

Rhythm Biosciences Limited

ACN 619 459 335
(ASX code: RHY)

PROSPECTUS

2021 Non-renounceable rights issue Offer

*For a non-renounceable pro-rata rights issue to Eligible Shareholders of up to 5,054,270 New Shares on the basis of **1 New Share for every 40 Shares** held by Shareholders at the Record Date at an issue price of \$0.85 per New Share **together with** 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall) to raise a maximum of approximately \$4.3 million before costs (**Offer**).*

The Offer is not Underwritten

IMPORTANT NOTICE

This document is important and should be read in its entirety.

If, after reading this Prospectus, you have any questions about the Offer Securities being offered under this Prospectus or any other matter relating to the Offers, then you should consult your professional adviser. An investment in the Offer Securities offered by this Prospectus should be considered speculative.

This document is not for publication or distribution, directly or indirectly, in or into the United States of America (including its territories and possessions, any state of the US and the District of Columbia). This document is not an offer of securities for sale into the United States or to, or for the account or benefit of, US Persons. The securities referred to herein have not been and will not be registered under the US Securities Act of 1933, as amended, and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons. No public offering of securities is being made in the United States.

This Prospectus has also been prepared in accordance with Section 713 of the Corporations Act.

IMPORTANT NOTICE

1. Prospectus

This Prospectus is dated **30 July 2021**. A copy of this Prospectus has been lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No Offer Securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**).

This Prospectus is a transactional specific prospectus for an offer of continuously quoted securities (being the New Shares under the Entitlements Offer) and New Options and has been prepared in accordance with section 713 of the Corporations Act.

This Prospectus does not contain the same level of disclosure as an initial public offering prospectus prepared pursuant to Section 710 of the Corporations Act. In making representations in this Prospectus, regard has been made to the fact that the Rhythm Biosciences Limited (**RHY** or the **Company**) is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. Further information is provided in Sections 7.4 and 7.5 of this Prospectus. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX.

The Company will apply to ASX within 7 days of the date of this Prospectus for quotation of the New Shares offered under this Prospectus. Quotation will not be sought for quotation of the New Options. The ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares is not to be taken in any way as an indication of the merits of the Company.

Applications for New Shares and New Options offered pursuant to this Prospectus including for any Additional Securities can only be submitted on the applicable original Entitlement and Acceptance Form which accompanies this Prospectus. Applications for the Shortfall Offer can only be submitted by invitation from the Company. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

2. Disclaimer

The information contained in this Prospectus is not investment advice. Before deciding to invest in the Company, you should read and understand the entire Prospectus and, in particular, in considering the Company's prospects, you should consider the risk factors

that could affect the Company's performance. You should carefully consider these risk factors in Section 6 in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Offer Securities or the price at which the New Shares will trade on the ASX.

Any references to past performance of the Company is no guarantee of future performance.

3. No Representations other than this Prospectus

No person or entity is authorised to give any information or to make any representation in connection with the Offers that is not contained in this Prospectus or has not been released to ASX with the authorisation of the Company.

The Entitlement and Acceptance Form accompanying this Prospectus is important.

Please refer to the instructions in Section 4 of this Prospectus regarding the acceptance of the Offer.

4. Forward looking information

Some of the statements appearing in this Prospectus may be in the nature of forward looking statements, including statements of current intention, statements of opinion and predictions as to possible future events. You should be aware that such statements are not statements of fact and there can be no certainty of outcome in relation to the matters to which the statements relate.

Forward looking statements are subject to many inherent risks and uncertainties before actual outcomes are achieved. Those risks and uncertainties include factors and risks specific to the industry in which the Company operates as well as general economic conditions, interest rates, exchange rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and any variation may be materially positive or negative. Forward looking information (including forecast financial information) is subject to uncertainty and contingencies, many of which are outside the control of the Company.

5. No cooling off rights apply to this Offer

Cooling off rights do not apply to an investment pursuant to the Offers. This means that, in most circumstances, you cannot withdraw your Entitlement and Acceptance Form once it has been lodged.

6. Offer Restrictions on Distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of New Shares or New Options in any jurisdiction outside Australia and New Zealand. This Prospectus is not to be distributed in, and the Offers are not to be made in, countries other than Australia and New Zealand.

The Offer Securities have not been, and will not be, registered under the US Securities Act of 1933 and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

The contents of this Prospectus has not been reviewed by any regulatory authority in Hong Kong nor is any offer under this Prospectus to be made to persons or entities resident in Hong Kong. You are advised to exercise caution in relation to the offer.

This Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Prospectus and any other document or material in connection with the offer or sale or invitation for subscription or purchase, of shares or options may not be circulated or distributed, nor may the shares or options be offered or sold or be made the subject of an invitation for

subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form will be taken by the Company as a representation that there has been no breach of such laws, that the Applicant is an Eligible Shareholder and that the Applicant is physically present in Australia.

7. Prospectus availability

Those investors who receive this Prospectus electronically are advised that the issue of securities under the electronic prospectus is only available to persons receiving the electronic prospectus within Australia. A paper copy of this Prospectus may be obtained free of charge from the Company or downloaded from the ASX website. The information on the ASX website or the Company's website do not form part of this Prospectus.

8. Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 9. Unless otherwise indicated, all references to currency are to Australian dollars and all references to time are to Melbourne, Victoria time.

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Key Offer details

Key details of the Offer

Offer to Eligible Shareholders	<p>1 New Share for every 40 Shares held at the Record Date at the Issue Price plus:</p> <ul style="list-style-type: none"> • 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer, and • the Top-Up Facility for Shareholders who subscribe for their full Entitlement (including Class A Options and Class B Options to be in the same ratio for all subscriptions of any Shortfall).
Issue Price per New Share	\$0.85 or 85 cents per New Share payable in full on Application
Maximum number of New Shares issued under the Offer	5,054,270 New Shares
Maximum proceeds from the Offer (excluding costs associated with the Offer)	Approximately \$4.3 million (before expenses and costs of the issue)
Maximum number of Shares on issue following the Offer (<u>excluding</u> any shares issued upon the exercise of any Class A Options or Class B Options)	207,225,081 Shares

Important Dates*

Event	Date
<u>Record Date</u> to determine Entitlements under the Rights Issue Offer	7.00pm, 6 August 2021
Prospectus and Entitlement & Acceptance Form despatched. <u>Opening Date</u> of Rights Issue Offer	10 August 2021
<u>Closing Date</u> for acceptances under the Rights Issue Offer	5.00pm, 3 September 2021
<u>Shortfall</u> (if any) announced to the ASX	7 September 2021
<u>Issue of the New Shares and New Options</u>	9 September 2021
<u>Trading</u> (T+2) of New Shares expected to commence	10 September 2021

* The above dates are indicative only and subject to change. All dates and times referenced are Australian Eastern Standard Time (AEST). The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend these dates without prior notice including extending the last date for receipt of the Entitlement and Acceptance Form, or to delay or withdraw the Offer at any time without prior notice. If withdrawn, all Application Monies for New Shares which have not been issued will be refunded (without interest) as soon as practicable.

Letter from the Chairman

On behalf of the Board of Rhythm Biosciences Limited (**Company**), I invite you to participate in the Company's non-renounceable pro-rata entitlement offer of 1 New Share for every 40 Shares held at the Record Date of 6 August 2021 at an Issue Price of 85 cents per New Share, plus 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall) (collectively **Offer**).

The Offer is not underwritten, but the Company has received written commitments to subscribe for any shortfall under the Offer (if any) from the Shortfall Investors (see section 7.8 below) for a total of up to \$2.75 million.

As a show of my confidence in and support for the Company, I have provided a binding commitment to the Board of the Company to subscribe for my full entitlement under the Offer, totalling \$582,250 and have provided a further binding commitment of \$250,000 in any potential shortfall (subject to Board allocation and shareholder approval).

Whilst several market professionals and institutions have approached the CEO and I about participating in a capital raising placement for the Company, on consideration we believe that at current values, with significant potential value inflection points ahead, that this capital raising should be offered to current shareholders only.

The Offer may be summarised as follows:

- Australian and New Zealand residents holding Shares may subscribe under the Offer for 1 New Share for every 40 Shares held as at the Record Date of 7.00 pm AEST on 6 August 2021, which Offer includes the issue to the subscribers of 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall) (**Offer**).
- New Shares are priced at \$0.85 (85 cents) per New Share.
- The Offer of approximately 5,054,270 New Shares may raise up to approximately \$4.3 million.
- Holders may also subscribe for Additional Shares beyond their rights issue entitlement on the basis that some existing Holders will be either ineligible or may fail to fully take up their Entitlement. This ability to apply for Additional Shares is restricted only to Eligible Shareholders (other than Directors and related parties of the Company), is determined at the discretion of the Board and is referred to as a 'Top-Up Facility'.
- If there remains any Shortfall after allocation of Entitlements to Eligible Shareholders under the Offer, the Directors reserve the right for up to 3 months after the close of the Offer to place any Shortfall at the Board's discretion but at a price no less than the Issue Price.
- The Board has received binding commitments to subscribe for an aggregate of up to \$2.75 million of any Shortfall in the Rights Issue from certain investors listed below (**Shortfall Investors**). It will be in the Board's absolute discretion whether to allocate any Shortfall between issuing Additional Shares to Eligible Shareholders, Shortfall Shares to the Shortfall Investors or such Shares to other eligible investors.

A copy this Prospectus has been lodged with ASIC and the ASX and can be accessed on the ASX website or via the Rhythm Biosciences website: www.rhythmbio.com

The funds from the Offer are important and will be applied to commencing the US market strategy, furthering research and development for our initial ColoSTAT® product, initiating the platform technology R&D program, the completion of the current clinical trial

recruitment, support regulatory applications preparation, marketing / business development and for working capital purposes.

As a Board, we appreciate the support of our existing Shareholders and we have been mindful of providing existing Shareholders this opportunity to maintain their investment in the Company.

We look forward to your participation in the Offer.

Yours sincerely



Otto Buttula
Rhythm Biosciences

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1. RIGHTS ISSUE OFFER OVERVIEW

1.1 Overview of the Rights Issue Offer

This Section is not intended to provide full information for investors intending to apply for New Shares and New Options offered pursuant to this Prospectus. This Prospectus and all of its Sections should be read and considered in their entirety.

