



2022

# ANNUAL REPORT

RHYTHM BIOSCIENCES LIMITED

ACN 619 459 335

## **RHYTHM'S ColoSTAT®**

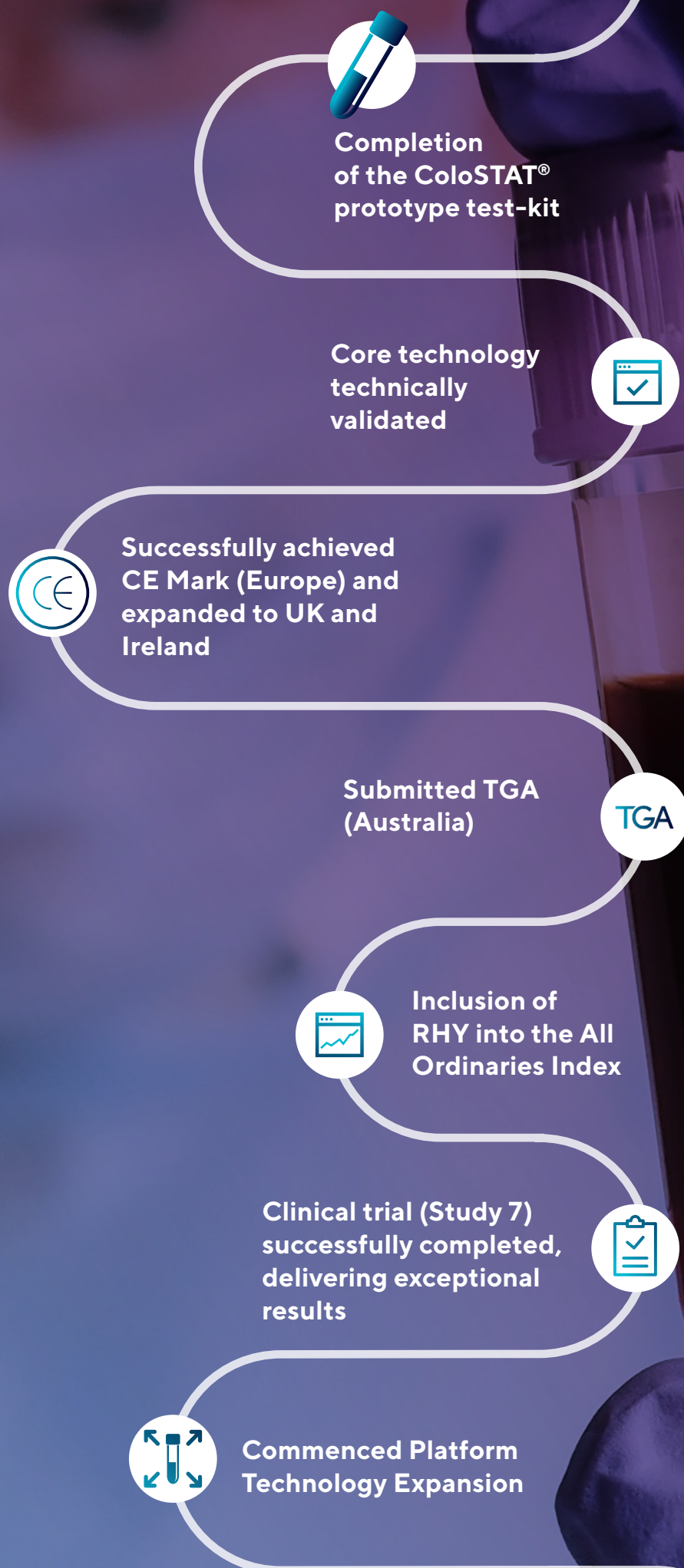
IS A SIMPLE BLOOD TEST THAT DETECTS  
PROTEIN BIOMARKERS IN THE BLOOD  
THAT ARE INDICATIVE OF THE PRESENCE  
OF COLORECTAL CANCER



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# RHYTHM BIOSCIENCES IS HITTING ITS MILESTONES



# REMAINS ON TRACK FOR FUTURE MILESTONES

TGA

TGA approval  
(Australia)



Further advance  
Platform Technology  
Expansion Program

Additional international  
regulatory submissions



Partners -  
Distribution /  
Labs

Market Entry



First revenues /  
incomes



# ABOUT RHYTHM BIOSCIENCES



Rhythm Biosciences is focused on becoming a globally significant, transformative, predictive cancer diagnostics technology company. The Company is currently focused upon the commercialisation of ColoSTAT®, Rhythm's simple blood test for the detection of colorectal cancer, aimed at global mass market screening. In addition, the Company has begun leveraging its existing technologies and progressing a pipeline of multiple cancer diagnostic initiatives.

Worldwide, colorectal cancer is the third most common cancer in men and the second most common in women, accounting for an estimated 1.9 million new cases and approximately 935,000 deaths annually.

In an effort to reduce the global burden, many countries have implemented screening programs aimed at early detection. These programs are predominantly administered with a faecal immunochemical test (FIT) for the assessment of colorectal cancer risk, with a positive result referred for a colonoscopy. FIT analyses the presence of blood in faeces, which can occur for several reasons other than cancer, therefore it is not designed as an accurate test for cancer. Many people simply don't take the test for fear of an unnecessary colonoscopy procedure, unpleasantness, difficulty, or for religious/cultural reasons. There is currently no appropriate simple blood test alternative.

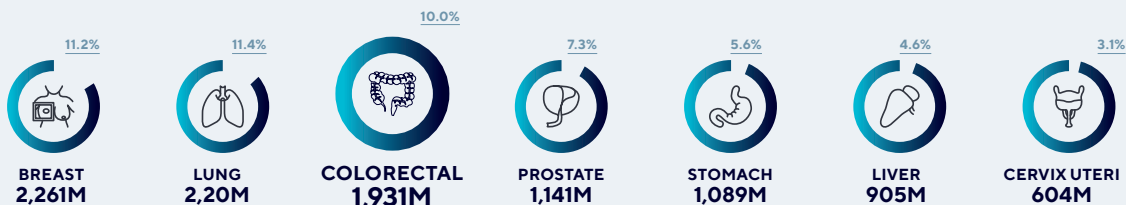
Rhythm aims to transform the global colorectal cancer diagnostics market with its simple, low cost blood test that is fit for purpose, meaning that it is designed to actually detect colorectal cancer. Since listing on the ASX, the Company has run a successful multi-year research and development program that has successfully delivered technical validation of the core biomarker technology,

ensuring it is reproducible and stable. The ColoSTAT® test-kit was manufactured in 2021 and delivered performance testing that outperforms the current market standard faecal immunochemical test (FIT) utilising Rhythm's proprietary algorithm. The Company has achieved CE Mark approval for Europe, including expanding to the United Kingdom and Ireland. Further, the Company has successfully completed its clinical trial (Study 7), including filing its regulatory submission to the Therapeutic Goods Administration (TGA) in Australia. The Company is progressing regulatory, manufacturing and scale up activities ahead of market entry in late 2022.

Rhythm's targeted global addressable population is over 800 million people which are over 50 years of age. Almost 70%, or 550 million people, are not currently screened for colorectal cancer due to the limitations of the current faecal based testing regime. This "at risk" population is also expanding with the disease growing rapidly in much younger age groups. Early detection and intervention can lead to cure in over 90 per cent of new cases, therefore the need for effective screening and early intervention has the potential to save a significant number of lives. Rhythm estimates today's colorectal cancer screening market alone to be worth in excess of \$38 billion.

# COLORECTAL CANCER

Globally, Colorectal Cancer is currently the 3rd largest cancer by volume with 1.93 million new cases diagnosed annually and the 2nd largest cause of cancer related deaths.



Source: 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.

## GLOBAL BURDEN



**1.93 million new cases**



**~940,000 deaths**

Source: 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.

## CURRENT TESTING & SCREENING REGIME



In most countries, screening is recommended for those aged between 50-74 years old, with the primary method being faecal test (FIT), which is designed to test only for blood in stool.

