RHYTHM™ BIOSCIENCES

2023
ANNUAL REPORT

RHYTHM BIOSCIENCES LIMITED (ASX:RHY)

ACN 619 459 335

RHYTHM’S ColoSTAT®

IS A SIMPLE BLOOD TEST THAT DETECTS THE PROTEIN BIOMARKERS IN THE BLOOD, THAT ARE INDICATIVE OF THE PRESENCE OF COLORECTAL CANCER.

CONTENTS

RHYTHM BIOSCIENCES MILESTONES

2003 - 2016	CSIRO Research and Development
January 2018	Development Program Commences
May 2019	ISO Certification
December 2020	Global Manufacturer Appointed
November 2021	CE Mark Granted for ColoSTAT®
May 2023	Strategic Partnership with LINK Medical Solutions
2023	International Market Entry
2024	TGA Submission

Rhythm Biosciences Lists on the ASX — **December 2017**

Clinical Trial Program Commences — **February 2019**

Patents Secured in 21 Countries — **2018 - 2023**

Clinical Trial Complete (RHY-001) — **November 2021**

ColoSTAT® Authorised for Sale in New Zealand — **November 2022**

UKCA Mark Granted — **May 2023**

RHY001 Study - Submit Publication — **2023**

Pipeline Activities - Other Cancers — **2024**

FUTURE MILESTONES

ABOUT RHYTHM BIOSCIENCES

RHYTHM™ BIOSCIENCES

Rhythm Biosciences is committed to saving lives through early detection of cancers using simple and accurate diagnostic technology, providing physicians with accurate and reliable diagnostic tools.

Rhythm's ColoSTAT® kit is a simple, affordable blood test for the early detection of colorectal cancer for global mass-market screening.

Colorectal cancer (CRC) is curable if detected early, and is the second leading cause of cancer death globally.[1] In 2020, there were more than 1.9 million people diagnosed with CRC and over 930,000 lives lost to the disease.[2] Europe, Australia and New Zealand (NZ) had the highest incidence rates.[2] By 2040, the burden of CRC is predicted to increase to 3.2 million new cases (an increase of 63%) and 1.6 million deaths (an increase of 73%) per year.[2]

Even though many countries around the world have implemented screening programs aimed at early detection (normally between 50 - 74 years of age), low participation and the increasing incidence rates are a significant challenge, particularly with younger people.[3] Australia and NZ data identifies that more than 11% of the people diagnosed with CRC, are below the age of 50.[3,4] Not only does this pose a public health challenge, it causes premature death and increased healthcare costs.[1] In addition, more than 50% of people diagnosed with CRC in the United Kingdom (UK) and Australia are outside the current screening programs.[3,5,6]

Faecal immunochemical test (FIT) is the prevalent CRC screening method globally. Unfortunately, the utilisation of the FIT test is low, due to inconvenience, cultural & religious beliefs, the "Yuk" factor, and / or physical inability to perform the test correctly.

One of the challenges with the current screening method is the rate of true valid results. The Australian Institute of Health and Welfare (AIHW) 2020 - 2021 National Bowel Cancer Screening Program report, identified that 6.7 million were invited to take the FIT test, 2.4 million people (37.4% of eligible participants) completed the test, and 1.2 million people (18.6% of eligible participants) were valid screening tests.[3] One of the reasons for the invalidity rate (50.3% of all completed tests) is due to tests being "spoilt" in the slow postal services before the pathology lab can analyse them.[5]

In an observational study, among 460 people in the US who were offered CRC testing, 93.5% of the participants opted for a blood-based test over FIT.[7] Convenience and ease of a blood draw were main reasons for their preference.[6]

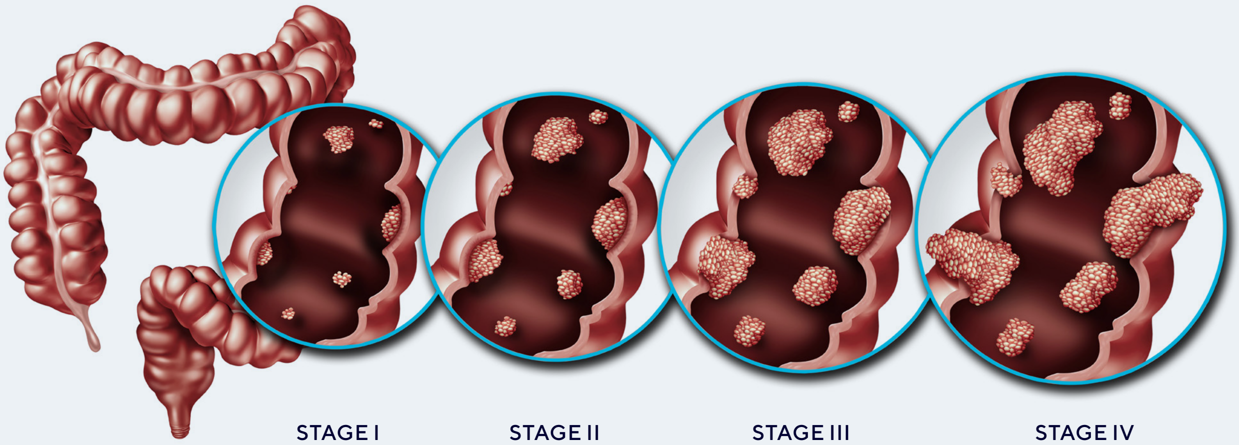
Rhythm's ColoSTAT® kit, is a simple, affordable, blood-based test, developed for the early detection of CRC. Since listing on the ASX, the Company has run a multi-year research and development program that has successfully delivered technical validation of the 5-biomarker immunoassay across Europe, New Zealand, and the UK.

ColoSTAT® provides an alternative for those unwilling or unable to participate in current screening programs and may increase the participation rate in CRC testing. With the increased incidence of CRC in younger people, ColoSTAT® could be part of a routine health examination, that may improve early diagnosis and survival rates.

References: **1.** Xi Y, Xu P (2021), Global colorectal cancer burden in 2020 and projections to 2040, Translational Oncology, 14(10),101174,doi:10.1016/j.tranon.2021.101174 Epub 2021 Jul 6. **2.** https://www.who.int/news-room/fact-sheets/detail/colorectal-cancer. **3.** AIHW 2023 Report https://www.aihw.gov.au/reports/cancer-screening/nbcsp-monitoring-2022/summary. **4.** https://bowelcancernz.org.nz/about-bowel-cancer/what-is-bowel-cancer/symptoms-statistics. **5.** Bowel cancer tests go missing in the mail under Telstra Health program for Australians https://www.adelaidenow.com.au/lifestyle/health/bowel-cancer-tests-go-missing-in-the-mail-under-telstra-health-program-for-australians/news-story/f6b8e7ac45637d4262df376bfe0cf758. **6.** https://www.cancerresearchuk.org/health-professional/cancer-statistics/statistics-by-cancer-type/bowel-cancer/incidence. **7.** Ioannou S, Sutherland K, Sussman DA, Deshpande AR. Increasing uptake of colon cancer screening in a medically underserved population with the addition of blood-based testing. BMC Cancer. 2021 Aug 28;21(1):966. **8.** Hughes et al. J Community Health. Author manuscript; available in PMC 2016 October 25. **9.**https://www.canceraustralia.gov.au/cancer-types/bowel-cancer/awareness.

COLORECTAL CANCER

5-YEAR SURVIVAL RATES FOR THOSE DIAGNOSED AT AN EARLY STAGE OF CRC ARE OVER 90%.[8]



STAGE I STAGE II STAGE III STAGE IV

EARLY DETECTION IS KEY TO SURVIVAL (STAGES I/II)

>90%

MODIFIABLE RISK FACTORS ASSOCIATED WITH CRC[9]

- A diet low in fibre
- High red meat consumption, especially processed meats
- Physical inactivity and obesity
- Consumption of alcohol and tobacco
- Low blood level of Vitamin D

NON-MODIFIABLE RISK FACTORS ASSOCIATED WITH CRC[9]

- Personal history of certain types of cancers (ovarian/uterine)
- IBD, such as Crohn's and Ulcerative Colitis
- Family history of CRC
- Type 2 diabetes
- 50+ Aged ≥ 50
- A previous diagnosis of polyps/CRC

A MESSAGE FROM THE EXECUTIVE CHAIRMAN

OTTO BUTTULA

Dear Fellow Shareholders,

On behalf of the Board, I am pleased to present Rhythm Biosciences' 2023 Annual Report. The last financial year was not without disappointment, with a significant decrease in our share price, following our March 2023 decision to withdraw the current ColoSTAT® application with the Therapeutic Goods Administration (TGA). Despite this occurrence, we remain committed to resubmitting to the TGA in 2024. In the interim, we are focussing on commercialising ColoSTAT® in geographies where we have regulatory approvals already in place.

