

1. Company details

| | |
|-------------------|--|
| Name of entity: | CleanSpace Holdings Limited |
| ABN: | 91 150 214 636 |
| Reporting period: | For the half-year ended 31 December 2022 |
| Previous period: | For the half-year ended 31 December 2021 |

2. Results for announcement to the market

| | | | | \$ |
|---|------|-------|----|-------------|
| Revenues from ordinary activities | down | 18.7% | to | 5,723,640 |
| Loss from ordinary activities after tax attributable to the owners of CleanSpace Holdings Limited | down | 11.7% | to | (4,744,477) |
| Loss for the half-year attributable to the owners of CleanSpace Holdings Limited | down | 11.7% | to | (4,744,477) |

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the consolidated entity after providing for income tax amounted to \$4,744,477 (31 December 2021: \$5,373,872).

3. Net tangible assets

| | Reporting period \$ | Previous period \$ |
|---|------------------------|-----------------------|
| Net tangible assets per ordinary security | <u>0.33</u> | <u>0.39</u> |

Notes

The net tangible assets used in the net tangible assets per security calculation for both periods includes both the right-of-use assets and lease liabilities.

Total number of securities used in the net tangible assets per security calculation includes all classes of shares on issue at the end of each respective period.

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

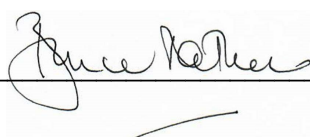
11. Attachments

Details of attachments (if any):

The Interim Report of CleanSpace Holdings Limited for the half-year ended 31 December 2022 is attached.

12. Signed

Signed



Date: 20 February 2023



INTERIM REPORT

31 December 2022

CleanSpace Holdings Limited
and its Controlled Entities

ABN 91 150 214 636



ADVANCED BEST-IN-CLASS RESPIRATORY PROTECTION

CleanSpace is a specialist in advanced respiratory protection solutions for healthcare and industrial markets. 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 medical 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.

The global market for respiratory protection is estimated to grow to US\$10B with 6% CAGR over the next 6 years¹. CleanSpace has leading technology and integrated solutions for large employers and their staff that significantly increases the level of personal protection (40 times more than disposable masks); improves ease of use and compliance; and achieves material cost efficiencies and sustainability for their operations. Higher protection for frontline workers means better health outcomes for millions of people, now and into the future.

¹ Global market insights 2021 <https://www.gminsights.com/industry-analysis/respiratory-protective-equipment-market>

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GENERAL INFORMATION

The financial statements cover CleanSpace Holdings Limited as a consolidated entity consisting of CleanSpace Holdings Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is CleanSpace Holdings Limited's functional and presentation currency.

CleanSpace Holdings Limited is a listed public Company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Unit 5, 39 Herbert Street
St Leonards
NSW 2065
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 20 February 2023.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of CleanSpace Holdings Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2022 ('1H FY23').

DIRECTORS

The names of the Directors in office at any time during, or since the end of, the period are:

| Name | Position |
|----------------------|---|
| Bruce Rathie | Non-Executive Director and Chair |
| Dr Alexandra Birrell | Executive Director and Chief Executive Officer (CEO)* |
| Lisa Hennessy | Non-Executive Director |
| Dan Kao | Executive Director and Director of Operations |
| Graham McLean | Non-Executive Director and Interim CEO* |

*On the 10th January 2023 it was announced that the consolidated entity's Executive Director and Chief Executive Officer Dr Alexandra Birrell had tendered her resignation. Dr Birrell will remain in the business while she serves out her 3-month notice period. Mr Graham McLean has been appointed by the Board as Interim CEO pending the appointment of a permanent CEO. Dr Birrell's resignation as a Director of CleanSpace Holdings Limited was effective 13 February 2023.

Directors have been in office since the start of the period to the date of this report unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activities of the Group are the design, manufacture and sale of respirators and related products and services.

DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

REVIEW OF OPERATIONS

The loss for the consolidated entity after providing for income tax amounted to \$4,744,477 (31 December 2021: \$5,373,872).

