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**RHYTHM**<sup>™</sup>  
BIOSCIENCES

# 2020 ANNUAL REPORT

RHYTHM BIOSCIENCES LIMITED

ACN 619 459 335

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COLORECTAL  
CANCER IS A  
SIGNIFICANT  
GLOBAL HEALTH RISK

**EARLY DETECTION  
CAN INCREASE  
CURE RATES TO 90%**

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# RHYTHM BIOSCIENCES IS HITTING ITS MILESTONES AND REMAINS ON TRACK

**\$1.8M**

Solid cash position with \$1.8m in the bank at 30 June 2020

**Test Kit**

Key lead biomarker technically validated. Adjunct biomarkers progressing well

**Capital Raise**

Raising \$6m via a Placement and Rights Issue to rebuild balance sheet

**Clinical Trial**

Review and feasibility assessments for additional trial sites underway to accelerate patient recruitment.

**Strong IP**

Divisional patent granted in China. ColoSTAT<sup>®</sup> trademark granted in USA

**TGA CE**

Review underway to accelerate CE Mark. TGA pathway on track

## Rhythm Biosciences Snapshot

Rhythm Biosciences Limited (ASX:RHY) is committed to developing and commercialising cancer diagnostics technology for sale to national and international markets. In the short term Rhythm is focused on improving colorectal cancer survival rates through early detection. Rhythm has one wholly owned subsidiary, Vision Tech Bio Pty Ltd, which owns the colorectal cancer diagnostic technology.

Rhythm believes that a new low cost simple blood test for colorectal cancer, whether used as a first-step screening test or in the triage of people with a positive FIT result before colonoscopy, will help reduce morbidity, mortality and healthcare costs associated with colorectal cancer.

Rhythm Biosciences

**An Australian, transformative cancer diagnostics technology company**

Initial Proposed Product

**ColoSTAT® – a simple, low cost and accurate blood test for the early detection of colorectal cancer**

Aim

**To reduce the impact of colorectal cancer globally through improved diagnosis**

## Path to Commercialisation

13 years of research has been devoted to developing the ColoSTAT® technology by CSIRO, Australia’s premier research body, prior to reaching Rhythm hands. Rhythm is using its product development and commercialisation expertise to transform this potentially life-saving technology from the research lab through the development process and then into the market as an in vitro diagnostic (IVD).

## RHYTHM BIOSCIENCES SIMPLE, ACCURATE AND LOW COST BLOOD TEST WILL FILL A UNIQUE SPACE IN THE MASS SCREENING MARKET

COMMENCED AND ONGOING

ONGOING



**Reagent development & validation of individual biomarker tests**



**Finalise panel (Study 6) & production transfer**



**Clinical trial recruitment and final report (Study 7)**



**Regulatory Submissions**  
Europe  
Australia  
USA



**Business Development / Partnering opportunities**



**Market Entry**  
Europe  
Australia,  
USA  
+ Others



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## COLORECTAL CANCER IS A SIGNIFICANT GLOBAL HEALTH RISK

Screening helps detect those most at risk, providing an opportunity for early intervention and improved treatment outcomes. Despite this many people don't participate, for clinical, cultural or personal reasons, compromising the effectiveness of such important health programs.

In Australia, circa 60% of people at risk don't take the test. Providing a simple, low cost and practical alternative blood test is an important market opportunity for Rhythm's ColoSTAT<sup>®</sup> blood test.



## The risk of developing colorectal cancer increases dramatically above the age of 50.

In countries such as Australia, UK, US and much of the Europe, colorectal cancer screening is recommended for all 50-74 year-olds, although in most of this elevated-risk population the majority remains under-screened. Colonoscopies, the most reliable diagnostic test for colorectal cancer, are invasive, expensive and not without risk, while faecal tests suffer from sub-optimal take-up rates with many in the target population having an aversion to handling their own stool, among other reasons.

Rhythm is endeavouring to address this significant market opportunity with its in-development colorectal cancer screening product ColoSTAT®, a simple, low cost, patient-friendly and accurate blood test for the early detection of colorectal cancer aimed at the global mass market.



Colorectal Cancer is the **2nd most prevalent cancer** globally



Elevated risk people **remain under-screened** as current tests can be either off-putting or expensive



ColoSTAT® – a simple, low cost blood test for the **accurate & early detection of** colorectal cancer

## NEW CASES AND DEATHS FROM COLORECTAL CANCER GLOBALLY

Number of colorectal cancer deaths

**Global: over 850,000 deaths each year, with 1.8M new cases diagnosed annually**








**2nd largest cause of cancer death**

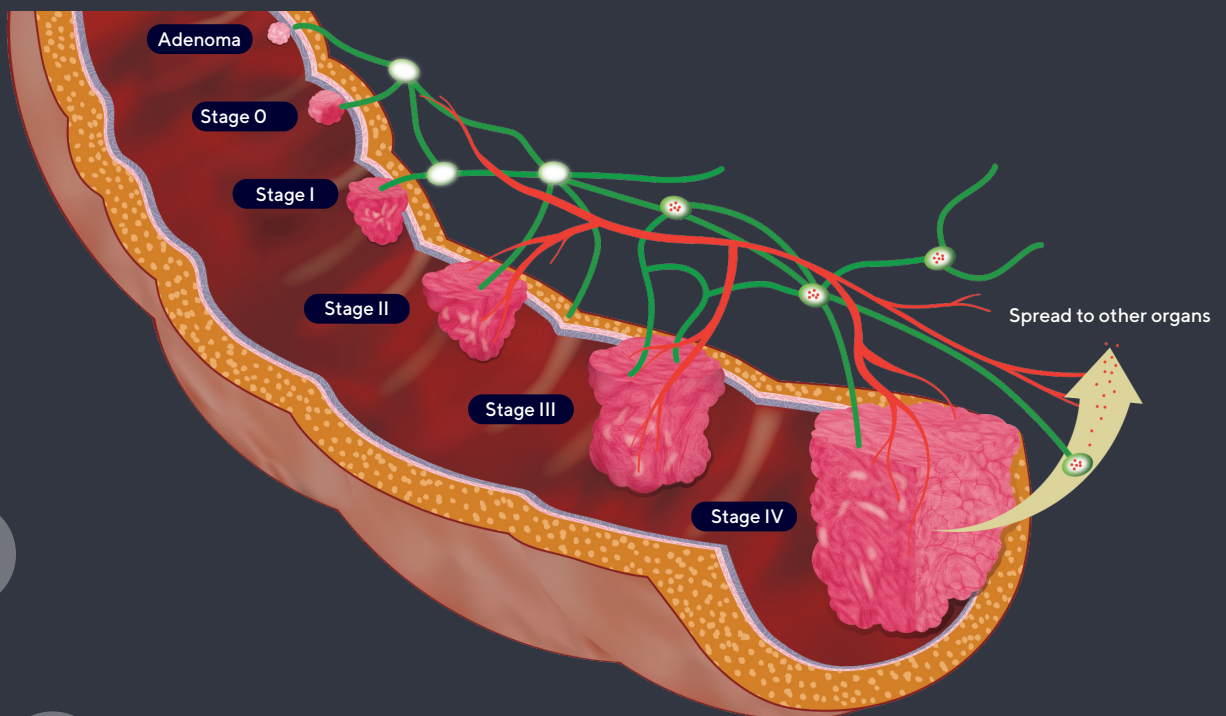


Source: International Agency for Research on Cancer [www.gco.iarc.fr/today/fact-sheets-cancers](http://www.gco.iarc.fr/today/fact-sheets-cancers)

# EARLY DETECTION IS THE KEY TO SURVIVAL

## Description of colorectal cancer by stage and associated survival rates

Stage	0	I	II	III	IV
<b>Description</b> 	Abnormal cells are found in the epithelium (mucosal layer) lining the bowel wall, most often outgrowths (adenomas or polyps). These abnormal cells may become cancer and spread.	Tumour has invaded beyond the epithelium of bowel into the muscle layers below but has not spread past the bowel wall.	Cancer has grown through the muscle layer of the bowel and invaded nearby tissue, but has not spread to the lymph nodes	Cancer has spread to the nearby lymph nodes but not to other parts of the body	Metastatic bowel cancer where it has spread beyond the colon and rectum to other organs such as the liver or lung.
<b>5-year % survival rate</b>	<b>&gt;96%</b>	<b>93%</b>	<b>82%</b>	<b>59%</b>	<b>8%</b>
<b>Treatment</b> 	Typically, surgery to remove the adenoma or local excision through a colonoscope. Removing part of the colon (partial colectomy) is occasionally needed if a tumour is larger.	Cancers of this stage require removal of the affected section of the large bowel and sometimes lymph node clearance but typically no additional treatment is necessary.	Partial colectomy along with dissection of nearby lymph nodes may be the only treatment needed. Adjuvant chemotherapy may also be required.	Partial colectomy along with dissection of nearby lymph nodes, along with adjuvant chemotherapy. If rectal, radiation therapy and/or chemo may be options for people not healthy enough for surgery.	Neoadjuvant chemotherapy to reduce tumour size, surgery and/or tumour stenting. Additional therapies also needed as well as radiation therapy and still only an 8% chance of survival.
					