Notwithstanding our share price decline, I personally believe that the Company remains in a better position today than what it was at this time last year. We remain confident that over the next financial year, your Company will join other successful Australian biotechnology enterprises that have transitioned to commercial, revenue-generating enterprises.

We remain driven by the beneficial impact that the ColoSTAT® blood test will be an alternative to cancer diagnostics in a real-world setting, given the challenges with the current screening methods.

Importantly, our mission does not stop there, over the past 12 months we have advanced our platform technologies into three other cancer targets, breast (Agilex), lung (Baker Medical Institute) and gastric (Nexomics, part of the Peter MacCallum Cancer Centre). Once, we start building meaningful commercial revenues with ColoSTAT®, we will look to further expand our pipeline.

In line with our ambition to commercialise the business, our executive leadership team and Board has been refreshed with new appointments throughout the year, as part of the Company's ongoing succession planning, and to ensure we have the right skills and experience for future growth. At Board level, I am pleased to have welcomed Ms Sue MacLeman, who has assumed the position of Non-Executive, Deputy Chair, an important independent position given my own ongoing role as Executive Chair. Sue brings a wealth of global bio-sector experience to complement the diverse skills and experience of our Board. I also acknowledge the valuable contribution of Eduardo Vom, a founding influence and shareholder of Rhythm, who retired from the Board in November 2022.

Summary of Operations

The ColoSTAT® technology has renewed patents across 21 countries, and the Company continues to investigate further patents in the interest of market potential. This secures Rhythm's market entry strategy.

The Company continued to produce the ColoSTAT® kit across our partnered Contract Manufacturing Organisations (CMOs). The production involved generating reproducible and scalable outcomes across the validation batches.

The ColoSTAT® prospective, cross-sectional, multi-centre clinical study (RHY001), evaluating the clinical performance of ColoSTAT® for the detection of 5 biomarkers associated with colorectal cancer, was presented at a poster presentation at ASCO (American Society of Clinical Oncology), in Chicago. The ColoSTAT® test demonstrated a sensitivity of 81% and specificity of 91%, compared to the gold standard, colonoscopy.[1]

TGA Withdrawal

The withdrawal of the ColoSTAT® TGA application was disappointing. However, the Company is addressing the feedback provided by Australian Therapeutic Goods Administration (TGA) assessment and is preparing to submit a revised application incorporating additional requirements that will also satisfy the changes for the European In Vitro Diagnostic Medical Device (IVDR).

Recent publications by the Australian Institute of Health and Welfare (AIHW)[2] identified over the past 2 years, the current screening participation rate (50 - 74 years) in Australia was at 40.9% (2.4 million people). Alarmingly, of the 2.4 million people that sent in their FIT for analysis, over 50% of the tests were invalid. Of the 15,473 people diagnosed with bowel cancer in Australia, more than 50% were outside the screening population (~12% were under the aged of 50, and ~39% were above the screening age of 74.)[2]

Although market entry in Australia is delayed, Rhythm continues to identify opportunities to position ColoSTAT® in other regions where it is approved through increased market awareness and collaboration with local participants.

References: 1. He et al DOI: 10.1200/JCO.2023.41.16_suppl.3529. **2.** AIHW Publication - https://www.aihw.gov.au/reports/cancer-screening/nbcsp-monitoring-2023/summary.

Technology Platform Expansion

Rhythm has partnered with Nexomics, at the Peter MacCallum Cancer Centre, to investigate its leading markers in gastric cancer. The Company is also collaborating with Agilex Biolabs for breast cancer and the Baker Institute for lung cancer.

Manufacturing

Rhythm continued ongoing confirmatory testing of its commercially manufactured ColoSTAT® test-kit with its global France-based manufacturer, Biotem. The Company has also run feasibility testing at a second facility in the USA, which has led to a pilot batch confirming consistent and reproducible results.

Quality and Regulatory

ISO Certification

The Company maintained its certification to the International Standard for In-Vitro Diagnostics and Medical Devices (ISO13485:2016), passing an audit conducted by the British Standards Institution (BSI). This standard certifies Rhythm's Quality Management System, a key indicator for the high standard the Company has set.

New Zealand Regulatory Approval

Rhythm successfully registered ColoSTAT® with the New Zealand national database of medical devices and expanded its international regulatory footprint.

MedSafe is the New Zealand Medicine and Medical Devices Safety Authority, which is a business unit of the Ministry of Health and is the authority responsible for the regulation of therapeutic products in New Zealand. As a manufacturer of ColoSTAT®, Rhythm has registered with Medsafe and listed ColoSTAT® to its Web Assisted Notification of Devices (WAND) database.

UKCA Mark

The ColoSTAT® colorectal cancer detection product was granted UKCA (UK Conformity Assessment) mark, fully conforming with the European directives for IVD Medical Devices (98/79/EC) and the UKCA requirements.

The UKCA mark is the new UK product marking (post Brexit) that is required for certain products being placed on the market in Great Britain (England, Wales, and Scotland). It replaces most products that previously required only a CE mark.

UKCA marking represents that the manufacturer's product meets the essential requirements of the UK MDR 2002 and is a legal requirement to place a device on the market in Great Britain / United Kingdom.

UK Subsidiary

The Company established a 100% fully owned UK subsidiary, Rhythm Biosciences UK Limited.

Rhythm Biosciences UK Limited, was established in June 2023 to assist in the importation and distribution channels of ColoSTAT® into the UK and other parts of Europe.

Commercialisation

Commercially, Rhythm has signed a strategic partnership with LINK Medical Solution Ltd., for the market entry into the UK (England, Wales, Scotland). The Company remains in dialogue with several potential partners both domestically and globally. With a product like ColoSTAT® it is more important to select the most appropriate partner that will maximise shareholder value over the medium to long term.

Currently, in the UK more than 61% of all diagnosed bowel cancer cases are outside the screening population (60 - 74 years of age). This gives ColoSTAT®, a simple blood-based test, the opportunity to address the large unmet need outside of the UK screening population.

The jurisdictions in focus for Rhythm over the next 12 to 15 months include:

Market	Population	Age - Screening Population	Screening Method	Screening Participation Rate	Unscreened Population/ Opportunity	Screening Population Based on Clinical Trial RHY001 (40 to <85 yrs)	Screening Opportunity Based on Clinical Trial RHY001 (40 to <85 yrs)	Incidence of CRC
Europe EU-27¥	455.1M	133.5M (50 - 74 yrs)	FIT Colonoscopy¶	**38%**	**143.0M**	192.9M	**142.2M**	341,419
UK England, Scotland, Wales and Northern Ireland	67.6M	10.6M (60 - 74 yrs)	FIT	**67%**	**3.5M**	28.1M	**21.0M**	52,128
USA	331.9M	161.5M (45 - 75+ yrs)	FIT Colonoscopy¶ Cologuard	**61%**	**62.9M**	181.3M	**82.8M**	153,020
Japan	123.3M*	78.6M (>40 yrs)*	FIT	**20%**	**48.2M**	71.3M*	**55.6M**	148,505
South Africa	59.4M	9.3M (50 - 74 yrs)	FIT	**NA**	**NA**	17.6M	**17.6M**	8,671**
Australia* **	25.7M	7.1M (50 - 74 yrs)	FIT	**43%**	**4.0M**	11.7M	**8.8M**	15,713
New Zealand	5.1M	1.1M (60 - 74 yrs)	FIT	**57%^**	**0.5M**	2.3M	**1.7M**	> 3,000
Total		**301.7M**			**216.8M**	**505.2M**	**329.6M**	

¥https://ec.europa.eu/eurostat/databrowser/view/TPS00001/default/table?lang=en

¶Every 10 years

*https://www.populationpyramid.net/japan/2023/

**https://journals.lww.com/ajg/Fulltext/2021/10001/S342_Evaluating_Trends_of_Colorectal_Cancer.342.aspx

***https://www.aihw.gov.au/reports/older-people/older-australians/contents/demographic-profile

^Based on pilot project, recent data not available - https://www.health.govt.nz/our-work/preventative-health-wellness/screening/bowel-screening-pilot/bowel-screening-pilot-results

FIT; faecal immunochemical test, **NA;** not available

Corporate

During the year, the Company continued its prudent approach to capitalising the business appropriately. Further funds of $3.7M were raised via the exercise of options associated with the previous year's Non-Renounceable Rights Issue (NRRI). In line with a goal to continue a capital-light model in our executive structure, Otto Buttula continues in the position of Executive Chairman, post the resignation of Glenn Gilbert as CEO/MD.

