



Quarterly Report

Period ended 31 December 2020



Buru Energy Limited (Buru) is pleased to provide the quarterly report for the period ended 31 December 2020.

Executive Chairman Eric Streitberg's comments on the report:

"The last quarter of 2020 was a seminal period for the Company with the execution of a transaction with Origin Energy that will underpin a major exploration program on the Company's Canning Basin exploration permits during 2021.

The exploration program will include a major regional seismic acquisition program and the drilling of potentially company changing conventional oil exploration wells.

The participation by Origin in a basin-wide exploration program is a strong vote of confidence in the Basin's prospectivity and of Buru's ability and experience as Operator in the Kimberley's Canning Basin.

We have moved quickly to kick start the exploration program, building on the work done in the last quarter to prepare for a wide-ranging program during 2021. A preferred seismic contractor has been identified with a contract award expected shortly. Several drilling rigs suitable for the program have also been identified, and a drilling contract is expected to be awarded once contract negotiations are completed.

Buru has production from our Ungani Oilfield, a strong balance sheet, no debt, and a committed new partner, and we are very much looking forward to a revitalised and high potential exploration program during 2021."



Highlights

Corporate / Exploration

- Farm-out transactions were executed with Origin Energy for a wide-ranging exploration program in the Canning Basin
- The exploration program includes two conventional oil exploration wells, Kurrajong 1 and Rafael 1
- In addition to the wells, some 1,200 km of seismic will be acquired over regional areas and over conventional oil exploration targets
- The transaction provides the funding and certainty for a basin-wide exploration program commencing during the 2021 Canning Basin operational field season

Ungani Oil Production and Sales

- Oil production for the quarter was some 78,000 barrels (gross) at an average rate of ~850 bopd
- Cash receipts for oil sales of some ~A\$3.5M were received during the quarter from two oil liftings (September and November) from Wyndham Port
- Joint Venture review of further development drilling and workover activity on the Ungani Oilfield is being progressed with the aim of increasing production and slowing predicted production declines

Financial

- The final instalment of the Alcoa loan was repaid and the Company is now debt free
- The Company's balance sheet remains strong with a cash and cash equivalents balance of \$21.4 million

Corporate / Exploration

Canning Basin Farm-out with Origin Energy Group

On 21 December 2020, Buru announced to ASX that it had entered into two farm-out transactions with the Origin Energy Group (Origin) for a Canning Basin-wide exploration program that will include the drilling of the world class Rafael conventional oil prospect. The full details of the transactions are set out in the respective ASX releases.

The transactions are structured as follows:

- Origin will earn a 50% interest in exploration permits EP 129, EP 391, EP 428, EP 431 and EP 436 previously held 100% by Buru (the Buru Permits), with Buru retaining a 50% interest in these permits.
- Origin will earn a 40% interest in the EP 457 and EP 458 permits held by subsidiaries of Buru and Rey Resources Ltd (the Buru-Rey Permits), with Buru and Rey retaining respective 40% and 20% interests.

The agreed work program for both transactions (Work Program) includes a commitment to drill the Rafael 1 and Kurrajong 1 conventional oil exploration wells as soon as practicable in 2021 after the end of the current northern Australian wet season. Origin will provide individual carry amounts totaling \$16 million for these well costs and will provide an additional \$1 million payment to Buru in recognition of past costs.

The Work Program further includes the acquisition of extensive regional and prospect level seismic programs, with Origin carrying the first \$3 million of seismic acquisition expenditure on the Buru Permits and the first \$3 million of seismic acquisition expenditure on the Buru-Rey Permits.

