



Investor Presentation Annexure

Key Risks Overview

April 2020



Key Risks – Company Specific Risks

Overview

This section discusses some of the key risks associated with any investment in WarpForge Limited (“WarpForge”), which may affect the value of WarpForge’s shares. The risks set out below are not listed in order of importance and do not constitute an exhaustive list of all risks involved with an investment in WarpForge. Before investing in WarpForge, you should be aware that an investment in WarpForge has a number of risks, some of which are specific to WarpForge and some of which relate to securities generally, and many of which are beyond the control of WarpForge. Before investing in WarpForge shares, you should consider whether this investment is suitable for you. Potential investors should consider publicly available information on WarpForge, carefully consider their personal circumstances and consult their stockbroker, solicitor, accountant or other professional adviser before making an investment decision.

#	Risk	Summary
1	Early stage technology	The Company’s manufacturing and associated technologies are at a relatively early stage of development. To the extent that the manufacturing technology is relatively untested, the profitability and sustainability of the Company’s business model is uncertain. There is no assurance that the Company will be able to fully develop its technologies to meet the Company’s operational objectives, and failure to meet such objectives may adversely impact the financial position and operating results of the Company.
2	Limited operating history	The Company was incorporated in 2016, and therefore has a limited operating history. Due to only incurring losses since its inception, it is not possible to evaluate WarpForge’s prospects based on past performance. As WarpForge intends to invest in the commercial development of its technologies it is anticipated that the Company will incur further losses until it is able to commercialise and generate revenue from its technologies. While the Directors have a degree of confidence in the commercial prospects of WarpForge, there can be no certainty that the Company will achieve or sustain profitability to achieve or sustain positive cash flow from its operations.
3	Losses into the future	WarpForge expects to incur further losses as it moves towards commercialisation of its technologies. As a result, the Directors cannot be certain when or if the Company will achieve sustained profitability. Failure to become and remain profitable may adversely affect the Company’s ability to continue operations.
4	Future financing	WarpForge’s ongoing activities are likely to require substantial further financing in the future for its business operations. There is no assurance that the Company will be able to raise such funding on favourable terms or a timely basis, nor any guarantee that such funding will be sufficient to enable the Company to implement its planned commercial strategy and activities. Any debt financing may involve restrictions on operating activities and financing, and any equity financing will dilute shareholdings. If the Company is unable to obtain additional funding as required, it may have to reduce the scope of its operations or scale back its research and development activities. Any such reduction may inhibit the development of the Company’s business and adversely affect the financial performance of the Company.



Key Risks – Company Specific Risks

#	Risk	Summary
5	Commercialisation	There is no guarantee that the Company's manufacturing process will be successful, that development will be achieved, or that any manufacturing products will be realised or become commercially exploitable. The ability of the Company to successfully commercialise the business will be dependent on the rate of adoption of composite applications produced by the Company. If market uptake of the Company's technology is slow or does not meet expectations, WarpForge's business, financial condition and operational results will be compromised. If WarpForge successfully develops and commercialises its technologies, it intends to manufacture composite products at scale. If WarpForge experiences problems at its production facilities or is unable to maintain adequate manufacturing capacity, it may be unable to ensure supply of such products in a timely manner or deliver products that are of sufficient quality.
6	Business Risks	There are risks inherent in doing business, such as unexpected changes in regulatory requirements, trade barriers, longer payment cycles, problems in collecting accounts receivable, network and infrastructure issues and potentially adverse tax consequences, any of which could adversely impact on the success of WarpForge's operations.
7	Competition Risks	The advanced manufacturing sector is highly competitive and reliant upon continual technological advancement. The development of new and superior manufacturing processes could affect WarpForge's ability to commercialise its technologies and may have an adverse impact on WarpForge's business and financial position.
8	Protection of Intellectual Property	WarpForge relies on laws relating to trade secrets, copyright and trademarks to help to protect its proprietary rights. However, there is a risk that unauthorised use or copying of the Company's software, data, specialised technology or platforms will occur. There is a risk that the validity, ownership or authorised use of intellectual property relevant to the Company's business will be successfully challenged by third parties. There is also a risk that the Company will be unable to register or otherwise protect new intellectual property that it develops in the future. Competitors may be able to work around any intellectual property rights used by the Company, or independently develop technologies or competing electronic products and/or services which are not covered by Company's intellectual property rights. This may materially adversely impact the Company's revenue and profitability.
9	Raw material cost and supply risk	The ability to source underlying raw materials to use in the manufacturing of WarpForge's products may be impacted by any number of variables. The Company may be dependent on the available supply of high-quality fibres and other composite materials. Whilst these are often not rawest-form materials, supply and demand dynamics can change and pricing can be difficult to predict and control, which may have an adverse impact on the Company's costs and profitability.
10	Sales and marketing risks	WarpForge's future success is partly dependent on the realisation of benefits from investment spent on sales and marketing campaigns and initiatives. Promoting awareness of WarpForge's brand and reputation is critical to WarpForge's success. Failure to realise intended benefits from sales and marketing investment could negatively impact WarpForge's ability to attract new customers and adversely impact WarpForge's operating and financial performance.