On behalf of the Board, I would like to acknowledge the devotion of the entire team at Rhythm who have worked tirelessly over the year to position the Company for commercial success over the next financial year. Our diligent and hardworking Board members have also made a strong contribution. Equally important, has been the support from our shareholders and business partners for which the Company is thankful. We look forward to developing the Company's global influence over financial and calendar year 2024, as we continue to pursue our purpose of helping patients screen for cancers early, with a simple blood-based test. 2024 is shaping up to be our most important year yet and we expect to deliver positive news and re-build shareholder value in the near future.

Otto Buttula
Executive Chairman

The Directors of Rhythm Biosciences Limited (Rhythm, the Group, or the Consolidated Entity) present their report for the financial year ended 30 June 2023.

Directors

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

Mr Otto Buttula

Mr Glenn Gilbert (resigned 21 April 2023)

Dr Trevor Lockett

Mr Louis (Lou) Panaccio

Mr Eduardo Vom (resigned 29 November 2022)

Ms Susan MacLeman (appointed 31 January 2023)

Dr Rachel David

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 is nearing the commercialisation phase aims to provide an 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 and operations of the Company are located at Bio21 Institute, 30 Flemington Road, Parkville Victoria, Australia, 3010.

Results of Operations

The Group incurred a loss after income tax of $8,217,557 for the year ended 30 June 2023 (2022: $8,793,521).

The Executive Chairman's Report contains 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.

Internal Risks:
Most risks associated with personnel are limited due to the use of external consultants and outsourced agencies. Our people risks, were inherently our largest obstacle in the 2023 year which we have overcome with the training and diversification of knowledge. Cash Flow, is identified as a potential risk, despite minimising the exposure with the R&D grant and preparation of commercialisation. The management and Board have identified that Cash Flow is not expected to be an impediment to the commercialisation and growth of the company.

External Risks:
The major external risks are supply chain of raw materials and global demand. With the current suppliers of raw materials and the proprietary recipe / algorithm, the raw material supply is adequate material for production for current and future target markets. It is anticipated that Rhythm will expand its CMO (Contract Manufacturers) globally as demand expands.

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

Name	Otto Buttula
Title	Executive Chairman
Experience and expertise	Mr Buttula has had extensive experience and success in investment research, funds management, information and biotechnologies 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 Ltd, 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 Ltd 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 Ltd. Following his completion of executive duties, Mr Buttula was Non-Executive Chairman of platform and stockbroking provider Investorfirst Ltd and led the acquisition of HUB24 Ltd (ASX: HUB). More recently, he served on the Board as a non-executive director and Head of Audit and Risk at Imugene Ltd (ASX: IMU) between 2014 and 2016.
Other current directorships	HITIQ Limited OncoSil Medical Limited
Interests in shares	24,111,396 fully paid ordinary shares
Interests in options	1,342,500 Options
Name	**Dr Trevor Lockett**
Title	Technical Director
Experience and expertise	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®.
Interests in shares	1,291,000 fully paid ordinary shares
Interests in options	252,000 Options

Name	**Lou Panaccio**
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 Ltd. 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 executive Chairman of Health Networks Australia.
Other current directorships	Sonic Healthcare Limited Avita Medical, Inc. Adherium Limited
Interests in shares	830,000 fully paid ordinary shares
Interests in options	85,000 Options
Name	**Susan MacLeman (appointed 31 January 2023)**
Title	Non-Executive Independent Deputy Chair
Experience and expertise	Susan has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development at Schering-Plough Corporation (now Merck), Amgen, Bristol-Myers Squibb and Mesoblast. Susan has also served as CEO and a Board member of several ASX, AIM and NASDAQ listed companies in the Healthtech sector. Susan is a Non-Executive Director of Planet Innovation Holdings Ltd, ATSE and OMICO (Australian Genomic Cancer Medicines Ltd). Susan is also a member of the NSW Innovation and Productivity Council, Fellow of the Australian Academy of Technology and Engineering (ATSE) and Fellow/ Graduate of Australian Institute of Company Directors (AICD). Susan is also appointed to several academic and government advisory boards. Susan brings a unique set of experiences in technology commercialisation, strategic planning, capital markets and fund raising, M&A and alliance management. Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School.
Other current directorships	Oventus Medical Limited
Interests in shares	Nil
Interests in options	Nil
Name	**Dr Rachel David**
Title	Non-Executive Director
Experience and expertise	Rachel is an experienced senior health and financial services sector executive who holds a Bachelor of Medicine, Bachelor of Surgery (MBBS), Master of Business Administration (MBA) and is a graduate of the Australian Institute of Company Directors. Rachel is currently the Chief Executive Officer (CEO) of Private Healthcare Australia (PHA). Rachel's career has spanned over 25 years during which she has delivered significant value by promoting policy change to address the significant economic problems and market failures in healthcare, particularly relating to evidence-based practice and access to new technologies. Prior roles include Senior Director Government Affairs, Policy and Market Access for Johnson & Johnson, senior roles within McKinsey, CSL and Pfizer (formerly Wyeth). Further, Dr David has held direct Government roles within the Office of the Federal Minister for Health and Ageing.
Interests in shares	Nil
Interests in options	150,000 Options

'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

Andrea Steele (appointed 25 February 2022) has a Bachelor of Laws (LLB), a Master of Laws (LLM), a Master of Legal Practice and a Bachelor of Commerce (Accounting/Finance). Her professional career spans over 23 years and includes management consultancy, corporate strategy, company secretary and general counsel positions throughout Europe and Australia. Currently Ms Steele is a Principal Consultant at ENRG Consulting.

Paul Smith (appointed 17 October 2022) was a former Chief Financial Officer for OPED Australia and has more than 25 years of Australian and international experience delivering financial and operational transformations for both private and public companies. With experience in the Australian, Chinese and US markets, Paul has led various financial, manufacturing, and operational projects to improve financial positions through systems, processes and procedures. Mr Smith has a Bachelor of Business and post grad in Accounting from Monash University. He has experience in the healthcare industry, including manufacturing and commercialisation.

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	11	11
Mr G Gilbert	8	8
Dr T Lockett	11	11
Mr L Panaccio	11	11
Mr E Vom	4	3
Dr R David	11	10
Ms S MacLeman	5	5

Corporate Governance

Details on the Company's corporate governance procedures, policies and practices are at **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 2023.

Directors' Report – 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	Executive Chairman	1 December 2021 (previously Non-Executive Chairman from 28 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
Ms Susan MacLeman	Non-Executive Director	31 January 2023
Mr Eduardo Vom	Former Non-Executive Director	5 June 2020 (Resigned 29 November 2022)
Dr Rachel David	Non-Executive Director	15 December 2021
Mr Glenn Gilbert	Former Managing Director & CEO	1 December 2021 (previously Chief Executive Officer from 27 November 2018) (Resigned 21 April 2023)
Mr Paul Smith	CFO & Company Secretary	17 October 2022

Directors' and Key Management Personnel Interests in Shares and Options

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

Name	Position	Number of Ordinary Shares	Number of Options
Mr Otto Buttula	Executive Chairman	24,111,396	1,342,500
Dr Trevor Lockett	Technical Director	1,291,000	252,000
Mr Louis (Lou) Panaccio	Non-Executive Director	830,000	85,000
Dr Rachel David	Non-Executive Director	-	150,000
Ms Susan MacLeman	Non-Executive Director	-	-
Mr Paul Smith	CFO & Company Secretary	-	2,000,000
		26,232,396	**3,829,500**

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 and other benefits in lieu of salary; and
- Variable remuneration, may include: 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 (STIP)

The STIP 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 STIP is set by the Board for management personnel. 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 (LTIP)

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

Options

During the 2023 year, 10,950,000 (2022: 7,195,000) options were issued to management personnel and employees. The fair value of employee share options was $5,812,500 (2022: $6,258,750). $3,003,935 was expensed in the current financial year (2022: $2,605,676) for options issued in the current and previous years. 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 2023:

Number of Options	Exercise Price ($)	Grant Date	Vesting Period	Vesting Date	Expiry Date	Holder	Fair Value per Option at Grant Date
750,000	$0.20	18.11.2020	n/a	18.11.2020	14.9.2023	Dr T Lockett	$0.3545
375,000	$0.20	18.11.2020	n/a	30.11.2021	14.9.2023	Dr T Lockett	$0.3545
293,750	$0.20	14.9.2020	n/a	14.9.2020	14.9.2023	Employees	$0.0799
293,750	$0.20	14.9.2020	n/a	30.11.2021	14.9.2023	Employees	$0.0799
807,500	$1.80	26.7.2021	Various (i)	Various (i)	31.7.2024	Employees	$0.45
1,450,000	$1.80	24.11.2021	Various (i)	Various (i)	31.7.2024	Directors	$1.02
150,000	$1.80	29.11.2022	Various (i)	Various (i)	31.12.2025	Dr R David	$0.59
7,800,000	$1.80	31.12.2022	Various (i)	Various (i)	31.12.2025	Employees	$0.53
11,920,000	**Total ESOP Options**						

(i) There are various performance and or service vesting conditions related to these options not yet achieved. Refer to Note 17 for details on vesting conditions.