A summary of the results for the half year is below:

| | Six months ended 31 Dec 2022 \$ | Six months ended 31 Dec 2021 \$ | Change % |
|---|---------------------------------------|---------------------------------------|-------------|
| Revenue from sales of goods and services | 5,723,640 | 7,038,820 | 19U |
| Gross profit | 3,982,984 | 5,306,952 | 25U |
| Operating expenses | (10,302,027) | (11,991,514) | 14F |
| Operating EBITDA | (6,319,043) | (6,684,562) | 5F |
| Share based payment expenses | (214,009) | (138,999) | 54U |
| Foreign currency loss | (32,922) | (4,630) | 611U |
| Other non-recurring items | 18,058 | 8,600 | 110F |
| EBITDA | (6,547,916) | (6,819,591) | 4F |
| Finance cost | (40,759) | (67,533) | 40F |
| Depreciation, amortisation and impairment | (530,576) | (487,232) | 9U |
| Loss before income tax | (7,119,251) | (7,374,356) | 3F |
| Income tax benefit | 2,374,774 | 2,000,484 | 19F |
| Loss after tax for the period | (4,744,477) | (5,373,872) | 12F |

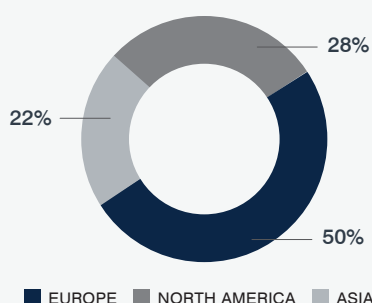
Sales for the period were \$5.7 million, a decrease of 19% over the prior corresponding period ('PCP'). Gross margin as a percentage of sales was 70% compared with 75% in the prior corresponding period. The lower sales and gross margin were driven by decreasing sales of healthcare respirators and accessories with the majority of revenue derived from a strengthening industrial business where products are sold through distribution channels that result in lower margins.

DIRECTORS' REPORT

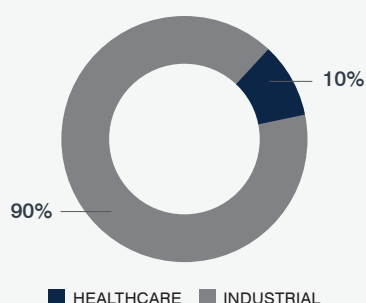
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

REVIEW OF OPERATIONS (CONT.)

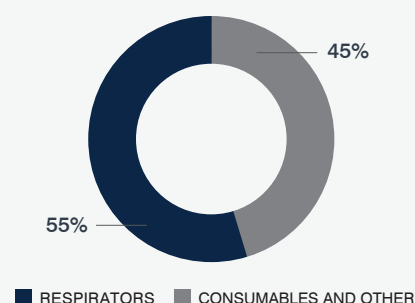
REVENUE BY REGION
1H FY23



REVENUE BY SECTOR
1H FY23



REVENUE BY PRODUCT
1H FY23



Regional sales performance and highlights

1H FY23 regional sales were Europe 50% (PCP: 26%), North America 28% (PCP: 19%) and Asia 22% (PCP: 55%). The regional shift reflected the decline in healthcare sales in North America and Asia from the prior half. 1H FY23 healthcare sales were 10% of revenue compared with 56% in the PCP.

Respirators contributed 55% of total revenue (PCP: 44%). Consumables, accessories, and other revenue (CA&S) contributed 45% of total revenue for the period (PCP: 56%).

North America

1H FY23 revenue was up 18% on PCP. The strategic focus is on Industrial markets and hospital Integrated Delivery Networks (IDNs). The investment in US sales capability has delivered a material growth in industrial sales, along with stronger pipeline and distributor engagement.

- **Industrial.** Sales growth was partly driven by accelerated traction in the mining industry as MSHA exemptions are in place, enabling major mining customers to deploy CleanSpace for their respiratory programs. The Company successfully signed a contract with LineDrive LLC, the largest sales agency in North America, to support and deliver sales in several industrial sectors across the US.
- **Hospital IDNs and distribution channels.** The Company has successfully secured agreements with two leading GPOs and Medline Industries LP, the largest medical distributor in the US. All three organisations are excited to provide their hospital customers with best-in-class and advanced respiratory technology.