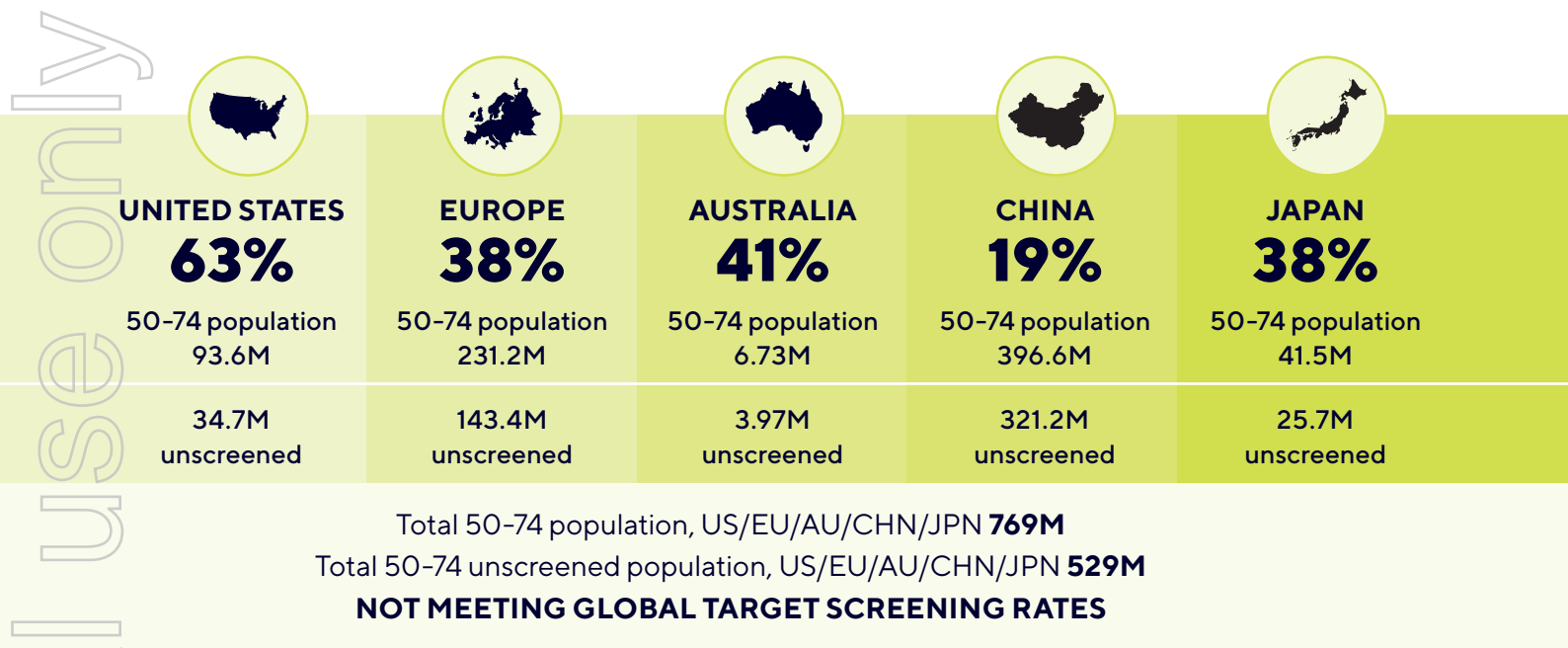


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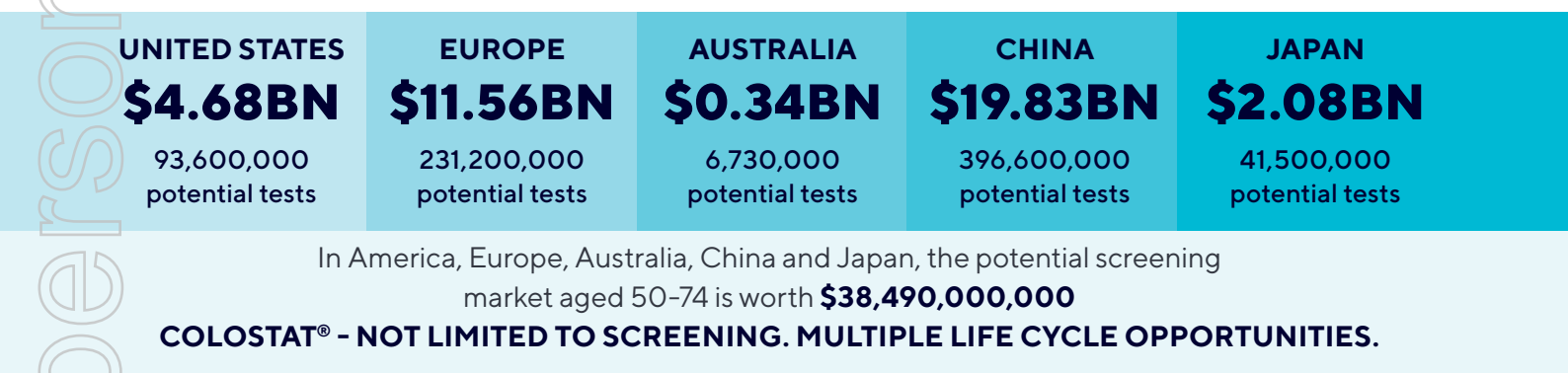


# GLOBAL SCREENING OF 50-74 YEAR OLDS

## Annual estimated screening compliance rates and opportunity by jurisdiction



## Annual estimated screening market value\* by jurisdiction



## Multiple avenues and market segments reduce risk and support a flexible and scalable business model

### National Screening Program/ MBS Reimbursed

ColoSTAT® is well suited to mass market screening and/or as a direct replacement for National Screening Programs led by Government, Health Insurers or GP's

### Private Market

ColoSTAT® could be used by GP's or in Hospitals as a diagnostic

Led by Health Insurers, GP's, Hospitals

### Secondary Triage

ColoSTAT® could be used as a follow up secondary test for those that return a positive FIT test prior to undergoing an invasive Colonoscopy

### Global Partnerships

Partnership, licencing, joint-venture options, collaborations, market specific. Maximize IP.

\* Assumption of \$50AUD reimbursement per test. RHY revenue may vary to this estimate

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## A MESSAGE FROM THE CHAIRMAN **OTTO BUTTULA**

*On behalf of the Rhythm Biosciences Board of Directors, I am delighted to present our Annual Report for the 2020 Financial Year (FY'20).*

*I was appointed as Chair to the Board of your Company in late October 2019, having been a shareholder since June 2018.*

Upon joining, my initial focus was to audit the Company's disclosures, plans and progress against what was laid out in the Prospectus and subsequent ASX announcements. Gratifyingly, it confirmed in my mind that your Company's original premise continues to be valid, with immense global market potential.

Following this, I visited the executive at their places of work and discussed their views of your Company and compared this with each member of the Board. Members of the executive and I then revisited your Company's strategy and operating plan. Being a smaller, dynamic company, we agreed to focus on the "Path to Commercialisation", set two-monthly targets and remove any matters of "external noise" which had crept in.

The "Path to Commercialisation" plan, as described in the Prospectus involved:

- i. Reagent Development;
- ii. IVD Kit Development and Production Transfer;
- iii. Clinical Trial; and
- iv. Regulatory Submissions (Europe and Australia).

Other observations were that the team was too small, had been rearranged (not necessarily in line with their original employment agreements or expertise) and had been distracted by external noise and some frustrations consistent with research and development projects and unrealistic expectations. Subsequently, in Q3'FY'20 your Board agreed to expand the team from three to seven with team members now operating under discrete reporting streams.

Whilst we had principally agreed to re-set the Company and adopt a disciplined and targeted new operating plan, we were not to realise that there would soon be a global pandemic which negatively affected us all. Specifically, in relation to Rhythm, this has adversely impacted us with staff attendance in the laboratory, delays in supply of materials and more specifically in regard to our major clinical trial, Study 7, with three out of our four trial hospitals being located in Melbourne.

Despite these challenges, the whole team at Rhythm remains resilient and confident in the future. Your CEO, Glenn Gilbert, has further developed his leadership in these uncertain times and whilst some companies have come to a grinding halt, we continue to make meaningful progress. Importantly, during FY'20, the Company

delivered a significant win to de-risk our technology, having technically validated the key lead biomarker for the ColoSTAT<sup>®</sup> test. Glenn will outline this progress in more detail in his CEO Report, which follows this letter.

FY'20 has also seen a reinvigorated Board, with Eduardo Vom joining myself as a new Board member. Eduardo has a successful background in technology development and commercialisation and will provide strong support to the Company as we embark on regulatory approval and commercialisation.

Key achievements during the year included:

- i. Grant of a divisional patent for ColoSTAT<sup>®</sup> in China;
- ii. Successful technical validation of our key, lead biomarker for our ColoSTAT<sup>®</sup> test-kit;
- iii. Registration of the ColoSTAT<sup>®</sup> trademark in the USA; and
- iv. Maintenance of our ISO13485 certification.

Subsequent to period-end, we embarked upon rebuilding our balance sheet, in order to continue to fund our pathway towards commercialisation. Recognising the strong support shown from Rhythm's loyal shareholder base, the Board elected to favour existing shareholders via a 3 for 5 rights issue, encompassing firm commitments, alongside two equally priced placements, aiming to raise approximately \$6.0 million.

All directors, eligible to take up their entitlement have indicated their intention to do so. Moreover, through related entities, I have now become a substantial shareholder in the Company, further aligning my own interests with those of all stakeholders. I would like to take this opportunity to personally thank the majority of shareholders for voting in favour of my additional placement subscription.

I would like to reiterate that the whole team at Rhythm remains confident in achieving the development of ColoSTAT<sup>®</sup>, as a low-cost, mass screening blood test for the early detection of colorectal cancer, aimed at the worldwide market. Whilst there is still significant work to be done, we are now well resourced and funded, as well as having a strong and experienced Board to navigate the path ahead. The Company is better managed with strong leadership, yet nimble enough

to cope with necessary changes brought about by these uncertain times.

Whilst present conditions have adversely impacted our business, these are expected to be mostly timing related, rather than through unknown scientific driven delays. Despite development and clinical risk remaining, we expect the near-term future to be fruitful, with further de-risking of our product development as we technically validate other antibodies and enlist more trial sites.

Colorectal cancer remains the second biggest cause of cancer death in the world and continues to grow year after year. Rhythm's ColoSTAT<sup>®</sup> blood test has the potential to be an important transformative tool for its early detection, and therefore the early treatment of this insidious disease – potentially saving lives and public health costs. Hence, despite recent health concerns being overtaken by COVID-19, ColoSTAT<sup>®</sup>'s potential remains undiminished.

I would like to thank my fellow directors Trevor Lockett, Lou Panaccio, Eduardo Vom and David White for their diligent efforts and counsel during the year. I also thank our Company Secretaries, Adrien Wing and Pauline Moffatt and our CEO Glenn Gilbert, who has developed increasingly strong leadership as he has navigated the Company through uncertain times on both the scientific and COVID-19 front, making key decisions to keep the Company on the right path and our staff safe. I look forward to Glenn, along with his executive / scientific team, continuing to deliver value for all stakeholders into the future.

Looking ahead to FY'21, we expect to be able to report more significant progress on our path to commercialisation, with several initiatives nearing maturity.

Finally, I would also like to take this opportunity to thank you, our shareholders for your ongoing support. Whilst the Company remains well below its December 2017 IPO price, I believe we are entering an exciting phase whereby substantial value will be capable of being recognised, rewarding all stakeholders.



**Otto Buttula**  
Chairman



## CHIEF EXECUTIVE OFFICER'S REPORT **GLENN GILBERT**

*With over 13 years of research and development legacy set by the CSIRO, Rhythm has continued with the same rigour and discipline in the 2020 Financial Year (FY'20) making considerable progress developing ColoSTAT<sup>®</sup>, a simple, low-cost, mass screening blood test for the early detection of colorectal cancer, aimed at the global market.*

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The year started with confirmation of new antibodies for the key lead biomarker, used in the ColoSTAT® test, which were able to successfully differentiate between cancer and healthy samples. The key lead biomarker is the cornerstone for the final ColoSTAT® test kit and has been demonstrated historically to be the majority contributor to the algorithm. In the months following, this achievement ultimately led to the key milestone for the year with the successful technical validation of the key lead biomarker, confirming that the individual biomarker test is stable and reproducible. Solid progress for several anticipated adjunct (supporting) biomarkers was made. These adjunct antibodies have been optimised and are currently in the final stages of technical validation. Technical validation not only provides confidence in our development path, but also significantly de-risks the technology that underpins Rhythm's ColoSTAT® test.

The Company began the transition to the next phase of our development program, with the alignment of resources focused on the delivery of future key milestones. Primarily to finalise the test-kit panel, technology transfer and scale up of third-party manufacturers and to appoint additional clinical trial sites to drive patient recruitment.

As disclosed, our ability to progress various components of the development program were impacted by COVID-19 in the second half of the financial year. This mostly involved delays in the global supply chain for various materials, along with blood sample and patient recruitment for the clinical trial (Study 7). However, on matters we could control, management decisions were made early, reorganising teams and appropriately investing in additional resources benefitting other parts of the development program. The re-deployment of Government health system resources within the existing

clinical trial sites has meant that patient recruitment was suspended and currently remains that way for all Victorian trial sites. The Company has worked closely with its clinical trial partners, including its Clinical Research Organisation (CRO) and Sonic Clinical Trials (SCT), to consider options ahead of and post our trial sites resuming recruitment of Study 7.