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. For factors that determine the fair value of options granted during the year refer to Note 17 to the financial statements.

Movement in the number of share options on issue

	2023 Number of Options	2023 Weighted Average Exercise Price (cents)	2022 Number of Options	2022 Weighted Average Exercise Price (cents)
Opening balance	14,232,500	97.65	7,475,000	20.00
Voluntarily Forfeited / Lapsed	(9,687,500)	180.00	(287,500)	180.00
Granted	10,950,000	180.00	7,195,000	180.00
Exercised	(3,575,000)	20.00	(150,000)	20.00
Outstanding at year-end	**11,920,000**	**156.78**	**14,232,500**	**97.65**
Exercisable at year-end	4,891,250	123.30	7,086,250	83.19

Shares

No shares were issued to employees during the current or prior year.

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.

Effective 1 July 2022, Non-executive Directors' fees were set at $52,500 per annum inclusive of superannuation. 150,000 Options exercisable at $1.80 on or before 31 December 2025 were issued to Dr R David, Non-Executive Director under the ESOP during the 2023 financial year. The issue of these options was approved by shareholders at the Annual General Meeting of the Company on 29 November 2022. Refer to Note 17 for details on options vesting conditions.

Key Management Personnel Remuneration

Key Terms of the Executive Chairman's employment contract

The Company entered into a revised executive services agreement effective 1 July 2022 for Mr Otto Buttula to receive an annual salary of $165,000 (exclusive of 10.5% superannuation).

Key Terms of the CEO's employment contract

The Company entered into a revised executive services agreement effective 1 July 2022 for Mr Glenn Gilbert as Chief Executive Officer (CEO) to receive an annual salary of $350,000 (exclusive of 10.5% superannuation). The Company also issued Mr Gilbert 3,000,000 unlisted Options exercisable at $1.80 on or before 31 December 2025. Refer to Note 17 for details on Options vesting conditions. Mr Gilbert was also entitled to receive short-term incentives dependent upon performance, as assessed against key performance indicators. Mr Gilbert resigned effective 21 April 2023.

Key Terms of the Technical Director's employment contract

The Company entered into a revised consulting services agreement effective 1 July 2022 for Dr Trevor Lockett to receive an annual salary of $159,500 (inclusive of superannuation).

Key Terms of the CFO's employment contract

The Company entered into an executive services agreement effective 17 October 2022 for Mr Paul Smith as Chief Financial Officer (CFO) and Company Secretary to receive an annual salary of $265,000 (exclusive of 10.5% superannuation). The Company also issued Mr Smith 2,000,000 unlisted Options exercisable at $1.80 on or before 31 December 2025. Refer to Note 17 for details on Options vesting conditions. Mr Smith is also entitled to receive short-term incentives dependent upon performance, as assessed against key performance indicators.

Details of the remuneration of Directors and Key Management Personnel for the 2023 financial year are provided below:

	Short-term Benefits			Long-term Benefits				
	Cash salary and fees ($)	Termination benefit ($)	Annual Leave Provision ($)	Long Service Leave Provision ($)	Post-employment Superannuation ($)	Equity-based compensation Shares and Options ($)	Total ($)	% Performance Based
Executive Directors								
O Buttula	165,000	-	-	-	17,325	191,510	373,835	51.2
T Lockett	144,344	-	-	-	15,156	47,878	207,378	23.1
G Gilbert (iv)	284,936	96,688	6,179	(16,443)	35,370	397,500	804,230	49.4
Non-Executive Directors								
L Panaccio	47,511	-	-	-	4,989	14,363	66,863	21.5
E Vom (i)	18,854	-	-	-	1,980	-	20,834	-
R David	47,511	-	-	-	4,989	48,546	101,046	48.0
S MacLeman (ii)	19,796	-	-	-	2,079	-	21,875	-
Executives								
P Smith (iii)	188,234	-	14,480	-	19,765	525,334	747,813	70.2
Total	**916,186**	**96,688**	**20,659**	**(16,443)**	**101,653**	**1,225,131**	**2,343,874**	

(i) Resigned 29 November 2022.
(ii) Appointed 31 January 2023.
(iii) Appointed 17 October 2022.
(iv) Resigned 21 April 2023. During the year the amount paid for superannuation included 10.5% on a portion of annual leave entitlement taken as a cash payment.

Details of the remuneration of Directors and Key Management Personnel for the 2022 financial year are provided below:

	Short-term Benefits			Long-term Benefits				
	Cash salary and fees ($)	Cash bonus ($)	Annual Leave Provision ($)	Long Service Leave Provision ($)	Post-employment Superannuation ($)	Equity-based compensation Shares and Options ($)	Total ($)	% Performance Based
Executive Directors								
O Buttula	119,318	-	-	-	11,932	625,531	756,781	82.7
T Lockett	118,189	-	-	-	11,819	289,313	419,321	69.0
G Gilbert (vii)	302,500	67,950	25,479	11,408	27,500	695,476	1,130,313	67.5
Non-Executive Director								
D White (v)	1,355	-	-	-	-	127,500	128,855	98.9
L Panaccio	42,111	-	-	-	4,211	46,915	93,237	50.3
E Vom	42,111	-	-	-	4,211	46,915	93,237	50.3
R David	24,765	-	-	-	2,477	-	27,242	-
Company Secretary								
A Wing	70,400	-	-	-	-	-	70,400	-
Total	**720,749**	**67,950**	**25,479**	**11,408**	**62,150**	**1,831,650**	**2,719,386**	

(i) Resigned 14 July 2021.
(ii) Resigned 25 February 2022.
(iii) Cash bonus paid during the year was 75.5% of the short-term incentives as assessed against key performance indicators, at the discretion of the Board.

Share-Based Payments

No shares were issued to employees during the current or prior year.

There were 3,575,000 (2022: 150,000) 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	Upon Resignation	Balance at End of Year	Vested and Exercisable at End of Year	Unvested at End of Year
T Lockett	1,879,000	-	(2,000)	(500,000)	-	1,377,000	1,252,000	125,000
G Gilbert	5,559,584	3,000,000	(29,792)	(1,375,000)	(7,154,792)	-	-	-
O Buttula	2,685,000	-	(342,500)	(1,000,000)	-	1,342,500	842,500	500,000
S MacLeman	-	-	-	-	-	-	-	-
E Vom	238,818	-	(12,500)	(31,909)	(194,409)	-	-	-
R David	-	150,000	-	-	-	150,000	37,500	112,500
L Panaccio	170,000	-	(10,000)	(75,000)	-	85,000	47,500	37,500
P Smith	-	2,000,000	-	-	-	2,000,000	500,000	1,500,000
Total	**10,532,402**	**5,150,000**	**(396,792)**	**(2,981,909)**	**(7,349,201)**	**4,954,500**	**2,679,500**	**2,275,000**

Shareholdings

The number of ordinary shares in the Company held during and at the end of the 2023 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	Acquired via Rights Issue	Upon Appointment/ Resignation	On-market and Other Transactions	Balance at End of Year
Directors						
O Buttula	28,085,001	-	1,026,395	-	(5,000,000)	24,111,396
S MacLeman	-	-	-	-	-	-
L Panaccio	820,000	-	10,000	-	-	830,000
E Vom	3,641,484	-	12,500	(3,653,984)	-	-
R David	-	-	-	-	-	-
T Lockett	164,000	-	2,000	-	-	166,000
G Gilbert	1,242,925	-	29,792	(1,272,717)	-	-
P Smith	-	-	-	-	-	-
Total	**33,953,410**	**-**	**1,080,687**	**(4,926,701)**	**(5,000,000)**	**25,107,396**

Additional Information

The earnings of the consolidated entity are summarised below:

Loss after income tax of $8,217,557 for the year ended 30 June 2023 (2022: $8,793,521).

