CLEANSPACE ANNUAL GENERAL MEETING – CHAIRMAN AND CEO ADDRESS

Chairman's Address

There is no doubt that the performance of the Company is disappointing, but I and the Board believe there is a basis for optimism for performance going forward. Before I explain why, let me deal with some governance, strategy and management issues.

Firstly, Graham was appointed interim CEO in January this year and then full time CEO in March. Immediately on assuming this role and with support and encouragement of the Board, he adjusted strategy to shift emphasis of the business from healthcare (which remains challenging as post pandemic inventory levels reduce) to industrial and mining sectors a traditional strength offering considerable opportunity for CleanSpace.

This shift in emphasis also prompted a reorganisation of senior management across all markets to better reflect and align with this focus as well as to better address our target markets. Graham will further reflect on these initiatives in his address.

I should say at this point that the Board acknowledges Graham's management experience, maturity and skill in the role of CEO has been a major factor in making these important strategic and organisational adjustments in response to difficult market and business conditions.

Further, in support of this sectoral refocus, the Board recently appointed Paul Cassano a 30 year veteran of the mining industry having worked in senior executive roles with Downer, Thiess and BHP to bolster our ability to better and more rapidly penetrate the larger corporates in this sector.

Whilst on governance, I want to welcome the appointment of Ms Bree Greeff as Interim Financial Officer as at 1 August. She is a talented financial executive who will ably assist the CEO going forward. I also want to acknowledge and thank Dr Alex Birrell the former CEO who left the company early this calendar year and Ms Elizabeth Harvey the former CFO who left the company more recently. We appreciate their efforts and hard work for the company over a number of years.

Regarding performance, our revenue is down 9% PCP which is disappointing as stated earlier. When looking more closely, we believe there is a basis for optimism for the business going forward. Looking at the last 2 financial years in quarters ie the last 8 quarters, revenue bottomed in the last quarter of the prior financial year ie FY2022 – 5 quarters ago. Revenue went down each quarter (save for one) in FY2022 whereas revenue went up each quarter (save for one) in FY2023. Further, revenue for 2H2023 was up 1% on PCP but a much stronger 11% verses the prior half. 4Q2023 was up 31% on PCP and 15% versus the prior quarter. All this data indicates a build in revenue momentum which augers well for the current financial year.

This positive momentum continues in FY2024 as evidenced by sales in 1Q2024 of $4m representing an increase of 52% versus PCP and 18% versus 4Q2023 as was announced to the market on 9th October 2023.

This revenue momentum coupled with aggressive cost reduction initiatives offers the prospect of profitability emerging in the medium term. The cash burn rate is likely to diminish further and potentially turn positive in some months later this financial year. The company has a strong balance sheet to support its business plan going forward and no capital raising is currently contemplated.

CEO's Address

Good morning everyone. I would like to add my welcome to you and thank you for attending the meeting today. I hope you enjoy seeing our facility.

I will cover 3 agenda items:

1 – recap the FY23 results for CleanSpace;

2 – Provide a trading update for FY24 after 4 months of the year; and

3 – Add some comments regarding our strategic priorities and growth opportunities

Firstly, I will recap the key points from the FY23 results announcement made in August.

When I took on the CEO role in January 2023, it was clear that the disappointing performance of the previous 18 months meant we needed a significant turnaround in performance. We therefore quickly spent time resetting the strategy and priorities of the organisation. It was critical that we identified quick wins to stem the significant cash outflows running at over $1m per month at that time.

Most importantly, we decided to focus on industrial markets which we know very well and have a clear demand for our products. Healthcare remains a long-term target market, but in the near term is a challenging environment and we would therefore only spend time on targeted opportunities.

We also said we would focus on the six key priority markets where we already have established sales and marketing teams. We need to become stronger in a few core markets, rather than just selling anywhere to anyone.

At the same time, it was essential to right size the business to cut costs and bring the size of the organisation in line with the size of the sales base. By focussing on industrial and six key countries, we were able to shrink the organisation, including back office and supply chain costs. And I reduced my leadership direct reports from 13 to 6 to support that focus.

Positive results following quickly as described in the chart with growth of 31% in Q4 v PCP, and importantly the launch of new industrial products on a superior technology platform.

These are the FY23 results as a reminder. I won't go over these I detail, but just make a couple of points:

- clearly the overall results were very disappointing and unacceptable;
- performance improved progressively throughout the year, and as described, Q4 showed very encouraging progress with cash outflow under $1m in the quarter an improvement from over $1m per month. This was due to both the cost savings and also higher sales result;
- we finished the year with over $12m cash at bank.

This slide was also part of the FY23 results release. I've covered much of it already. The strategy reset that I outlined earlier is the right approach for CleanSpace in the near term. We are focussed on building a sustainable growth path with a leaner and fitter organisation focussed on delivering for our customers.