Europe

Europe revenue was up 60% on PCP. Revenue growth on PCP was higher than pre-pandemic levels and the business is anticipating continued growth over the next 12 months:

- **Customer purchasing patterns have stabilised.** European end-user activity is consistent with trends seen in North America and Australia, with a stronger pipeline of corporate and distributor-sourced sales opportunities being developed.
- **New innovative products launched.** The new best in class CleanSpace Industrial products, with connected capability and several functional improvements, are also attracting great interest amongst both distributors and corporate customers.

Asia

Asia revenue was down 68% against PCP, reflecting lower healthcare sales after the pandemic fuelled demand in the region in FY22. During the current period healthcare market adoption in Australia and Japan was weaker as hospitals dealt with staff shortages, budget constraints and the lower perception of risk.

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

REVIEW OF OPERATIONS (CONT.)

Operating expenses

Operating expenses reduced 14% compared to the PCP as the Company continued to implement cost management initiatives to drive efficiency and operate on a sustainably lower cost base.

Operating expenses consist of:

| | 31 Dec 2022 \$ | 31 Dec 2021 \$ | Change % |
|--|-------------------|-------------------|-------------|
| Employee benefits and staff related expenses (excluding share-based payments) | 6,779,803 | 6,362,105 | 7U |
| Marketing and sales expenses | 1,214,981 | 2,654,176 | 54F |
| Research, development and intellectual property expenses | 494,517 | 812,804 | 39F |
| Other operating expenses (excluding depreciation, amortisation and impairment) | 1,812,726 | 2,162,429 | 16F |
| Total | 10,302,027 | 11,991,514 | 14F |

- Employee benefits and staff related expenses (excluding share-based payments) increased by 7% over the PCP due to the investment in the North American sales capability;
- Marketing and sales expenses decreased 54% as the business focused on more efficient digital marketing strategies;
- Research, development and intellectual property expenses decreased by 39% due to timing of project spend; and
- Other operating expenses decreased by 16%. This category includes general and administration expense such as public company costs, professional services, occupancy costs, travel and insurance. The decrease in these expenses reflect the ongoing cost reduction initiatives the Company is implementing.

FINANCIAL POSITION

The following table provides a snapshot of important balances from the Group's statement of financial position as at 31 December 2022:

| | As at 31 Dec 2022 \$ | As at 30 Jun 2022 \$ | Movement % |
|--------------------------------|----------------------------|----------------------------|---------------|
| Cash (including term deposits) | 16,437,225 | 24,302,687 | (32) |
| Borrowings | (2,618,155) | (2,532,096) | 3 |
| Inventories | 3,432,810 | 3,744,154 | (8) |
| Net assets | 25,236,057 | 29,753,260 | (15) |

DIRECTORS' REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

FINANCIAL POSITION (CONT.)

June 2022 tax receivable reclassification

In the Financial Statements for the year ended 30 June 2022 the Company reported an income tax receivable (Current Asset) of \$2,818,595. The Company understood, based on advice, this would be received as a refund in its June 2022 Australian tax return under the loss carry back provisions introduced in October 2020. On completing the tax return it was determined that the Company was ineligible to claim this offset due to insufficient franking credits in its Franking Account.

A summary of the adjustments is set out below.

| Period | Reported | | Actual | |
|-------------------------|--|---|--|---|
| | Income Tax Receivable (Current Asset) \$ | Deferred Tax (Non-current Asset) \$ | Income Tax Receivable (Current Asset) \$ | Deferred Tax (Non-current Asset) \$ |
| Year ended 30 June 2022 | 2,818,595 | 895,643 | - | 3,714,238 |

There was no impact on the reported profit and loss or net assets.

