

ASX RELEASE

28 October 2022

ASX Code: GIB

QUARTERLY REPORT

Period Ending 30 September 2022



GIBB RIVER

DIAMONDS

Quarterly Highlights

Edjudina Gold Project, WA

GIB 100%

- Phase 8 Aircore drilling at the Ace of Hearts Prospect discovered a new mineralised structure which included a drill intersection of 7m at 2.53g/t Au from 9 metres
- This new Ace of Hearts target has considerable potential as it is open for 900 metres along strike. Follow-up drilling is required.

Lithium Generative Project

GIB 100%

- During the quarter the Company commenced an initiative to generate lithium projects using grass-roots exploration methodologies and fieldwork. As a result of this a number of tenements have been pegged. Exploration work is ongoing.

Ellendale Diamond Project, WA

GIB 100% (Under Option)

- Ellendale Project under Option Agreement with Burgundy Diamond Mines Limited (ASX: BDM). GIB hold a total of nine million shares in BDM. The Option expires in late March 2023.
- During the quarter BDM announced a number of project milestones:

3 August	Burgundy brand secures sales agreements
8 September	Recovery of the first diamond: a 1.51 carat yellow
14 September	Commences branded diamond sales

Highland Plains Phosphate Project, NT

GIB 100%

- The Company pegged two new tenements at the Company's NT Phosphate Project. This extends the Phosphate Project area held by GIB by a further 818.9km²
- The Company has received ongoing enquiries from two interested and credible parties with regards to a strategic partnership. Non-disclosure agreements have been signed.
- Mr Jim Richards has been asked to speak at the Australian Potash & Phosphate Conference, to be held in Perth, WA on 22 to 23 November 2022.

Iroquois Zn/Pb Project JV, WA

GIB 20% Free Carry to BFS

- During the quarter, a full-form Joint Venture Agreement between Strickland Metals Limited (ASX: 'STK') and GIB was signed.
- Subsequent to the end of the quarter, STK announced that a Native Title Heritage Survey was underway at Iroquois.

