CARAVEL MINERALS

22 July 2026

QUARTERLY ACTIVITIES REPORT

FOR THE QUARTER ENDED 30 JUNE 2026

Highlights

- **Detailed mining studies completed for the Definitive Feasibility Study (DFS) confirming the Caravel Copper Project as a conventional open pit, truck and shovel operation developing the Bindi and Dasher deposits in stages, commencing at Bindi, with the mine design supporting an early transition to autonomous haul trucks and drills.**
- **Updated Ore Reserve completed and announced in June 2026. The reported Reserve contains 597Mt at 0.24% Cu for 1.42Mt of contained copper, reported at a 0.10% Cu cut-off grade.**
- **Proven Ore Reserves increased by approximately 48% relative to the 2022 maiden Ore Reserve, now at 156Mt at 0.25% Cu for 392kt of contained copper. Probable Ore Reserves are 441Mt at 0.23% Cu for 1,026kt of contained copper**
- **Caravel Copper Project DFS continued to advance toward targeted completion in Q3 2026, with process plant, tailings and infrastructure designs at an advanced stage.**
- **The Project has adopted a hybrid grid and behind-the-meter power supply solution including an 89MW (winter), 72MW (summer) grid power supply, supplemented by solar-battery behind the meter power generation facility to be located on land secured, available and adjacent to the Project.**
- **Submission of the final Environmental Review Document (ERD) and the subsequent public comment period, previously scheduled for Q3 2026, is pending completion of key groundwater studies. Finalisation of the ERD includes comprehensive engagement with regulators ahead of lodgement and release for public comment. Groundwater studies are being progressed to deliver a secure, long-term water supply supporting the 25+ year mine life.**
- **Lodgement of the ERD and the public comment period will follow completion of these studies. There is no change to the targeted Ministerial consent and Final Investment Decision by the end of 2027.**
- **Received $15M from Regal Royalty Fund for a new 0.75% net smelter return royalty over the Caravel Copper Project.**
- **Maturity of the existing $15M loan facility with Regal Royalty Fund extended to 31 March 2028.**

Caravel Minerals Limited – ABN 41 120 069 089
Suite 1, 245 Churchill Avenue, Subiaco WA 6010
PO BOX 162, Subiaco PO WA 6904 Australia
+61 8 9426 6400
investors@caravelminerals.com.au
caravelminerals.com.au

Quarterly Activities Report

Caravel Minerals Limited (ASX: CVV) progressed the Definitive Feasibility Study ("DFS") for the Caravel Copper Project ("Project"), located 150km northeast of Perth, Western Australia, during the three months from April to June 2026 ("Quarter"). Key workstreams focused on the updated Ore Reserve, mine plan, and process plant and infrastructure design, in parallel with environmental and water permitting activities.

Definitive Feasibility Study

The Company extended the DFS timeline by three months to September 2026 to allow for the installation of additional groundwater bores for the water extraction licensing process and for updates to the Environmental Review Document incorporating the latest water supply and management studies. The Company does not expect this change in DFS timing to impact the overall regulatory approval timeline, with Ministerial approval still targeted by the end of 2027.

Ore Reserve

An updated Caravel Copper Project Ore Reserve (JORC 2012) of 597Mt at 0.24% Cu for 1.42Mt (1,418kt) of contained copper, reported at a 0.10% Cu cut-off grade was released in June 2026 (see ASX Announcement dated 19 June 2026). The Ore Reserve includes a Proven Ore Reserve of 156Mt at 0.25% Cu for 392kt of contained copper and a Probable Ore Reserve of 441Mt at 0.23% Cu for 1,026kt of contained copper.

The Ore Reserve is reported within the Caravel Copper Project Mineral Resource of 1.28 billion tonnes at 0.24% Cu for 3.03 million tonnes of contained copper (0.10% Cu cut-off, reported 13 November 2023). Mineral Resources are reported inclusive of the Ore Reserves.

Proven Ore Reserve tonnes increased by approximately 48% relative to the 2022 maiden Ore Reserve, reflecting improved confidence from the November 2023 Mineral Resource update and the detailed mining studies completed for the Definitive Feasibility Study (Mining).

