



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 DECEMBER 2022

16 January 2023

ASX Code:

SFX

Directors:

Mr Bruce Griffin
Executive Chair

Mr Gordon Cowe
Non-Executive Director

Mrs Vanessa Kickett
Non-Executive Director

Mr Ian Macliver
Non-Executive Director

Mr John Richards
Non-Executive Director

Registered Office:

Level 2, 41-47 Colin Street
West Perth WA 6005

Share Registry:

Link Market Services
Level 12, QV1 Building
250 St Georges Terrace
Perth WA 6000

Capital Structure:

Ordinary Shares: 347.1M
Unlisted Options: 3.0M
Unlisted Rights: 4.6M

Market Capitalisation:

A\$194 million

Cash Reserves:

A\$5.2 million
(as at 31 December 2022)

Investor Relations:

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HIGHLIGHTS

Thunderbird Mineral Sands Project (Sheffield interest – 50%)

- Final Investment Decision (FID) for the Thunderbird Mineral Sands Project in the Kimberley region of Western Australia.
- Financial close and first drawdown on the \$160m loan facility from the Northern Australia Infrastructure Facility (NAIF) and US\$110m production linked facility with Orion
- Site construction now 66% complete and erection of steel structures well underway with process tanks and associated equipment progressively installed
- Major concrete and civil earthworks are nearing completion; power generation earthworks complete and ready for installation of facilities in 2023
- Kimberley Mineral Sands granted regulatory approval to utilise the Port of Broome as a bulk products logistics route in addition to the Port of Derby
- First product shipment from Thunderbird remains on track for Q1 2024

Corporate

- Cash balance of \$5.2m as at 31 December 2022 (unaudited)



Figure 1: Thunderbird Process Plant site (mid-January 2023)

KEY ACTIVITIES

Kimberley Mineral Sands Pty Ltd (KMS) (Sheffield interest – 50%)

Activities for the quarter included a Final Investment Decision (FID) in early October 2022 for the flagship Thunderbird Mineral Sands Project (Thunderbird) in the Kimberley region of Western Australia. Site construction activities progressed very well throughout the quarter and were 66% complete as at the end of December 2022. Recent seasonal weather events within the Kimberley region of Western Australia have not impacted construction activities with images below taken in mid-January 2023.



Figure 2: Wet Concentrator Plant steel installation



Figure 3: Power Station concrete works (foreground) completed during the quarter

Project financing

During the quarter, the Company announced that the Northern Australia Infrastructure Facility (NAIF) had ratified and executed binding documentation for a \$160 million loan facility comprising a 12-year tenor to support the development of Thunderbird. In addition to the NAIF loan facility, KMS and OMRF (Th) LLC, a related entity of the Orion Mineral Royalty Fund (Orion), executed binding and definitive documentation for a US\$110 million Production Linked Facility.

The combined \$315m debt financing package completed the project financing requirements for Thunderbird, with KMS achieving financial close in early Q4 2022. During October 2022, the first \$72m was drawn down from the combined debt financing package.

Thunderbird is fully funded through to first production which remains on track for first product shipment in Q1 2024, enabling the delivery of strong cashflows and benefits to all stakeholders across the projected 36 year mine life. Total project funding requirement of \$484m has included the full and final satisfaction of attributable project equity contributions totaling \$169m from joint venture partners Sheffield & Yansteel, in addition to the \$315m senior loan facilities provided by NAIF and Orion.

Expenditure by KMS on the Thunderbird construction and early works program since the inception of the joint venture in March 2021 has totalled over \$210m through to the end of December 2022. At the end of December 2022, the project is progressing on schedule and in line with budget, with KMS cash reserves of \$41m and approximately \$243m of undrawn project financing available.



Figure 4: Accommodation Village completed during the quarter (mid-January 2023)

Thunderbird Construction Activities

Alongside the Final Investment Decision for Thunderbird in October 2022, KMS issued a Full Notice to Proceed in favour of primary EPC contractor GR Engineering Services Limited (GRES), in conjunction with similar notices to gas supply, power generation and mining services suppliers.



Figure 5: Mine Site Access Road with Process Plant in the background (mid-January 2023)

The December quarter resulted in significant progress toward completion of civil works, and plant infrastructure construction. Led by EPC contractor GRES, construction activities are progressing in line with planned schedules.