1.0 Edjudina Gold Project

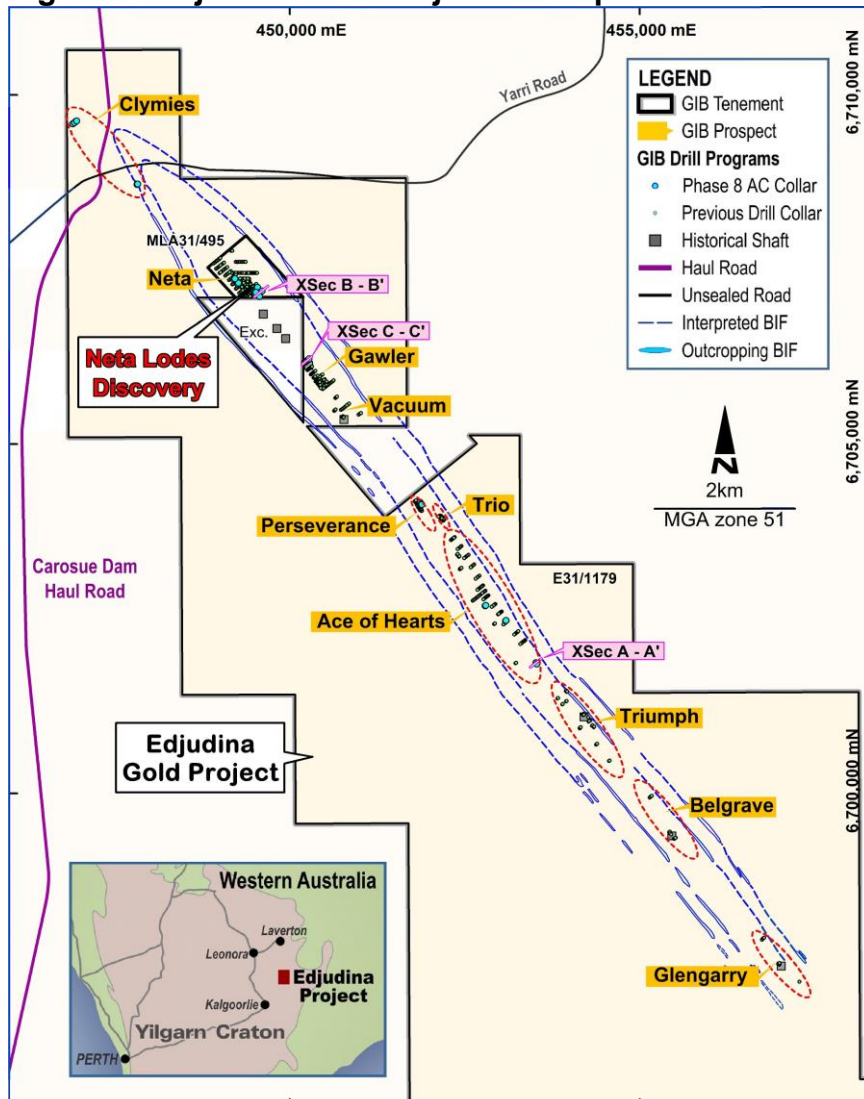
GIB 100%

Gibb River Diamonds Limited’s (‘GIB’ or the ‘Company’) Edjudina Gold Project is 145km north east of Kalgoorlie and is located in the heart of the Eastern Goldfields of WA. The project comprises multiple parallel lines of nearly continuous historic gold workings over a 13km strike in which high grade veins have been worked¹. A haul road owned and operated by Northern Star Resources Limited runs through the north of the project tenement directly to the Carosue Dam milling complex 45 km to the south-west.

During the quarter, the Company drilled and announced the results from the Phase 8 Aircore (AC) drilling program at the Edjudina Gold Project, which took place from 9 to 12 August 2022. A total of 42 holes were drilled for 1,485 metres, with no accidents or lost time incidents.

A total of 540 samples were assayed as either one metre cyclone splits (172 samples), one metre spear samples (162 samples) or composite samples (206 samples), mainly 6 metre composites. Blank, duplicate, standard, and repeat samples were added as necessary to ensure data integrity for future resource calculations. Unusually long assay laboratory turnaround times have caused a significant delay to the reporting of these results and this issue continues to affect the wider gold exploration sector.

Figure 1: Edjudina Gold Project – Prospects Location Map with Phase 8 Drilling



1.1 Ace of Hearts Prospect

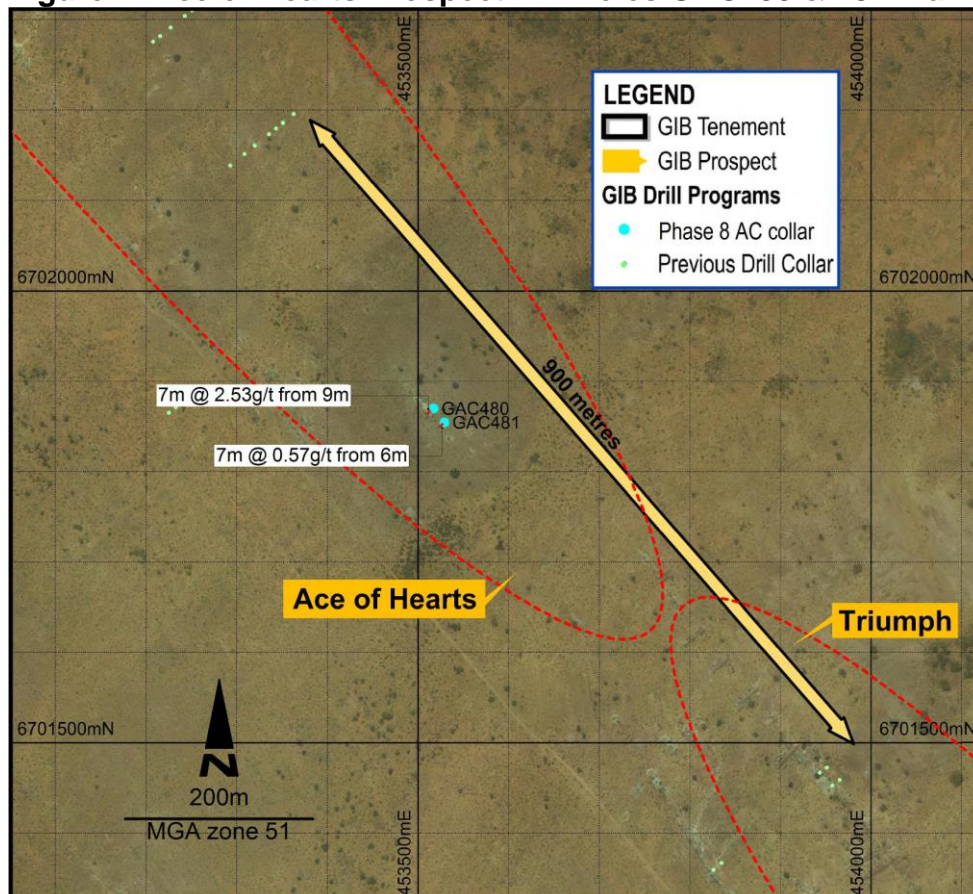
Phase 8 Aircore drilling at the Ace of Hearts Prospect has discovered a new mineralised structure which includes a drill intersection from GAC480 of 7m at 2.53g/t Au from 9 metres.