The Company is currently reviewing its EU regulatory plan, with consideration being given towards applying for a CE Mark in advance of the completion of the final clinical trial (Study 7) report. This will be guided by appropriate, satisfactory, and robust data available from Study 6 and our ongoing verification testing program. An earlier granting of a CE Mark will not necessarily lead to immediate sales (or reimbursement), as key opinion leaders, physicians, surgeons, and governments will likely require clinical evidence, supported by Study 7. Nonetheless, an earlier granting could further encourage patient recruitment and potentially bring forward other commercialisation discussions.

Further out, Rhythm expect to seek approval for ColoSTAT® in the United States. Preliminary assessment work has commenced, with various go-to-market plans being developed that may include FDA approval and / or early entry via a CLIA laboratory (lab developed test) pathway.

Despite the current market conditions, the global unmet need for a mass market, simple, low cost blood test remains unchanged. ColoSTAT® has the potential to be a transformative diagnostic tool that could significantly increase global compliance of participating countries within their national bowel cancer screening programs and potentially be included in routine annual patient check-ups. The anticipated positive health economic benefits from early

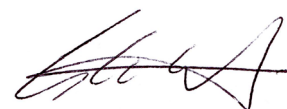
detection of colorectal cancer from the introduction of ColoSTAT® could enhance its potential to attract reimbursement by both governments and health insurance companies alike.

In closing, I am pleased with the meaningful progress and achievements made by the Company in a very challenging year. Rhythm is in great shape. We now have a key lead biomarker technically validated, with several adjunct (supporting) biomarkers close to concluding their validation protocols. Moreover, we have progressed feasibility assessments of additional clinical trial sites. Adding further confidence, is that the Company is now more appropriately resourced to meet our stated milestones.

I thank our dedicated and passionate Rhythm team, who work with great energy and determination to deliver on our collective goal, and to the Rhythm Board of Directors for their oversight, advice, and support.

Our research and development effort is entering a more mature phase and the potential commercialisation of ColoSTAT® has the potential to transform not only the Company, but also the way the colorectal cancer is detected globally.

I look forward to continuing our important work, reporting our progress, and delivering value to all our stakeholders.



**Glenn Gilbert**  
CEO

The Directors of Rhythm Biosciences Limited (Rhythm, the Group, or the Company) present their report for the financial year ended 30 June 2020.

## Directors

The Directors at any time during the year, or since the end of the financial year, were as follows:

Mr Otto Buttula (appointed 28 October 2019)

Dr Trevor Lockett

Mr Louis (Lou) Panaccio

Mr David White

Mr Eduardo Vom (appointed 5 June 2020)

Mr Shane Tanner (resigned 25 October 2019)

## Principal Activities

Rhythm Biosciences Limited (ASX: RHY) is developing and commercialising Australian medical diagnostics technology for sale in domestic and international markets. Its ColoSTAT® product, which remains in development aims to provide an accurate and early detection test for colorectal cancer.

## Corporate Information

Rhythm, a company limited by shares, is incorporated and domiciled in Australia. Rhythm has prepared a consolidated financial report incorporating the entity that it controlled during the financial year.

The registered office is located at Level 2, 480 Collins Street, Melbourne Victoria, Australia, 3000.

The major operations of the Company are located at Bio21 Institute, 30 Flemington Road, Parkville Victoria, Australia, 3010

## Review of Operations

The Group incurred a loss after income tax of \$4,022,984 for the year ended 30 June 2020 (2019: \$2,546,159).

The Chairman's Letter and Chief Executive Officer's Report contain a review of operations.

## Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial year.

## Future Developments

The Directors' do not foresee any unusual future event that may significantly negatively impact the Group's operations, results or state of affairs. Rhythm's business model of developing diagnostic products for global markets will always bear some risk given the nature of technological development, competitors entering the market, changes in global healthcare, reliance on commercial partners and our ability to access capital to sustain operations. We cannot guarantee that Rhythm's technology will be widely adopted. Moreover, the global Healthcare industry is an ever-evolving landscape where changes may impact our business opportunities.

## Dividends

No dividends were paid or declared since the start of the financial year. No recommendation for payment has been made.

## Directors and Company Secretaries

### Names, qualifications and experience

<b>Name</b>	<b>Otto Buttula (appointed 28 October 2019)</b>
<b>Title</b>	Non-Executive Chairman
<b>Experience and expertise</b>	<p>Mr Buttula has had extensive experience and success in investment research, funds management, information and bio-technologies and has held directorships in a number of public companies. Mr Buttula's executive experience includes co-founder and CEO and Managing Director of IWL Limited, an online financial services company that listed on the ASX in 1999. The company grew from a market capitalisation of \$48 million at listing before a takeover in 2007 by Commonwealth Bank of Australia for \$373 million. Mr Buttula also founded and was Managing Director of Investors Mutual, prior to which he was a co-founder and director of Lonsdale Securities Limited.</p> <p>Following his completion of executive duties, Mr Buttula was Non-Executive Chairman of platform and stockbroking provider Investorfirst Limited and led the acquisition of HUB24 Limited (ASX: HUB). More recently, he served on the Board as a non-executive director and Head of Audit and Risk at Imugene Limited (ASX: IMU) between 2014 and 2016.</p>
<b>Interests in shares</b>	1,500,000 fully paid ordinary shares
<b>Interests in options</b>	Nil
<b>Name</b>	<b>Dr Trevor Lockett</b>
<b>Title</b>	Technical Director
<b>Experience and expertise</b>	<p>A molecular biologist by trade, Trevor Lockett received his PhD in biochemistry from the University of Adelaide and postdoctoral experience at the Rockefeller University in New York. With over 30 years of research experience, predominantly at the CSIRO, Trevor has led large, multidisciplinary research efforts in the areas of prostate cancer gene therapy, colorectal cancer prevention and the promotion of gastrointestinal health. In his role as Theme Leader, Colorectal Cancer and Gut Health, Trevor oversaw the research efforts leading to the technology that is to become ColoSTAT®.</p>
<b>Interests in shares</b>	100,000 fully paid ordinary shares
<b>Interests in options</b>	2,000,000 options with an exercise price of 30 cents expiring on 7 December 2020
<b>Name</b>	<b>David White</b>
<b>Title</b>	Non-Executive Director
<b>Experience and expertise</b>	<p>David is based in Chicago in the US and is currently the Vice President of Business Development for Bluechiip Limited. Bluechiip is an ASX listed company with unique technology that assists Biotech and Pharmaceutical companies to track biological samples in and out of cryogenic storage. Prior to Bluechiip, David spent 4 years with Planet Innovation in Project Management and Business Development roles, assisting PI in commercializing their IP in the Point of Care diagnostics space. David brings over 20 years experience with diverse companies such as GenMark Diagnostics and Leica Biosystems in developing, marketing and selling IVD products in regulated markets. David's experience, networks and contacts within the US diagnostics market will accelerate the path to commercialisation in this key geography.</p>
<b>Interests in shares</b>	530,220 fully paid ordinary shares
<b>Interests in options</b>	Nil

<b>Name</b>	<b>Lou Panaccio</b>
Title	Non-Executive Director
Experience and expertise	A chartered accountant with extensive management experience in business and healthcare services. Lou is currently on the boards of ASX listed companies Sonic Healthcare Limited and Avita Therapeutics, Inc. Lou is also on the board of Unison Housing Limited. Lou has more than twenty years experience as a board member of both public and private, for profit and not for profit companies. Previously, Lou was the CEO of Melbourne Pathology and Monash IVF, and also executive Chairman of Health Networks Australia.
Other current directorships	Sonic Healthcare Limited Avita Therapeutics, Inc
Former directorships (last 3 years)	Genera Biosystems Limited (resigned 28 June 2019)
Interests in shares	500,000 fully paid ordinary shares
Interests in options	Nil
<b>Name</b>	<b>Eduardo Vom (appointed 5 June 2020)</b>
Title	Non-Executive Director
Experience and expertise	Mr Vom has over 20 years' experience in technology and development and commercialisation in the biotech industry, having held leadership roles at cancer diagnostics manufacturer Vision BioSystems and molecular diagnostics company Genetic Technologies. He currently serves as a non-executive director with privately owned health and wellbeing companies and is well known for his expertise in digital healthcare, management of multi discipline projects, business strategy and technology commercialisation. He holds a Post Graduate Diploma in Management Technology and an honours degree in Industrial Engineering and Computing from Monash University.
Interests in shares	2,710,000 fully paid ordinary shares
Interests in options	Nil
<b>Name</b>	<b>Shane Tanner (resigned 25 October 2019)</b>
Title	Former Non-Executive Chairman
Experience and expertise	An experienced, accomplished and professional director in the Australian Healthcare sector, Shane has orchestrated and been responsible for numerous small and large scale acquisitions. He also has helped to establish and guide several significant businesses where he was deeply involved in growth and management upskilling.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.



## Company Secretaries

Adrien Wing is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with several public companies listed on the ASX as a corporate and accounting consultant and company secretary.

Pauline Moffatt is a graduate of the Australian Institute of Company Directors (GAICD) and a fellow GIA ICSA of the Governance Institute of Australia. Ms Moffatt has a wealth of experience, providing specialised accounting and company secretary services to public companies for over 20 years.

## Meetings of Directors

The following table sets out the number of Director meetings of the Company held during the financial year, and the number of meetings attended by each Director.

Director	Directors' Meetings	
	Held	Attended
Mr O Buttula <sup>1</sup>	6	6
Mr S Tanner <sup>2</sup>	3	3
Dr T Lockett	10	10
Mr L Panaccio	10	10
Mr D White	10	10
Mr E Vom <sup>3</sup>	1	1

<sup>1</sup>Mr Buttula was appointed on 28 October 2019.

<sup>2</sup>Mr Tanner resigned on 25 October 2019.

<sup>3</sup>Mr Vom was appointed on 5 June 2020.

## Corporate Governance

Details on the Company's corporate governance procedures, policies and practices are at [www.rhythmbio.com](http://www.rhythmbio.com).

The Remuneration Report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and its Key Management Personnel for the financial year ended 30 June 2020.

### Remuneration Report (Audited)

Names and positions held by Directors and Key Management Personnel at any time during the financial year were:

Name	Position	Date Appointed to Position
Mr Otto Buttula	Non-Executive Chairman	28 October 2019
Mr Shane Tanner	Non-Executive Chairman	1 June 2017 (resigned 25 October 2019)
Dr Trevor Lockett	Technical Director	27 November 2018 (previously Managing Director from 1 June 2017)
Mr Louis (Lou) Panaccio	Non-Executive Director	1 August 2017
Mr David White	Non-Executive Director	1 June 2017
Mr Eduardo Vom	Non-Executive Director	5 June 2020
Mr Glenn Gilbert	Chief Executive Officer	27 November 2018 (previously Chief Operating Officer from 21 May 2018)
Mr Adrien Wing	Company Secretary	1 June 2017

### Directors' and Key Management Personnel Interests in Shares and Options

Directors' and Key Management Personnel's interests in the ordinary shares of Rhythm Biosciences Limited and options over ordinary shares as at the date of this report are detailed below:

Name	Position	Number of Ordinary Shares	Number of Options
Mr Otto Buttula	Non-Executive Chairman	1,500,000	-
Dr Trevor Lockett	Technical Director	100,000	2,000,000
Mr Louis (Lou) Panaccio	Non-Executive Director	500,000	-
Mr David White	Non-Executive Director	530,220	-
Mr Eduardo Vom	Non-Executive Director	2,710,000	-
Mr Glenn Gilbert	Chief Executive Officer	-	1,000,000
Mr Adrien Wing	Company Secretary	11,100,000	-
		<b>16,440,220</b>	<b>3,000,000</b>

### Remuneration Policy

The aim of the Company's remuneration policy is to align the interests of directors and employees with those of shareholders. To do this Rhythm sets remuneration levels that attract and retain highly skilled and experienced directors and employees; and motivates and rewards performance that advances the Company's strategic goals.

