

Rhythm Biosciences Limited
Appendix 4D
Half-Year report

1. Company details

Name of entity:	Rhythm Biosciences Limited
ABN:	59 619 459 335
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

		2022	2021
		\$	\$
Other income from ordinary activities	Up 16% to	2,829,620	2,433,429
Loss from ordinary activities after tax attributable to the owners of Rhythm Biosciences Limited	Down 13% to	(3,679,386)	(4,220,697)
Comprehensive loss for the year attributable to the owners of Rhythm Biosciences Limited	Down 13% to	(3,679,386)	(4,220,697)

Dividends

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

Comments

Comments on activities during the half-year are included in the Directors' Report in the Interim Financial Report attached.

3. Net tangible assets

	Reporting period	Previous period
	Cents	Cents
Net tangible assets per ordinary security	<u>3.80</u>	<u>2.33</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

Rhythm Biosciences Limited
Appendix 4D
Preliminary final report

7. Audit qualification or review

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

The financial statements have been reviewed and an unqualified conclusion has been issued.

8. Attachments

Details of attachments (if any):

The Interim Financial Report of Rhythm Biosciences Limited for the half-year ended 31 December 2022 is attached.

9. Signed



Glenn Gilbert
Managing Director and CEO

Date: 23 February 2023

INTERIM FINANCIAL REPORT TO 31 DECEMBER 2022

RHYTHM BIOSCIENCES LIMITED
ACN: 619 459 335 (ASX: RHY)

Rhythm Biosciences Limited
Corporate Directory
31 December 2022

Directors	Mr Otto Buttula (Executive Chairman) Mr Glenn Gilbert (Managing Director and CEO) Dr Trevor John Lockett Mr Louis (Lou) James Panaccio Dr Rachel David Ms Sue MacLeman
Company secretaries	Ms Andrea Steele Mr Paul Smith
Registered office	Bio21 Molecular Science & Biotechnology Institute 30 Flemington Road Parkville VIC 3010 Australia + 61 3 8256 2880 (Phone)
Share register	Link Market Services Limited QV1, Level 12, 250 St. Georges Terrace Perth WA 6000
Auditor	BDO Audit Pty Ltd Collins Square Tower 4 Level 18, 727 Collins Street Melbourne VIC 3008
Stock exchange listing	Rhythm Biosciences Limited shares are listed on the Australian Securities Exchange (ASX code: RHY)

Rhythm Biosciences Limited
Contents
31 December 2022

Directors' report	4
Review of operations	5
Auditor's independence declaration	8
Statement of profit or loss and other comprehensive income	9
Statement of financial position	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	17
Independent auditor's review report to the members of Rhythm Biosciences Limited	18

General information

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

Rhythm Biosciences Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Bio21 Molecular Science & Biotechnology Institute
30 Flemington Road
Parkville VIC 3010

Rhythm Biosciences Limited
Directors' Report
31 December 2022

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

Directors

The following persons were directors of Rhythm Biosciences Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Otto Buttula
Glenn Gilbert
Dr Trevor Lockett
Lou Panaccio
Dr Rachel David
Sue MacLeman (appointed 31 January 2023)
Eduardo Vom (resigned 29 November 2022)

Principal activities

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

Review of operations

The loss for the consolidated entity after providing for income tax for the half-year ended 31 December 2022 amounted to \$3,679,386 (2021: \$4,220,697).

Refer to the detailed review of operations that directly follows this report.

Matters subsequent to the end of the financial half-year

On 31 January 2023, Ms Sue MacLeman was appointed as a Non-Executive Director.

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out elsewhere in the financial report.

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

On behalf of the directors:



Glenn Gilbert
Managing Director and CEO

23 February 2023

Rhythm Biosciences Limited
Review of Operations
31 December 2022

Rhythm Biosciences Limited (ASX: **RHY**) is focused on becoming a globally significant, and transformative diagnostics company, specialising in cancer detection technology. The Company is focused on launching its first product in CY'23 with ColoSTAT® - a simple, affordable, blood test for global mass market detection of colorectal cancer.