This new Ace of Hearts target has considerable potential as it is open for 900 metres to the north and south. Hole GAC 481 is situated 20 metres south-east of GAC480 and targeted the same structure. GAC481 returned 7m @ 0.57g/t from 6m and although the tenor of mineralisation is lower than in GAC480, the result is very favourable as the two holes do correlate and indicate a mineralised structure with considerable strike potential.

GAC480 and 481 were drilled on a minor topographic high with ~1.5m thick outcropping boudinaged quartz veins with surrounding argillic/limonitic alteration of the host phyllites. The structure hosted artisanal gold workings.

These are highly encouraging results which open up further extension targets along strike and down-dip. This area is previously undrilled and has considerable potential and is now a target for follow-up drilling.

Figure 2: Ace of Hearts Prospect Drillholes GAC480 & 481 Plan View



1.2 Edjudina Project: Other Prospects

Other Prospects drilled include Neta, Gawler, Perseverance, Staunton and Clymies. Detailed results for these prospects were reported in the ASX Release dated 10 October 2022.

1.3 Edjudina Project Metallurgical Testing

Ongoing metallurgical studies of the Edjudina Gold Project are progressing under the supervision of our metallurgical consultants Orway Mineral Consultants ('OMC'). These metallurgical studies are important in assisting the Company to better understand and advance the Edjudina Gold Project. The Company looks forward to reporting the results from this testwork once all testing has been completed and assessed