Question	Response	Where to find more information
What is the Rights Issue Offer	Non-renounceable rights issue offer of New Shares, accompanied by free attaching options (i.e. the New Options) as described below (Offer).	Sections 2.1 and 2.6
What are the terms of the Offer?	1 New Share for every 40 Shares held on the Record Date at an issue price of \$0.85 (85 cents) per Share, which Offer includes the issue to the subscribers of 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall). All Share Entitlements issued will be rounded up to the nearest whole number.	Section 2.1
Can I sell or transfer my Entitlements?	No, the Offer is non-renounceable and, accordingly, you cannot offer to sell or transfer any of your Entitlement on ASX or via an off-market transfer.	Section 2.6
Am I an Eligible Shareholder	The Rights Issue Offer is made to Eligible Shareholders only. Eligible Shareholders are those Shareholders who are the registered holder of Shares as at 7.00 pm AEST on 6 August 2021 (Record Date) with a registered address in Australia or New Zealand at that time.	Definition of Eligible Shareholder and Section 2.2
Can I purchase Additional Shares at the same price?	Yes, the Company is also offering a Top-Up Facility so Eligible Shareholders who fully subscribe under the Offer will also have the right to apply for Additional Shares (Shares not subscribed for by other Eligible Shareholders) up to a maximum of \$30,000 each, at the same Issue Price. Any Additional Shares to be issued will only be issued at the Board's discretion - there is no guarantee that the Board will issue any Additional Shares under the Top-Up Facility.	Sections 2.1 and 2.10
How will the Additional Securities be allocated	The Company reserves the right to scale back any applications for Additional Securities in their absolute and sole discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors,	Section 2.10

Question	Response	Where to find more information
	including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought additional Shares in the Company before and after both the announcement of the Offer and the Record Date, as well as when the application was made.	
Is there a minimum subscription amount?	No, there is no minimum subscription amount.	Section 2.3
Shortfalls	If there remains any Shortfall, the Directors reserve the right for up to 3 months from the close of the Offer to place any Shortfall at their discretion at a price no less than the Issue Price. The issue of Shares under a Shortfall (if any) may be allocated by the Board between the issue of Additional Shares to Shareholders, Shortfall Shares to the Shortfall Investors and Shares to other eligible investors, and in each case allocation of the Shortfall will include Class A Options and Class B Option in the same ratio as under the Entitlements.	Sections 2.11 and 7.8
Is the Offer underwritten?	No, the Offer is not underwritten, but the Shortfall Investors have given binding commitments to subscribe for an aggregate of up to \$2.75 million of any Shortfall in the Rights Issue.	Sections 2.11 and 7.8
How do the New Shares rank in comparison to existing Shares	All New Shares issued under the Offer will rank equally in all respects with existing Shares from the date of their issue.	Sections 2.19 and 5.1
What are my choices?	<p>As an eligible Shareholder you may:</p> <ul style="list-style-type: none"> • take up all of your Entitlement under the Offer (and if you have taken up all your Entitlement, you may also apply for participation in the Top-Up Facility); or • exercise only a portion of your Entitlement and allow the balance to lapse; or <p>do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements.</p>	Section 4.1

Question	Response	Where to find more information
What will be the effect of the Rights Issue Offer on control	The effect of the Offer on the control of the Company will vary with the level of Entitlements and Additional Securities taken up by Eligible Shareholders under the Offer. The Board will not allocate any Additional Shares such that such an allocation would result in a Shareholder having an interest in the Company in excess of 19.9% on the completion of the Offer.	Sections 2.23 and 3.2
How do I apply for New Shares under the Rights Issue Offer	Eligible Shareholders can apply for New Shares by completing the relevant sections of the Entitlement and Acceptance Form accompanying this Prospectus and sending it to the Share Registry together with payment by cheque or BPAY® in the amount of Entitlement applied for. You may accept all or part of your Entitlement.	Sections 4.2 and 4.3
How can I obtain further information	Contact Mr Adrien Wing on +61 3 96140600 (from outside Australia) at any time between 8:30am to 5:00pm AEST Monday to Friday until the Closing Date. For advice, actively consult your broker, accountant or other professional adviser.	
Coronavirus disease - COVID-19	The outbreak of coronavirus disease (COVID-19) has had, and continues to have, an adverse effect on global economic markets. The Directors are monitoring the situation closely, in particular considering the impact on the Company's business and financial performance.	Section (o)
Risk Factors	<p>There are many risks associated with an investment in the Company, including relating to the Company's business, its regulatory environment, its financial requirements generally. These risks will in part turn upon the Company's ability to:</p> <ul style="list-style-type: none"> • develop and market its product lines; • ensure distribution of its product ; • manage capital expenditure in producing and marketing the products; • ensuring client acceptance of the products. <p>Refer to Section 6 for a more detailed description of some of these Risk Factors.</p>	Section 6

2. DETAILS OF THE OFFER

2.1 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 1 New Share for every 40 Shares held at 7:00pm (AEST) on the Record Date at an Issue Price of \$0.85 per New Share plus

- the issue of 1 Class A Option and 1 Class B Option (at no additional cost to the Eligible Shareholder) for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall), and
- for shareholders who subscribe for their Entitlement in full, the opportunity also to take up an offer of Additional Shares under the Top-Up Facility.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share or Option, that will be rounded up to the nearest whole New Share and or Option (as the case may be).

Your Entitlement under the Offer is shown on the accompanying Entitlement & Acceptance Form. Details on how to accept the Offer are set out in Section 4.

Eligible Shareholders who fully subscribe for their entire Entitlement under the Offer may also apply under the Top-Up Facility for Additional Shares. The allocation of any Additional Shares will be limited to the extent that there are sufficient New Shares available after the close of the Offer which have not been taken up by some of the Eligible Shareholders. Subject to the Corporations Act and the Listing Rules, any Shortfall may be allocated, at the absolute discretion of the Board, between applications for Additional Shares by Eligible Shareholders, applications for Shortfall Shares by Shortfall Investors and Shares issued to other eligible investors within a 3 month period after the close of the Offer.

2.2 Eligible Shareholders

Eligible Shareholders are those holders of Shares who:

- are registered as a holder of Shares as at the Record Date; and
- have an address on the Company's share register in Australia or New Zealand.

Shareholders who do not satisfy each of the above mentioned criteria are Ineligible Foreign Shareholders. All Ineligible Foreign Shareholders will be sent a letter advising of their inability to participate in the Offer. The Company, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder and is therefore able to participate in the Offer, or an Ineligible Foreign Shareholder and is therefore unable to participate in the Offer. The Company disclaims all liability to the maximum extent permitted by law in respect of any determination as to whether a Shareholder is an Eligible Shareholder or an Ineligible Foreign Shareholder.

2.3 Size of the Offer

As at the date of this Prospectus, the Company has on issue 202,170,811 Shares and 10,370,000 options.

Approximately 5,054,270 New Shares will be offered under the Offer to raise approximately \$4.3 million before the expenses of the Offer are taken into account. There is no minimum amount of capital that must be subscribed under this Offer.

In addition, a maximum of approximately 5,054,270 further Shares would be issued upon the exercise of all of the Class A Options and or Class B Options and payment of the applicable exercise price amounts.

2.4 Use of Funds

The Offer, if fully subscribed, will result in an increase in cash in hand of the Company of up to approximately \$4.3 million (before the payment of costs associated with the Offer). No funds will be raised by the issue of the Class A Options or Class B Options. It is currently proposed that the Company will use the funds as follows:

Description	A\$
USA market entry commencement (CLIA lab developed test & FDA route)	\$0.75m
Commence platform technology research and development program for other cancer targets	\$0.75m
Furthering and completing research and development of the current ColoSTAT [®] test	\$0.30m
Completion of the current clinical trial (Study 7) recruitment and preparation for regulatory submissions in Europe and Australia (CE Mark and TGA)	\$0.50m
The scale up of manufacturing capability, including initiating program to transfer core technology to more automated machines / platforms.	\$0.50m
Marketing and Business Development	\$0.50m
General Working Capital & Capital Raising costs	\$1.00m
Maximum funds raised under the Offer	\$4.30m

**The Company reserves the right to pay cash commission to AFSL Holders or authorised representatives of AFSL Holders who introduce participants to take up any or all of the Shortfall. Any such commission costs have not been taken into account in the use of funds above.*

2.5 Opening and Closing Date

The Offer will open for receipt of acceptances on 10 August 2021. The Closing Date for acceptance of your Entitlement is 5.00 pm (AEST) on 3 September 2021.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for receipt of the Entitlement & Acceptance Form (or payment by BPAY[®]), or to delay or withdraw the Offer at any time without prior notice. Where the Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by cheque to your registered address as noted on the Company's Share Register.

Any extension of the Closing Date will have a consequential effect on the issue date of New Shares and New Options.

2.6 Entitlements under the Offer

The Offer is non-renounceable and therefore Eligible Shareholders cannot offer to sell or transfer any of their Entitlement on ASX or via an off-market transfer (or any other exchange or privately transferred).

Shareholders who do not take up their Entitlements in full will have their percentage interest in the Company diluted as compared to that percentage as at the date the Offer is made.

As described in Sections 2.10 and 2.11, any New Shares not taken up by an Eligible Shareholder by the Closing Date will form part of the Shares available under the Shortfall Offer, including the Top-Up Facility.

2.7 Entitlements and acceptance

The Entitlement of Eligible Shareholders to participate in the Offer will be determined on the Record Date. Your Entitlement is shown on the Entitlement & Acceptance form accompanying this Prospectus.

2.8 No cooling off rights

Cooling off rights do not apply to an investment in New Shares. You cannot withdraw your Application once it has been received.

2.9 No Underwriting

The Offer is not underwritten. However, the Board has received binding commitments to subscribe for an aggregate of up to \$2.75 million of any Shortfall from the Shortfall Investors.

2.10 Top-Up Facility

Eligible Shareholders (other than Directors and related parties of the Company) may, in addition to taking up their Entitlements in full, apply for any number of Additional Shares in excess of their Entitlements by using the Top-Up Facility.

Additional Shares will only be available where the number of Shares the subject of Applications received under the Offer is less than the aggregate Entitlements, being 5,054,270 New Shares proposed to be issued under the Offer. Any Additional Shares issued will be at the same Issue Price of \$0.85 per Share and include the issue of 1 Class A Option and 1 Class B Option (at no additional cost to the Eligible Shareholder) for every 2 Additional Shares issued to the same Eligible Shareholder under the Top Up Facility.

There can be no guarantee that there will be any allocation of Additional Shares under the Top-Up Facility.

It is an express term of the Offer that Eligible Shareholders who apply for Additional Shares are bound to accept a lesser number of Additional Shares than they applied for or may be allocated no Additional Shares at all. In both cases, excess Application Monies will be refunded without interest. The Company reserves the right to scale back any applications for Additional Securities in its absolute and sole discretion. When determining the amount (if any) by which to scale back an application, the Company may take into account a number of factors, including the size of an Applicant's shareholding in the Company, the extent to which an Applicant has sold or bought Shares in the Company before and after

both the announcement of the Offer and the Record Date, as well as when the application was made.