During the half-year ending 31 December 2022, and up to the date of this report, Rhythm has made significant progress delivering on key milestones, including:

Commercialisation

- The Company filed its complete submission with the Therapeutic Goods Administration (TGA) including listing on the Australian Register of Therapeutic Goods (ARTG) for approval of ColoSTAT® for sale in the Australian market on 12 May 2022. The TGA has acknowledged it is assessing the filing.
- Successfully completed the process to achieve authorisation as a manufacturer of ColoSTAT® with Medsafe, the Medicines and Medical Devices Safety Authority in New Zealand. The regulatory milestone means that Rhythm can now market ColoSTAT® for sale in New Zealand and as a result is now progressing pre-sales activities and advancing partnership discussions.
- Rhythm is pursuing partnership and commercialisation deals (domestic and international) on the basis of being intentionally selective as to who the Company will partner with to appoint distributors/partners on commercially favourable terms that will deliver solid medium to long term growth and profitability:
 - **AUSTRALIA:** The Company remains in, and is furthering detailed discussions with multiple potential major partners, and is also in direct communication with State and Federal government officials. A favoured party has been shortlisted;
 - **NEW ZEALAND:** The Company is currently in, and is furthering detailed discussions with potential major partners;
 - **ASIAN REGION:** Rhythm is in ongoing dialogue with several companies across the Asian region. Particular partners have regional capacity, whilst some more tailored and country specific priorities. Pricing and manufacturing capacity is particularly important in this region, with Rhythm paying close attention to the companies that have strong payer and Government relationships; and
 - **U.K. & EUROPE:** Rhythm is in dialogue with a variety of companies, of differing sizes in various countries within Europe, all of which have differentiated risk appetites. Discussions remain ongoing and are at various levels of advancement. Similar to Asia, some potential partners would prefer regional style deals, whereas others may be country specific. Strong consideration is being given to commence market entry activities for certain countries in the near term. Rhythm is in the fortunate position of having a unique test, that has a significant unmet need and strong demand; and
 - **U.S.A.:** The Company held discussions with several major potential CLIA laboratory partners and intends to expedite market entry during the course of CY'23 via the Lab Developed Test (**LDT**) pathway in the first instance.

Rhythm Biosciences Limited
Review of Operations
31 December 2022

- Rhythm progressed ongoing performance and quality verification activities with its global manufacturer, Biotem, who have successfully manufactured GMP compliant, commercial grade test-kits that demonstrated high-performance accuracy of 81% Sensitivity¹ and a Specificity² of 91%. Rhythm's completed Clinical Trial indicated that ColoSTAT[®] is 33% more accurate at detecting colorectal cancer than the current market standard Faecal Immunochemical Test (FIT);
- Rhythm assessed market feedback regarding expected demand in various countries leading to a focus on additional manufacturing capability being required in additional geographies. Hence, a U.S.A. based manufacturing company has been engaged to support market entry with respect to the U.S.A. This manufacturer will also have capacity to support Rhythm's existing third-party manufacturer, France based Biotem, in global supply. In the near term, it is particularly prudent to ensure there is adequate and appropriate supply of test kits to meet market demand and repeat orders. The Company also intends to examine the feasibility of manufacturing domestically;
- Associated feasibility and scale up of commercial manufacturing works advanced ahead of planned production runs of commercial (saleable) ColoSTAT[®] test-kits in 2H'FY'23;
- Rhythm has focused upon the development of product marketing and potential customer engagement activities, with a ColoSTAT[®] marketing program which includes:
 - final stages of the launch of a new Company website to appeal to a broader customer market and provide a more informative and engaging experience;
 - engagement and education programs with GP, government, insurance, health and medical associations to assist in raising broader awareness of ColoSTAT[®] for initial customer markets;
 - commissioned a global third party, Clarivate, to conduct health economic/cost benefit modelling to further support marketing efforts and the next stages of commercialisation, including reimbursement. The output will generate an interactive model that highlights the specific benefits of ColoSTAT[®] which can be tailored for Government, Private Health Insurers and other payors alike.
- Implemented supply, logistics and fulfilment initiatives to support sales processes; and
- Subsequent to period-end, Rhythm successfully passed its ISO 13485 surveillance audit (5th consecutive). ISO certification key to support regulatory compliance, operational readiness and global commercialisation.

