

# Rhythm Biosciences Limited

ACN 619 459 335  
(ASX code: RHY)

## Non-renounceable rights issue Offer

*Non-renounceable pro-rata offer to Eligible Shareholders on the basis of 3 New Shares for every 5 Shares held as at the Record Date at an Issue Price of \$0.06 (6 cents) per New Share (**Offer**) to raise approximately \$3.627 million.*

### Important Notice

*This Offer Document is not a prospectus or other form of disclosure document under the Corporations Act. It does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.*

*This Offer Document is important and requires your immediate attention. It should be read in its entirety. If you do not understand its content or are in doubt as to the course you should follow, you should consult your stockbroker or professional adviser without delay.*

*Please read the instructions in this Offer Document and on the accompanying Entitlement & Acceptance Form regarding the acceptance of your Entitlement.*

**This Offer Document is not for release, publication or distribution in the United States or elsewhere where such an offer would be in contravention of securities laws.**

## Important Notes

### 1. Offer document

This Offer Document has been prepared by Rhythm Biosciences Limited ACN 619 459 335 (the **Company**). This Offer Document is not a prospectus or other form of disclosure document under the *Corporations Act 2001* Cth (**Corporations Act**) and has not been lodged with ASIC. The Offer contained in this Offer Document is being made without disclosure in accordance with section 708AA of the Corporations Act as modified by ASIC Corporations (Non-Traditional Rights Issue) Instrument 2016/84.

As a result, it is important for Eligible Shareholders to read and understand the information on the Company and the Offer made publicly available, before accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Document, the Company's annual reports and other announcements made available at [www.rhythmbio.com](http://www.rhythmbio.com) or [www.asx.com.au](http://www.asx.com.au).

### 2. This is an important document

The information contained in this Offer Document does not constitute investment advice and has been prepared without taking into account each Eligible Shareholder's investment objectives or financial circumstances. You should seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

The Offer Document does not contain all of the information that an investor would find in a prospectus or which may be required in order to make an informed investment decision regarding the Offer or about the rights attaching to the New Shares offered by this Offer Document.

### 3. Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offer which is not contained in this Offer Document. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with the Offer.

To the extent permitted by law, neither the Company nor any other person warrants the future performance of the Company or any return on any investment made under this Offer Document, except as required by law and then only to the extent so required.

### 4. Future performance and forward-looking statements

Neither the Company nor any other person warrants, represents or guarantees (expressly or by implication) the future performance of the New Shares or any particular rate of return on any investment made pursuant to Offer, or any particular tax treatment.

This Offer Document contains certain "forward looking statements". Forward-looking statements include those words such as "believe", "anticipate", "estimate", "expect", "will", "plan", "should", "may", "intend", "likely", "forecast" and other similar expressions but not limited to statements regarding the outcome and effects of the Offer. Forward-looking statements, opinions and estimates provided in the information in this Offer Document are based on assumptions and contingencies which are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements in this Offer Document are current and speak only as at the date of this Offer Document.

No representation or warranty (express or implied) is given as to the accuracy, completeness or correctness, likelihood of achievement or reasonableness of any forecasts, prospects or returns contained in this Offer Document.

While due care and attention have been used in the preparation of forward-looking statements, you are cautioned not to place undue reliance on such statements. To the maximum extent permitted by law, the Company disclaims any obligation or undertaking to release any updates or revisions to such information to reflect any change in expectations or assumptions.

### 5. Past performance

Investors should note that the Company's past performance including Share price performance provides no guarantee or guidance as to future Share price performance.

Any past performance information given in this Offer Document is provided for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance including the Company's future financial position or Share price performance.

## 6. Risks

An investment in the Company is subject to investment and other known and unknown risks, uncertainties and assumptions, many of which are outside the control of the Company and its board, which could cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied by any forward-looking statements in this Offer Document.

Refer to the 'Risks' section included in section 6 of this Offer Document for a summary of general and specific risk factors that may affect the Company.

## 7. Eligibility

Applications for New Shares by Eligible Shareholders can only be made on an original Entitlement & Acceptance Form sent with this Offer Document (or payment via BPAY®, as described herein). The Entitlement & Acceptance Form sets out an Eligible Shareholder's Entitlement to participate in the Offer.

## 8. Overseas Shareholders

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer or to issue this Offer Document. No action has been taken to permit a public offering of the New Shares under the Offer in any jurisdiction outside of Australia and New Zealand.