Total contained copper is broadly unchanged from the 2022 maiden Ore Reserve; the principal outcome is an improvement in confidence and classification rather than a material change in total metal content. Molybdenum, silver, gold, iron, and sulphur grades are now reported within the Ore Reserve for the first time.

Mine Design

During the Quarter, Mining Plus completed the Mining component of the Definitive Feasibility Study for the Project. The mining study provides the basis for the updated Ore Reserve reported to ASX on 19 June 2026, presenting the mining method, mine design and mining parameters that support that Ore Reserve. Full details are set out in the Company's announcement of 17 July 2026, which should be read in full.

The Bindi and Dasher deposits are planned to be mined by conventional open pit methods, comprising drilling, blasting, loading with face shovels and hauling with rigid frame dump trucks. The mine plan adopts a staged development, commencing with the Bindi pit and deferring the Dasher pit to later in the mine life to reduce upfront capital, simplify early operations and level the strip ratio for consistent ore feed. Material will be delivered by direct feed to the crusher, supported by a run of mine stockpile of approximately one million tonnes at an average grade of 0.24% Cu. Pre-strip activities commence approximately 20 months ahead of first ore to the primary crusher.

The principal mining parameters adopted in the study are a bench height of 12.5m, mining dilution of 4%, ore loss of 3%, a minimum mining width of 100m, and pit slope angles adopted in accordance with the recommendations of the Company's geotechnical consultants, Dempers & Seymour. Inferred Mineral Resources are excluded from the Ore Reserve and from the Ore Reserve pit designs.

An ultra class load and haul fleet, comprising 300 tonne class haul trucks and 600 tonne plus class shovels, has been selected and supported by a full ancillary fleet. Final equipment selection remains subject to commercial negotiation with equipment suppliers. Operations are planned to commence with a conventional manned haulage fleet, with the mine plan designed to support an early transition to autonomous haulage. To de-risk pre-strip and the initial stages of mining, the Company intends to engage a tier one mining contractor for that period, transitioning to owner mining thereafter, with commercial negotiations ongoing.

Water Licensing

Hydrogeological studies for the Gillingarra Borefield continued, including modelling of the saline aquifer using seismic, airborne electromagnetic and borehole data. Drilling to expand the monitoring bore network continued, supporting final groundwater modelling and licensing under the *Rights in Water and Irrigation Act 1914*. Caravel presented additional technical studies to DWER, providing further definition of the groundwater systems east of the Muchea Fault.

The expanded bore network now includes a series of three new deep bores that target a new aquifer recently defined by DWER and referred to as the Barberton Consolidated Aquifer. This is a large brackish aquifer confined to the Barberton Terrace and presently has no other users. This aquifer is being investigated as a contingency supply option to support the shallower aquifers to ensure a low risk water solution. No allocations have previously been made from this aquifer however DWER have confirmed it is available for allocation. The Project applications for licencing in the aquifer will be run in parallel with the existing process.

As part of the water investigations an independent review was conducted by Dr Tom Hatton, an authority in saline groundwater systems and a former Chair of the WA EPA. The review examined the rising water tables and associated surface salinisation and the impacts these were having on the environment presently and how these impacts might be affected by the proposed abstraction of water for the project. The review found the current rising water tables and salinity were significantly negative for the environment and the abstraction of water for the project would likely alleviate the current rising trend and have net positive impacts. This supports Caravels decision to target this area for water abstraction with the aim of matching the projects water requirements with the opportunity to address a significant environmental problem, for a net positive outcome.

Water bore drilling and bore development at the Gillingarra borefield 2026 programme.

Regulatory Approvals

Environmental studies addressing feedback on the second draft of the Environmental Review Document (ERD) were finalised during the Quarter. This has enabled substantial completion of a comprehensive, high-quality environmental impact assessment.

In line with our commitment to submitting a robust and complete ERD, targeted engagement with the Department of Water and Environmental Regulation (DWER) has continued on water licensing. This deliberate approach prioritises quality and long-term de-risking for the Project. Once DWER acceptance is received, the ERD will be finalised and submitted, with the five-week Public Environmental Review (PER) public comment period to follow.

This measured strategy is expected to support a more efficient EPA assessment and Ministerial consent process. There is no change to our target for Ministerial approval by the end of 2027. The project has made substantial progress since 2024, overcoming a range of technical and regulatory hurdles.