Core Technology

- Following the completion of the ColoSTAT[®] clinical trial (Study 7), Rhythm has completed the Final Study Report; and progressed the identification of the most applicable journals for publication of the Study 7 clinical trial results;
- Rhythm continued to progress its algorithm development refinement program focused on improving its high-performance algorithm that underpins the ColoSTAT[®] test-kit technology. Nonetheless, a fixed, validated and complete algorithm has been filed with the TGA and will be used in initial commercialisation activities;

¹ Sensitivity is the ability of the test to correctly identify those patients with colorectal cancer, that is, the percentage of people with colorectal cancer who are correctly identified as having illness.

² Specificity is the ability of the test to correctly identify people who do not have colorectal cancer, that is, the percentage of people without colorectal cancer who are correctly identified as not having cancer.

Rhythm Biosciences Limited
Review of Operations
31 December 2022

- The Company continued to pursue its technology platform expansion program leveraging the key lead biomarker for its initial bowel cancer screening product, ColoSTAT®:
 - initial biomarker review completed with leading biomarkers identified to support platform expansion of its core cancer detection technology across other target cancers: Breast, Lung, Cervical, Pancreatic and Gastric;
 - feasibility phase commenced, with two bioanalytical partners engaged - Agilex Biolabs, and the Baker Institute - to advance a development program that cover Rhythm's two largest cancer market opportunities identified;
 - bulk of the initial analytical work to be completed by the third parties, allowing the Company to remain focussed on market entry activities for ColoSTAT®; and
 - additional partnership agreements are in train.

Financial

- The Company ended the December 2022 period with \$8.9 million cash balance.
- \$2.7 million was received from the Company's R&D Tax Incentive claim for FY'22.
- The Australian government's R&D tax incentive encourages companies to engage in R&D programs by providing a refundable tax offset of up to 43.5% for eligible activities.
- Rhythm is adequately capitalised to execute on its current strategic plan to deliver ColoSTAT® in CY'23 and to progress platform technology expansion programs.

Corporate

- General Meeting of shareholders was held on 29 November 2022 with all resolutions passing.
- Executive management team was expanded with the following key appointments:
 - Ms. Elena Deak, Chief Commercial Officer; and
 - Mr. Paul Smith, Chief Financial Officer / Joint Company Secretary.
- Board changes:
 - Mr. Eduardo Vom retired as Non-Executive Director from the Board, effective 29 November 2022.
 - Subsequent to period end, Ms Sue MacLeman was appointed to the Board as a Non-Executive Director, bringing longstanding experience and skillsets that will be highly valuable for the Company as it progresses its commercialisation of ColoSTAT®.

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

As lead auditor for the review of Rhythm Biosciences Limited for the half-year ended 31 December 2022, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 23 February 2023

Rhythm Biosciences Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2022

		Consolidated	
	Note	31 December 2022	31 December 2021
		\$	\$
Other Revenue			
Research and development grant		2,705,943	2,412,406
Interest income		108,677	6,023
Other grant income		15,000	15,000
Total revenue		<u>2,829,620</u>	<u>2,433,429</u>
Expenses			
Employment related costs		1,666,005	1,025,390
Share based payments remuneration - options	6	1,909,232	1,890,268
Office and compliance costs		530,883	444,585
Research and development costs		2,220,478	2,723,864
Marketing and investor relations		89,214	67,990
Share based payments investor relations - options		-	450,000
Depreciation		75,208	34,043
Amortisation of intangible assets		17,986	17,986
		<u>6,509,006</u>	<u>6,654,126</u>
Loss before income tax expense		(3,679,386)	(4,220,697)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Rhythm Biosciences Limited		(3,679,386)	(4,220,697)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Rhythm Biosciences Limited		(3,679,386)	(4,220,697)
		Cents	Cents
Basic (loss) per share		(1.70)	(2.05)
Diluted (loss) per share		(1.70)	(2.05)

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

Rhythm Biosciences Limited
Statement of financial position
As at 31 December 2022

