

29 April 2026

Quarterly Activities Report & Appendix 5B March 2026

- Mt Edon drilling confirms a large-scale pegmatite system, with 20 RC holes (1,863m) completed and multiple broad intercepts exceeding 30m, including 84m, 69m and 53m zones
- Consistent pegmatite thickness (~40-45m average) across the Southern Sophie Prospect, supporting potential for meaningful tonnage within a laterally extensive mineralised corridor that remains open at depth and along strike
- Strong rubidium mineralisation across Mt Edon, with historical rock chip sampling returning up to 2.84% Rb₂O and over 50% of samples exceeding 0.1% Rb₂O
- Mt Edon advancing toward resource definition, with assay results pending from the March 2026 drilling program and ongoing geological modelling
- Western Australian portfolio progressing, with Mallina advancing toward further drilling and Dixon Well moving to follow-up programs after high-grade titanium results (up to 17.0% TiO₂)
- Balance sheet strengthened through A\$2.1 million capital raise, with strong investor support, alongside commencement of Federal Court proceedings seeking recovery of value from the 2020 asset sale

OVERVIEW

During the March 2026 quarter, Morella Corporation continued to advance its portfolio of critical-minerals projects across Tier-1 jurisdictions, with activities focused on technical advancement, disciplined capital allocation and active preparation for drilling and field programs across the portfolio.

Work at the Company's Mt Edon Project in the Mid-West region was prioritised during the southern dry season.

In northern Western Australia, on-ground activities were appropriately sequenced to reflect the traditional wet-season period. The Company therefore prioritised permitting, technical integration, data interpretation and drill planning during the quarter, ensuring key projects are well positioned for execution when seasonal access improves.

This measured approach enabled Morella to convert recent technical and metallurgical results into executable development programs, while maintaining cost discipline and strategic optionality across its broader portfolio.

WESTERN AUSTRALIA PROJECTS

Mt Edon Rubidium-Lithium Project (Western Australia – Morella-Elevra Joint Venture)

The Mt Edon Project is located within the Paynes Find Belt of Western Australia (see Figure 1) and hosts a system of rubidium and lithium-bearing pegmatites emplaced within mafic, ultramafic and felsic volcanic sequences. Prior RC drilling has confirmed extensive pegmatite development and significant rubidium enrichment across multiple target zones, including the Sophie, Miles and June pegmatites.

Exploration Licence E59/2778 (Mt Edon South) is held 100% by Morella, with the remaining Mt Edon tenements held under the Morella–Elevra Joint Venture.

Rubidium (Rb) is a highly specialised and supply-constrained alkali metal that typically occurs within highly fractionated lithium–caesium–tantalum (LCT) pegmatites, often associated with minerals such as microcline, lepidolite and pollucite. It is primarily used in specialty glass formulations, advanced electronics, atomic clocks, fibre-optic systems and medical imaging technologies.

The Project remained the Company’s principal operational focus during the quarter, with activities directed toward advancing Mt Edon from technical validation into execution readiness for resource definition drilling.