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

- Share price at the end of the financial year was $0.41 (2022: $1.15).
- Basic Loss per share (cents per share) of 3.79 for the year ended 30 June 2023 (2022: 4.19).

Related Party Transactions

Both Mr Buttula ($12,500) and Mr Wing ($21,250) charged a fee at commercial market rates in respect to an underwriting commitment for the Rights Issue completed during the 2022 year.

During the 2023 and 2022 financial years there were no other transactions with related parties other than remuneration.

This concludes the remuneration report, which has been audited.

Voting and Comments made at the Company's 2022 Annual General Meeting

At the 2022 Annual General Meeting the 2022 Remuneration Report was voted upon by shareholders with 1.8% 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.

After Balance Date Events

On 8 August 2023, the Company issued 1,125,000 shares to Dr Trevor Lockett arising from the exercise of 1,125,000 Options held at 20 cents per share. Dr Lockett paid $225,000 to the Company as consideration for the issued shares.

There has been no other matters or circumstances which have arisen since 30 June 2023 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2023, 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:

i. 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.

ii. 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 23.

Non-Audit Services

BDO Audit Pty Ltd were paid $25,280 (2022: $9,400) for non-audit services during the 2023 financial year. Non-audit services related to tax compliance services.

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
Executive Chairman

Melbourne, Australia
Dated this 31st day of August 2023

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY DAVID GARVEY TO THE DIRECTORS OF RHYTHM BIOSCIENCES LIMITED

As lead auditor of Rhythm Biosciences Limited for the year ended 30 June 2023, 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.

David Garvey
Director

BDO Audit Pty Ltd

Melbourne, 31 August 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2023 ($)	2022 ($)
Other income			
Other Income	3	3,324,112	2,452,371
Expenses			
Employment related costs	4	(6,298,904)	(4,452,229)
Office and compliance costs		(992,663)	(781,248)
Research and development costs		(3,647,711)	(5,159,179)
Marketing and investor relations		(175,558)	(561,860)
Occupancy costs		(38,609)	(99,817)
Travel and meetings		(198,847)	(90,079)
Depreciation - PPE	10	(64,508)	(58,101)
Depreciation - ROU		(88,898)	(7,408)
Amortisation of intangibles	9	(35,971)	(35,971)
Loss Before Income Tax		**(8,217,557)**	**(8,793,521)**
Income tax expense	5	-	-
Loss After Tax		**(8,217,557)**	**(8,793,521)**
Other comprehensive income		-	-
Total Comprehensive Loss for the Year		**(8,217,557)**	**(8,793,521)**
Loss Per Share			
Basic loss per share (cents per share)	6	(3.79)	(4.19)
Diluted loss per share (cents per share)	6	(3.79)	(4.19)

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

	Notes	2023 ($)	2022 ($)
Current Assets			
Cash and cash equivalents	15	4,124,181	7,550,424
Trade and other receivables	7	65,513	82,415
Other financial assets – term deposit		45,000	45,000
Prepayments		117,569	93,199
Inventories – raw materials	8	2,766,682	-
Total Current Assets		**7,118,945**	**7,771,038**
Non-Current Assets			
Intangible assets	9	390,073	426,044
Right-of-use assets		81,490	170,388
Property, plant and equipment	10	104,913	70,299
Total Non-Current Assets		**576,476**	**666,731**
Total Assets		**7,695,421**	**8,437,769**
Current Liabilities			
Trade and other payables	11	1,522,843	630,937
Provisions	12	158,139	215,909
Lease liabilities		84,606	85,534
Total Current Liabilities		**1,765,588**	**932,380**
Non-Current Liabilities			
Provisions	12	55,382	48,733
Lease liabilities		-	84,606
Total Non-Current Liabilities		**55,382**	**133,339**
Total Liabilities		**1,820,970**	**1,065,719**
Net Assets		**5,874,451**	**7,372,050**
Equity			
Issued capital	13	31,550,602	27,834,579
Reserves	14	6,141,261	3,137,326
Accumulated losses		(31,817,412)	(23,599,855)
Total Equity		**5,874,451**	**7,372,050**

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Issued Capital ($)	Reserves ($)	Accumulated Losses ($)	Total ($)
Balance at 1 July 2021	15,981,488	531,650	(14,806,334)	1,706,804
Loss attributable to members	-	-	(8,793,521)	(8,793,521)
Transactions with owners in their capacity as owners:				
Issued capital	12,320,945	-	-	12,320,945
Capital raising costs	(467,854)	-	-	(467,854)
Share-based payments expense (Note 17)	-	2,605,676	-	2,605,676
Balance at 30 June 2022	**27,834,579**	**3,137,326**	**(23,599,855)**	**7,372,050**
Balance at 1 July 2022	27,834,579	3,137,326	(23,599,855)	7,372,050
Loss attributable to members	-	-	(8,217,557)	(8,217,557)
Transactions with owners in their capacity as owners:				
Issued capital	3,740,240	-	-	3,740,240
Capital raising costs	(24,217)	-	-	(24,217)
Share-based payments expense (Note 17)	-	3,003,935		3,003,935
Balance at 30 June 2023	**31,550,602**	**6,141,261**	**(31,817,412)**	**5,874,451**

The financial statements should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	Notes	2023 ($)	2022 ($)
Cash Flow from Operating Activities			
Interest received		228,379	25,048
Payments to suppliers and employees		(10,275,274)	(8,948,856)
Interest paid		(6,557)	-
Government grant		15,000	15,000
Other income		297	-
Research and development tax refund		3,080,545	2,412,406
Net Cash Used in Operating Activities	15	**(6,957,610)**	**(6,496,402)**
Cash Flow from Investing Activities			
Purchase of property, plant and equipment		(99,122)	(27,006)
Net Cash Used In Investing Activities		**(99,122)**	**(27,006)**
Cash Flow from Financing Activities			
Proceeds from issues of shares and options		3,740,240	12,320,945
Costs of capital raising		(24,217)	(467,854)
Repayment of lease liabilities		(85,534)	(7,656)
Net Cash From/(Used in) Financing Activities		**3,630,489**	**11,845,435**
Net Increase/(Decrease) in Cash Held		**(3,426,243)**	**5,322,027**
Cash and cash equivalents at beginning of financial year		7,550,424	2,228,397
Cash And Cash Equivalents at end of Financial Year	15	**4,124,181**	**7,550,424**

Note 1: Statement of Significant Accounting Policies

The consolidated financial statements and notes represent those of Rhythm Biosciences Limited and Controlled Entities (the 'consolidated entity' 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 2023. Comparatives are disclosed for the year ended 30 June 2023.

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 the date of the approval of the Directors' declaration 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 consolidated entity incurred an operating loss of $8,217,557 (2022: $8,793,521) and had cash outflows from operating activities of $6,957,610 (2022: $6,496,402) for the year ended 30 June 2023. The consolidated entity is in start-up phase and does not yet have an income stream. These conditions indicate a material uncertainty that may cast significant doubt about the company's ability to continue as a going concern. The ability of the company to continue as a going concern is dependent on a number of factors, one being the continuation and availability of funds.

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 2023, the consolidated entity had a cash position of $4.2 million;
- a research and development refund, based on expenditure incurred, is expected in the second half of the 2023 calendar year;
- activities are focused on commercialising ColoSTAT® in geographies where regulatory approvals are already in place, and the consolidated entity expects to generate revenue from this in the second half of the 2023 calendar year;
- the company has the potential to raise additional capital from investors; and
- the consolidated entity is still in the early stages of operations and is able to scale back activity if required for cashflow management purposes.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements.

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 2023 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 statement of financial position as at 30 June 2023, 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 estimated credit losses 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.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

Right-of-Use Assets

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.

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 & 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.

Lease liabilities

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.

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 are 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 are 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 fair value on transaction date, plus or minus transaction costs directly attributable to the acquisition. 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% (2022: 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

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. The probability of meeting any vesting conditions is also required to be estimated. Refer to Note 17 to the financial statements.

Research and Development Tax Refund Income

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. Significant judgement is required in determining the income tax refund eligibility. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain.