Subject to the Corporations Act and the Listing Rules, the Board in its absolute discretion may determine the allocation subscriptions for any Shortfall between subscriptions for Additional Shares applied by Eligible Shareholders through the Top-Up Facility, subscriptions for Shortfall Shares by the Shortfall Investors (as outlined below), and may decide not to issue any Shares under a Shortfall.

2.11 Shortfall Offer and Commitment

The Directors reserve the right, subject to the Corporations Act, the Listing Rules, to place any the Shortfall (which includes Class A Options and Class B Option in the same ratio as under the Entitlements), at their discretion (other than to Directors and related parties of the Company, unless they secure prior shareholder approval) within 3 months after the close of the Offer (at a price not less than the Issue Price of \$0.85 per New Share) (**Shortfall Offer**).

As stated above, the Board has received binding commitments to subscribe for an aggregate of up to \$2.75 million of any Shortfall from the Shortfall Investors. Each Shortfall Investor will receive a commitment fee equal to 5% of the amount of their commitment by that Shortfall Investor (see Section 7.8). As the Shortfall Investors include related parties of the Company, prior shareholder approval (expected to be sought at the Company's Annual General Meeting no later than November 2021) will be required before any Shortfall Shares can be issued to these Shortfall Investors.

If any Shortfall remains, the Directors may place any Shortfall at their discretion (other than to Directors and related parties of the Company), including allocating any Shortfall between the issue of Additional Shares (if any) to Eligible Investors, Shortfall Shares between the Shortfall Investors or the issue of Shares to other eligible investors.

2.12 Issue and despatch

The issue of New Shares and New Options offered by this Prospectus is expected to occur on 9 September 2021.

It is the responsibility of Applicants to determine their allocation prior to trading in the New Shares. Applicants who sell New Shares without making such determination do so at their own risk.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares before the New Shares are listed on the official list of ASX or before they receive their holdings statements, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry or otherwise.

2.13 ASX Listing

The Company has made an application for official quotation by ASX of the New Shares offered under this Prospectus. If the New Shares are not quoted by ASX within 3 months after the date of this Prospectus, the Company will not issue any New Shares and all Application Monies received will be refunded (without interest) in full to the Applicants.

The fact that ASX may grant official quotation to the New Shares is not to be taken in any way as an indication of the merits of the Company or the New Shares. Neither ASX nor any of its officers accepts or takes any responsibility for the contents of this Prospectus.

There is no intention, and no application will be made, for the listing of any of the New Options.

It is expected that normal trading on ASX will commence in relation to New Shares on 10 September 2021.

2.14 **CHESS**

The Company will apply to ASX to participate in CHESS for those Shareholders who have, or wish to have, a sponsoring stockbroker. Shareholders who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, Shareholders will be provided with a statement (similar to a bank account statement) that sets out the number of New Shares and unlisted New Options allotted to them under this Prospectus. The notice will also advise Shareholders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures for the New Shares under CHESS and issuer sponsorship.

Further monthly statements will be provided to Shareholders if there have been any changes in their interest in the Company during the preceding month.

2.15 **Ineligible Foreign Shareholders**

In accordance with ASX Listing Rule 7.7.1 and Section 9A of the Corporations Act, the Company has decided that it is unreasonable to make the Offer to any Shareholder with a registered address outside Australia or New Zealand as at the Record Date (**Ineligible Foreign Shareholder**), having regard to:

- a) the number of Shareholders with addresses in such other countries as a proportion of total Shareholders in the Company;
- b) the number and value of the New Shares and New Options those Shareholders would be offered under the Offer; and
- c) the cost to the Company of complying with applicable legal and regulatory requirements in such other countries.

To the extent that there are any Ineligible Foreign Shareholders registered at the Record Date, the Company will send details of the Offer to each Ineligible Foreign Shareholder and advise each Ineligible Shareholder that they will not be offered New Shares and New Options under the Offer.

2.16 **Overseas shareholders**

No action has been taken by the Company to register the New Shares or otherwise permit an offering of the New Shares in any jurisdiction other than Australia or New Zealand. Eligible Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up Entitlements under the Offer does not breach regulations in the relevant overseas jurisdiction.

This Prospectus does not, and is not intended to, constitute an offer or invitation in the United States, to any US person, to any person acting for the account or benefit of a person

in the United States, or in any other place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The New Shares have not been and will not be registered under the US Securities Act or the securities laws of any state or jurisdiction in the United States and may only be offered, sold or resold in, or to persons in, the United States in accordance with an available exemption from registration.

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

Where any registered holder that qualifies as an Eligible Shareholder is acting as a nominee for a foreign person, that registered holder, in dealing with its beneficiary, will need to assess whether indirect participation by the beneficiary in the Offer is compatible with applicable foreign laws.

Any person in the United States or any person that is, or is acting for the account or benefit of a U.S. person with a holding through a nominee may not participate in the Rights Issue and the nominee must not take up any Entitlement or send any materials into the United States or to any person that is, or is acting for the account or benefit of, a U.S. person.

It is the responsibility of a Shareholder to ensure compliance with any laws of a country relevant to their application. Return of a duly completed Entitlement and Acceptance Form (or making payment via Bpay®) will be taken by the Company as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

2.17 Custodians

Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how to proceed. The Offer is being made to all Eligible Shareholders. The Company is not required to determine whether or not any Eligible Shareholder is acting as a nominee or the identity or residence of any underlying beneficial owners (UBH) of Shares.

The offer to apply for Additional Shares under the Top-Up Facility will be available to the UBH of custodians / nominees.

Each custodian or nominee who is applying for Additional Shares on behalf of their individual UBH will need to submit a schedule showing the Record Date holding, the Rights Issue Entitlement and the amount of Entitlement and Additional Shares taken up for each UBH.

Each UBH will need to apply for their maximum entitlement before applying for Additional Shares under the Top-Up Facility. Therefore, the requirement to fulfil a shareholders maximum Entitlement before applying for Additional Shares under the Top-Up Facility won't apply to the registered custodian / nominee holding – the Company intends to process the amount of Shares as Entitlement acceptance and also the amount of Additional Shares as additional acceptance under the Top-Up Facility (per schedule supplied by the Custodian).

In respect of nominees, trustees or custodians acting on behalf of UBHs the foreign restrictions under the offer will be applied at the registered address of the Custodian. This will be irrespective of whether the holder is a QIB or sophisticated investor.

2.18 Foreign Jurisdictions

This Prospectus has been prepared to comply with the requirements of the securities laws of Australia and New Zealand.

This Prospectus does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Offer or the New Shares, or otherwise permit the public offering of the New Shares or New Options, in any jurisdiction other than Australia and New Zealand. Return of the personalised Entitlement & Acceptance Form will be taken by the Company to constitute a representation by you that there has been no breach of any such laws. Eligible Retail Shareholders who are nominees or custodians should see Section 2.17.

The distribution of this document (including in electronic format) outside Australia and New Zealand may be restricted by law. If you come into possession of this Prospectus, you should observe such restrictions. In particular, this document or any copy of it must not be distributed in the United States. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

a) New Zealand

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the provisions of the Financial Markets Conduct Act 2013 (New Zealand) (**FMC Act**), the Securities Act (Overseas Companies) Exemption Notice 2013 (New Zealand) and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016. Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

This Prospectus has been prepared in accordance with Australian law and has not been registered, filed with, or approved by the New Zealand regulatory authority under the FMC Act. This Prospectus is not a product disclosure statement under New Zealand law and is not required to, and may not, contain all the information that a product disclosure statement under New Zealand law is required to contain.

To the extent that a person holds Shares on behalf of another person resident outside Australia or New Zealand, it is that person's responsibility to ensure that any acceptance complies with applicable foreign laws. The Company reserves the right to reject any Application that it believes come from a person who is not an Eligible Shareholder.

b) United States

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares and New Options have not been, nor will be, registered under the U.S. Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be issued to, or taken up or exercised by, and the New Shares may not be offered or sold to, persons in the United States or persons who are acting for the account or benefit of a person in the United States. The New Shares will only be offered and sold outside the United States in 'offshore transactions' as defined in and in reliance on Regulation S under the U.S. Securities Act.

2.19 Rights and liability attaching to New Shares

The New Shares issued under the Offer will be on a fully paid basis and will rank equally in all respects with existing Shares. Full details of the rights and liabilities attaching to Shares are set out in the Company's constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. You may also contact

the Company's Share Registry on 1300 554 474 (within Australia) or +61 1300 554 474 (outside Australia) to request a copy of the Company's constitution. A summary of the important rights attaching to the New Shares is contained in Section 5.1 of this Prospectus. The terms and conditions of the Class A Options and Class B Options are described in Annexure A to this Prospectus.

2.20 Nominees

The Offer is being made to all Eligible Shareholders. Nominees with registered addresses in the eligible jurisdictions may also be able to participate in the Offer in respect of some or all of the beneficiaries on whose behalf they hold Shares, provided that the applicable beneficiary would satisfy the criteria for an Eligible Shareholder.

Nominees and custodians which hold Shares as nominees or custodians will have received, or will shortly receive, a letter from the Company. Nominees and custodians should consider carefully the contents of that letter and note in particular that the Offer is not available to beneficiaries on whose behalf they hold Shares who would not satisfy the criteria for an Eligible Shareholder.

Due to legal restrictions, nominees and custodians may not send copies of this Prospectus or accept the Offer on behalf of any person in the United States or other jurisdiction outside Australia or New Zealand, except to beneficial shareholders who are institutional or professional investors in certain foreign countries or as the Company may otherwise permit in compliance with applicable law.

The Company is not required to determine whether or not any registered Shareholder is acting as a nominee or the identity or residence of any beneficial owners of Shares.

2.21 Brokerage and Stamp Duty Costs

No brokerage or stamp duty is payable by Eligible Shareholders on the issue of New Shares or New Options under this Prospectus.

2.22 Risks

There are a number of risks associated with an investment in New Shares in the Company. A brief overview of some of the key risks is outlined in Section 6. In particular, the global impact of the COVID-19 pandemic is continuously developing. Global economic outlook is facing some uncertainty due to the COVID-19 pandemic which has had historically and may continue to have a significant impact on capital markets and share prices.

An investment in the Company carries certain risks that may impact on the future profitability of the Company and the value of the Company's securities. The Offer Securities should be considered speculative. The Directors recommend that potential investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for New Shares pursuant to this Prospectus.

The detailed risk factors affecting an investment in the Company are discussed in Section 6 of this Prospectus.

3. EFFECT OF THE RIGHTS ISSUE OFFER

3.1 Effect of the Offer on the capital structure of the Company

The total number of New Shares to be issued under the Offer (the exact number depends on the rounding up of individual holdings) will be up to approximately 5,054,270.