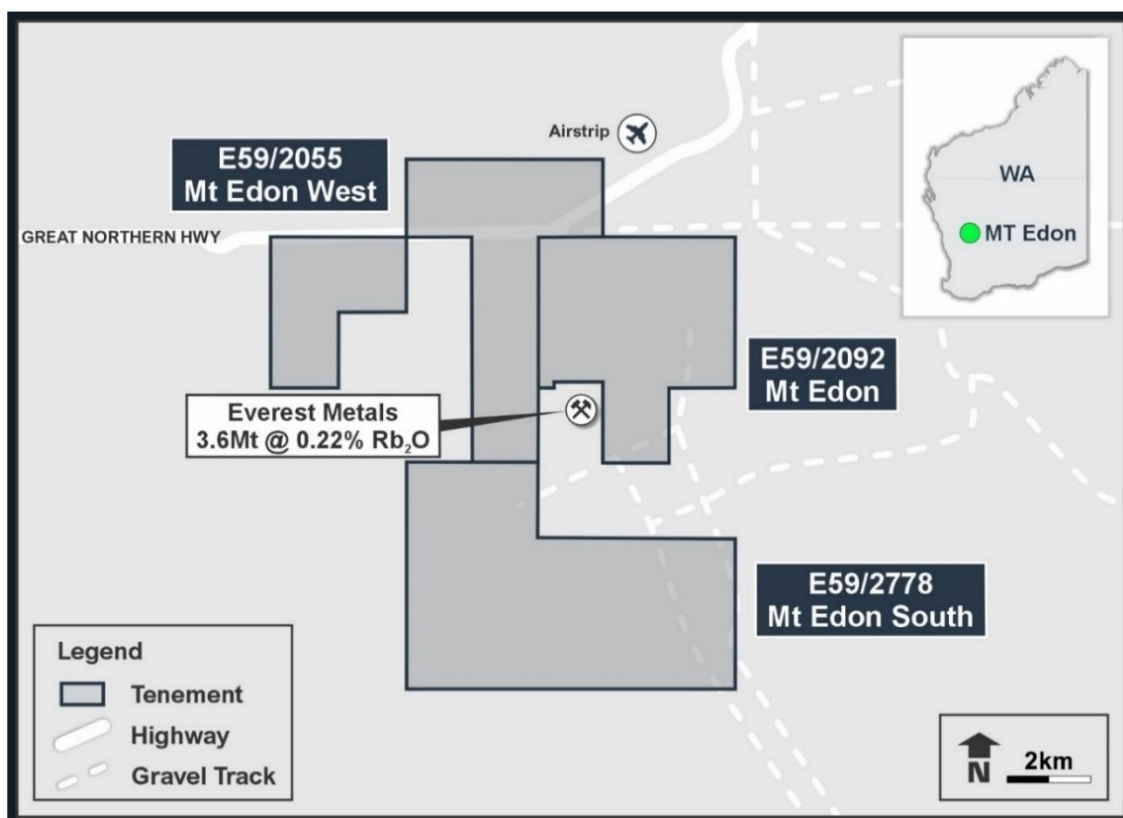


Figure 1: Mt Edon Project location

Quarter activities:

As a follow up to the discovery of extensive rubidium mineralisation at the Sophie, Miles, and June Pegmatites, the review of both recent and historic rock chip sampling at the Mt Edon Project was finalised in January 2025. The review revealed highly encouraging rubidium assay results. Many samples confirmed the presence of robust rubidium mineralisation across several prospective zones within the project area.

While many of the rock chip samples were collected during earlier exploration campaigns, the significance of the rubidium mineralisation only became apparent following recent drilling success and a re-interpretation of historic datasets.

A total of 241 rock chip samples have been collected across the Mt Edon Project between 2016 and 2025. Of these, 121 samples returned Rb_2O grades greater than 0.1%, with multiple samples exceeding 1.0% and a peak value of 2.84% Rb_2O . (See Figure 2)

These positive assay outcomes highlight Mt Edon’s potential to host significant additional rubidium mineralisation, with assays from multiple locations consistently exceeding industry mineralisation benchmarks. The Company will continue to advance exploration activities with further systematic sampling and mapping, aiming to delineate the extent of mineralisation and develop drill targets.