Other Intangible Assets

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

Estimated Useful Lives of Other Intangible Assets

Rhythm determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Provision for Impairment of Inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account expected future sales, the ageing of inventories and other factors that affect inventory obsolescence.

Key Judgement

Recognition of inventory raw materials

The date of 3 November 2022 represents the time Rhythm commenced expenditure on acquiring ColoSTAT® inventory raw materials in preparation for commercial sales. Up until this date, costs incurred on raw materials for ColoSTAT® were expensed as research and development activities. Some items of previously expensed raw materials remain available for future commercial activities.

Key milestones to a decision on commercialisation of ColoSTAT® and recognition of raw materials inventory included:

- On 6 January 2022, Rhythm announced CE Mark registration in the United Kingdom, providing regulatory approval which allows ColoSTAT® to be sold in the respective UK regions. Further development of the product then continued to occur; and
- On 3 November 2022, Rhythm announced the achievement of Medsafe approval in New Zealand which allowed a wider pathway to progressing pre-sales activities and partnership discussions.

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.

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. The key Standard likely to have an impact Is set .

AASB 2021-2 (issued March 2021) Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (applicable from 1 July 2023)

Introduces a definition of 'accounting estimate', i.e. monetary amounts in financial statements that are subject to estimation uncertainty, such as estimating expected credit losses for receivables, or estimating the fair value of an item recognised in the financial statements at fair value. Accounting estimates are developed using measurement techniques and inputs. Measurement techniques comprise *estimation techniques* (such as used to determine expected credit losses or value in use) and *valuation techniques* (such as the income approach to determine fair value). The amendments clarify that a change in an estimate occurs when there is either a change in a measurement technique or a change in an input.

Note 2: Parent Information

	2023 ($)	2022 ($)
Statement of Financial Position		
Current assets	4,052,048	7,498,630
Non-current assets	2,346,158	664,103
Total Assets	**6,398,206**	**8,162,733**
Current liabilities	468,373	571,807
Non-Current Liabilities	55,382	218,873
Total Liabilities	**523,755**	**790,680**
Issued Capital	31,550,602	27,834,579
Reserves	6,141,261	3,137,326
Accumulated losses	(31,817,412)	(23,599,855)
Total Equity	**5,874,451**	**7,372,050**
Statement of Comprehensive Income	**2023 ($)**	**2022 ($)**
Total loss	(8,217,557)	(8,793,521)
Total Comprehensive Income	**(8,217,557)**	**(8,793,521)**

Guarantees

The Parent Company has not entered into any guarantees in relation to its subsidiaries aside from as stated in Note 23.

Commitments and Contingent Liabilities

At 30 June 2023, the Parent Company had no capital commitments and no contingent liabilities (2022: 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.

Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 3: Other Income

	2023 ($)	2022 ($)
Interest Income	228,270	24,965
Government Grant Income	15,000	15,000
Research and Development Tax Refund	3,080,545	2,412,406
Other sundry income	297	-
Total	**3,324,112**	**2,452,371**

Note 4: Employment Related Costs

	2023 ($)	2022 ($)
Loss from continuing activities before income tax after charging the following: items:		
Staff salaries and Director fees	2,739,970	2,099,205
Superannuation	288,258	171,504
Share-based payments expense (Refer to Note 17 for options and shares issued)	3,003,935	2,155,676
Other employment related expenses	266,741	25,844
Total	**6,298,904**	**4,452,229**

Note 5: Income Tax Relating to Continuing Activities

	2023 ($)	2022 ($)
Prima facie income tax benefit before income tax at 25% (2022: 25%)	2,054,389	2,198,380
Add/(subtract) tax effect:		
- Research and development claim	770,136	603,102
- Share based payments expense	(750,984)	(651,419)
- Other non-deductible expenditure	(11,500)	(9,900)
- Tax losses and temporary differences not brought to account	(2,062,041)	(2,140,163)
Income tax expense	-	-

Total tax losses and temporary differences not brought to account $4,259,230 (2022: $4,009,997).

Note 6: Loss Per Share

	2023 ($)	2022 ($)
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
Loss used in calculating basic and diluted earnings per share	(8,217,557)	(8,793,521)
	2023 No. of Shares	**2022 No. of Shares**
Weighted average number of ordinary shares used in calculating basic loss per share	216,893,990	209,946,293
Basic and diluted loss per share (cents)	**(3.79)**	**(4.19)**

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: Trade and Other Receivables

	2023 ($)	2022 ($)
GST receivable	65,513	81,395
Other receivables	–	1,020
	65,513	**82,415**

Note 8: Inventories

	2023 ($)	2022 ($)
Raw materials – at cost	2,766,682	–
	2,766,682	**–**

Note 9: Intangible Assets

	2023 ($)	2022 ($)
Intellectual Property		
Licences at cost (i)	600,000	600,000
Licences accumulated amortisation (i)	(209,927)	(173,956)
	390,073	**426,044**

	2023 ($)	2022 ($)
Movement in Carrying Amounts:		
Balance at the beginning of the year	426,044	462,015
Amortisation (i)	(35,971)	(35,971)
Balance at the end of the year	**390,073**	**426,044**

(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. This has been assessed as the expected useful life of the intangible asset.

Note 10: Property, Plant and Equipment

	2023 ($)	2022 ($)
Computers – at cost	90,020	61,047
Accumulated depreciation	(60,399)	(44,922)
	29,621	**16,125**
Office equipment – at cost	36,063	12,245
Accumulated depreciation	(6,266)	(1,711)
	29,797	**10,534**
Laboratory equipment - at cost	248,262	201,931
Accumulated depreciation	(202,767)	(158,291)
	45,495	**43,640**
Total	**104,913**	**70,299**

Movement in Carrying Amounts 2023:	Computer Equipment ($)	Office Equipment ($)	Laboratory Equipment ($)	Total ($)
Balance at the beginning of the year	16,125	10,534	43,640	70,299
Additions	28,973	23,818	46,331	99,122
Depreciation	(15,477)	(4,555)	(44,476)	(64,508)
Balance at the end of the year	**29,621**	**29,797**	**45,495**	**104,913**

Movement in Carrying Amounts 2022:	Computer Equipment ($)	Office Equipment ($)	Laboratory Equipment ($)	Total ($)
Balance at the beginning of the year	25,130	595	88,075	113,800
Additions	2,721	10,258	1,621	14,600
Depreciation	(11,726)	(319)	(46,056)	(58,101)
Balance at the end of the year	**16,125**	**10,534**	**43,640**	**70,299**

Note 11: Trade and Other Payables

	2023 ($)	2022 ($)
Trade creditors	1,333,906	278,314
Accruals	188,937	352,623
Balance at the end of the year	**1,522,843**	**630,937**

Note 12: Provisions

	2023 ($)	2022 ($)
Current		
Provision for Annual Leave	158,139	215,909
Non-Current		
Provision for Long Service Leave	55,382	48,733
	213,521	**264,642**

Note 13: Issued Capital

	2023 (No.)	2022 (No.)	2023 ($)	2022 ($)
Ordinary shares fully paid				
Balance at the beginning of the year	214,082,145	202,170,811	27,834,579	15,981,488
Rights issue and placement at 85 cents per share	-	6,554,270	-	5,571,130
Placement at $1.40 per share	-	4,666,179	-	6,532,651
Options exercised	5,710,444	690,885	3,740,240	217,164
Capital raising costs	-	-	(24,217)	(467,854)
Balance at the end of the year	**219,792,589**	**214,082,145**	**31,550,602**	**27,834,579**

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. 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 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 2022.

Note 14: Reserves

	Notes	2023 ($)	2022 ($)
Share Based Payments Reserve			
Balance at the beginning of the year		3,137,326	531,650
Employee share-based payments expense	17	3,003,935	2,155,676
Consultants share-based payments expense	17	–	450,000
Balance at the End of the Year		**6,141,261**	**3,137,326**

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

.Note 15: Cash Flow Information

	Notes	2023 ($)	2022 ($)
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		4,124,181	7,550,424
		4,124,181	**7,550,424**
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		(8,217,557)	(8,793,521)
Non-Cash Items			
Depreciation and amortisation		189,377	101,480
Expense recognised in respect of equity-settled share-based payments		3,003,935	2,605,676
Changes In Assets and Liabilities			
Decrease/(Increase) in trade and other receivables		16,902	70,997
(Increase) in prepayments		(24,370)	(36,620)
(Increase) in inventories		(2,766,682)	-
(Decrease)/Increase in trade and other payables		891,906	(552,323)
Increase in provision for employee entitlements		(51,121)	107,909
Net Cash Used In Operating Activities		**(6,957,610)**	**(6,496,402)**

Note 16: Related Party Transactions

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

The names of each person holding the position of director of Rhythm Biosciences Limited during the year were Mr Otto Buttula, Mr Glenn Gilbert (resigned 1 April 2023), Dr Trevor Lockett, Mr Lou Panaccio, Mr Eduardo Vom (resigned 29 November 2022) and Dr Rachel David and Ms Susan MacLeman (appointed 31 January 2023). Company secretaries were Ms Andrea Steele and Mr Paul Smith (appointed 17 October 2022).