It is not practicable for the Company to comply with the securities laws of any other overseas jurisdictions other than Australia and New Zealand having regard to the number of overseas Shareholders, the number and value of the New Shares these Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction.

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 & Acceptance Form (or payment by BPAY®) 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 or New Zealand. Shareholders outside

Australia or New Zealand (**Ineligible Foreign Shareholders**) should refer to Section 2.15 for details of how their Entitlement will be dealt with.

Shareholders resident in New Zealand should consult their professional advisors as to whether any government or other consents are required, or other formalities need to be observed, to enable them to take up their Entitlements under the Offer.

## 9. Not for Distribution outside Australia and New Zealand

This document does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The New Shares have not been, nor will be, registered under the U.S. Securities Act of 1933 (U.S. Securities Act) or the securities laws of any state or other jurisdiction of the United States.

The Entitlements may not be taken up by, and the New Shares may not be offered or sold to, any person in the United States or any person that is, or is acting for the account or benefit of, any person in the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and applicable U.S. state securities laws.

This document may not be released or distributed in the United States. The distribution of this document in other jurisdictions outside Australia and New Zealand may also be restricted by law and any such restrictions should be observed. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

## 10. Currency

All references to A\$, \$A, dollar or \$ in this Offer Document are to Australian currency.

## 11. Definitions and references to time

Capitalised words and expressions in this Offer Document have the meaning given to them in Section 7. Unless otherwise stated, any reference to time in this Offer Document is a reference to Melbourne, Australia time.

## 12. Date of this Offer Document

This Offer Document is dated 31 July 2020.

## Key Offer details

Key details of the Offer	
Offer to Eligible Shareholders	3 New Shares for every 5 Shares held at the Record Date
Issue Price per New Share	\$0.06 or 6 cents per New Share payable in full on Application
Maximum number of New Shares issued under the Offer	60,450,000 New Shares
Maximum proceeds from the Offer (excluding costs associated with the Offer)	Approximately \$3.627 million (before expenses and costs of the issue)
Maximum number of Shares on issue following the Offer and on completion of both of the Initial Placement and the Related Party Placement (refer to Section 3 below)	201,312,500 Shares

## Important dates\*

Event	
Record Date (to determine Entitlement of Eligible Shareholders to participate in the Offer)	Tuesday, 28 July 2020
Placement Allotment Date (other than those requiring Shareholder Approval)	Wednesday, 29 July 2020
Opening Date of Rights Issue Offer - Despatch of the Offer Document and Entitlement & Acceptance Form to Eligible Shareholders	Friday, 31 July 2020
Closing Date for acceptances under the Rights Issue Offer	5:00 pm AEST on Friday, 28 August 2020
Shortfall (if any) announced to the ASX	Tuesday, 1 September 2020
Issue of the New Rights Issue Shares	Thursday, 3 September 2020
Trading (T+2) of New Shares expected to commence	Friday, 4 September 2020
Despatch of holding statements for Shares issued under Rights Issue Offer.	Monday, 7 September 2020

\* The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the Closing Date or to withdraw the Offer at any time without prior notice, in which case all Application Monies will be refunded (without interest) as soon as practicable. Any extension of the Closing Date will have a consequential effect on the issue date of New Shares. All dates and times are references to Melbourne, Australia time.

## Letter from the Chairman

31 July 2020

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 3 New Shares for every 5 Shares held at the Record Date of 28 July 2020 at an Issue Price of 6 cents per New Share (**Offer**).

As announced on 23 July 2020, the Company, as part of its current overall capital raising, has received approximately \$0.9 million via a private placement (**Initial Placement**) which was supported by existing and new investors at a share price of 6 cents (which is the same as the price of this Offer). These investors will effectively complete their subscriptions after the Record Date for this Offer and as such will not receive any entitlement to subscribe under the Offer. The Offer is not underwritten, but the Company has received commitments to subscribe for any shortfall under the Offer (if any) from the Shortfall Investors (see section 5.3 below) for a total of up to \$2.25 million.

Further, and as a show of my confidence in and support for the Company, I have provided a binding commitment to the Company to subscribe \$1,500,000 by way of a placement (at the same 6 cents per Share) for 25 million Shares (**Related Party Placement**), which Related Party Placement is subject to prior shareholder approval at a General Meeting scheduled to take place on 25 August 2020, prior to the Closing Date of the Offer.