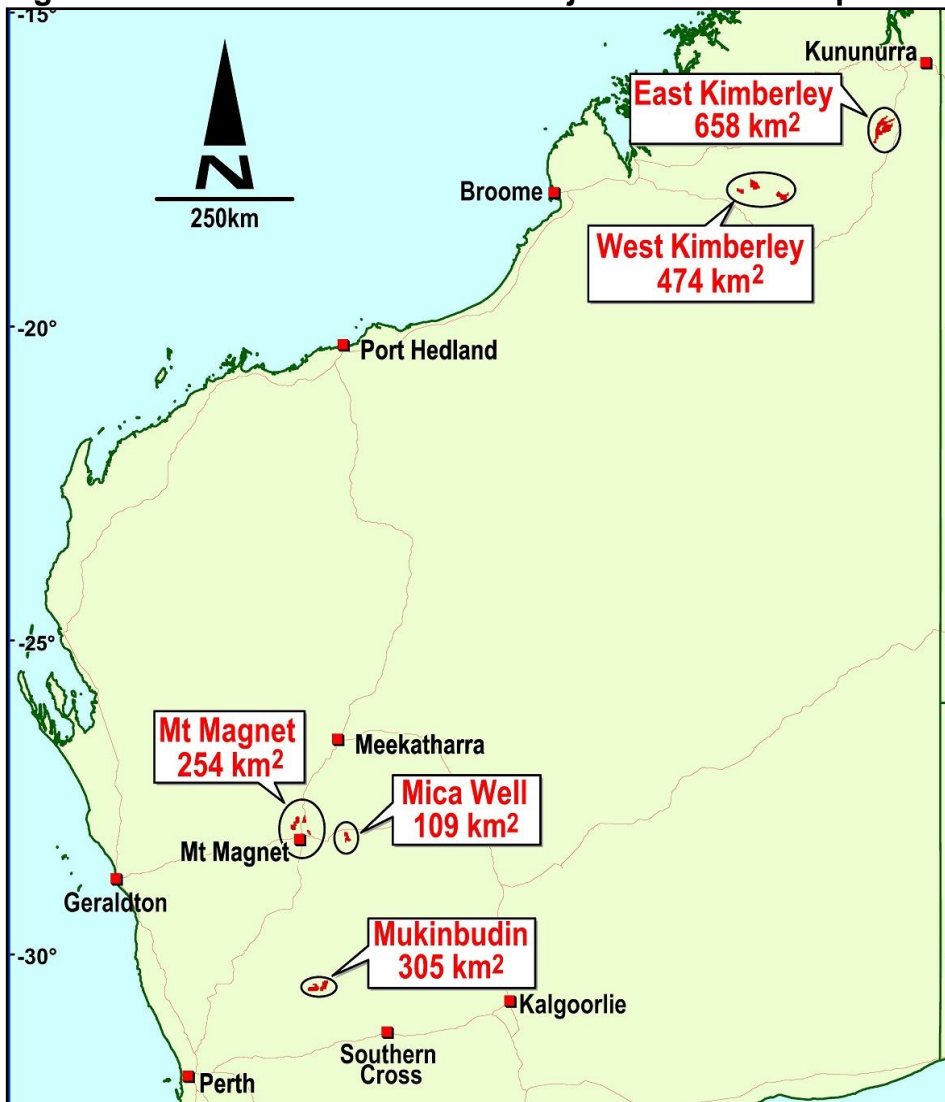
2.0 Lithium Generative Project

GIB 100%

During the quarter the Company commenced an initiative to generate lithium projects using grass-roots exploration methodologies and fieldwork. As a result of this a number of tenements have been pegged and new pegmatites (non-lithium bearing) were discovered in the vicinity of Mount Magnet, WA. These initiatives were reported to the ASX on 26 October 2022, subsequent to the end of the quarter⁴.

GIB believes that the green energy metals space is a very commercially attractive place to operate. The Company is committed to generating projects within this space which have the potential to add significant shareholder value.

Figure 3: GIB Lithium Generative Projects Location Map



3.0 Ellendale Diamond Project

GIB 100% (under option)

The Company announced on 24 March 2021, the sale of a two year Option agreement with ASX listed Burgundy Diamond Mines Limited (ASX: 'BDM' or 'Burgundy'), which confers the right for Burgundy to acquire 100% of the Ellendale Diamond Project, WA.

The total transaction consideration was for \$6.7 million in cash, 16 million BDM shares, and a 1.5% gross revenue royalty. The cash and shares component consists of three staged payments over two years; with the third payment to exercise the Option.

The first payment was made in March 2021 (\$1.7 million in cash and the issue to GIB of 4 million fully paid ordinary shares in BDM). The second payment to GIB was made in late March 2022 (A\$1 million in cash (plus GST) and issue to GIB 5 million fully paid ordinary shares in BDM).

The third Payment to GIB (and to exercise the Option), is due in late March 2023 and will result in BDM purchasing the Ellendale Diamond Project. BDM are to pay GIB A\$4 million in cash and issue to GIB 7 million fully paid ordinary shares in BDM (at BDM's election).

Should Burgundy elect not to proceed with the payments to GIB as detailed above, then (excepting conditions precedent), the Option will not have been exercised and GIB will retain the Ellendale Diamond Project 100%.

3.1 Ellendale Project Update

During the quarter, BDM released a number of announcements which track the progress of the Ellendale Diamond Project, these include a number of project milestones:

- 3 August Burgundy brand secures sales agreements
- 8 September Recovery of the first diamond: a 1.51 carat yellow
- 14 September Commences branded diamond sales

On 17 October 2022, subsequent to the end of the quarter, Burgundy release a presentation to the ASX with an outlook for the Ellendale Project stating:

- Operational ramp-up of sample plant
- Initial small-scale production in Q4 2022
- Incremental expansion steps from 2023

GIB welcomes this operational progress at Ellendale and notes that the Company's 1.5% gross revenue royalty is payable on any production by BDM, including any production prior to the exercise of the Option.