50+

Aged over 50



Inherited genetic risk factor



Poor diet and lack of exercise



Smoking



A waistline over 94cm for men and 80cm for women



A strong family history of bowel cancer



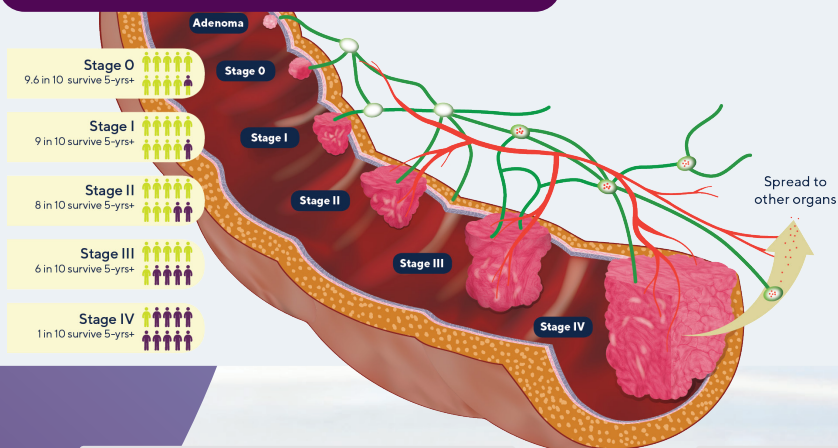
A serious inflammatory bowel disease for more than eight years

## EARLY DETECTION IS KEY TO SURVIVAL



**>90%**

## DIAGNOSIS BY STAGE





### A MESSAGE FROM THE CHAIRMAN & CHIEF EXECUTIVE OFFICER **OTTO BUTTULA & GLENN GILBERT**

Dear Fellow Shareholders

On behalf of the Board, we welcome all new and existing shareholders to Rhythm Biosciences' 2022 Annual Report. The financial year marked one of success in achieving our initial goal of taking our first product, ColoSTAT® from laboratory testing to a "real-world" application, capable of being commercialised in the current financial year.

Hence, the team at Rhythm has successfully delivered upon our FY'22 Strategic Operating Plan, which focussed upon transitioning our Company from pre-market discovery to one about to embark upon commercial sales. Before the commencement of the financial year, the Company set out (and delivered upon) a number of milestones aimed at achieving this, including:

- Accelerating USA Market Entry – incorporated a US based entity, with partnership and distribution discussions ongoing with multiple parties;
- Platform technology expansion activities commenced, with other cancer targets identified;
- Submission and successful grant of a CE Mark, including expansion into UK and Ireland;
- A successful conclusion to the clinical trial (Study 7) in Australia, with final submission of documentation to the Therapeutic Goods Administration (TGA) in Australia; and

- Commercial / Strategic alignments with distribution partners in negotiation both domestically and overseas

These milestones mitigate the major technology development risk associated with commercialising a cancer diagnostics technology business. **Rhythm is now in a strong position to deliver upon its initial goal of commercialising a simple, low cost, blood-based diagnostic, for the mass-market screening of colorectal cancer.**

"I would like to commend the entire team at Rhythm Biosciences for their unwavering dedication and inexhaustible efforts in bringing ColoSTAT® to a market-ready status. Their extra efforts have built a strong 'can-do' culture within the Company, which all stakeholders can be proud of."

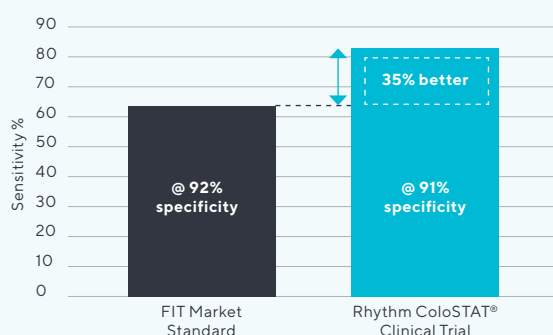
**Quote from Executive Chairman, Otto Buttula**

## Summary of Operations

### Technology and Performance

#### ColoSTAT® Colorectal Cancer Detection

Having delivered a technically validated cancer diagnostics platform, Rhythm took a massive step forward on the commerciality of ColoSTAT® with a pioneering clinical trial (Study 7) outcome confirming that ColoSTAT® exhibits very high accuracy for the detection of colorectal cancer, recording a sensitivity<sup>1</sup> of 81% and a specificity<sup>2</sup> of 91%. This means that ColoSTAT® is 35% more accurate than the current global standard Faecal Immunochemical Test (FIT) for detecting colorectal cancer. In fact, the trial also showed ColoSTAT® to be more accurate than FIT at detecting advanced adenomas.



Enhancements to Rhythm's proprietary, artificial intelligence (AI) and machine learning algorithm are also ongoing. Despite a fixed algorithm being submitted to the TGA, over time with further data, we expect to enhance the algorithm via continued "learning", and potentially deliver further improvements in diagnostic performance.

The high-performance validation attaching to the successful outcomes of the clinical trial is the culmination of many years of research, initially with CSIRO, to deliver a simple, low cost, blood-based diagnostic, for the mass-market screening of colorectal cancer. The Company is targeting late calendar year 2022 for first market entry of ColoSTAT®.

#### Technology Platform Expansion

Several high value additional cancer target markets have been identified that are now part of a new Research and Development program designed to follow a similar commercial pathway to ColoSTAT®. The Company believes it could add meaningful value in these segments to transform both screening and detection for improved health outcomes on a global scale.

The initial five additional cancers targeted include: Breast, Cervical, Lung, Gastric and Pancreatic.

## Clinical Trial – Study 7

The ColoSTAT® Clinical Trial (Study 7) involved a prospective, cross sectional, multicentre, study to evaluate the diagnostic performance of the In Vitro Diagnostic (IVD) relative to colonoscopy (Primary Endpoint). Secondary endpoints of the study included assessing the ColoSTAT® test kit to detect advanced adenomas and a comparison of the performance of ColoSTAT® with the current globally adopted market standard Faecal Immunochemical Test (FIT); both relative to colonoscopy. A total of 989 samples were collected, across 12 sites.

The Company delivered this highly anticipated clinical trial in April 2022, confirming both primary and secondary endpoints were met with statistically significant and outstanding performance, recording 81% Sensitivity<sup>1</sup> and a Specificity<sup>2</sup> of 91%.

Following the confirmation that the clinical trial met the primary endpoint, all ColoSTAT® trial sites were closed. This signified a major milestone for completion of all clinical trial operational aspects and confidence by the Company that all compliance measures have been met for regulatory submission. The Company is now focused on achieving final regulatory approval from the Therapeutic Goods Administration (TGA).

"We are at the beginning of a very exciting journey as we enter the pre-market and commercialisation phase of ColoSTAT®. The volume and standard of work completed this past year has been significant, and the entire Rhythm team should be incredibly proud of their efforts. Early detection of cancer is critical, and we want to ensure that people all around the world can have access to simple, low-cost blood tests. The Company has continued to deliver on milestones, and currently is in a strong position to continue to deliver and maximise shareholder value."

**Quote from Managing Director & CEO, Glenn Gilbert**

<sup>1</sup>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.

<sup>2</sup>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.

### Commercialisation and Market Entry

Rhythm continued ongoing confirmatory testing of its commercially manufactured ColoSTAT® test-kit with its global France-based manufacturer, Biotem. The Company has demonstrated consistent and reproducible results, significantly better than the current market standard Faecal Immunochemical Test - providing high confidence in the potential market appeal of Rhythm's cancer diagnostics technology.

On a commercial front, Rhythm has commenced several partnering discussions both domestically and globally, with these discussions progressing at various rates. Importantly, given the unique global value proposition, Rhythm can consider being more selective when appointing licensing and distribution partners. 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 rather than short term opportunists.

### Quality and Regulatory

#### TGA Approval

The TGA submission process requires two key steps, consisting of filing both the Manufacturers Evidence documentation and filing for an Australian Register of Therapeutic Goods (ARTG) listing.

Rhythm has completed both steps, and with the application now filed in May 2022, the TGA will assess Rhythm's ARTG listing submission, along with key technical documents and provide final approval which will enable commercialisation of ColoSTAT® in the Australian market. The Company anticipates this review process to be completed by 2022 calendar year end.

#### CE Mark

The Conformité Européenne (CE) Mark is the European Union's (EU) mandatory conformity marking for regulating products sold within the European Economic Area (EEA). The CE Mark represents that a manufacturer's products comply with the EU's IVD Directives - a series of legislative requirements that are in place to ensure ultimate product safety on the European market.