		Consolidated	
	Note	31 December 2022 \$	30 June 2022 \$
Assets			
Current assets			
Cash and cash equivalents		8,849,642	7,550,424
Trade and other receivables		97,350	82,415
Other financial assets – term deposits		45,000	45,000
Prepayments		400,067	93,199
Total current assets		<u>9,392,059</u>	<u>7,771,038</u>
Non-current assets			
Intangible assets	4	408,058	426,044
Right-of-use assets		125,939	170,388
Property, plant and equipment		115,810	70,299
Total non-current assets		<u>649,807</u>	<u>666,731</u>
Total assets		<u>10,041,886</u>	<u>8,437,769</u>
Liabilities			
Current liabilities			
Trade and other payables		890,403	630,937
Provisions		157,348	215,909
Lease liabilities		89,082	85,534
Total current liabilities		<u>1,136,833</u>	<u>932,380</u>
Non-current liabilities			
Provisions		73,177	48,733
Lease liabilities		38,937	84,606
Total non-current liabilities		<u>112,114</u>	<u>133,339</u>
Total liabilities		<u>1,248,947</u>	<u>1,065,719</u>
Net assets		<u>8,792,919</u>	<u>7,372,050</u>
Equity			
Issued capital	5	31,025,602	27,834,579
Reserves	6	5,046,558	3,137,326
Accumulated losses		<u>(27,279,241)</u>	<u>(23,599,855)</u>
Total equity		<u>8,792,919</u>	<u>7,372,050</u>

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

Rhythm Biosciences Limited
Statement of changes in equity
For the half-year ended 31 December 2022

Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2022	27,834,579	3,137,326	(23,599,855)	7,372,050
Loss after income tax expense for the half-year	-	-	(3,679,386)	(3,679,386)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(3,679,386)	(3,679,386)
Transactions with owners in their capacity as owners:				
Shares issued (net of costs)	3,191,023	-	-	3,191,023
Share based payments	-	1,909,232	-	1,909,232
Balance at 31 December 2022	31,025,602	5,046,558	(27,279,241)	8,792,919
Balance at 1 July 2021	15,981,488	531,650	(14,806,334)	1,706,804
Loss after income tax expense for the half-year	-	-	(4,220,697)	(4,220,697)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(4,220,697)	(4,220,697)
Transactions with owners in their capacity as owners:				
Shares issued (net of costs)	5,486,704	-	-	5,486,704
Share based payments	-	2,340,268	-	2,340,268
Balance at 31 December 2021	21,468,192	2,871,918	(19,027,031)	5,313,079

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

Rhythm Biosciences Limited
Statement of cash flows
For the half-year ended 31 December 2022

	Consolidated	
	31 December 2022	31 December 2021
	\$	\$
Cash flows from operating activities		
Research and development grant	2,705,943	2,412,406
Government grant	15,000	-
Interest received	103,985	6,188
Interest paid	(3,809)	-
Payments to suppliers and employees (inclusive of GST)	<u>(4,622,225)</u>	<u>(4,562,696)</u>
Net cash used in operating activities	<u>(1,801,106)</u>	<u>(2,144,102)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	<u>(55,160)</u>	<u>(12,406)</u>
Net cash used in investing activities	<u>(55,160)</u>	<u>(12,406)</u>
Cash flows from financing activities		
Proceeds from shares issued	3,215,240	5,685,865
Payments for capital raising costs	(17,635)	(215,558)
Repayment of lease liabilities	<u>(42,121)</u>	<u>-</u>
Net cash provided by financing activities	<u>3,155,484</u>	<u>5,470,307</u>
Net increase in cash and cash equivalents	1,299,218	3,313,799
Cash and cash equivalents at the beginning of the financial half-year	<u>7,550,424</u>	<u>2,228,397</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>8,849,642</u></u>	<u><u>5,542,196</u></u>

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

Note 1. Significant accounting policies

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

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

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

New or amended Accounting Standards and Interpretations adopted

In the period ended 31 December 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the reporting periods beginning on or after 1 July 2022.

There was no impact on the consolidated entity arising from these new and revised Standards and Interpretations.

Standards and Interpretations in issue not yet adopted

The Directors have not yet assessed the impact from the adoption of these Standards on the financial performance or position of the Group.