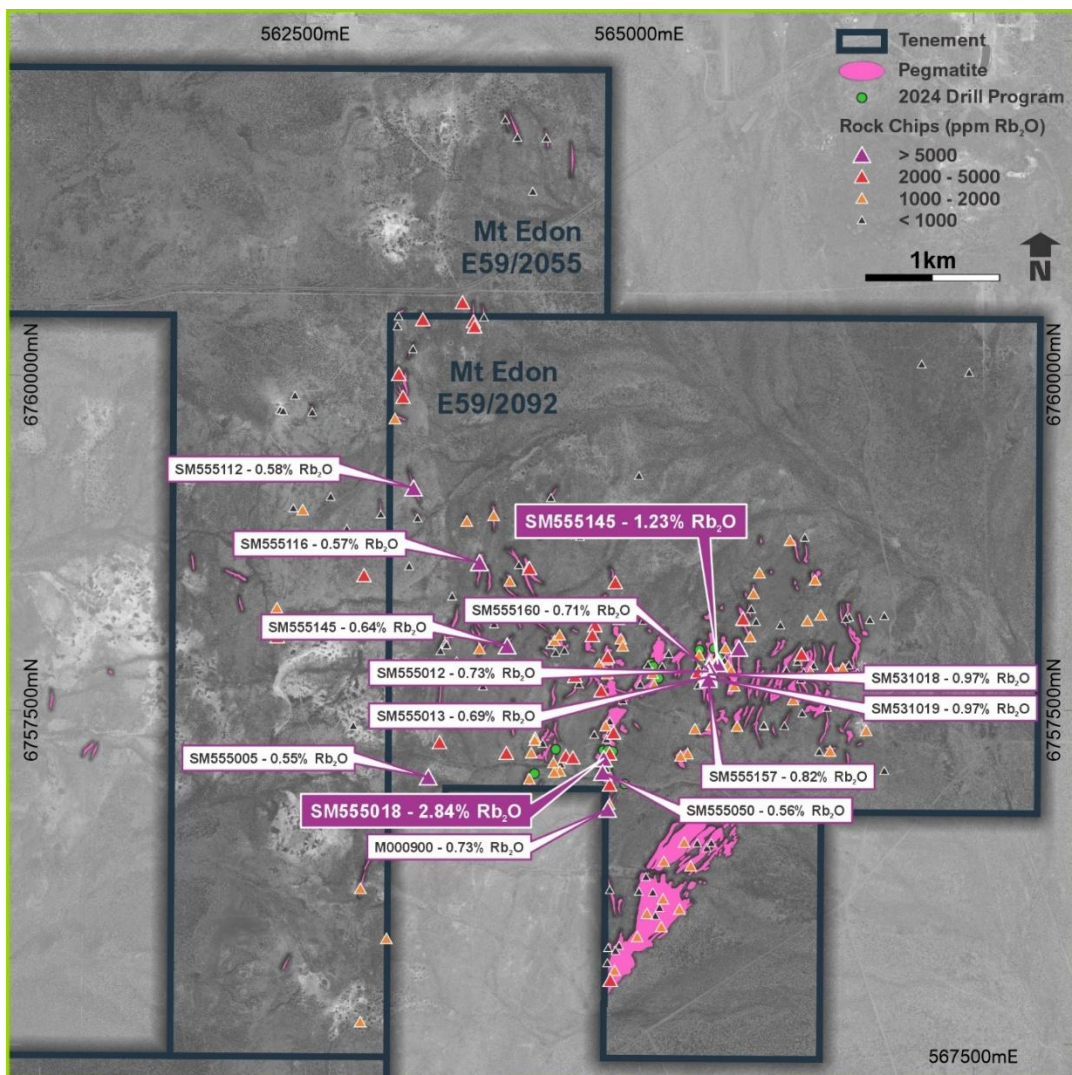


Figure 2: Mt Edon Rb_2O Rock Chip Samples at the Sophie, Miles and June Pegmatites in pink.

March 2026 Drilling Program

A development RC program was completed in March at the Mt Edon rubidium project comprising 20 holes for 1,863m, 18 of which were targeted into the Prospects pegmatites. The program was refined during execution based on geological observations and operational constraints, with drilling focused on the most prospective zones.

In total, eleven (11) holes returned pegmatite intercepts exceeding 30m, with an average intercept thickness of approximately 40-45m across the main zones. Drill hole, MER046, terminated in pegmatite, indicating the system remains open and may extend further at depth.

The consistency of intercept thickness and distribution supports the potential for meaningful tonnage within the Sophie pegmatite system. These results, together with previous drilling¹, confirm the presence of multiple substantial pegmatite bodies within a laterally extensive corridor comprising sub-parallel domains, as illustrated in Figure 3 below.

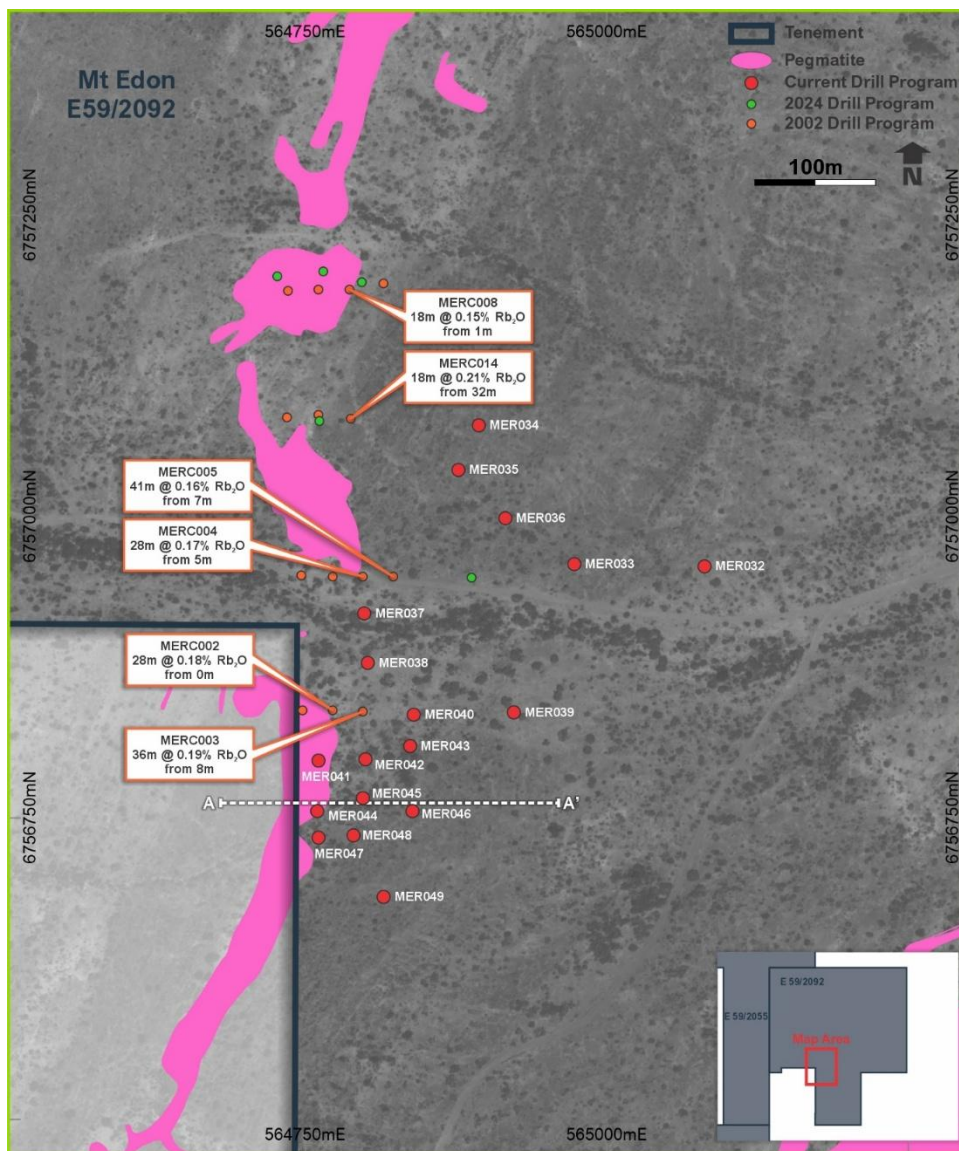


Figure 3 – Mt Edon March 2026 Drillhole Location Plan

Geological logging confirms widespread pegmatite development across the Sophie prospect, with multiple broad intercepts demonstrating consistent thickness and continuity.