4.0 NT Phosphate Project

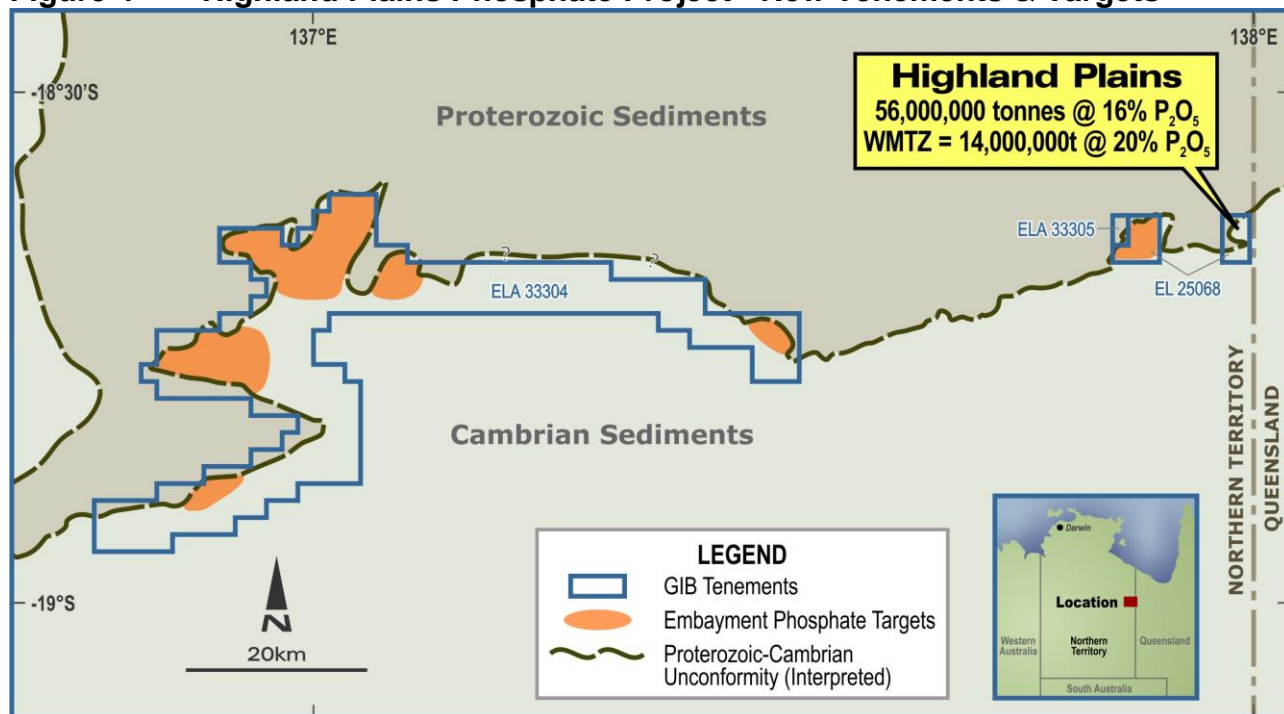
GIB 100%

The NT Phosphate Project includes the Highland Plains Phosphate Project which has a JORC (2004) compliant Inferred Resource of 53 million tonnes at 16% P₂O₅, (POZ ASX release dated 31 March 2009^A)². The project is 100% owned by GIB with no private royalties.

4.1 NT Phosphate Project: New Tenements Acquired

During the quarter the Company pegged two new tenements at the Company's NT Phosphate Project (GIB 100%), EL33304 and EL33305 (Figure 4). These tenements are proximal to the Company's existing Highland Plains Phosphate Project and target the same embayment style of phosphate mineralisation to that found at Highland Plains. This extends the Phosphate Project area held by GIB by a further 818.9km².

Figure 4 Highland Plains Phosphate Project - New Tenements & Targets



4.2 NT Phosphate Project: Further Work

The Company is seeking a strategic investment partner to assist GIB to progress the Highland Plains Phosphate Project. The Company has received ongoing enquiries from two interested and credible parties with regards to a strategic partnership. Non-disclosure agreements have been signed.

4.3 Rock Phosphate Prices

There has been a significant re-rating in rock phosphate prices over the last twelve months. The World Bank Pink Sheet average monthly price for September 2022, quotes the rock phosphate price as US\$320.0/tonne. This is significantly up from US\$107.50/tonne from the Pink sheet April-June 2021 price.

