RHYTHM™
BIOSCIENCES

REPLACEMENT PROSPECTUS

RHYTHM BIOSCIENCES LIMITED ACN 619 459 335

This Prospectus is for an offer of 45,000,000 New Shares at an issue price of $0.20 per New Share to raise $9 million before costs, referred to herein as the **Equity Offer**.

This Prospectus also contains an offer of 750,000 Advisor Shares ("the Advisor Share Offer") (see Section 10.3 for further details).

Lead Manager to the Equity Offer:
Taylor Collison Limited [AFSL 247083]

TAYLOR COLLISON

The Equity Offer is not underwritten

Proposed ASX Code: RHY

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

The securities offered under this Prospectus should be considered highly speculative.


Taking
Australian
innovation
to the world

CONTENTS

General

This Replacement Prospectus (**Prospectus**) is dated 30 October 2017 and was lodged with ASIC on that date. Neither ASIC or ASX, nor any of their respective officers, take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No person is authorised to give information or make any representation in connection with the Offers that is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by Rhythm Biosciences Limited (the **Company** or **Rhythm**) in connection with this Prospectus.

It is important you read this Prospectus in its entirety and seek professional advice where necessary. The New Shares, the subject of this Prospectus, should be considered highly speculative.

Replacement Prospectus

This Prospectus is a replacement prospectus and replaces the prospectus dated 17 October 2017. This replacement prospectus has been issued to provide for various additional disclosures which include:

- The opening date of the Equity Offer has been amended to the date of this replacement prospectus.
- Amendments to ensure consistency in the manner to which the Company's patent applications are referred and to more clearly distinguish between the patents that have been granted and those which are under application.
- Inclusion of proximate cross-references to the summary of the Licence Agreement in Section 12.1(a) where the Licence is referenced in the Chairman's Letter and Investment Overview and identification in those cross-references of certain remedies available to the licensor in the event of breaches of the Licence Agreement (including the loss of exclusivity). Additionally, minor amendments have been made to the content, and cascade of information, within the summary of the Licence Agreement.
- Amendment of the Contract and Litigation Risk to refer to, and cross reference, the Licence Agreement.
- Amendments to clarify references to Figure 1 in Section 2.2.
- Amendments to the Market Acceptance and Competitor Risk in the Investment Overview to include a summary of the more detailed competitor risk set out in Section 5.

For the purposes of this document this replacement prospectus will be referred to as either the Prospectus or the Replacement Prospectus.

Investment Advice

This Prospectus does not provide investment advice and has been prepared without taking account of your financial objectives, financial situation or particular needs (including financial or taxation issues). You should seek professional investment advice before subscribing for New Shares under this Prospectus.

Exposure Period

An Exposure Period during which the Company was prohibited from processing applications applied to the Offers, which has expired. No applications were received during the Exposure Period and no preference would have been given to applications if they had been received.

Expiry Date

No securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Documents Incorporated by Reference

The Company's historical audited special purpose consolidated financial report for the period from incorporation 1 June 2017 to 30 June 2017 and historical audited special purpose consolidated financial report for the period 1 July 2017 to 31 August 2017 have been lodged with ASIC and are taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Further detail about these documents is provided in Section 6.2.2. Any person may request a copy of any of the above documents during the application period of this Prospectus, which the Company will provide free of charge. A copy of each of the above documents can also be downloaded from the Company's website at www.rhythmbio.com/reports.

Company Website

Other than the above financial reports which are incorporated in this Prospectus by reference, any references to documents included on the Company's website at www.rhythmbio.com are for convenience only. None of the other documents or information available on the Company's website is incorporated in this Prospectus by reference

Forward Looking Statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of past and present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its Directors and management.

Although the Company believes that the expectations reflected in the forward looking statements included in this Prospectus are reasonable, none of the Company, its Directors or officers, or any person named in this Prospectus, can give, or gives, any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur or that the assumptions on which those statements are based will prove to be correct or exhaustive beyond the date of its making. Investors are cautioned not to place undue reliance on these forward-looking statements. Except to the extent required by law, the Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus.

The forward-looking statements contained in this Prospectus are subject to various risk factors that could cause actual results to differ materially from the results expressed or anticipated in these statements. The key risk factors of investing in the Company are set out in Section 5 of this Prospectus.

Privacy Statement

By completing and returning an application or acceptance form, you will be providing personal information directly or indirectly to the Company, the Share Registry, the Lead Manager and other brokers involved in the Offers and related bodies corporate, agents, contractors and third-party service providers of the foregoing (**Collecting Parties**). The

Collecting Parties collect, hold and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

By submitting an application form, you authorise the Company to disclose any personal information contained in your application (**Personal Information**) to the Collecting Parties where necessary, for any purpose in connection with the Offers, including processing your acceptance of the Offers and complying with applicable law, the ASX Listing Rules, the ASX Settlement Operating Rules and any requirements imposed by any public authority.

If you do not provide the information required in respect of your application, the Company may not be able to accept or process your acceptance of the Equity Offer or the Advisor Share Offer. If the Offers are successfully completed, your Personal Information may also be used from time to time and disclosed to persons inspecting the register of Shareholders, including bidders for your New Shares and/or Advisor Shares in the context of takeovers, public authorities, authorised securities brokers, print service providers, mail houses and the Share Registry.

Any disclosure of Personal Information made for the above purposes will be on a confidential basis and in accordance with the Privacy Act 1988 (Cth) and all other legal requirements. If obliged to do so by law or any public authority, Personal Information collected from you will be passed on to third parties strictly in accordance with legal requirements. Once your Personal Information is no longer required, it will be destroyed or de-identified.

Subject to certain exemptions under law, you may have access to Personal Information that the Collecting Parties hold about you and seek correction of such information. Access and correction requests, and any other queries regarding this privacy statement, must be made in writing to the Share Registry at the address set out in the Corporate Directory in Section 14 of this Prospectus. A fee may be charged for access.

Currency

All financial amounts contained in this Prospectus are expressed as Australian currency unless otherwise stated. All references to "$" or "A$" are references to Australian dollars.

Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.rhythmbio.com/prospectus.

The Corporations Act prohibits any person passing onto another person an application or acceptance form unless it is attached to a hard copy of this Prospectus or it accompanies a complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an application or acceptance from a person if it has reason to believe that when that person was given access to the application or acceptance form, it was not provided together with the Prospectus and any relevant supplementary or replacement Prospectus or any of those documents were incomplete or altered.

Foreign Offer Restrictions

This Prospectus may not be distributed outside Australia. The New Shares may not be offered outside Australia. If you are outside Australia it is your responsibility to obtain any necessary approvals for the Company to allot and issue New Shares to you pursuant to this Prospectus.

Defined Terms

Unless the contrary intention appears or the context otherwise requires, words and phrases contained in this Prospectus have the same meaning and interpretation as given in the Corporations Act and capitalised terms have the meaning given in the Glossary in Section 13 of this Prospectus.

Time

All references to time in this Prospectus are references to Australian Eastern Daylight Time.

Trademarks

ColoSTAT™ is a trademark of the Company. All other trademarks are the property of their respective owners and should not be interpreted to mean that any owner or user of a trademark endorses the Prospectus or its content or that a commercial or other relationship between an owner or user of a trademark exists.

Photographs and Diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown in them endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this Prospectus are illustrative only and may not be drawn to scale.

Enquiries

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult your broker or legal, financial or other professional adviser without delay.

Should you have any questions about any of the Offers or how to accept any of the Offers, please call Mr Adrien Wing, the Company Secretary, on 03 9614 0600.

ASX BookBuild

The Company may elect to utilise ASX BookBuild and make a certain percentage of its New Shares available via the facility during the period of the Equity Offer. If the Company does proceed to use the ASX BookBuild facility, it will announce this (together with all relevant parameter information and other details as required by the ASX Operating Rules and the Corporations Act) on its website at www.rhythmbio.com when, and if, it elects to use the ASX Bookbuild facility. That announcement will also be issued via the ASX Market Announcements Platform.

Third Party Disclaimer

CSIRO makes no representation or warranty, express or implied, as to the accuracy, reasonableness or completeness of the information contained in this Prospectus. CSIRO expressly disclaims any and all liability for, or based on or relating to any such information contained in, or errors in, or omissions from, this Prospectus or based on or relating to prospective investors' use of the Prospectus.

Certain research and development activities of CSIRO are identified in this Prospectus. Such references appear as a matter of record.

*On behalf of the Directors, I am pleased to present you with this opportunity to become a shareholder of Rhythm Biosciences Limited ("**Rhythm**" or "the **Company**").*

Rhythm is seeking to bring to market a simple blood test, ColoSTAT™, for the reliable early detection of colorectal cancer. Colorectal cancer is the 2nd largest cause of cancer related deaths in the United States (US), European Union (EU) and Australia, and the 3rd largest cause of cancer related deaths globally. If detected early, cure rates can be as high as 90%. However, this falls to less than 10% when cancers are detected late.

Colonoscopy is currently the most reliable diagnostic test for colorectal cancer. However, it is expensive, invasive and carries a risk of complications including a risk (albeit very low) of mortality. Today, the most commonly used laboratory screening tests for colorectal cancer look for the presence of blood in faeces. However, blood in faeces is only a symptom and can appear for many reasons unrelated to cancer. The clinical need is for an alternative screening test to inexpensively and better identify those in greatest need of progressing to colonoscopy. A test that identifies biomarkers of the cancer itself has the potential to be more reliable.

Based on patented (both granted and under application) technology developed by CSIRO and the patent family having been assigned to Rhythm's fully owned subsidiary, Vision Tech, the proposed ColoSTAT™ product looks for target biomarkers in blood, not faeces, and intends to use analytical systems readily available in diagnostic laboratories worldwide. If initial encouraging laboratory results can be translated to a commercialised product for the clinic, healthcare professionals and patients will have access to a new front-line screening option that does not require faecal collection, which is off-putting to many and can result in low rates of adoption, and may help ensure those at higher risk of colorectal cancer are directed to colonoscopy first.

Rhythm has:

- A worldwide exclusive licence, held via its wholly owned subsidiary Vision Tech Bio Pty Ltd, over the intellectual property that underpins the proposed ColoSTAT™ solution and is grounded in 13 years of research. The intellectual property comprises one patent family that has now been assigned to Vision Tech and has progressed to grant in 4 jurisdictions and is under application in 3 more. The terms of the Licence Agreement, including royalty obligations, performance criteria and termination rights and remedies which include the potential conversion of the Licence to a non-exclusive Licence, are set out in the summary in Section 12.1(a).
- Access to a significant body of test data and know-how from CSIRO, Australia's national science agency, including results that are comparable in sensitivity and specificity to the in-market FIT faecal test.
- A strategic commercialisation plan seeking to bring the proposed ColoSTAT™ product to markets in Europe and Australia, then US.
- Access to a team of talented scientists and clinical collaborators and a Board with the experience, expertise and pedigree in biotech commercialisation.

Under this Prospectus, Rhythm is seeking to raise $9,000,000 by the issue of 45,000,000 New Shares under the Equity Offer. The Company is also making an offer of 750,000 Advisor Shares under the Advisor Share Offer. Upon Listing on the ASX, the Company will have a market capitalisation at the Equity Offer issue price of $20,150,000.

The proceeds from the Equity Offer are, after costs, proposed to be used by Rhythm to fund its commercialisation strategy consisting of continued research and development (to include further clinical trials; ongoing costs associated with intellectual property protection; regulatory submissions, and subject to the result of the testing, the commencement of its marketing and sales activities targeting Australia and EU, as well as to provide working capital.

This Prospectus contains detailed information about the technology to be commercialised, the Company's business, the market the Company intends to operate in, the Company's proposed commercialisation program and the Board and management team. It also outlines the range of potential risks associated with investment in the Company.

Our CEO and Managing Director, Dr Trevor Lockett, has joined Rhythm from CSIRO where he oversaw a significant amount of the Organisation's research in colorectal cancer diagnosis and prevention over the past 15 years, first as Theme Leader for Colorectal Cancer and Gut Health and more recently as Group Leader for Personalised Health. He is committed to helping the ColoSTAT™ solution realise its potential to deliver health impact and save lives.

The Rhythm Directors believe the opportunity is substantive due to the intellectual property it controls, its value proposition compared to other colorectal cancer screening tests, and its considerable potential global market, which all combine to give the Company the ability to create shareholder value.

Potential investors should consider an investment in the Company as highly speculative and should consult their professional advisers, and consider in particular the investment risks described in this Prospectus (including but not limited to risks in respect of intellectual property risks, the Company being in an early stage of development and the ability of the Company to obtain required regulatory approvals), before deciding whether to apply for New Shares pursuant to this Prospectus

The Directors of the Company believe that ColoSTAT™ has the potential to improve the early diagnosis of colorectal cancer. I, and the team at Rhythm, are excited by the challenge of translating this compelling biomedical research into the market where it can realise real health benefits for people globally.

I encourage you to read this Prospectus carefully and in its entirety before making your investment decision. I look forward to welcoming you as a shareholder.

Shane Tanner
Chairman

Indicative Timetable

Lodgement of Prospectus with ASIC	30 October 2017
Equity Offer Period opens	30 October 2017
Equity Offer Period closes*	22 November 2017
Issue of New Shares	7 December 2017
Dispatch of Holding Statements	8 December 2017
Quotation of Shares on ASX	13 December 2017

Broker Offer: An earlier date may be specified by brokers for returning applications and payment of application monies for allocations under the Broker Offer.

The above dates are indicative only and may change without notice. The Company, in consultation with the Lead Manager, reserves the right to extend or shorten the offer period or close the Offers in its absolute discretion and without prior notice. The Company also reserves the right not to proceed with all or part of the Offers prior to issue of New Shares.

The Offers

The Offers contained in this Prospectus are:

a. The Equity Offer which is an invitation to apply for 45,000,000 New Shares (fully paid ordinary shares in the capital of Rhythm Biosciences Limited (**Rhythm** or the **Company**)) at an issue price of $0.20 per New Share to raise $9,000,000 before costs (which is both the minimum and maximum subscription and raising amount). The Equity Offer is made up of:
   - The Broker Offer which is only open to clients of brokers who receive a firm allocation of New Shares from their Broker; and
   - The General Offer which is open to all eligible investors; and

b. The Advisor Share Offer of 750,000 Advisor Shares (fully paid ordinary shares in the capital of the Company) to be issued to Taylor Collison (and/or its nominees) for nil cash as consideration for services performed in connection with the Equity Offer. Details of the mandate giving rise to issue of the Advisor Shares are set out in section 12.1(c). Only the Lead Manager and recipients determined by the Lead Manager are eligible to accept the Advisor Share Offer and receive Advisor Shares.

The Equity Offer and the Advisor Share Offer are collectively referred to in this Prospectus as the "Offers".

The Offers are conditional upon:

a. The Company receiving applications and application monies for 45,000,000 New Shares ($9 million), under the Equity Offer; and
b. ASX giving its conditional approval for admission of the Company to the Official List and the quotation of the New Shares issued to successful applicants.

Note because the Advisor Shares are anticipated to be mandatorily escrowed for 24 months from Listing (or, if ASX does not impose mandatory escrow on the Advisor Shares, the Advisor Shares will be voluntarily escrowed for 12 months from Listing), the Advisor Shares will not be quoted at the time of Listing. As such, quotation of the Advisor Shares at that time is not a condition of the Offers. Nothing in this Prospectus is to be taking as stating or implying the Advisor Shares are to be quoted on ASX at the time the Company Lists.

The Offers will not proceed, no New Shares or Advisor Shares will be issued pursuant to this Prospectus, and application monies will be refunded to applicants in full (without interest) in accordance with the Corporations Act if:

a. The $9,000,000 raising amount is not received within 4 months of the date of this Prospectus (or any longer period as ASIC and ASX may permit); or
b. ASX's approval for admission of the Company to the Official List is not received and New Shares issued to successful applicants are not quoted within 3 months of the date of this Prospectus (or any longer period as ASIC and ASX may permit).

Key Statistics of the Offers

	Raising $9 million
Existing Rhythm Shares	55,000,000
Offer Price per New Share under the Equity Offer	$0.20
Total New Shares offered under Equity Offer	45,000,000
Cash proceeds to be received under Equity Offer (before costs)	$9,000,000
Total Advisor Shares under the Advisor Share Offer	750,000
Total number of Rhythm Shares at Listing	100,750,000
Market capitalisation at Offer Price	$20,150,000
Ownership of investors in the Equity Offer at the Listing date	44.67%

Shares may not trade at the Equity Offer Price upon, or after, Listing of Shares to trading on the ASX's Official List.

Note:
The Company also has 2 million options on issue to Trevor Lockett, the CEO and Managing Director of the Company. These options vest on 29 August 2018, are exercisable at $0.30 and expire three years from the date of Listing.