Both Mr Buttula ($12,500) and Mr Wing ($21,250) charged a fee at commercial market rates in respect to an underwriting commitment for the Rights Issue completed during the 2022 year. Mr Wing is a former company secretary who resigned on 25 February 2022.

During the 2023 and 2022 financial years there were no other transactions with related parties other than remuneration as disclosed in the Remuneration Report.

Note 17: Share-Based Payments

No shares were issued to employees during the current or prior year.

During the 2023 financial year the Company granted 10,950,000 options to key management personnel and other employees as part of their remuneration. Vesting conditions related to these options not yet achieved are as follows:

- 25% upon the Company achieving first revenue in 2 countries by December 2023;
- 25% upon the Company achieving first revenue from 2 other countries by December 2024; and
- 25% upon remaining employed on 31 December 2025.

During the 2022 financial year the Company granted 8,195,000 options to consultants, key management personnel and other employees as part of their remuneration. Vesting conditions related to these options not yet achieved are as set out below.

In respect to Mr Buttula, Mr Panaccio and employees:

- 25% upon remaining employed on 21 July 2024.

In respect to Dr Lockett:

- 25% upon remaining employed on 21 July 2024.

Vesting conditions related to these options not achieved and lapsed are as set out below:

In respect to Mr Buttula, Mr Panaccio and employees:

- 25% upon the Company achieving first revenue by December 2022; and
- 25% upon the Company achieving first revenue from 2 other countries by June 2023.

In respect to Dr Lockett:

- 25% upon the validation of 1 alternate cancer target by 30 June 2022; and
- 25% upon the Company achieving first revenue from 2 other countries by June 2023.

In respect to Mr White:

- 25% upon CLIA lab selection and LDT in the USA by 30 June 2022;
- 7.5% on break-through designation from USFDA 30 June 2022;
- 5% upon CRO appointment for the USFDA being operational;
- 7.5% on break-through designation from USFDA 30 September 2022; and
- 30% on first revenue in USA by December 2022.

During the 2021 financial year the Company granted 8,150,000 options to key management personnel and other employees as part of their remuneration. Vesting conditions related to these options not achieved were as follows:

- 25% upon the Company achieving Therapeutic Goods Association (TGA) registration by 30 September 2022.

Set out below are summaries of options granted.

Unvested options shall lapse upon employment termination without notice (with cause) or cessation.

An expense of $3,003,935 (2022: $2,605,676) is included in the Statement of profit or loss and other comprehensive income. Details are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year	Granted	Lapsed	Exercised	Balance at End of the Year	Vested
14.9.2020	14.9.2023	$0.20	5,825,000	-	(1,662,500)	(3,575,000)	587,500	587,500
18.11.2020	14.9.2023	$0.20	1,500,000	-	(375,000)	-	1,125,000	1,125,000
26.7.2021	31.7.2024	$1.80	1,895,000	-	(1,087,500)	-	807,500	403,750
26.7.2021	31.7.2024	$1.80	1,000,000	-	-	-	1,000,000	1,000,000
24.11.2021	31.7.2024	$1.80	5,012,500	-	(3,562,500)	-	1,450,000	787,500
29.11.2022	31.12.2025	$1.80	-	150,000	-	-	150,000	37,500
31.12.2022	31.12.2025	$1.80	-	10,800,000	(3,000,000)	-	7,800,000	1,950,000
Total			**15,232,500**	**10,950,000**	**(9,687,500)**	**(3,575,000)**	**12,920,000**	**5,891,250**

The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate*	Fair Value at Grant Date
14.9.2020	14.9.2023	$0.145	$0.20	100%	-	0.24%	$0.0799
18.11.2020	14.9.2023	$0.47	$0.20	100%	-	0.11%	$0.3545
** 26.7.2021	31.7.2024	$0.93	$1.80	100%	-	0.13%	$0.45
24.11.2021	31.7.2024	$1.74	$1.80	100%	-	1.01%	$1.02
29.11.2022	31.12.2025	$1.10	$1.80	100%	-	3.2%	$0.59
31.12.2022	31.12.2025	$1.02	$1.80	100%	-	3.3%	$0.53

** The risk-free interest rate is based on the Australian Government 3-year bond yield (Reserve Bank of Australia website) at the grant date.*

*** On 26 July 2021 when the share price was $0.93, Directors resolved to issue these Options, subject to receipt of shareholder approval. On 24 November 2021, when the share price was $1.74, shareholder approval occurred at the Annual General Meeting (AGM). The fair value for accounting purposes is determined based upon final approval at the date of the AGM.*

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.

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

	2023 Number of Options	2023 Weighted Average Exercise Price (cents)	2022 Number of Options	2022 Weighted Average Exercise Price (cents)
Opening balance	15,232,500	103.06	7,475,000	20.00
Granted	10,950,000	180.00	8,195,000	180.00
Forfeited / Lapsed	(9,687,500)	146.75	(287,500)	180.00
Exercised	(3,575,000)	20.00	(150,000)	20.00
Expired	-	-	-	-
Outstanding at year-end	**12,920,000**	**158.60**	**15,232,500**	**103.06**
Exercisable at year-end	5,891,250	133.02	8,086,250	75.38

The fair value of issued share-based payments granted during the year pursuant to the ESOP in 2023 was calculated to be $5,812,500. The total amount expensed in the income statement is a share-based payments expense of $3,003,935 (2022: $2,605,676) for Options in the current and previous years.

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

	Employees	Director	Director
Options granted	7,800,000	3,000,000	150,000
Grant date	31.12.2022	31.12.2022	29.11.2022
Exercise price	$1.80	$1.80	$1.80
Underlying share price	$1.02	$1.02	$1.10
Expiry date	31.12.2025	31.12.2025	31.12.2025
Vesting period	various	various	various
Expected share price volatility	100%	100%	100%
Risk free interest rate	3.32%	3.32%	3.2%
Fair value per option at grant date	$0.53	$0.53	$0.59
Total fair value at grant date	**$4,134,000**	**$1,590,000**	**$88,500**

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:

	2023 ($)	2022 ($)
Financial Assets		
Cash and cash equivalents	4,124,181	7,550,424
Trade and other receivables	65,513	82,415
Other financial assets – term deposits	45,000	45,000
	4,234,694	**7,677,839**
Financial Liabilities		
Trade and other Payables	1,522,843	630,937
	1,522,843	**630,937**

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 2023.

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 2023, 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 $4,169,181 as at 30 June 2023 (2022: $7,595,424). An official increase/decrease in interest rates of 100 (2022: 100) basis points would have an adverse/favourable effect on loss before tax of $41,692 (2022: $75,954) 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 ($)	Short-term benefits ($)	Termination benefits ($)	Post-employment benefits ($)	Other Long-term benefits ($)	Total ($)
2023						
Total compensation	1,225,131	936,845	96,688	101,653	(16,443)	2,343,874
2022						
Total compensation	1,831,650	814,178	-	62,150	11,408	2,719,386

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

Note 21: Auditor Remuneration

	2023 ($)	2022 ($)
Remuneration of the Auditor of the Group for:		
Auditing or reviewing the financial report	65,433	53,175
Other services:		
- Taxation advice	25,280	9,400
	90,713	**62,575**

Note 22: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2023	Percentage Owned (%) 2022
Vision Tech Bio Pty Ltd	Australia	100%	100%
IchorDX Inc,	United States	100%	100%
Rhythm Biosciences UK Limited (i)	United Kingdom	100%	-

** Percentage of voting power in proportion to ownership*
(i) This subsidiary was incorporated on 23 June 2023.

Note 23: Deed of Cross Guarantee

A Deed of Cross Guarantee was lodged with the ASIC on 18 April 2023 covering Rhythm Biosciences Limited and Vision Tech Pty Ltd. The assets and liabilities of the companies within the Deed are as stated in the financial statements as at 30 June 2023.