Rhythm Biosciences is providing existing shareholders with the opportunity under this Offer to participate under the same terms as agreed under the Initial Placement and Related Party Placement. The Offer is to be made pursuant to s708AA of the Corporations Act and may be summarised as follows:

- Australian and New Zealand residents holding Shares may subscribe under the Offer for 3 New Shares for every 5 Shares held as at the Record Date of 7.00 pm AEST on 28 July 2020.
- New Shares are priced at \$0.06 (6 cents) per New Share.
- The Offer of approximately 60,450,000 New Shares may raise up to approximately \$3.627 million.
- If there remains any Shortfall after allocation 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 to wholesale or exempt investors at the Board's discretion but at a price no less than the Offer Price, including the subscription by the Shortfall Subscribers of up to \$2.25m for 37.5million Shortfall Shares.

A copy this Offer Document has been lodged with the ASX and can be accessed on the ASX website or via the Rhythm Biosciences website.

The funds from the Offer are important and will be applied to furthering research and development, 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

## 1. Summary

Item	Explanation	Where to find Information
<b>What is the Offer?</b>	Non-renounceable rights issue offer of New Shares ( <b>Offer</b> )	Section 2.1
<b>What are the terms of the Offer?</b>	3 New Share for every 5 Shares held on the Record Date at an issue price of \$0.06 (6 cents) per Share. All Share Entitlements issued will be rounded up to the nearest whole number.	Section 2.1
<b>Can I sell or transfer my Entitlements?</b>	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 2.7
<b>Can I purchase Additional Shares at the same price?</b>	No, but 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 Offer Price, which will include placement of up to the number of Shortfall Shares to the Shortfall Investors.	Section 2.10
<b>Is the Offer underwritten?</b>	No, the Offer is not underwritten, but the Shortfall Investors have given binding commitments to subscribe for an aggregate of up to \$2.25 million of any shortfall in the Rights Issue	Sections 2.9 and 2.10
<b>Is there a Minimum Subscription Amount</b>	No, there is no minimum subscription amount	
<b>How do the New Shares rank in comparison to existing Shares</b>	All New Shares issued under the Rights Issue will rank equally in all respects with existing Shares from the date of their issue.	Section 2.19
<b>How do the New Shares rank in comparison to existing Shares</b>	All New Shares issued under the Rights Issue will rank equally in all respects with existing Shares from the date of their issue.	Section 2.19
<b>Who can invest?</b>	Eligible Shareholders of the Company as at 7.00 pm AEST on 28 July 2020 ( <b>Record Date</b> ).	Sections 2.1 and 2.6
<b>What are my choices?</b>	As an eligible Shareholder you may: <ul style="list-style-type: none"> <li>• take up all of your Entitlement under the Offer; or</li> <li>• exercise only a portion of your Entitlement and allow the balance to lapse; or</li> <li>• do nothing, in which case all of your Entitlements will lapse and you will receive no value for those lapsed Entitlements.</li> </ul>	Section 4.1

## 2. Details of the Offer

### 2.1 The Offer

The Company is offering Eligible Shareholders the opportunity to subscribe for 3 New Shares for every 5 Shares held at 7:00pm (AEST) on the Record Date at an Issue Price of \$0.06 per New Share.

Where the determination of the Entitlement of any Eligible Shareholder results in a fraction of a New Share, that will be rounded up to the nearest whole New Share.

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.

### 2.2 Size of the Offer

As at the date of this Booklet, the Company has on issue 100,750,000 Shares and 3,000,000 options.

Approximately 60,450,000 New Shares will be offered under the Offer to raise approximately \$3.627 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.

### 2.3 Use of Funds

The Offer (including any subscriptions required from the Shortfall Investors) will result in an increase in cash in hand of the Company of up to approximately \$3.627 million (before the payment of costs associated with the Offer).

Combined with the funds from the Initial Placement and Related Party Placement (assuming Shareholder Approval is obtained), this Offer would provide the Company of up to approximately \$6.0 million (before the payment of costs / expenses). It is currently proposed that the Company will use the combined funds as follows:

Description	A\$
Furthering and completing research and development of the current ColoSTAT® test	\$2.4m
The commencement of transfer to manufacture activities and initial scale up of capability trials	\$0.6m
Completion of the current clinical trial (Study 7) recruitment and preparation for regulatory submissions (CE Mark and TGA)	\$1.9m
Marketing and Business Development	\$0.3m
General Working Capital & Capital Raising costs	\$0.8m
Maximum funds raised under the combined Placement and the Offer	\$6.0m

\* 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.