Section 1

Investment Overview

Item	Summary	Further Information
A. Company		
Who is the issuer of this Prospectus	Rhythm Biosciences Limited (ACN 619 459 335) (**Rhythm** or the **Company**).	
Who is Rhythm?	In 2003, CSIRO scientists began researching new opportunities to develop a blood test for colorectal cancer diagnosis. Literature analysis identified 68 proteins reported to vary in concentration in the blood (plasma and/or serum) of patients with and without colorectal cancer. Results from the most recent published case/control study, referred to as Study 4, using the ColoSTAT™ prototype test demonstrated overall performance comparable to FIT, informed the lodgement of a 10 biomarker patent granted in Europe, Japan, China and Australia, and led to the formation of Rhythm. Rhythm, through its wholly owned subsidiary Vision Tech Bio Pty Ltd, holds an exclusive worldwide licence to commercialise this technology. Trevor Lockett joined Rhythm as CEO and Managing Director from CSIRO to lead this development. The terms of the Licence Agreement, including royalty obligations, performance criteria and termination rights and remedies which include the potential conversion of the Licence to a non-exclusive Licence, are set out in the summary in Section 12.1(a).	Sections 3.1 and 3.3
What are Rhythm's aims and objectives?	The Company has the aim of progressing its prospective colorectal cancer screening product, ColoSTAT™, through further research and development over the next two years and thereafter to seek to bring the solution to market in Australia and European Union (EU) as initial target markets.	Section 3.4
What is ColoSTAT™?	ColoSTAT™ is a proposed diagnostic blood test for screening for colorectal cancer.	Section 3.2
What rights do the Company hold to commercialise ColoSTAT™?	The Company (through its subsidiary Vision Tech Bio Pty Ltd) holds the Licence to commercialise ColoSTAT™. A summary of the terms of the Licence is contained in Section 12.1(a).	Section 12.1(a)
What is the market opportunity for Rhythm?	Colorectal cancer is a significant global health risk. Colorectal cancer is currently the 2nd largest in Australia, Europe (EU) and the United States (US), and 3rd largest cause of cancer related deaths globally. However, if detected early, cure rates can be as high as 90%. The risk of developing colorectal cancer rises dramatically above the age of 50. In countries including Australia, UK and US, colorectal cancer screening is recommended for everyone between the ages of 50 and 74 years. The majority of this elevated-risk section of the population remain under-screened. In target territories this is estimated to be 132.1 million people. The current screening regimes include colonoscopies, the most reliable diagnostic test for colorectal cancer, are invasive and expensive, and faecal tests which can be off-putting. Rhythm is seeking to address this market opportunity with its prospective product, ColoSTAT™.	Section 2
What are Rhythm's primary R&D activities prior to commercialisation?	The primary R&D program is for Rhythm to establish its own sources of antibodies and target antigen materials which will then be tested in a study, referred to as Study 6. The Study 6 results are intended to provide evidence of analytical performance of the IVD product, and preliminary indications of clinical performance. Rhythm also plans to complete Study 7. The Study 7 results are intended to provide evidence of clinical performance of the proposed ColoSTAT™ product and support regulatory submissions in Europe and Australia.	Section 3.3

Item	Summary	Further Information
What is Rhythm's development program?	This transition to market requires multiple steps to ensure that the proposed ColoSTAT™ product is robust, scalable, meets the performance expectations of patients, clinicians and testing laboratories, as well as demonstrating safety and efficacy to the relevant regulatory bodies. To achieve this, the Company has identified the following key research and development and commercialisation milestones: • **Reagent Development:** Development of own antibodies and target antigen to provide supply consistency. • **IVD Kit Development and Production Transfer:** Ensuring the technology can work as a laboratory test. • **Clinical Trial:** Clinical trial to assess the clinical performance of ColoSTAT™ – Study 7. • **Regulatory Submissions:** Apply for TGA approval in Australia and CE mark in EU (subject to acceptable preliminary Study 7 results, initial FDA regulatory activities may commence). • **Product Sales / Reimbursement:** Enter market either direct or in partnership with distributors. This is currently anticipated no sooner than a two and a half year timeframe and remains subject to the results of outcomes of the milestones above.	Section 3.4
B. Investment Highlights and Risks		
What are the investment highlights of an investment in Rhythm?	Rhythm is seeking to commercialise the ColoSTAT™ test. A test based on the lead three protein biomarkers of the proposed ColoSTAT™ test, has a number of benefits: • Is cost effective. • Can be processed from an easily taken blood sample. • Has potential to achieve greater patient participation and compliance than faecal tests. • May save lives by providing another colorectal cancer screening option for patients unwilling or unable to participate in current screening programs. • May reduce the number of false positive and/or false negative results. • Can fit into existing infrastructure and workflows for pathology labs with minimal training required. • May reduce health system costs by reducing the number of unnecessary colonoscopies and/or assist with the prioritisation of patients for colonoscopic investigation. • Can lead to decreased physical burden of treatment to patients through earlier detection.	Section 3.2

Item	Summary	Further Information
What are the key risks of an investment in Rhythm?	**a. Intellectual Property Risks** The Company (through its wholly owned subsidiary) currently holds granted patents in Australia, Europe, Japan and China, and various pending applications in other jurisdictions including the US. The Company's success, in part, depends on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. The Company is aware that in the US diagnostic methods generally are becoming increasingly difficult to patent. A number of relatively recent decisions of the United Sates Supreme Court have determined that claims directed to diagnostic methods do not satisfy the eligibility requirement for patentable subject matters on the basis that such claims are directed to a natural law of nature. This creates a risk in respect of the Company's pending US patent application. **b. Early Stage of Development and Uncertainty of Research** The development and commercialisation of medical diagnostic products is subject to an inherent and high risk of failure. The Company is in the early stages of seeking to develop the ColoSTAT™ product and seeking to commercialise the underpinning intellectual property. A significant amount of development work is anticipated to be required to advance the Company's technology to a position where the ColoSTAT™ product is approved for commercialisation and sale. **c. Regulatory Approvals** Product commercialisation and development involves lengthy processes that are dependent on the evaluation by external groups such as Food and Drug Administration (in the US), European Commission (in the European Union) and approval from the Therapeutic Goods Association (in Australia). There is no guarantee the Company will meet the relevant regulator's benchmarks, which may require the Company to conduct further clinical studies, resulting in significant cost and delay, and which may ultimately result in a failure to receive the necessary regulatory approvals for the Company's products. **d. Market Acceptance and Competitor Risks** Ultimately any products developed by the Company need to find acceptance in a competitive market. Market acceptance depends on numerous factors, including convincing potential consumers and partners of the attractiveness of the Company's product and the ability to manufacture products to a sufficient quality and quantity to meet commercial demand at an acceptable cost. These and other factors may cause the Company's product to not gain market acceptance and will negatively affect the profitability of the Company. The Company is subject to risk from competitors including the introduction of new and emerging technologies or inventions, and/or improvements or price reductions in existing diagnostic or treatment options. An overview of the competitive landscape is set out in Section 2.7. The medical diagnostic industry is highly competitive and includes large, well-established and well-funded corporations who have access to substantially greater resources and more markets than the Company and which may be able to adopt aggressive research and development and marketing strategies to rapidly capture market share. **e. Sufficiency of Funding** The Company has provided an indication of how it intends to apply its existing funds, including funds raised under the Equity Offer, over the course of the next 2 years in Section 10.6. In the medium to long term, the Company's ability to implement its overall business strategy is likely to depend in part on its ability to continue to raise funds for its operations, including an ability to raise funds to conduct a clinical trial sufficient to support FDA approvals. **f. Dependence on Key Personnel and Contractors** The Company is dependent on the expertise of its key management and its ability to contract with third-party research and development providers including for the conduct of planned future clinical trials. The loss of key management or the inability to reach agreements with research and development providers could materially adversely affect the Company.	Sections 5.2 and 5.3

Item	Summary	Further Information
What are the key risks of an investment in Rhythm? Continued.	**g. Product Risks and Liability** As with all new public health products, even if the Company was successful in development of its product and obtains regulatory approval, there is no assurance unforeseen adverse events or manufacturing defects will not arise. **h. Change in Strategy** The Company's plans and strategies may evolve over time due to review and assessment of, amongst other things, trial results and data, market trends, the outcome of its intellectual property registrations/applications, changes in policy or regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new technologies or improvements in existing technology. **i. Contract and Litigation Risks** The Company, through its wholly-owned subsidiary, licenses certain know-how and holds the benefit of access to certain materials under licence from the CSIRO. There is a risk the Company may fail to meet its obligations under the Licence Agreement, or a dispute may arise in connection with payment of royalties or other rights or obligations of the parties under the Licence Agreement. The Licence Agreement provides for various remedies in the event of breaches which include rights of termination and, in the event of failure to meet specified performance criteria, a right to elect to convert the Licence to a non-exclusive licence. A summary of the Licence Agreement is set out in Section 12.1(a). **j. Foreign Currency and Exchange Rate Fluctuations** The Company's expenditure and potential future revenue may be domiciled in various currencies other than Australian dollars. This may expose the Company to foreign exchange movements, which has the potential to positively and negatively influence the Australian dollar equivalent to such revenue and expenditure. **k. Absence of Dividends** The Company does not expect to pay dividends in the short or medium term. The Directors are unable to give any assurance regarding the payment of dividends in the future, if any. **l. Liquidity and Realisation Risk** If restriction obligations (escrow) are applied to Shares held by existing shareholders, the remaining "free float" (shares that are tradable during any restriction period) may be limited, resulting in a decrease in active or potential sellers or buyers at any given time, which may result in an inactive or illiquid market for the Shares. The Company is also subject to general risks such as economic risks, government policy changes, unforeseen risks and taxation risks. An investment into Rhythm should be treated as speculative.	
C. Directors and Key Management Personnel		
Who are the directors of the Company?	The Current Directors of Rhythm are: • Shane Francis Tanner; • Trevor John Lockett; • Louis (Lou) James Panaccio; and • David John White The profiles of each of these individuals are set out in Section 4.1.	Section 4.1

<table>
<tr><th>Item</th><th>Summary</th><th>Further Information</th></tr>
<tr><td>What will the interests of Directors and key management be in the Company following completion of the Offer?</td><td>The equity interests of the Directors are set out in the tables below:
<table><tr><th></th><th>Shares (%)</th></tr><tr><td>Shane Tanner</td><td>1,500,000 (1.49%)</td></tr><tr><td>Trevor Lockett*</td><td>Nil (Nil)</td></tr><tr><td>Lou Panaccio</td><td>500,000 (0.50%)</td></tr><tr><td>David White</td><td>500,000 (0.50%)</td></tr></table>* Trevor Lockett, a Director of the Company holds 2,000,000 options that vest on 29 August 2018 with exercise price of $0.30 and expire three years from the date of Listing which, upon exercise, entitle the holder to a Share in the Company.</td><td>Section 4.3</td></tr>
<tr><td colspan="3">D. Key Financial Information</td></tr>
<tr><td>What is the key financial information?</td><td>The pro-forma statement of financial position of the Company as at 31 August 2017 is set out in Section 6 and has been reviewed by BDO Corporate Finance (East Coast) Pty Limited (ABN 70 050 038 170) as per the Investigating Accountant's Report presented in Section 7.

Other detailed financial information is included in Section 6, and in historical audited financial reports of the Company for the periods from incorporation (1 June 2017) to 30 June 2017 and 1 July 2017 to 31 August 2017 which have been lodged with ASIC and are incorporated in this Prospectus by reference. See Section 6.2.2 for further detail about these financial reports and how to obtain copies.</td><td>Sections 6 and 7</td></tr>
<tr><td>What is the financial outlook for the Company following completion of the Offer?</td><td>The operations of the Company are inherently uncertain. The Company's financial performance is dependent on the Company's ability to bring the proposed ColoSTAT™ product to market. This is reliant on continued research and development as well as further clinical trials; additional intellectual property protection; and regulatory submissions in initial target territories Australia and EU, before entering the market.

The Directors have provided an indication of how they will deploy funds received under the Equity Offer in Section 10.6.</td><td>Sections 6 and 10.6</td></tr>
<tr><td>What is the Company's dividend policy?</td><td>The Company does not, for the foreseeable future, expect to pay dividends and funds raised (after costs) are intended to be applied in accordance with the use of funds table set out in Section 10.6.

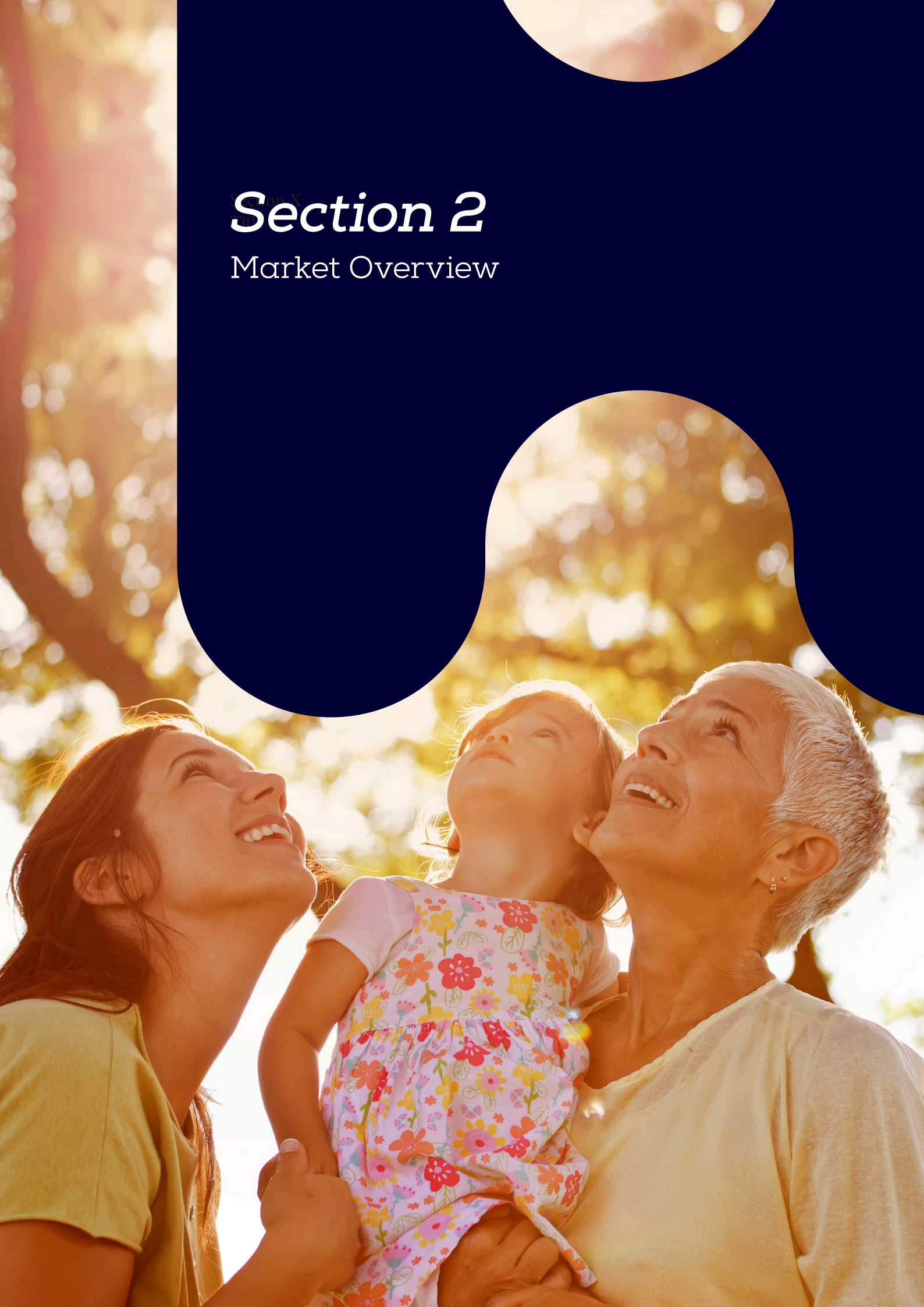
The Board of the Company will review the dividend policy on a regular basis. Any future payment of dividends will be at the discretion of the Board.</td><td>Section 6.9</td></tr>
<tr><td>How has Rhythm historically performed?</td><td>The Company was recently incorporated on 1 June 2017 and therefore has limited historical performance.</td><td>Sections 6.3 and 6.4</td></tr>
<tr><td colspan="3">E. Key Information on the Offers</td></tr>
<tr><td>What is the Equity Offer?</td><td>An offer of 45,000,000 New Shares at an issue price of $0.20 to raise $9,000,000 (before costs).</td><td>Section 10.2</td></tr>
<tr><td>How will the Equity Offer be structured?</td><td>The Equity Offer comprises:
• The Broker Offer which is only open to clients of brokers who receive a firm allocation of New Shares from their broker,
• The General Offer which is open to all eligible investors.</td><td>Section 11.1</td></tr>
<tr><td>What is the Advisor Share Offer?</td><td>An offer of 750,000 Advisor Shares to the Lead Manager and recipients determined by the Lead Manager for nil cash as consideration for services provided in connection with the Equity Offer.</td><td>Section 10.3</td></tr>
</table>

Item	Summary	Further Information
Are the Offers conditional?	Yes. New Shares and Advisor Shares will only be issued if, in summary: • The Equity Offer raises $9,000,000 (before costs); and • ASX giving its conditional approval for admission of the Company to the Official List and the quotation of the New Shares issued to successful applicants. Further detail is set out on page 8 and in section 10.9. If the conditions of the are not fulfilled, applicants will be refunded their application monies in full without interest in accordance with the Corporations Act.	Section 10.9
What are the minimum and maximum raising levels?	The raising amount is $9,000,000, which is both the minimum and maximum subscription. No New Shares will be issued pursuant to the Equity Offer and no Advisor Shares will be issued unless this amount is reached. Should the raising amount not be reached, all application monies will be dealt with in accordance with the Corporations Act. Where the Company receives subscriptions in excess of this amount it will scale back applications.	Section 10.9
How will the proceeds of the Equity Offer be used?	The Company will use proceeds from the Equity Offer to fund: • Continued research and development (to include further clinical trials); • Ongoing costs associated with intellectual property protection; • Regulatory submissions in Australia and EU (and commence regulatory supporting activities in the US); • Business development and marketing; and • Working capital. For details in respect of the amounts the Company will allocate to each category please refer to Section 10.6.	Sections 10.5 and 10.6
What will the Company's capital structure look like post completion of the Offer?	Immediately following completion of the Offers, the capital structure of the Company will be as set out below: Existing Rhythm Shares — 55,000,000 (54.59%) New Shares under the Equity Offer — 45,000,000 (44.67%) Advisor Shares under the Advisor Share Offer — 750,000 (0.74%) **Total Shares — 100,750,000** ***Note:*** *The Company also has 2 million options on issue to Trevor Lockett, the CEO and Managing Director of the Company. These options vest on 29 August 2018, are exercisable at $0.30 and expire three years from the date of Listing.*	Section 10.8
Will I be guaranteed a minimum allocation under the Equity Offer?	The relevant broker will determine how they allocate New Shares under the Broker Offer. The Company will at its discretion allocate the New Shares under the General Offer, and in conjunction with the Lead Manager, may reject General Offer applications or scale back General Offer applications and issue fewer New Shares than applied for.	Section 11.1
What are the terms of the New Shares and Advisor Shares under the Offers	The New Shares and Advisor Shares will rank equally with the existing ordinary Shares of the Company. A summary of the material rights and liabilities attaching to the New Shares and Advisor Shares offered under the Offers is set out in Section 12.3.	Section 12.3

Item	Summary	Further Information
Will any Shares be subject to escrow?	New Shares offered under the Equity Offer to investors pursuant to the Prospectus will not be subject to any escrow requirement by the ASX. As the Advisor Shares are being issued as consideration for services provided in connection with the Equity Offer, the Company anticipates the Advisor Shares will be subject to a mandatory escrow period of 24 months from Listing. In the event ASX does not impose mandatory escrow on the Advisor Shares, the Advisor Shares will be subject to a voluntary escrow period of 12 months from Listing. The existing securities in the Company may be subject to mandatory escrow under the ASX Listing Rules.	Section 11.4
When will the New Shares be quoted?	Application for quotation of all New Shares issued under the Equity Offer will be made to the ASX no later than 7 days after the date of this Prospectus.	Key Statistics of the Offers, Sections 10.9 and 11.4
Will the Advisor Shares be quoted at the time the Company Lists?	The Advisor Shares will be subject to an escrow period and therefore will not be quoted at the time the Company Lists. Nothing in this Prospectus is to be taken as stating or implying that the Advisor Shares are to be quoted on ASX at the time the Company Lists	Sections 10.9 and 11.4
What are the key dates of the Offer?	The key dates of the Offers are set out in the indicative timetable in the Key Statistics of the Offers.	Key Statistics of the Offers
F. Additional information		
Is there any brokerage, commission or stamp duty payable by applicants under the Offers?	No brokerage, commission or stamp duty is payable by applicants on acquisition of New Shares or by applicants on acquisition of Advisor Shares under the Offers.	Section 11.7
What are the tax implications of investing in New Shares?	Shareholders may be subject to Australian tax on dividends and possibly capital gains tax on a future disposal of New Shares subscribed for or Advisor Shares applied for under this Prospectus. Applicants under this Prospectus should seek their own tax advice before applying for securities issued under this Prospectus.	Section 11.9
Where can I find more information?	Additional information can be obtained through the following methods: • speaking to your broker, solicitor, accountant or other independent professional adviser; • by contacting Adrien Wing, the Company's Secretary, on (03) 9614 0600; or • by contacting the Share Registry on 1800 990 479 (within Australia) and +61 1800 990 479 (outside Australia) from 8.30am to 5.30pm (Sydney time) Monday to Friday (excluding public holidays).	Important Notices and Section 11.1

Section 2

Market Overview



2.1 Introduction

Colorectal cancer is a significant global health risk. Colorectal cancer is currently the 2nd largest in Australia, Europe (EU) and the United States (US), and 3rd largest cause of cancer related deaths globally. If detected early, cure rates can be as high as 90%. The risk of developing colorectal cancer rises dramatically above the age of 50. In countries such as Australia, UK, US and much of the EU, colorectal cancer screening is recommended for everyone between the ages of 50 and 74 years but the majority of this elevated-risk section of the population remain under-screened. Colonoscopies, the most reliable diagnostic test for colorectal cancer, are invasive and expensive, while faecal tests can be off-putting lowering take-up.