Rhythm was granted CE Mark in November 2021 which means ColoSTAT® fully conforms with the European Directives for IVD Medical Devices (98/79/EC). This critical regulatory achievement is a result of robust and stringent analytical testing and adherence to design and development procedures as per the Essential Requirements. By January 2022, the Company expanded its CE Mark registration allowing ColoSTAT® to be marketed and sold within Great Britain (England, Wales and Scotland) and Northern Ireland. Europe and the UK alone represent a significant addressable screening population for ColoSTAT® of over 231 million people, with a potential combined value of ~US\$12 billion.

#### 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.

### Corporate

During the year, the Company continued its prudent approach to capitalising the business appropriately. Again, the Board determined to reward existing loyal shareholders via a \$4.3M Non-Renounceable Rights Issue (NRRI) and a small, heavily scaled back Placement of \$1.28M. In early CY'22, the Company raised a further \$6.53M (before associated costs) via an exclusive placement to a single, global, institutional fund manager. The addition of a global leader in funds management onto our share register, after significant due diligence on the Company, validates the achievements thus far, and more importantly, for the significant commercial potential ahead of us.

In line, with a desire to continue a capital-light model in our executive structure, Otto Buttula assumed the position of Executive Chairman, formalising his added executive involvement in supporting the Company's commercialisation pathway. Moreover, the Board also recognised the consistent and strong performance of Chief Executive Officer, Glenn Gilbert, appointing him to the Board as Managing Director.

In March 2022, the Company's stock was added to the All-Ordinaries Index (XAO). The Index represents the 500 largest companies in the Australian equities market and is rebalanced annually.

On behalf of the Board, we would like to acknowledge the dedication of the entire team at Rhythm who have worked tirelessly and executed skilfully over the year to position the Company for commercial success. Equally important, has been the support from our shareholders and business partners for which the Company is thankful.

We look forward to the FY'23 year with enthusiasm. Rhythm is at the juncture of transforming the global cancer diagnostics sector. We expect ColoSTAT® to not only reduce the economic burden on all payors (including Governments and health insurers) globally, but to potentially save millions of lives. All stakeholders should be proud that the realisation of this collective goal is close, with the Company's lead product, ColoSTAT® and its pipeline of additional diagnostic tests under development expected to advance significantly. Hence, we expect another year of solid growth for shareholders



**Otto Buttula**  
Executive Chairman

**Glenn Gilbert**  
Managing Director & CEO

## DIRETOR'S REPORT

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The Directors of Rhythm Biosciences Limited (Rhythm, the Group, or the Consolidated Entity) present their report for the financial year ended 30 June 2022.

### 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 (appointed 1 December 2021)

Dr Trevor Lockett

Mr Louis (Lou) Panaccio

Mr Eduardo Vom

Dr Rachel David (appointed 15 December 2021)

Mr David White (resigned 14 July 2021)

### Principal Activities

Rhythm Biosciences Limited (ASX: RHY) is developing and commercialising Australian medical diagnostics technology for sale in domestic and international markets. Its ColoSTAT<sup>®</sup> product, which is nearing the commercialisation phase aims to provide an accurate and early detection test for colorectal cancer.

### Corporate Information

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

### Results of Operations

The Group incurred a loss after income tax of \$8,793,521 for the year ended 30 June 2022 (2021: \$6,612,148).

The Chairman's Letter and Managing Director & CEO's Report contain a review of operations.

### Significant Changes in the State of Affairs

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

### Future Developments

The Directors' do not foresee any unusual future event that may significantly negatively impact the Group's operations, results or state of affairs.

Rhythm's business model of developing diagnostic products for global markets will always bear some risk given the nature of technological development, competitors entering the market, changes in global healthcare, reliance on commercial partners and our ability to access capital to sustain operations. We cannot guarantee that Rhythm's technology will be widely adopted. Moreover, the global Healthcare industry is an ever-evolving landscape where changes may impact our business opportunities.

### Dividends

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

## Directors and Company Secretary

### Names, qualifications and experience

<b>Name</b>	<b>Otto Buttula</b>
<b>Title</b>	Executive Chairman
<b>Experience and expertise</b>	<p>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.</p> <p>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.</p>
<b>Other current directorships</b>	<p>HITIQ Limited (appointed 28 January 2021)</p> <p>OncoSil Medical Limited (appointed 20 July 2021)</p>
<b>Interests in shares</b>	28,085,001 fully paid ordinary shares
<b>Interests in options</b>	2,685,000 Options
<b>Name</b>	<b>Glenn Gilbert</b>
<b>Title</b>	Managing Director & CEO (appointed 1 December 2021)
<b>Experience and expertise</b>	<p>Mr Gilbert has over 18 years of experience in the healthcare sector (incl. pharmaceutical, medical device (Rx and OTC) and IVD industry) across domestic and international markets. His expertise spans corporate and business strategy, manufacturing, and sales, with a sharp focus on disciplined execution through culture, relationships and planning. Mr Gilbert has held leadership roles at Seqirus, a CSL company (ASX: CSL), and at Medical Developments International (ASX: MVP) with extensive business experience across the UK, Europe, Asia, North and South America. He specialises in mergers and acquisitions, corporate development, operations, intellectual property, and legal portfolios.</p>
<b>Interests in shares</b>	1,242,925 fully paid ordinary shares
<b>Interests in options</b>	5,559,584 Options
<b>Name</b>	<b>Dr Trevor Lockett</b>
<b>Title</b>	Technical Director
<b>Experience and expertise</b>	<p>A molecular biologist by trade, Dr 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, Dr Lockett 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, Dr Lockett oversaw the research efforts leading to the technology that is to become ColoSTAT®.</p>
<b>Interests in shares</b>	164,000 fully paid ordinary shares
<b>Interests in options</b>	1,879,000 Options

<b>Name</b>	<b>Lou Panaccio</b>
<b>Title</b>	Non-Executive Director
<b>Experience and expertise</b>	A chartered accountant with extensive management experience in business and healthcare services. Mr Panaccio is currently on the boards of ASX listed companies Sonic Healthcare Limited and Avita Therapeutics, Inc. Mr Panaccio is also on the board of Unison Housing Ltd. Mr Panaccio has more than twenty years' experience as a board member of both public and private, for profit and not for profit companies. Previously, Mr Panaccio was the CEO of Melbourne Pathology and Monash IVF, and executive Chairman of Health Networks Australia.
<b>Other current directorships</b>	Sonic Healthcare Limited Avita Therapeutics, Inc
<b>Interests in shares</b>	820,000 fully paid ordinary shares
<b>Interests in options</b>	170,000 Options
<b>Name</b>	<b>Eduardo Vom</b>
<b>Title</b>	Non-Executive Director
<b>Experience and expertise</b>	Mr Vom has over 20 years' experience in technology and development and commercialisation in the biotech industry, having held leadership roles at cancer diagnostics manufacturer Vision BioSystems and molecular diagnostics company Genetic Technologies. Mr Vom is a co-founder and Director of Planet Innovation. He currently serves as a non-executive director with privately owned health and wellbeing companies and is well known for his expertise in digital healthcare, management of multi discipline projects, business strategy and technology commercialisation. Eduardo has been directly responsible for the conception, development and commercialization of several new multi-million dollar technologies. He holds a Post Graduate Diploma in Management Technology and an honours degree in Industrial Engineering and Computing from Monash University.
<b>Interests in shares</b>	3,641,484 fully paid ordinary shares
<b>Interests in options</b>	238,818 Options
<b>Name</b>	<b>Dr Rachel David (appointed 15 December 2021)</b>
<b>Title</b>	Non-Executive Director
<b>Experience and expertise</b>	Dr David 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. Dr David is currently the Chief Executive Officer (CEO) of Private Healthcare Australia (PHA). Dr David'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.
<b>Interests in shares</b>	Nil
<b>Interests in options</b>	Nil

<b>Name</b>	<b>David White</b>
<b>Title</b>	Former Non-Executive Director (Resigned 14 July 2021)
<b>Experience and expertise</b>	Mr White is based in Chicago in the US and is currently the Vice President of Business Development for Bluechiip Ltd. Bluechiip is an ASX listed company with unique technology that assists Biotech and Pharmaceutical companies to track biological samples in and out of cryogenic storage. Prior to Bluechiip, Mr White spent 4 years with Planet Innovation (PI) in Project Management and Business Development roles, assisting PI in commercializing their IP in the Point of Care diagnostics space. Mr White brings over 20 years' experience with diverse companies such as GenMark Diagnostics and Leica Biosystems in developing, marketing and selling IVD products in regulated markets. Mr White remains a director of Rhythm's US subsidiary and his experience, networks and contacts within the US diagnostics market may assist commercialisation in this key geography.
<b>Interests in shares</b>	Nil
<b>Interests in options</b>	Nil

'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 Secretary

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.