Key Risks – Company Specific Risks

#	Risk	Summary
11	Reliance on key personnel	WarpForge's success will substantially depend on the continued employment of senior executives, technical staff and other key personnel, who are integral to the development and commercialisation of the Company's technology and are familiar with the Company's business and structure. The loss of key personnel may therefore have an adverse impact on WarpForge's operations and financial performance.
12	Foreign exchange risks	WarpForge will not only operate in Australia and intends to operate and trade in numerous international markets. There is a reasonable possibility that a significant proportion of the Company's income will be denominated in a foreign currency. This creates an exposure to exchange rate fluctuations which can change its value when measured in Australian Dollars.
13	General commercial risks	The Company may be unable to secure ongoing work; the Company may be unable to attract or retain a sufficient number of appropriately qualified or skilled employees; one or more of WarpForge's strategic partnerships may cease for whatever reason; liability claims may be made by or against the Company, or issues impact business performance; or demand for the Company's products / services may be lower than expected due to market demand, regulatory issues, competing products / services or introduction of alternative technologies.
14	Technological developments	One of the Company's key success factors is its anticipated ability to continue to maintain and develop its products and services at the leading edge of technological capabilities. Failure to continue to achieve this could lead to opportunities for competitors to adversely impact the Company's operating performance and financial position. The Company intends to continue to focus on the development of innovative products / services in its business, however, the numerous risks described in this section highlight that there can be no guarantees of success.
15	Litigation risk	The Company is presently not involved in litigation and the Directors are not aware of any basis on which any litigation against the Company may arise. However, there is always the risk that litigation may occur as a result of differing interpretations of obligations or outcomes.
16	Regulatory risk	WarpForge is subject to extensive laws and regulations, which if it fails to comply with, may make it subject to fines, penalties and restrictions on its ability to do business.
17	Illiquidity	There is no recognised market for the Shares as the Company's Shares are not currently quoted on any stock exchange. The lack of a recognised market for the Shares may affect the liquidity of the Shares and the price that might be obtained upon selling the Shares. If the Shares did become freely tradeable on a recognised market, there is a risk that the price will rise or fall in accordance with market forces and other factors outside the control of the Directors.



Key Risks – General & Other Risks

#	Risk	Summary
1	Economic conditions	Material adverse changes in the general domestic and international economic climate may have an adverse impact on the performance of the Company. These general economic conditions are influenced by such things as economic growth, interest rates, inflation, employment levels and client and business sentiment.
2	Changes to government policy	Governmental action, including delay, inaction, failure to grant necessary approvals, policy change or the introduction of new, or amendment of existing, legislation or regulations, may adversely affect the Company's operations and financial performance.
3	Regulatory and tax	There is a risk that the fiscal regime of a country in which any assets of the Company are located, including taxes and levies, could change in the future and have a material impact on the future of the Company.
4	Insurance	The Company intends to continue insuring its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.
5	COVID-19, economic disruption and the financial system	<p>There is a risk that WarpForge's operations are further disrupted by the spread of COVID-19. For example, the information in this presentation assumes that WarpForge's supply chain is not materially disrupted and WarpForge can continue development at its facilities. Any disruptions to WarpForge's suppliers, customers, employees, regulatory bodies and other stakeholders may have negative consequences to WarpForge's business.</p> <p>In the event that there is an inability to develop facilities and support production, WarpForge may be unable to support its intended production capacity which may have a material negative impact on WarpForge's financial performance in the future. WarpForge may also experience issues meeting required production under customer contracts. Furthermore, WarpForge may continue to incur costs even though its production may cease, for example to meet its obligations to pay employees or equipment or material suppliers, and this may have a negative impact on WarpForge's cash flow position and financial position.</p> <p>WarpForge remains reliant on external sources of funding up to the point of generating significant positive operational cash flow from which to fund operations. Disruptions from COVID-19 risk significant liquidity shocks in the financial system and this may impact WarpForge's ability to attract future investment and continue to execute business plans.</p> <p>There is also the risk that government policies or other authoritative directions as a result of COVID-19 may substantially impact or curtail WarpForge operations.</p>
6	Other risks	A range of further risks apply to an investment in the shares of WarpForge and more generally to the operation of WarpForge.



WarpForge Limited

ACN 611 104 575

Website: www.warpforge.com

Email: corporate@warpforge.com