### Remuneration Structure

The remuneration of Key Management Personnel and employees is structured in two parts:

- Fixed Remuneration, comprising: base salary, superannuation (payable under the Superannuation Guarantee Act) and other benefits in lieu of salary; and
- Variable Remuneration, which may comprise: a short-term incentive bonus (cash) and a long-term incentive in the form of options under the ESOP.

The Company aims to set the level of fixed remuneration at market levels for comparable jobs, in similarly structured and sized companies in the industry in which the Company operates. No advice from a remuneration consultant was sought during the financial year.

## Short-Term Incentive Plan

The short-term incentive plan provides an incentive to employees to achieve an annual cash bonus on the achievement of corporate goals set at the beginning of each calendar year. These corporate goals are clearly defined, drive shareholder value and can be objectively measured. The percentage of an employee's base salary that can be earned through the Short-Term Incentive Plan (STIP) is set by the Board for Key Management Personnel and by Key Management Personnel for all other employees. At the end of the calendar year the Board assesses the level of achievement of these corporate goals. Payments made pursuant to the STIP are at the discretion of the Board.

## Long-Term Incentive Plan

The purpose of the long-term incentive plan is to align the interests of directors, key management personnel and employees with those of the shareholders and provide reward for sustained achievement of the Group's strategic objectives. Rhythm's long-term incentive plan is implemented through the Employee Share Option Plan (ESOP).

During the 2018 year, 3,000,000 Options were issued to key management personnel. The fair value of employee share options was \$194,100. This amount is expensed over the life of the relevant vesting periods. \$18,592 was expensed in the current financial year (2019: \$85,922). The options were issued for nil consideration and granted in accordance with performance guidelines established by the Board.

The following Share Options arrangements existed at 30 June 2020:

Number of Options	Exercise Price (\$)	Grant Date	Vesting Period	Vesting Date	Expiry Date	Holder	Fair Value per Option at Grant Date
2,000,000	\$0.30	21.7.2017	1 year	21.7.2018	7.12.2020	Dr T Lockett	\$0.045
1,000,000	\$0.20	21.5.2018	Within 2 years	Various	21.5.2021	G Gilbert	\$0.105
<b>3,000,000</b>	<b>Total ESOP Options</b>						

*Vesting basis: to remain employed by Rhythm at vesting date (ranging from 12 to 24 months).*

*All options granted are in respect of ordinary shares in Rhythm Biosciences Limited and confer a right of one ordinary share for each option held.*

## Movement in the number of share options on issue

	2020 Number of Options	2020 Weighted Average Exercise Price (cents)	2019 Number of Options	2019 Weighted Average Exercise Price (cents)
Opening balance	3,000,000	26.67	3,000,000	26.67
Granted	-	-	-	-
<b>Outstanding at year-end</b>	<b>3,000,000</b>	<b>26.67</b>	<b>3,000,000</b>	<b>26.67</b>
Exercisable at year-end	3,000,000	26.67	2,500,000	28.00

During the 2019 financial year the Company granted 504,200 Performance Rights to Mr Glenn Gilbert as part of his remuneration. These Performance Rights lapsed during the 2020 financial year due to the market capitalisation of the Company at the end of the 12 month period (Relevant Period) after the issue not being 20% more than the market capitalisation at the commencement of the Relevant Period. The fairvalue of employee Performance Rights was \$45,277. This amount was being expensed over the life of the relevant vesting periods. \$8,831 was expensed in the 2019 financial year. This amount was transferred from a reserve to accumulated losses in the 2020 financial year.

The Performance Rights were issued for nil consideration and granted in accordance with performance guidelines established by the Board.

Details were as follows:

Grant Date	Expiry Date	Vesting Periods	Granted	Converted	Lapsed/ Forfeited	Balance at End of the Year	Fair Value per Right at Grant Date
28.11.2018	27.11.2021	Various	504,200	-	(504,200)	-	\$0.0897

### Non-Executive Director Remuneration

The Board considers the level of remuneration necessary to attract and retain Directors with the skills and experience required by the Company at its stage of development. Non-Executive Directors fees are paid within an aggregate limit which is approved by the shareholders from time to time. No retirement payments are made to Non-Executive Directors.

For the 2020 financial year, the Non-executive Chairman's fees were \$84,000 per annum while the Australian based Non-Executive Directors' fees were \$42,000 per annum. The United States based Non-Executive Directors' fees were \$36,000 per annum. No options were issued to Non-Executive Directors under the ESOP during the 2020 financial year

### Key Management Personnel Remuneration

#### Key Terms of the CEO's employment contract

The Company entered into an executive services agreement commencing on 21 May 2018 for Mr Glenn Gilbert as Chief Operating Officer. Effective 27 November 2018, the Board appointed Glenn as Chief Executive Officer (CEO). The Company has issued Glenn 1,000,000 unlisted Options which vest over a 2-year period, exercisable at 20 cents on or before 21 May 2021. Glenn may also receive short-term incentives dependent upon performance, as assessed against key performance indicators. Bonuses of \$52,310<sup>1</sup> were paid during the 2020 financial year (2019: \$23,750<sup>2</sup>). Performance Rights were issued during the 2019 financial year over 504,200 shares as detailed in Note 17 to the financial statements. These lapsed in the 2020 financial year. The Company may terminate Glenn's employment upon 3 months' written notice.

#### Key Terms of the Technical Director's employment contract

The Company entered into an executive services agreement on 23 June 2017 for Dr Trevor Lockett to receive an annual salary of \$200,000 (plus 15% superannuation). Trevor's engagement as Managing Director was for an initial term of one year, with an option for a further term of 12 months if agreed by both parties. The Company also issued Trevor 2,000,000 unlisted Options exercisable at 30 cents on or before 7 December 2020. A bonus of \$80,000 was paid during the 2019 financial year. Trevor transitioned to Technical Director effective 27 November 2018 following the appointment of Glenn Gilbert as CEO. Effective 1 October 2019, Trevor transitioned to a Non-Executive Director with a consulting arrangement at market rates.

Details of the remuneration of Directors and Key Management Personnel for the 2020 financial year are provided below:

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Cash bonus (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Options (\$)		
<b>Non-Executive Directors</b>								
Q Buttula	51,142	-	-	-	4,858	-	56,000	-
S Tanner	28,000	-	-	-	-	-	28,000	-
T Lockett	174,436	-	(13,317)	(2,744)	10,054	-	168,429	-
D White	36,000	-	-	-	-	-	36,000	-
L Panaccio	42,000	-	-	-	-	-	42,000	-
E Vom	3,033	-	-	-	-	-	3,033	-
<b>CEO</b>								
G Gilbert	265,700	52,310 <sup>1</sup>	16,000	3,030	24,700	18,592	380,332	18.6
<b>Company Secretary</b>								
A Wing	105,600	-	-	-	-	-	105,600	-
<b>Total</b>	<b>705,911</b>	<b>52,310</b>	<b>2,683</b>	<b>286</b>	<b>39,612</b>	<b>18,592</b>	<b>819,394</b>	<b>-</b>

1. Included in this bonus is an amount of \$23,750 relating to the 2019 financial year which was not finalised and agreed upon until during the 2020 financial year. The bonus awarded for 2020 represented 30% of the total available and was based on leadership, investor support and overall contribution. The bonus awarded for 2019 represented 50% of the total available and was based on scientific progress, relocation to Bio21 premises and staffing arrangements.

Details of the remuneration of Directors and Key Management Personnel for the 2019 financial year are provided below:

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Cash bonus (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Options (\$)		
<b>Non-Executive Directors</b>								
S Tanner	84,000	-	-	-	-	-	84,000	-
D White	36,000	-	-	-	-	-	36,000	-
L Panaccio	42,000	-	-	-	-	-	42,000	-
<b>Managing Director and Executives</b>								
T Lockett	200,000	80,000	13,317	2,744	30,000	5,121	331,182	25.7
G Gilbert	231,910	23,750 <sup>2</sup>	23,605	1,001	22,031	89,632	391,929	28.9
<b>Company Secretary</b>								
A Wing	105,600	-	-	-	-	-	105,600	-
<b>Total</b>	<b>699,510</b>	<b>103,750</b>	<b>36,922</b>	<b>3,745</b>	<b>52,031</b>	<b>94,753</b>	<b>990,711</b>	

2. This bonus related to the 2018 financial year and was not finalised and agreed upon until during the 2019 financial year.

## Share-Based Payments

The Group operates an Employee Share Option Plan (ESOP). Each option provides the holder with the right to purchase an ordinary share in the parent entity at a pre-determined price. During the financial year ended 30 June 2018, 3,000,000 options were issued pursuant to the Group's ESOP. Options offered to Rhythm Directors and staff are subject to several conditions which can restrict both vesting and the exercising of the options. At the date of the Directors Report a total of 3,000,000 options were on issue.

There were no ordinary shares issued during the financial year from the exercise of employee share options.

## Option Holdings

The number of options over ordinary shares in the Company held during and at the end of the financial year by each Director and Key Management Personnel, including related parties, are set out below (refer also to Note 17 for further details):

	Balance at Beginning of Year	Granted During Year	Exercised During Year	Lapsed During Year	Balance at End of Year	Vested and Exercisable at End of Year	Unvested at End of Year
T Lockett	2,000,000	-	-	-	2,000,000	2,000,000	-
G Gilbert	1,000,000	-	-	-	1,000,000	1,000,000	-
<b>Total</b>	<b>3,000,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,000,000</b>	<b>3,000,000</b>	<b>-</b>

## Shareholdings

The number of ordinary shares in the Company held during and at the end of the 2020 financial year by each Director and Key Management Personnel of the Group, including related parties, are set out below.

	Balance at Beginning of Year	Share-based Compensation	Exercise of Options	Upon Appointment/Resignation	On-market and Other Transactions	Balance at End of Year
<b>Non-Executive Directors</b>						
O Buttula	-	-	-	1,500,000	-	1,500,000
S Tanner	1,600,000	-	-	(1,600,000)	-	-
D White	530,220	-	-	-	-	530,220
L Panaccio	500,000	-	-	-	-	500,000
T Lockett	100,000	-	-	-	-	100,000
E Vom	-	-	-	2,710,000	-	2,710,000
<b>CEO</b>						
G Gilbert	-	-	-	-	-	-
<b>Company Secretary</b>						
A Wing	11,100,000	-	-	-	-	11,100,000
<b>Total</b>	<b>13,830,220</b>	<b>-</b>	<b>-</b>	<b>2,610,000</b>	<b>-</b>	<b>16,440,220</b>

## Additional Information

The earnings of the consolidated entity are summarised below:

Loss after income tax of \$4,022,984 for the year ended 30 June 2020 (2019: \$2,546,159).