The table below sets out, for illustrative purposes only, the existing Share capital structure (before the Offer) together with the impact of the issue of the New Shares under the Offer. It assumes that no existing options are exercised prior to the Record Date and that all New Shares are issued under the Offer or placed after the Offer closes.

Securities	Number
Existing Shares as at date of the Offer	202,170,811
Existing Options as at date of the Offer	10,370,000
Maximum number of New Shares issued under the Offer (approximately) (including any Shares which may be issued under any Shortfall, but excluding any shares to issue upon the exercise of the Class A Options or Class B Options)	5,054,270
Class A Options	2,527,135
Class B Options	2,527,135
Total issued Shares following completion of the Offer (approximate) (including Shares which may be issued under any Shortfall, excluding all New Options)	207,225,081

The effect of the Offer will be to increase the number of Shares on issue in the Company and increase the cash held by the Company (before taking into account the expenses of the Offer) by up to approximately \$4.3 million.

Expenses of the Offer (including shortfall commitment fees) are expected to be approximately \$211,000.

3.2 Potential effect on control of the Company

Eligible Shareholders who take up their Entitlements in full should not have their interest in the Company diluted by the Offer (subject to immaterial movements as a result of rounding of Entitlements).

The potential effect the Offer (including those Shares which may be issued to take up a Shortfall) will have on the control of the Company, and the consequences of that effect, will depend on a number of factors, including investor demand.

The potential effect of the Offer (including those Shares which may be issued under the Top-Up Facility and to take up any Shortfall Shares) on the control of the Company is as follows:

- a) If all Eligible Shareholders take up their Entitlements under the Offer, then the Offer will have no significant effect on the control of the Company.
- b) If some Eligible Shareholders do not take up all of their Entitlements under the Offer, then the interests of those Eligible Shareholders will be diluted.
- c) The proportional interests of Ineligible Foreign Shareholders will be diluted because those Ineligible Foreign Shareholders are not entitled to participate in the Offer.
- d) Shareholders that apply for Additional Shares under the Top-Up Facility may increase their interests beyond their Entitlement. This would result in the dilution of holdings of those who did not accept their Entitlements in full and those who did not apply for Additional Shares.
- e) There is no Shareholder who would on the completion of the Offer have an interest which would exceed 19.9%.
- f) If Eligible Shareholders do not take up all Entitlements under the Offer the Company has reserved the right to issue the Shortfall within 3 months after the close of the Offer. This placement of the Shortfall would result in new investors having interests in the Company. If there is a Shortfall, the Board may decide to issue Additional Shares, Shortfall Shares and or Shares to other investors. Depending on the size of any Shortfall, the Board may determine to issue all of the Shortfall Shares (up to an aggregate of approximately 3.24 million Shortfall Shares) to the Shortfall Investors and this may potentially result in a new investor having a substantial interest in the Company.

3.3 Market Price of Shares

The highest and lowest closing market prices of the Shares on ASX during the 3 months of trading preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales, are:

Highest:	\$1.46 on 22 March 2021
Lowest:	\$0.84 on 14 July 2021

The volume weighted average sale price on ASX of the Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC (**VWAP**) is \$1.07.

The rights Issue Price represents a discount of:

- 12.4% to the Company's closing price on 27 July 2021 of \$0.97;
- 9.8% to the Company's 10 day VWAP of \$0.943; and;
- 8.4% to the Company's 30 day VWAP of \$0.928.

4. ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

4.1 What Eligible Shareholders may do

The number of New Shares to which Eligible Shareholders are entitled (your **Entitlement**) is shown on the accompanying Entitlement and Acceptance Form.

If you do not take up your Entitlement, then your percentage holding in the Company will be diluted (refer to Section 3.2 above).

As an Eligible Shareholder you may:

- take up all or part of your Entitlement (refer to Section 4.2 below);
- take up all of your Entitlement and apply for Additional Securities under the Top-Up Facility (refer to Section 4.3 below); or
- do nothing, in which case all of your Entitlements will lapse (refer to Section 4.4 below).

Eligible Shareholders who take no action in respect of their Entitlement may receive no benefit and their Entitlement will lapse.

The Company is not required to determine whether or not any registered shareholder is acting as a nominee or the identity or residence of any beneficial owners of securities. Eligible Shareholders who are nominees, trustees or custodians are advised to seek independent advice as to how they should proceed.

Ineligible Foreign Shareholders may not take any of the steps set out in Sections 4.2 to 4.3.

4.2 Taking up all or part of your Entitlement

You may take up all or part of your Entitlement by

- a) making payment by Bpay® corresponding to the component (part or all) of your Entitlement you wish to accept, or
- b) by completing the Entitlement & Acceptance Form and attaching payment by cheque, bank draft or money order to reach Link Market Services Limited (**Share Registry**) at the following address.

Rhythm Biosciences Limited
Rights Issue Offer
 C/- Link Market Services Limited
 GPO Box 3560
 Sydney NSW 2001

by no later than 5:00pm (AEST) on the Closing Date.

The Issue Price for each New Share accepted under your Entitlement is payable on application. You have the following payment options:

- a) By attaching to your completed Entitlement & Acceptance Form a cheque, bank draft or money order in Australian currency for the amount of your application money to "**Rhythm Biosciences Limited**" and crossed "**Not Negotiable**".

You should ensure that sufficient funds are held in relevant account(s) to cover the Application Monies. If the amount of your cheque for Application Monies (or the

amount for which the cheque clears in time for allocation) is insufficient to pay in full for the number of New Shares for which you have applied in your Entitlement & Acceptance Form, you will be taken to have applied for such lower number of whole New Shares as your cleared Application Monies will pay for (and to have specified that number of New Shares on your Entitlement & Acceptance Form). Alternatively, your Application will not be accepted.

- b) If paying via Bpay®:
 - (i) Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and it is the responsibility of the Applicant to ensure that funds are submitted through Bpay® by the date and time mentioned above;
 - (ii) you must follow the instructions for Bpay® set out in the Entitlement & Acceptance Form;
 - (iii) you do not need to return the Entitlement & Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Prospectus; and
 - (iv) if you subscribe for less than your Entitlement or do not pay for your full Entitlement, you are taken to have accepted your Entitlement in respect of such whole number of New Shares which is covered in full by your Application Monies.

4.3 Applying for Additional Securities

As referred to in Section 4.1 above, Eligible Shareholders (other than Directors and related parties of the Company, unless they secure prior shareholder approval) may, in addition to taking up their Entitlements in full, apply for Additional Securities in excess of their Entitlements.

If you wish to subscribe for Additional Securities in addition to your Entitlement, then you should nominate the maximum number of Additional Securities you wish to subscribe for on the Entitlement and Acceptance Form up to a maximum number of approximately 35,300 Shares with an aggregate subscription amount of \$30,000 and make payment for your full Entitlement and the Additional Securities (at the Issue Price of \$0.85 for each Additional Share).

If your payment is being made by BPay®:

- a) you do not need to submit the personalised Entitlement and Acceptance Form but are taken to make each of the statements and representations on that form referred to in this Prospectus; and
- b) if your payment exceeds the amount payable for your full Entitlement, you are taken to have accepted your Entitlement in full and to have applied for such number of Additional Securities which is covered in full by your Application Monies paid by Bpay®.

Eligible Shareholders who apply for Additional Securities may be allocated a lesser number of Additional Securities than applied for, or may be allocated no Additional Securities at all, in which case excess Application Monies will be refunded without interest.

4.4 Entitlements not taken up

If you do not wish to accept any of your Entitlement, you are not obliged to do anything. The number of Shares you currently hold and your rights attaching to those Shares (such as voting rights) will not be affected should you choose not to accept any part of your

Entitlement. If you do not participate in the Offer your percentage holding in the Company will be reduced.

4.5 Entitlement & Acceptance Form is binding

A completed and lodged Entitlement & Acceptance Form (or payment by Bpay®) constitutes a binding offer to acquire New Shares and associated New Options on the terms and conditions set out in this Prospectus and, once lodged, cannot be withdrawn. If the Entitlement & Acceptance Form is not completed correctly, it may still be treated as a valid application for New Shares. The Directors' decision whether to treat an acceptance as valid and how to construe, amend or complete the Entitlement & Acceptance Form is final.

4.6 Representations you will be taken to have made by accepting the Offer

By completing and returning your Entitlement & Acceptance Form or making a payment by BPAY®, you will be deemed to have:

- a) fully read and understood this Prospectus and the Entitlement & Acceptance Form in their entirety;
- b) agreed to be bound by the terms of the Offer, the provisions of this Prospectus and the Company's Constitution;
- c) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and your Entitlement & Acceptance Form;
- d) authorised the Company to register you as the holder of the New Shares and New Options;
- e) acknowledged that once the Company receives your Entitlement & Acceptance Form or any payment of Application Monies via BPAY®, you may not withdraw your application or funds provided except as allowed by law;
- f) confirmed that you have a registered address in Australia or New Zealand as at the Record Date;
- g) confirmed that you were the registered holder at the Record Date of the Shares indicated in the Entitlement & Acceptance Form as being held by you on the Record Date;
- h) agreed to apply for and be issued up to the number of New Shares and New Options specified in the Entitlement & Acceptance Form, or for which you have submitted payment of any Application Monies via BPAY®, at the Issue Price per New Share;
- i) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares and New Options to be issued to you;
- j) understood and acknowledged that the information contained in this Prospectus and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares or New Options are suitable for you given your investment objectives, financial situation or circumstances;
- k) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6 of this Prospectus;
- l) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents,

consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;

- m) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- n) agreed to provide any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date; and
- o) represented and warranted that:
 - i. you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - ii. the New Shares or New Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares and New Options may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - iii. you have not and will not send any materials relating to the Offer to any person in the United States or a person acting for the account or benefit of a person in the United States.

4.7 **Shortfall Offer**

Other investors may also apply for New Shares and associated New Options under the Shortfall by completing a Shortfall application form upon invitation by the Company. All New Shares issued under the Shortfall Offer will be issued at the same Issue Price of \$0.85 per New Share (See Section 2.11 for further details).

4.8 **Privacy Act**

If you complete an application for New Shares (or make payment via Bpay®), you will be providing personal information to the Company (directly or by the Company's Share Registry). The Company collects, holds and uses that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed for purposes related to Shareholders' investments to the Company's agents and service providers, such as

- a) to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.
- b) the Share Registry for ongoing administration of the shareholder register;
- c) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the New Shares and or New Options and for associated actions.

The Company complies with its legal obligations under the *Privacy Act 1988* (Cth).

You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988 (Cth) (as amended)*, the *Corporations Act* and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for New Shares, the Company may not be able to accept or process your application.

4.9 Brokerage

No brokerage is payable by Shareholders who accept their Entitlement. No stamp duty is payable for subscribing for an Entitlement.