Rhythm is seeking to address this market opportunity with its prospective product, ColoSTAT™, a proposed lower cost, lower risk screening blood test for the accurate and early detection of colorectal cancer.

Colorectal Cancer is the 2nd largest cause of cancer related deaths in the US, UK and Europe

Elevated risk people remain under-screened as current tests can be either off-putting or expensive

ColoSTAT™ – a prospective blood test for the accurate early detection of colorectal cancer

2.2 Colorectal Cancer – Situation Analysis

Globally, excluding non-melanoma skin cancer, there were an estimated 14.1 million new cancer cases diagnosed and an estimated 8.2 million deaths from cancer in 2012 – reported by the World Health Organisation (WHO).

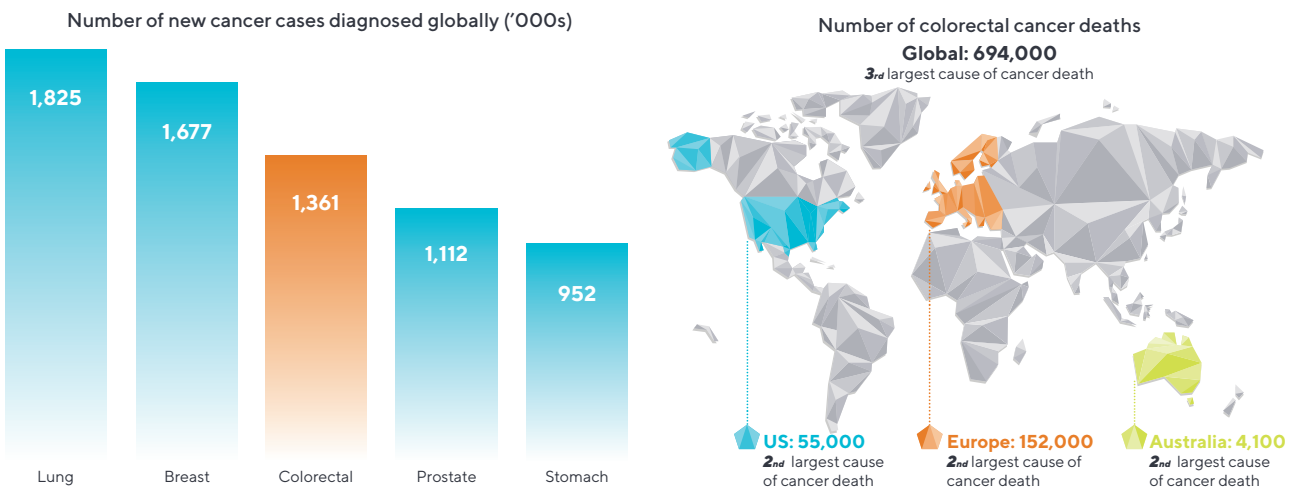
The WHO is predicting cancer rates to almost double within the next two decades, and that is anticipated to result in a major increase in both the human and financial cost of these diseases.

The graphic on the left-hand side of Figure 1 summarises the numbers of new cases diagnosed and deaths from different types of cancer worldwide in 2012. Globally, colorectal cancer is the third most common cancer with nearly 1.4 million new cases diagnosed (refer left-hand side of Figure 1), and the third largest cause of cancer deaths totalling approximately 694,000 (refer right-hand side of Figure 1).

Age, family history, shift work and lifestyle choices all impact on colorectal cancer risk. Within Australia, EU and US, colorectal cancer is the second highest cause of cancer-related deaths (refer right-hand side of Figure 1). In the US alone, approximately 135,000 new cases of colorectal cancer are projected to be diagnosed in 2017. Australia (together with New Zealand) has one of the highest incidence rates of colorectal cancer globally.

Recognising both the seriousness of the colorectal cancer problem and the savings in healthcare costs that can accrue from early detection and intervention, countries such as Australia have introduced colorectal cancer screening programs. When fully implemented (anticipated to be 2019), Australia's National Bowel Cancer Screening Program (NBCSP) will invite all eligible Australians in the 50-74 years age bracket, an age where the incidence of colorectal cancer rises sharply, to take a free test once every two years that will help detect those most likely to have colorectal cancer, opening up the opportunity for early intervention and improved treatment outcomes. However, even with such screening initiatives in place, many people are reluctant or refuse to screen for reasons including those identified in Section 2.5, below, compromising the effectiveness of such important health initiatives.

Figure 1: New cases of various cancers globally and deaths for colorectal cancers globally in 2012



Source:
World Cancer Research Fund International, WHO 2015.

2.3 Impact of Colorectal Cancer Stage on Survival

Between 2009-2013 in Australia statistics published by Cancer Australia indicated that for someone newly diagnosed with colorectal cancer the overall relative 5-year survival rate was 69%.

For any given case of colorectal cancer, the likelihood of survival is highly dependent on how advanced the cancer is at the time of removal. At the earliest stage, cancerous lesions can be removed during a colonoscopy and survival rates can be 90% or potentially even higher. Late stage treatment protocols become more invasive, are expensive and lengthy. Early detection and treatment of this disease increases treatment options and has the potential to save lives.

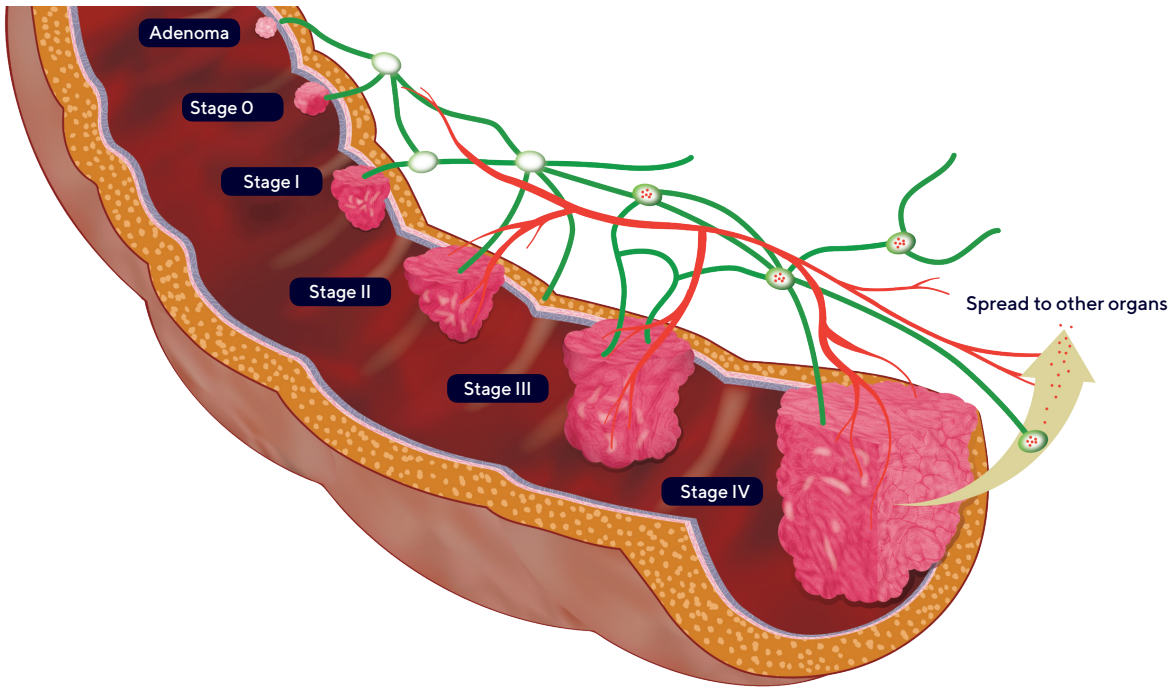
The 'relative 5-year survival rate' is calculated from the point of diagnosis, divided by the percentage of the general population of corresponding sex and age alive after five years. This is to reflect excess mortality among cancer patients compared to the general population. Rates of survival in cancer are generally expressed to compare the efficacy of different cancer treatments.

2.3.1 Stages of Colorectal Cancer

Colorectal cancers arise in the epithelial cells that line the large bowel. They occur because the systems that normally control cell growth and survival have stopped working properly. These cells become cancerous after acquiring genetic changes that make them divide excessively and become long-lived. Colorectal cancers most often develop within precancerous overgrowths of epithelium called adenomas. Stage 0 colon cancers contain relatively small clusters of cancer cells that have not yet grown beyond the inner lining of the colon. Typically, these can be removed by local excision of the cancer-containing adenoma during a colonoscopy procedure with no need for further treatment. However, patients with cancers at this, the earliest, most treatable stage of colorectal cancer, generally have no physical disease symptoms. These cancers bleed less, both in quantity and frequency, than more advanced cancers making them more difficult to detect with the most common current faecal tests screening for colorectal cancer.

As the cancer grows into deeper layers of the bowel wall and beyond (Stages I, II, III and IV), the risk of cancerous cells metastasizing, breaking away from the primary tumour and typically, spreading first to the lymph nodes then to other target organs and tissues such as the liver, lungs, bones and brain, increases progressively by stage. At these later stages, the primary cancer is easier to detect with current laboratory diagnostic tools but the patients will often require a significant region of their large bowel excised to remove the primary cancer as well as chemotherapy and/or radiotherapy to reduce the risk of metastatic spread. In the event of distant recurrence, follow-up treatment may include surgery to remove affected sections of distant organs and tissue.

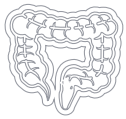
Figure 2: Stages of colorectal cancer



Doctors currently use diagnostic tests such as colonoscopies and histological analysis of biopsy samples to detect the presence and assess the stage of colorectal cancers. While colorectal cancer develops as a continuum, classification into one of five Stages (0-IV) based on histological parameters helps doctors decide what kind of treatment is best and can help predict a patient's prognosis. The statistics indicate that the prognosis for full recovery at Stages 0 and I are excellent but survival falls markedly for later stage cancers (Figure 3).

Figure 3: Changing colorectal cancer relative survival rates with stage, wherein bowel comprises the caecum, colon and rectum

Description of colorectal cancer by stage and associated survival rates

Stage	0	I	II	III	IV
Description 	Abnormal cells are found in the epithelium (mucosal layer) lining the bowel wall, most often outgrowths (adenomas or polyps). These abnormal cells may become cancer and spread.	Tumour has invaded beyond the epithelium of bowel into the muscle layers below but has not spread past the bowel wall.	Cancer has grown through the muscle layer of the bowel and invaded nearby tissue, but has not spread to the lymph nodes	Cancer has spread to the nearby lymph nodes but not to other parts of the body	Metastatic bowel cancer where it has spread beyond the colon and rectum to other organs such as the liver or lung.
5-year % survival rate	>96%	93%	82%	59%	8%
Treatment 	Typically, surgery to remove the adenoma or local excision through a colonoscope. Removing part of the colon (partial colectomy) is occasionally needed if a tumour is larger. 	Cancers of this stage require removal of the affected section of the large bowel but typically no additional treatment is necessary. 	Partial colectomy along with dissection of nearby lymph nodes may be the only treatment needed. Adjuvant chemotherapy may also be required. 	Partial colectomy along with dissection of nearby lymph nodes, along with adjuvant chemotherapy. Radiation therapy and/or chemo may be options for people not healthy enough for surgery. 	Neoadjuvant chemotherapy to reduce tumour size followed by surgery. Additional therapies also needed as well as radiation therapy and still only an 8% chance of survival. 

2.4 Economic Burden of Colorectal Cancer

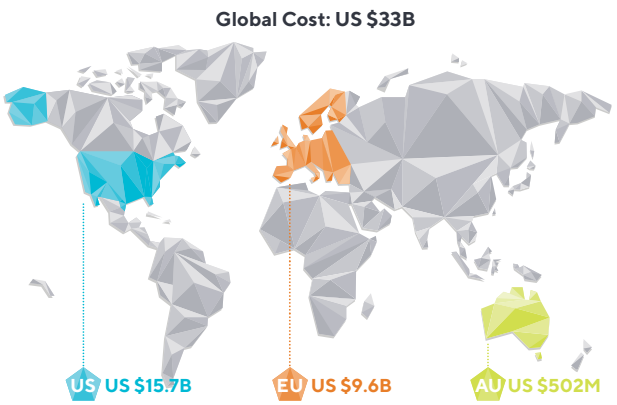
An economic analysis was performed in 2009 that found the costs of colorectal cancer to be greater than US$33 billion. These costs included medical costs, non-medical costs such as transportation and caregiving, and productivity losses that allowed for the economic value of time. The direct medical costs accounted for over US$18.5 billion, more than half of the total estimate.

More than US$15 billion of this US$33 billion figure was incurred just by the US, where the cost per person of new cases was higher than both Australia and the global average. In Australia in 2008-09, the economic burden of colorectal cancer was estimated at US$502 million.

Colorectal cancer led to the highest cancer expenditure within both the 64 years and over age group and the 25 to 64 year old group in Australia, and exceeded any other cancer.

78% of the colorectal cancer cost burden was reported as being borne by Australia, EU and US reflecting a combination of the global demographic distribution of colorectal cancer prevalence and the higher level of investment in healthcare occurring in more affluent societies.

Figure 4: Economic burden of colorectal cancer



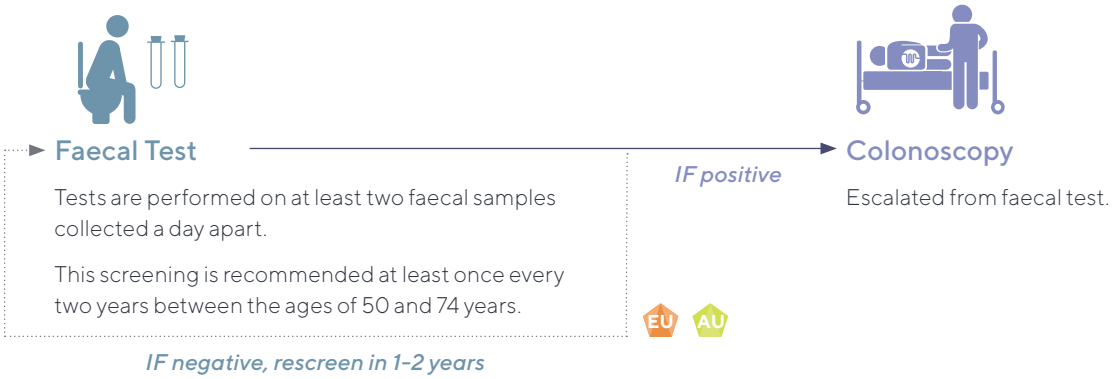
Source: *The Economist Intelligence Unit. Breakaway: The Global Burden of Cancer – Challenges and Opportunities, The Economist, London (2009).*

2.5 Colorectal Cancer Diagnostic Screening Regimens

The Company believes that there is a significant market for an effective, low-cost colorectal cancer screening blood test. There are an estimated 132 million elevated risk people that are under-screened in Rhythm's target markets. Screening programs, such as Australia's National Bowel Cancer Screening Program (NBCSP), have been introduced in a number of countries around the world, targeted at reducing the morbidity, mortality and healthcare costs associated with colorectal cancer. Nine years since the introduction of the NBCSP, the participation rate in this program is relatively low (approximately 39% in 2014-15). Contributing factors may include shortfalls in communicating the screening message, low media coverage, individuals' aversion both to the collection and sampling of their own faeces as required by the current faecal test and the time commitment, clinical formality and small but finite clinical risks associated with undergoing a colonoscopy.

Different approaches to colorectal cancer screening have been adopted in different target markets. In Australia and most of EU, an inexpensive pre-assessment of colorectal cancer risk looking for surrogate markers of cancer (most commonly blood in the faeces) is used to identify the subset of screeners in need of progressing to colonoscopy for a clear diagnosis and timely intervention if required.

Figure 5: Colorectal cancer screening regimes in Australia and EU



Since 2015 the American College of Physicians recommended for people between the ages of 50 and 75 years to use the following four strategies for screening:

Figure 6: Colorectal cancer screening recommendations in US

	Frequency	Faecal Test	Invasive	Expensive
High-sensitivity gFOBT or FIT	1 year	●		
Flexible Sigmoidoscopy	5 years		●	●
High-sensitivity gFOBT or FIT plus Sigmoidoscopy	3 years (faecal test) then 5 years	●	●	●
Colonoscopy	10 years		●	●

There is an internationally recognised clinical need for pre-screening for colorectal cancer with an inexpensive, non-invasive test, perhaps via national screening programs like Australia's NBCSP. Rhythm seeks to position its proposed ColoSTAT™ test to augment such programs for people who want to screen but for clinical, personal or cultural reasons, are unwilling or unable to use a faecal test or are reluctant to undergo more invasive and costly procedures such as colonoscopy and sigmoidoscopy.