SUBSEQUENT EVENTS

On the 10th January 2023 it was announced that the consolidated entity's Executive Director and Chief Executive Officer Dr Alexandra Birrell had tendered her resignation. Dr Birrell will remain in the business while she serves out her 3-month notice period. Mr Graham McLean has been appointed by the Board as Interim CEO pending the appointment of a permanent CEO. Recruitment of a new CEO is underway. Dr Birrell's resignation as a Director of CleanSpace Holdings Limited was effective 13 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Bruce Rathie

20 February 2023

AUDITOR'S INDEPENDENCE DECLARATION

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022



CleanSpace Holdings Limited

Auditors Independence Declaration under Section 307C of the Corporations Act 2001

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2022, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

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SCOTT TOBUTT
PARTNER

20 FEBRUARY 2023
SYDNEY, NSW

PKF (NS) Audit & Assurance Limited Partnership
ABN 91 850 861 839

Liability limited by a scheme approved
under Professional Standards Legislation

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PKF (NS) Audit & Assurance Limited Partnership is a member firm of the PKF International Limited family of separately owned firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

For our office locations visit www.pkf.com.au

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Note | Consolidated 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|--|------|-----------------------------------|--------------------|
| Revenue | 2 | 5,723,640 | 7,038,820 |
| Cost of sales | | (1,740,656) | (1,731,868) |
| Gross profit | | 3,982,984 | 5,306,952 |
| Other income | 3 | 18,058 | 8,600 |
| Employee benefits and staff related expenses | 4 | (6,957,025) | (6,480,351) |
| Depreciation, amortisation and impairment expenses | | (530,576) | (487,232) |
| Legal and professional fees | | (409,990) | (604,423) |
| Marketing and sales expenses | | (1,214,981) | (2,654,176) |
| Administration and other operating expenses | | (1,472,445) | (1,583,389) |
| Research, development and intellectual property expenses | | (494,517) | (812,804) |
| Operating loss | | (7,078,492) | (7,306,823) |
| Finance income - interest | | 91,577 | 27,955 |
| Finance costs | | (132,336) | (95,488) |
| Loss before income tax benefit | | (7,119,251) | (7,374,356) |
| Income tax benefit | 5 | 2,374,774 | 2,000,484 |
| Loss after income tax benefit for the half-year attributable to the owners of CleanSpace Holdings Limited | | (4,744,477) | (5,373,872) |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Foreign currency translation | | 13,265 | 4,016 |
| Other comprehensive income for the half-year, net of tax | | 13,265 | 4,016 |
| Total comprehensive income for the half-year attributable to the owners of CleanSpace Holdings Limited | | (4,731,212) | (5,369,856) |
| | | Cents | Cents |
| Basic earnings per share | | (6.16) | (6.98) |
| Diluted earnings per share | | (6.16) | (6.98) |

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

| | Note | Consolidated 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--------------------------------|------|-----------------------------------|-------------------|
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | 2,894,278 | 8,224,676 |
| Trade and other receivables | | 3,203,164 | 2,466,456 |
| Financial assets | 6 | 13,542,947 | 16,078,011 |
| Inventories | 7 | 3,432,810 | 3,744,154 |
| Income tax refund due | | 781,178 | - |
| Other assets | | 726,294 | 663,025 |
| Total current assets | | 24,580,671 | 31,176,322 |
| Non-current assets | | | |
| Property, plant and equipment | | 1,680,881 | 1,991,927 |
| Right-of-use assets | 8 | 1,240,417 | 1,473,473 |
| Deferred tax | | 5,428,885 | 3,714,238 |
| Total non-current assets | | 8,350,183 | 7,179,638 |
| Total assets | | 32,930,854 | 38,355,960 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | | 1,849,284 | 2,529,831 |
| Borrowings | 9 | 2,618,155 | 2,532,096 |
| Lease liabilities | 10 | 459,145 | 435,778 |
| Income tax | | 58,843 | 56,870 |
| Employee benefits | | 1,051,968 | 1,123,982 |
| Provisions | | 309,000 | 338,758 |
| Total current liabilities | | 6,346,395 | 7,017,315 |
| Non-current liabilities | | | |
| Lease liabilities | 10 | 925,714 | 1,162,838 |
| Deferred tax | | 353,476 | 363,044 |
| Employee benefits | | 69,212 | 59,503 |
| Total non-current liabilities | | 1,348,402 | 1,585,385 |
| Total liabilities | | 7,694,797 | 8,602,700 |
| Net assets | | 25,236,057 | 29,753,260 |
| Equity | | | |
| Issued capital | 11 | 33,430,564 | 33,430,564 |
| Reserves | | 706,975 | 479,701 |
| Accumulated losses | | (8,901,482) | (4,157,005) |
| Total equity | | 25,236,057 | 29,753,260 |