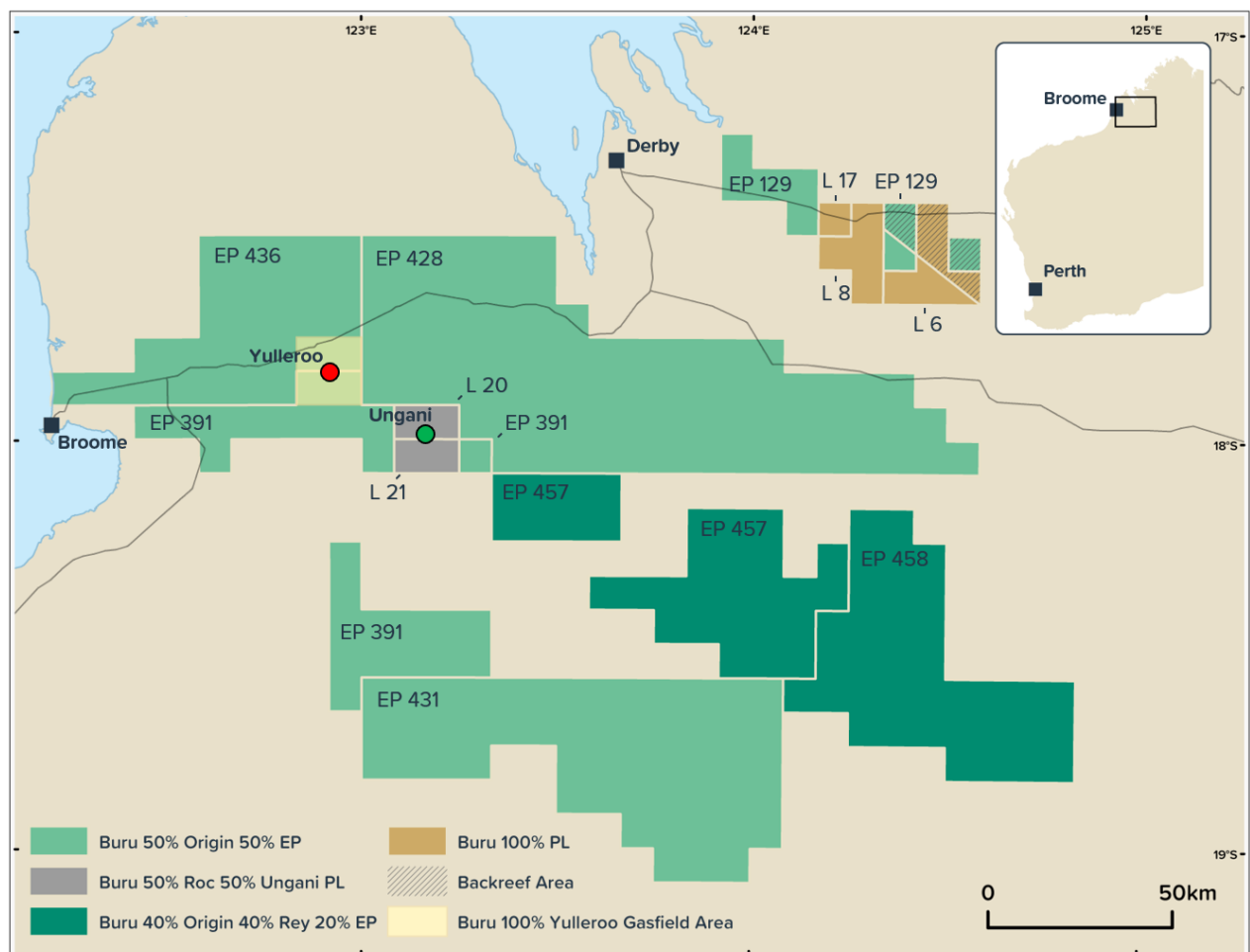
Origin will also carry the first \$4 million of expenditure if the joint venture decides to acquire a 3D seismic program over the Rafael prospect area within the Buru Permits after the drilling of the Rafael 1 well. Origin has options to either withdraw or fund further activity in two of the Buru Permits, as set out in more detail in the 21 December 2020 ASX announcement. If fully exercised, these options require Origin to fund (on a carried basis) up to an additional \$10 million of exploration expenditure to maintain its 50% interests in these two permits.

Similarly, to maintain its 40% interests in the Buru-Rey Permits, Origin must provide a carry of \$6 million towards further exploration expenditure at its option (as described more fully in the ASX announcement).

Buru will remain as operator of all exploration permits, and the farm-out to Origin does not include the Yulleroo Gasfield, which has been retained 100% by Buru as a defined area.

The farm-in party (Origin Energy West Pty Ltd) is a wholly owned subsidiary of Origin Energy Limited which is a major Australian integrated energy company.

The working interests across Buru's extensive Canning Basin portfolio as a result of these transactions are illustrated on the map below.



Exploration Drilling Program – Kurrajong 1 and Rafael 1

The planned 2021 drilling program includes the drilling of two exploration wells, Kurrajong 1 and Rafael 1 on the Buru Permits (EP 391 and EP 428), in addition to a potential development well drilled at the Ungani Oilfield. Well design, procurement of long lead items and engagement of drilling program supervisory staff is well advanced in consultation with joint venture partners.

