

RISK FACTORS

Before purchasing ELI tokens, please be aware there are significant financial, regulatory, reputational and other risks, including but not limited to those set out in this document associated with purchasing, holding, owning, and using ELI tokens. THAT IS WHY WE KINDLY ASK YOU TO CAREFULLY REVIEW THESE RISK FACTORS LISTED BELOW. In case you have any questions, please do not hesitate to contact us at support@eligma.io.

For the full terms of sale of ELI tokens, please refer to the Terms of Sale, Terms of Use, and Privacy Policy, all available at our website: www.eligma.io.

By purchasing, selling, holding, owning, and using ELI tokens and participating in the ELI Token Sale, you expressly acknowledge and assume the following risks:

1. Risk of software weaknesses: because ELI tokens, the Smart Contract and the Eligma Platform are based on the Ethereum protocol, any malfunction, breakdown or abandonment of the Ethereum protocol may have a material adverse effect on ELI tokens, the Smart Contract and / or the Eligma Platform. Moreover, advances in cryptography, or technical advances such as the development of quantum computing, could present risks to the ELI tokens (including the utility of ELI tokens for obtaining services on the Eligma Platform), the Smart Contract and / or the Eligma Platform, by rendering ineffective the cryptographic consensus mechanism that underpins the Ethereum protocol. The Smart Contract concept, the underlying software application and software platform (i.e. the Ethereum blockchain) is still in an early development stage and is unproven. There is no warranty or assurance that the process for creating ELI tokens will be uninterrupted or error-free and there is an inherent risk that the software could contain defects, weaknesses, vulnerabilities, viruses or bugs causing, inter alia, the complete loss of ETH and / or ELI tokens.

2. Regulatory risk: blockchain technology allows new forms of interaction and it is possible that certain jurisdictions will apply existing regulations, or introduce new regulations, addressing blockchain technology based applications, which may be contrary to the current setup of the Smart Contract and which may, inter alia, result in substantial modifications to the Smart Contract and / or the Eligma Platform, including its termination and the loss of ELI tokens. Additionally, the regulation of the proposed activities of the Eligma Platform is currently uncertain. It is not known what regulatory framework the proposed Eligma Platform and associated activities will be subject to, the nature and obligations that will be imposed to comply with any such regulatory framework or when / if the Company will be able to apply to be regulated, or successfully obtain the necessary licences so that it may lawfully carry out its proposed business activities.

3. Risks associated with uncertain regulations and enforcement actions: the regulatory status of ELI tokens and distributed ledger technology is unclear or unsettled in many jurisdictions. It is difficult to predict how or whether regulatory authorities may apply existing regulation with respect to such technology and its applications, including specifically (but without limitation to) the Eligma Platform and ELI tokens. It is likewise difficult to predict how or whether any legislative or regulatory authorities may implement changes to law and regulation affecting distributed ledger technology and its applications, including specifically (but without limitation to) the Eligma Platform and ELI tokens. Regulatory actions could negatively impact the Eligma Platform and ELI tokens in various ways, including, for purposes of illustration only, through a determination that ELI tokens are a regulated financial instrument that requires registration or licensing, despite our professional view that this is not the case. The Company may cease operations in a jurisdiction in the event that regulatory actions, or changes to law or regulation, make it illegal to operate in such jurisdiction, or commercially undesirable to obtain the necessary regulatory approval(s) to operate in such jurisdiction.

4. Risk of abandonment / lack of success: the creation and issue of ELI tokens and the development of the Eligma Platform may be abandoned for a number of reasons, including lack of interest from the public, lack of funding, and lack of commercial success or prospects (e.g. caused by competing projects). There is no assurance that, even if any such Eligma Platform is partially or fully developed and launched, you will receive any benefits through ELI tokens that you hold.