2.6 Strengths and Weaknesses of Current Faecal Tests

The main current in-market laboratory screening test for colorectal cancer is the Faecal Occult Blood Test (FOBT), or more specifically now the Faecal Immunochemical Test (FIT or iFOBT). Over the past 15-20 years, the FIT has largely replaced the older chemistry-based Guaiac Acid test (gFOBT). Both tests are used to detect blood in faeces. The gFOBT measures the level of haem, the oxygen carrying, iron-containing component of haemoglobin that gives blood its red colour, in faeces. FITs use antibodies to detect the protein component of haemoglobin. While FITs come in different formats from different suppliers, they are most commonly deployed with two components.

- An at-home faecal collection device; and
- A sampling/transfer kit.

The subject collects the faeces, removes a faecal sample to the transfer kit and sends multiple stabilised faecal samples to a centralised pathology lab where immunological testing and reporting are completed. Recently, more advanced FITs have become available that include a lateral flow assay that allow the faecal sample to be tested at home, however the market penetration of such tests at present is limited and the results are not automatically collected in healthcare records.

Regular screening with FIT has been shown to reduce both the morbidity and mortality associated with colorectal cancer. However, their effectiveness has been limited by a number of factors:

- Lower than anticipated patient take-up rates of faecal testing;
- High false positive results often leading to unnecessary expense and invasive colonoscopies (in calibrating the FIT to miss less cancers, only ~3% of subjects with a positive FIT are confirmed to have colorectal cancer upon colonoscopy); and
- The test is unsuitable for people with haemorrhoids, irritable bowel syndrome or any other affliction where blood in the faeces occurs.

With a modest overall survival rate, low early detection rates and annual associated healthcare costs running into the billions, there is a market opportunity for a low-cost screening test with improved compliance and comparable or improved performance properties.

The introduction of a new blood test, like Rhythm's proposed ColoSTAT™ test, could improve screening strategies in Australia, EU and US.

2.7 Competitive Landscape

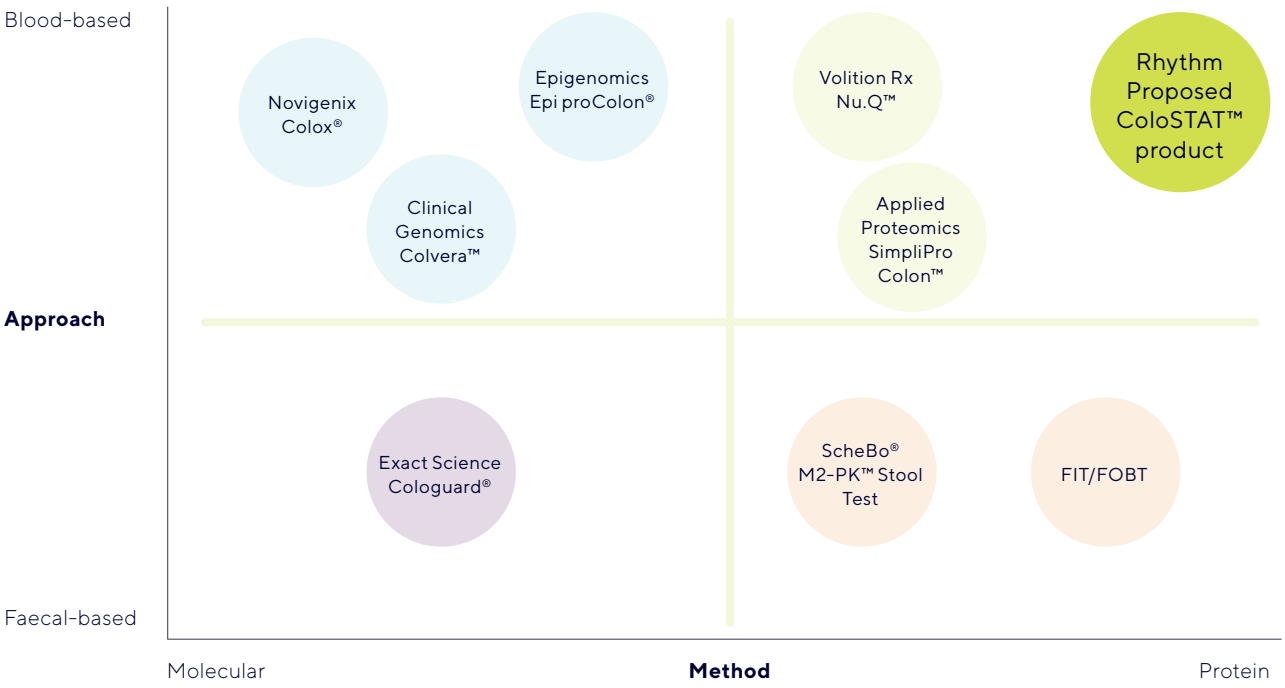
FOBT/FIT and colonoscopy have long been the go-to tests for colorectal cancer screening. However, with significant advances in the understanding of molecular and cellular drivers of colorectal carcinogenesis, a new generation of candidate tests is beginning to emerge.

More sensitive variants of FIT are entering the market to improve FIT's ability to detect earlier stage cancers but, to date, this has come at the expense of an increased rate of false positive test results. A new premium faecal test combining FIT with the detection of a set of molecular biological markers of disease in 2014 achieved FDA pre-market approval for use in colorectal cancer screening in the US. Given the acceptance issues that have confronted FIT, however, widespread application of new faecal-based tests may still be limited by similar problems.

Importantly, a small number of blood tests for colorectal cancer is beginning to enter the market. The majority have been molecular tests, require specialist methodologies and/or instrumentation for analysis, and are more complicated due to the need to extract DNA/RNA prior to testing. This creates an inherent limitation where cost and timing can be barriers to wide-scale adoption. Rhythm's proposed ColoSTAT™ test, by contrast, can be used in a standard laboratory where Enzyme Linked Immunosorbent Assay (ELISA) tests can be easily run and protein biomarkers can be detected. This has the potential to be a lower cost, higher volume product – relative to the current molecular tests. There are, however, other companies either with products already on the market or emerging using a similar approach to Rhythm's proposed ColoSTAT™ product.

*The performance of diagnostic tests is assessed in terms of their **sensitivity** and **specificity** for the disease in question. In a test for colorectal cancer, sensitivity measures the ability of a test to correctly identify subjects with cancer (true positive rate) while specificity measures the ability of a test to correctly identify those who do not have cancer (true negative rate). A low sensitivity means that cancers go undetected. A low specificity means that patients may be referred on for unnecessary procedures or further testing, as well as causing the patient undue concern.*

Figure 7: Matrix outlining selected relevant colorectal cancer screening and diagnostic technologies relative to their approach and method with Rhythm's market positioning



Key advantages of the proposed ColoSTAT™ product in this market sector may include:

- It is a minimally invasive blood test.
- The amount of blood required to perform the test is small to current liquid biopsy tests based on the molecular analysis of circulating cell-free DNA or RNA.
- The simplicity and cost effectiveness of an ELISA-based test, such as the proposed ColoSTAT™ product interrogating a limited number of biomarkers.
- The proposed ColoSTAT™ product is comparable to, if not better than, the current FIT tests in the detection of early stage colorectal cancers. Results of testing as at the date of this Prospectus indicate ColoSTAT™ achieves a comparable sensitivity (true positive rate) at a higher specificity (true negative rate) than the current FIT assays. Further details of these results are contained in Figure 10 of Section 3.3.

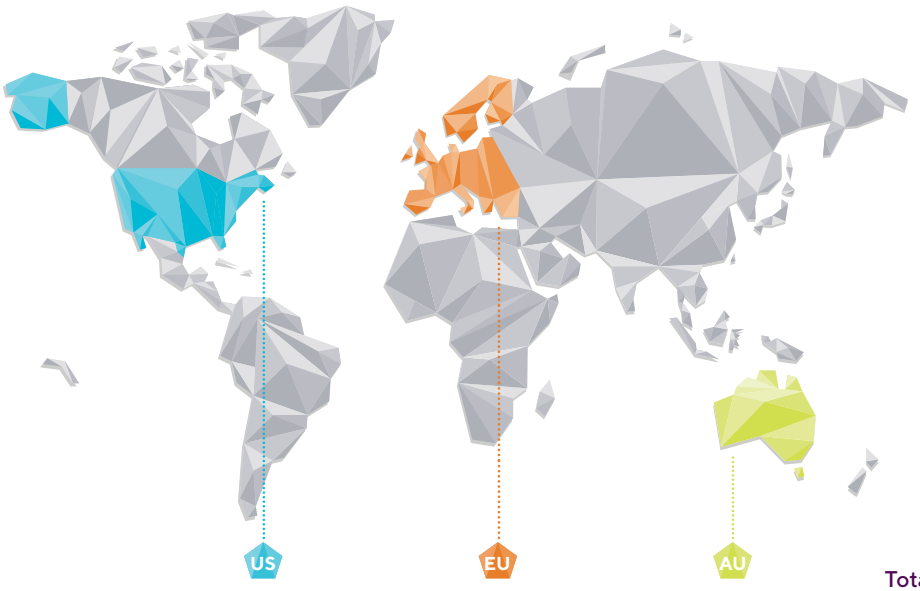
With a targeted price point below many of the existing non-FIT tests, ColoSTAT™ is intended to be positioned as a viable first-step screening option for colorectal cancer, particularly amongst subjects who elect not to use faecal colorectal cancer testing technologies such as FIT.

2.8 Market Size of Estimated Unscreened Elevated Risk Persons

A key problem common to all current colorectal cancer screening programs, regardless of the mode of screening, is compliance. Figure 8 indicates the number of people aged between 50 and 74 years in Rhythm's initial target markets and the proportion of those people estimated to be currently screening for colorectal cancer. Out of a total addressable market of approximately 250 million people, over 130 million (52%) presently fail to participate in any form of colorectal cancer screening.

Even if a blood based screening test such as the proposed ColoSTAT™ test were recommended for administration once every second year (as intended for today's faecal tests) this non-screening, elevated risk population represents a significant potential market. The Company believes there is potential for a blood based screening test such as ColoSTAT™ to be prescribed by general practitioners within their normal practice for patients presenting with gastrointestinal disease symptoms as a preliminary to colonoscopic examination. Additionally, this could be in jurisdictions where national screening programs are unavailable, as part of a standard, age-related panel of routine blood tests.

Figure 8: Estimated colorectal cancer unscreened elevated-risk population in Rhythm's initial target markets[1]



	US	EU	AU	Total
Population between 50-74 years old	91.2M	153.4M	6.4M	251.0M
Estimated screening participation rate[2]	62.6%	38.2%	46.6%	(52.7%)
Estimated unscreened elevated-risk population	**34.1M**	**94.8M**	**3.4M**	**132.3M**

Notes:

1. *Sources include regional census data and government statistics, and screening figures from the American Cancer Society, Australian Institute of Health and Welfare and the International Agency for Research on Cancer.*
2. *Includes FOBT/FIT for EU-28, FOBT/FIT and colonoscopies for Australia the US.*

Section 3

Company Overview

3.1 Rhythm Biosciences Snapshot

Rhythm Biosciences Limited is an early stage company seeking to develop and commercialise Australian medical diagnostics technology for sale to national and international markets. Rhythm currently has one wholly owned subsidiary, Vision Tech Bio Pty Ltd. Vision Tech holds the Licence, which is its sole business activity.

After considering the colorectal cancer diagnostic and screening market, Rhythm believes that a new, simple blood test for colorectal cancer, whether used as a first-step screening test or in the triage of persons with a positive FIT result before colonoscopy, could play an important role in reducing the morbidity, mortality and healthcare costs associated with colorectal cancer.

The Company's first proposed product, ColoSTAT™, is an in-development screening test intended for the accurate and early detection of colorectal cancer. The underlying intellectual property is the result of research conducted over 13 years by CSIRO scientists and their associates. ColoSTAT™ is envisaged as a simple, affordable and effective diagnostic 'first-step' test, to augment any national, state or philanthropic screening programs that may be available. An anticipated early market sector for the test is subjects at elevated risk of developing colorectal cancer who want to be screened but, for reasons outlined in Section 2.5, choose not to participate in standard screening programs.

Rhythm Biosciences

An Australian medical diagnostics technology company

Initial Proposed Product

ColoSTAT™ – a test being developed for the accurate early detection of colorectal cancer

Aim

To reduce the impact of colorectal cancer globally through improved diagnosis

3.2 ColoSTAT™ Overview

Cells within the human body routinely produce a number of proteins, some of which will be released into the blood. The type of cell and the cell's health can affect the amounts of proteins produced or released. The studies to date found that certain combinations of protein biomarkers, when measured in a blood sample and their concentrations weighted using an algorithm, can be used to derive a colorectal cancer risk score. This process, in terms of the patented protein biomarkers and algorithm, now forms the basis for the proposed ColoSTAT™ technology.

A key potential differentiator for the proposed ColoSTAT™ blood test, when compared with the FOBT/FIT, is the potential to detect colorectal cancer efficiently at all stages including comparably to, if not better than, FIT at early stage (see Section 2.3 for a breakdown of the stages of colorectal cancer). In its lead format, the ColoSTAT™ test is an immunoassay detecting a panel of three protein biomarkers that has shown a sensitivity of 73% at a specificity of 95% for colorectal cancer in published case/control studies (refer to Section 3.3 below for further details). These results are at least comparable, if not superior in sensitivity and/or specificity to the in-market FIT.

A test based on these three protein biomarkers can produce a screening tool that:

- Is cost effective.
- Can be processed from an easily taken blood sample.
- Has potential to achieve greater patient participation and compliance than faecal tests.
- May save lives by providing another colorectal cancer screening option for patients unwilling or unable to participate in current screening programs.
- May reduce the number of false positive and/or false negative results.
- Can fit into existing infrastructure and workflows for pathology labs with minimal training required.
- May reduce health system costs by reducing the number of unnecessary colonoscopies and/or assist with the prioritisation of patients for colonoscopic investigation.
- May lead to decreased physical burden of treatment to patients through earlier detection.

3.3 ColoSTAT™: The Scientific Research History

CSIRO is Australia's national scientific research agency. In 2003, its scientists began researching new opportunities to develop a blood test for colorectal cancer diagnosis. Literature analysis identified 68 proteins reported to vary in concentration in the blood (plasma and/or serum) of patients with and without colorectal cancer. Since initiating the research, that team has:

- Evaluated 68 candidate biomarkers.
- Performed a number of clinical case/control studies including on patients at elevated risk of colorectal cancer presenting for colonoscopy.
- Attracted approximately A$1 million in competitive grant funding from both the National Health and Medical Research Council (NHMRC) and the BUPA Health Foundation to help support the research.
- Been awarded "one of the Top Ten" NHMRC grants for 2015.
- Defined a lead three biomarker panel as the most prospective for commercialisation.

An overview of the key historic research and development study events is illustrated in Figure 9.

Figure 9: Study history of the scientific research

Pilot Study (2003-04)	• 6 candidate biomarkers, 5 cancer cases and 5 normal controls showed approach warranted further research and development. • Additional candidate biomarkers subsequently identified. • Standard operating procedures (SOPs) for blood processing developed. • Biobank samples accumulated.
Study 1 (2005-06)	• Initial large case /control study of 102 patients (51 of each) evaluating 14 candidate biomarkers. • Additional candidate biomarkers identified, and their test performance qualified. • More biobank samples collected and characterised.
Study 2 (2007-08)	• Large case/control study of 108 patients (55 case/53 control) performed on 32 candidate biomarkers. • Additional candidate markers identified, and their test performance qualified.
Study 3 (2010-11)	• Large case/control study of 149 patients (96 case/53 control) of 48 candidate biomarkers (including lead candidates from Study 2). • First evidence for strong performance of lead biomarkers in early stage cancers. • Provisional patent application around 10 lead candidate biomarkers lodged. • Algorithm developed to define cancer/normal threshold from ELISA results from lead 3 biomarkers.
Study 4 (2013-14)	• Performance of 20 lead biomarkers in a new case/control study of 199 patients (98 case/101 control). • Performance of 3 lead biomarkers and performance of algorithm assessed in an independent sample/data set. • Establishment of clinical network to collect prospective blood samples from patients for major study.
Study 5 (2015-16)	• Large case/control study of 543 patients (yet unpublished). • Performance of 3 lead biomarkers with six additional candidate markers. • Applied in a real-time, clinical setting, using commercially available assays. • Raw data showed results were inconclusive in respect of the proposed 3 biomarker ColoSTAT™ panel, as a result of the aberrant measured performance of one of the lead biomarkers. This result may be related to the stability or performance properties of the specific batch of commercially sourced assay kit, further research and development work is required (refer to proposed Study 6 and Study 7 below). • In-house development of antibodies and antigen reagents expected to reduce the risks of unreliable supply and test performance variability associated with commercially available assay kits. This is to be completed in preparation for Study 6. • Results were encouraging in respect of the potential for a new combination of the assessed biomarkers to form a diagnostic screening test for early stage disease.

Results from the most recent published case/control study, Study 4, using the ColoSTAT™ prototype test are shown in Figure 10. Comparison to and between FITs is complex as there is a variety of FITs commercially available, many quoting widely divergent performance parameters. We have therefore used published FIT data from two well performed clinical studies using two different, well characterised, high specificity FIT systems to compare to the ColoSTAT™ data. At a similar specificity value, ColoSTAT™ sensitivity results were at least comparable to the FITs, if not better, for the detection of all colorectal cancers, including early, Stage I, cancers.

Figure 10: Summary of results of Study 4 – sensitivity of ColoSTAT™ for detection of colorectal cancers at the different clinical stages at 95% specificity (compared to FIT published study[2,3])

Stage	0	I	II	III	IV	Overall
ColoSTAT™ Sensitivity[1] (Specificity 95%)	-	58%	80%	74%	83%	73%
FIT Sensitivity Comparison[2] (Specificity 94.9%)	-	53%	70%	78%	78%	65.8%
FIT Sensitivity Comparison[3] (Specificity 92%)	-	58.8%	68.0%	58.8%	71.4%	63.6%

Sources:

1. *Fung KY, Tabor B, Buckley MJ, Priebe IK, Purins L, Pompeia C, Brierley GV, Lockett T, Gibbs P, Tie J, McMurrick P, Moore J, Ruszkiewicz A, Nice E, Adams TE, Burgess A, Cosgrove LJ. Blood-based protein biomarker panel for the detection of colorectal cancer. PLoS One (2015) 10 3.*

2. *Morikawa T, Kato J, Yamaji Y, et al. A comparison of the immunochemical fecal occult blood test and total colonoscopy in the asymptomatic population. Gastroenterology 2005;129:422–8.*

3. *Symonds EL, Pedersen SK, Baker RT, Murray DH, Gaur S, Cole SR, Gopalsamy G, Mangira D, LaPointe LC, Young GP.A Blood Test for Methylated BCAT1 and IKZF1 vs. a Fecal Immunochemical Test for Detection of Colorectal Neoplasia. Clinical and Translational Gastroenterology (2016) 7, e137; doi:10.1038/ctg.2015.67.*

The authors of the published reports referred to above have not provided their consent for the above statements to be included in this Prospectus.