4.10 Queries concerning your Entitlement

If you have any queries concerning your Entitlement please contact the Company on 03 9614 0600 (within Australia) or +61 3 9614 0600 (outside Australia).

5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES

5.1 Rights attaching to the New Shares

The Company is incorporated in Australia and is subject to the Corporations Act. As a company listed on ASX, the Company is also regulated by the Listing Rules.

The rights attaching to ownership of Shares (including New Shares) are described in the Constitution and are regulated by the Corporations Act, Listing Rules and the general law.

The New Shares will rank equally in all respects with, and have the same rights as, existing Shares. Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours. In applying for New Shares, the Applicant agrees that the New Shares, the New Shares to issue upon the exercise of New Options are bound by the terms of the Constitution.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders.

General Meetings and Notice

Each Shareholder is entitled to receive notice of all general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules. Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company. Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act.

Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

- » each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;
- » on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote; and
- » on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote shall, in respect of each fully paid Share held by him or her, or in respect of which he or she is appointed a proxy, attorney or representative, have one vote for every fully paid Share, but in respect of partly paid Shares shall have a fraction of a vote equal to the proportion that the amount paid bears to the issue price of the Shares.

Dividend Rights

While there is no guarantee of any dividends or distributions by the Company, the Directors may from time to time declare dividends in compliance with the Corporations Act. Subject to the rights of persons entitled to Shares with special rights as to dividends (at present there are none), all dividends are paid in the proportion that the amounts paid on those Shares bear to the issue price of the Shares.

Winding Up

If the Company is wound up, the liquidator may, with the authority of a special resolution, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he or she considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

Transfer of Shares

Shares in the Company are freely transferable, subject to formal requirements, and so long as the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.

Variation of Rights

The Company may, subject to the Corporations Act and with the sanction of a special resolution passed at a meeting of Shareholders, or with the written consent of the majority of Shareholders in the affected class, vary or abrogate the rights attaching to Shares.

5.2 Terms and Conditions of the New Options

The terms and conditions of the Class A Options and Class B Options are described in Annexure A to this Prospectus.

6. RISKS

Shareholders should consider the investment in the context of their individual risk profile for speculative investments, investment objectives and individual financial circumstances. Each Shareholder should consult their own stockbroker, solicitor, accountant or other professional adviser before deciding whether or not to invest in the New Shares.

An investment in New Shares should be regarded as very speculative and involves many risks.

If any of the following risks actually occurs, our business, prospects, financial condition and results of operations could be materially and adversely affected, the trading price of the Shares could decline and you could lose all or part of your investment.

This section identifies some of the major risks associated with an investment in the Company. There may be other risks which the Directors and/or management of the Company are unaware which may impact upon the Company, its operations and/or the value and performance of the New Shares and the Company generally. Intending Applicants before any decision is made to subscribe for shares should read the Company's prior continuous disclosure announcement to the ASX market in order to fully appreciate the risks particular to an investment in a medical device company such as Rhythm Biosciences Limited and in particular the risks faced by the Company in the continued development and proposed commercialisation of its intellectual property rights.

6.1 Speculative nature of investment

Any potential investor should be aware that subscribing for New Shares involves various risks. The New Shares and New Options to be issued carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares. The Company's business is in the research, development and commercialisation of the Company's initial product, ColoSTAT®, a simple blood test for the detection of colorectal (bowel) cancer. Further early-stage research and development on additional disease states is planned to commence, with no certainty of success. An investment in the Company should therefore be considered very speculative.

6.2 Business risks associated with the Company

a) Sufficiency of funding

The Company has limited financial resources and will need to raise additional funds from time to time to finance the continued research, development and commercialisation of its technology / products and its other longer-term objectives. The Company's technology / product development activities may never generate revenues and the Company may never achieve profitability. The Company's ability to raise additional funds will be subject to, among other things, factors beyond the control of the Company and its Directors, including cyclical factors affecting the economy and share markets generally. The Directors can give no assurance that future funds can be raised by the Company on favourable terms, if at all. If for any reason the Company was unable to raise future funds, its ability to achieve its milestones or continue future development / commercialisation of its technology / product would be significantly affected.

b) Regulatory risk

The Company and the research, development and commercialisation of its proposed technology / product are subject to extensive laws and regulations including but not limited to the regulation of human medical device (In Vitro Diagnostic 'IVD') products. Additionally, human clinical trials can be very expensive and difficult to design and implement, in part

because they are subject to rigorous regulatory requirements. A risk exists that the Company's technology may not satisfy regulatory requirements in markets in which we are seeking approval and ultimately may not gain approval, or that the approval process may take much longer and cost more than expected. As a result, the Company may fail to commercialise or out-license any products. If the Company fails to remain compliant with these various regulatory requirements, there is a risk that the Company's financial performance could be adversely affected.

c) Research and Development

The Company's future success is dependent on the performance of the Company's product in both laboratory testing and in clinical trials and whether it proves to be an effective diagnostic test. The Company's initial product continues in research and development, with its prospective clinical trial having commenced recruitment. There is no certainty the results of the trials or laboratory testing will demonstrate any material benefit or advancement over existing technologies and methods. Separately the results of any trials and testing may require a change in strategy. This may include adding or removing biomarkers, requiring further research and development adding cost and time to potential registration. The Company may change its clinical focus from time to time that may be precipitated by either the results of the technical verification, or the clinical trial, or the results as part of the overall research and development program. Potential product sales and revenues may be year/s away, and there is no guarantee that its products will be successful. There is no certainty that the components for the final product will be suitable or stable, requiring further work. The initial product currently requires completion of research and development, including to confirm the suitability, stability and appropriateness of a variety of antibodies, reagents, various proteins, cross reactivity with other cancers and consolidation of materials, algorithm and software that will be used in the final ColoSTAT® test kit. The manufacturers scale up activities and stability testing of the final product and components will be required prior to testing of participant samples being collected in the clinical trial. Completion of all these aspects is required prior to submission to regulatory bodies and receiving marketing authorisation in various jurisdictions.

Medical device and In Vitro Diagnostic development generally is often associated with a high failure rate. Positive results from key clinical trials cannot be assured. Some jurisdictions require clinical trials to be performed in their own populations and may not approve the commencement of any proposed clinical trials needing to be undertaken. Until the Company is able to provide further clinical evidence of the ability of the Company's product to improve outcomes in patients, the future success of the product in development remains speculative. Research and development risks for both the initial product and potential future technology / products include unpredictability of experimental outcomes, the vagaries of biological systems that can cause difficulties or delays in research and development, and are key contributors to the inherent uncertainty that surrounds scientific development of novel medical devices and diagnostic tests more generally.

d) Future potential sales

There is a risk that even after obtaining regulatory approvals, the Company's products/technologies/algorithm/software may not gain market acceptance among physicians, surgeons, payors, patients, governments, laboratories, hospitals and the medical community, even if the product is approved by regulatory authorities. The degree of market acceptance of the Company's approved products will depend on a variety of factors including:

- Timing of market introduction, number and clinical profile of competitive products;
- The Company's ability to provide acceptable evidence of the safety and

efficacy of its product and the ability to secure the support of key clinicians and physicians for its products;

- Cost-effectiveness compared to existing and new tests;
- Ability to obtain coverage, reimbursement and adequate payment from government bodies, health maintenance organisations and other third-party payers; and
- Advances in other competing detection and diagnostic methods.

Physicians, patients, payers or the medical community may be unwilling to accept, use or recommend the Company's products which would adversely affect its potential reviews and future profitability. The medical diagnostic industry is highly competitive and involves large, well established, and well-funded corporations. There may also be other aggressive, fast moving start-up companies that emerge in this space

e) Manufacturing

The initial technology transfer to a third-party manufacturer is complete. Scale-up of the Company's manufacture to support clinical studies, regulatory applications and commercialisation is underway but not complete. As such, there is a risk that production scale-up may present technical difficulties, or even not work at all. Technical difficulties could include the inability to produce medical devices that meet regulatory specifications or the production from manufacturing batches may be insufficient to conduct the clinical studies as currently planned that may lead to potential delays to laboratory based and/or clinical trial testing. There is no certainty that the core technology will be suitable for all high throughput automated machines that may lead to delays and require further optimisation. Licensing and manufacturing agreements may be required, with no certainty that these will be completed in a timely manner or on appropriate commercial terms. Any unforeseen difficulty relating to manufacturing, scale up processes, replication of existing processing or the external sourcing of other key materials may negatively impact the Company's ability to generate profit in future and add to costs incurred to rectify and a unknown period of time.

f) Innovative and clinical stage technological development

The Company's initial technology is at a clinical stage of development and further development is necessary. If the Company's proposed products are shown to be appropriate for human application or ineffective for its initial intended purposes, or have additional applications that may require further investigation, or the cost of commercial scale manufacture becomes too expensive, the value of the Company's technology and resulting value of its Shares may be materially harmed.

g) Commercial risk

The Company may, from time to time, consider acquisition, licensing, partnership or other corporate opportunities for the Company's product development programs. There can be no assurance that any such acquisition, licensing, partnership or corporate opportunities can be concluded on terms that are, or are believed by the Company to be, commercially acceptable. In the case of licensing and partnership opportunities, even if such terms are agreed there is a risk that the performance of distributors and the delivery of contracted outcomes by collaborators will not occur due to a range of unforeseen factors relating to environment, technology and market conditions.

h) Intellectual property

The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Securing rights in technology, manufacturing and patents is an important part of securing

potential product value in the outcomes of medical device research, development and commercialisation. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

Because the patent position of medical device companies can be highly uncertain and frequently involves complex legal and factual questions, neither the breadth of claims allowed in medical device patents nor their enforceability can be predicted. There can be no assurance that any patents which the Company may own, access or control will afford the Company commercially significant protection of its technology, its products or their commercial application, or that access to these patents will mean that the Company will be free to commercialise its product.

