

ASX Announcement

30 JANUARY 2023

DECEMBER 2022 – QUARTERLY REPORT

Highlights

PARKWAY PROCESS TECHNOLOGIES (PPT)

- Continued progress in leveraging proprietary process technology platform to support existing and emerging business development initiatives in a range of industrial applications.
- iBC[®] Technology Platform
 - Achieved **breakthrough in treating CSG brines**, through proprietary iBC[®] flowsheet.
 - Innovative iBC[®] flowsheet **successfully scaled-up** in new large scale iBC[®] pilot plant.
- Commercialisation activities include ongoing techno-economic evaluations to demonstrate the substantial operational, financial and sustainability advantages of the technology portfolio.
- Parkway is providing services to Shell in Australia.

PARKWAY PROCESS SOLUTIONS (PPS)

- Strategic Positioning
 - Increased focus on PPT and strategically important projects, over short-term sales.
- Business Development
 - Ongoing success in securing new business from a diverse range of clients, for the provision of industrial water treatment related products, services and solutions.
- Product Range Development
 - Continued expansion of industrial water treatment related product range, including in relation to ultrapure water systems suitable for green hydrogen production facilities.

PARKWAY CORPORATE (PCL, GROUP)

- Group sales underpinned by a growing project backlog, with \$0.94 million in revenues generated during the period.
- Finalised payment of contingent consideration relating to the acquisition of Mawpump Pty Ltd.
- As of 31 December 2022, the Company held \$2.31 million in cash reserves. Cash balance excludes grant funds, R&D tax incentive rebate for FY22 and other receivables.
- Group sales in CY2023-YTD tracking ahead of budget (no guidance provided).

Parkway Corporate Limited (“**Parkway**” or the “**Company**”) (ASX: PWN) is pleased to report its activities for the quarter ending 31 December 2022. This report is presented by operating division (strategic business unit), i) Parkway Process Technologies (PPT), ii) Parkway Process Solutions (PPS), iii) Parkway Ventures (PV) and iv) Corporate (Parkway Group).



PARKWAY PROCESS TECHNOLOGIES

Parkway Process Technologies (PPT) continued to make significant progress in leveraging its proprietary process technology platform to support existing and emerging business development initiatives. During the reporting period, Parkway continued to engage with a range of existing and prospective clients requiring industrial process expertise, particularly in the field of processing hypersaline brines, including but not limited to potash and lithium containing brines.

Core Technology – iBC®

The iBC® technology involves the pre-treatment of complex brines, particularly from the energy, mining and other industrial sectors, enabling further downstream processing, to reduce wastewater volumes and potentially recover a range of valuable chemical products.

Recent evaluations continue to provide encouragement that in addition to achieving significant wastewater volume reductions, the application of the iBC® technology is likely to be able to achieve a highly desirable zero-liquid discharge (ZLD) solution for certain applications. The advantages of a ZLD approach, incorporating an iBC® based processing route, also has the potential to create a valuable revenue stream, through the sale of industrial chemicals, particularly sodium hydroxide. Following recent agreements involving the iBC® technology with global engineering company Worley and a major global energy company, Parkway is also exploring several large-scale and high-value applications of the iBC® technology with a range of other industrial companies.

During the quarter, Parkway announced it had achieved a breakthrough in relation to the treatment of concentrated coal seam gas (CSG) derived brines, through a proprietary iBC® based flowsheet. These highly encouraging results were initially achieved at an experimental scale, and later validated at bench scale on larger concentrated brine samples. Following confirmation that the bench scale testing had achieved all key process parameters, testing of the flowsheet was subsequently scaled-up further in the recently commissioned large scale iBC® pilot plant, where bulk brine samples were tested. The large scale iBC® piloting provides further confidence that the proprietary iBC® based flowsheets developed by Parkway, are capable of being scaled-up and successfully operated at an industrial scale.

Core Technology – aMES®

The aMES® technology enables the processing of concentrated industrial process and wastewater streams including brine solutions, to recover a range of valuable compounds, reagents, and fresh water.

In late 2020, Parkway finalised the Karinga Lakes Potash Project – Pre-feasibility Study (KLPP-PFS), which assisted Parkway demonstrate the significant advantages of the aMES® technology in a sulphate of potash (SOP) related application. In conjunction with the KLPP-PFS, a new state-of-the-art aMES® pilot plant was commissioned, providing Parkway with an important process demonstration, optimisation and validation capability, an essential requirement for successful commercialisation of the aMES® technology. The performance data generated by the aMES® pilot plant, has provided important information that will impact the engineering design of a commercial-scale modularised aMES® plant. An important advantage of the aMES® technology that is of increasing interest in SOP production, is that the aMES® technology incorporates a direct induced crystallisation approach, which avoids the requirement for flotation-based processing. Recent experiences with flotation by various SOP projects under development in Australia, highlight the challenges associated with flotation-based flowsheets, particularly when processing feed salts of varying quality, which invariably occurs, when dealing with solar evaporation derived salts. Parkway continues to perform a range of aMES® technology related techno-economic evaluations, including in relation to an ongoing feasibility study, as well as engage in discussions with several parties, to further advance a range of prospective commercial arrangements.