Process plant steel structures are being progressively installed in conjunction with process tanks and associated equipment. Civil earthworks to support the power generation facilities are now complete, enabling installation of power generation equipment during 2023. Tailings storage facility and stormwater storage pond civil earthworks are approaching completion, with HDPE lining of the stormwater storage pond well underway.

During recent seasonal weather events, Thunderbird recorded approximately 500mm of rain associated with ex-Tropical Cyclone Ellie. The process plant, access road and accommodation village remain in good condition with construction activities continuing to progress well. There were minor impacts on earthwork areas that were under construction immediately prior to the rainfall events.

Product Logistics and Offtake Agreements

KMS has in place a number of non-magnetic (zircon) concentrate take or pay offtake agreements, accounting for in excess of 80% of forecast production volume for the initial five year production period for Thunderbird.

During the quarter, Thunderbird secured a second export pathway for bulk products, with the application for bulk product export from the Port of Broome accepted by the Environmental Protection Authority (EPA) of Western Australia. In addition to the current Port of Derby logistics arrangement, this provides KMS with an alternate deep water logistics option for the export of bulk product from Thunderbird.

Project Timeline

First customer shipment remains on track for Q1 2024. A forecast timeline to first production is shown below.

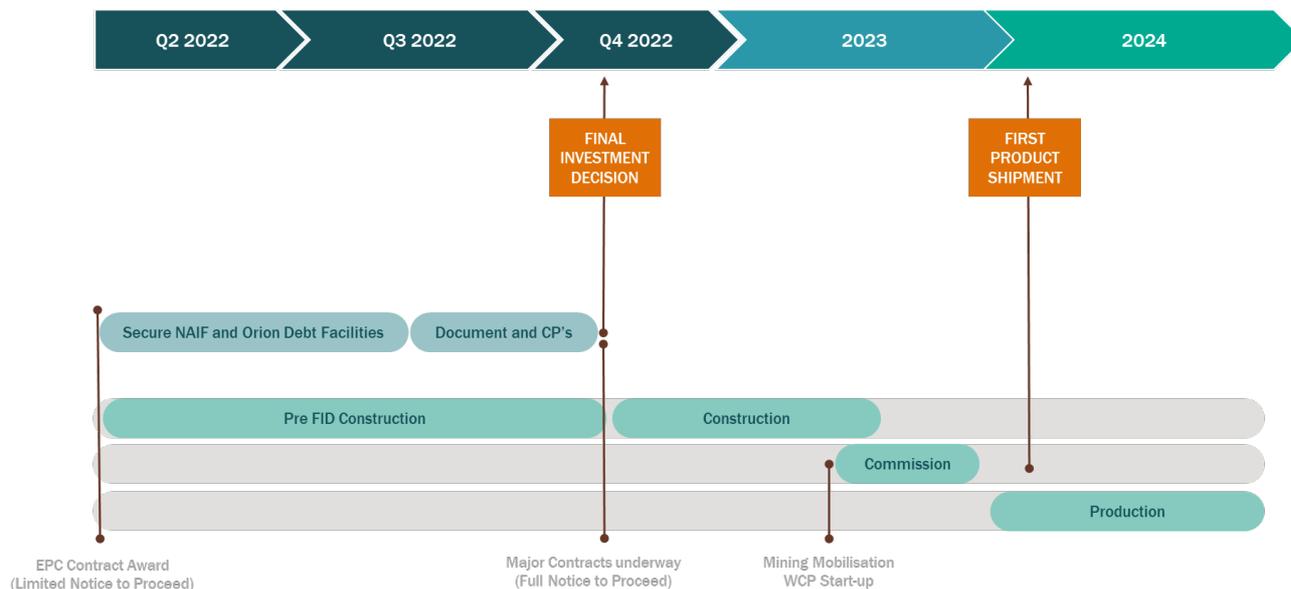


Figure 6: Timeline to First Production from Thunderbird

Markets

Mineral sands markets remained buoyant during the first half of 2022 with both zircon and titanium feedstock prices continuing to increase before flattening out during the second half of 2022.