Significant pegmatite intercepts include:

- MER046: 84m pegmatite from 18m (hole terminated in pegmatite)
- MER036: 69m pegmatite from 63m
- MER048: 53m pegmatite from 3m
- MER045: 51m pegmatite from 2m

¹ Refer ASX Announcement – Drilling at Mt Edon Reveals Rubidium Discoveries dated 5 December 2024.

- MER043: 46m pegmatite from 15m
- MER035: 42m pegmatite from 56m
- MER034: 41m pegmatite from 75m



Figure 4: Cross section A–A' showing interpreted pegmatite geometry and selected drill intercepts

Program Outcomes

The drill program was designed to:

- Increase drill density within the core mineralised zones.
- Test strike and depth extensions of the pegmatite system.
- Collect samples to support geological modelling and resource estimation.

The program has successfully:

- Defined key pegmatite domains across the Sophie prospect.
- Improved understanding of the geometry and continuity of the system.
- Delivered representative samples for multi-element geochemical analysis.

Drilling was adaptively managed in the field, with the program refined based on geological observations to focus on the most prospective zones.

Geological Interpretation

Drilling has identified two (2) principal pegmatite bodies within the Sophie area, separated by a zone of limited mineralisation, both of which remain open along strike and at depth. Both pegmatites display consistent thickness and continuity across the drilled sections. These bodies form part of a broader pegmatite corridor, with zones of reduced mineralisation separating individual domains.

These observations provide a strong framework for geological modelling and resource estimation.

All observations are based on visual geological logging. Assay results are required to confirm lithium and rubidium grades, and no assumptions are made at this stage regarding grade or economic significance.

Mallina Lithium Project (Morella-Elevra Joint Venture)

The Mallina Project is situated within the Mallina Basin along the central Pilbara coast, a regionally extensive and largely covered corridor considered prospective for rare-metal pegmatite systems (see Figure 5).

The Project forms part of a broader lithium-fertile trend extending toward the Tappa Tappa and Wodgina districts.

