid changes in the energy sector, in particular, the focus on cleaner fuel sources. The CNG Facility and its ability to generate short term cashflow, when taken in conjunction with the development potential of the Company's high quality, strategically well-located asset base, provides State Gas with significant optionality. State Gas is confident that it is on the path to delivering improved returns to shareholders by generating initial revenues from its existing assets and being more strategic around how further exploration capital is invested.

Financial Position

During the quarter, the Company expended approximately \$3.0 million on the CNG Project, mostly on construction and commissioning costs. Company overheads were consistent with the run-rate observed in previous quarters.

Due to the high level of risk and technical complexity associated with applying a CNG solution to CSG, the Company qualifies for research and development grant funding. During the quarter, cashflow from grant funding of approximately \$1.2 million was received.

As previously reported, the quantum of civil and construction cost variations has exceeded the Company's original cost estimates for the project. Now that the CNG Facility is commissioned, it provides greater flexibility for the Company to introduce new capital to improve its liquidity position and support its ongoing strategy. It continues to explore a range of financing options to free up working capital, including refinancing of the CNG Facility post commissioning.

State Gas continues to operate with limited fixed overheads and carefully align its activities with the timing of first gas sales. The Company's reliance on additional equity capital will progressively reduce once operating cashflow from CNG sales commences.

To support the Company reaching the CNG Facility commissioning milestone, the Company entered into short-term loan agreements with Loch Explorations Pty Ltd (a related party of Director Tony Bellas), Monte Vista Holdings Pty Ltd (a related party of Director Philip St Baker), Allegro Capital Nominees Pty Ltd (a related party of Director Greg Baynton) and Jon Stretch for \$200,000 each. The loans are unsecured and accrue interest at 15% pa from the date of drawdown, compounding monthly. Interest on the loans will capitalise and be paid in full at the time the principal is repaid.

Tenements and Resources

Year	Asset	Net Acreage (km ²)	Estimated Contingent Resources* (PJ's Net to State Gas)		
			1C	2C	3C
2017	PL231 Reid's Dome (unconventional)	181	84	192	660
	PL231 Reid's Dome (conventional)		1.7	3.6	7.9
2020	ATP 2062 Rolleston-West (unconventional)	1,414	145	261	454
	ATP 2062 Rolleston-West (conventional)		6	18	52
2022	ATP 2068 (unconventional)	254	25	43	68
2022-23	ATP 2069 (unconventional)	108	12	17	24
Total		1,957	274	534	1,266

*State Gas estimate as at 12/09/2022

Payments to Related Parties

A total of \$72,000 was paid to Directors and their associates for salaries, director fees and superannuation during the quarter ended 31 March 2024.

Shareholder Engagement

We encourage shareholders and other interested parties to visit the Company's website:

www.stategas.com to access information about the Company's projects. State Gas will continue to keep the market informed of its activities through regular Company updates and third-party publications, particularly as it executes the next critical stage of its strategy of moving to production and initial operating cashflows. New independent research reports were published during the quarter and can be found in the investor section of the website.

This announcement was approved for release by the Board of Directors.

FOR FURTHER INFORMATION

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ABOUT STATE GAS LIMITED

STATE GAS LIMITED (ASX: GAS) is a Queensland-based gas exploration and development company with highly prospective gas exploration assets located in the southern Bowen Basin. State Gas Limited's mission is to support east coast energy markets through the efficient identification and development of new high quality gas assets. It will do this by applying an agile, sustainable but low-cost development approach and opportunistically expanding its portfolio in areas that are well located to gas pipeline infrastructure.

State Gas is 100%-owner of the contiguous Reid's Dome (PL-231) and Rolleston-West (ATP 2062) gas projects, both of which contain CSG and conventional gas. The Projects, together some 1,595km², are located south of Rolleston, approximately 50 and 30 kilometres respectively from the Queensland Gas Pipeline and interconnected east coast gas network. State Gas intends to accelerate commercialisation of these assets through the application of an innovative virtual pipeline ("VP") solution which will see the Company transport compressed gas by truck to existing pipeline infrastructure or to an end user.