Other Technologies

By leveraging the process engineering capabilities of Parkway, PPT has developed innovative applications for a range of water and wastewater treatment related processes, to achieve improvements in the processing and treatment of challenging industrial wastewater streams. Parkway continues to make progress with several innovative technologies, addressing a range of industrial applications, particularly complex wastewater streams, associated with large scale energy and mining operations.

During the reporting period, PPT continued to develop and assess the feasibility of a variety of innovative industrial water treatment related technologies. This process typically incorporates a range of desktop, experimental and piloting related activities. Parkway continues to make solid progress in building a portfolio of technologies, capable of providing a highly integrated process solution, for a range of complex wastewater and process streams traditionally considered difficult to treat. Potential applications for these emerging technologies include, but are not limited to, the treatment of a range of complex industrial wastewater streams, including acid and metalliferous drainage (AMD).

Commercialisation Activities

Parkway continues to perform a range of evaluations to demonstrate the substantial operational, financial and sustainability advantages of the technology portfolio, incorporating both the core and other technologies, as outlined above. As these initiatives continue to progress positively, several commercially focused milestones are anticipated in the near term.

Parkway is providing services to Shell in Australia.

PARKWAY PROCESS SOLUTIONS

Parkway Process Solutions (PPS) is a wholly owned subsidiary and the primary operating division of the Company.

Business & Corporate Development

Parkway continued to strategically expand the operations of PPS, by pursuing a range of commercial opportunities relating to industrial water and wastewater treatment, predominantly in Australia. In addition to generating sales through the provision of conventional water and wastewater treatment solutions, PPS is increasingly supporting the commercialisation of Parkway's next-generation technology portfolio, including the delivery of highly differentiated integrated water treatment and industrial process solutions.

Product Range Development

As an existing supplier of small-scale ultrapure water (UPW) systems, PPS is leveraging its inhouse capabilities and expertise, to develop and procure larger capacity, high-performance UPW systems, suitable for a range of high-value applications, including green hydrogen production. Given the growing pipeline of green hydrogen projects, PPS considers the opportunity to supply high-performance UPW systems to be an attractive opportunity. As the exclusive Australian distributor for a leading European OEM, PPS has recently procured a larger capacity pre-engineered system from Germany, which is expected to be available for sale in Australia, in coming months.

Business Development

During the reporting period, PPS continued to improve its market penetration by securing new business from a diverse range of clients, for the provision of industrial water treatment related products, services and solutions. PPS continues to grow its client base, which includes large mining and energy companies, a diverse range of industrial companies, as well as engineering services, government, and municipal clients, amongst others.

Strategic Positioning

In addition to the projects outlined above, PPS continues to progress a diverse range of business development opportunities, including collaborations with several clients. During the reporting period, Parkway continued to focus on strategically important projects, particularly technology focused, with less focus on short-term revenue generation. Importantly, the growing inhouse product development capabilities, are increasingly assisting PPS in designing modular water treatment (and related process) plants, incorporating technologies being commercialised by Parkway Process Technologies (PPT).

PARKWAY VENTURES

Parkway Ventures (PV) holds resource project and royalty related interests owned by Parkway.

Karinga Lakes Potash Project (KLPP, 40% working interest)

Parkway currently holds an equity interest in the Karinga Lakes Potash Project (KLPP), through Parkway Ventures. The KLPP is a joint venture between Verdant Minerals Pty Ltd and Consolidated Potash Corporation Pty Ltd (a wholly owned subsidiary of Parkway), which is administered through Territory Potash Pty Ltd (JV Operator).

By way of background, on 05 November 2020, Parkway announced completion of the KLPP-PFS, a pre-feasibility study based on the strategic application of the aMES® technology. The Company notes the general strength in agricultural commodity markets, is supporting elevated fertiliser prices, with the primary target product from the KLPP, sulphate of potash (SOP), recently trading significantly higher than the prices assumed by Parkway in the KLPP-PFS.

As of 31 December 2022, exploration tenure for the KLPP project area was held in the three granted exploration licences, details of which are outlined in the *Tenement Interests* section of this report, outlined below.

During the quarter, no substantive mining exploration activities occurred in relation to this project.

Mineral Resources

The Mineral Resource Estimate underpinning the KLPP-PFS is summarised below.