In contrast to recent Buru drilling programs which involved “dry hire” rigs, the 2021 drilling program is planned to be contracted to a full service drilling rig contracting company that has a rig capable of drilling the deep Rafael well. Several drilling rigs suitable for the program have been identified, and a drilling contract is expected to be awarded once contract negotiations are completed.

Seismic Acquisition Program

Planning for the 2021 seismic program is also well advanced with contract negotiations with the preferred seismic contractor underway. Requisite heritage and environmental approvals are also well advanced.

The program will be aimed at filling in regional data gaps and also providing potential drilling targets on the conventional oil prospects on the Buru permits and on the EP 457/EP 458 permits focused on the newly identified sub-salt play.

Ungani Oilfield

(L20/L21 - Buru Energy 50% and operator)

Production

Production from the Ungani Oilfield for the quarter totalled ~78,000 bbls (gross) at an average daily rate over the period of ~850 bopd (September quarter: 93,000 bbls at an average daily rate over the period of ~1,010 bopd). The quarterly production was considerably impacted by wet weather during the month of December with the Ungani access road being closed intermittently due to heavy rainfall. Further heavy rainfall has continued to impact production during January.

Production from the existing Ungani Oilfield wells is declining largely in line with field reservoir modelling, with continuous improvements being implemented to optimise oil recovery both for the surface production facilities and the downhole well configurations. These activities include a further workover of the Ungani 7H well where water cuts have increased more quickly than predicted, the installation of an ESP in the Ungani 5 well and acquisition of larger ESPs for future installation in the Ungani 1ST1 and Ungani 2 wells.

Oil production from the Ungani Far West Reeves zone has also been impacted by increasing water cuts with oil rates slowly declining.

Further development of Ungani

Given the potential availability of a slot on the rig being mobilised to the basin for the exploration program, the Ungani Joint Venture is currently undertaking technical and commercial analysis of the feasibility of drilling a further development well on the Ungani Oilfield during the 2021 drilling season.

Sales

Buru's oil sales are via secure trucking and oil storage and export contracts, with the oil being trucked from the Ungani Oilfield to storage tanks at the Port of Wyndham where it is then sold FOB, primarily to SE Asian refineries.

Oil sales for the quarter totalled ~68,000 barrels gross (Buru's share 50%) from one lifting completed on 30 November 2020. As per the marketing agreement with BP Singapore Pte Limited (BP), BP purchase the crude FOB Wyndham and deliver the crude to a refinery in SE Asia. Under the marketing contract, the price received is the actual price BP sold the crude to the refinery (being a fixed differential to the average dated Brent price for the month of December), less shipping and associated costs. Under these terms Buru's 50% revenue share from the November lifting was approximately A\$1.9 million.

On a cash basis, a further ~A\$1.6 million was received during the quarter from the previous lifting in September, giving total cash receipts during the December quarter of ~A\$3.5 million.



Ungani crude lifting at Wyndham in November by the NS Power

Other Assets

Yulleroo Gasfield (*EP 391 & EP 436 - Buru Energy 100%*)

Buru has excluded the Yulleroo Gasfield Area from the Origin Energy farm-out transaction and retained the contractual rights to a four graticular block area which contains a major independently certified gas resource. The Yulleroo Gasfield is defined by a 3D seismic survey and four wells, one of which has been successfully fracture stimulated, and two other completed wells that are available for further testing and possible production.

To further the development of this substantial resource, the Company is undertaking a pre-feasibility study in concert with the Yawuru Native Title parties of the potential for both the establishment of an integrated solar and gas electricity project and for the supply of gas to local industry, including to the nearby Sheffield Resources proposed mineral sands mine.

The Company notes recent announcements regarding the establishment of a major industrial project to produce fertilizer from natural gas in Derby. A project of this sort would require large volumes of gas and the Yulleroo Gasfield would logically form part of any supply for such a project.

Blina Oilfield (*L6 - Buru Energy 100%*)

The Blina Oilfield remains shut-in while further technical evaluation is undertaken. Production testing and pressure data obtained in 2019 has indicated that there may be considerable conventional oil resources remaining in the field. Further activity to verify this will be undertaken at an appropriate time in the 2021 operating season.