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

- Share price at the end of the financial year was 6.9 cents (2019: 18 cents).
- Basic Loss per share (cents per share) of 3.99 for the year ended 30 June 2020 (2019: 2.53).

**This concludes the remuneration report, which has been audited.**

## Voting and comments made at the Company's 2019 Annual General Meeting

At the 2019 Annual General Meeting the 2019 Remuneration Report was voted upon by shareholders with no votes against the resolution.

## Environmental Issues

Rhythm's operations are subject to certain environmental regulations under the laws of the Commonwealth and State. The Directors are not aware of any breaches during the period covered by this report.

## Related Party Transactions

During the 2020 and 2019 financial years there were no transactions with related parties other than remuneration.

## After Balance Date Events

### Capital Raising

On 23 July 2020, Rhythm announced it will conduct a Placement and Non-Renounceable Rights Issue ("Offer") to raise approximately \$6.0 million.

Key details are as follows:

#### *Placement*

Placement to issue 40,112,500 new fully paid ordinary shares at an issue price of \$0.06 (6 cents) on the following basis:

- 15,112,500 shares pursuant to Listing Rule 7.1 (15% Placement capacity) to sophisticated, professional and other exempt investors, representing \$906,750 before costs issued on 29 July 2020; and
- 25,000,000 shares to Rhythm Non-Executive Chairman, Mr Otto Buttula (and/or nominees), representing a \$1.5 million commitment, subject to shareholder approval which was obtained on 25 August 2020.

The Placement will raise approximately \$2.4 million before costs. A commitment fee of 5% of the respective amounts subscribed will be paid to each of the subscribers under the Placement.

#### *Rights Offer on a 3 for 5 Basis*

The Non-Renounceable Rights Issue Offer is made to Eligible Shareholders to subscribe for three (3) new shares for every five (5) shares held, at an Offer price of \$0.06 (6 cents) per share to raise up to \$3.6 million before costs.

The Company has received firm commitments from third parties for up to the maximum amount sought of \$2.25 million of any shortfall available under the Rights Issue. A commitment fee of 5% of the respective amounts subscribed will be paid to each of the above Shortfall Subscribers.

Directors retain the right for up to 3 months after the close of the Offer to place the balance of any New Shares not taken up by Eligible Shareholders and the Shortfall Subscribers.

### COVID-19 Impact

The Company been able to maintain its Research & Development staff within the laboratory. The Company has experienced some delays in the receipt of various materials from international suppliers primarily due to the backlog and re-routing of ports associated with freight processing, particularly in Victoria.

Delays have been experienced within patient recruitment and some blood sample collection for both Study 6 and the clinical trial (Study 7).

Within patient recruitment for Study 7, existing Melbourne sites postponed recruiting due to internal resourcing shortages as a result of concentration on COVID 19. This delay could be further exacerbated by the Victorian State Government's announcement on 28 July 2020, that there will be a suspension of elective surgery other than for Category 1 and the 'most urgent' Category 2 patients. Routine colonoscopy procedures typically fall under Category 2. This was decided as a result of increased COVID-19 cases, to effect an increase in human health resource capacity and in order to release beds within the hospitals.

As a result, the Company is working closely with its Clinical Research Organisation (CRO) and is actively seeking to broaden the locations for clinical trial sites nationally, with the 3 largest hospitals currently appointed to the clinical trial, being based in Melbourne, Victoria.

With the impact of Covid-19 affecting the development program and Rhythm's partner suppliers, the Company is unable at this time to provide a specific, updated timeframe for the achievement of its key milestones, associated with the clinical trial, CE Mark and TGA regulatory submissions.

### Extraordinary General Meeting

At a General Meeting of shareholders held on 25 August 2020, the following resolutions were approved:

- Ratification of the prior issue of 15,112,500 fully paid ordinary shares at an issue price of \$0.06 (6 cents) per share to unrelated sophisticated and professional investors.
- Approval for the Company to issue up to 25,000,000 fully paid ordinary shares at an issue price of \$0.06 (6 cents) per share to Mr Otto Buttula (and/or his nominee(s)).

There has been no other matter or circumstance which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2020, of the consolidated entity, or
- The results of those operations, or
- The state of affairs, in financial years subsequent to 30 June 2020, of the consolidated entity.

### Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

### Indemnity and Insurance of Officers

The Company has paid a premium for Directors' and Officers' Liability (Management Liability) Insurance.

Under the Company's constitution:

- To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against any liability (other than for legal costs) incurred by that person as an officer of the Company.
- To the extent permitted by law and subject to the restrictions in sections 199A and 199B of the Corporations Act 2001, the Company indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred by that person as an officer of the Company.

The Company insures its Directors, Company Secretary and executive officers under a Management Liability Insurance policy. Under the Company's Management Liability Insurance Policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

### Indemnity and Insurance of Auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under s307C of the Corporations Act 2001 is set out on page 26.



## Non-Audit Services

BDO Audit Pty Ltd were paid \$7,450 (2019: \$20,520) for non-audit services during the 2020 financial year.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

## Officers of the company who are former directors of BDO Audit Pty Ltd

There are no officers of the company who are former directors of BDO Audit Pty Ltd.

This report is made in accordance with a resolution of the Directors.



**Otto Buttula**  
**Chairman**

Melbourne, Australia

Dated this 31st day of August 2020



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**DECLARATION OF INDEPENDENCE BY JAMES MOONEY TO THE DIRECTORS OF RHYTHM BIOSCIENCES LIMITED**

As lead auditor of Rhythm Biosciences Limited for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rhythm Biosciences Limited and the entities it controlled during the period.

James Mooney  
Director

**BDO Audit Pty Ltd**

Melbourne, 31 August 2020

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.

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## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2020 (\$)	2019 (\$)
<b>Other Income</b>			
Interest Income		46,266	141,066
Government Stimulus Income		100,000	-
Research and Development Tax Refund		-	1,027,618
<b>Expenses</b>			
Employment related costs	4	(1,397,801)	(1,617,926)
Office and compliance costs		(549,617)	(523,331)
Research and development costs		(1,939,431)	(980,283)
Marketing and investor relations		(41,846)	(302,934)
Occupancy costs		(49,918)	(122,455)
Travel and meetings		(41,554)	(88,964)
Finance costs		(7,796)	(4,584)
Depreciation		(105,316)	(29,395)
Amortisation of intangibles	9	(35,971)	(35,971)
<b>Total Expenses</b>		<b>(4,169,250)</b>	<b>(3,714,843)</b>
<b>Loss Before Income Tax</b>		<b>(4,022,984)</b>	<b>(2,546,159)</b>
Income tax expense	5	-	-
<b>Loss After Tax</b>		<b>(4,022,984)</b>	<b>(2,546,159)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Loss for the Year</b>		<b>(4,022,984)</b>	<b>(2,546,159)</b>
<b>Loss Per Share</b>			
Basic loss per share (cents per share)	6	(3.99)	(2.53)
Diluted loss per share (cents per share)	6	(3.99)	(2.53)

## Consolidated Statement of Financial Position

	Notes	30 June 2020 (\$)	30 June 2019 (\$)
<b>Current Assets</b>			
Cash and cash equivalents	7	1,797,958	4,728,315
Trade and other receivables	8	139,175	797,697
Other financial assets – term deposit		45,000	45,000
Prepayments		23,234	34,298
<b>Total Current Assets</b>		<b>2,005,367</b>	<b>5,605,310</b>
<b>Non-Current Assets</b>			
Intangible assets	9	497,986	533,957
Right-of-use assets		40,012	-
Property, plant and equipment	10	102,546	90,165
<b>Total Non-Current Assets</b>		<b>640,544</b>	<b>624,122</b>
<b>Total Assets</b>		<b>2,645,911</b>	<b>6,229,432</b>
<b>Current Liabilities</b>			
Trade and other payables	11	676,099	302,133
Provisions	12	75,888	70,862
Lease liabilities		42,437	-
<b>Total Current Liabilities</b>		<b>794,424</b>	<b>372,995</b>
<b>Non-Current Liabilities</b>			
Provisions	12	8,428	6,719
<b>Total Non-Current Liabilities</b>		<b>8,428</b>	<b>6,719</b>
<b>Total Liabilities</b>		<b>802,852</b>	<b>379,714</b>
<b>Net Assets</b>		<b>1,843,059</b>	<b>5,849,718</b>
<b>Equity</b>			
Issued capital	13	10,037,245	10,037,245
Reserves	14	194,000	184,239
Accumulated losses		(8,388,186)	(4,371,766)
<b>Total Equity</b>		<b>1,843,059</b>	<b>5,849,718</b>

## Consolidated Statement of Changes in Equity

	Issued Capital (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1 July 2018</b>	10,037,245	89,486	(1,825,607)	8,301,124
Loss attributable to members	-	-	(2,546,159)	(2,546,159)
Share-based payments expense (Note 17)	-	94,753	-	94,753
<b>Balance at 30 June 2019</b>	<b>10,037,245</b>	<b>184,239</b>	<b>(4,371,766)</b>	<b>5,849,718</b>
Adjustment on adoption of new accounting standard*	-	-	(2,267)	(2,267)
<b>Balance at 1 July 2019</b>	<b>10,037,245</b>	<b>184,239</b>	<b>(4,374,033)</b>	<b>5,847,451</b>
Loss attributable to members	-	-	(4,022,984)	(4,022,984)
Lapse of performance rights	-	(8,831)	8,831	-
Share-based payments expense (Note 17)	-	18,592	-	18,592
<b>Balance at 30 June 2020</b>	<b>10,037,245</b>	<b>194,000</b>	<b>(8,388,186)</b>	<b>1,843,059</b>

\*Restatement as a result of initial adoption of AASB 16: Leases as disclosed in Note 1.

## Consolidated Statement of Cash Flows

	Notes	2020 (\$)	2019 (\$)
<b>Cash Flow from Operating Activities</b>			
Interest received		47,197	145,753
Payments to suppliers and employees		(3,575,821)	(3,371,145)
Interest paid		(7,796)	-
Government COVID-19 stimulus		50,000	-
Research and development tax refund		743,822	283,796
<b>Net Cash Used in Operating Activities</b>	<b>15</b>	<b>(2,742,598)</b>	<b>(2,941,596)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of property, plant and equipment		(45,535)	(110,262)
<b>Net Cash Used In Investing Activities</b>		<b>(45,535)</b>	<b>(110,262)</b>
<b>Cash Flow from Financing Activities</b>			
Repayment of lease liabilities		(59,860)	-
Repayment of other borrowings		(82,364)	-
<b>Net Cash Used in Financing Activities</b>		<b>(142,224)</b>	<b>-</b>
<b>Net Decrease In Cash Held</b>		<b>(2,930,357)</b>	<b>(3,051,858)</b>
Cash and cash equivalents at beginning of financial year		4,728,315	7,780,173
<b>Cash And Cash Equivalents at End of Financial Year</b>	<b>7</b>	<b>1,797,958</b>	<b>4,728,315</b>

## Note 1: Statement of Significant Accounting Policies

The consolidated financial statements and notes represent those of Rhythm Biosciences Limited and Controlled Entities (the 'Consolidated Group' or 'Group'). The separate financial statements of the parent entity, Rhythm Biosciences Limited, have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. The financial report covers the economic entities of Rhythm Biosciences Limited and its controlled entities as an economic entity for the year ended 30 June 2020. Comparatives are disclosed for the year ended 30 June 2019.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. The financial statements were authorised for issue on 31 August 2020 by the Directors of the Company.

### Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards ('IFRS').

### Basis of Preparation

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets, and financial liabilities.

### Going Concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets

and the settlement of liabilities in the normal course of business for the following reasons:

- as at 30 June 2020, the consolidated entity had a strong cash position of \$1.8 million;
- a research and development refund, based on expenditure incurred, is expected in the second half of 2020;
- the consolidated entity is still in the early stages of operations and is able to scale back activity if required; and
- post balance date capital raising plans comprise conducting a Placement (\$2.4m) and Non-Renounceable Rights Issue (\$3.6m) to raise a total of approximately \$6 million before costs. Refer to Note 22 for further details.

## Accounting Policies

### Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Rhythm Biosciences Limited ('company' or 'parent entity') as at 30 June 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

### Operating Segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM

is responsible for the allocation of resources to operating segments and assessing their performance.

### Revenue Recognition

Revenue is recognised at the fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Government stimulus and research and development tax refund Income Is recognised when there is reasonable assurance that the eligibility conditions are met and that the grants will be received.

### Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the asset is realised, or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available, against which deductible temporary differences can be utilised. No deferred tax assets have been recognised on the balance sheet as at 30 June 2019, as the probability of deriving a benefit is uncertain.

The amount of benefits brought to account or which may

be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the expectation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

### Current and Non-current Classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

### Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

### Trade and Other Receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable

are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables expected.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

### Intangibles

#### Research and Development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when each of the following specific criteria has been satisfied:

- i. Technical feasibility of completing development of the product and obtaining approval by regulatory authorities.
- ii. Ability to secure a commercial partner for the product.
- iii. Availability of adequate technical, financial and other resources to complete development of the product, obtain regulatory approval and secure a commercial partner.
- iv. Reliable measurement of expenditure attributable to the product during its development.
- v. High probability of the product entering a major diagnostic market

Capitalised development costs have a finite life and are amortised on a systematic basis over the period from when the product becomes available for use and ceases at the earlier of the date the asset is expected to exit the market or that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5.

#### Other Intangible Assets

Other intangible assets comprise licences and are stated at cost less accumulated amortisation and impairment losses.

### Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment.

#### Plant and Equipment

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

#### Depreciation

The depreciable amount of all fixed assets, including building and capitalised lease assets but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Group commencing from the time the asset is held ready for use. Items of property, plant and equipment, are depreciated over their estimated useful lives.

The depreciation rates for each class of asset are:

Class of Non-Current Asset	Depreciation Rate	Estimated Useful Lives
Office Equipment	10%	10 years
Computer Equipment	33.3%	3 years
Laboratory Equipment	33.3%	3 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### Impairment of Non-financial Assets

At each reporting date the Group reviews the carrying



values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Impairment testing is performed annually for intangible assets with indefinite lives and capitalised development costs not yet ready for use.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

### **Payables**

Liabilities are recognised for amounts to be paid in the future for goods or services received. Due to their short-term nature they are measured at amortised cost and are not discounted. Trade accounts payable and other creditors are normally settled within 60 days.

### **Employee Entitlements**

#### ***Short-term and long-term employee benefits***

A liability is recognised for benefits accruing to employees for wages and salaries and annual leave in the year the related service is rendered.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

#### ***Share-based compensation***

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by

reference to the share price.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing or models that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

### Issued Capital

#### *Ordinary shares are classified as equity.*

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### Financial Instruments

#### *Recognition*

Financial instruments are initially measured at cost on transaction date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

#### *Receivables*

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

#### *Financial liabilities*

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Lease liabilities have been recorded adopting an Incremental borrowing rate of 4.99%.

#### *Impairment*

An 'expected credit loss' ('ECL') model is used to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

### Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Rhythm Biosciences Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

### Goods and Services Tax ('GST') and Other Similar Taxes

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

### Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

### Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

### Key Estimates

#### *Share-based payments*

Rhythm operates an Employee Share Option Plan (ESOP). The non-cash expense of issuing these options is calculated using a Black-Scholes option pricing model. This model requires the input of a number of variables including an estimate of future volatility and a risk-free interest rate. Refer to Note 17 to the financial statements.

## Intangible assets

Research and Development expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when specific criteria have been satisfied. The consolidated entity assesses impairment of non-financial indefinite life intangible assets and intangible assets not yet ready for use at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions. Refer to Note 9 to the financial statements.

## Adoption of New and Revised Accounting Standards

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

As a result, the Group has applied AASB 16 from 1 July 2019 using the modified retrospective approach. AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with the exception of short-term leases and leases of low value assets.

The impact of the adoption of AASB 16 on the Group's consolidated financial statements is as follows:

- Recognises right-of-use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments;
- Recognises depreciation of right-of-use assets and interest on lease liabilities in profit or loss; and
- Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

### a. Impact on loss

	2020 (\$)
<b>Impact on loss for the year</b>	
Increase in depreciation of right-of-use asset	60,018
Increase in finance costs	3,714
Decrease in operating lease expenses	(63,573)
<b>Increase in loss for the year</b>	<b>159</b>

### b. Impact on assets, liabilities and equity as at 1 July 2019

On transition to AASB 16, the Group recognised \$100,029 of right-of-use assets and \$102,296 of lease liabilities, recognising the difference in accumulated losses. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate of 4.99%.

	30 June 2019 (\$)	AASB 16 Adjustments (\$)	1 July 2019 (\$)
Right-of-use asset	-	100,029	100,029
<b>Total Assets</b>	<b>6,229,432</b>	<b>100,029</b>	<b>6,329,461</b>
Lease liabilities	-	102,296	102,296
<b>Total Liabilities</b>	<b>379,714</b>	<b>102,296</b>	<b>482,010</b>
Accumulated losses	(4,371,766)	(2,267)	(4,374,033)
<b>Total Equity</b>	<b>5,849,718</b>	<b>(2,267)</b>	<b>5,847,451</b>

**Right-of-use assets – accounting policy**

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

**Lease liabilities – accounting policy**

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

**New Accounting Standards for Application in Future Periods**

The Board has assessed the impact of the new, but not yet mandatory, accounting standards issued by Australian Accounting Standards Board (AASB). The adoption of these Standards is not expected to have a material impact on the financial statements.

## Note 2: Parent Information

	2020 (\$)	2019 (\$)
<b>Statement of Financial Position</b>		
Current assets	1,918,815	5,554,851
Non-current assets	260,959	517,773
<b>Total Assets</b>	<b>2,179,774</b>	<b>6,072,624</b>
Current liabilities	328,287	216,187
Non-Current Liabilities	8,428	6,719
<b>Total Liabilities</b>	<b>336,715</b>	<b>222,906</b>
Issued Capital	10,037,245	10,037,245
Reserves	194,000	184,239
Accumulated losses	(8,388,186)	(4,371,766)
<b>Total Equity</b>	<b>1,843,059</b>	<b>5,849,718</b>
<b>Statement of Comprehensive Income</b>		
	<b>2020 (\$)</b>	<b>2019 (\$)</b>
Total loss	(4,022,984)	(2,547,847)
<b>Total Comprehensive Income</b>	<b>(4,022,984)</b>	<b>(2,547,847)</b>

### Guarantees

The Parent Company has not entered into any guarantees in relation to its subsidiary.

### Commitments and Contingent Liabilities

At 30 June 2020, the Parent Company had no capital commitments and no contingent liabilities (2019: Nil).

### Significant Accounting Policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in Note 1, except for investments in subsidiaries which are accounted for at cost, less any impairment, in the parent entity.

## Note 3: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2020	Percentage Owned (%) 2019
Vision Tech Bio Pty Ltd	Australia	100%	100%

\*Percentage of voting power in proportion to ownership

**Note 4: Employment Related Costs**

	2020 (\$)	2019 (\$)
Loss from continuing activities before income tax after charging the following items:		
<b>Employment Related Costs</b>		
Staff salaries and wages	1,267,197	1,270,221
Superannuation	102,876	109,636
Share-based payments expense (Note 17)	18,592	94,753
Other employment related expenses	9,136	143,316
<b>Total</b>	<b>1,397,801</b>	<b>1,617,926</b>

**Note 5: Income Tax Relating to Continuing Activities**

	2020 (\$)	2019 (\$)
Prima facie income tax benefit from continuing activities before income tax at 27.5% (2019: 27.5%)	1,106,321	700,194
<b>Add/(subtract) Tax Effect:</b>		
- Research and development claim	-	282,595
- Government COVID-19 stimulus	27,500	-
- Share based payments expense	(5,113)	(26,057)
- Other non-deductible expenditure	(1,035)	(2,885)
- Tax losses and temporary differences not brought to account	(1,127,673)	(953,847)
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>

Total tax losses and temporary differences not brought to account \$2,132,457 (2019: \$1,494,231).

**Note 6: Loss Per Share**

	2020 (\$)	2019 (\$)
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
<b>Loss used in calculating basic and diluted earnings per share</b>	<b>(4,022,984)</b>	<b>(2,546,159)</b>
	<b>2020</b>	<b>2019</b>
	<b>No. of Shares</b>	<b>No. of Shares</b>
Weighted average number of ordinary shares used in calculating basic loss per share	100,750,000	100,750,000
<b>Basic and Diluted Loss Per Share (cents)</b>	<b>(3.99)</b>	<b>(2.53)</b>

**Calculation of diluted loss per share**

Potential ordinary shares are considered to be antidilutive, therefore diluted loss per share is equivalent to the basic loss per share.

## Note 7: Cash and Cash Equivalents

	2020 (\$)	2019 (\$)
Cash at bank	297,958	728,315
Short term deposits	1,500,000	4,000,000
	<b>1,797,958</b>	<b>4,728,315</b>

## Note 8: Trade and Other Receivables

	2020 (\$)	2019 (\$)
GST receivable	81,833	46,513
Government stimulus	50,000	-
Other receivables	7,342	7,362
Research and Development Tax Refund <sup>(i)</sup>	-	743,822
	<b>139,175</b>	<b>797,697</b>

(i) This tax refund was received from the ATO on 21 August 2019 and relates to the 2019 financial year.

## Note 9: Intangible Assets

	2020 (\$)	2019 (\$)
<b>Intellectual Property</b>		
Licences at cost (i)	600,000	600,000
Licences accumulated amortisation (i)	(102,014)	(66,043)
	<b>497,986</b>	<b>533,957</b>

	2020 (\$)	2019 (\$)
<b>Movement in Carrying Amounts</b>		
Balance at the beginning of the year	533,957	569,928
Amortisation (i)	(35,971)	(35,971)
<b>Balance at the End of the Year</b>	<b>497,986</b>	<b>533,957</b>

(i) A licence was granted by the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") on 23 August 2017 and is being amortised over a period of 17 years based on contract terms.