The granting of a patent does not guarantee that the rights of others are not infringed or that competitors will not develop technology or products to avoid the Company's patented technology. The Company does not guarantee that current submitted intellectual property, or future submitted intellectual property will be granted in the countries that it has been submitted. The Company's current patenting strategies do not cover all countries which may lead to competition arising in those markets.

i) Infringement of third-party IP

If a third party accuses the Company of infringing its IP rights or if a third party commences litigation against the Company for the infringement of patent or other IP rights, the Company may incur significant costs in defending such action, whether or not it ultimately prevails. Costs that the Company incurs in defending third party infringement actions would also include diversion of management's and technical personnel's time. In addition, parties making claims against the Company may be able to obtain injunctive or other equitable relief that could prevent the Company from further developing discoveries or commercialising its products / technology. In the event of a successful claim of infringement against the Company, it may be required to pay damages and obtain one or more licenses from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, if at all, it could encounter delays in product introductions and loss of substantial resources while it attempts to develop alternative products / technology. Defence of any lawsuit or failure to obtain any of these licenses could prevent the Company or its partners from commercialising available products / technology and could cause it to incur substantial expenditure.

j) Product liability

As with all new products, even after the granting of regulatory approval, there is no assurance that unforeseen adverse events or defects will not arise. Adverse events could expose the Company to product liability claims or litigation, resulting in the removal of the regulatory approval for the relevant products and/or monetary damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage.

k) Reliance on key personnel

The Company currently employs a number of key management and scientific personnel. The Company's future depends on retaining and attracting suitably qualified personnel. The Company has included in its employment with key personnel, terms aimed at providing incentives attractive for the recruitment and retention of such personnel. It has also, as far as legally possible, established contractual mechanisms through employment and consultancy contracts to limit the ability of key personnel to join a competitor or compete directly with the Company. Despite these measures, however, there is no guarantee that the Company will be able to attract and retain suitably qualified personnel, and a failure to do so could materially and adversely affect the value of the Company's technology and resulting value of its Shares may be materially harmed.

l) Dependence on service providers

The Company intends to operate a significant amount of its key activities through a series of contractual relationships with licensees, independent contractors, manufacturers, suppliers and distributors. All of the Company's contracts carry a risk that the third parties do not adequately or fully comply with its or their respective contractual rights and obligations. Such failure can lead to termination and/or significant damage to the Company's research, development and commercialisation efforts that may add time and additional costs.

m) Stock Market Volatility

The price of Shares may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors. Investors who decide to sell their Shares after the Company's capital raising may not receive the entire amount of their original investment. The price of Shares listed on ASX may also be affected by multiple factors including the Company's financial performance and by changes in the business environment.

The Shares carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX. No guarantee can be given that the Company's share price will be greater than the issue price.

n) Value of the New Options

The New Options that are being issued as part of the Offer are issued for no additional consideration but require the exercise price for each Option to be paid at the time of exercise. If the prevailing trading price of the Company's shares during the Option's exercise period is lower than the exercise price for the New Options, then it is likely that the New Options will not be exercised. In this case, for investors, the unexercised New Options will not have a value and will lapse on the respective expiry dates of the New Options. If the New Options are not exercised, or only some are exercised, then the Company may not receive the proceeds that would otherwise be generated if Option holders pay the Option exercise price. This possibility may reduce the amount of capital that the Company would receive if all of the New Options are exercised on or before the respective Option expiry dates.

o) Impact of COVID-19

The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously evolving. The global economic outlook is facing uncertainty due to the COVID-19 pandemic which has had and may continue to have a significant impact on capital markets and share prices. The Company's Directors are closely monitoring the situation and considering the impact on the Company's business from both a financial and operational perspective.

To date, COVID-19 has affected equity markets, governmental action, regulatory policy, quarantining, self-isolations and travel restrictions. These impacts are creating risks for the Company's business and operations in the short to medium term. There has been an impact on the Company's recruitment of patients and appointment of additional hospital sites for its clinical trial. Further, shipping and supply (domestic and international) delays have impacted and may continue to impact the Company, delaying the receipt of critical R&D material as part of the research and development program. This may extend to the receipt of manufactured kits for laboratory and clinical trial testing. Staff reduction in some international supplier businesses may also extend typical processing and shipping times. The Company has provided the ASX and market updates relating to COVID-19 and its

potential impact. The Company has in place business continuity plans and procedures to help manage the keys risks that may cause a disruption to the Company's business and operations, but their adequacy cannot be predicted.

6.3 **Concluding Comment**

The above list of risk factors ought not to be taken as an exhaustive one of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the New Shares and New options offered under this Prospectus.

Investment in the Company must be regarded as highly speculative and neither the Company nor any of its Directors or any other party associated with the preparation of this Prospectus guarantee that any specific objectives of the Company will be achieved or that any particular performance of the Company or of the New Shares and New Options, including those offered by this Prospectus, will be achieved.

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction specific prospectus in relation to offers of securities (or options to acquire such securities) where those securities are of a class which have been quoted for 12 months before the date of that prospectus.

7.2 Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been a Director or officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company.

7.3 Taxation

The acquisition of Offer Securities and disposal of Offer Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to take independent financial advice about the consequences of acquiring Offer Securities from a taxation viewpoint and generally.

The Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with subsequent disposal of any Offer Securities subscribed for under this Prospectus as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Directors recommend that all Eligible Shareholders consult their own professional tax advisers.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability or responsibility with respect to the taxation consequences of subscribing for New Shares under this Prospectus.

7.4 Continuous Disclosure and Documents Available for Inspection

This Prospectus is issued pursuant to section 713 of the Corporations Act.

Section 713 of the Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 12 months, disclosing entities.

The Company is a "disclosing entity" for the purposes of section 713 of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations which requires it to disclose to ASX any information of which it is, or becomes, aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Eligible Shareholders intending to participate in the Offer should refer to the announcements made by the Company to the ASX. This information is available from the ASX website, www.asx.com.au (ASX Code: RHY), and the Company's website, www.rhythmbio.com.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit

review or report. These reports are released to ASX and published on the Company's and ASX's websites.

The Company will provide a copy of each of the following documents, free of charge, to any person who asks for it prior to the Closing Date:

- a) the Annual Report for the financial year ended on 30 June 2020, being the annual financial report most recently lodged with ASIC by the Company; and
- b) any continuous disclosure notices given by the Company after the lodgement of the Annual Report referred to in paragraph a) above and before the lodgement of this Prospectus with ASIC. Such notices are listed below under the heading "ASX Releases" in Section 7.6.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

7.5 Details of Substantial Shareholders

Based on publicly available information as at 27 July 2021 those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue are set out below:

Shareholder	No of Shares	%
Otto Buttula	27,400,000	13.55
Michelle Wing	18,749,761	9.28

7.6 ASX Releases

ASX releases of the Company since the date of lodgement of the Company's latest annual report and prior to the date of lodgement of this Prospectus are listed below:

Date	ASX Announcement title
31 Aug 20	Annual Report
31 Aug 20	Appendix 4G and Corporate Governance Statemen
01-Sep-20	Entitlement Offer - Results
03-Sep-20	Appendix 2A and Cleansing Notice
03-Sep-20	Change of Director's Interest Notice x 4
03-Sep-20	Notice of initial substantial holder
04-Sep-20	Notice of Initial Substantial Holder - amended
09-Sep-20	Notice of change of interests of substantial holder
09-Sep-20	Cancellation of Options & Current LTI Plan
10-Sep-20	Addtl Clinical Trial Site Signed - First Patient Recruited
14-Sep-20	Revised CEO Contract and LTIP initiated for all employee
14-Sep-20	Revised CEO Contract and LTIP for all employees - amended
14-Sep-20	Appendix 3G
14-Sep-20	Appendix 2A
14-Sep-20	Proposed issue of Securities - RHY
16-Sep-20	Rhythm Successfully Validates Two Adjunct Biomarkers
16-Sep-20	Notice Required Under ASX Listing Rule 3.13.1
23-Sep-20	New Clinical Trial Site Contracted and Recruiting
29-Sep-20	Final Two Adjunct Biomarkers Technically Validated

06-Oct-20	2020 AGM - Letter to Shareholders & Proxy Form
06-Oct-20	Notice of Annual General Meeting
16-Oct-20	Rhythm Receives \$1.1m R&D Tax Incentive
27-Oct-20	Ethics Approval Received, New Clinical Trial Site Added
29-Oct-20	Appendix 4C - quarterly
12-Nov-20	ColoSTAT Prototype Complete, Outperforms FIT
18-Nov-20	AGM Presentation - November 2020
18-Nov-20	Results of Meeting
18-Nov-20	Amended Constitution
19-Nov-20	Investor Presentation
20-Nov-20	Change of Director's Interest Notice
20-Nov-20	Appendix 3G
02-Dec-20	Rhythm Appoints Global Manufacturer for ColoSTAT
17-Dec-20	Rhythm Secures US Patent - Strengthens Global Footprint
21-Dec-20	Investor Presentation - December 2020
05-Jan-21	Response to ASX Price Query
11-Jan-21	Change in substantial holding
19-Jan-21	Rhythm Advances ColoSTAT Study 7
20-Jan-21	Initial Manufacturing of ColoSTAT Test-Kits Complete
28-Jan-21	Appendix 4C - quarterly
29-Jan-21	Rhythm Top 20 Shareholder Update
02-Dec-20	Rhythm Appoints Global Manufacturer for ColoSTAT
29-Jan-21	Rhythm Top 20 Shareholder Update
05-Feb-21	Appendix 2A and Cleansing Notice
11-Feb-21	Rhythm Expands ColoSTAT Clinical Trial To Tenth Site
25-Feb-21	Appendix 4D and Half Yearly Report and Accounts
16-Mar-21	Study 6 Successfully Concluded - Exceptional Results
31-Mar-21	Rhythm Retains ISO13485 Certification
31-Mar-21	Rhythm Extends ColoSTAT Clinical Trial to Western Australia
13-Apr-21	Rhythm Extends ColoSTAT Clinical Trial to Western Australia
20-Apr-21	Appendix 2A and Cleansing Notice
27-Apr-21	Appendix 4C - quarterly
06-May-21	Rhythm Betters ColoSTAT Results
18-May-21	FY22 Strategic Update
16-Jun-21	RHY adds Sonic Clinical Services to ColoSTAT Clinical Trial
17-Jun-21	Rhythm to Present at MST Access Investor Conference
15-Jul-21	Rhythm Establishes US Entity To Drive US Expansion Strategy
15-Jul-21	Final Director's Interest Notice
26-Jul-21	Notification regarding unquoted securities - RHY
26-Jul-21	Notification regarding unquoted securities - RHY
27-Jul-21	Proposed issue of securities - RHY

The Company may make further ASX announcements after the date of this Prospectus. Copies of the abovementioned announcements (as well as any further announcements) will be available on the ASX website, www.asx.com.au under the Company's code "RHY". You are advised to refer to the ASX's website and the Company's website for announcements or updates relating to the Company.

7.7 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers

would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to New Shares and New Options in the Company.

7.8 Shortfall Commitment arrangements

The Company entered a written agreement with each the Shortfall Investors, the terms of which include:

- a) Each Investor is to subscribe for the number of Shortfall Investors specified in the table below at the issue price of \$0.85 per Share,
- b) The Company and each investor has provided the other with representations and warranties customary for such a placement, and
- c) the Company pay each investor a commitment fee equal to 5% of their respective sum committed.