Proposed Study 6 (intended Year 1 post-listing) and Study 7 (intended Year 2 post-listing)

Rhythm intends to establish its own sources of antibodies and target antigen materials, before conducting Study 6 to assess the performance of these in previously collected blood samples. By using the ColoSTAT™ reagents on real patient samples, both cases with disease and disease-free, the Study 6 results are expected to provide evidence of analytical performance of the proposed ColoSTAT™ product, and preliminary indications of clinical performance.

Study 7, is planned to be an approximately 1,000 patient clinical trial to assess the clinical performance of ColoSTAT™. It will assess patient samples collected prospectively from subjects referred for colonoscopy at a limited number of major colonoscopy clinics, augmented with blinded samples from patients known to have cancer. The study design will enable comparison of ColoSTAT™ to the gold-standard, colonoscopy and commonly used colorectal cancer screening test, FIT. Associated pathology tests, including histochemistry, will further describe the stage of cancers identified. It is intended that patients enrolling in colonoscopy will be recruited for the collection of a blood sample prior to their procedure and tested blind to their colonoscopy-based diagnosis. The generated clinical evidence is designed to meet the clinical performance requirements of a CE mark for ColoSTAT™ in order to market the device within Europe, and to support the TGA approvals for sales in Australia.

3.4 Path to Commercialisation

13 years of research has been directed toward the ColoSTAT™ technology. Rhythm is now applying the significant product development and commercialisation expertise of its Board and management to seek to take the potentially life-saving technology from the research laboratory into an in-market In Vitro Diagnostic (IVD) medical device.

This transition requires multiple steps. These include further research and development, to ensure that the product is robust, scalable, meets the performance expectations of patients, clinicians and testing laboratories (to be assessed in Study 6), as well as demonstrating safety and efficacy to the relevant regulatory bodies (to be assessed in Study 7).

Key milestones along this commercialisation pathway, and how Rhythm will seek to address these, are described below. These milestones, and the Company's research and development plans generally, should be read in conjunction with the risks set out in Section 5 (and in particular the risks set out in Section 5.2(b) and 5.2(c)).

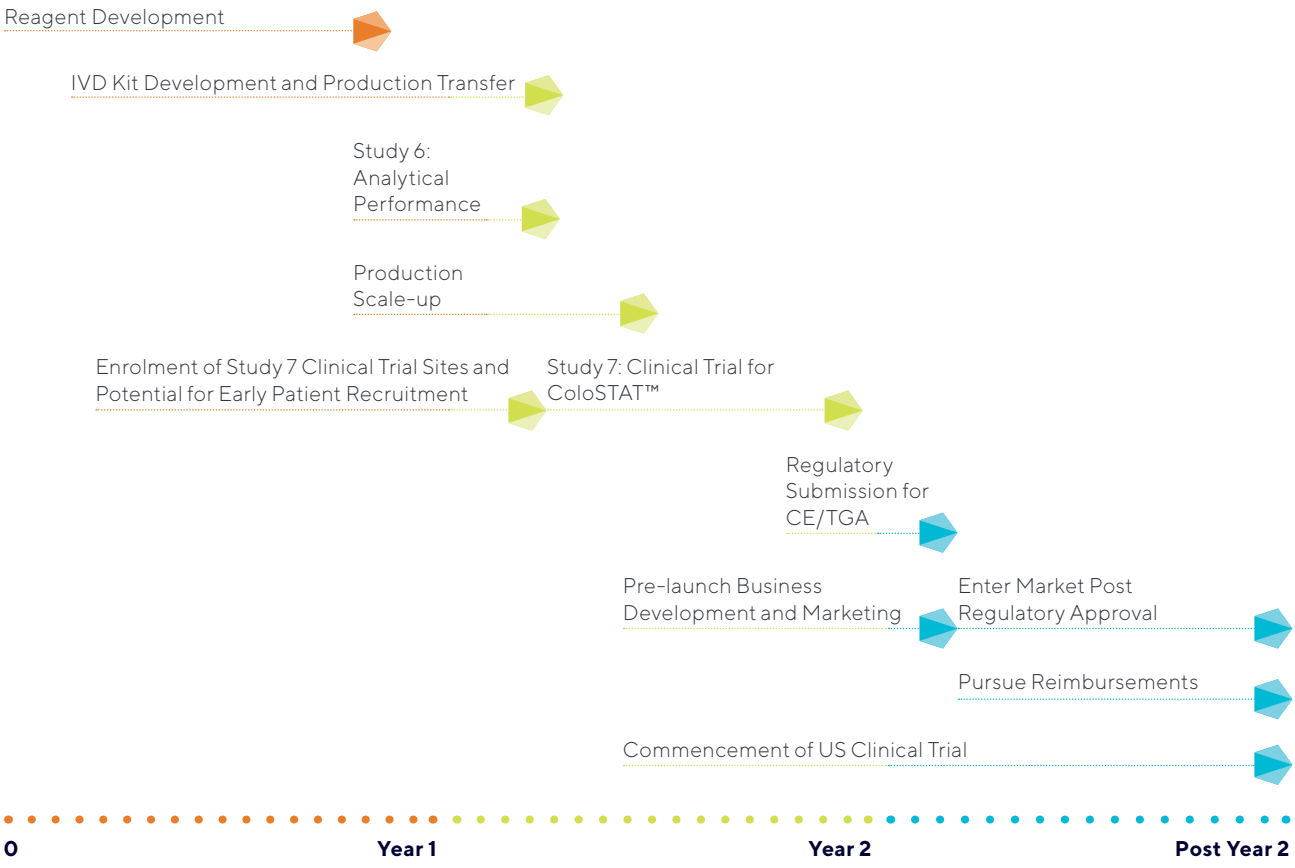
Reagent Development	• Key to successful commercialisation of the proposed ColoSTAT™ test will be the reliable and reproducible supply of high quality protein reagents. • Research and development to date has been performed using commercially sourced test kits for each of the target proteins. To mitigate the risks associated with the supply and quality of these key reagents, Rhythm, working with research partners, will develop and validate its own protein reagents and monoclonal antibodies for each of the target proteins. • Once Rhythm has established its own sources of antibodies and target antigen materials a further study, Study 6, will assess the performance of these in previously collected blood samples.
IVD Kit Development and Production Transfer	• ELISA assays will be developed using these new reagents. The performance of the new kit, together with the algorithm that converts protein biomarker concentrations to a colorectal cancer risk score, will be qualified using real patient samples and compared head to head with the equivalent commercial kits. • Laboratory scale production and purification protocols will be translated into Standard Operating Procedures that support the scalable production of these reagents. • As part of the development/regulatory pathway, Rhythm intends to instigate quality management systems that allow it to become ISO 13485 certified.
Clinical Trial	• Evidence for the test's suitability for use in screening for colorectal cancer will require evaluation in a blinded, clinical performance study (Study 7) suitable to support applications for a CE mark in the EU and TGA approval in Australia. • Typically, a significant body of work relating to approval in each of the territories above is required to demonstrate clinical performance. • These clinical trials are expected to commence following the reagent development activities (and in parallel with the IVD kit development), and is an important developmental milestone on the regulatory pathway for each of the target territories.

Regulatory Submissions (Europe and Australia)	• Regulatory approval provides access to target markets and a path to reimbursement approvals. • Generally, a reagent, or combination of multiple reagents, falls under the definition of an IVD if it is intended for use in the diagnosis of a disease or other state of health, where this typically includes screening tests. • CE marking of ColoSTAT™ for the EU market is intended to be Rhythm's first major regulatory submission, followed by Australia and, in the medium to long term, the US. • The key anticipated steps towards a CE mark are as follows: 1. Implement a Quality Management System that is ISO 13485 compliant. 2. Develop a technical file that addresses health, safety and environmental protection requirements as well as suitable product production, labelling, and instructions for use. 3. Complete submission to regulator. • As Rhythm is not based in EU, acquiring a CE mark for ColoSTAT™ will require Rhythm to appoint an Authorised Representative in the EU to provide timely responses to practical and regulatory issues. • Activities completed for the CE mark technical file are anticipated to be able to be utilised for the Australian TGA approval. • Subject to acceptable preliminary Study 7 results, initial FDA regulatory activities are proposed to commence.

The Company's long term commercialisation targets are product sales in target territories and the pursuit of government and private health insurance reimbursements. However, the successful achievement of these milestones depends significantly on the outcome of the detailed commercialisation strategy set out above.

The indicative timeline for commercialisation is as follows:

Figure 11: Indicative timeline of proposed commercial activities



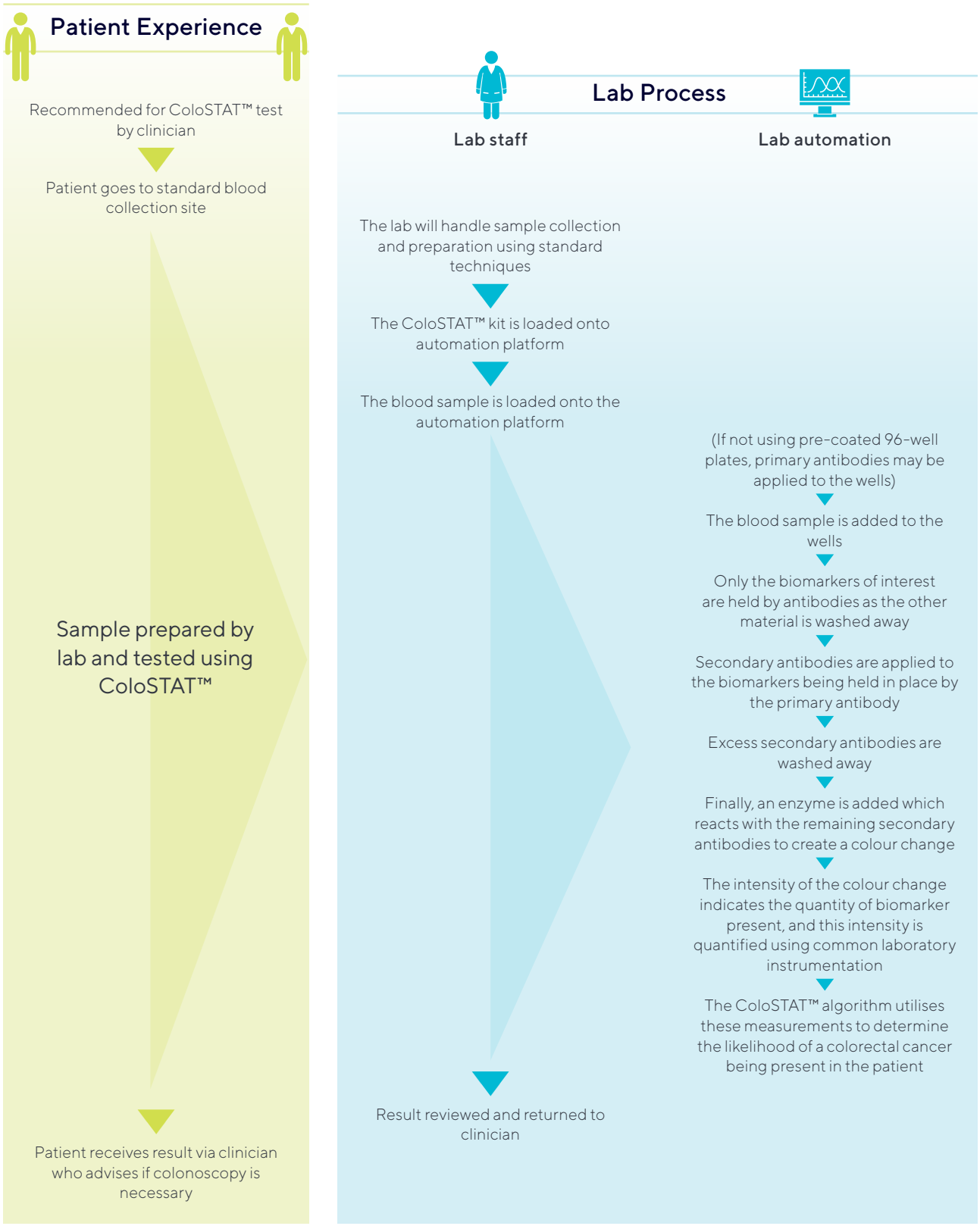
It is not possible to definitively estimate the length of time required to bring ColoSTAT™ to market. There is a wide range of factors, including technical, clinical, regulatory, market and commercial that can unpredictably impact upon the timing of commercialisation of products. Having regard to the time taken to commercialise related products from a developmental stage similar to that of ColoSTAT™ currently, it would be reasonable to expect that the post year two phase could be between six months (total two and a half years from the time of Listing) and two years (total four years from the time of Listing), but may be longer. There is, however, no certainty that these timeframes will be achieved by the Company and indeed entry to market may occur earlier, later or not at all. Refer to the risks in Section 5 for more information.

3.5 ColoSTAT™ and its Proposed Use

3.5.1 How ColoSTAT™ is Proposed To Interface With Clinical Practice

When using ColoSTAT™, the proposed experience for the patient will be the same as for a standard blood test and is intended to fit into current clinical and diagnostic laboratory workflows. The intended steps from clinical prescription of a test to delivery of the final result to the patient are outlined in Figure 12.

Figure 12: Summary of ColoSTAT™ experience



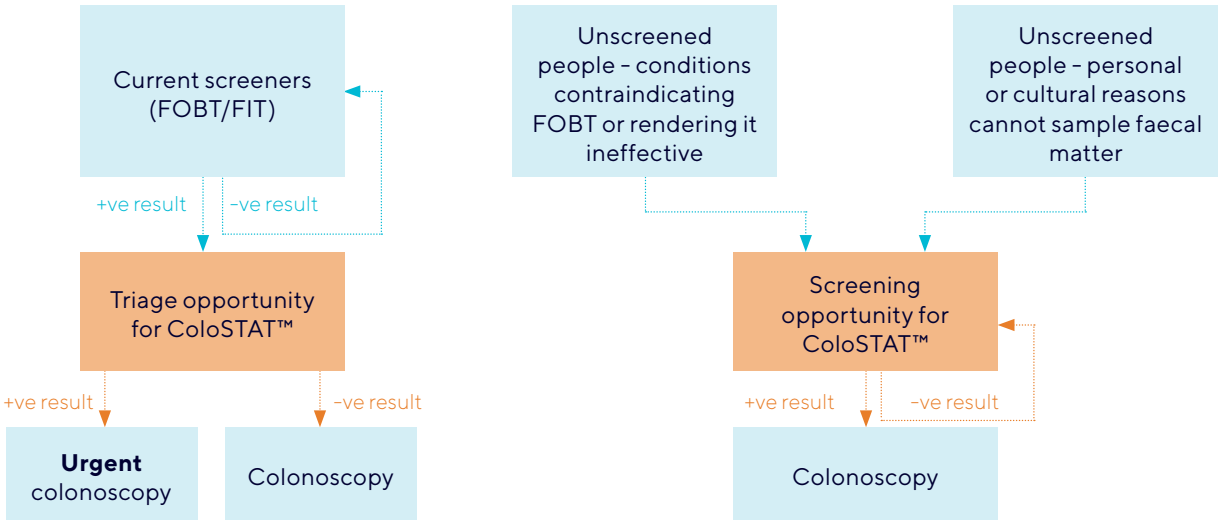
3.5.2 ColoSTAT™ as a Screening Tool

Rhythm's aim is for ColoSTAT™ to become the new first step screening test for persons who, for clinical or personal reasons, elect not to participate in national or other bowel cancer screening programs that may be available to them. A possible application before colonoscopy in triage of persons with a positive FIT is also intended to be investigated. These would have the dual benefits of increasing the number of people being screened and gaining the greatest clinical benefit from limited colonoscopy resources by ensuring patients with the highest risk of having cancer can be scheduled for colonoscopy first.

Further, there is also potential for ColoSTAT™ to be used in combination with commercially available colorectal cancer diagnostic tools such as FIT to improve the overall detection performance.

The introduction of a new blood test, like the proposed ColoSTAT™ test, could augment screening strategies already established in Australia, Europe and US markets.

Figure 13: Potential ColoSTAT™ usage for triage or screening



3.5.3 What the ColoSTAT™ Product May Look Like

The antibodies, control proteins and the algorithm linking blood concentrations of the target proteins to risk score are intended to form the key components of the proposed ColoSTAT™ product. The following product formats are proposed.

ELISA Kit A simple and widely used immunoassay system is an ELISA. The 'sandwich' ELISA is considered the most powerful ELISA format and this is anticipated to be the lead format for the proposed ColoSTAT™ test. Centralised diagnostic laboratories can generally run such assays with minimal training or need for new infrastructure. These assays are widely sold by major multinational diagnostics companies. Rhythm intends to have manufactured under contract the antibodies and the control protein target samples that will be used for protein target quantification in the blood samples and the packaging of them into kits that can be sold to testing laboratories.

These kits can be used either by a laboratory scientist manually or adapted for use in common diagnostic laboratory high-throughput ELISA instruments and plate readers. Such kits may be provided for each of the target proteins in the test panel. It is envisaged that the laboratory would also license a simple software program that automatically calculates the concentration for each target protein, entering these data into an algorithm that delivers the test outcome report (positive or negative) and the appropriate clinical follow up action: namely, refer for colonoscopy or no follow up required at this stage.

Figure 14: Typical ELISA kit

Vendor-specific immunoassay Development of ELISA assays on established vendor-specific diagnostic platforms may provide potential for accelerated market penetration of ColoSTAT™. In this situation, Rhythm would create custom optimised antibodies and reagents and sell them directly to a vendor, who would then package them for application on their proprietary systems. This format would enable Rhythm to choose strategically whether to partner on a regional basis or exclusively with a leading multinational vendor. An already-approved ELISA kit may accelerate this development.

Alternatives to the ELISA formats, more amenable to use in point of care applications, also exist and may be considered in the future.

3.6 Marketing, Education and Business Development

Rhythm will invest in marketing activities to support awareness of its research and development and ultimately to support commercialisation efforts. These activities will include trade-show attendance, journal publications, pursuing conference presentations, as well as allowable public relations activities to increase awareness of the public to the issue of colorectal cancer and the Company's progress to seek to develop ColoSTAT™. When the IVD kit is completed the Company also intends to commence discussions with the major IVD manufacturers to create awareness and improve potential for future commercial relationships when/if the product is approved for sale.