5. Risks associated with markets for ELI tokens: the Company may choose not to enable or otherwise facilitate any secondary speculative trading or any such external valuation of ELI tokens. This may restrict the contemplated avenues for using ELI tokens to the token functionality described in Schedule 1 to these Terms of Sale and could therefore create an illiquidity risk with respect to any ELI tokens you own. Even if secondary trading of ELI tokens is facilitated by third-party exchanges, such exchanges may be relatively new and subject to little or no regulatory oversight, making them more susceptible to fraud or manipulation. Furthermore, to the extent that any third party ascribes an external exchange value to ELI tokens (e.g. as denominated in a crypto or fiat currency), such value may be extremely volatile and may diminish to zero.

6. Risk of losing access to tokens as a result of loss of private key(s), custodial error or your error: ELI tokens can only be accessed by using an ERC-20 compliant wallet with a combination of your account information (address), private key and password. The private key is encrypted with a password. You acknowledge, understand and accept that if your private key or password is lost or stolen, the obtained ELI tokens associated with your ERC-20 compliant wallet may be unrecoverable and permanently lost. Additionally, any third party that gains access to your private key, including by gaining access to the login credentials relating to your ERC-20 compliant wallet, may be able to misappropriate your ELI tokens. Any errors or malfunctions caused by or otherwise related to the digital wallet or vault you choose to receive and store ELI tokens, including your own failure to properly maintain or use such digital wallet or vault, may also result in the loss of your ELI tokens.

7. Risk of theft: the Smart Contract concept, the underlying software application and software platform (i.e. the Ethereum blockchain) may be exposed to attacks by hackers or other individuals including, but not limited to, malware attacks, denial of service attacks, consensus-based attacks, Sybil attacks, smurfing and spoofing. Any such successful attacks could result in theft or loss of ETH or ELI tokens, adversely impacting the ability to develop the Eligma Platform and derive any usage or functionality from ELI tokens.

8. Risk of Ethereum mining attacks: as with other cryptocurrencies, the blockchain used for the Smart Contract is susceptible to mining attacks, including but not limited to double-spend attacks, majority mining power attacks, "selfish mining" attacks, and rare condition attacks. Any successful attacks present a risk to the Smart Contract, the expected proper execution and sequencing of token transactions, and the expected proper execution and sequencing of contract computations. You understand and accept that the network of miners will ultimately be in control of the delivery of the ELI tokens via the Smart Contract, and that a majority of miners could agree at any point to make changes, updates, modifications to, or effect a deletion or destruction of the Smart Contract, and that such a scenario could lead to the ELI tokens losing intrinsic value and / or functionality.

9. Risk of incompatible wallet service: the wallet or wallet service provider used to receive ELI tokens must conform to the ERC-20 token standard in order to be technically compatible with ELI tokens. The failure to ensure such conformity may have the result that you will not gain access to your ELI tokens.

10. Risk of hard-fork: the Eligma Platform will need to go through substantial development works as part of which it may become the subject of significant conceptual, technical and commercial changes before release. As part of the development, an upgrade to ELI tokens may be required (hard-fork of ELI

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tokens) and that, if you decide not to participate in such upgrade, you may no longer be able to use your ELI tokens and any non-upgraded ELI tokens may lose their functionality in full.

11. Risk of uninsured losses: unlike bank accounts or accounts at some other financial institutions, ELI tokens are uninsured unless you specifically obtain private insurance in respect of them. Thus, in the event of loss or loss of utility value, there is no public insurer or private insurance arranged by us to offer recourse to you.

12. Risks arising from taxation: the tax status of ELI tokens is uncertain. You must seek your own tax advice in connection with the acquisition, storage, transfer and use of ELI tokens, which may result in adverse tax consequences to you, including, without limitation, withholding taxes, transfer taxes, value added taxes, income taxes and similar taxes, levies, duties or other charges and tax reporting requirements.