## **2.4 Opening and Closing Date**

The Offer will open for receipt of acceptances on 31 July 2020. The Closing Date for acceptance of your Entitlement is 5.00pm (AEST) on 28 August 2020.

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.

## **2.5 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.

## **2.6 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 Offer Document.

## **2.7 No rights trading**

The Offer is non-renounceable. Accordingly, the Entitlements under the Offer will not be tradable on the ASX or otherwise capable of being sold or transferred. Shareholders who do not take up their Entitlement in full will not receive any value in respect of that part of the Entitlement they do not take up.

## **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.

## **2.10 Shortfall Commitment**

If any Shortfall remains the Directors reserve the right, subject to the Corporations Act, the Listing Rules, 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 \$0.06 per New Share). The Shortfall Investors have given binding commitments to subscribe for an aggregate of up to \$2.25 million of any shortfall under the Offer and will receive a commitment fee equal to 5% of the amount committed by the relevant investor.



## 2.11 Directors' interests

The relevant interest of each of the Directors in the securities of the Company as at the Record Date together with their respective Entitlement is set out in the table below:

	Existing Shares	Maximum Rights Issue Shares*
Mr Otto Buttula	1,500,000	900,000
Mr Lou Panaccio	500,000	300,000
Dr Trevor Lockett	100,000	60,000
Mr David White	530,220	N/A
Mr Eduardo Vom	710,000	426,000

### Notes:

\*All Directors (other than David White, who is an Ineligible Foreign Shareholder - see below) have indicated that they intend to take up their Entitlement in full, representing an investment of approximately \$101,160 in the Company. Mr Otto Buttula will also increase his interest in the Company if Shareholders approve his subscription of the Related Party Placement (see section 3.2 below).

## 2.12 Issue and despatch

The issue of New Shares offered by this Offer Document is expected to occur on 31 July 2020.

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 Offer Document. If that permission is not granted by ASX, 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 Offer Document.

It is expected that normal trading on ASX will commence in relation to New Shares on 4 September 2020.

## 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 allotted to them under this Offer Document. The notice will also advise Shareholders of their Holder Identification Number (**HIN**) and explain, for future reference, the sale and purchase procedures 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 Shares 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 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 Offer Document 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 of Shares (UBH).

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

This Booklet 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, 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 Booklet, 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 Offer Document 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 Offer Document 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 Offer Document 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 Booklet does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares 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.

## **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 Booklet 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 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 such volatile markets, 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 and may continue to have a significant impact on capital markets and share prices.

### 3. Effect of the 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 60,450,000.

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 Options are exercised prior to the Record Date and that all New Shares are issued under the Offer or placed after the Offer closes.

Shares	Number
Existing Shares as at date of the Offer	100,750,000
Maximum number of New Shares issued under the Offer (approximately)	60,450,000
Maximum number of New Shares issued under the Initial Placement and the Related Party Placement (approximately)	40,112,500
Maximum number of New Shares issued under the Initial Placement (approximately) if shareholders do not approve the Related Party Placement (for clarity, excluding any Shares which may be issued under the Related Party Placement)	15,112,500
<b>Total issued Shares following completion of both the Initial Placement and the Related Party Placement (approximate)</b>	201,312,500
<b>Total issued Shares following completion of the Offer completion of the Initial Placement (approximate) without shareholder approval for the issue of the Related Party Placement</b>	176,312,500

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 \$3.627 million.

Expenses of the Offer (including placement commitment and shortfall commitment fees) are expected to be approximately \$160,000.

#### 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 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 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) If no Eligible Shareholders take up their Entitlements under the Offer the Company will issue up to an aggregate of 37,500,000 shortfall shares to the Shortfall Investors (as subscribed) and may issue the balance of the Shortfall under the Offer to only a limited number of other or new investors and this may potentially result in a new investor having a substantial interest in the Company.
- (e) If the Shortfall Investors subscribe for Shares under the Offer (because there are Ineligible Foreign Shareholders and otherwise where not all Shareholders have accepted their Entitlements in full), this may potentially result in one or more of the Shortfall Investors having a substantial interest in the Company.
- (f) If the Offer is fully subscribed (i.e. there is no Shortfall) and Shareholders do not approve the issue of the Related Party Placement, Mr Buttula's relevant interest in the Company will decrease from their current level of 1.49% to 1.36%. If the Offer is fully subscribed and Shareholders approve the issue of the Related Party Placement, Mr Buttula's (and/or his respective nominee(s)) will be required to subscribe for the Director Placement Shares and his relevant interest in the Company will increase to 13.61%.