We are evolving from being a technology driven company to one that also is strongly commercial and customer focussed. This is a fairly typical journey for a start up to make as it focuses on growing its commercial offering.

CleanSpace now offers compelling customer solutions using our disruptive innovative technology which we know is unique in the market. I'll discuss later in more detail the growth opportunities that we are positioned to deliver.

We are not providing guidance for FY24 as there are too many uncertain variables. But we do have some internal objectives that we are focussed on delivering, which are shown on this slide.

The key is to grow the top line revenue whilst managing costs carefully and investing wisely in customer facing activities that deliver a strong return on investment. Whilst we do not anticipate growing quickly enough to deliver a profit in FY24, there may be months where we do deliver a cash profit, and we are very confident that we have sufficient cash to support our plans for the year without a significant diminishing of the bank balance.

We will continue to optimise costs where possible, but I believe we have already made the significant cost reductions that were possible in FY23, without compromising our ability to grow revenue. Importantly, we believe that the business is now under control and we do not expect to need to raise further capital with the current structure and strategy.

We provided a brief update to the market regarding Q1 sales on October 9. Sales in Q1 were $4m, an increase of 52% v PCP and +18% v last quarter. Cash outflow in the quarter was $0.6m, within our target range. There was no R&D tax rebate in the quarter and no other one-off items.

October sales have continued the same trend with growth well over 50% v PCP. We are currently running ahead of our expectations for sales growth in FY24. Costs and cash are also running in line with our expectations. At this run rate we can expect to be close to exiting FY24 at cash break even on a monthly basis.

If I look at sales in more detail, you can see Europe has been the star performer at 111% growth, with strong growth in France, UK and Germany where sales have doubled v PCP. Growth in Asia Pacific is 25% but Australia is 31%. North America is showing solid growth at 7%.

Interestingly, we are getting both volume and price growth. The price benefit is on the back of launching two new industrial products at higher prices than the products they replaced. And we are picking up good volume growth in all key markets in both respirator units and consumables.

Finally, I want to touch on our growth opportunities. As I mentioned, we believe that CleanSpace has some significant growth opportunities that can support sustained and ongoing revenue growth for the Company.

Firstly, the industrial markets that we are focussed on are substantial, and there is plenty of room for growth in those markets alone – we estimate these markets are US$2-3B, depending on how you define them.

Secondly, we have recently launched unique and innovative technology, which has been very well received. There are many large premium respiratory protection companies across the world, but none have a product like CleanSpace. As well as outstanding protection, CleanSpace provides comfort and ease of use and Bluetooth connectivity. On top of this we are planning further additions to the portfolio and product extensions so that we continue to be the leading innovator in the PAPR marketplace.

Our innovation pipeline is enabling CleanSpace to target significant new market sectors – one example is the fire investigator sector. An investigation is compulsory in the US and there are over 20,000 fire departments . There is a relatively high incidence of fire investigators contracting serious and terminal illnesses, and adequate protection is now recognised as essential for workers protection. CleanSpace is uniquely positioned to provide the product and the specific filters that meet this need.

Corporate accounts – historically CleanSpace has had success at a site level e.g. the local quarry manger buys 50 units for his team. Going forward we have the opportunity to develop long term partnerships with larger corporate accounts that will make decisions on a company wide basis – which will hopefully deliver bigger recurring deals for us.

50% of our sales are driven by consumables (filters and masks). We estimate that the global user base of >30,000 respirators. Recurring revenue from consumables will grow faster than unit sales over time.

Future income streams:

- Financial solutions options, such as leasing; and
- CleanSpace Insights reporting.

Lastly, employer obligations and compliance. In many countries including Australia, there is now duty of care legislation in place that makes site managers personally liable for the health safety of staff on the site.

We know also from the current silicosis debate that there is a significant concern regarding the lack of compliance to respiratory health and safety regulations. There seems to be awareness building around this issue and we believe that this will create significant demand for products like CleanSpace into the future. We have solutions that we are confident will provide the protection and comfort needed for workers exposed to silicosis and other contaminants.

Authorised for release by the CleanSpace Holdings Limited Board of Directors

FOR MORE INFORMATION

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ABOUT CLEANSPACE

CleanSpace is a Sydney-based designer and manufacturer of respiratory protection equipment for industrial and healthcare solutions, founded by a team of biomedical engineers with experience in respiratory medical devices. CleanSpace is passionate about continually improving health outcomes, safety and standards of care for people who need it most.

In the last 20 years, technology has driven unprecedented advances in protective equipment and transformed people's health. We have brought this to personal respiratory protection. The Company continues to invest in research and development programs resulting in differentiated design and approved products that provide compelling employer and user benefits. CleanSpace Respirators are a true game changer. Higher protection for frontline workers means better health outcomes for millions of people, now and into the future.