Premium zircon from major producers moved from c.US\$1,350 per tonne in mid-2019 through to c.US\$2,200 per tonne during Q3 2022 and remained around this level in Q4 2022. Demand softness in China first observed in Q3 2022 continued in Q4 2022, primarily as a result of weakness in the property market and the impact of zero-COVID lockdowns followed by the sudden reversal of the China zero-COVID policy. The market in Europe weakened in Q4 2022 due energy supply constraints. Global zircon supply remains balanced, and inventory levels remain low, limiting the pressure on prices with major producer prices expected to soften in early 2023 but remain above US\$2,000 per tonne, well above long term price forecasts.

The titanium feedstock market was strong throughout the first half of 2022 with the weakness in China demand that first emerged in Q3 2022 continuing into Q4 for similar reasons to zircon. Global sulfate ilmenite prices were essentially flat in the second half of 2022 and remain very high relative to long term forecasts at around US\$350 per tonne in FOB. Sulfate ilmenite prices are expected to soften in 2023. Longer-term, high-grade pigment feedstock demand for production of chloride grade pigment is forecast to grow, and chloride slag (produced from sulfate ilmenite) is the most likely source of new supply.

The trend towards China importing and processing concentrates to supply zircon and titanium feedstocks continued throughout 2022. Imports of concentrates into China are up strongly year on year with imports of ilmenite and high grade feedstocks down. A similar shift was observed in zircon with China concentrates imports up and zircon sand imports lower in 2022 compared with 2021.



Figure 7: Process Plant Site (foreground) and laydown area (background) (mid-January 2023)

Community Engagement

The KMS team continued community engagement and consultation processes throughout the quarter. These included several community based and Traditional Owner forums across Broome and Derby, providing information on the recent FID announcement and site activities.



Figure 8: Kimberley Mineral Sands regional community consultation

KMS also conducted a regional jobs fair, providing prospective employees with the opportunity to consult with KMS personnel, suppliers and contractors regarding potential employment opportunities.

Further community engagement activities are scheduled throughout 2023.



Figure 9: Kimberley Mineral Sands regional Jobs Fair

CORPORATE ACTIVITIES

During the quarter, Sheffield screened a number of project investment opportunities in the mineral sands sector. Sheffield will continue to assess and consider business development opportunities in the mineral sands sector going forward, with a view to expanding the Company's asset portfolio beyond its core asset; its 50% interest in KMS.

As at 31 December 2022, Sheffield held cash reserves of approximately \$5.2m (unaudited).

Please note the year-to-date position of the Quarterly Cashflow Report should be read in conjunction with this report. During the quarter, a total sum of \$189,758 was paid to related parties and their associates for Director fees and superannuation benefits.

This announcement is authorised by the Board of Sheffield Resources Limited.

Mr Bruce Griffin
Executive Chair
16 January 2023

ABOUT SHEFFIELD RESOURCES

Sheffield Resources Limited is focused on developing the world class Thunderbird Mineral Sands Project, located in north-west Western Australia.

KIMBERLEY MINERAL SANDS

Kimberley Mineral Sands Pty Ltd, (KMS) is a 50:50 Joint Venture between Sheffield and Yansteel. The joint venture owns and is developing the Thunderbird Mineral Sands Project and adjacent tenements on the Dampier Peninsula.

KMS is governed by a four person Board of Directors with Sheffield and Yansteel each nominating two directors. Key Joint Venture decisions require unanimous approval of both shareholders. KMS operates as a standalone entity with its own management and employees.

THUNDERBIRD MINERAL SANDS PROJECT

Thunderbird is one of the largest and highest grade mineral sands discoveries in the last 30 years. The 2022 KMS Bankable Feasibility Study shows Thunderbird is a technically low risk, that generates strong cash margins from globally significant levels of production over a decades long mine-life.

Thunderbird will generate a high-quality suite of mineral sands concentrate products suited to market requirements. These products include a zircon concentrate and a magnetic concentrate that contains a high quality ilmenite suitable smelting into chloride slag or for manufacturing titanium dioxide pigment.

Thunderbird is located in one of the world's most attractive mining investment jurisdictions and is well placed to deliver long term, secure supply of high quality products to a range of potential customers.

ABOUT YANSTEEL

Yansteel is a wholly-owned subsidiary of Tangshan Yanshan Iron & Steel Co., Ltd, a privately owned steel manufacturer headquartered in Hebei, China producing approximately 10mt per annum of steel products and has annual revenues of ~A\$6bn.