## 4. Action required by Shareholders

### 4.1 What Eligible Shareholders may do

The number of New Shares to which you are entitled (your **Entitlement**) is shown on the accompanying Entitlement & 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:

- (a) take up all or part of your Entitlement (refer to Section 4.2 below); or
- (b) do nothing, in which case all of your Entitlements will lapse (refer to Section 4.3 below).

As detailed in Section 2.15, Ineligible Foreign Shareholders cannot take any of the steps set out in Sections 4.1, 4.2 and 4.3.

### 4.2 Applying for New Shares

You may take up all or part of your Entitlement by

- (i) making payment by BPAY® corresponding to the component (part or all) of your Entitlement you wish to accept, or
- (ii) 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**  
**Entitlement 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 Offer Document; 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 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.

#### **4.4 Entitlement & Acceptance Form is binding**

A completed and lodged Entitlement & Acceptance Form (or payment by BPAY®) constitutes a binding offer to acquire New Shares on the terms and conditions set out in this Offer Document 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.

#### **4.5 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 Offer Document and the Entitlement & Acceptance Form in their entirety;
- (b) agreed to be bound by the terms of the Offer, the provisions of this Offer Document 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;
- (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 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 to be issued to you;
- (j) understood and acknowledged that the information contained in this Offer Document and your Entitlement & Acceptance Form is not investment advice nor a recommendation that the New Shares are suitable for you given your investment objectives, financial situation or circumstances;
- (k) acknowledged that this Offer Document is not a prospectus, does not contain all of the



information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to the ASX;

- (l) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6 of this Offer Document;
- (m) 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;
- (n) authorised the Company to correct any errors in your Entitlement & Acceptance Form or any other document provided to you;
- (o) agreed to provide any requested substantiation of your eligibility to participate in the Offer and your holding of Shares on the Record Date; and
- (p) 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 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 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.

#### **4.6 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 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.

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 Offer Document.

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.

#### **4.7 Brokerage**

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

#### **4.8 Queries concerning your Entitlement**

If you have any queries concerning your Entitlement please contact the Company Secretary on +61 3 9614 0600.

## **5. Additional information regarding the Offer**

### **5.1 Reliance on Offer Document**

The Offer is made pursuant to section 708AA of the Corporations Act without the issue of a prospectus or disclosure document under Chapter 6D of the Corporations Act. These provisions of the Corporations Act allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Offer, when read with this Offer Document, is publicly available.

This Offer Document is not a prospectus, disclosure document or other offering document under the Corporations Act (or any other Australian or foreign law) and has not been lodged with ASIC.

For the Company to rely on the disclosure exemption in section 708AA of the Corporations Act, the Company is required to lodge a "cleansing notice" under section 708AA(2)(f) of the Corporations Act. That notice is required to:

- (a) set out any information that has been excluded from a continuous disclosure notice in accordance with the Listing Rules and that investors and their professional advisers would reasonably require, and would reasonably expect to find in a disclosure document, for the purpose of making an informed assessment of:
  - (i) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; or
  - (ii) the rights and liabilities attaching to the New Shares; and
- (b) state the potential effect of the issue of the New Shares on the control of the Company and the consequences of that effect.

The Company has lodged a cleansing notice in respect of the Offer with ASX on 23 July 2020.

### **5.2 Announcements**

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's securities.

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](http://www.asx.com.au) (ASX Code: RHY), and the Company's website, [www.rhythmbio.com](http://www.rhythmbio.com).

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.

Copies of the Company's announcements and yearly and half yearly financial reports will also be available from the Company Secretary.

### **5.3 Shortfall Commitment arrangements**

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

- Each Investor is to subscribe for the number of Shortfall Investors specified in the table below at the issue price of \$0.06 per Share,
- The Company and each investor has provided the other with representations and warranties customary for such a placement, and
- the Company paid each investor a commitment fee equal to 5% of their respective sums

subscribed.

**Shortfall Investors**

<b>Investor Name</b>	<b>No of Shares</b>	<b>Subscription Amount</b>
CPS Capital (and/or nominees)	20,833,334	\$1,250,000
James Cameron (and/or nominee)	8,333,333	\$500,000
Adrien Wing (and/or nominee)	8,333,333	\$500,000
Total	37,500,000	\$2,250,000

## 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. The New Shares carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

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 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. 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 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 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<sup>®</sup> test kit. The appointment of suitable 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 pivotal, prospective 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 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

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 transfer and 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. 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 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) Impact of COVID-19

The global impact of the COVID-19 pandemic, and the advice and responses from health and regulatory authorities, is continuously developing. 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 may impact the Company, delaying the receipt of critical R&D material as part of the research and development program. Staff reduction in some 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.