Environmental baseline monitoring equipment has been installed across the project area, with data collection now underway to support a strong pre-construction environmental baseline for construction and operations.

Engineering Design

Primero progressed the process plant design scope and commenced capital/operating cost estimating. Process flowsheets were finalised along with the project-wide water balance, reducing projected water demand from 18 GL/yr to 12 GL/yr. The integrated site layout was completed for the process plant, tailings management facility, mining pits, and all supporting infrastructure. Specification of major mechanical and electrical equipment was completed. Project scheduling and construction planning also commenced. Recommendations from an independent peer review of the process plant design and draft capital cost estimate are being progressed through value engineering, targeted for completion by mid-August 2026.

DBM Vircon finalised the non-process infrastructure design, including the main project site entrance, heavy mobile equipment workshop, integrated administration building, and fuel/explosives storage and management.

KCB completed tailings characterisation testwork and management facility design to DFS level and raw water storage dam design for life-of-mine operations.

Fortin Pipelines completed borefield and main pipeline design and capital cost estimating.

Product logistics and shipping studies were completed, and engagement with Bunbury and Geraldton port operators commenced.

Power Supply

Caravel received a draft Access Offer from Western Power for connection to the Southwest Interconnected System (SWIS), providing up to 89 MW capacity in winter and 72 MW in summer (see ASX Announcement dated 2 October 2025). To meet the Caravel Copper Project's full ~125 MW peak demand, the Project will incorporate a behind-the-meter (BTM) generation facility on land already secured by the Company and adjacent to the project area.

This comprises approximately 170MW solar PV, 100MW / 400MWh battery energy storage, and 44MW diesel backup (when required). The hybrid configuration ensures reliable supply while delivering the lowest levelised cost of energy for the operation. This power strategy de-risks a critical project input, enables future fleet electrification, and strengthens the Project's economics and execution timeline as we progress the Definitive Feasibility Study.

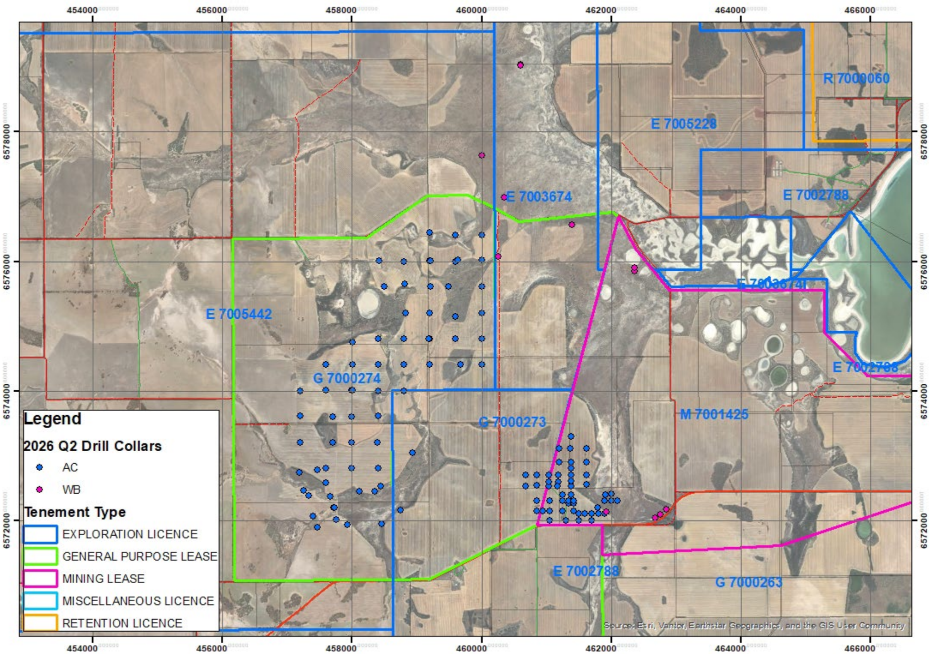
Drilling Programme

A programme of Aircore (AC) sterilisation drilling was completed within the footprint of the proposed tailings management facility in conjunction with KCB to assist with design work.