Adrien Wing and Pauline Moffatt resigned as joint company secretaries effective 25 February 2022.

### 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	17	17
Mr G Gilbert	9	8
Dr T Lockett	17	16
Mr L Panaccio	17	17
Mr E Vom	17	17
Dr R David	4	4
Mr D White	-	-

### Corporate Governance

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

The Remuneration Report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and its Key Management Personnel for the financial year ended 30 June 2022.

## 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
Mr David White	Non-Executive Director	1 June 2017 (Resigned 14 July 2021)
Mr Eduardo Vom	Non-Executive Director	5 June 2020
Dr Rachel David	Non-Executive Director	15 December 2021
Mr Glenn Gilbert	Managing Director & CEO	1 December 2021 (previously Chief Executive Officer from 27 November 2018)
Mr Adrien Wing	Company Secretary	1 June 2017 (Resigned 25 February 2022)

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

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

Name	Position	Number of Ordinary Shares	Number of Options
Mr Otto Buttula	Executive Chairman	28,085,001	2,685,000
Dr Trevor Lockett	Technical Director	164,000	1,879,000
Mr Louis (Lou) Panaccio	Non-Executive Director	820,000	170,000
Mr Eduardo Vom	Non-Executive Director	3,641,484	238,818
Dr Rachel David	Non-Executive Director	-	-
Mr Glenn Gilbert	Managing Director & CEO	1,242,925	5,559,584
		<b>33,953,410</b>	<b>10,532,402</b>

## Remuneration Policy

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

## Remuneration Structure

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

- Fixed Remuneration, comprising: base salary, superannuation 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

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

The purpose of the long-term incentive plan 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 long-term incentive plan is implemented through the Employee Share Option Plan (ESOP).

## Options

During the 2022 year, 7,195,000 (2021: 8,150,000) Options were issued to management personnel and employees. The fair value of employee share options was \$6,258,750 (2021: \$1,063,298). \$2,155,676 was expensed in the current financial year (2021: \$531,649). 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 2022:

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
750,000	\$0.20	18.11.2020	See below (i)	See below (i)	14.9.2023	Dr T Lockett	\$0.3545
1,750,000	\$0.20	14.9.2020	N/A	14.9.2020	14.9.2023	G Gilbert	\$0.0799
1,750,000	\$0.20	14.9.2020	See below (i)	See below (i)	14.9.2023	G Gilbert	\$0.0799
1,575,000	\$0.20	14.9.2020	N/A	14.9.2020	14.9.2023	Employees	\$0.0799
1,575,000	\$0.20	14.9.2020	See below (i)	See below (i)	14.9.2023	Employees	\$0.0799
1,895,000	\$1.80	26.7.2021	Various (ii)	Various (ii)	31.7.2024	Employees	\$0.45
5,300,000	\$1.80	24.11.2021	Various (ii)	Various (ii)	31.7.2024	Directors	\$1.02
<b>15,345,000</b>	<b>Total ESOP Options</b>						

(i) Vesting conditions related to these options not yet achieved are as follows:

- 50% upon achieving Therapeutic Goods Association (TGA) registration by 30 September 2022.

(ii) There are multiple 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

	2022 Number of Options	2022 Weighted Average Exercise Price (cents)	2021 Number of Options	2021 Weighted Average Exercise Price (cents)
Opening balance	7,475,000	20.00	3,000,000	26.67
Voluntarily Forfeited / Lapsed	(287,500)	180.00	(3,000,000)	26.67
Granted	7,195,000	180.00	8,150,000	20.00
Exercised	(150,000)	20.00	(675,000)	20.00
<b>Outstanding at year-end</b>	<b>14,232,500</b>	<b>97.65</b>	<b>7,475,000</b>	<b>20.00</b>
Exercisable at year-end	7,086,250	83.19	3,400,000	20.00

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## Shares

In the prior year, 183,241 fully paid ordinary shares were issued to the CEO, Mr Glenn Gilbert, as a sign-on incentive for a revised employment agreement. Included under employee costs in the income statement is a share-based payments expense of \$nil (2021: \$26,570) based on a price of 14.5 cents per share at the date of issue.

## 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.

In December 2021, Non-executive Directors' fees were increased to \$50,000 (previously \$42,000) per annum inclusive of superannuation. 800,000 Options exercisable at \$1.80 on or before 31 July 2024 were issued to Non-Executive Directors under the ESOP during the 2022 financial year. The issue of these Options was approved by shareholders at the Annual General Meeting of the Company on 24 November 2021. 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 an executive services agreement effective 1 December 2021 for Mr Otto Buttula to receive an annual salary of \$165,000 (inclusive of 10% superannuation). Remuneration prior to 1 December 2021 was \$84,000 per annum (inclusive of superannuation). The Company also issued Mr Buttula 2,000,000 unlisted Options exercisable at \$1.80 on or before 31 July 2024. The issue of these Options was approved by shareholders at the Annual General Meeting of the Company on 24 November 2021. Refer to Note 17 for details on Options vesting conditions.

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

The Company entered into a revised executive services agreement effective 1 July 2021 for Mr Glenn Gilbert as Chief Executive Officer (CEO) to receive an annual salary of \$300,000 (exclusive of 10% superannuation). The Company also issued Mr Gilbert 2,000,000 unlisted Options exercisable at \$1.80 cents on or before 31 July 2024. The issue of these Options was approved by shareholders at the Annual General Meeting of the Company on 24 November 2021. Refer to Note 17 for details on Options vesting conditions. Mr Gilbert may also receive short-term incentives dependent upon performance, as assessed against key performance indicators. The Company may terminate Mr Gilbert's employment upon 3 months' written notice.

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

The Company entered into a revised consulting services agreement effective 15 December 2021 for Dr Trevor Lockett to receive an annual salary of \$145,000 (previously \$112,000) inclusive of superannuation. The Company also issued Dr Lockett 500,000 unlisted Options exercisable at \$1.80 on or before 31 July 2024. The issue of these Options was approved by shareholders at the Annual General Meeting of the Company on 24 November 2021. Refer to Note 17 for details on Options vesting conditions.

## DIRECTORS' REPORT

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

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Cash bonus (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Shares and Options (\$)		
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 <sup>(iii)</sup>	302,500	67,950	25,479	11,408	27,500	695,476	1,130,313	67.5
Non-Executive Directors								
D White <sup>(i)</sup>	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 <sup>(ii)</sup>	70,400	-	-	-	-	-	70,400	-
Total	720,749	67,950	25,479	11,408	62,150	1,831,650	2,719,386	

<sup>(i)</sup> Resigned 14 July 2021.

<sup>(ii)</sup> Resigned 25 February 2022.

<sup>(iii)</sup> Cash bonus paid during the year was 75.5% of the short-term incentives as assessed against key performance indicators.

Details of the remuneration of Directors and Key Management Personnel for the 2021 financial year are provided below:

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Cash bonus (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Shares and Options (\$)		
Non-Executive Directors								
O Buttula	76,712	-	-	-	7,288	-	84,000	-
D White	36,000	-	-	-	-	-	36,000	-
L Panaccio	38,963	-	-	-	3,037	-	42,000	-
E Vom	38,356	-	-	-	3,644	-	42,000	-
Executive Director								
T Lockett	102,283	-	-	-	9,717	265,860	377,860	70.4
CEO								
G Gilbert	270,400	61,977	19,945	3,605	28,943	166,459	551,329	30.2
Company Secretary								
A Wing	105,600	-	-	-	-	-	105,600	-
Total	668,314	61,977	19,945	3,605	52,629	432,319	1,238,789	

## Share-Based Payments

The Group operates an Employee Share Option Plan (ESOP). Each option provides the holder with the right to purchase an ordinary share in the parent entity at a pre-determined price. During the financial year ended 30 June 2022, 7,195,000 (2021: 8,150,000) options were issued pursuant to the Group's ESOP. Options offered to Rhythm Directors and staff are subject to several conditions which can restrict both vesting and the exercising of the options. At the date of the Directors Report a total of 14,232,500 (2021: 7,475,000) options were on issue.