Mineral Joint Venture

In the previous quarter Buru entered into a binding Heads of Agreement with Sipa Resources Limited (Sipa) for participation in two mineral exploration tenements in relation to joint exploration for hydrothermal lead/zinc deposits in the central Canning Basin.

The joint venture combines Buru's extensive knowledge of the hydrothermal dolomite systems that host lead zinc deposits with Sipa's mineral exploration expertise.

To earn its 50% interest in the existing tenements Buru will fund 100% of the first \$250,000 of on-ground exploration expenditure in the project. All expenditure in excess of \$250,000 will be funded by the parties in accordance with their respective participating interests. The parties had previously also entered into an Area of Mutual Interest agreement for further exploration activity.

During the December quarter, Buru commenced negotiations with Sipa for a Joint Operating Agreement pursuant to the Heads of Agreement. Sipa will remain the operator of the joint venture, and Buru will supply geological, geophysical and logistical support and input to the exploration program which is planned to include the drilling of mineral holes in the 2021 Canning Basin field season.

Financial

The Company recently repaid the final \$2 million instalment (plus interest) of its long-term loan from Alcoa and is now debt free.

The Company's balance sheet remains strong with ~\$21.4 million in cash and cash equivalents as at 31 December 2020.

During 2020 in response to the pandemic crisis, the collapse in the price of oil, and the loss of stockmarket value, the fees paid to Non-Executive Directors were reduced to 60% of prior levels, and the Executive Chairman's salary was reduced to 45% of prior levels. Senior staff in the Company also accepted significant temporary salary reductions. In light of the recovery in the sector and the high level of activity resulting from the Origin transaction, the Non-Executive Directors remuneration has since been restored to prior levels and the Executive Chairman's salary has been adjusted to 80% of pre-Covid levels.

The ASX Appendix 5B attached to this report contains the Company's cash flow statement for the quarter which is summarised as follows:

Cashflows	December 2020 Quarter	Year to date 2020
Opening cash	\$23.3m	\$32.4m
Production (net)	\$2.2m	\$4.3m
Development	(\$0.2m)	(\$5.7m)
Exploration	(\$1.1m)	(\$5.4m)
Administration and Corporate	(\$0.7m)	(\$2.1m)
Alcoa Loan Repayment	(\$2.1m)	(\$2.1m)
Total cash outflow	(\$1.9m)	(\$11.0m)
Closing cash	\$21.4m	\$21.4m

Production:	Production recorded a net cash inflow for the December quarter of \$2.2m. The cash inflows included receipts from the November lifting as well as the September lifting from the previous quarter.
Development:	The development cash outflows related to the installation of an ESP in Ungani 7, the recompletion of Ungani Far West 1 to the Reeves zone and power generation upgrade at the Ungani Production Facilities.
Exploration:	Exploration cash outflows comprise ongoing expenditures relating to desktop geological and geophysical work, planning for the 2021 drilling and seismic campaigns, heritage and environmental approvals, asset integrity and Traditional Owner engagement.
Corporate and Admin:	Corporate and admin cash outflows were slightly higher than prior quarters as staffing gradually returned to full operational capability levels.

This ASX announcement has been authorised for release by the Buru Board of Directors.

For further information, visit www.buruenergy.com or contact:

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 Freecall: 1800 337 330
 Email: info@buruenergy.com

Schedule of interests in permits as at 31 December 2020

<u>Permit</u>	<u>Type</u>	<u>Ownership</u>	<u>Operator</u>	<u>Location</u>
L 6 ⁴	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 8	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 17	Production licence	100.00%	Buru Energy Ltd	Canning Basin, WA
L 20	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
L 21	Production licence	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 129 ^{1,4}	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 391 ^{1,3}	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 428 ^{1,3}	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 431 ¹	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 436 ¹	Exploration permit	50.00%	Buru Energy Ltd	Canning Basin, WA
EP 457 ²	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA
EP 458 ²	Exploration permit	60.00%	Buru Fitzroy Pty Ltd	Canning Basin, WA

1 – Pending DMIRS registration of the transfer of 50% interests to Origin Energy in these permits

2 – Buru's interest in EP457 and EP458 will reduce to 40% following farm out of 20% interests to Origin Energy in these permits

3 – Origin Energy's interests in EP391 and EP436 exclude the Yulleroo Gasfield Area

4 – Buru's interest in L6 and EP129 exclude the Backreef Area

About Buru Energy

Buru Energy Limited (ASX: BRU) is a Western Australian oil and gas exploration and production company headquartered in Perth with an operational office in Broome. The Company's petroleum assets and tenements are located onshore in the Canning Basin in the southwest Kimberley region of Western Australia. It owns and operates 50% of its flagship high quality conventional Ungani Oilfield project and also operates a basin wide portfolio of exploration permits and licences prospective for conventional and unconventional resources ranging from 50% to 100% working interests.