**Note 10: Property, Plant and Equipment**

	2020 (\$)	2019 (\$)
Computers – at cost	38,450	30,983
Accumulated depreciation	(20,632)	(9,451)
	<b>17,818</b>	<b>21,532</b>
Office equipment – at cost	1,986	1,986
Accumulated depreciation	(893)	(396)
	<b>1,093</b>	<b>1,590</b>
Laboratory equipment – at cost	138,267	88,054
Accumulated depreciation	(54,632)	(21,011)
	<b>83,635</b>	<b>67,043</b>
<b>Total</b>	<b>102,546</b>	<b>90,165</b>

	Computer Equipment (\$)	Office Equipment (\$)	Laboratory Equipment (\$)	Total (\$)
<b>Movement in Carrying Amounts 2020</b>				
Balance at the beginning of the year	21,532	1,590	67,043	90,165
Additions	7,467	-	50,213	57,680
Depreciation	(11,181)	(497)	(33,621)	(45,299)
<b>Balance at the End of the Year</b>	<b>17,818</b>	<b>1,093</b>	<b>83,635</b>	<b>102,546</b>

	Computer Equipment (\$)	Office Equipment (\$)	Laboratory Equipment (\$)	Total (\$)
<b>Movement in Carrying Amounts 2019</b>				
Balance at the beginning of the year	8,602	696	-	9,298
Additions	20,928	1,280	88,054	110,262
Depreciation	(7,998)	(386)	(21,011)	(29,395)
<b>Balance at the End of the Year</b>	<b>21,532</b>	<b>1,590</b>	<b>67,043</b>	<b>90,165</b>

**Note 11: Trade and Other Payables**

	2020 (\$)	2019 (\$)
Trade creditors	560,535	207,156
Accruals	115,564	94,977
	<b>676,099</b>	<b>302,133</b>



## Note 12: Provisions

	2020 (\$)	2019 (\$)
<b>Current</b>		
Provision for Annual Leave	75,888	70,862
<b>Non-Current</b>		
Provision for Long Service Leave	8,428	6,719
	<b>84,316</b>	<b>77,581</b>

## Note 13: Issued Capital

	2020 (No.)	2019 (No.)	2020 (\$)	2019 (\$)
<b>Ordinary Shares Fully Paid</b>				
Balance at the beginning of the year	100,750,000	100,750,000	10,037,245	10,037,245
<b>Balance at the End of the Year</b>	<b>100,750,000</b>	<b>100,750,000</b>	<b>10,037,245</b>	<b>10,037,245</b>

### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

### Capital Risk Management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest further into development and commercialisation or in a business or company was seen as value adding relative to the current company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from 30 June 2019.

**Note 14: Reserves**

	Notes	2020 (\$)	2019 (\$)
<b>Share Based Payments Reserve</b>			
Balance at the beginning of the year		184,239	89,486
Employee share-based payments expense	17	18,592	94,753
Lapse of performance rights	17	(8,831)	-
<b>Balance at the End of the Year</b>		<b>194,000</b>	<b>184,239</b>

Share based payments reserve is used to record the value of equity benefits provided to Directors and executives as part of their remuneration.

**Note 15: Cash Flow Information**

	Notes	2020 (\$)	2019 (\$)
a. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:			
Cash at bank		297,958	728,315
Short term deposits		1,500,000	4,000,000
	7	<b>1,797,958</b>	<b>4,728,315</b>
b. Reconciliation of cash flow from operating activities with loss from continuing activities after income tax benefit			
Loss from continuing activities after significant items and income tax		(4,022,984)	(2,546,159)
<b>Non-Cash Items</b>			
Depreciation and amortisation		141,287	65,366
Insurance expense (funded via borrowings)		82,364	-
Expense recognised in respect of equity-settled share-based payments		18,592	94,753
<b>Changes In Assets and Liabilities</b>			
Decrease/Increase in trade and other receivables		658,522	(762,465)
Decrease/Increase in prepayments		11,064	(25,424)
Increase in trade and other payables		361,822	164,122
Increase in provision for employee entitlements		6,735	68,211
<b>Net Cash Used In Operating Activities</b>		<b>(2,742,598)</b>	<b>(2,941,596)</b>
c. Total cash outflow for leases		(63,573)	(104,837)

**Note 16: Related Party Transactions**

Rhythm Biosciences Limited is the parent entity. Refer to Note 3 for details on the subsidiary.

**Directors**

The names of each person holding the position of director of Rhythm Biosciences Limited during the year were Mr Otto Buttula, Mr Shane Tanner, Dr Trevor Lockett, Mr David White, Mr Lou Panaccio and Mr Eduardo Vom.

During the 2020 and 2019 financial years there were no transactions with related parties other than remuneration as disclosed in the Remuneration Report.

## Note 17: Share-Based Payments

During the 2019 financial year the Company granted 504,200 performance rights to Mr Glenn Gilbert as part of his remuneration. These performance rights lapse unless the market capitalisation of the Company at the end of the 12-month period (Relevant Period) after the issue is 20% more than the market capitalisation at the commencement of the Relevant Period. An expense of \$nil (2019: \$8,831) is included in key management personnel disclosures (Note 20) and the remuneration report in the directors' report. Details are as follows:

Grant Date	Expiry Date	Vesting Periods	Granted	Exercised	Expired/ Forfeited	Balance at End of the Year	Vested
28.11.2018	27.11.2021	Various	504,200	-	(504,200)	-	-

For the performance rights granted, the binomial valuation model inputs used to determine the fair value at the grant date were as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Vesting Periods	Expected Volatility	Dividend Yield	Risk-free Interest Rate	Fair Value at Grant Date
28.11.2018	27.11.2021	\$0.16	Various	75%	-	2.09%	\$0.0897

During the 2018 year, 3,000,000 Options were issued to key management personnel at a \$nil issue price and a value of \$18,592 (2019: \$85,922) included in key management personnel disclosures (Note 20) and the remuneration report in the directors' report.

A share option plan has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board.

The following Options arrangements existed at 30 June 2020:

Number of Options	Exercise Price (\$)	Grant Date	Vesting Period	Vesting Date	Expiry Date	Holder	Fair Value per Option at Grant Date
2,000,000	\$0.30	21.7.2017	1 year	21.7.2018	7.12.2020	Dr T Lockett	\$0.045
1,000,000	\$0.20	21.5.2018	Within 2 years	Various	21.5.2021	G Gilbert	\$0.105
<b>3,000,000</b>	<b>Total ESOP Options</b>						

*Vesting basis: to remain employed by Rhythm at vesting date (ranging from 12 to 24 months).*

*All options granted are in respect of ordinary shares in Rhythm Biosciences Limited and confer a right of one ordinary share for each option held.*

### Movement in the number of share options on issue

	2020	2020	2019	2019
	Number of Options	Weighted Average Exercise Price (cents)	Number of Options	Weighted Average Exercise Price (cents)
Opening balance	3,000,000	26.67	3,000,000	26.67
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	-	-
<b>Outstanding at Year-end</b>	<b>3,000,000</b>	<b>26.67</b>	<b>3,000,000</b>	<b>26.67</b>
Exercisable at year-end	3,000,000	26.67	2,500,000	28.00

No options were granted during the year pursuant to the ESOP. The fair value of issued employee share options in 2018 was calculated to be \$194,100. This amount is expensed over the life of the relevant vesting periods.

Included under employee costs in the income statement is a share-based payments expense of \$18,592 (2019: \$94,753).

The value of employee share options issued has been calculated by using a Black-Scholes option pricing model applying the following inputs:

	T Lockett	G Gilbert
Options granted	2,000,000	1,000,000
Grant date	21.7.2017	22.5.2018
Exercise price	\$0.30	\$0.20
Underlying share price	\$0.10	\$0.175
Expiry date	7.12.2020	21.5.2021
Vesting period	1 year	25% each 6 months over a 2-year period
Expected share price volatility	100%	100%
Risk free interest rate	2.00%	2.21%
Fair value per option at grant date	\$0.0445	\$0.1051
Total fair value at grant date	\$89,000	\$105,100

*The life of the options is based on the contracted expiry date.*

### Note 18: Financial Risk Management

The Group's financial instruments consist mainly of term deposits with banks, other receivables and trade payables.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2020 (\$)	2019 (\$)
<b>Financial Assets</b>		
Cash and cash equivalents	1,797,958	4,728,315
Trade and other receivables	139,175	797,697
Other financial assets – term deposits	45,000	45,000
	<b>1,982,133</b>	<b>5,571,012</b>
<b>Financial Liabilities</b>		
Trade and other Payables	676,099	302,133
	<b>676,099</b>	<b>302,133</b>

There are no impaired assets within trade and other receivables; these balances, and the balance of trade and other payables, are expected to be settled within 1 year.

### Financial Assets Pledged as Collateral

No financial assets have been pledged as security for any financial liability.

## Financial Risk Management Policies

The Board are responsible for, among other issues, monitoring and managing financial risk exposures of the Group. The Board monitors the Group's transactions and reviews the effectiveness of controls relating to credit risk, liquidity risk, and market risk. Discussions on monitoring and managing financial risk exposures are held regularly by the Board. The Board's overall risk management strategy seeks to ensure that the Group meets its financial targets, while minimising potential adverse effects of cash flow shortfalls.

The Group did not have any derivative instruments at 30 June 2020.

## Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is liquidity risk.

### Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

### Credit Risk Exposures

Cash reserves form the majority of the Group's financial assets. At 30 June 2020, cash was deposited with a large Australian bank in order to limit risk and ensure interest rate competitiveness.

### Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

### Market Risk

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Exposure to interest rate risk arises on interest earned on cash and cash equivalents and term deposits.

The consolidated entity's cash and cash equivalents and term deposits were \$1,797,958 as at 30 June 2020 (2019: \$4,773,315). An official increase/decrease in interest rates of 100 (2019: 100) basis points would have an adverse/favourable effect on loss before tax of \$17,979 (2019: \$47,733) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

#### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. The Group is not exposed to price risk.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group's exposure to currency risk is minimal at present as the majority of transactions are in Australian dollars.

**Note 19: Segment Reporting**

In accordance with Australian Accounting Standard AASB 8 Operating Segments, the Company has determined that it has one reporting segment, consistent with the manner in which the business is managed. This is the manner in which the chief operating decision maker receives information for the purpose of resource allocation and assessment of performance. The Group operates predominantly in one business and geographical segment being the research and development of biosciences in Victoria, Australia.

**Note 20: Key Management Personnel Compensation**

The Key Management Personnel compensation included in employee expenses are as follows:

	Share-based payments (\$)	Short-term benefits (\$)	Post-employment benefit (\$)	Other Long-term benefits (\$)	Total (\$)
<b>2020</b>					
Total compensation	18,592	760,904	39,612	286	819,394
<b>2019</b>					
Total compensation	94,753	840,182	52,031	3,745	990,711

Further details on the above remuneration is disclosed in the Remuneration Report in the Directors' report.

**Note 21: Auditor Remuneration**

	2020 (\$)	2019 (\$)
<b>Remuneration of the Auditor of the Group:</b>		
Auditing or reviewing the financial report	33,682	32,278
Other services:		
- Taxation compliance	7,450	20,520
	<b>41,132</b>	<b>52,798</b>

**Note 22: Events Subsequent to Reporting Date****Capital Raising**

On 23 July 2020, Rhythm announced it will conduct a Placement and Non-Renounceable Rights Issue ("Offer") to raise approximately \$6.0 million.