Lake	Mineralisation Contained in Drainable Porosity	Indicated Mineral Resource contained in Total Porosity that meets reasonable prospects of economic extraction	Production
	Potassium Tonnage	Potassium Tonnage	Potassium Tonnage
	(kt)	(kt)	(kT)
Lakes included in the mine plan (x8)			
Sub Total	300	580	430
Remaining Lakes (x16)			
Sub total	220	430	
Totals	520	1000	430

The Mineral Resource estimate underpinning the production targets in this announcement was prepared by a competent person in accordance with the requirements of the JORC Code 2012.

COMPETENT PERSONS STATEMENT

Parkway reported the Mineral Resource estimate for the Karinga Lakes Potash Project in accordance with Listing Rule 5.8 in its ASX announcement dated 5 November 2020. Parkway confirms that it is not aware of any new information or data that materially affects the information included in the announcement of 5 November 2020 and that all material assumptions and technical parameters underpinning the estimates in the announcement of 5 November 2020 continue to apply and have not materially changed.

CORPORATE

Quarterly Sales

During the reporting period, Parkway generated group revenues of approximately \$0.94 million, with cash receipts of \$0.87 million, underpinned by a growing project backlog.

Funding

Parkway experienced cash outflows of \$0.78 million during the quarter, as a result of ongoing investment in the technology portfolio, expansion of Parkway Process Solutions operations, including funding of work in progress. A further investment related cash outflow of \$0.26 million was experienced, in relation to the final cash payment (contingent consideration of \$0.26 million paid) relating to the acquisition of Mawpump Pty Ltd as announced on 03 September 2021.

Notwithstanding the ongoing investment in a range of strategic initiatives including the expansion of operations, as of 31 December 2022, Parkway held cash reserves of \$2.31 million, excluding i) undrawn grant funds, ii) R&D rebate for FY22, and iii) other receivables.

Research Grant Funding

Parkway has recently commenced a new project titled, “*An integrated water treatment process for valuable nutrient recovery and purification from industrial waste streams*”, through an Australian Research Council (ARC) supported research hub focused on the circular economy. The overall budget for the project developed by Parkway, is in the order of \$1,140,000 (excluding in-kind contributions), over a period of 4 years, where Parkway will be contributing in the order of \$125,000 annually, for the duration of the project. The balance of project funding (\$640,000) will be provided by the ARC and Parkway’s longstanding research partner Victoria University.

Parkway acknowledges the financial support of the Australian Government through the Australian Research Council.

R&D Rebate

As a technology focused company, Parkway continues to invest in a range of commercially oriented, industrial research and development related initiatives. As a result of these ongoing activities, Parkway expects to receive an Australian Government research and development tax incentive (R&DTI) payment in relation to eligible activities performed during FY22 and FY23.

Cash on Hand

As of 31 December 2022, the company held \$2.31 million in cash reserves. As outlined above, it should be noted that the reported cash balance excludes, i) undrawn grant funds, ii) the anticipated R&D rebate for FY22, and iii) other receivables.

Investor Relations

Following the formal business of the 2022 Parkway Annual General Meeting held on 29 November 2022, Parkway Group Managing Director & CEO, Bahay Ozcakmak, provided a corporate update including operational performance, important strategic developments as well as recent achievements.

Other Items

As a result of joint venture administration procedures relating to the Karinga Lakes Potash Project (KLPP, as outlined above), during the quarter, no substantive mining exploration activities occurred in relation to this project.

During the same period, \$0.58 million was incurred in relation to staff costs, \$0.34 million in administration and corporate costs, and \$0.73 million for cost of goods sold and additional inventory.

Additional details are provided in the attached *Appendix 5B*.

Payments to Related Parties

As outlined in the attached *Appendix 5B* (section 6.1), during the quarter approximately \$0.15 million in payments were made to related parties and their associates for director salaries, consultancy fees, superannuation, and other related costs.

Tenement Interests

As of 31 December 2022, Parkway held an interest in the following Mineral Exploration Licences (ELs) held through the KLPP-JV:

Australian Projects – Karinga Lakes Potash Project

Tenement ID	Location	State	Interest ¹
EL32249	Karinga Lakes	NT	40%
EL32250	Karinga Lakes	NT	40%
EL32251	Karinga Lakes	NT	40%

Activities Subsequent to Reporting Period

Group sales for CY2023-YTD are tracking ahead of budget, although the company does not intend to provide any form of revenue guidance, at this time (no guidance intended or provided).

On behalf of Parkway Corporate Limited.



Bahay Ozcakmak

Group Managing Director & CEO

The attached Appendix 5B has been authorised for release by Bahay Ozcakmak (Group MD & CEO) and Robert Van der Laan (Group CFO).