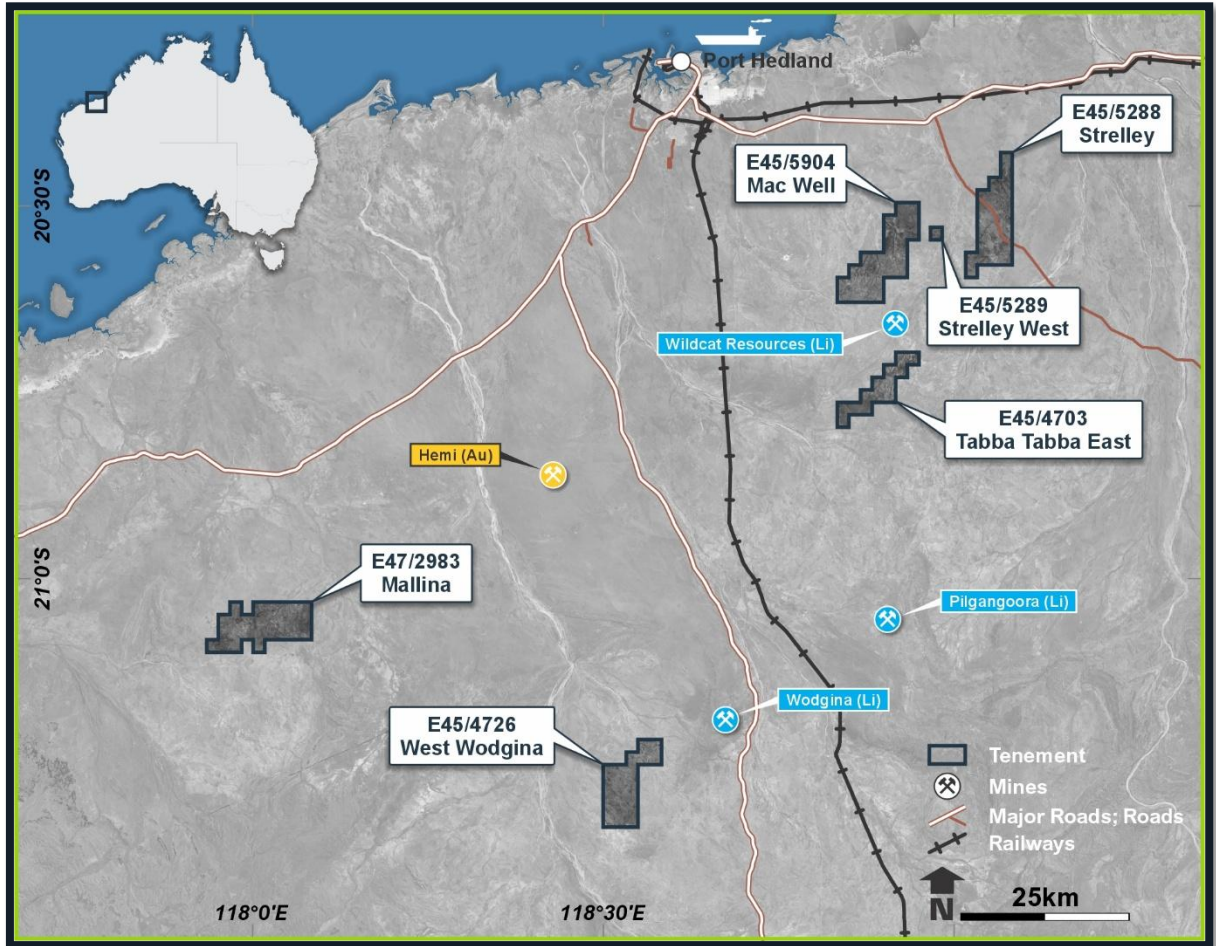


Figure 5: Mallina and other JV Project Locations

Quarter activities:

Completion and interpretation of a ground gravity survey, co-funded through a government program

- Generation of gravity low targets for follow-up
- Integration of gravity, geological mapping and geochemical datasets
- Preliminary site visit conducted to inspect surface expression
- Additional site works identified to support surface mapping and drill planning
- Completion of rehabilitation and compliance activities associated with prior drilling

Dixon Well Project (Titanium – Vanadium – E57/1226, WA)

The Dixon Well Project is located approximately 60 km east-northeast of Paynes Find in the Murchison region of Western Australia (see Figure 6). The Project comprises Exploration Licence E57/1226, which is held 100% by Morella Corporation Limited and covers approximately 36 km² of mafic–ultramafic intrusions within the Glenburgh Terrane.

Titanium and vanadium are recognised as important inputs to emerging energy-transition and industrial decarbonisation technologies.

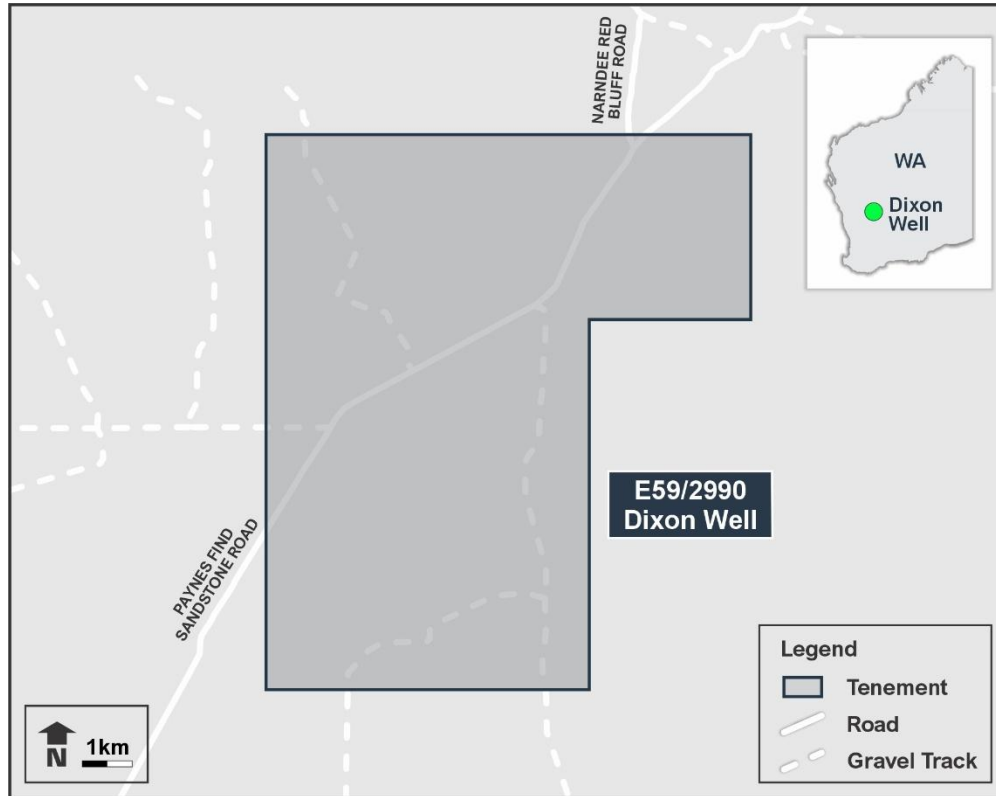


Figure 6 – Dixon Well Project Location

Quarter activities:

- Site visit completed, with reconnaissance sampling undertaken across priority areas
- Planning, data review and target refinement activities progressed during the quarter following previously reported reconnaissance sampling results returning grades of up to 17.0% TiO₂ (titanium oxide)
- Preparation of staged follow-up programs including mapping, additional sampling and target definition.