The only Shortfall Investor who is a Related Party of the company is Webinvest Pty Ltd <OLSB Unit A/c>, as associate of the Chairman Mr Otto Buttula. Prior shareholder approval (to be sought at the Company's 2021 Annual General Meeting, expected to take place in November 2021) will be required before any Shortfall Shares can be issued to Webinvest Pty Ltd.

Shortfall Investors

Investor Name	No of Shares	Subscription Amount
John Langley Hancock	1,117,647	\$949,999.95
Michelle Wing	500,000	\$425,000.00
Webinvest Pty Ltd <OLSB Unit A/c>	294,118	\$250,000.30
Rojo Nero Capital Pty Ltd	294,118	\$250,000.30
Jekl Holding Pty Ltd <Kittel Property Trust>	211,765	\$180,000.25
Glenbervie Road Pty Ltd <Oliphant Family A/c>	205,882	\$174,999.70
Alastair Hugh Gurner <Gurner Superannuation Nominees Pty Ltd>	200,000	\$170,000.00
Giokir Pty Ltd <Giokir Family A/c>	176,471	\$150,000.35
Gavncath <Shepherd Investment A/c>	117,648	\$100,000.80
David Kenley	117,648	\$100,000.80

7.9 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- a) the formation or promotion of the Company;
- b) any property acquired or proposed to be acquired by the Company in connection with its promotion or formation or in connection with the offer of New Shares; or
- c) the offer of New Shares, other than as ordinary Shareholders,
- d) and no amounts or benefits have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director:
- e) to induce him or her to become, or to qualify him, as a Director; or
- f) for services rendered by him or her in connection with the promotion or formation of the Company or the offer of New Shares.

The current Directors' and their nominees' current shareholdings and interests in Shares and options (prior to the capital raising the subject of this Prospectus) are as follows:

	Otto Buttula	Trevor Lockett	Lou Panaccio	Eduardo Vom
Current Number of Shares	27,400,000	160,000	800,000	3,552,667
Current percentage holding	13.55%	0.08%	0.40%	1.76%
Current number of options	Nil	1,500,000	Nil	Nil
Entitlement	685,000	4,000	20,000	88,817
Maximum number of Shares following the Offer	28,085,000	164,000	820,000	3,641,484
Maximum percentage of Shares following the completion of the Offer (assuming there is no Shortfall)	13.55%	0.08%	0.40%	1.76%

Notes: *All Directors have indicated that they intend to take up some or all of their Entitlement in full, representing an aggregate investment of approximately \$0.62 million in the Company.

The remuneration currently paid (including superannuation and non-cash share based payments) to Directors or their nominees during the past two financial years preceding the lodgement of this Prospectus with ASIC is set out below:

Director	FY 2021 \$	FY 2022 \$
Mr Otto Buttula - Non-Executive Chairman	84,000	7,000
Dr Trevor Lockett - Executive Director	268,860	9,333
Mr Lou Panaccio - Non-Executive Director	42,000	3,500
Mr Eduardo Vom - Non-Executive Director	42,000	3,500

7.10 Related Party Transactions

There are no related party transactions entered into that have not otherwise been disclosed in this Prospectus.

7.11 Restricted securities

The Company as at the date of this Prospectus does not have any of its issued securities classified as 'restricted securities' (as defined in the Listing Rules).

7.12 Estimated Costs of the Offer

If the Offer is fully subscribed, the expenses of the Offer (exclusive of GST) are estimated to be approximately as follows:

Expenses	\$
Legal (in the preparation of this Prospectus)	20,000
Printing, postage and share registry	53,209
Other – Shortfall Commitment Fees (Assuming Full Subscription)	137,500
Total	210,709

If the Offer is fully subscribed, the cash expenses of the Offer alone (exclusive of GST) are estimated (from the table above) to be approximately **\$211,000**.

7.13 Consents and Interests of Parties

Each of the parties referred to in this Section does not make, or purport to make, any statement in this Prospectus other than as specified in this Section and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than the reference to its name or a statement included in this Prospectus with the consent of that party as specified in this Section.

Link Market Services Limited has given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context in which it is so named. Link Market Services Limited does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied,

regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the 2 years before the date of this Prospectus, any interest in:

- » the formation or promotion of the Company;
- » property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of New Shares pursuant to this Prospectus; or
- » the offer of New Shares pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of New Shares issued pursuant to this Prospectus.

7.14 Electronic Prospectus

A copy of the Prospectus can be downloaded from the website of the Company at www.rhythmbio.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian or New Zealand resident and must only access this Prospectus from within Australia or New Zealand. You may obtain a hard copy of this Prospectus free of charge by contacting the Company on +61 3 96140600 during business hours or requesting it by email of pmoffatt@northernstar.com.

7.15 Financial Forecasts

The Directors have considered the applicable laws and do not believe that they have a reasonable basis to forecast future earnings, on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast.

7.16 Directors' authorisation

Each Director of the Company has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

8. DIRECTORS' STATEMENT

The Directors have made all reasonable enquiries in the preparation of this Prospectus and on that basis have reasonable grounds to believe that any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors, the Directors have made reasonable enquiries and on that basis have reasonable grounds to believe that persons making the statement or statements were competent to make such statements, those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares or New Options pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors.

Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.

Otto Buttula, Chairman
Rhythm Biosciences Limited

9. DEFINITIONS

In this Prospectus the following terms and abbreviations have the following meanings, unless otherwise stated or unless the context otherwise requires:

\$ or AUD means Australian dollar;

Additional Shares means New Shares applied for by an Eligible Shareholder under the Top-Up Facility that are in excess of the Eligible Shareholder's Entitlement;

AFSL Holders means a holder of an Australian Financial Services Licence;

Applicant refers to a person who submits an Entitlement & Acceptance Form or makes payment via Bpay®;

Application refers to the submission of an Entitlement & Acceptance Form or making payment via Bpay®;

Application Monies means monies payable by Applicants in respect of their Applications;

ASX means ASX Limited ACN 008 624 691 or the Australian Securities Exchange, as the context may require;

ASX Settlement Operating Rules means ASX Settlement Pty Limited's operating rules.

Board means the board of Directors;

Business Day has the meaning ascribed to it in the Listing Rules.

CHESS means Clearing House Electronic Subregister System.

Class A Option means a New Option, subject to the Option Terms, to purchase a Share with an exercise price of \$1.20 and an Expiry Date of 31 August 2022;

Class B Option means a New Option, subject to the Option Terms, to purchase a Share with an exercise price of \$1.80 and an Expiry Date of 31 July 2024;

Closing Date means the closing date of the Offer being 5.00 pm AEST on 5.00 pm 3 September 2021 (subject to the right of the Company to vary the date without notice);

Company means Rhythm Biosciences Limited ACN 619 459 335;

Constitution means the constitution of the Company;

Corporations Act means Corporations Act 2001 (Cth);

Directors means the directors of the Company;

Eligible Shareholder means a Shareholder whose details appear on the Company's register of Shareholders as at the Record Date whose registered address is in Australia or New Zealand;

Entitlement means the entitlement to subscribe for 1 New Share for every 40 Shares held by an Eligible Shareholder on the Record Date (and to receive 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer, including Class A Options and Class B Option in the same ratio for all subscriptions under any Shortfall) as set out in the Entitlement & Acceptance Form and **Entitlements** has a corresponding meaning;

Entitlement & Acceptance Form means the Entitlement & Acceptance Form accompanying this document;

FMC Act means Financial Markets Conduct Act 2013 (New Zealand);

Ineligible Foreign Shareholder means a Shareholder, at the Record Date whose registered address is not situated in Australia or New Zealand;

Issue Price means \$0.85 (85 cents) per New Share;

Listing Rules means the listing rules of the ASX;

New Option means a Class A Option and or a Class B Option (as the case may be) issued pursuant to this Prospectus;

New Shares means the Shares proposed to be issued pursuant to this Offer, including all Shares issued pursuant to the Top-Up Facility;

Offer or Rights Issue Offer means non-renounceable pro rata offer of New Shares on the basis of 1 New Share for every 40 Shares held on the Record Date at the Issue Price, plus 1 Class A Option and 1 Class B Option for every 2 New Shares subscribed under the Offer (including Class A Options and Class B Option in the same ratio for all subscriptions of any Shortfall pursuant to this Prospectus);

Offer Securities means collectively the New Shares and the New Options under this Prospectus;

Opening Date means the opening date of the Offer being 10 August 2021 (subject to the right of the Company to vary the date without notice);

Option Terms means the terms applicable to the Class A Options and the Class B Options, a copy of which terms is attached as Annexure A to this Prospectus;

Record Date means 7.00 pm AEST on 6 August 2021;

Related Bodies Corporate has the meaning as provided in the Corporations Act 2001;

Relevant Interest has the same meaning as provided in the Corporations Act;

Rights means the right to subscribe for New Shares held at the Record Date pursuant to the Offer;

Share means a fully paid ordinary share in the capital of the Company;

Shareholder means a holder of Shares;

Shareholder Approval means the approvals sought and obtained from Shareholders at the Company's Annual General Meeting to be held no later than November 2021.

Share Registry means Link Market Services Limited;

Shortfall means the aggregate amount by which all Eligible Shareholders do not apply for their full Entitlement under the Offer;

Shortfall Investors means the investors listed in Section 7.8 who have agreed to subscribe up the amounts specified in Section 7.8 towards any Shortfall;

Shortfall Offer means the offer by the Directors to place any Shortfall at their discretion (other than to Directors and related parties of the Company) within 3 months after the close of the Offer at a price not less than the Issue Price of \$0.85 per New Share;

Shortfall Shares means up to an aggregate of approximately 3.24 million Shares across all Shortfall Investors;

Top-Up Facility means the mechanism by which Eligible Shareholders can apply for Additional Shares;

Please note that references in this Prospectus to "Sections" are to sections of this Prospectus.