Construction of a 500ktpa integrated titanium dioxide processing facility including a titanium slag smelter has commenced by the company. This complex will consume the magnetic concentrate from Stage 1 of the Thunderbird Mineral Sands Project under a take or pay offtake agreement.

FORWARD LOOKING AND CAUTIONARY STATEMENTS

The contents of this report reflect various technical and economic conditions at the time of writing. Given the nature of the resources industry, these conditions can change significantly over relatively short periods of time. Consequently, actual results may vary from those contained in this report.

Some statements in this report regarding estimates or future events are forward-looking statements. They include indications of, and guidance on, future earnings, cash flow, costs and financial performance. Forward-looking statements include, but are not limited to, statements preceded by words such as "planned", "expected", "projected", "estimated", "may", "scheduled", "intends", "anticipates", "believes", "potential", "predict", "foresee", "proposed", "aim", "target", "opportunity", "could", "nominal", "conceptual" and similar expressions. Forward-looking statements, opinions and estimates included in this report are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements are provided as a general guide only and should not be relied on as a guarantee of future performance. Forward-looking statements may be affected by a range of variables that could cause actual results to differ from estimated results and may cause the Company's actual performance and financial results in future periods to materially differ from any projections of future performance or results expressed or implied by such forward-looking statements. So there can be no assurance that actual outcomes will not materially differ from these forward-looking statements.

Schedule 1: Interests in Mining Tenements as at the end of the quarter as required under ASX Listing Rule 5.3.3

Sheffield Resources Limited

Project	Tenement	Registered Holder	Beneficial Holder ¹	Interest	Location	Status
Mineral Sands	E70/3762	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/3813	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/3814	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/3859	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Pending
Mineral Sands	E70/3929	Sheffield Resources Ltd	Titon-SR Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/3967	Sheffield Resources Ltd	Titon-SR Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4190	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4292	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4584	Sheffield Resources Ltd	Titon-SR Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4719	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4747	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	E70/4922	Sheffield Resources Ltd	Titon-SR Resources PL	100%	Perth Basin	Granted
Mineral Sands	M70/872 ²	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	M70/965 ²	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	M70/1153 ²	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted
Mineral Sands	R70/35 ²	Sheffield Resources Ltd	Titon Resources PL	100%	Perth Basin	Granted

Notes:

¹ Sale and purchase agreements have been executed with Image Resources NL and registered subsidiary entities of Image Resources NL during 2022. All tenements, where noted, are beneficially held on behalf of Image Resources and are subject to customary registration and transfer by the WA Government.

² Iluka Resources Ltd (ASX: ILU) retains a gross sales royalty of 1.5% in respect to tenements R70/35, M70/872, M70/965 & M70/1153. M70/1153.

Kimberley Mineral Sands Joint Venture (Sheffield interest – 50%)¹

Project	Tenement	Holder	Interest	Location	Status
Mineral Sands	E04/2081	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2083	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2084	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2171	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2349	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2390	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2456	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2478	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2494	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2509	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2540	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2554	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2571	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	E04/2597	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/82	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/83	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/84	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/85	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/86	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/92	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	L04/93	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted
Mineral Sands	M04/459	Thunderbird Operations Pty Ltd	100%	Canning Basin	Granted

Notes:

¹Thunderbird Operations Pty Ltd is a wholly owned subsidiary of Kimberley Mineral Sands Pty Ltd (refer to ASX announcement 12 March 2021). Kimberley Mineral Sands Pty Ltd is a 50:50 incorporated joint venture between Sheffield Resources Ltd and YGH Australia Investment Ltd (Yansteel).

Appendix 5B

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

Name of entity

Sheffield Resources Limited

ABN

29 125 811 083

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(329)	(710)
(e) administration and corporate costs	(288)	(735)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	48	239
1.5 Interest and other costs of finance paid	(1)	(1)
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	(570)	(1,207)

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 (joint venture)	(21,771)	(33,771)

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	-	-
2.6	Net cash from / (used in) investing activities	(21,771)	(33,771)

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 finance lease	-	-
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	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	27,586	40,223
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(570)	(1,207)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(21,771)	(33,771)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

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
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	5,245	5,245

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	5,245	27,586
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)	5,245	27,586

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 – Salary & Directors fees	190
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

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.

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	-	-
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.		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(570)
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)	(570)
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,245
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,245
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	9
<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: 16 January 2023

Authorised by: By the Board of Sheffield Resources Limited

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.