The above statement of financial position should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| Consolidated | Issued capital \$ | Reserves \$ | Retained Profits \$ | Total equity \$ |
|--|----------------------|----------------|------------------------|--------------------|
| Balance at 1 July 2021 | 33,430,564 | 534,006 | 6,764,430 | 40,729,000 |
| Loss after income tax benefit for the half-year | - | - | (5,373,872) | (5,373,872) |
| Other comprehensive income for the half-year, net of tax | - | 4,016 | - | 4,016 |
| Total comprehensive income for the half-year | - | 4,016 | (5,373,872) | (5,369,856) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments (note 12) | - | 138,999 | - | 138,999 |
| Balance at 31 December 2021 | 33,430,564 | 677,021 | 1,390,558 | 35,498,143 |

| Consolidated | Issued capital \$ | Reserves \$ | Retained Profits \$ | Total equity \$ |
|--|----------------------|----------------|------------------------|--------------------|
| Balance at 1 July 2022 | 33,430,564 | 479,701 | (4,157,005) | 29,753,260 |
| Loss after income tax benefit for the half-year | - | - | (4,744,477) | (4,744,477) |
| Other comprehensive income for the half-year, net of tax | - | 13,265 | - | 13,265 |
| Total comprehensive income for the half-year | - | 13,265 | (4,744,477) | (4,731,212) |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Share-based payments (note 12) | - | 214,009 | - | 214,009 |
| Balance at 31 December 2022 | 33,430,564 | 706,975 | (8,901,482) | 25,236,057 |

The above statement of changes in equity should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Consolidated | |
|---|--------------|--------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | \$ | \$ |
| Cash flows from operating activities | | |
| Receipts from customers | 4,895,355 | 6,742,123 |
| Payments to suppliers and employees | (12,507,643) | (14,035,012) |
| | (7,612,288) | (7,292,889) |
| Interest received | 91,577 | - |
| Other revenue received | - | 46,703 |
| Interest and other finance costs paid | (44,264) | (72,141) |
| Income taxes refunded/(paid) | (128,646) | 51,759 |
| Net cash used in operating activities | (7,693,621) | (7,266,568) |
| Cash flows from investing activities | | |
| Sale/(purchase) of financial assets | 2,535,064 | (28,324) |
| Payments for property, plant and equipment | - | (248,375) |
| Proceeds from disposal of property, plant and equipment | 31,583 | - |
| Net cash from/(used in) investing activities | 2,566,647 | (276,699) |
| Cash flows from financing activities | | |
| Net payment of lease liabilities | (216,689) | (202,733) |
| Net cash used in financing activities | (216,689) | (202,733) |
| Net decrease in cash and cash equivalents | (5,343,663) | (7,746,000) |
| Cash and cash equivalents at the beginning of the financial half-year | 8,224,676 | 22,207,104 |
| Effects of exchange rate changes on cash and cash equivalents | 13,265 | 4,016 |
| Cash and cash equivalents at the end of the financial half-year | 2,894,278 | 14,465,120 |

In addition to the cash and cash equivalents balance in the Statement of Cash Flows above, the Company had term deposits of \$13,542,947 at 31 December 2022 (Dec 21: \$16,078,011). These term deposits are disclosed as financial assets in the balance sheet.

The above statement of cash flows should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 1. SIGNIFICANT ACCOUNTING POLICIES

These general purpose financial statements for the interim half-year reporting period ended 31 December 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

| | Consolidated 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|--|-----------------------------------|-------------------|
|--|-----------------------------------|-------------------|

NOTE 2. REVENUE

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines

| | | |
|--|-----------|-----------|
| Respirators revenue | 3,127,939 | 3,082,136 |
| Consumables, accessories and other revenue | 2,595,701 | 3,956,684 |
| | 5,723,640 | 7,038,820 |

Timing of revenue recognition

| | | |
|--------------------|-----------|-----------|
| At a point in time | 5,723,640 | 7,038,820 |
|--------------------|-----------|-----------|

The Company has two main types of revenue:

- (1) *Respirator revenues*: reflects sales of the respirator units only; and
- (2) *Consumables, accessories and other revenues*: reflects all other revenue and revenue adjustments. This is substantially related to the sales of accessories and consumable items, including masks, filters and docking stations. It also includes freight and deductions for customer rebates and payment incentives.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 2. REVENUE (CONT.)