The company's goal is to deliver material benefits to its shareholders, the State of Western Australia, the Traditional Owners of the areas in which it operates, and the Kimberley community, by successfully exploring for and developing the petroleum resources of the Canning Basin in an environmentally and culturally sensitive manner.

Qualified Petroleum Resources Evaluator Statement

Except where otherwise noted, information in this release related to exploration and production results and petroleum resources is based on information compiled by Eric Streitberg who is an employee of Buru Energy Limited. Mr Streitberg is a Fellow of the Australian Institute of Mining and Metallurgy and the Australian Institute of Company Directors, and a member and Certified Petroleum Geologist of the American Association of Petroleum Geologists. He has over 40 years of relevant experience. Mr Streitberg consents to the inclusion of the information in this document.

Forward Looking Statements

This document has been prepared by Buru Energy Limited ABN 71 130 651 437 ("Buru Energy"). This document contains certain statements which may constitute "forward-looking statements". It is believed that the expectations reflected in these statements are reasonable but they may be affected by a variety of variables and changes in underlying assumptions which could cause actual results or trends to differ materially, including, but not limited to:

Price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve and resource estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delays or advancements, approvals and cost estimates.

Buru Energy's operations and activities are subject to regulatory, joint venture and other approvals and their timing and order may also be affected by weather, availability of equipment and materials and land access arrangements, including native title arrangements.

Although Buru Energy believes that the expectations raised in this document are reasonable there can be no certainty that the events or operations described in this document will occur in the timeframe or order presented or at all.

No representation or warranty, expressed or implied, is made by Buru Energy or any other person that the material contained in this document will be achieved or prove to be correct. Except for statutory liability which cannot be excluded, each of Buru Energy, its officers, employees and advisers expressly disclaims any responsibility for the accuracy or completeness of the material contained in this document 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 this document or any error or omission there from. Neither Buru Energy nor any other person accepts any responsibility to update any person regarding any inaccuracy, omission or change in information in this document or any other information made available to a person nor any obligation to furnish the person with any further information.

All dates in this document are for calendar years. All references to \$ are in Australian currency, unless stated otherwise.

Appendix 5B

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

Name of entity

BURU ENERGY LIMITED

ABN

71 130 651 437

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,476	11,304
1.2 Payments for		
(a) exploration & evaluation	(1,102)	(5,402)
(b) development	(179)	(5,695)
(c) production	(1,219)	(7,037)
(d) staff costs	(364)	(1,426)
(e) administration and corporate costs	(317)	(960)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	38	323
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)	-	-
1.9 Net cash from / (used in) operating activities	333	(8,893)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	-	-
(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 (12 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)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(2,086)	(2,086)
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	(2,086)	(2,086)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	23,253	32,417
4.2	Net cash from / (used in) operating activities (item 1.9 above)	333	(8,893)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(2,086)	(2,086)

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	(71)	(9)
4.6	Cash and cash equivalents at end of period	21,429	21,429

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	3,716	1,518
5.2	Term deposits	17,713	21,735
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)	21,429	23,253

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

Current quarter \$A'000
222
-

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.

Amounts included in 6.1 are remuneration payments made to Directors

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

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities (Alcoa)	-	-
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.

Alcoa Loan

The Company repaid the final \$2 million instalment (plus interest) of the loan from Alcoa during the quarter. As at 31 December 2020, the Company has no outstanding loans or borrowings.

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	333
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	333
8.4 Cash and cash equivalents at quarter end (item 4.6)	21,429
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	21,429
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	N/A

Note: if the entity has reported positive relevant outgoings (i.e. 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.

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

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

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

Note: where item 8.7 is less than 2 quarters, all questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

Compliance statement

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

Date: 27 January 2021

Authorised by: The Buru Board of Directors

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.