Additional AC drilling was completed in the process plant area to provide preliminary geotechnical data for foundation design.

AC drilling was also used to install a series of monitoring bores around the Bindi deposit and within the paleochannel adjacent to the North Mortlock River. Hypersaline water from the paleochannel may be suitable for dust suppression within the Project site.

Aircore drilling within the proposed tailings management facility footprint.



Location of AC and water bore collars completed during Q2 2026

Land Tenure

Tenement holdings and changes during the Quarter are set out in Appendix A.

Corporate

Sale of Royalty
Regal's total investment in the Project doubled to $30 million with Caravel receiving an additional $15 million from Regal for a new 0.75% net smelter return royalty over the Caravel Copper Project. Additionally, the maturity date of the existing $15 million loan facility with Regal was extended to 31 March 2028, the terms of which otherwise remain unchanged.

Strategic Partner
Offtake discussions with Adani progressed with the drafting of a concentrate offtake term sheet. Discussions are ongoing.

Precious Metal Stream
Discussions continued with multiple precious metals streamers to support the Project's capital requirements.

Equity
No new shares or options were issued during the Quarter. The following securities remain on issue:

- 558,762,518 shares on issue;
- 26,300,000 unlisted options exercisable at $0.22 and expiring 1 November 2027;
- 10,000,000 unlisted options exercisable at $0.42 and expiring 19 December 2030;
- 1,000,000 performance rights expiring 30 September 2026.

Listing Rule Disclosure
During the Quarter, the Company incurred exploration and evaluation expenditure of approximately $3,953,000, primarily comprising:

- Environmental and water studies (~$1,924,000);
- Mining and Geotechnical studies (~$861,000).
- EPCM and consultants (~$643,000); and
- Metallurgical and tailings management studies (~$470,000);

Aggregate payments to related parties and their associates totalled ~$239,000 (refer to Item 6 of the accompanying Appendix 5B), comprising:

- Directors and Executive Directors' fees ($202,000); and
- GIS/database services and serviced office provision by Mitchell River Group (MRG), where Alasdair Cooke is a director and shareholder ($37,000).

No substantive mining production or development activities occurred during the Quarter.

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

For further information, please contact:
Dan Davis
Company Secretary
Caravel Minerals Limited
Suite 1, 245 Churchill Avenue, Subiaco WA 6010
Telephone: 08 9426 6400
Email: investors@caravelminerals.com.au

Competent Persons Statements

Ore Reserves: The information in this announcement that relates to Ore Reserves has been extracted from the announcement released to ASX on 19 June 2026 titled "Updated Ore Reserve - Caravel Copper Project", for which the Competent Person was Mr Franz Schlosser of Mining Plus Pty Ltd. This announcement is available on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Mineral Resources: The information in this announcement that relates to Mineral Resources has been extracted from the announcement released to ASX on 13 November 2023 titled "2023 Mineral Resource Update, Caravel Copper Project", for which the Competent Person was Mr Lauritz Barnes of Trepanier Pty Ltd. This announcement is available on the Company's website. The Company confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.

Exploration Results: The information in this announcement that relates to Exploration Results has been extracted from the Previous Disclosure listed below for which the Competent Person was Mr Peter Pring, an employee of Caravel Minerals. These announcements are available to view on the Company's website. The Company confirms it is not aware of any new information or data that materially affects the information included in these announcements and that all material assumptions continue to apply and have not materially changed.

Previous Disclosure: The information in this report is based on the following Caravel Minerals ASX Announcements, which are available from the Caravel Minerals website www.caravelminerals.com.au and the ASX website www.asx.com.au:

- 12 July 2022 "Caravel Copper Project Pre-Feasibility Study Highlights Robust, Executable Project and Reports Maiden Ore Reserve"
- 20 September 2022 "Pre-Feasibility Study Update – Caravel Copper Project"
- 13 April 2023 "PFS Processing Update – Caravel Copper Project"
- 10 October 2023 "Drilling Results - Dasher and Bindi"
- 13 November 2023 "2023 Mineral Resource Update - Caravel Copper Project"
- 23 April 2025 "Simplified Process Design Yields High-Grade Cu, Mo and PMs"
- 2 April 2026 "Definitive Feasibility Study Update – DFS Release Extended 3 Months to September 2026"
- 15 June 2026 "$15 Million Royalty Funding Arrangement"
- 19 June 2026 "Updated Ore Reserve - Caravel Copper Project"
- 17 July 2026 "Definitive Feasibility Study - Mining"