Segment information

For the purposes of the internal reporting to the chief operating decision makers, business activities, performances and any associated assets and liabilities are viewed as a consolidated group.

| | Consolidated | |
|--------------------------|--------------|-------------|
| | 31 Dec 2022 | 31 Dec 2021 |
| | \$ | \$ |
| <i>Revenue by region</i> | | |
| North America | 1,572,858 | 1,334,663 |
| Europe and UK | 2,885,883 | 1,805,848 |
| Asia | 1,264,899 | 3,898,309 |
| | 5,723,640 | 7,038,820 |

NOTE 3. OTHER INCOME

| | | |
|---|--------|-------|
| Net gain on disposal of property, plant and equipment | 18,058 | - |
| Other income | - | 8,600 |
| | 18,058 | 8,600 |

NOTE 4. EMPLOYEE BENEFITS & STAFF RELATED EXPENSES

| | | |
|---|------------------|------------------|
| Total employee benefits and staff related expenses (a) | 6,957,025 | 6,480,351 |
|---|------------------|------------------|

(a) An additional \$373,499 (2021: \$450,299) of employment expenses are included in costs of sales.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Consolidated 31 Dec 2022 \$ | 31 Dec 2021 \$ |
|--|-----------------------------------|-------------------|
|--|-----------------------------------|-------------------|

NOTE 5. INCOME TAX (BENEFIT)

Income tax (benefit)

| | | |
|--|-------------|-------------|
| Current tax | (572,605) | (2,460,879) |
| Deferred tax - origination and reversal of temporary differences | (1,463,511) | 460,395 |
| Adjustment recognised for prior periods | (338,658) | - |
| Aggregate income tax benefit | (2,374,774) | (2,000,484) |

Numerical reconciliation of income tax benefit and tax at the statutory rate

| | | |
|--|-------------|-------------|
| Loss before income tax benefit | (7,119,251) | (7,374,356) |
| Tax at the statutory tax rate of 25% | (1,779,813) | (1,843,389) |
| Tax effect amounts which are not deductible/(taxable) in calculating taxable income: | | |
| R&D tax incentive | (635,107) | (650,761) |
| Permanent differences - R&D expenses | 365,004 | 374,001 |
| Permanent differences - Other | 24,571 | 21,169 |
| Adjustment recognised for prior periods | (2,025,345) | (2,098,980) |
| Change in provision of income tax as a result of change in statutory tax rate | - | 101,783 |
| Impact of rates of foreign subsidiaries | (10,771) | (3,287) |
| Income tax benefit | (2,374,774) | (2,000,484) |

| | Consolidated 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--|-----------------------------------|-------------------|
|--|-----------------------------------|-------------------|

NOTE 6. FINANCIAL ASSETS

Current assets

| | | |
|---|------------|------------|
| Financial assets held at amortised cost | 13,542,947 | 16,078,011 |
|---|------------|------------|

Financial assets held at amortised cost consist of term deposits held with Australian banks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | Consolidated 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|--------------------------------|-----------------------------------|-------------------|
| NOTE 7. INVENTORIES | | |
| <i>Current assets</i> | | |
| Raw materials - at cost | 3,820,126 | 4,043,837 |
| Less: Provision for impairment | (793,905) | (756,782) |
| | 3,026,221 | 3,287,055 |
| Work in progress - at cost | 9,135 | 6,570 |
| Finished goods - at cost | 531,134 | 577,640 |
| Less: Provision for impairment | (133,680) | (127,111) |
| | 397,454 | 450,529 |
| | 3,432,810 | 3,744,154 |

NOTE 8. RIGHT-OF-USE ASSETS

| | | |
|-----------------------------------|-----------|-----------|
| <i>Non-current assets</i> | | |
| Land and buildings - right-of-use | 1,473,473 | 1,943,305 |
| Less: Accumulated depreciation | (233,056) | (469,945) |
| Less: Foreign exchange movement | - | 113 |
| | 1,240,417 | 1,473,473 |

The consolidated entity leases land and buildings for its offices, warehouses and production facility in St Leonards, Sydney, Australia. The agreements (a lease and sublease) were entered into in August 2020 and are for a term of 5 years, with options to extend. The leases have various escalation clauses. On renewal, the leases are to be on the same general terms. The entry into these leases created a right-of-use asset of \$2,382,764 and a corresponding Lease Liability of the same value in August 2020.