3.7 Intellectual Property Program

Rhythm plans to actively develop and seek intellectual property protection, including patent protection for their methods for improved screening of colorectal cancer, including in the area of early colorectal cancer detection.

Patents	The Company (through its wholly owned subsidiary, Vision Tech) has been assigned the patents and patent applications and holds an exclusive worldwide Licence to related know-how for the biomarker technology. The terms of the licence are summarised in Section 12.1(a). The Licence includes one key patent family comprising granted patents in Australia, the EU, China and Japan, with four patent applications still pending. An overview of the family of granted patents and pending applications by territory and status can be found in the Intellectual Property Report in Section 8. Rhythm plans to actively develop and seek intellectual property protection, including patent protection for their methods for improved screening of colorectal cancer, including in the area of early colorectal cancer detection.
Know How	The Licence also includes know-how and expertise relating to the identification of blood-based protein biomarkers which indicates potential for: 1. The improved detection of early stage cancers; 2. The detection of post-surgical disease recurrence; and 3. Prognostic markers to help inform disease management.
Clinical and Development Data	All existing development and clinical trial data and materials including hybridoma cell lines and mixed clones, antibodies (both mono and polyclonal) and control target proteins are included as part of the Licence.

Investors should also refer to Section 5.2(a) for details of intellectual property related risks which may affect the performance of the Company.

3.8 Future Product Opportunities

Bringing ColoSTAT™ to market is the Company's key focus. However, Rhythm also understands the importance of opportunities for diversification. While investigation and development of new product opportunities will be important to the Company's future, active pursuit of such opportunities is intended to remain secondary to the ColoSTAT™ commercialisation program. Potential future diversification opportunities, if pursued, may include:

New applications for ColoSTAT™

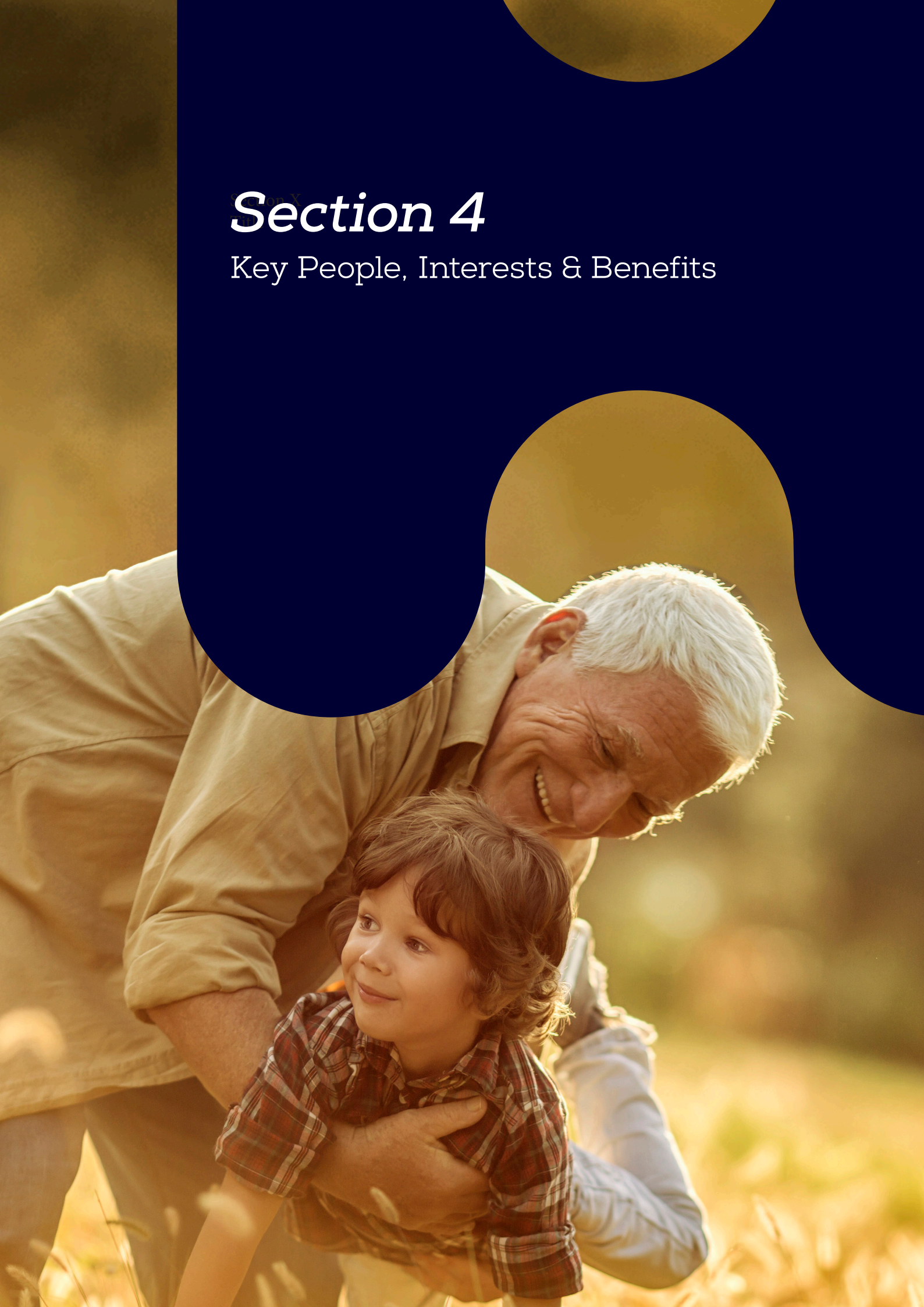
As well as an initial screening test, ColoSTAT™ or indeed other panels comprising combinations of the biomarker targets identified in the licensed patents may find additional applications addressing other significant unmet clinical needs and have the potential to represent important market opportunities for the future.

Acquiring new diagnostic technologies

Rhythm will also remain alert to future opportunities to acquire strategically advantageous diagnostic companies, intellectual property or technologies.

Section 4

Key People, Interests & Benefits



4.1 Board of Directors

The Company's Board currently comprises four Directors. The Board has an experienced multidisciplinary management and advisory team with a strong, proven record of developing and successful product commercialisation.

Profiles for each of the Directors are provided below:

Shane Francis Tanner
Chairman

An experienced, accomplished and highly-respected professional in the Australian Healthcare sector, Shane has orchestrated and been responsible for numerous small and large scale acquisitions. He also has helped to establish and guide a number of significant businesses where he was deeply involved in growth and management upskilling.

Shane has considerable experience at both senior executive and board level, being Chairman of ASX listed Paragon Care Limited and Zenitas Healthcare Limited, two successful healthcare businesses where he was the Co-Founder of each. Shane is also Chairman of ASX listed Funtastic Limited. Previously, Shane was CEO of Symbion Health (formerly Mayne Nickless Diagnostic Services), one of Australia's largest diagnostic businesses, CFO of Mayne Group and Chairman of Vision Eye Institute.

Trevor John Lockett PhD
Chief Executive Officer and Managing Director

A molecular biologist by trade, Trevor Lockett received his PhD in biochemistry from the University of Adelaide and postdoctoral experience at the Rockefeller University in New York. With over 30 years of research experience, predominantly at the CSIRO, Trevor has led large, multidisciplinary research efforts in the areas of prostate cancer gene therapy, colorectal cancer prevention and the promotion of gastrointestinal health. In his role as Theme Leader, Colorectal Cancer and Gut Health, Trevor oversaw the research efforts leading to the technology that is to become ColoSTAT™.

Trevor is an inventor of seven active patent families, all of which have been licensed. Trevor has previously served on the leadership executive team of business units within CSIRO and has a strong commitment to improving human health and wellbeing through the translation and commercialisation of scientific discovery into innovative products and services.

Louis (Lou) James Panaccio
Non-Executive Director

A chartered accountant with extensive management experience in business and healthcare services. He is currently on the boards of ASX listed companies Sonic Healthcare Limited, Genera Biosystems Limited and Avita Medical Limited. Lou is also on the board of Unison Housing Limited.

Lou has more than twenty years' experience as a board member of both public and private, for profit and not for profit companies. Previously, Lou was the CEO of Melbourne Pathology and Monash IVF, and also executive Chairman of Health Networks Australia.

David John White
Non-Executive Director

Based in the United States, David is a current Senior Consultant with Planet Innovation where he leads the business development efforts for the Lumos Diagnostics Division. David has over 18 years of in-depth experience covering strategic and tactical marketing, medical device sales and the commercialisation of diagnostic products.

David has previously spent three years as the Group Marketing Manager of Advanced Staining for Leica Biosystems based in Chicago. David orchestrated the integration and strategic growth of newly acquired Vision BioSystems products within Leica's US business unit. This was followed by three years in molecular sales for GenMark Dx where he initially covered 11 states in the US Midwest and grew his start-up territory by over 100% year on year. David's network and contacts within the US diagnostics market can accelerate the path to commercialisation in this key geography.

4.2 Key Personnel

Adrien Michele Wing
Company Secretary

Adrien is a certified practicing accountant. He previously practiced in the audit and corporate advisory divisions of a chartered accounting firm before working with a number of public companies listed on the ASX as a corporate and accounting consultant and company secretary.

4.3 Interests and Remuneration of Directors

4.3.1 Interests of Directors

Following successful completion of the Offer and Listing, the Directors will have direct and indirect interests in the Company's Shares as set out in the table below:

Directors Name	Shares Direct	Shares Indirect	% Interest
Trevor Lockett*	Nil	Nil	Nil
Shane Tanner	1,500,000	Nil	1.49%
Lou Panaccio	Nil	500,000	0.5%
David White	500,000	Nil	0.5%

** Trevor Lockett holds 2,000,000 options that vest on 29 August 2018 with exercise price of $0.30 and expire three years from the date of Listing which, upon exercise, entitle the holder to a Share in the Company.*

4.3.2 Remuneration of Directors

Directors Name	Directors Fees (Per Annum, Excluding GST)
Trevor Lockett*	$200,000
Shane Tanner	$84,000
Lou Panaccio	$42,000
David White	$36,000

** Trevor Lockett may be entitled to certain bonuses upon the Company meeting specified performance milestones. Details of these bonuses are set out in Section 12.1(d).*

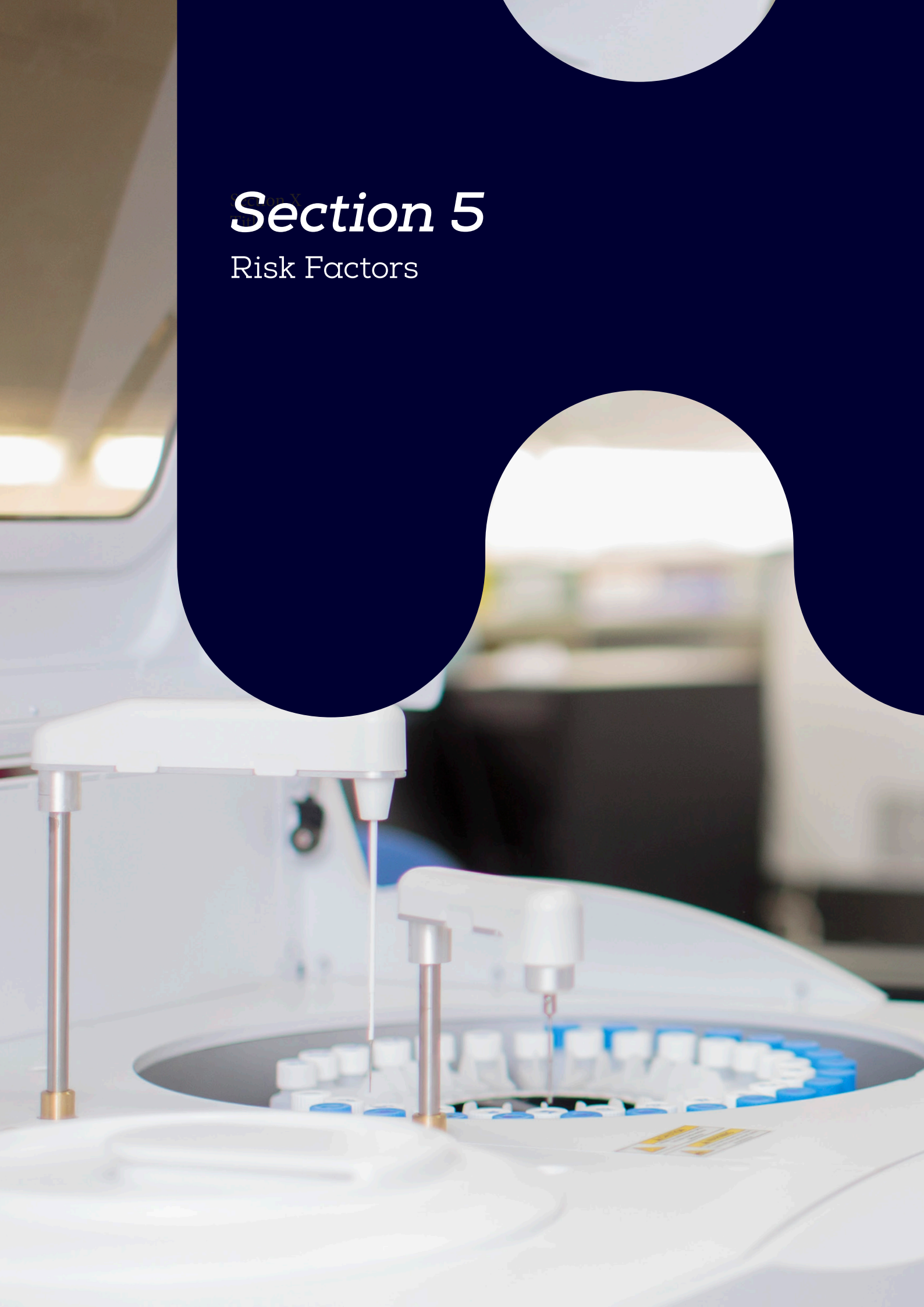
Mr Adrien Wing is engaged as secretary of the Company on a month-to-month arrangement without a formal written agreement. Mr Wing has received a monthly fee of approximately $8,000 (excluding GST) in each of the three months prior to the date of this Prospectus. The Company does not anticipate this fee will materially change following completion of the Offers and Listing.

4.4 Interests of Advisers

The Company engaged the following advisers in relation to the Offers:

- Taylor Collison Limited acted as Lead Manager of the Equity Offer. The Company will pay Taylor Collison Limited fees as summarised in Section 12.1(c).
- BDO Corporate Finance (East Coast) Pty Ltd has acted as the Investigating Accountant. The Company has agreed to pay $24,000 (excluding GST) to BDO Corporate Finance (East Coast) Pty Ltd for preparation of the Independent Accountant's Report in Section 7.
- BDO East Coast Partnership has acted as the auditor of the Company. The Company has paid, an estimated $9,000 (excluding GST) to BDO East Coast Partnership for acting as the Company's auditor for the periods ended 30 June 2017 and 31 August 2017. Further amounts may be paid (or agreed to be paid) to BDO East Coast Partnership in accordance with normal charge out rates.
- Quinert Rodda and Associates Pty Ltd has acted as legal advisor to the Company in respect of the Offers. The Company has paid, or agreed to pay, approximately $120,000 (excluding GST) to Quinert Rodda and Associates Pty Ltd in respect of services provided in relation to the Offers. Subsequently, further fees will be charged in accordance with normal charge out rates.
- FB Rice Pty Ltd has acted as intellectual property advisor to the Company. The Company has paid, or agreed to pay, approximately $5,000 (excluding GST) to FB Rice Pty Ltd for advising on intellectual property matters in connection with the Offers including preparation of the Intellectual Property Report in Section 8. Subsequently, further fees will be charged in accordance with normal charge out rates.

These amounts, and other expenses of the Offers, to the extent not paid by the Company prior to completion of the Offers will be paid out of funds raised under the Equity Offer or available cash. Further information on the use of proceeds and costs of the Offers is set out in Sections 10.6 and 12.7.



Section 5

Risk Factors

5.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company carries risk. The Directors strongly recommend potential investors consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for New Shares and consult their professional advisers.

This Section identifies circumstances that the Directors regard as the major risks associated with an investment in the Company and which may have a material adverse impact on the financial performance of the Company, and the market price of the Shares, should they arise.

The business, assets and operations of the Company are subject to certain commercial, operational and financial risk factors that have the potential to influence the operating and financial performance of the Company in the future. (Refer Sections 5.2 and 5.3).

In addition, there are other general investment risks, many of which are largely beyond the control of the Company and difficult to predict or anticipate (Section 5.4).

The Board aims to manage these risks by carefully planning the Company's activities and implementing risk control measures. However, as noted above, some of the risks identified below are highly unpredictable and the Company is limited to the extent to which it can effectively manage them.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed or will, following Listing, be exposed. In addition, this Section has been prepared without taking into account an applicants' individual financial objectives, financial situation and particular needs. Applicants should seek professional investment advice if they have any queries in relation to making an investment in the Company.

5.2 Specific Risks

a. Intellectual Property Risks

Patents

As noted in Sections 3.7 and 8, the Company (through its wholly owned subsidiary) currently holds granted patents in Australia, Europe, Japan and China, and various pending applications in other jurisdictions including the US.

The Company's success, in part, depends on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. If patents are not granted, or if granted only for limited claims, the Company's intellectual property may not be adequately protected and may be able to be copied or reproduced or otherwise circumvented by third parties. The Company may not be able to achieve its objectives, commercialise its products or generate revenue or other returns.

The Company is aware that in the US diagnostic methods generally are becoming increasingly difficult to patent. A number of relatively recent decisions of the United Sates Supreme Court have determined that claims directed to diagnostic methods do not satisfy the eligibility requirement for patentable subject matters on the basis that such claims are directed to a natural law of nature. In light of these decisions, the United States Patent and Trademark Office (**USPTO**) has therefore been issuing rejections as a matter of course against claims that are directed to a method of diagnosis, unless in carrying out the diagnostic method, there is an element of the method that is not routine or conventional in the art. For example, the analysis of biological makers to determine whether or not they are upregulated in a given disorder is carried out by a method or using an apparatus that is not conventionally used in performing the analysis. If the Company's US patent application is ultimately not allowed by the USPTO, although the Company's patent application would constitute prior art, competitors may seek to utilise the information contained in the Company's US patent application to develop competing products which could adversely impact the Company's ability to commercialise the proposed ColoSTAT™ product in the US or otherwise substantially dilute its market share.

Further detail regarding the Company's patents and patent applications is set out the Intellectual Property Report in Section 8 (in particular, you should refer to the limitations and qualifications referred to in section of that report).