Going Concern

The consolidated entity incurred an operating loss of \$3,679,386 (2021: \$4,220,697) and had cash outflows from operating activities of \$1,801,106 (2021: \$2,144,102) for the half-year ended 31 December 2022. The consolidated entity does not yet have an income stream.

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 31 December 2022, the consolidated entity had a strong cash position of \$8,849,642;
- a research and development refund, based on expenditure incurred, is expected in the second half of 2023;
- the consolidated entity is progressing towards commercialisation and is able to scale back activity if required; and
- the Directors have prepared a budget which demonstrates that the consolidated entity has sufficient cash to meet its expenditure requirements for a period of not less than twelve months from the date of signing this report.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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. Probability estimates for achieving milestones are assessed at each reporting date.

Intangible assets

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

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into one operating segment relating to the development of new diagnostic tests for colorectal cancer.

Note 4. Non-current assets – intangible assets

	31 December 2022
	Licences \$
Balance at the beginning of the period	426,044
Amortisation	<u>(17,986)</u>
Balance at the end of the period	<u>408,058</u>

Note 5. Equity - issued capital

	Consolidated 31 December 2022 Shares	31 December 2022 \$
Ordinary shares - fully paid	217,167,589	31,025,602
Movements during the period:		
Opening balance 1 July 2022	214,082,145	27,834,579
Exercise of Options	3,085,444	3,215,240
Capital raising costs	-	<u>(24,217)</u>
Closing balance 31 December 2022	<u>217,167,589</u>	<u>31,025,602</u>

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

Rhythm Biosciences Limited
Notes to the financial statements
31 December 2022

Note 6. Equity - reserves

	Consolidated	
	31 December	30 June 2022
	2022	2022
	\$	\$
Share-based payments reserve	<u>5,046,558</u>	<u>3,137,326</u>

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Movements in reserves

Movements in each class of reserve during the current financial half-year are set out below:

Consolidated	Share-based payments
	\$
Balance at 1 July 2022	3,137,326
Options	<u>1,909,232</u>
Balance at 31 December 2022	<u>5,046,558</u>

Set out below are summaries of options granted to consultants, key management personnel and other employees:

Grant date	Expiry date	Exercise price	Balance at the start of the half-year	Granted	Exercised	Lapsed	Balance at the end of the half-year
14/9/2020	14/9/2023	\$0.20	5,825,000	-	(487,500)	(2,125,000)	3,212,500
18/11/2020	14/9/2023	\$0.20	1,500,000	-	-	(375,000)	1,125,000
26/7/2021	31/7/2024 *	\$1.80	1,895,000	-	-	(567,500)	1,327,500
26/7/2021	31/7/2024	\$1.80	1,000,000	-	-	-	1,000,000
24/11/2021	31/7/2024 **	\$1.80	5,012,500	-	-	(1,150,000)	3,862,500
29/11/2022	30/11/2025 ***	\$1.80	-	150,000	-	-	150,000
31/12/2022	31/12/2025 ****	\$1.80	-	10,800,000	-	-	10,800,000
			15,232,500	10,950,000	(487,500)	(4,217,500)	21,477,500

* Vesting conditions relate to 885,000 of these remaining options not yet achieved.

** Vesting conditions relate to 2,325,000 of these remaining options not yet achieved.

*** Vesting conditions relate to 112,500 of these remaining options not yet achieved.

**** Vesting conditions relate to 8,100,000 of these remaining options not yet achieved.

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

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
29/11/2022	30/11/2025	\$1.10	\$1.80	100.00%	-	3.2%	\$0.59
31/12/2022	31/12/2025	\$1.02	\$1.80	100.00%	-	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.

Note 7. Events after the reporting period

On 31 January 2023, Ms Sue MacLeman was appointed as a Non-Executive Director.

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

Rhythm Biosciences Limited
Directors' declaration
31 December 2022

In the directors' opinion:

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

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

On behalf of the directors



Glenn Gilbert
Managing Director and CEO

23 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Rhythm Biosciences Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Rhythm Biosciences Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 31 December 2022, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Groups's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit Pty Ltd

A handwritten signature in blue ink, appearing to read 'David Garvey'. Above the signature is a small, stylized logo consisting of the letters 'BDO' in a cursive font.

David Garvey
Director

Melbourne, 23 February 2023