ADDITIONAL INFORMATION

For further information or investor enquiries, please contact:

Bahay Ozcakmak

Group MD & CEO

solutions@pwnps.com

General Enquiries

1300 7275929

[1300 PARKWAY](#)

¹ Following recent satisfaction of the earn-in requirements, as announced on 24 June 2022, the KLPP-JV parties are working collaboratively to assign the Company's interest in the KLPP tenements and undertake the administrative process to register the Company's interest.

FORWARD-LOOKING STATEMENTS

This announcement may contain certain “forward-looking statements”. The words “continue”, “expect”, “forecast”, “potential” and other similar expressions are intended to identify “forward-looking statements”. Indications of (and any guidance on) future earnings, financial position, capex requirements and performance are also “forward-looking statements”, as are statements regarding internal management estimates and assessments of market outlook.

Where Parkway expresses or implies an expectation or belief as to future events or results, such expectation or belief is expressed in good faith and believed to have a reasonable basis. However, “forward-looking statements” are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Parkway, its officers, employees, agents and advisors, that may cause actual results to differ materially from those expressed or implied in such statements. There can be no assurance that actual outcomes will not differ materially from these statements. There are usually differences between forecast and actual results, because events and actual circumstances frequently do not occur as forecast and their differences may be material.

Parkway does not undertake any obligation to publicly release any revisions to any “forward-looking statements” to reflect events or circumstances after the date of this announcement, or to reflect the occurrence of unanticipated events, except as may be required under the applicable securities laws.

ABOUT PARKWAY CORPORATE LIMITED

Parkway Corporate Limited is an Australian cleantech company focused on developing and implementing, industrial-scale innovative water treatment solutions. Parkway is listed on the Australian Securities Exchange (ASX: PWN) and is emerging as an innovative player in water related sustainability solutions. With significant inhouse technical expertise and established partnerships, Parkway is well-placed to deliver the next generation of wastewater treatment plants, incorporating the company’s portfolio of world-class technologies.

Parkway operates through three (3) core business units, comprising:

- Parkway Process Solutions (PPS) – Parkway’s primary operating division and an emerging provider of industrial water treatment products, services, solutions and associated technology to customers throughout Australia. PPS has recently established commercial relationships with key water industry participants, including globally recognised OEMs;
- Parkway Process Technologies (PPT) – Parkway’s technology development, acquisition, and commercialisation division. PPT owns a portfolio of industrial wastewater treatment technologies, including the patented aMES® and iBC® process technologies. PPT has global aspirations and is supported by a network of strategic partners, including global engineering company Worley; and
- Parkway Ventures (PV) – holds a portfolio of project equity and royalty interests, including interests relating to Parkway’s Karinga Lakes Potash Project in the Northern Territory of Australia.

Additional information regarding Parkway, including an overview of the corporate structure of Parkway and the companies in its corporate group, can be found at: www.pwnps.com/pages/about-us.

SOCIAL MEDIA & EMAIL ALERTS

Parkway is committed to communicating with the investment community through all available channels. Whilst the ASX announcements platform remains the most appropriate channel for market-sensitive news about Parkway, investors and other interested parties are also encouraged to:

- follow Parkway on LinkedIn, Twitter, Facebook and YouTube; and
- subscribe for our email alert service, Parkway News Alerts, on our website (www.pwnps.com).

Appendix 5B

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

Name of entity

Parkway Corporate Limited

ABN

62 147 346 334

Quarter ended ("current quarter")

31 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (06months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	866	2,086
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	(6)	(11)
(c) production	-	-
(d) staff costs	(578)	(1,255)
(e) administration and corporate costs	(335)	(764)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Cost of goods sold & inventory purchase)	(729)	(1,525)
1.9 Net cash from / (used in) operating activities	(778)	(1,465)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	(259)	(259)
(b) tenements	-	-
(c) property, plant and equipment	-	(24)
(d) exploration & evaluation	-	-
(e) investments	-	-
(f) other non-current assets	-	-

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (06months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	2
	(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	(259)	(281)

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 (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	3,346	4,055
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(778)	(1,465)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(259)	(281)
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 (06months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,309	2,309

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	2,264	3,301
5.2	Call deposits	45	45
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)	2,309	3,346

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	151
6.2	Aggregate amount of payments to related parties and their associates included in item 2	
<i>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.</i>		

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) (778)
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) (778)
8.4	Cash and cash equivalents at quarter end (item 4.6) 2,309
8.5	Unused finance facilities available at quarter end (item 7.5) -
8.6	Total available funding (item 8.4 + item 8.5) 2,309
8.7	Estimated quarters of funding available (item 8.6 divided by item 8.3) 2.96
<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:	

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

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

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: 30 January 2023

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.