There were 150,000 (2021: 675,000) 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	Acquired During Year <sup>(i)</sup>	Upon Resignation	Lapsed	Balance at End of Year	Vested and Exercisable at End of Year	Unvested at End of Year
T Lockett	1,500,000	500,000	4,000	-	(125,000)	1,879,000	1,254,000	750,000
G Gilbert	3,500,000	2,000,000	59,584	-	-	5,559,584	3,184,584	2,375,000
O Buttula	-	2,000,000	685,000	-	-	2,685,000	1,185,000	1,500,000
D White	-	500,000	-	(500,000)	-	-	-	-
E Vom	-	150,000	88,818	-	-	238,818	126,318	112,500
R David	-	-	-	-	-	-	-	-
L Panaccio	-	150,000	20,000	-	-	170,000	57,500	112,500
A Wing	-	-	432,500	(432,500)	-	-	-	-
<b>Total</b>	<b>5,000,000</b>	<b>5,300,000</b>	<b>1,289,902</b>	<b>(932,500)</b>	<b>(125,000)</b>	<b>10,532,402</b>	<b>5,807,402</b>	<b>4,850,000</b>

<sup>(i)</sup> Acquired via rights issue on the basis of 1 free attaching option for every 1 share issued.

## Shareholdings

The number of ordinary shares in the Company held during and at the end of the 2022 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
<b>Directors</b>						
O Buttula	27,400,000	-	685,001	-	-	28,085,001
D White	530,220	-	-	(530,220)	-	-
L Panaccio	800,000	-	20,000	-	-	820,000
E Vom	3,552,667	-	88,817	-	-	3,641,484
R David	-	-	-	-	-	-
T Lockett	160,000	-	4,000	-	-	164,000
G Gilbert	1,183,341	-	59,584	-	-	1,242,925
<b>Former Company Secretary</b>						
A Wing	19,049,761	-	432,500	(19,482,261)	-	-
<b>TOTAL</b>	<b>52,675,989</b>	<b>-</b>	<b>1,289,902</b>	<b>(20,012,481)</b>	<b>-</b>	<b>33,953,410</b>

### Additional Information

The earnings of the consolidated entity are summarised below:

Loss after income tax of \$8,793,521 for the year ended 30 June 2022 (2021: \$6,612,148).

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

- Share price at the end of the financial year was \$1.15 (2021: 88.5 cents).
- Basic Loss per share (cents per share) of 4.19 for the year ended 30 June 2022 (2021: 3.57).

### 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.

Both Mr Buttula and Mr Wing charged a fee at commercial market rates of \$25,000 in respect to an underwriting commitment for the Rights Issue completed during the 2021 year.

During the 2022 and 2021 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 2021 Annual General Meeting

At the 2021 Annual General Meeting the 2021 Remuneration Report was voted upon by shareholders with 1.05% 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

Subsequent to balance date, as at 22 August 2022, \$1.3 million had been received from the exercise of Options.

There has been no other matters or circumstances which have arisen since 30 June 2022 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2022, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2022, of the consolidated entity.

### Proceedings on behalf of the Company

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

### Indemnity and Insurance of Officers

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

Under the Company's constitution:

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

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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 22.

### Non-Audit Services

BDO Audit Pty Ltd were paid \$9,400 (2021: \$7,830) for non-audit services during the 2022 financial year. Non-audit services related to tax compliance services.

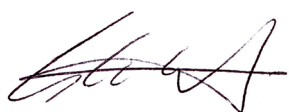
The directors are satisfied that the provision of non-audit services during the financial year, by the auditor, is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001 for the following reasons:

- 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.



**Glenn Gilbert**  
**Managing Director & CEO**

Melbourne, Australia

Dated this 29th day of August 2022



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### 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 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 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.

A handwritten signature in blue ink, appearing to read 'David Garvey', with a long, sweeping horizontal line extending to the right.

David Garvey  
Director

**BDO Audit Pty Ltd**

Melbourne, 29 August 2022

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

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

	Notes	2022 (\$)	2021 (\$)
<b>Other Income</b>			
Interest Income		24,965	13,973
Government Grant Income		15,000	-
Research and Development Tax Refund		2,412,406	1,108,507
<b>Expenses</b>			
Employment related costs	4	(4,452,229)	(2,189,773)
Office and compliance costs		(781,248)	(730,252)
Research and development costs		(5,159,179)	(4,554,750)
Marketing and investor relations		(561,860)	(62,821)
Occupancy costs		(99,817)	(45,479)
Travel and meetings		(90,079)	(3,724)
Finance costs – lease liabilities		-	(785)
Finance costs – other		-	(396)
Depreciation – PPE	10	(58,101)	(70,665)
Depreciation – ROU		(7,408)	(40,012)
Amortisation of intangibles	9	(35,971)	(35,971)
<b>Loss Before Income Tax</b>		<b>(8,793,521)</b>	<b>(6,612,148)</b>
Income tax expense	5	-	-
<b>Loss After Tax</b>		<b>(8,793,521)</b>	<b>(6,612,148)</b>
Other comprehensive income		-	-
<b>Total Comprehensive Loss for the Year</b>		<b>(8,793,521)</b>	<b>(6,612,148)</b>
<b>Loss Per Share</b>			
Basic loss per share (cents per share)	6	(4.19)	(3.57)
Diluted loss per share (cents per share)	6	(4.19)	(3.57)

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

## Consolidated Statement of Financial Position

	Notes	30 June 2022 (\$)	30 June 2021 (\$)
<b>Current Assets</b>			
Cash and cash equivalents	7	7,550,424	2,228,397
Trade and other receivables	8	82,415	163,982
Other financial assets – term deposit		45,000	45,000
Prepayments		93,199	56,580
<b>Total Current Assets</b>		<b>7,771,038</b>	<b>2,493,959</b>
<b>Non-Current Assets</b>			
Intangible assets	9	426,044	462,015
Right-of-use assets		170,388	-
Property, plant and equipment	10	70,299	113,800
<b>Total Non-Current Assets</b>		<b>666,731</b>	<b>575,815</b>
<b>Total Assets</b>		<b>8,437,769</b>	<b>3,069,774</b>
<b>Current Liabilities</b>			
Trade and other payables	11	630,937	1,206,237
Provisions	12	215,909	137,047
Lease liabilities		85,534	-
<b>Total Current Liabilities</b>		<b>932,380</b>	<b>1,343,284</b>
<b>Non-Current Liabilities</b>			
Provisions	12	48,733	19,686
Lease liabilities		84,606	-
<b>Total Non-Current Liabilities</b>		<b>133,339</b>	<b>19,686</b>
<b>Total Liabilities</b>		<b>1,065,719</b>	<b>1,362,970</b>
<b>Net Assets</b>		<b>7,372,050</b>	<b>1,706,804</b>
<b>Equity</b>			
Issued capital	13	27,834,579	15,981,488
Reserves	14	3,137,326	531,650
Accumulated losses		(23,599,855)	(14,806,334)
<b>Total Equity</b>		<b>7,372,050</b>	<b>1,706,804</b>

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

## Consolidated Statement of Changes in Equity

	Issued Capital (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
<b>Balance at 1 July 2020</b>	10,037,245	194,000	(8,388,186)	1,843,059
Loss attributable to members	-	-	(6,612,148)	(6,612,148)
Lapse of performance rights	-	(194,000)	194,000	-
<i>Transactions with owners in their capacity as owners:</i>				
Issued capital	6,168,754	-	-	6,168,754
Capital raising costs	(251,081)	-	-	(251,081)
Share-based payments expense (Note 17)	26,570	531,650	-	558,220
<b>Balance at 30 June 2021</b>	<b>15,981,488</b>	<b>531,650</b>	<b>(14,806,334)</b>	<b>1,706,804</b>
<b>Balance at 1 July 2021</b>	15,981,488	531,650	(14,806,334)	1,706,804
Loss attributable to members	-	-	(8,793,521)	(8,793,521)
<i>Transactions with owners in their capacity as owners:</i>				
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
<b>Balance at 30 June 2022</b>	<b>27,834,579</b>	<b>3,137,326</b>	<b>(23,599,855)</b>	<b>7,372,050</b>