Key details are as follows:

**Placement**

Placement to issue 40,112,500 new fully paid ordinary shares at an issue price of \$0.06 (6 cents) on the following basis:

- 15,112,500 shares pursuant to Listing Rule 7.1 (15% Placement capacity) to sophisticated, professional and other exempt investors, representing \$906,750 before costs issued on 29 July 2020; and
- 25,000,000 shares to Rhythm Non-Executive Chairman, Mr Otto Buttula (and/or nominees), representing a \$1.5 million commitment, subject to shareholder approval which was obtained on 25 August 2020.

The Placement will raise approximately \$2.4 million before costs. A commitment fee of 5% of the respective amounts subscribed will be paid to each of the subscribers under the Placement.

**Rights Offer on a 3 for 5 Basis**

The Non-Renounceable Rights Issue Offer is made to Eligible Shareholders to subscribe for three (3) new shares for every five (5) shares held, at an Offer price of \$0.06 (6 cents) per share to raise up to \$3.6 million before costs.

The Company has received firm commitments from third parties for up to the maximum amount sought of \$2.25 million of any shortfall available under the Rights Issue. A commitment fee of 5% of the respective amounts subscribed will be paid to each of the above Shortfall Subscribers.

Directors retain the right for up to 3 months after the close of the Offer to place the balance of any New Shares not taken up by Eligible Shareholders and the Shortfall Subscribers.

### **COVID-19 Impact**

The Company has been able to maintain its Research & Development staff within the laboratory. The Company has experienced some delays in the receipt of various materials from international suppliers primarily due to the backlog and re-routing of ports associated with freight processing, particularly in Victoria.

Delays have been experienced within patient recruitment and some blood sample collection for both Study 6 and the clinical trial (Study 7).

Within patient recruitment for Study 7, existing Melbourne sites postponed recruiting due to internal resourcing shortages as a result of concentration on COVID-19. This delay could be further exacerbated by the Victorian State Government's announcement on 28 July 2020, that there will be a suspension of elective surgery other than for Category 1 and the 'most urgent' Category 2 patients. Routine colonoscopy procedures typically fall under Category 2. This was decided as a result of increased COVID-19 cases, to effect an increase in human health resource capacity and in order to release beds within the hospitals.

As a result, the Company is working closely with its Clinical Research Organisation (CRO) and is actively seeking to broaden the locations for clinical trial sites nationally, with the 3 largest hospitals currently appointed to the clinical trial, being based in Melbourne, Victoria.

With the impact of Covid-19 affecting the development program and Rhythm's partner suppliers, the Company is unable at this time to provide a specific, updated timeframe for the achievement of its key milestones, associated with the clinical trial, CE Mark and TGA regulatory submissions.

### **Extraordinary General Meeting**

At a General Meeting of shareholders held on 25 August 2020, the following resolutions were approved:

- Ratification of the prior issue of 15,112,500 fully paid ordinary shares at an issue price of \$0.06 (6 cents) per share to unrelated sophisticated and professional investors.
- Approval for the Company to issue up to 25,000,000 fully paid ordinary shares at an issue price of \$0.06 (6 cents) per share to Mr Otto Buttula (and/or his nominee(s)).

There has been no other matter or circumstance which has arisen since 30 June 2020 that has significantly affected or may significantly affect:

- The operations, in financial years subsequent to 30 June 2020, of the consolidated entity; or
- The results of those operations, or the state of affairs, in financial years subsequent to 30 June 2020, of the consolidated entity.

### **Note 23: Commitments**

The Group has no capital commitments for expenditure as at 30 June 2020 (2019: \$nil).

### **Note 24: Contingent Assets and Liabilities**

The Group has no contingent assets or liabilities as at 30 June 2020 (2019: \$nil).

The Directors declare that:

1. The financial statements and notes, as set out on pages 27-47 are in accordance with the Corporations Act 2001:
  - a. comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2020 and of its performance for the year ended on that date;
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
3. The Chief Executive Officer and Chief Finance Officer have provided the declarations as required by section 295A of the Corporations Act 2001 to the Company;
4. In the Directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; and
5. Remuneration disclosures on pages 18 to 22 comply with section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5)(a) of the Corporations Act 2001.



**Otto Buttula**  
**Chairman**

Melbourne, Australia  
Dated this 31st August 2020





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 Australia

## INDEPENDENT AUDITOR'S REPORT

To the members of Rhythm Biosciences Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Rhythm Biosciences Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Carrying Value and Useful Life of Intangible Asset

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 9 to the financial report discloses the individual intangible asset, and Note 1 discloses the policy used by the Group for its recognition, measurement and assessment for indicators of impairment.</p> <p>This is a key audit matter due to the materiality of the recorded asset, and the degree of estimation required to be made by the Group, regarding its amortisation period and impairment assessment.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Evaluating whether management's estimate of the amortisation period and amortisation method had changed in the period</li> <li>Recalculating the amortisation charge for the period</li> <li>Evaluating management's assessment of indications of impairment at the reporting date</li> <li>Checking the completeness and appropriateness of the disclosures included in the financial report.</li> </ul>

#### Going Concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 1 to the financial statements outlines the basis of preparation of financial statements which indicates being prepared on a going concern basis which contemplates that the group will continue to meet its commitments and can therefore continue normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.</p> <p>As the group generates no operating revenue and is reliant on funding from other sources such as capital raising, there is significant judgement involved in determining whether the going concern basis adopted is appropriate and is</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Reviewing cash-flow forecasts and challenging management's assumptions around future capital raising and expenditure;</li> <li>Applying sensitivities to future cash outflows to assess the impact of forecast cash inflows not being achieved;</li> <li>Sighting supporting documentation confirming commitments to subscribe to</li> </ul>



critical to the understanding of the financial statements as a whole. As a result, this matter was considered key to our audit.

the share placement and to take up shortfall of the right issue;

- Vouching the receipt of funds from the rights issue; and
- Assessing the adequacy of the Group's disclosures within the financial statements.

#### Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

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[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

## Report on the Remuneration Report

### Opinion on the Remuneration Report

We have audited the Remuneration Report included in on pages 18 to 22 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Rhythm Biosciences Limited, for the year ended 30 June 2020, complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### BDO Audit Pty Ltd

A handwritten signature in black ink, appearing to read 'James Mooney', is written over a small, stylized BDO logo.

James Mooney  
Director

Melbourne, 31 August 2020

Rhythm Biosciences Ltd is quoted on the Australian Securities Exchange (ASX) under the ticker code RHY. The following information was extracted from the Company's records as at 12 August 2020 and is required by the ASX Listing Rules. Rhythm's securities are not quoted on any other stock exchange.

**Twenty Largest Holders of Ordinary Shares**

Rank	Shareholder	Number of Fully Paid Ordinary Shares	Percentage of Total Issued Capital
1	LOUMEA INVESTMENT PTY LTD	10,000,000	8.63
2	FERNDALE SECURITIES PTY LTD	6,500,000	5.61
3	NORTHERN STAR NOMINEES PTY LTD	4,500,000	3.88
4	ROJO NERO CAPITAL PTY LTD	4,166,668	3.60
5	MRS SARAH CAMERON	3,008,334	2.60
6	JAWAF ENTERPRISES PTY LTD	3,000,000	2.59
7	THE TRUST COMPANY (AUSTRALIA) LIMITED	2,684,500	2.32
8	COMMONWEALTH SCIENTIFIC & INDUSTRIAL RESEARCH ORGANISATION	2,500,000	2.16
9	GIOKIR PTY LTD	2,125,000	1.83
10	MR HSIEN MICHAEL SOO	2,110,000	1.82
11	DC & PC HOLDINGS PTY LTD	2,055,000	1.77
12	MS NATALIE LOUISE PATTERSON	2,000,000	1.73
13	MOWBRICK PTE LTD	1,650,000	1.42
14	NEWFOUND INVESTMENTS PTY LTD	1,500,000	1.29
14	SHANE FRANCIS TANNER & LISA JANE WHEELER	1,500,000	1.29
16	E&W NOMINEE PTY LTD	1,277,917	1.10
17	MR DANIEL EDDINGTON & MRS JULIE EDDINGTON	1,250,000	1.08
18	SINDEL NOMINEES PTY LTD	1,250,000	1.08
19	TAYCOL NOMINEES PTY LTD	1,233,750	1.06
20	ARDROY SECURITIES PTY LTD	1,100,000	0.95
		<b>55,411,169</b>	<b>47.82</b>
	<b>Balance of register</b>	<b>60,451,331</b>	<b>52.18</b>
	<b>Grand total</b>	<b>115,862,500</b>	<b>100.00</b>

## Distribution Schedule

The following is a distribution schedule of the number of holders of fully paid ordinary shares in the Company, within the bands of holding specified by the ASX Listing Rules:

Range	No. of Shareholders	No. of Ordinary Shares	Percentage of Total Issued Capital
100,001 and Over	151	96,918,574	83.65
10,001 to 100,000	413	17,224,581	14.87
5,001 to 10,000	151	1,244,727	1.07
1,001 to 5,000	128	473,245	0.41
1 to 1,000	14	1,373	0.00
<b>Total</b>	<b>857</b>	<b>115,862,500</b>	<b>100.00</b>

155 shareholders held less than a marketable parcel of fully paid ordinary shares.

## Substantial Shareholdings Register

Shareholder	Number of Fully Paid Ordinary Shares	Percentage of Total Issued Capital
Michelle Wing	11,000,000	9.49%
Loumea Investments Pty Ltd	10,000,000	8.63%

A substantial holder is a shareholder who either alone or together with their associates has an interest in 5% or more of the voting shares of the Company.

## Options Over Ordinary Shares

Rhythm has options granted under the company's Employee Share Option Plan (ESOP). Each option entitles the holder to purchase one ordinary share in the Company at a predetermined price. No voting rights attach to options. Further details are provided below:

Share Option Type	Number of Options	Number of Holders	Exercise Price (Cents)
Unlisted (ESOP)	2,000,000	1	20
Unlisted (ESOP)	1,000,000	1	30

## Escrow Arrangements

There are no shares subject to mandatory escrow arrangements.

## Voting Rights

The voting rights attached to ordinary shares are set out below:

### Ordinary Shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

**Directors**

Mr Otto Buttula  
Dr Trevor Lockett  
Mr Louis (Lou) Panaccio  
Mr David White  
Mr Eduardo Vom

**Company Secretaries**

Mr Adrien Wing  
Ms Pauline Moffatt

**Registered Office**

Level 2  
480 Collins Street  
Melbourne VIC 3000

**The major operations of the Company are located at:**

Bio21 Institute  
30 Flemington Road  
Parkville VIC 3010

**Auditor**

BDO Audit Pty Ltd  
Level 18  
727 Collins Street  
Melbourne VIC 3000

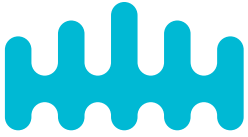
**Legal Advisers**

Quinert Rodda and Associates  
Level 6  
400 Collins Street  
Melbourne VIC 3000

K & L Gates  
Level 25  
525 Collins Street  
Melbourne VIC 3000

**Share Registry**

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RHYZ012 08/20