Note 24: Events Subsequent to Reporting Date

On 8 August 2023, the Company issued 1,125,000 shares to Dr Trevor Lockett arising from the exercise of 1,125,000 Options held at 20 cents per share. Dr Lockett paid $225,000 to the Company as consideration for the issued shares.

There has been no other matters or circumstances which have arisen since 30 June 2023 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2023, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2023, of the consolidated entity.

Note 25: Commitments

The Group has inventory purchase commitments of $265,193 (2022: $nil) for goods not yet received as at 30 June 2023. There are no capital commitments for expenditure as at 30 June 2023 (2022: $nil).

Note 26: Contingent Assets and Liabilities

The Group has no contingent assets or liabilities as at 30 June 2023 (2022: $nil).

The Directors declare that:

1. The financial statements and notes, as set out on pages 24 to 46 are in accordance with the Corporations Act 2001, and:
    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 2023 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, subject to the matters disclosed in note 1, 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 16 to 21 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
Executive Chairman

Melbourne, Australia
Dated this 31st day of August 2023

Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
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 2023, 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 2023 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.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	*How the matter was addressed in our audit*
Valuation of Inventory The Group recognised a material amount of inventory during the year representing raw materials purchased for the future production and commercial sale of its ColoSTAT product. Valuation of inventory including measuring raw materials at cost and assessing recoverability was considered a key audit matter due to the materiality of the recorded amount and the inherent subjectivity associated with valuation of inventory. Refer to Note 1 and Note 8 of the financial report for a description of the accounting policy and significant estimates and judgements applied to the recognition of inventory raw materials.	Our procedures included, but were not limited to: • Discussing procurement and inventory management processes with management and manufacturing partners. • Obtaining inventory confirmations from manufacturing partners and inspecting a sample of inventory items on a test basis. • Examining supporting documentation, for a sample of inventory items, to test the inventory cost base and carrying values as of 30 June 2023. • Examining evidence of commercial viability of future sales plans and future selling prices to assess recoverability of inventory. • Reviewing the adequacy of disclosures within the financial report.
Research and Development Grant Revenue Recognition Other income includes a research and development ("R&D") tax refund and Note 1 to the financial report discloses the accounting policy used by the Group for its recognition and measurement of its R&D tax refund revenue. Accuracy of the calculation of R&D claimed was considered a key audit matter due to the materiality of the recorded amount and the inherent subjectivity associated with the calculation of a R&D tax refund.	Our procedures included, but were not limited to: • Updating our understanding of the revenue recognition policies to ensure continued compliance with applicable Accounting Standards and consistent application from previous financial years. • Assessing the adequacy of procedures and key internal controls surrounding the recording of revenue. • Engaging an auditor's R&D tax expert to evaluate the assessment by management and management's external expert of its allowable R&D expenditure claimed under Australian Tax Office rules. • Vouching a sample of R&D expenditure claimed to underlying support documents. • Checking the completeness and appropriateness of the disclosures included in the financial report.
Measurement of Share Based Payments A share-based payment expense was recognised for options that were granted in prior periods and continued to be expensed over their vesting period. Additional share options were expensed during the year relating to options issued during the 30 June 2023 financial year to employees and key management personnel.	Our procedures included, but were not limited to: • Reviewed board minutes and ASX announcements for the completeness of share-based payments issued during the period. • Engaged an auditor's valuation expert to calculate an appropriate valuation range for the new options issued during the period. • Reviewed all underlying agreements related to the issuance of any new share-based payments in addition to verifying whether there have been any

Key audit matter	*How the matter was addressed in our audit*
Share-based payments are a complex accounting area, and due to this complexity and judgements used in determining the fair value of the share-based payments and the probability of vesting conditions being achieved, we consider the Group's calculation of the share-based payment expense to be a key audit matter. Refer to Note 1 and Note 17 of the financial report for a description of the accounting policy and significant estimates and judgements applied to the share-based payment expense.	modifications in the agreements in place from prior years. • Evaluated the reasonableness of key estimates applied by management in determining the probability percentages of the various performance-based vesting conditions. • Ensured that the recognition of the current year's share-based payment expense and corresponding reserve balance movement were materially correct based on conditions stipulated within the underlying agreements. • Reviewed the adequacy of the related disclosures within the financial report.

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 2023, 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: 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 pages 16 to 21 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Rhythm Biosciences Limited, for the year ended 30 June 2023, 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

BDO

David Garvey
Director

Melbourne, 31 August 2023

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 11 August 2023 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	WEBINVEST PTY LTD	17,291,667	7.83
2	FERNDALE SECURITIES PTY LTD	10,300,000	4.66
3	LOUMEA INVESTMENT PTY LTD	8,052,520	3.65
4	NORTHERN STAR NOMINEES PTY LTD	7,380,000	3.34
5	NEWFOUND INVESTMENTS PTY LTD	6,819,729	3.09
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	6,515,269	2.95
7	ROJO NERO CAPITAL PTY LTD	4,323,751	1.96
8	GIOKIR PTY LTD	3,661,470	1.66
9	MR HSIEN MICHAEL SOO	3,305,403	1.50
10	COMMONWEALTH SCIENTIFIC & INDUSTRIAL RESEARCH ORGANISATION	2,500,000	1.13
11	MS NATALIE LOUISE PATTERSON	2,477,083	1.12
12	E & W NOMINEE PTY LTD	2,207,941	1.00
13	MR DANIEL EDDINGTON & MRS JULIE EDDINGTON	2,123,532	0.96
14	MR MARK ANTHONY ROGERS & MR ARTHUR NICHOLAS VELISS	2,000,000	0.91
15	MRS SARAH CAMERON	1,920,800	0.87
16	JAWAF ENTERPRISES PTY LTD	1,875,000	0.85
17	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,662,733	0.75
18	MRS JOAN MARGARET MOLYNEUX & MRS WENDY ANNE HUTCHISON & MR JOHN EDWARD HUTCHISON	1,450,000	0.66
19	MR RICHARD STANLEY DE RAVIN	1,448,228	0.66
20	MR ADRIAN DARBY	1,357,124	0.61
Total		**88,672,250**	**40.14**
Balance of register		**132,245,339**	**59.86**
Grand total		**220,917,589**	**100.00**

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	280	165,277,916	74.81
10,001 to 100,000	1,396	45,406,171	20.55
5,001 to 10,000	711	5,635,273	2.55
1,001 to 5,000	1,466	4,015,176	1.82
1 to 1,000	1,143	583,053	0.26
Total	**4,996**	**220,917,589**	**100.00**

1,263 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
Otto Buttula	24,111,396	10.91%

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 granted unlisted options which entitles the holder to purchase one ordinary share in the Company at a predetermined price. No voting rights attach to options. Further details of options outstanding as at 11 August 2023 are provided below:

Share Option Type	Expiry Date	Number of Options	Number of Holders	Exercise Price $
RHYAH	14/09/23	587,500	4	0.20
RHYAI	31/07/24	3,257,500	13	1.80
RHYAL	31/07/24	3,275,463	1,269	1.80
RHYAM	31/12/25	7,950,000	7	1.80

RHYAH

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	325,000	1	55.32
10,001 to 100,000	262,500	3	44.68
Total	**587,500**	**4**	**100.00**

RHYAI

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	2,995,000	9	91.94
10,001 to 100,000	262,500	4	8.06
Total	**3,257,500**	**13**	**100.00**

RHYAL

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	886,805	5	27.07
10,001 to 100,000	1,616,658	55	49.36
5,001 to 10,000	219,962	34	6.72
1,001 to 5,000	321,624	159	9.82
1 to 1,000	230,414	1,016	7.03
Total	**3,275,463**	**1,269**	**100.00**

RHYAM

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	7,950,000	7	100.00
Total	**7,950,000**	**7**	**100.00**

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
Ms Susan MacLeman
Dr Trevor Lockett
Mr Louis (Lou) Panaccio
Dr Rachel David

Company Secretaries

Ms Andrea Steele
Mr Paul Smith

Registered and Principal Office

Bio21 Institute
30 Flemington Road
Parkville VIC 3010

Auditor

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

Legal Advisers

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

Share Registry

Automic Registry Services
477 Collins Street
Melbourne VIC 3000

Phone 1300 288 664 (within Australia)
Phone +61 2 9698 5414 (outside Australia)
Email hello@automicgroup.com.au

Rhythm Biosciences Limited
ACN 619 459 335

Bio21 Institute
30 Flemington Road
Parkville VIC 3010
Phone +61 3 8256 2880
rhythmbio.com

RHYZ024 08/23