State Gas also holds a 35% interest in ATP 2068 and ATP 2069 in joint venture with Santos QNT Pty Ltd (65%). These two new areas lie adjacent to or in the near vicinity of State Gas and Santos' existing interests in the region, providing for the potential of an alignment in ownership interests across the region over time and enabling synergies in operations and development.

State Gas is also participating in a carbon capture and sequestration initiative with minerals explorer Rockminolutions Pty Ltd in respect of EPM 27596 which is located on the western border of ATP 2062. This project is investigating the potential of the unique basalts located in the Buckland Basaltic Sequence (located in EPM 27596) to provide a variety of in-situ and ex-situ carbon capture applications.

ABOUT THE ROLLESTON WEST PROJECT

The Rolleston West Project (ATP 2062), is 100% owned by State Gas Limited and is focussed on evaluating the viability of conventional and coal seam gas (CSG) production from Bandanna Formation coals, which are extensive across large areas of this and adjoining permits. The capability to produce CSG at commercial levels has already been established at the Arcadia Valley field to the south-east, and at Mahalo to the north-east.

The recent drilling program undertaken in the eastern part of the tenement (Rougemont 1,2 and 3) has intersected approximately 8 metres of net coal, with the thickest seams laterally continuous over many kilometres. The gas content of the coals is between 5 and 6 m³/tonne dry ash free. Gas is at or near pipeline quality, between 93.8% and 96% methane.

Production testing has established sustainable commercial gas flow rates and confirmed excellent permeability within the targeted coal seams State Gas is seeking to expand the project ("Rougemont") and move to early-stage production. The Company is currently evaluating a further step-out drilling campaign to confirm the continuity and permeability of the coal down dip of Rougemont 1 and 2 and establish initial gas resource and reserve estimates for the project.

ABOUT THE CNG FACILITY

State Gas has developed a "first of its kind" in Australia CSG to CNG plant ("the CNG Facility"). When implemented in conjunction with virtual pipeline ("VP") trailer technology, the CNG Facility will be able to deliver up to 1.7TJ/day of pipeline quality natural gas to end users in the Southern Bowen Basin and surrounding areas. This technology has a range of benefits and potential use cases:

- delivers substantial environmental benefits to gas producers, as it provides a reliable method for capturing and commercialising production testing gas which has historically been released to the atmosphere;
- provides a new path to market for pipeline quality natural gas which the Company believes will become increasingly important across a range of industries, including critical minerals, while the economy continues its long-term transition to renewable energy sources;
- is modular and can be efficiently expanded and easily relocated to support gas testing and processing opportunities in new locations; and
- provides access to a new fuel source for end users who are seeking access to smaller, flexible quantities of natural gas, but don't have access to traditional pipeline infrastructure and need to accelerate a transition away from diesel.

ABOUT THE REID'S DOME PROJECT

The Reid's Dome Project (PL 231) is targeting conventional and coal seam gas assets associated with the Reid's Dome anticline, an area of sharply uplifted coals, shales and sandstone formations.

State Gas' exploration activities have established in excess of 30 m of net coals, with gas contents averaging a very high 13.75m³/tonne dry ash free. Commercial levels of sustainable production of conventional gas have been established at the Nyanda-4 well and the Company continues to evaluate a range of techniques to successfully liberate gas from the deeper formations.

The Company is now evaluating how to best develop Reid's Dome in conjunction with Rolleston West to most efficiently leverage infrastructure and reduce operating costs.

ASX Listing Rules Chapter 5 - Reporting on Oil and Gas Activities

Additional Information about Contingent Resource Estimates

The Contingent Resource estimates for the Reid's Dome and Rougemont Gas Projects (State Gas 100%) and State Gas' 35% interest in ATP 2068 and PLR 2021-1-3, were estimated utilising the probabilistic method with totals summed arithmetically and have not been adjusted for commercial risk.

The Contingent Resource estimates are based on technical data for the permits, regional geologic and production interpretations, and in the case of the Reid's Dome and Rolleston-West Projects, data derived by State Gas from exploration activities on the permits, including reprocessing of seismic, drilling, core analyses, production testing and analyses of produced gas and water.