## 7. Defined terms

**\$ or AUD** means Australian dollar;

**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;

**Board** means the board of Directors;

**Closing Date** means the closing date of the Offer being 5.00 pm AEST on 28 August 2020 (subject to the right of the Company to vary the date without notice);

**Company** means Rhythm Biosciences Limited ACN 619 459 335;

**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 3 New Shares for every 5 Shares held by an Eligible Shareholder on the Record Date and 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;

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

**Initial Placement** has the meaning as provided in the Chairman's letter;

**Issue Price** means \$0.06 (6 cents) per New Share;

**Listing Rules** means the listing rules of the ASX;

**New Shares** means the Shares proposed to be issued pursuant to this Offer;

**Offer** means non-renounceable pro rata offer of New Shares on the basis of 3 New Share for every 5 Shares held on the Record Date at the Issue Price pursuant to this Offer Document;

**Offer Document** means this offer document dated 31 July 2020;

**Opening Date** means the opening date of the Offer being 31 July 2020 (subject to the right of the Company to vary the date without notice);

**Record Date** means 7.00 pm AEST on 28 July 2020;

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

**Related Party Placement** has the meaning as provided in the Chairman's letter;

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

**Shareholder** means a holder of Shares;

**Shortfall Investors** means the investors described in section 5.3;



**Shortfall Shares** means up to an aggregate of 37,500,000 Shares across all Shortfall Investors

**Share Registry** means Link Market Services Limited;

**Shortfall Investors** means the investors listed in Section 5.3 who have agreed to subscribe up the amounts specified in Section 5.3 towards any Shortfall.

**Shortfall or Shortfall Shares** means any New Shares not taken up by Eligible Shareholders under the Offer.

**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 \$0.06 per New Share.

## 8. Corporate directory

### **Directors**

Mr Otto Buttula	Non-Executive Chair
Mr Lou Panaccio	Non-Executive Director
Dr Trevor Lockett	Executive Director
Mr David White	Non-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

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ACN 619 459 335

All Registry communications to:  
Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia  
  
Telephone: 03 9614 0600  
From outside Australia: +61 3 9614 0600  
ASX Code: RHY  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**SRN/HIN:**

**Entitlement Number:**

**Number of Eligible Shares held as  
at the Record Date, 7:00pm (AEST)  
on 28 July 2020:**

**Entitlement to New Shares  
(on a 3 New Shares for 5 basis):**

**Amount payable on full acceptance  
at A\$0.06 per Share:**

<b>Offer Closes 5:00pm (AEST):</b>	<b>28 August 2020</b>
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## ENTITLEMENT AND ACCEPTANCE FORM

As an Eligible Shareholder you are entitled to acquire 3 New Shares for every 5 Existing Shares that you hold on the Record Date, at an Offer Price of A\$0.06 per New Share. 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 Offer Document dated 31 July 2020. The Offer Document contains information about investing in the New Shares. Before applying for New Shares, you should carefully read the Offer Document. This Entitlement and Acceptance Form should be read in conjunction with the Offer Document.

### PAYMENT OPTIONS

If you wish to take up all or part of your entitlement, 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 28 August 2020. 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.



**Biller Code:** 327148  
**Ref:**

#### 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 28 August 2020.

#### 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](http://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.**

*Please detach and enclose with payment*



ACN 619 459 335

**SRN/HIN:**

**Entitlement Number:**



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

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**B** Payment amount  
(Multiply the number in section A by A\$0.06)

**A\$**

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**C 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
				<b>A\$</b>

**D CONTACT DETAILS** – Telephone number

Telephone number – after hours

Contact name

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## 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 Offer Document 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 Offer Document 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](http://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\$0.06.

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. Payment Amount

Enter into section B the total amount payable by you. To calculate the total amount multiply the number in Section A by A\$0.06.

##### C. Cheque, bank draft or money order details

Enter your cheque, bank draft or money order details in section C. 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 as your cheque, bank draft or money order will pay for.

##### D. 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 Offer Document 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 28 August 2020. 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 queries concerning your Entitlement please contact the Company +61 3 9614 0600.**