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

## Consolidated Statement of Cash Flows

	Notes	2022 (\$)	2021 (\$)
<b>Cash Flow from Operating Activities</b>			
Interest received		25,048	20,212
Payments to suppliers and employees		(8,948,856)	(6,580,420)
Interest paid		-	(785)
Government COVID-19 stimulus		-	50,000
Government grant		15,000	-
Research and development tax refund		2,412,406	1,108,507
<b>Net Cash Used in Operating Activities</b>	<b>15</b>	<b>(6,496,402)</b>	<b>(5,402,486)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of property, plant and equipment		(27,006)	(68,271)
<b>Net Cash Used In Investing Activities</b>		<b>(27,006)</b>	<b>(68,271)</b>
<b>Cash Flow from Financing Activities</b>			
Proceeds from issues of shares and options		12,320,945	6,168,754
Costs of capital raising		(467,854)	(225,121)
Repayment of lease liabilities		(7,656)	(42,437)
<b>Net Cash From/(Used in) Financing Activities</b>		<b>11,845,435</b>	<b>5,901,196</b>
<b>Net Increase/(Decrease) In Cash Held</b>		<b>5,322,027</b>	<b>430,439</b>
Cash and cash equivalents at beginning of financial year		2,228,397	1,797,958
<b>Cash And Cash Equivalents at End of Financial Year</b>	<b>7</b>	<b>7,550,424</b>	<b>2,228,397</b>

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

## 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 2022. Comparatives are disclosed for the year ended 30 June 2021.

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 \$8,793,521 (2021: \$6,612,148) and had cash outflows from

operating activities of \$6,496,402 (2021: \$5,402,486) for the year ended 30 June 2022. The consolidated entity is in start-up phase and does not yet have an income stream. 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 2022, the consolidated entity had a strong cash position of \$7.6 million;
- a research and development refund, based on qualifying expenditure incurred in the 2022 financial year, is expected in the second half of 2022;
- the consolidated entity is still in the early stages of operations and is able to scale back activity if required for cash flow management purposes; and
- Subsequent to balance date, as at 22 August 2022, \$1.3 million had been received from the exercise of options.

### 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 2022 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 2022, 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.

## 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 and Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits

associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### Depreciation

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

The depreciation rates for each class of asset are:

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

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

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

The consolidated entity leases office space. The lease is short-term, so it has been expensed as incurred and not capitalised as right-of-use assets.

### 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%.

### **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. 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.

## 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.

## Note 2: Parent Information

	2022 (\$)	2021 (\$)
<b>Statement of Financial Position</b>		
Current assets	7,498,630	2,331,673
Non-current assets	664,100	25,464
<b>Total Assets</b>	<b>8,162,730</b>	<b>2,357,137</b>
Current liabilities	571,807	630,647
Non-Current Liabilities	218,873	19,686
<b>Total Liabilities</b>	<b>790,680</b>	<b>650,333</b>
Issued Capital	27,834,579	15,981,488
Reserves	3,137,326	531,650
Accumulated losses	(23,599,855)	(14,806,334)
<b>Total Equity</b>	<b>7,372,050</b>	<b>1,706,804</b>
<b>Statement of Comprehensive Income</b>	<b>2022 (\$)</b>	<b>2021 (\$)</b>
Total loss	(8,793,521)	(6,612,148)
<b>Total Comprehensive Income</b>	<b>(8,793,521)</b>	<b>(6,612,148)</b>

### Guarantees

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

### Commitments and Contingent Liabilities

At 30 June 2022, the Parent Company had no capital commitments and no contingent liabilities (2021: Nil).

### Significant Accounting Policies

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

## Note 3: Controlled Entities

Controlled Entities	Country of Incorporation	Percentage Owned (%) 2022	Percentage Owned (%) 2021
Vision Tech Bio Pty Ltd	Australia	100%	100%
IchorDX, Inc.	United States	100%	-

\* Percentage of voting power in proportion to ownership

#### Note 4: Employment Related Costs

	2022 (\$)	2021 (\$)
Loss from continuing activities before income tax after charging the following		
<b>Employment Related Costs</b>		
Staff salaries and Director fees	2,099,205	1,498,760
Superannuation	171,504	120,491
Share-based payments expense (Refer to Note 17 for options and shares issued)	2,155,676	558,219
Other employment related expenses	25,844	12,303
<b>Total</b>	<b>4,452,229</b>	<b>2,189,773</b>

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

	2022 (\$)	2021 (\$)
Prima facie income tax benefit from continuing activities before income tax at 25% (2021: 27.5%)	2,198,380	1,818,341
<b>Add/(subtract) Tax Effect:</b>		
- Research and development claim	603,102	304,839
- Share based payments expense	(651,419)	(153,510)
- Other non-deductible expenditure	(9,900)	(1,554)
- Tax losses and temporary differences not brought to account	(2,140,163)	(1,968,116)
<b>Income Tax Expense</b>	<b>-</b>	<b>-</b>

Total tax losses and temporary differences not brought to account \$4,009,997 (2021: \$3,466,469).

#### Note 6: Loss Per Share

	2022 (\$)	2021 (\$)
The following reflects the income and share data used in the calculations of basic and diluted loss per share:		
<b>Loss used in calculating basic and diluted earnings per share</b>	<b>(8,793,521)</b>	<b>(6,612,148)</b>
	<b>2022 No. of Shares</b>	<b>2021 No. of Shares</b>
Weighted average number of ordinary shares used in calculating basic loss per share	209,946,293	100,750,000
<b>Basic and diluted loss per share (cents)</b>	<b>(4.19)</b>	<b>(3.57)</b>

#### Calculation of diluted loss per share

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

## Note 7: Cash and Cash Equivalents

	2022 (\$)	2021 (\$)
Cash at bank	7,550,424	2,228,397
	<b>7,550,424</b>	<b>2,228,397</b>

## Note 8: Trade and Other Receivables

	2022 (\$)	2021 (\$)
GST receivable	81,395	162,879
Other receivables	1,020	1,103
	<b>82,415</b>	<b>163,982</b>

## Note 9: Intangible Assets

	2022 (\$)	2021 (\$)
<b>Intellectual Property</b>		
Licences at cost (i)	600,000	600,000
Licences accumulated amortisation (i)	(173,956)	(137,985)
	<b>426,044</b>	<b>462,015</b>

	2022 (\$)	2021 (\$)
<b>Movement in Carrying Amounts</b>		
Balance at the beginning of the year	462,015	497,986
Amortisation (i)	(35,971)	(35,971)
<b>Balance at the End of the Year</b>	<b>426,044</b>	<b>462,015</b>

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

## Note 10: Property, Plant and Equipment

	2022 (\$)	2021 (\$)
Computers – at cost	61,047	58,326
Accumulated depreciation	(44,922)	(33,196)
	<b>16,125</b>	<b>25,130</b>
Office equipment – at cost	12,245	1,986
Accumulated depreciation	(1,711)	(1,391)
	<b>10,534</b>	<b>595</b>
Laboratory equipment – at cost	201,931	200,310
Accumulated depreciation	(158,291)	(112,235)
	<b>43,640</b>	<b>88,075</b>
<b>Total</b>	<b>70,299</b>	<b>113,800</b>

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)
<b>Balance at the end of the year</b>	<b>16,125</b>	<b>10,534</b>	<b>43,640</b>	<b>70,299</b>

Movement in Carrying Amounts 2021	Computer Equipment (\$)	Office Equipment (\$)	Laboratory Equipment (\$)	Total (\$)
Balance at the beginning of the year	17,818	1,093	83,635	102,546
Additions	19,876	-	62,043	81,919
Depreciation	(12,564)	(498)	(57,603)	(70,665)
<b>Balance at the end of the year</b>	<b>25,130</b>	<b>595</b>	<b>88,075</b>	<b>113,800</b>

## Note 11: Trade and Other Payables

	2022 (\$)	2021 (\$)
Trade creditors	278,314	603,163
Accruals	352,623	603,074
<b>Balance at the end of the year</b>	<b>630,937</b>	<b>1,206,237</b>

## Note 12: Provisions

	2022 (\$)	2021 (\$)
<b>Current</b>		
Provision for Annual Leave	215,909	137,047
<b>Non-Current</b>		
Provision for Long Service Leave	48,733	19,686
	<b>264,642</b>	<b>156,733</b>

## Note 13: Issued Capital

	2022 (No.)	2021 (No.)	2022 (\$)	2021 (\$)
<b>Ordinary Shares Fully Paid</b>				
Balance at the beginning of the year	202,170,811	100,750,000	15,981,488	10,037,245
Rights issue and placement at 6 cents per share	-	100,562,570	-	6,033,754
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	690,885	675,000	217,164	135,000
Share based payments	-	183,241	-	26,570
Capital raising costs	-	-	(467,854)	(251,081)
<b>Balance at the end of the year</b>	<b>214,082,145</b>	<b>202,170,811</b>	<b>27,834,579</b>	<b>15,981,488</b>

### Ordinary Shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. 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 2021.