10. CORPORATE DIRECTORY

Directors

Mr Otto Buttula	Non-Executive Chair
Mr Lou Panaccio	Non-Executive Director
Dr Trevor Lockett	Executive Director
Mr Eduardo Vom	Non-Executive Director

Company Secretaries

Mr Adrien Wing

Ms Pauline Moffatt

Registered office

Level 2,
480 Collins Street,
Melbourne VIC 3000
Australia

Operating laboratories and office

Bio21 Institute of Molecular Science and Biotechnology
30 Flemington Road
Parkville VIC 3010
Australia

Share Registry

Link Market Services Limited
Level 12
250 St Georges Terrace
Perth WA 6000
Australia

Telephone: 1300 554 474

Annexure A - Option Terms and Conditions

Each option specified in this certificate (**New Options**) entitles the holder (**Option Holder**) to subscribe for and be issued one fully paid ordinary share (**Share**) in **Rhythm Biosciences Limited** ACN 619 459 335 (**Company**) on the following terms:

1. Subject to clause 2 below and also any restrictions imposed by the ASX Limited (**ASX**), each Option is exercisable at any time until and including their expiry date, namely 5pm (AEST) on the following dates:
 - (a) if the New Options are Class A Options, then 31 August 2022
 - (b) if the New Options are Class B Options, then 31 July 2024
 each an **Expiry Date**. Any New Options not exercised by the Expiry Date will automatically lapse at 5pm (AEST) on the Expiry Date.
2. The New Options may be exercised for part or all of the New Options vested at a particular time by the Option Holder giving written notice in the form set out below (**Notice of Exercise**) to the Company at its registered office prior to the Expiry Date together with payment in full of the respective exercise price as follows:
 - (a) if the New Options are Class A Options, then \$1.20 per Share
 - (b) if the New Options are Class B Options, then \$1.80 per Share
 each an **Exercise Price**.
3. On receipt by the Company of the Notice of Exercise and payment of the Exercise Price, the Company must, within 2 Business Days and if the Shares are listed on the ASX within the time period prescribed by the Listing Rules of the ASX (**ASX Listing Rules**):
 - (a) allot to the Option Holder one Share in the Company for each Option exercised by the Option Holder;
 - (b) cause to be despatched to the Option Holder the relevant acknowledgement of issue, a holding statement or share certificate (as applicable) as soon as is reasonably practicable detailing the issue of the relevant Share/s; and
 - (c) issue (if applicable) a new holding statement (or option certificate) for the balance of the New Options that remain unexercised.
4. Shares allotted on the exercise of New Options will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company (except in respect to any dividends which shall have been declared but not yet distributed before the actual exercise of an Option) and will be subject to the provisions of the Constitution of the Company.
5. The New Options are transferable by an Option Holder on written notice to the Company, and where the Shares are quoted, in accordance with the ASX Listing Rules.
6. In the event of a pro rata issue of Shares by the Company, the Exercise Price for each Option will be adjusted in accordance with Listing Rule 6.22.2 of the ASX Listing Rules (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
7. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any New Options, the number of New Options to which each Option Holder is entitled or the Exercise Price of his or her New Options or both must be reorganised in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganisation (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
8. An Option does not confer the right to participate in new issues of capital offered to holders of Shares (**Rights Entitlement**) during the currency of the New Options without exercising the New Options. However, the Company will use reasonable endeavours to procure that for

the purpose of determining Rights Entitlements to any such issue, the Option Holder is to receive at least 2 days written notice from the Company of the pending closing or record date and sufficient time for the Option Holder to exercise the New Options prior to that closing or record date in order to qualify for the participation in the Rights Entitlement.

9. In the event of the liquidation of the Company, all unvested or unexercised New Options will lapse upon the occurrence of that liquidation.
10. The New Options do not provide any entitlement to dividends paid to ordinary shareholders.
11. The New Options do not entitle the Option Holder to vote at any meeting of shareholders
12. To the extent (if any) that any of these Option Terms And Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and these Option Terms And Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to these terms; and
13. These Terms and Conditions are governed by the laws of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria.



ACN 619 459 335

All Registry communications to:
Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia
Telephone: 1300 554 474
From outside Australia: +61 1300 554 474
ASX Code: RHY
Website: www.linkmarketservices.com.au

IID:

SRN/HIN:

Entitlement Number:

**Number of Eligible Shares held as
at the Record Date, 7:00pm (AEST)
on 6 August 2021:**

**Entitlement to New Shares
(on a 1 New Share for 40 basis):**

**Amount payable on full acceptance
at A\$0.85 per Share:**

Offer Closes 5:00pm (AEST):	3 September 2021
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ENTITLEMENT AND ACCEPTANCE FORM

Entitlement and Acceptance Form for the Company's Non-renounceable Rights Issue Offer. As an Eligible Shareholder you are entitled to acquire 1 New Share for every 40 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.85 per New Share. You may also apply for New Shares in excess of your Entitlement up to the value of A\$30,000 at the Offer Price. This is an important document and requires your immediate attention. If you do not understand it or you are in doubt as how to deal with it, you should contact your accountant, stockbroker, solicitor or other professional adviser.

IMPORTANT: The Offer is being made under the Prospectus dated 30 July 2021. The Prospectus contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Prospectus. This Entitlement and Acceptance Form should be read in conjunction with the Prospectus.

If you do not have a paper copy of the Prospectus, you can obtain a paper copy at no charge, by calling 1300 554 474 (within Australia) or +61 1300 554 474 (from outside Australia).

PAYMENT OPTIONS

If you wish to take up all or part of your Entitlement (as shown above), or take up all of your Entitlement and apply for additional New Shares, you have two payment options detailed below.

OPTION 1: PAYING BY BPAY®

If paying by BPAY®, refer to the instructions overleaf. **You do NOT need to return the acceptance slip below if you elect to make payment by BPAY®.** Payment must be received via BPAY® before 5:00pm (AEST) on 3 September 2021. You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry in time. By paying by BPAY® you will be deemed to have completed an Application Form for the number of Shares subject of your application payment.

OPTION 2: PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

If paying by cheque, bank draft or money order, complete and return the acceptance slip below with your Application Monies. No signature is required on the acceptance slip. The acceptance slip with your Application Monies must be received by the Registry before 5:00pm (AEST) on 3 September 2021.



Biller Code: [XXXXXXX]
Ref:

Telephone & Internet Banking – BPAY®

Contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. More info: www.bpay.com.au

® Registered to BPAY Pty Ltd ABN 69 079 137 518

See overleaf for details and further instructions on how to complete and lodge this Entitlement and Acceptance Form.

THIS IS A PERSONALISED FORM FOR THE SOLE USE OF THE SHAREHOLDER AND HOLDING RECORDED ABOVE.



ACN 619 459 335

Please detach and enclose with payment



IID:

SRN/HIN:

Entitlement Number:

A

Number of New Shares accepted (being not more than your Entitlement shown above)

B

Number of additional New Shares
(maximum value of A\$30,000)

C

Total number of New Shares accepted
(add Boxes A and B)

+

=

D

PLEASE INSERT CHEQUE, BANK DRAFT OR MONEY ORDER DETAILS – Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to “Rhythm Biosciences Limited” and crossed “Not Negotiable”.

Drawer

Cheque Number

BSB Number

Account Number

Amount of Cheque

E

CONTACT DETAILS – Telephone Number

Telephone Number – After Hours

Contact Name

RHYTHM BIOSCIENCES LIMITED

The Entitlement Offer to which this Entitlement and Acceptance Form relates is not being made to investors located or resident outside of Australia and New Zealand. In particular the Entitlement Offer is not being made to any person in the U.S. or to a U.S. person. The Prospectus and Entitlement and Acceptance Form do not constitute an offer or invitation to acquire Shares in any place in which, or to any person to whom, it would be unlawful to make such an offer or invitation.

ACCEPTANCE OF ENTITLEMENT OFFER

By either returning the Entitlement and Acceptance Form with payment to the Registry, or making payment received by BPAY®:

- you represent and warrant that you have read and understood the Prospectus and that you acknowledge the matters, and make the warranties and representations;
- you provide authorisation to be registered as the holder of New Shares acquired by you and agree to be bound by the Constitution of Rhythm Biosciences Limited.

HOW TO APPLY FOR NEW SHARES

1. IF PAYING BY BPAY® (AVAILABLE TO SHAREHOLDERS WITH AN AUSTRALIAN BANK ACCOUNT ONLY)

If you elect to make payment using BPAY® you must contact your bank or financial institution to make this payment from your cheque, savings, debit or transaction account. For more information on paying by BPAY®: www.bpay.com.au

Work out the total amount payable by you. To calculate the total amount, multiply the number of New Shares you wish to apply for by A\$0.85.

Refer overleaf for the Biller Code and Reference Number. The Reference Number is used to identify your holding. If you have multiple holdings you will have multiple Reference Numbers. You must use the Reference Number shown on each personalised Entitlement and Acceptance Form when paying for any New Shares that you wish to apply for in respect of that holding.

2. IF PAYING BY CHEQUE, BANK DRAFT OR MONEY ORDER

Complete all relevant sections of the Entitlement and Acceptance Form USING BLOCK LETTERS. These instructions are cross referenced to each section of the Entitlement and Acceptance Form.

A. Acceptance of New Shares

Enter into section A the number of New Shares you wish to apply for. The number of New Shares must be equal to or less than your Entitlement, which is set out overleaf.

B. Application for Additional New Shares

You can apply for more New Shares than your Entitlement. Please enter the number of **additional** New Shares (maximum value of A\$30,000) above your Entitlement for which you wish to apply into Box B. Your Application for additional New Shares may not be successful (wholly or partially). The decision of Rhythm Biosciences Limited on the number of New Shares to be allocated to you will be final. No interest will be paid on any Application Monies received or returned.

C. Total Number of New Shares Subscribed for

To calculate total number of New Shares subscribed for, add Box A and Box B and enter this in Box C.

D. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section D. Cheques, bank drafts or money orders must be drawn on an Australian branch of a financial institution in Australian currency, made payable to "Rhythm Biosciences Limited" and crossed "Not Negotiable". Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. If you provide a cheque or money order for the incorrect amount, Rhythm Biosciences Limited may treat you as applying for as many New Shares and Additional New Shares as your cheque, bank draft or money order will pay for.

E. Contact details

Enter your contact telephone number where we may contact you regarding your acceptance of New Shares, if necessary.

3. HOW TO LODGE YOUR ENTITLEMENT AND ACCEPTANCE FORM

A reply paid envelope is enclosed for your use. No postage stamp is required if it is posted in Australia. Alternatively, if you have lost the reply paid envelope, or you have obtained the Prospectus electronically, your completed Entitlement and Acceptance Form with the payment for New Shares may be mailed to the postal address set out below. **If paying by BPAY® you do not need to complete or return the Entitlement and Acceptance Form.** You should check the processing cut off-time for BPAY® transactions with your bank, credit union or building society to ensure your payment will be received by the Registry by the close of the offer.

Mailing Address

Rhythm Biosciences Limited
C/- Link Market Services Limited
GPO Box 3560
Sydney NSW 2001

Make sure you send your Acceptance Slip and application payment allowing enough time for mail delivery, so Link Market Services Limited receives them no later than 5:00pm (AEST) on 3 September 2021. Please ensure sufficient cleared funds are held in your account, as your cheque will be banked as soon as it is received. Rhythm Biosciences Limited reserves the right not to process any Acceptance Slips and cheques received after the Closing Date.

If you have any questions about the Offer or the Company, please contact Rhythm Biosciences Limited by phoning 03 9614 0600, if calling within Australia, or +61 3 9614 0600, if calling from outside Australia, from 9.00am to 5.00pm (AEST) Monday to Friday.