In line with the requirements of AASB 16 Leases, the Right-of-Use Asset has been depreciated and the lease payments have been allocated between the Lease Liability and finance costs. Refer to Note 10 for Lease Liability balances.

NOTE 9. BORROWINGS

| | | |
|---|-----------|-----------|
| <i>Current liabilities</i> | | |
| Loan from NSW Health Administration Corporation | 2,618,155 | 2,529,164 |
| Finance lease | - | 2,932 |
| | 2,618,155 | 2,532,096 |

Loan from NSW Health Administration Corporation

The Company entered into a funding agreement with NSW Health Administration Corporation in September 2019. The funding is to be used solely for the aim to improve the adoption of an innovative re-usable respirator in acute care settings.

The Company is not required to make any repayments of the loan until the project has achieved commercial success. The applicable interest rate for the loan is calculated by using the annual Consumer Price Index (CPI).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

| | 31 Dec 2022 \$ | Consolidated 30 Jun 2022 \$ |
|-----------------------------------|-------------------|-----------------------------------|
| NOTE 10. LEASE LIABILITIES | | |
| <i>Current liabilities</i> | | |
| Lease liability | 459,145 | 435,778 |
| <i>Non-current liabilities</i> | | |
| Lease liability | 925,714 | 1,162,838 |
| | 1,384,859 | 1,598,616 |

Refer to Note 8 for further information on Right-of-use-Assets and related leases.

NOTE 11. ISSUED CAPITAL

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. There were no changes to ordinary shares during the period.

| | 31 Dec 2022 Shares | 30 Jun 2022 Shares | Consolidated 31 Dec 2022 \$ | 30 Jun 2022 \$ |
|------------------------------|-----------------------|-----------------------|-----------------------------------|-------------------|
| Ordinary shares - fully paid | 77,019,523 | 77,019,523 | 33,430,564 | 33,430,564 |

NOTE 12. SHARE-BASED PAYMENTS

The Board approved the terms of the Company's umbrella equity-based long term incentive plan ("Equity Incentive Plan"). The Board may from time to time, operate the Equity Incentive Plan, determine employees who are eligible to participate and make an invitation to an employee to acquire awards or grant awards to an employee.

Set out below are the details of the awards granted under the Equity Incentive Plan for the period ended 31 December 2022.

Employee options

On 14 August 2022 an employee was granted 748,299 options with an exercise price of \$0.89 which expire on 14 August 2027. These options vest as follows (subject to the participant remaining employed on the vesting dates): 25% vested on 14 August 2022, 25% will vest on 14 August 2023, 25% will vest on 14 August 2024 and 25% will vest on 14 August 2025. None of these options were issued to key management personnel of the Group. The Company estimates the fair value of stock on the date of the grant using the Black-Scholes option-pricing model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 12. SHARE-BASED PAYMENTS (CONT.)

Share awards

On 21 December 2022 the Company issued 870,000 (H1 FY22: nil) restricted share awards ('RSUs'). The RSUs expire on 20 December 2027 and vest in three tranches, subject to continuous employment with the group, as follows: 33% vest on the date of release of Group's full year result for the year ending 30 June 2023 (expected to be in or around August 2023), 33% vest on the date of release of Group's full year result for the year ending 30 June 2024 (expected to be in or around August 2024), and 34% will vest on the date of release of Group's full year result for the year ending 30 June 2025 (expected to be in or around August 2025). The fair value was measured based upon the closing price of the Company's shares on the date of the award.

Expense summary

These grants have been amortised on a straight line basis over the vesting period. Total expensed in the six months ended 31 December 2022 was \$214,009 (31 December 2021: \$138,999).