## Note 14: Reserves

	Notes	2022 (\$)	2021 (\$)
<b>Share Based Payments Reserve</b>			
Balance at the beginning of the year		531,650	194,000
Employee share-based payments expense	17	2,155,676	531,650
Consultants share-based payments expense	17	450,000	-
Lapse/forfeiture of performance rights	17	-	(194,000)
<b>Balance at the End of the Year</b>		<b>3,137,326</b>	<b>531,650</b>

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	2022 (\$)	2021 (\$)
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		7,550,424	2,228,397
	7	<b>7,550,424</b>	<b>2,228,397</b>
b. Reconciliation of cash flow from operating activities with loss from continuing activities after income tax benefit			
Loss from continuing activities after significant items and income tax		(8,793,521)	(6,612,148)
<b>Non-Cash Items</b>			
Depreciation and amortisation		101,480	146,647
Expense recognised in respect of equity-settled share-based payments		2,605,676	558,220
<b>Changes In Assets and Liabilities</b>			
Decrease/(Increase) in trade and other receivables		70,997	(40,197)
(Increase) in prepayments		(36,620)	(33,345)
(Decrease)/Increase in trade and other		(552,323)	505,920
Increase in provision for employee entitlements		107,909	72,417
<b>Net Cash Used In Operating Activities</b>		<b>(6,496,402)</b>	<b>(5,402,486)</b>

## Note 16: Related Party Transactions

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

The names of each person holding the position of director of Rhythm Biosciences Limited during the year were Mr Otto Buttula, Mr Glenn Gilbert (appointed 1 December 2021), Dr Trevor Lockett, Mr David White (resigned 14 July 2021), Mr Lou Panaccio, Mr Eduardo Vom and Dr Rachel David (appointed 15 December 2021). Company secretaries were Ms Andrea Steele (appointed 25 February 2022), Mr Adrien Wing (resigned 25 February 2022) and Ms Pauline Moffatt (resigned 25 February 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.

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Both Mr Buttula and Mr Wing charged a fee at commercial market rates of \$25,000 in respect to an underwriting commitment for the Rights Issue completed during the 2021 year.

During the 2022 and 2021 financial years there were no other transactions with related parties other than remuneration as disclosed in the Remuneration Report.

## Note 17: Share-Based Payments

### Shares

In the prior year, 183,241 fully paid ordinary shares were issued to the CEO, Mr Glenn Gilbert, as a sign-on incentive for a revised employment agreement. Included under employee costs in the income statement is a share-based payments expense of \$nil (2021: \$26,570) based on a price of 14.5 cents per share at the date of issue.

### Options

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 Gilbert, Mr Vom, Mr Panaccio and employees:

- 25% upon the Company achieving first revenue by December 2022;
- 25% upon the Company achieving first revenue from 2 other countries by June 2023; and
- 25% upon remaining employed on 21 July 2024.

In respect to Dr Lockett:

- 25% upon the Company achieving first revenue from 2 other countries by June 2023; and
- 25% upon remaining employed on 21 July 2024.

In respect to Mr White:

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

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

In respect to Dr Lockett:

- 25% upon the validation of 1 alternate cancer target by 30 June 2022.

In respect to Mr White:

- 25% upon CLIA lab selection and LDT in the USA by 30 June 2022; and
- 7.5% on break-through designation from USFDA by 30 June 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 yet achieved are 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.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

An expense of \$2,605,676 (2021: \$531,650) 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	5,975,000	-	-	(150,000)	5,825,000	4,162,500
18.11.2020	14.9.2023	\$0.20	1,500,000	-	-	-	1,500,000	1,125,000
26.7.2021	31.7.2024	\$1.80	-	1,895,000	-	-	1,895,000	473,750
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	-	5,300,000	(287,500)	-	5,012,500	1,325,000
<b>TOTAL</b>			<b>7,475,000</b>	<b>8,195,000</b>	<b>(287,500)</b>	<b>(150,000)</b>	<b>15,232,500</b>	<b>8,086,250</b>

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

\* 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

	2022	2022	2021	2021
	Number of Options	Weighted Average Exercise Price (cents)	Number of Options	Weighted Average Exercise Price (cents)
Opening balance	7,475,000	20.00	3,000,000	26.67
Granted	8,195,000	180.00	8,150,000	20.00
Forfeited / Lapsed	(287,500)	180.00	(3,000,000)	26.67
Exercised	(150,000)	20.00	(675,000)	20.00
Expired	-	-	-	-
<b>Outstanding at year-end</b>	<b>15,232,500</b>	<b>103.06</b>	<b>7,475,000</b>	<b>20.00</b>
Exercisable at year-end	8,086,250	75.38	3,400,000	20.00

The fair value of issued share-based payments granted during the year pursuant to the in 2022 was calculated to be \$6,708,750. The total amount expensed in the income statement is a share-based payments expense of \$2,605,676 (2021: \$531,650).

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

	Employees	Consultants	Directors
Options granted	1,895,000	1,000,000	5,300,000
Grant date	26.7.2021	26.7.2021	24.11.2021
Exercise price	\$1.80	\$1.80	\$1.80
Underlying share price	\$0.93	\$0.93	\$1.74
Expiry date	31.7.2024	31.7.2024	31.7.2024
Vesting period	various	n/a	various
Expected share price volatility	100%	100%	100%
Risk free interest rate	0.13%	0.13%	1.01%
Fair value per option at grant date	\$0.45	\$0.45	\$1.02
<b>Total fair value at grant date</b>	<b>\$852,750</b>	<b>\$450,000</b>	<b>\$5,406,000</b>

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:

	2022 (\$)	2021 (\$)
<b>Financial Assets</b>		
Cash and cash equivalents	7,550,424	2,228,397
Trade and other receivables	82,415	163,982
Other financial assets – term deposits	45,000	45,000
	<b>7,677,839</b>	<b>2,437,379</b>
<b>Financial Liabilities</b>		
Trade and other Payables	630,937	1,206,237
	<b>630,937</b>	<b>1,206,237</b>

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

### Financial Assets Pledged as Collateral

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

### Financial Risk Management Policies

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

The Group did not have any derivative instruments at 30 June 2022.

### 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 2022, 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 \$7,595,424 as at 30 June 2022 (2021: \$2,273,397). An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on loss before tax of \$75,954 (2021: \$22,734) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

### Price Risk

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

### Currency Risk

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

## Note 19: Segment Reporting

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

## Note 20: Key Management Personnel Compensation

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

	Share-based payments (\$)	Short-term benefits (\$)	Post-employment benefit (\$)	Other Long-term benefits (\$)	Total (\$)
<b>2022</b>					
Total compensation	1,831,650	814,178	62,150	11,408	2,719,386
<b>2021</b>					
Total compensation	432,319	750,236	52,629	3,605	1,238,789

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

**Note 21: Auditor Remuneration**

	2022 (\$)	2021 (\$)
<b>Remuneration of the Auditor of the Group for:</b>		
Auditing or reviewing the financial report	53,175	41,500
Other services:		
- Taxation advice	9,400	7,830
	<b>62,575</b>	<b>49,330</b>

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

Subsequent to balance date, as at 22 August 2022, \$1.3 million had been received from the exercise of options.

There has been no other matters or circumstances which have arisen since 30 June 2022 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2022, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2022, of the consolidated entity.

**Note 23: Commitments**

The Group has no capital commitments for expenditure as at 30 June 2022 (2021: \$nil).

**Note 24: Contingent Assets and Liabilities**

The Group has no contingent assets or liabilities as at 30 June 2022 (2021: \$nil).