Additional exploration and appraisal is required to address the contingencies associated with these resources to confirm commercial viability and areal extent. If the contingencies are successfully addressed, some part of the Contingent Gas Resources may be reclassified as reserves. The estimates of Contingent Resources have not been risked to account for the possibility that the contingencies are not successfully addressed.

The estimates reported relate to unconventional petroleum reserves. The details of the project area, the method of extraction and number of wells that may be required are not yet finalised. The Contingent Resources estimated have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS 2018. The estimates reported are not contingent on technology that remains under development.

Competent Persons Statement

The estimate of Contingent Resources for the Reid's Dome and Rolleston-West Gas Projects (of which State Gas holds 100%), and State Gas' 35% interest in ATP 2068 and PLR2021-1-3, provided in this document, is based on, and fairly represents, information and supporting documentation prepared by Mr James Crowley in accordance with Petroleum Resource Management System guidelines.

Mr Crowley is a qualified person as defined under the ASX Listing Rule 5.42. Mr Crowley holds a Bachelor of Science (Honours) from Macquarie University, Sydney and has over 36 years' experience in the industry. He is a member of The Petroleum Exploration Society of Australia and The Society of Petroleum Engineers. Mr Crowley has consented to the publication of the Contingent Resource estimates for the Reid's Dome and Rolleston-West Gas Projects, and ATP 2068 and PLR2021-1-3, in the form and context in which they appear in this Presentation.

Appendix 5B

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

Name of entity

STATE GAS LIMITED

ABN

49 617 322 488

Quarter ended ("current quarter")

31 MARCH 2024

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(137)	(467)
(e) administration and corporate costs	(390)	(1,379)
1.3 Dividends received (see note 3)		
1.4 Interest received	4	24
1.5 Interest and other costs of finance paid	(40)	(61)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)		
- GST refunds	405	944
1.9 Net cash from / (used in) operating activities	(158)	(939)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	(2,748)	(7,269)
(d) exploration & evaluation (if capitalised)	(347)	(1,154)
(e) investments	-	-
(f) other non-current assets	(2)	(2)

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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	80	80
	(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) Government grants and tax incentives	1,229	1,229
2.6	Net cash from / (used in) investing activities	(1,788)	(7,116)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	7,385
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	-	(168)
3.5	Proceeds from borrowings	800	1,199
3.6	Repayment of borrowings	(58)	(494)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	742	7,922

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,525	454
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(158)	(939)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,788)	(7,116)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	742	7,922

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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	321	321

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	321	1,525
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	321	1,525

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	72
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

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

Payments to directors include accrued salaries, director fees and superannuation guarantee.

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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	800	800
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	800	800

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.

- Loan agreement with director Jon Stretch for \$200,000. As at 31 March 2024 is has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with Monte Vista Holdings Pty Ltd, a related party of director Philip St Baker, for \$200,000. As at 31 March 2024 is has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with Allegro Capital Nominees Pty Ltd, a related party of director Greg Baynton, for \$200,000. As at 31 March 2024 is has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.
- Loan agreement with Loch Explorations Pty Ltd, a related party of director Tony Bellas, for \$200,000. As at 31 March 2024 is has been fully drawn down. The loan accrues interest at 15% per annum. The loan is repayable following the refinance the CNG Facility.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(158)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(347)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(505)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	321
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	321
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.6

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? -

Answer: The capital costs associated with the construction and commissioning of the CNG project are non-recurring costs and not indicative of the Company's normalised run rate.

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: The Company has secured grant funding which will assist in meeting project costs and intends to refinance the CNG Facility immediately upon completion to recycle capital and improve the Company's average cost of capital. The commencement of gas sales subsequent to plant commissioning will also assist in meeting the Company's ongoing operating costs. To assist the Company in reaching the commissioning milestone, a loan facility has been provided by Directors' totalling \$1M.

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: The Company intends to commence initial gas sales shortly through its virtual pipeline and in accordance with the offtake agreement announced in April 2024. The Company can control the timing of further discretionary expenditure (such as exploration activity) to coincide with the availability of the relevant source of capital.

Compliance statement

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

Date: 30 April 2024

Authorised by: Board of Directors
(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.