4.4 Australian Potash & Phosphate Conference, 22-23 November 2022

Mr Jim Richards has been asked to speak at the Australian Potash & Phosphate Conference, to be held in Perth, WA on 22 to 23 November 2022. The title of the talk is '*The Highland Plains Phosphate Project – Location, Grade & Development Flexibility*'.

The Company welcomes this opportunity to further promote the Highland Plains Phosphate Project and believes this conference initiative by leading events organiser, Informa Connect Australia, reflects growing confidence in the outlook for the phosphate mining sector.

5.0 Iroquois Zn/Pb Project

GIB 20% Free-carry to BFS

GIB holds a 20% equity in tenement E69/2820 which lies approximately 100km north-east of Wiluna, WA. The tenement hosts the Iroquois Zn-Pb Project which has previously reported excellent drilling results including IQRC001: 23m @ 5.5% Zn + Pb from 108m³. The 20% GIB equity is free carried to completion of Bankable Feasibility Study (BFS).

On 27 July 2022, GIB and STK announced the signing of a full-form Joint Venture Agreement. In the same announcement, STK stated a number of initiatives at Iroquois which include:

- Drilling program to commence subject to approvals and heritage clearances.
- Initial 5,000m of drilling in follow up to the highly successful 2021 program.
- A further 5,000m of drilling will be planned subject to the success of the initial program.

Subsequent to the end of the quarter, STK announced its intention to spin out the STK-held share of the Iroquois Project, and other assets into a wholly owned subsidiary which will seek to list on the ASX.

GIB believes it is in the best interests of shareholders of both STK and GIB for the drilling commitments made by STK in the ASX release dated 27 July 2022 to be completed at the earliest possible opportunity.

On 25 October 2022, subsequent to the end of the quarter, STK announced that a Native Title Heritage Survey was underway at Iroquois. This is a welcome development to facilitate drilling at the Iroquois Project.

6.0 Quarterly Summary

GIB is pleased with the ongoing progress at the Edjudina gold Project, with the Phase 8 drilling discovery of a new mineralised structure at the Ace of Hearts Project providing an excellent target for follow-up drilling with 900 meters of strike potential.

Mr Jim Richards, has been asked to speak at the Australian Potash & Phosphate Conference, to be held in Perth, WA on 22 to 23 November 2022. The Company welcomes this opportunity to further promote the Highland Plains Phosphate Project and believes this conference initiative by leading events organiser, Informa Connect Australia, reflects growing confidence in the outlook for the phosphate mining sector.

Other Projects in which the Company owns significant interests include the Ellendale Diamond Project and the Iroquois Zn-Pb Projects. GIB continues to follow with keen interest the developments at these projects, both of which have the potential to make a significant contribution to the Company.

GIB believes that the green energy metals space is a very commercially attractive place to operate and the Company is committed to generating projects within this space which have the potential to add significant shareholder value. Ongoing project generation and fieldwork on the Company's recently acquired Li-REE tenements will continue during the upcoming quarter.

Jim Richards
Executive Chairman

Enquiries To: Mr Jim Richards +61 8 9422 9500

Note 6 to Appendix 5B:

Payments to related parties of the entity and their associates: during the quarter \$100,000 was paid to Directors and associates for salaries superannuation and consulting fees.

References:

¹Phase 8 Drilling Discovers New 'Ace of Hearts Target' at Edjudina Gold Project; GIB ASX Announcement dated 10 October 2022

²Maiden JORC Phosphate Resource at Highland Plains; POZ/GIB ASX Release dated 31 March 2009

³High Grade Mississippi Valley-Type Zinc-Lead Discovery in Earraheedy Basin; Strickland Metals Limited; ASX Announcement dated 14 October 2021

⁴Lithium Project Update; GIB; ASX Announcement dated 26 October 2022

The information in this report that relates to current and previously reported exploration results and JORC Exploration Targets is based on information compiled by Mr. Jim Richards who is a Member of The Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr. Richards is a Director of GIB River Diamonds Limited. Mr. Richards has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr. Richards consents to the inclusion in the report of the matters based on the information in the form and context in which it appears.

The information in this report that relates to the GIB minority interest in the Joint Venture over E69/2820, has been derived from information reported to the ASX by Strickland Metals Limited (ASX: STK) as referenced in this report.