NOTE 13. DIVIDENDS

There were no dividends paid, recommended or declared during the current or previous financial half-year.

NOTE 14. CONTINGENCIES

At balance date, bank guarantees were supported by security deposit guarantees, for which no liabilities have been recorded in the financial statements. Total bank guarantees of the consolidated entity at 31 December 2022 were \$406,768 (30 June 2022: \$406,768).

NOTE 15. COMMITMENTS

The consolidated entity did not have any commitments at 31 December 2022 or 31 December 2021.

NOTE 16. RELATED PARTY TRANSACTIONS

Parent entity

CleanSpace Holdings Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 17.

Transactions with related parties

There were no transactions with related parties during the current financial year.

Receivables due from/payables due to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

NOTE 17. INTERESTS IN SUBSIDIARIES

| Name of Subsidiary | Principal Activities | Country of Incorporation | Ownership Interest 2022 |
|---|---|--------------------------|-------------------------|
| CleanSpace IP Pty Ltd | Owner of the registered intellectual property of the Group | Australia | 100% |
| CleanSpace Technology Pty Limited | Design, manufacture, and distribution of CleanSpace products and services | Australia | 100% |
| CleanSpace Americas, Inc | Provision of sales and customer support in North America | USA | 100% |
| CleanSpace Technology Singapore Pte Ltd | Provision of service and customer support services in Asia | Singapore | 100% |
| CleanSpace NZ Ltd | Provision of sales and customer support services in New Zealand | New Zealand | 100% |
| CleanSpace Netherlands B.V. | Provision of service and customer support services in Europe | Netherlands | 100% |

NOTE 18. EVENTS AFTER THE REPORTING PERIOD

On the 10th January 2023 it was announced that the consolidated entity's Executive Director and Chief Executive Officer Dr Alexandra Birrell had tendered her resignation. Dr Birrell will remain in the business while she serves out her 3-month notice period. Mr Graham McLean has been appointed by the Board as Interim CEO pending the appointment of a permanent CEO. Recruitment of a new CEO is underway. Dr Birrell's resignation as a Director of CleanSpace Holdings Limited was effective 13 February 2023.

No other matter or circumstance has arisen since 31 December 2022 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

NOTE 19. JUNE 2022 TAX RECEIVABLE TAX RECLASSIFICATION

In the Financial Statements for the year ended 30 June 2022 CleanSpace reported an income tax receivable (Current Asset) of \$2,818,595. The Company understood based on advice this would be received as a refund in its June 2022 Australian tax return under the loss carry back provisions introduced in October 2020. On completing the tax return it was determined that the Company was ineligible to claim this offset due to insufficient franking credits in its Franking Account.

A summary of the adjustments is set out below.

| Period | Reported | | Actual | |
|-------------------------|--|---|--|---|
| | Income Tax Receivable (Current Asset) \$ | Deferred Tax (Non-current Asset) \$ | Income Tax Receivable (Current Asset) \$ | Deferred Tax (Non-current Asset) \$ |
| Year ended 30 June 2022 | 2,818,595 | 895,643 | - | 3,714,238 |

There was no impact on the reported profit and loss or net assets.

DIRECTORS' DECLARATION

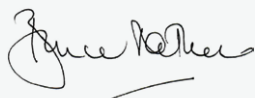
FOR THE HALF-YEAR ENDED 31 DECEMBER 2022

In the Directors' opinion:

- the attached financial statements and notes comply with the *Corporations Act 2001*, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2022 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the Directors



Bruce Rathie

20 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022



INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF CLEANSPACE HOLDINGS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of CleanSpace Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the Company and the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the financial half-year.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of CleanSpace Holdings Limited is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2022, and of its financial performance for the half-year ended on that date; and
- (b) complying with the Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors of the Company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

PKF (NS) Audit & Assurance Limited Partnership
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For our office locations visit www.pkf.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2022



Auditor's Responsibility for the Review of the Half-Year Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001. As the auditor of CleanSpace Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF

PKF

STobutt

SCOTT TOBUTT
PARTNER

20 FEBRUARY 2023
SYDNEY, NSW

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RESPIRATORS