IP Infringement of Patent Claims

The Company has engaged patent attorneys to develop and implement an intellectual property strategy to seek to establish patent protection in its key markets as a means of enabling the Company to guard its exclusivity, maintain an advantage over competitors and provide it with a basis for enforcement in the event of infringement of the Company's intellectual property rights by third parties. Notwithstanding this strategy, there is always a risk of third parties claiming an involvement in medical discoveries and, if disputes arise, such claims or disputes can adversely affect the Company. Further, competition in retaining and sustaining protection of intellectual property, and the complex nature of intellectual property and its protection, can lead to expensive and lengthy disputes for which there can be no guaranteed outcome. In the event of a dispute, the Company's potential competitors may potentially be able to sustain costs of litigation or proceedings more effectively than the Company because of comparatively greater financial resources.

In addition, parties making claims against the Company may obtain injunctive or other relief to prevent the Company from further developing or commercialising its products. In the event a successful claim of infringement is made against the Company, it may be required to pay damages and obtain one or more licences from the prevailing third party. If it is not able to obtain these licenses at a reasonable cost, or at all, it may encounter delays and lose substantial resources while seeking to develop alternative products.

Trade Secrets and Confidentiality

The Company may, from time to time, rely on trade secrets potentially including information relating to the algorithms linking biomarker abundance to colorectal cancer risk score for example. The protective measures employed by the Company may not provide adequate protection of its trade

secrets which may erode any competitive advantage and harm its business.

There can be no assurance employees, consultants or third parties will not breach confidentiality, infringe and/or misappropriate the Company's intellectual property. The Company seeks to mitigate the risk of unauthorised use of its intellectual property by limiting disclosure or sensitive material to particular employees, consultants and others on a need to know basis. Where appropriate, parties having access to such sensitive information will be required to provide written commitments to confidentiality and ownership of intellectual property.

b. Early Stage of Development and Uncertainty of Research

The development and commercialisation of medical diagnostic products is subject to an inherent and high risk of failure. The Company is in the early stages of seeking to develop the ColoSTAT™ product and seeking to commercialise the underpinning intellectual property. A significant amount of development work is anticipated to be required to advance the Company's technology to a position where the proposed ColoSTAT™ product is approved for commercialisation and sale. The key steps in the Company's development strategy are set out in Section 3.4 and, in the short to medium term, include:

- the successful in-house development of protein reagents and monoclonal antibodies for each of the target proteins which is anticipated to reduce reliance on commercial assays;
- recruitment for, and conduct of, further clinical trials including Studies 6 and 7 referred to in Section 3.3;
- subject to the foregoing, the application for registrations necessary for commercialisation of the proposed ColoSTAT™ product.

Related to the above, the Company is and will continue to be reliant on the results received from the research and development it undertakes including through the conduct of clinical studies. While the Company is encouraged by trial results to date and will conduct or participate in future clinical trials on the advice of management and consultants with considerable industry experience, as it seeks to move to commercialisation those trials can be expensive, time consuming and involve potential delay. There is no certainty the results of those trials will demonstrate any material benefit or advancement in efficacy over existing alternatives or potential new products, and there is the potential for the diagnostic product to be found to be ineffective or unsafe for public use. Further, the success of clinical trials may be impacted by the ability to recruit patients to participate, lack of product effectiveness in trials, compliance with ethics protocols, modifications or adaptations to trial protocols, failure to meet trial end points, and changes to regulations governing the conduct of trials.

Separately, there is the potential that the results of trials will deliver results which requires a change in strategy (refer also general risk in Section 5.2(h) below) which, in particular may include, any one or more of the following:

- Future trial outcomes may result in a decision to remove existing, and/or add additional, biomarkers to the current proposed three biomarker ColoSTAT™ panel resulting in additional research and development and greater than anticipated complexity or cost in commercialisation.
- The Company's efforts to develop in-house reagents for its proposed ColoSTAT™ test may be unsuccessful resulting in a reliance on commercially available reagents, which may increase supply and quality control risks. Alternatively, in-house reagents may have different performance characteristics from the commercial reagents used in earlier trials giving rise to additional research and development and the potential for greater than anticipated complexity and cost in commercialisation.

c. Regulatory Approvals

Product commercialisation and development involves lengthy processes that are dependent on the evaluation by external groups such as Food and Drug Administration (in the US), 'CE marking', (in the European Union) and approval from the Therapeutic Goods Association (in Australia). There is no guarantee the Company will meet the relevant regulator's benchmarks, which may require the Company to conduct further clinical studies, resulting in significant cost and delay, and which may ultimately result in a failure to receive the necessary regulatory approvals in one, or multiple, key markets for the Company's products.

d. Market Acceptance and Competitor Risks

Ultimately any products developed by the Company need to find acceptance in a competitive market. Market acceptance depends on numerous factors, including convincing potential consumers and partners of the attractiveness of the Company's product and the ability to manufacture products to a sufficient quality and quantity to meet commercial demand at an acceptable cost. These and other factors may cause the Company's product to not gain market acceptance and will negatively affect the profitability of the Company.

The Company is subject to risk from competitors including the introduction of new and emerging technologies or inventions, and/or improvements or price reductions in existing diagnostic or treatment options. An overview of the competitive landscape is set out in Section 2.7. The medical diagnostic industry is highly competitive and includes large, well-established and well-funded corporations who have access to substantially greater resources and more markets than the Company and which may be able to adopt aggressive research and development and marketing strategies to rapidly capture market share. There may also be other aggressive, fast-moving, early stage, start-up companies that are developing comparable or competing technologies. The Company intends to maintain a close watching brief on existing and emerging diagnostic tests for colorectal cancer as well new patent applications relevant to the field as they are published.

e. Sufficiency of Funding

The Company has provided an indication of how it intends to apply its existing funds, including funds raised under the Equity Offer, over the course of the next 2 years in Section 10.5. The Company has not entered into contracts for some of the material items anticipated to be covered by the Use of Funds contained in Section 10.6 of this Prospectus, including agreements for the conduct of clinical trials or collaborative or consultancy agreements for the in-house development of reagents. The Directors of the Company have determined that, following the close of the Equity Offer, the Company will be in a position to negotiate the exact terms for such contracts and has based its Use of Funds on estimates of costs derived from past experience of its management and initial discussions with potential contracting counterparties. Nevertheless, there is a risk that the costs may be higher than anticipated or increase as a result of unforeseen circumstances (which may include circumstances related to other key risk factors set out in this Section 5).

In the medium to long term, the Company's ability to implement its overall business strategy are likely to depend in part on its ability to continue to raise funds for its operations, including an ability to raise funds to conduct a clinical trial sufficient to support FDA approvals (noting that some preliminary funds allocation is directed towards the commencement of this process in Section 10.6). The Company's ability to raise further capital (equity or debt) within an acceptable time, or of a sufficient quantum and on terms acceptable to it will vary according to a number of factors, including the success of its research and development program and other general factors affecting the Company and financial and share markets generally. No assurance can be given that future funding will be available to the Company, on any particular terms, or at all.

f. Dependence on Key Personnel and Contractors

The Company is dependent on the expertise of its key management and its ability to contract with third-party research and development providers including for the conduct of future clinical trials. The loss of key management or the inability to reach agreements with research and development providers could materially adversely affect the Company. Given the nature of the Company's activities, its ability to achieve its development and commercialisation program is dependent on its ability to attract and maintain appropriately qualified personnel either within the Company or through contractual arrangements.

g. Product Risks and Liability

As with all new public health products, even if the Company was successful in development of its product and obtains regulatory approvals, there is no assurance unforeseen adverse events or manufacturing defects will not arise. Adverse events could expose the Company to product liability claims in litigation, potentially resulting in any regulatory approval (when/if obtained) being removed and damages being awarded against the Company. In such event, the Company's liability may exceed the Company's insurance coverage (if any).

The efficacy and results of trials relating to future products will rely on the proper implementation of use/testing protocols which may include requirements for clinicians and diagnostic labs to adhere to standard operating procedures for collection and processing of blood samples. While none of the anticipated requirements of the proposed ColoSTAT™ product is expected to be onerous or unusual, a failure to adhere to these requirements may adversely affect the efficacy and reliability of test results.

h. Change in Strategy

The Company's plans and strategies may evolve over time due to review and assessment of, amongst other things, trial results and data, market trends, the outcome of its intellectual property registrations/applications, changes in policy or regulations, the level of market acceptance in particular jurisdictions or markets and the emergence of new technologies or improvements in existing technology. As a result, the current strategies, approaches, and plans of the Company may not reflect the strategies, approaches, plans and products pursued at a later date. Any such changes have the potential to expose the Company to additional risks. As noted in Section 3.8, while the Company's key focus is the proposed ColoSTAT™ product, it may in the future look at opportunities for diversification.

i. Contract and Litigation Risks

The Company, through its wholly-owned subsidiary, licenses certain know-how and holds the benefit of access to certain materials under Licence (Licence Agreement), the terms of which are summarised in Section 12.1(a). In consideration of the grant of the Licence, Vision Tech (the Company's wholly-owned subsidiary) has assumed certain obligations which include royalty obligations and obligations to use reasonable endeavours to fund development and commercialisation of the technology. There is a risk the Company may fail to meet its obligations under the Licence Agreement, or a dispute may arise in connection with payment of royalties or other rights or obligations of the parties under the Licence Agreement. To seek to mitigate this risk, the Licence Agreement allows for Vision Tech to make cash payments in lieu of development or royalty expenditure. The Licence Agreement provides for various remedies in the event of breaches which include rights of termination and, in the event of failure to meet specified performance criteria, a right to elect to convert the Licence to a non-exclusive licence. A summary of the Licence Agreement is set out in Section 12.1(a).

Additionally, as part of regular business activities, the Company is, or may become, exposed to possible litigation risks including contractual disputes, employee claims and/or intellectual property disputes. Any such claim or dispute, if proven, may impact adversely on the Company's operations, financial performance and financial position.

j. Foreign Currency and Exchange Rate Fluctuations

There is potential that the Company's expenditure and potential future revenue may be domiciled in various currencies other than Australian dollars. This may expose the Company to foreign exchange movements, which has the potential to positively and negatively influence the Australian dollar equivalent to such revenue and expenditure.

The Company will monitor and assess such risks and implement measures to manage such risks. These measures may not eliminate such risks and may themselves expose the Company to related risks.

k. Absence of Dividends

The ability of the Company to pay dividends in the future is dependent on many factors including the results of the Company's research and its ability to develop and commercialise its product. Where the Company is in a position to pay dividends, the amount, timing and payment of future dividends is dependent on a range of factors including future capital and research and development requirements, as well as the overall financial position of the Company. There will be factors outside of the control of the Company and its Directors that may affect the ability of the Company to pay dividends.

The Company does not expect to pay dividends in the short or medium term. The Directors are unable to give any assurance regarding the payment of dividends in the future, if any.

l. Liquidity and Realisation Risk

If restriction obligations (escrow) are applied to Shares held by existing shareholders, the remaining "free float" (shares that are tradable during any restriction period) may be limited, resulting a decrease in active or potential sellers or buyers at any given time, which may result in an inactive or illiquid market for the Company's Shares, which may increase the volatility of the market price of the Company's Shares.

While the Company is not currently aware of what, if any, restriction obligations will be imposed, and will not know the extent of escrow until determined by ASX, if all existing Shares are subject to escrow, the restricted shares would represent approximately 55% of the Company. This would leave approximately 45% of the Company's Shares free trading until this escrow period(s) ends. If fewer Shares were to be restricted, more shares would be free trading.

Further, there is a risk that once the Shares subject to escrow or trading restrictions are released from the restrictions attaching to them, there may be significant sell down by holders of those shares which may negatively affect the Company's Share price.

The potential limited free float (tradeable Shares during any restriction period) and potential sell down may affect the prevailing market price at which shareholders are able to sell their Shares.

There can be no guarantee that an active market in the Shares will develop or that the price of the Shares will increase. There may be relatively few potential buyers or sellers at any given time and this may increase the volatility of the market price of Shares.

5.3 General Risks

a. Economic Risks

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as its ability to fund those activities. Furthermore, share market conditions may affect the value of the Company's securities regardless of the Company's operating performance.

Share market conditions are affected by many factors such as:

- General economic outlooks
- Interest rates and inflation rates
- Currency fluctuations
- Changes in investors sentiment toward a particular market sector; and
- The demand for, and supply of, capital.

b. Government Policy Changes

Any material changes in the policies of governments or certain regulatory bodies in the Company's target markets, or relevant legislation of the countries in which the Company may operate, have the potential to affect the viability, profitability and progress of the Company's business.

c. Unforeseen Risks

There may be other risks which the Directors or management of the Company are unaware of at the time of issuing this Prospectus which may impact on the Company, its operations and/or the valuation and performance of the Shares.

d. Combination of Risks

The Company may be subject to a combination of risks, including any of the risks outlined in this Section 5, which in aggregate could affect the performance valuation, financial performance and prospects of the Company.

e. Insurance

The Company has obtained insurance where it is considered appropriate for its needs. However, the Company would not expect to be insured against all risks, either if appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

Accordingly, the Company may not be fully insured against all losses and liabilities that could unintentionally arise from its operations. If the Company incurs losses or liabilities for which it is uninsured, the value of the Company's assets may be at risk.

f. Taxation

There may be tax implications arising from applications for New Shares, participation in any on-market buy-back and/or on the future disposal of Shares. Potential investors should consult their professional tax adviser before deciding whether to apply for New Shares pursuant to this Prospectus.

5.4 Speculative Investment

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

There may be other risks which the Directors are unaware of at the time of issuing this Prospectus which may impact the Company, its operations and/or the valuation and performance of the Company's Shares.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or market value. The Company does not expect to declare any dividends during the first two years following Listing.

Potential investors should consider that investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for New Shares pursuant to this Prospectus.

Section 6

Financial Information

6.1 Introduction

This Section contains a summary of the historical financial information and pro-forma historical financial information of Rhythm Biosciences Limited and its controlled entities (**Rhythm** or the **Company**) (collectively the **Financial information**), which has been prepared by the Directors of Rhythm.

The Historical Financial Information comprises the:

- Rhythm historical consolidated Statement of Profit or Loss and Other Comprehensive Income for the period from 1 June 2017 (incorporation date) through to 30 June 2017 (**PE June 2017**) and the period from 1 July 2017 to 31 August 2017 (**PE August 2017**) (**Historical consolidated Statements of Profit and Loss and Other Comprehensive Income**); and
- Rhythm historical consolidated Statements of Cash Flows for the PE June 2017 and PE August 2017 (**Historical consolidated Statements of Cash Flows**).

The Pro-forma Historical Financial Information comprises the:

- Rhythm pro-forma historical consolidated Statement of Financial Position as at 31 August 2017 (**Pro-forma historical consolidated Statement of Financial Position**).

The Historical Financial Information has been audited by BDO East Coast Partnership (**BDO**) and the Pro-forma Historical Financial Information has been reviewed by BDO Corporate Finance (East Coast) Pty Ltd (**BDO Corporate Finance**). BDO Corporate Finance's Investigating Accountant's Report on the Pro-forma Historical Financial Information is contained in Section 7. Investors should note the scope and limitations of that report (refer to Section 7).

Also summarised in this Section are:

Table 1: Overview of financial information

Section	Heading
6.2	Basis of Preparation and Presentation of the Financial Information
6.3	Historical consolidated Statement of Profit or Loss and Other Comprehensive Income
6.4	Historical consolidated Statement of Cash Flows
6.5	Pro-forma historical consolidated Statement of Financial Position
6.6	Debt Facilities
6.7	Capital Commitments
6.8	Liquidity and Capital Resources
6.9	Dividend Policy
6.10	Significant Accounting Policies
6.11	Critical Accounting Judgements, Estimates and Assumptions

The information in this Section 6 should be read in conjunction with the risk factors set out in Section 5 and other information contained in this Prospectus.

All amounts disclosed in the tables are presented in Australian dollars, and unless otherwise noted, are rounded to the nearest thousand dollars.

6.2 Basis of Preparation and Presentation of the Financial Information

6.2.1 Overview

The Directors of Rhythm are responsible for the preparation and presentation of the Financial Information.

The Financial Information included in this Section has been prepared in accordance with the recognition and measurement principles prescribed in Australian Accounting Standards (**AAS**) adopted by the Australian Accounting Standards Board (**AASB**), which are consistent with International Financial Reporting Standards (**IFRS**) issued by the International Accounting Standards Board, and the accounting policies of Rhythm. The Financial Information and accompanying commentary presented in this Section has also been disclosed with consideration to regulatory guidance issued by ASIC.

The Financial Information is presented in an abbreviated form insofar as it does not include all the presentation and disclosures, statements or comparative information as required by AAS and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act.

In preparing the Financial Information, the accounting policies of Rhythm have been applied consistently throughout the periods presented. The significant accounting policies of Rhythm relevant to the Financial Information are set out in Section 6.10.

The Directors have considered ASIC Regulatory Guide 170, and having regard to the requirements of this Regulatory Guide, note any prospective financial information would contain a broad range of potential outcomes and possibilities such that the Directors have concluded Rhythm cannot include prospective financial information in this Prospectus.

6.2.2 Preparation of Historical Financial Information

The Historical Financial Information has been extracted from the financial statements of Rhythm for the PE June 2017 and PE August 2017. On 23rd June 2017, the Company acquired 100% of the shares of Vision Tech Bio Pty Ltd. At this time, Vision Tech Bio Pty Ltd was not carrying out a business and accordingly, AASB 3 Business Combinations has not been applied when accounting for this acquisition.

The financial statements of Rhythm for the PE June 2017 and PE August 2017 were audited by BDO. BDO issued an unqualified audit opinion in respect of the PE June 2017 and PE August 2017 financial statements respectively.

The financial statements of Rhythm for the PE June 2017 and PE August 2017 have been prepared for the purposes of satisfying the regulatory financial disclosure requirements for the IPO. BDO's audit reports for both periods included an emphasis of matter paragraph in respect of the financial reports having been prepared as special purpose financial reports in accordance with the measurement and recognition requirements of AAS issued by the AASB but not all disclosure requirements of AAS. As a result, the financial reports may not be suitable for another purpose. BDO's audit opinions were not modified in respect of this matter.

The financial statements of Rhythm for the PE June 2017 (audited special purpose consolidated financial report for the period from incorporation (1 June 2017) to 30 June 2017) and PE August 2017 (audited special purpose consolidated financial report for the period 1 July 2017 to 31 August 2017) have been lodged with ASIC and are taken to be included in this Prospectus by operation of section 712 of the Corporations Act. Each financial statement comprises a Director's Report, Statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity, statement of cash flows, notes to the financial statements and an independent auditor's report. As set out above, each of the financial statements includes an emphasis of matter and sets out that the Company has made a loss since incorporation on 1 June 2017. Any person may request a copy of the financial reports referred to above during the application period for this Prospectus, which the Company will provide free of charge. A copy of each of the above documents can also be downloaded from the Company's website at www.rhythmbio.com/reports.