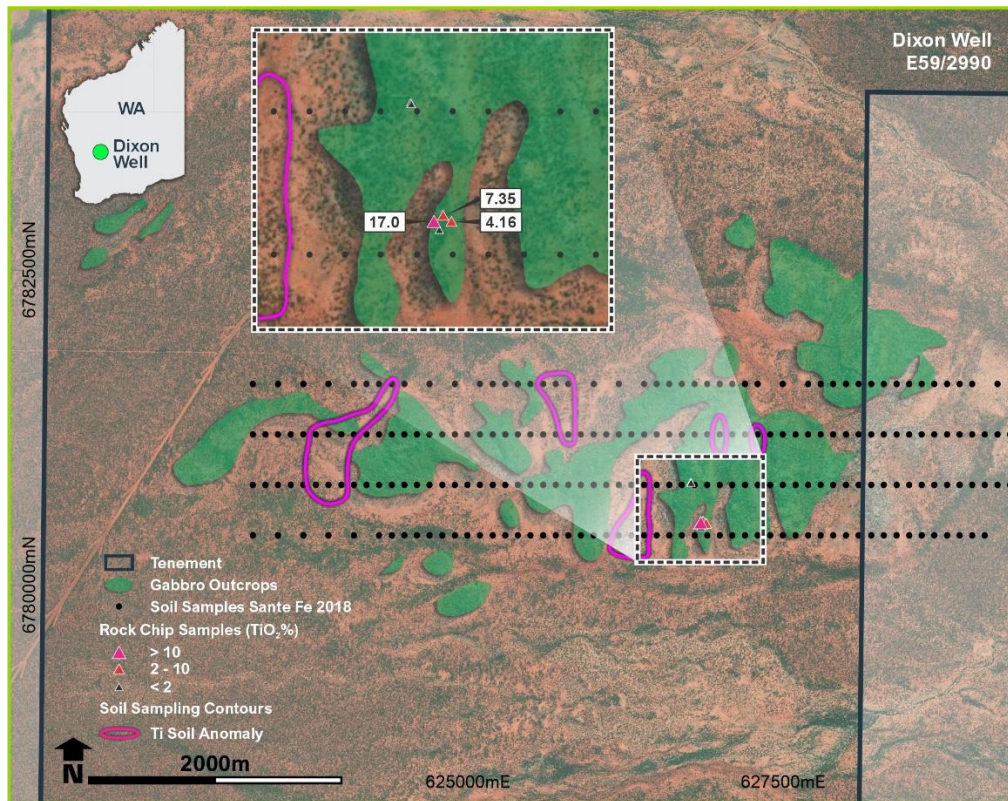


Figure 7 - Dixon Well Soil Anomalies and Rock Chips

Other WA Projects (Tabba Tabba East, Wodgina West, Strelley, Mac Well)

District Projects (Morella-Elevra Joint Venture)

Across the remaining Pilbara tenements, the Company undertook site visits, sampling and reviews aimed at assessing prospectivity and prioritisation.

Results from these programs were variable, with limited lithium mineralisation identified. Rubidium anomalism was observed in several areas. This work forms part of the Company's ongoing portfolio review process, ensuring management attention and capital are directed toward opportunities with the strongest technical and strategic justification.

United States Projects – Nevada Lithium Portfolio (Fish Lake Valley and North Big Smoky)

The Nevada lithium assets are located within established brine-bearing basins along the central Nevada lithium trend (see Figure 8) and provide long-term exposure to the United States domestic battery-materials supply chain.

Activities during the quarter focused on cost reduction and portfolio optimisation, with no physical exploration work undertaken on the Nevada projects.

Quarter activities:

- Completion of claim renewals and administrative restructuring.
- Reduction of non-core ground to concentrate on structurally favourable basin positions.
- Preparation for future optionality through claim transfers and compliance processes.

These actions have reduced ongoing holding costs while preserving exposure to large-scale lithium basin systems for future market cycles.