## DIRECTORS' DECLARATION

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The Directors declare that:

1. The financial statements and notes, as set out on pages 23 to 44 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 2022 and of its performance for the year ended on that date;
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
3. The Chief Executive Officer and Chief Finance Officer have provided the declarations as required by section 295A of the Corporations Act 2001 to the Company;
4. In the Directors' opinion there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable; and
5. Remuneration disclosures on pages 15 to 20 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.



**Glenn Gilbert**  
**Managing Director & CEO**

Melbourne, Australia

Dated 29th day of August 2022



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Australia

### INDEPENDENT AUDITOR'S REPORT

To the members of Rhythm Biosciences Limited

#### Report on the Audit of the Financial Report

##### Opinion

We have audited the financial report of Rhythm Biosciences Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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.

##### 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.

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



### Carrying Value and Useful Life of Intangible Asset

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

### Going Concern

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Note 1 to the financial report outlines the basis of preparation of financial statements on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business.</p> <p>As the group generates no operating revenue, it is reliant on funding from other sources such as capital raisings and receipt of research &amp; development incentives; therefore, there is significant judgement involved in determining whether the going concern basis adopted is appropriate. As this is critical to the understanding of the financial statements, this matter was considered a key audit matter.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining and evaluating management's assessment of the group's ability to continue as a going concern.</li> <li>• Reviewing cash-flow forecasts and challenging management's assumptions around cash inflows, cash outflows, and resulting net cash flows.</li> <li>• Applying sensitivities to future cash outflows to assess the impact of forecast cash inflows not being achieved.</li> <li>• Vouching the receipt of funds from the exercise of options post balance date.</li> <li>• Assessing the adequacy of the Group's disclosures within the financial statements.</li> </ul>

### Research and Development (R&D) Grant Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>Other income includes a research and development ("R&amp;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&amp;D tax refund revenue. Accuracy of the calculation of R&amp;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&amp;D tax refund.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Updating our understanding of the revenue recognition policies to ensure continued compliance with applicable Accounting Standards and consistent application from previous financial years.</li> <li>• Assessing the adequacy of procedures and key internal controls surrounding the recording of revenue.</li> <li>• Engaging a R&amp;D tax specialist to evaluate the assessment by management and management's external expert of its allowable R&amp;D expenditure claimed under Australian Tax Office rules.</li> <li>• Vouching a sample of R&amp;D expenditure claimed to underlying support documents.</li> <li>• Checking the completeness and appropriateness of the disclosures included in the financial report.</li> </ul>



### Measurement of Share Based Payments

Key audit matter	How the matter was addressed in our audit
<p>A share-based payment expense was recognised for options that were granted in prior periods and continued to be expensed over their vesting period, and additional share options that were expensed during the year relating to option issues during the 30 June 2022 financial year to consultants, employees, and key management personnel.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>Reviewed board minutes and ASX announcements for the completeness of share-based payments issued during the period.</li> <li>Engaged an auditor's valuation expert to calculate an appropriate valuation range for the new options issued during the period.</li> <li>Reviewed all underlying agreements related to the issuance of any new share-based payments in addition to verifying whether there have been any modifications in the agreements in place from prior years.</li> <li>Evaluated the reasonableness of key estimates applied by management in determining the probability percentages of the various performance-based vesting conditions.</li> <li>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.</li> <li>Reviewed the adequacy of the related disclosures within the financial report.</li> </ul>

### 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 2022, 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](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 on pages 15 to 20 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Rhythm Biosciences Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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

**BDO Audit Pty Ltd**

A handwritten signature in blue ink, appearing to read 'David Garvey', is written over a small, stylized BDO logo.

David Garvey  
Director

Melbourne, 29 August 2022

## ADDITIONAL ASX INFORMATION

Rhythm Biosciences Ltd is quoted on the Australian Securities Exchange (ASX) under the ticker code RHY. The following information was extracted from the Company's records as at 12 August 2022 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	17,083,334	7.98
2	NEWFOUND INVESTMENTS PTY LTD	11,001,667	5.14
3	FERNDAL SECURITIES PTY LTD	10,310,000	4.81
4	LOUMEA INVESTMENT PTY LTD	9,755,435	4.55
5	NORTHERN STAR NOMINEES PTY LTD	7,380,000	3.45
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,636,203	2.16
7	ROJO NERO CAPITAL PTY LTD	4,270,835	1.99
8	GIOKIR PTY LTD	3,661,470	1.71
9	MR HSIEN MICHAEL SOO	3,305,403	1.54
10	MRS SARAH CAMERON	3,000,000	1.40
11	COMMONWEALTH SCIENTIFIC & INDUSTRIAL RESEARCH ORGANISATION	2,500,000	1.17
12	MS NATALIE LOUISE PATTERSON	2,477,083	1.16
13	E & W NOMINEE PTY LTD	2,225,294	1.04
14	GARNSWORTHY PENSION FUND PTY LTD	2,200,000	1.03
15	JAWAF ENTERPRISES PTY LTD	2,100,000	0.98
16	MR DANIEL EDDINGTON & MRS JULIE EDDINGTON	2,092,782	0.98
17	DR GAVIN JAMES SHEPHERD & MRS CATHERINE SHEPHERD	2,030,000	0.95
18	MR RICHARD STANLEY DE RAVIN	1,558,000	0.73
19	DC & PC HOLDINGS PTY LTD	1,500,000	0.70
20	DR PAUL MAXWELL MILLER & MRS LOUISE MONIQUE MILLER	1,453,600	0.68
	<b>Total</b>	<b>94,541,106</b>	<b>44.14</b>
	<b>Balance of register</b>	<b>119,641,527</b>	<b>55.86</b>
	<b>Grand total</b>	<b>214,182,633</b>	<b>100.00</b>

## Distribution Schedule

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	237	161,901,872	75.59
10,001 to 100,000	1,272	42,658,278	19.92
5,001 to 10,000	653	5,129,727	2.40
1,001 to 5,000	1,416	3,932,782	1.84
1 to 1,000	913	559,974	0.26
<b>Total</b>	<b>4,491</b>	<b>214,182,633</b>	<b>100.00</b>

138 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	28,085,001	13.12%
Michelle Wing	19,182,261	8.96%

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 12 August 2022 are provided below:

Share Option Type	Expiry Date	Number of Options	Number of Holders	Exercise Price \$
RHYUOPT2	14.09.2023	6,862,500	12	0.20
RHYUOPT3	31.07.2024	8,195,000	17	1.80
RHYUOPT4	31.08.2022	3,099,280	1,216	1.20
RHYUOPT5	31.07.2024	3,275,463	1,270	1.80

### RHYUOT2

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	8	6,600,000	96.17
10,001 to 100,000	4	262,500	3.83
<b>Total</b>	<b>12</b>	<b>6,862,500</b>	<b>100.00</b>

### RHYUOTP3

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	17	8,195,000	100.00
<b>Total</b>	<b>17</b>	<b>8,195,000</b>	<b>100.00</b>

### RHYUOTP4

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	5	886,805	28.61
10,001 to 100,000	50	1,512,945	48.82
5,001 to 10,000	28	176,974	5.71
1,001 to 5,000	151	302,595	9.76
1 to 1,000	982	219,961	7.10
<b>Total</b>	<b>1,216</b>	<b>3,099,280</b>	<b>100.00</b>

### RHYUOTP5

Range	Number of Options	Number of Holders	Percentage of Total Issued Options
100,001 and Over	5	886,805	27.07
10,001 to 100,000	55	1,616,658	49.36
5,001 to 10,000	34	219,962	6.72
1,001 to 5,000	159	321,624	9.82
1 to 1,000	1,017	230,414	7.03
<b>Total</b>	<b>1,270</b>	<b>3,275,463</b>	<b>100.00</b>

### 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  
Mr Glenn Gilbert  
Dr Trevor Lockett  
Mr Louis (Lou) Panaccio  
Mr Eduardo Vom  
Dr Rachel David

### Company Secretary

Ms Andrea Steele

### Registered Office

Bio21 Institute  
30 Flemington Road  
Parkville VIC 3010

### Auditor

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

### Legal Advisers

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

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

### Share Registry

Link Market Services Limited  
Level 12  
250 St Georges Terrace  
Perth WA 6000  
  
Phone: +61 1300 554 474



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