13. Risk of an unfavourable fluctuation of Ethereum and other currency value: we intend to use the proceeds received from the Token Sale to fund the development of ELI tokens and the Eligma Platform, to provide services to you when you utilize ELI tokens and various other operating expenses. The transfers received will be denominated in ETH, and may be converted into other cryptographic and fiat currencies. If the value of ETH or other currencies fluctuates unfavourably during or after the Token Sale, we may not be able to fund the development or maintenance of the Eligma Platform in the manner that it is intended.

14. Risk of dissolution of the Company or network: it is possible that, due to any number of reasons, including, but not limited to, an unfavourable fluctuation in the value of ETH (or other cryptographic and fiat currencies), a decrease in ELI tokens' utility as a result of a negative adoption of the Eligma Platform, the failure of commercial relationships, or intellectual property ownership challenges, the Eligma Platform may no longer be viable to operate and the Company may not be able to continue the development of the Eligma Platform and may dissolve.

15. Risks arising from lack of governance rights: because ELI tokens confer no governance rights of any kind with respect to the Eligma Platform or the Company, all decisions involving the Company (including to sell or liquidate the Company) will be made by us acting in our sole and absolute discretion, and all decisions involving the Eligma Platform including, but not limited to, decisions to discontinue the Eligma Platform, to create and issue more ELI tokens, will be made by us. These decisions could adversely affect the Eligma Platform and / or ELI tokens you may hold.

16. Risks arising from the market in which the Eligma Platform operates: the retail market, and by extension the Eligma Platform, is subject to a variety domestic and international laws and regulations, including those with respect to consumer protection, competition, anti-money laundering and customer due diligence procedures, privacy and data protection, data security, and others. These laws and regulations, and the interpretation or application of these laws and regulations, could change. In addition, new laws or regulations affecting the Eligma Platform could be enacted, which could impact the utility of ELI tokens in the Eligma Platform. Additionally, Eligma Platform users are subject to or may be adversely affected by industry specific laws and regulations or licensing requirements. The Eligma Platform and the ELI tokens (including their ability to obtain or provide services within the Eligma Platform) could be adversely affected if any of the parties fails to comply with any of these licensing requirements or other applicable laws or regulations, or if such laws and regulations or licensing requirements become more stringent or are otherwise expanded.

17. Risks associated with the development and maintenance of the Eligma Platform: the Eligma Platform is still under development and may undergo significant changes over time. Although we intend for the ELI tokens and Eligma Platform to function as described in Schedule 1 to these Terms of Sale,

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and intend to take commercially reasonable steps towards those ends, we may have to make changes to the specifications of the ELI tokens or the Eligma Platform for any number of legitimate reasons. Moreover, we may not be able to retain full and effective control over how other participants will use the Eligma Platform, what products or services will be offered through the Eligma Platform by third parties, or how third-party products and services will utilize ELI tokens (if at all). This could create the risk that the ELI tokens or the Eligma Platform, as further developed and maintained, may not meet your expectations at the time of purchase. Furthermore, despite our good faith efforts to develop and participate in the Eligma Platform, it is still possible that the Eligma Platform will experience malfunctions or otherwise fail to be adequately developed or maintained, which may negatively affect the Eligma Platform and ELI tokens, and the potential utility of the ELI tokens, including the utility of the ELI tokens for obtaining services and / or offering rewards and / or being used in the manner intended at the time of the Token Sale.

18. Risk of Competing Platforms: It is possible that alternative platforms could be established that use the same open source code and protocol underlying the Eligma Platform and attempt to facilitate services that are materially similar to the services offered by or within the Eligma Platform. The Eligma Platform may compete with these alternatives, which could negatively affect the Eligma Platform and ELI tokens, including the utility of the ELI tokens for obtaining services offered by or within the Eligma Platform.

19. Unanticipated Risks: cryptographic tokens such as ELI tokens are a new and untested technology. In addition to the risks set out in this Schedule 4 to these Terms of Sale, there are other risks associated with your acquisition, storage, transfer and use of ELI tokens, including those that the Company may not be able to anticipate. Such risks may further materialize as unanticipated variations or combinations of the risks set out in this Schedule 4 to these Terms of Sale.