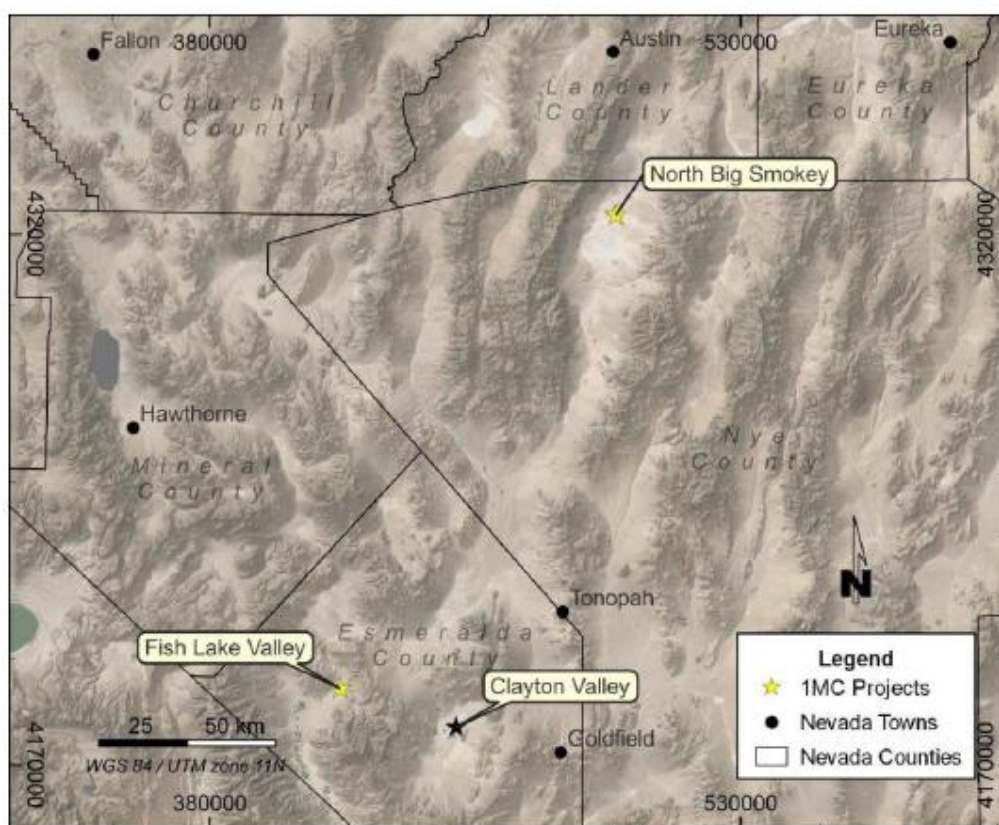


Figure 8 – Morella Corporation Nevada Project Locations

CORPORATE

PLACEMENT

The Company continued its disciplined approach to corporate expenditure during the quarter, ensuring alignment between funding capacity and project priorities.

During the quarter, the Company received commitments from institutional, sophisticated and professional investors for a A\$2.1 million placement ("**Placement**"), strengthening the balance sheet and providing flexibility to advance its Australian and U.S. critical-minerals projects.

52.5 million new fully paid ordinary shares ("**New Shares**") will be issued at an issue price of A\$0.04 per New Share ("**Offer Price**") to raise gross proceeds of A\$2.1 million. The Offer Price represented an 11.4% discount to the 15-day volume weighted average price ("**VWAP**") calculated prior to the announcement of the Placement and a 9.4% discount to the close price of 18 February 2026.

Participants in the Placement will receive one (1) free-attaching unlisted option ("**Option**") for every one (1) New Share subscribed for, exercisable at A\$0.06 and expiring three years from the date of issue.

The Placement was strongly supported by new and existing shareholders, including major shareholder Interra Resources Limited (Interra) and the Company's Directors, demonstrating continued confidence in the Company's strategy and project portfolio.

The Placement will take place in two tranches. Settlement of Tranche 1 occurred on Thursday, 26 February 2026 utilising the Company's placement capacity under ASX Listing Rules 7.1 and 7.1A, comprising of 36,842,899 New Shares pursuant to ASX Listing Rule 7.1A and 2,532,101 New Shares pursuant to ASX Listing Rule 7.1.

Approximately A\$525,000, including Director participation of A\$209,000 and Interra's participation of A\$316,000, will form Tranche 2 with approximately 13,125,000 New Shares to be issued subject to shareholder approval at an Extraordinary General Meeting (EGM) to be convened on 29 April 2026. The issue of Options for both Tranches 1 and 2 will also be subject to Shareholder approval at the EGM.

Canaccord Genuity (Australia) Limited acted as Lead Manager and Bookrunner to the Placement.

FEDERAL COURT PROCEEDINGS

During the Quarter Morella commenced legal proceedings in the Federal Court of Australia against the former Receivers and Managers of the Company. The proceedings involve a claim by Morella in relation to events associated with the 2020 receivership of Altura Mining Limited (now Morella).

Following an extensive review of historical material and having obtained external legal advice, the Board has determined that the Company should seek relief from the Court in respect of the proceeds arising from the 2020 asset sale that the Company contends should have been returned to it.

Given the historical significance of the Company's assets and their relevance to shareholder value, the Board considers it appropriate to seek recovery of value for the benefit of shareholders. The decision to commence proceedings reflects Morella's commitment to sound governance, transparency and the protection of shareholder interests.

In determining to commence the legal proceedings, the Board considered the Company's financial position and does not expect the proceedings to have a material impact on Morella's ability to continue advancing its existing operations, exploration programs or development activities, and considers the legal proceedings appropriately funded.

EXTRAORDINARY GENERAL MEETING (EGM)

On 26 March 2026 the Company issued a Notice of Meeting (NOM) for an EGM to be held on 29 April 2026 to seek ratification and authorisation of Tranche 1 and Tranche 2 of the Placement as well as to seek approval for payments owed to the Directors in Lieu of Fees and for outstanding interest payments to be satisfied through the issue of Fully Paid Ordinary Shares.

The Board believe that it is in the best interests of the Company to preserve current cash reserves for exploration of the Company's projects and has therefore determined to satisfy these outstanding liabilities through the issue of Shares.

Full details regarding the EGM are included in the NOM issued on 26 March 2026.²

² Refer ASX Announcement – EGM NOM dated 26 March 2026

OUTLOOK

Morella has commenced 2026 with a focused portfolio and a near-term execution catalysts, led by planned drilling and resource definition activities at Mt Edon, continued advancement of priority Western Australian projects, and disciplined management of its U.S. lithium assets.

Morella Managing Director James Brown said:

“The March quarter marked an important step in advancing Mt Edon toward resource definition, with drilling confirming the scale and continuity of the pegmatite system and delivering broad, consistent intercepts across the Sophie Prospect. Across the broader portfolio, the Company progressed target definition at Mallina, advanced titanium opportunities at Dixon Well and continued to optimise its U.S. lithium assets, positioning Morella for the next phase of growth..”