Forward Looking Statements

This document may include forward looking statements. Forward looking statements include, but are not necessarily limited to, statements concerning Caravel Minerals planned exploration programmes, studies and other statements that are not historic facts. When used in this document, the words such as "could", "indicates", "plan", "estimate", "expect", "intend", "may", "potential", "should" and similar expressions are forward looking statements. Such statements involve risks and uncertainties, and no assurances can be provided that actual results or work completed will be consistent with these forward-looking statements.

APPENDIX A – TENEMENT SCHEDULE

Project	Location	Tenement	% Equity at beginning of quarter	% Equity at end of quarter	Changes During Quarter
Caravel Copper	Wongan Hills	E70/2788	100	100	-
Caravel Copper	Wongan Hills	E70/3674	100	100	-
Caravel Copper	Wongan Hills	E70/3680	100	100	-
Caravel Copper	Wongan Hills	E70/5228	100	100	-
Caravel Copper	Wongan Hills	R70/0060	80	80	-
Caravel Copper	Wongan Hills	R70/0063	100	100	-
Caravel Copper	Wongan Hills	E70/5442	100	100	-
Caravel Copper	Wongan Hills	E70/6693	100	100	-
Caravel Copper	Bindi	G70/0273	-	-	Application
Caravel Copper	Bindi	G70/0274	-	-	Application
Caravel Copper	Bindi	M70/1425	100	100	-
Caravel Copper	Dasher	G70/0263	100	100	-
Caravel Copper	Dasher	M70/1411	100	100	-
Gillingarra	Victoria Plains	E70/5731	100	100	-
Gillingarra	Victoria Plains	L70/257	-	-	Withdrawn
Mt William	Harvey	E70/2338	- *	- *	Application
Caravel Copper	Wongan Hills	E70/6812	-	-	Application

* Caravel can earn a 51% interest once tenement granted

Appendix 5B

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

Name of entity	
Caravel Minerals Limited	
ABN	**Quarter ended ("current quarter")**
41 120 069 089	30 June 2026

	Consolidated statement of cash flows	Current quarter (3-months) $A'000	Year to date (12-months) $A'000
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(3,953)	(12,394)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(331)	(1,619)
	(e) administration and corporate costs	(553)	(1,735)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	109	511
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	780	780
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(3,948)**	**(14,457)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(20)	(547)
	(d) exploration & evaluation	-	-
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter (3-months) $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	3	3
	(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**	**(17)**	**(544)**

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	-	15,000
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(72)	(72)
3.8	Dividends paid	-	-
3.9	Proceeds from royalty funding / Second Royalty Deed – A$15m (including GST)	16,500	16,500
3.10	**Net cash from / (used in) financing activities**	**16,428**	**31,428**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	9,510	5,546
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,948)	(14,457)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(17)	(544)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	16,428	31,428

Consolidated statement of cash flows		**Current quarter (3-months) $A'000**	**Year to date (12-months) $A'000**
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	**Cash and cash equivalents at end of period**	**21,973**	**21,973**

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	21,773	3,510
5.2	Call deposits	200	6,000
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)**	**21,973**	**9,510**

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	239
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	15,000	15,000
7.2	Credit standby arrangements	-	-
7.3	Other (specify)	-	-
7.4	**Total financing facilities**	15,000	15,000
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.

One loan facility of $15 million, fully drawn:
- Lender: Regal Royalties No.4 Pty Limited
- Interest: 10%pa, capitalised quarterly
- Maturity date: extended to 31 March 2028 (originally: 31 January 2027)

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(3,948)
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)	(3,948)
8.4	Cash and cash equivalents at quarter end (item 4.6)	21,973
8.5	Unused finance facilities available at quarter end (item 7.5)	-
8.6	Total available funding (item 8.4 + item 8.5)	21,973
8.7	**Estimated quarters of funding available (item 8.6 divided by item 8.3)**	5.6

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:

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

-	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 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: 22 July 2026

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.