The Information in this report that relates to Highland Plains Mineral Resources is based on information compiled by Mr Jim Richards who is a member of the Australasian Institute of Mining and Metallurgy and a Member of the Australian Institute of Geoscientists. Mr Richards is an employee of GIB and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a competent Person as defined in the December 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Richards consents to the inclusion in this report of the Information, in the form and context in which it appears.

^AThe Company is not aware of any new information or data that materially affects the information included in this or previous announcements (JORC 2004) and that all of the previous assumptions and technical parameters underpinning the estimates in the previous announcement(s)/year have not materially changed.

No New Information

To the extent that the announcement contains references to prior technical information, exploration results and mineral resources; these have been cross referenced to previous market announcements made by the Company. These had been disclosed to JORC 2012 standard. Unless explicitly stated, no new information is contained. The Company confirms that it is not aware of any new information or data that materially affects the information included in the relevant market announcements that assumptions and technical parameters underpinning the relevant market announcement continue to apply and have not materially changed.

Appendix A - Mining Tenement Interests

Table 1: Western Australia

Lease	State	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
E04/2415	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
E04/2416	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
E04/2665	WA	Granted	100%	0%	0%	Application: Under Option to BDM
E04/2666	WA	Granted	100%	0%	0%	Application: Under Option to BDM
E04/2685	WA	Withdrawn	0%	0%	100%	Application: Under Option to BDM
E04/2824	WA	Application	100%	100%	0%	Application: Under Option to BDM
E04/2825	WA	Application	100%	100%	0%	Application: Under Option to BDM
E04/2843	WA	Application	100%	100%	0%	GIB 100%
E04/2844	WA	Application	100%	100%	0%	GIB 100%
E80/5831	WA	Application	100%	100%	0%	GIB 100%
E58/593	WA	Application	100%	100%	0%	GIB 100%
E58/594	WA	Application	100%	100%	0%	GIB 100%
E58/595	WA	Application	100%	100%	0%	GIB 100%
M04/465	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
M04/466	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
M04/467	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
M04/475	WA	Application	100%	0%	0%	Application: Under Option to BDM
M04/476	WA	Application	100%	0%	0%	Application: Under Option to BDM
M04/477	WA	Application	100%	0%	0%	Application: Under Option to BDM
P04/277-287	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
P58/1929	WA	Application	100%	100%	0%	GIB 100%
P58/1930	WA	Application	100%	100%	0%	GIB 100%
P58/1931	WA	Application	100%	100%	0%	GIB 100%
P58/1932	WA	Application	100%	100%	0%	GIB 100%
E69/2820	WA	Granted	20%	0%	0%	JV with Strickland Metals Limited – GIB 20% Free Carry to BFS

Table 1: Western Australia (continued)

Lease	State	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
L04/98	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/100	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/105	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/106	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/107	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/115	WA	Granted	100%	0%	0%	Granted: Under Option to BDM
L04/116	WA	Granted	100%	100%	0%	Granted: Under Option to BDM
E31/1179	WA	Granted	100%	100%	0%	Granted
M31/495	WA	Application	100%	100%	0%	Application: GIB 100%

Table 2: Northern Territory

Lease	Mineral Field	Location	Status	Held at end of quarter %	Acquired during the quarter %	Disposed of during the quarter %	Beneficial interests in farm-in or farm-out agreements at the end of the quarter
EL25068	NT	Highland Plains	Granted	100%	0%	0%	GIB 100%:

Appendix 5B

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

Name of entity

Gibb River Diamonds Limited

ABN

51 129 158 550

Quarter ended ("current quarter")

30 September 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)		
(b) development		
(c) production		
(d) staff costs	(131)	(131)
(e) administration and corporate costs	(159)	(159)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
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	(288)	(288)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)	(341)	(341)
(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 (3 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	(341)	(341)

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		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (Lease prepayments)	(8)	(8)
3.10	Net cash from / (used in) financing activities	(7)	(8)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,109	2,317
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(288)	(826)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(341)	(341)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(8)	(8)
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	1,472	1,472

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	125	124
5.2	Call deposits	1,348	1,596
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)	1,472	2,109

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	100
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

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		
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(288)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(341)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(629)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	1,472
8.5 Unused finance facilities available at quarter end (Item 7.5)	
8.6 Total available funding (Item 8.4 + Item 8.5)	2,109
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.34 quarters
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer:	
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:	
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:	

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: 31 October 2022

Authorised by:

By the Board

(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.