Other Disclosure

As disclosed under item 6 in the Appendix 5B, the Company made payments to related parties as follows:

- \$63,000 relating to the Directors fees for the Quarter.
- \$19,000 relating to interest paid on funding facility.

This announcement has been authorised for release by the Board of Morella Corporation Limited.

Contact for further information.

[Investors | Shareholders](#)

James Brown

Managing Director

E: info@morellacorp.com

Competent Persons Statement The information in this announcement that relates to Exploration Results is based on information compiled by Mr Henry Thomas, who is a Member of the Australasian Institute of Mining and Metallurgy and is the Exploration Manager employed by Morella Corporation. Mr Henry Thomas has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the ‘Australasian Code for Reporting of Mineral Resources’. Mr Henry Thomas consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

About Morella Corporation Limited Morella (ASX:1MC) is an exploration and resource development company advancing a portfolio of critical mineral projects across Tier 1 jurisdictions in Australia and the United States. With active exploration underway in lithium, rubidium, and titanium, Morella is committed to securing raw materials essential for the global clean energy transition and high-value industrial applications.

Schedule of Tenements

The schedule below discloses the exploration tenements held by the Company at the end of the Quarter; none were sold or cancelled.

Location	Tenement Number	Interest beginning of Quarter	Interest end of Quarter
Mt Edon South	E59/2778	100%	100%
Four Corners Well	E59/2904	100%	100%
Dixon Well	E57/1226	100%	100%
TabbaTabba East	E45/4703	51%	51%
West Wodgina	E45/4726	51%	51%
Strelley	E45/5288	51%	51%
Strelley West	E45/5289	51%	51%
Mac Well	E45/5904	51%	51%
Mallina	E47/2983	51%	51%
Mt Edon	E59/2092	51%	51%
Mt Edon West	E59/2055	0%	51%
Tabalong, South Kalimantan	PT Suryaraya Permata Khatulistiwa	70%	70%
	PT Suryaraya Cahaya Cemerlang	70%	70%
	PT Suryaraya Pusaka	70%	70%
	PT Kodio Multicom	56%	56%
	PT Marangkayu Bara Makarti	56%	56%
Catanduanes, Philippines	COC 182 (Area 3) – Catanduanes	100%	100%
Albay Region, Philippines	COC 200 (Area 4) – Rapu-Rapu	100%	100%
Bislig Region, Philippines	COC 202 (Area 17) – Surigao del Sur	100%	100%

Appendix 5B

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

Name of entity

Morella Corporation Limited

ABN

39 093 391 774

Quarter ended ("current quarter")

31 March 2026

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	108	471
1.2	Payments for		
	(a) exploration & evaluation	(102)	(280)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(229)	(614)
	(e) administration and corporate costs	(192)	(686)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	1
1.5	Interest and other costs of finance paid	(27)	(27)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)		
	• Sundry income	16	21
1.9	Net cash from / (used in) operating activities	(426)	(1,114)
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	(200)	(847)
	(e) investments	-	-
	(f) other non-current assets	-	-

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) reimbursement from tenement holder	-	-
(c) property, plant and equipment	-	-
(d) investments – Sale of shares on market	-	-
(e) Reimbursement from offshore tenement partner	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other – Term deposit facility	-	-
2.6 Net cash from / (used in) investing activities	(200)	(847)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	1,574	1,574
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	-	1,400
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)		
• Payments of lease liabilities	(12)	(34)
3.10 Net cash from / (used in) financing activities	1,562	2,940

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period	936	979
4.1	Cash and cash equivalents at beginning of period	840	804
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(426)	(1,114)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(200)	(847)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,562	2,940
4.5	Effect of movement in exchange rates on cash held	28	21
4.6	Cash and cash equivalents at end of period	1,804	1,804

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	1,804	840
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)	1,804	840

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	
	- Directors Fees paid in the Qtr	63
	- Interest paid on funding facility in the Qtr.	19
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

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 (i) (ii)	4,854	4,854
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	4,854	4,854
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.		
(i)	Morella has executed an unsecured facility with related entities to fund the Deed of Company Arrangement and initial working capital requirements. The facility maturity date is March 2027 with an interest rate of 8% pa. The facility can be converted into shares at the option of the lender whilst meeting the appropriate regulatory approvals.		
(ii)	Morella has completed an additional facility with related entities to meet the Groups working capital requirements. The facility maturity date is August 2028 with an interest rate of 8%pa. The facility can be converted into shares at the option of the lender whilst meeting the appropriate regulatory approvals.		

8. Estimated cash available for future operating activities	\$A'000	
8.1	Net cash from / (used in) operating activities (item 1.9)	(426)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(200)
8.3	Total relevant incoming / (outgoings) (item 8.1 + item 8.2)	(626)
8.4	Cash and cash equivalents at quarter end (item 4.6)	1,804
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	1,804
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3)	2.9

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.

8.8

If item 8.7 is less than 2 quarters, please provide answers to the following questions:

- 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

- 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

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 of 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: 29 April 2026

Authorised by: Morella 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.