6.2.3 Preparation of Pro-forma Historical Financial Information

The Pro-forma Historical Financial Information has been prepared solely for the purposes of inclusion in this Prospectus, and has been extracted from the financial statements of Rhythm for the PE August 2017 with adjustments applied to reflect Rhythm's capital structure that will be in place following completion of the Offers. Refer to Section 6.5 for a reconciliation between the Pro-forma Historical Financial Information and the statutory equivalent financial information.

The Pro-forma Historical Financial Information presented in this Prospectus has been reviewed by BDO Corporate Finance. Investors should note the scope and limitations of BDO Corporate Finance's Investigating Accountant's Report (refer to Section 7).

6.3 Historical Consolidated Statements of Profit or Loss and Other Comprehensive Income

Set out below is a summary of Rhythm's historical consolidated Statements of Profit or Loss and Other Comprehensive Income for the PE June 2017 and PE August 2017.

Table 2: Rhythm historical consolidated Statements of Profit or Loss and Other Comprehensive Income

	PE June2017 Audited $000	PE August 2017 Audited $000
Expenses		
Corporate and administrative expenses	(72)	(72)
Listing expenses	-	(29)
Employee benefits expense	-	(56)
Depreciation and amortisation expense	-	(0)
Other expenses	-	(2)
Loss before income tax	**(72)**	**(159)**
Income tax expense	-	-
Loss after income tax	**(72)**	**(159)**
Other comprehensive income	-	-
Total comprehensive income for the period	**(72)**	**(159)**

Note:

1. *All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.*

6.4 Historical Consolidated Statements of Cash Flows

Set out below is a summary of Rhythm's historical consolidated Statements of Cash Flows for the PE June 2017 and PE August 2017.

Table 3: Rhythm historical consolidated Statements of Cash Flows

	PE June 2017 Audited $000	PE August 2017 Audited $000
Cash flows from operating activities		
Payments to suppliers (inclusive of GST)	(0)	(17)
Net cash used in operating activities	(0)	(17)
Cash flows from investing activities		
Payments for intangibles	-	(308)
Net cash used in investing activities	-	(308)
Cash flows from financing activities		
Contributions of equity	1,495	43
Share issue transaction costs	-	(6)
Net cash used in financing activities	**1,495**	**37**
Net increase in cash and cash equivalents	1,495	(288)
Cash and cash equivalents at the beginning of the financial period	-	1,495
Cash and cash equivalents at the end of the financial period	**1,495**	**1,207**

Notes:

1. *All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.*

6.5 Pro-forma Historical Consolidated Statement of Financial Position

6.5.1 Overview

Set out in the table below are the adjustments that have been made to the audited Statement of Financial Position of Rhythm as at 31 August 2017 to present the pro-forma historical consolidated Statement of Financial Position. The adjustments include the impact of the change in capital structure that will be in place immediately following completion of the Offers, as if the Offers had occurred as at 31 August 2017. These adjustments include assumptions relating to matters that are known as at the date of the Prospectus.

Table 4: Rhythm pro-forma historical consolidated Statement of Financial Position as at 31 August 2017

	Audited $000	Notes	Subsequent Events $000	Impact of Offers $000	Pro-forma $000
Current assets					
Cash and cash equivalents	1,207	1	-	7,989	9,196
Trade and other receivables	13		-	-	13
Other assets	24	2	-	(24)	-
Total current assets	**1,244**		**-**	**7,965**	**9,210**
Non-current assets					
Property plant and equipment	4		-	-	4
Intangibles	608		-	-	608
Total non-current assets	**612**		**-**	**-**	**612**
Total assets	**1,856**		**-**	**7,965**	**9,821**
Current liabilities					
Trade and other payables	546	3	(250)	-	296
Employee benefits	4		-	-	4
Total current liabilities	**550**		**(250)**	**-**	**300**
Total liabilities	**550**		**(250)**	**-**	**300**
Net assets	**1,306**		**250**	**7,965**	**9,522**
Equity					
Share capital	1,538	4	250	8,257	10,044
Accumulated losses	(231)	5	-	(291)	(522)
Total equity	**1,306**		**250**	**7,965**	**9,522**

Notes:

1. *All amounts disclosed in the tables are presented in Australian dollars and, unless otherwise noted, are rounded to the nearest $1,000. Rounding in the Financial Information may result in some immaterial rounding differences between totals and sums of components and the total percentage calculations outlined within tables, figures and commentary.*

6.5.2 Pro-forma Adjustments to Statement of Financial Position

Note 1: Cash and cash equivalents

	Pro-forma After Offers $000
Audited balance of Rhythm as at 31 August 2017	1,207
Pro-forma adjustments	
Proceeds from shares issued under the Equity Offer	9,000
Offer costs paid from Equity Offer proceeds	(1,011)
	7,989
Pro-forma Balance	**9,196**

The Equity Offer is expected to raise $9.0 million before payment of Equity Offer costs. Equity Offer cash costs to be incurred subsequent to 31 August 2017 are expected to total approximately $1.0 million (inclusive of non-recoverable GST where applicable).

Note 2: Other assets

	Pro-forma After Offers $000
Audited balance of Rhythm as at 31 August 2017	24
Pro-forma adjustments	
Prepaid assets relating to Offer costs	(24)
	(24)
Pro-forma Balance	**-**

Rhythm has prepaid $24,000 relating to Equity Offer costs as at 31 August 2017 which has been adjusted against the Trade and Other Receivables balance as if the Equity Offer had occurred as at 31 August 2017.

Note 3: Trade and other payables

	Pro-forma After Offers $000
Audited balance of Rhythm as at 31 August 2017	546
Subsequent events	
Shares issued to CSIRO as consideration under licence agreement	(250)
	(250)
Pro-forma Balance	**296**

On 1 September 2017, the Company issued 2,500,000 fully paid ordinary shares to CSIRO to meet the terms of the Licence Agreement between VisionTech Bio and CSIRO. The shares issued were valued at $250,000.

Note 4: Share capital

	Pro-forma After Offers $000
Audited balance of Rhythm as at 31 August 2017	1,538
Subsequent events	
Shares issued to CSIRO as consideration under licence agreement	250
	250
Pro-forma adjustments:	
Proceeds from shares issued under the Equity Offer	9,000
Advisor shares issued under the Advisor Share Offer	150
Offer costs in relation to Equity Offer	(893)
	8,257
Pro-forma Balance	**10,044**

As discussed above, the Company has issued fully paid shares to the CSIRO valued at $250,000 on 1 September 2017. Under the Equity Offer, the Company will raise $9.0 million and offer costs directly attributable to the new equity raised are booked against share capital.

Additionally, the Company will issue 750,000 Advisor shares to Taylor Collison under the Advisor Share Offer for nil cash as consideration for services performed in connection with the Equity Offer. These Advisor shares are valued at $150,000 and the cost is booked against share capital.

Note 5: Accumulated losses

	Pro-forma After Offers $000
Audited balance of Rhythm as at 31 August 2017	(231)
Pro-forma adjustments	
Offer costs in relation to Listing of existing shares	(291)
	(291)
Pro-forma Balance	**(522)**

Offer costs in relation to the Listing of existing shares are expensed.

6.6 Debt Facilities

Rhythm has nil debt facilities.

6.7 Capital Commitments

As at 31 August 2017, the Company has no operating or finance lease commitments.

6.8 Liquidity and Capital Resources

Following Completion of the Offer, Rhythm ' principal sources of funds will be proceeds from the Offer. As noted in Sections 3.4 and 5.2(b), significant further research and development work is required before the Company is in a position to commence sales activities.

6.9 Dividend Policy

The ability to pay dividends depends on a number of factors. The Directors do not provide any assurance of the future level of dividends or the extent to which they are franked and there may be periods in respect of which dividends are not paid.

6.10 Significant Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are set out below.

6.10.1 New, Revised or Amending Accounting Standards and Interpretations Adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

6.10.2 Basis of Preparation

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in section 6.11.

6.10.3 Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the Company and the results of all subsidiaries for the period then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

6.10.4 Income Tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

6.10.5 Current and Non-current classification

Assets and liabilities are presented in the statement of Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

6.10.6 Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6.10.7 Trade and other receivables

Other receivables are recognised at amortised cost, less any provision for impairment.

6.10.8 Property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Office equipment	3 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

6.10.9 Intangible assets

Patents and trademarks

Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 10 years.

Other intangible assets

Other intangible assets are capitalised as an asset and recognised at cost less amortisation and impairment.

6.10.10 Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

6.10.11 Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

6.10.12 Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

6.10.13 Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

6.10.14 New accounting Standards and Interpretations not yet mandatory or early adopted

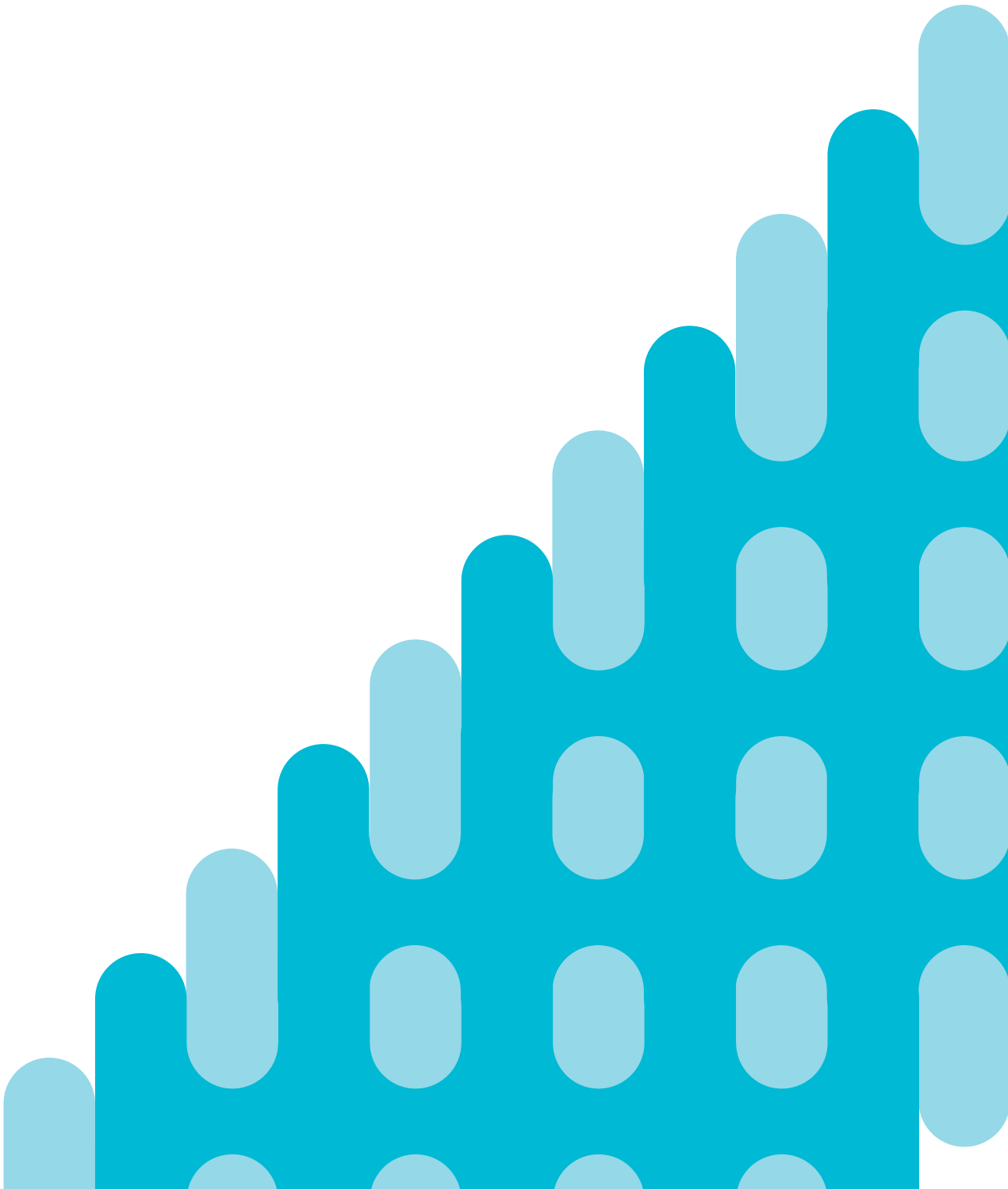
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 31 August 2017. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

6.11. Critical accounting judgements, estimates and assumptions

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

Acquisition of Vision Tech

On 23rd June 2017, the Company acquired 100% of the shares of Vision Tech Bio Pty Ltd. At that time, Vision Tech Bio Pty Ltd was not carrying out a business. For this reason, AASB 3 Business Combinations has not been applied when accounting for this acquisition.



Section 7

Investigating Accountant's Report

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Melbourne VIC 3008
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AUSTRALIA

The Directors
Rhythm Biosciences Limited
Level 17, 500 Collins Street
Melbourne, Vic 3000

12 October 2017

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

Introduction

BDO Corporate Finance (East Coast) Pty Ltd (**"BDO Corporate Finance"**) has been engaged by Rhythm Biosciences Limited (**"Rhythm Biosciences" or "the Company"**) to prepare this Investigating Accountant's Report (**"Report"**) in relation to certain financial information of the Company, for the initial public offering of shares in the Company, for inclusion in a prospectus proposed to be issued on or about 12 October 2017 (**"Prospectus"**).

Unless stated otherwise in this Report, expressions defined in the Prospectus have the same meaning in this Report.

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the financial information to which it relates for any purpose other than that for which it was prepared.

Scope

You have requested BDO Corporate Finance to perform a limited assurance engagement in relation to the pro forma historical financial information described below and disclosed in the Prospectus.

The pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

Our limited assurance engagement has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdiction other than Australia and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Pro Forma Historical Financial Information

You have requested BDO Corporate Finance to review the following pro forma historical financial information (the **"Pro Forma Historical Financial Information"**) of the Company included in the Prospectus:

- the pro forma historical consolidated Statement of Financial Position as at 31 August 2017.

The Pro Forma Historical Financial Information has been derived from the historical financial information of Rhythm Biosciences, after adjusting for the effects of pro forma adjustments described in section 6.5 of the Prospectus. The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event(s) or transaction(s) to which the pro forma adjustments relate, as described in section 6.2.3 of the Prospectus, as if those event(s) or transaction(s) had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position.

The Pro Forma Historical Financial Information has been compiled by the Company to illustrate the impact of the event(s) or transaction(s) described in Section 6.5 of the Prospectus on the Company's financial position as at 31 August 2017. As part of this process, information about Rhythm Biosciences' financial position has been extracted by the Company from the financial statements of Rhythm Biosciences for the period ended 31 August 2017.

The financial statements of Rhythm Biosciences for the period ended 31 August 2017 were audited by BDO East Coast Partnership in accordance with Australian Auditing Standards. BDO East Coast Partnership issued an unqualified review opinion on the financial report relating to those financial statements. The audit report contained an emphasis of matter paragraph regarding the financial report having been prepared as a special purpose financial report for the purpose of disclosure of its financial information in a prospectus to be issued by the Company and hence the financial report may not be suitable for another purpose.

Directors' Responsibility

The directors of the Company are responsible for the preparation and presentation of the Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Our Responsibility

Our responsibility is to express limited assurance conclusions on the Pro Forma Historical Financial Information, based on our limited assurance engagement. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

The procedures we performed were based on our professional judgement and included consideration of work papers, accounting records and other documents, including those dealing with the derivation of the Historical Financial Information of Rhythm Biosciences from its audited financial statements for the periods ended 30 June 2017 and 31 August 2017.

Our limited assurance procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that

we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

Conclusions

Pro Forma Historical Financial information

Based on our limited assurance engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in section 6.5 of the Prospectus, and comprising:

- the pro forma historical consolidated Statement of Financial Position of the Company as 31 August 2017;

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in section 6.2.3 of the Prospectus.

Subsequent Events

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no material transaction or event outside of the ordinary business of the Company not described in the Prospectus, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

Independence

BDO Corporate Finance is a member of BDO International Ltd. BDO Corporate Finance does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received.

General Advice Warning

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to the Prospectus, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO Corporate Finance has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO Corporate Finance has not authorised the issue of the Prospectus. Accordingly, BDO Corporate Finance makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Financial Services Guide

Our Financial Services Guide follows this Report. This guide is designed to assist retail clients in their use of any general financial product advice in our Report.

Yours faithfully

Greg Ellis

Director and Representative

Financial Services Guide

This Financial Services Guide is issued in relation to an investigating accountant's report ("**Report**") prepared by BDO Corporate Finance (East Coast) Pty Limited (ABN 70 050 038 170) ("**BDO Corporate Finance**") at the request of the directors ("**Directors**") of Rhythm Biosciences Limited ("**Rhythm Biosciences**") to provide general financial product advice in the form of a Report in relation to the initial public offering of shares in Rhythm Biosciences ("**Proposal**"). The Report is intended to accompany a Prospectus ("**Document**") that is to be provided by the Directors to help potential investors make an informed decision in relation to the financial product.

Engagement

BDO Corporate Finance has been engaged by the Directors to prepare the Report expressing our opinion in respect of the Pro Forma Historical Financial Information to be included in the Document to be issued in connection with the Proposal.

Financial Services Guide

BDO Corporate Finance holds an Australian Financial Services Licence (Licence No: 247420) ("**Licence**"). As a result of our Report being provided to you, BDO Corporate Finance is required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of a Licence.

Financial services BDO Corporate Finance is Licenced to provide

The Licence authorises BDO Corporate Finance to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives to retail and wholesale clients.

BDO Corporate Finance provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposal described in the Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that BDO Corporate Finance may receive

BDO Corporate Finance has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis.

BDO Corporate Finance will receive a fee of approximately A$24,000 (plus GST and disbursements) in relation to the preparation of the Report. The fee is not contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of BDO Corporate Finance or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

BDO Corporate Finance does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that BDO Corporate Finance is Licenced to provide.

Associations and relationships

BDO Corporate Finance is a member of a national association of independent entities which are all members of BDO (Australia) Ltd, an Australian company limited by guarantee. BDO Corporate Finance and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms.

BDO Corporate Finance's contact details are as set out on our letterhead.

Complaints resolution

As the holder of a Licence, we are required to have a process for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance (East Coast) Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("FOS"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. BDO Corporate Finance is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Toll free: 1300 78 08 08
Email: info@fos.org.au

Section 8

Intellectual Property Report

FB RICE

The IP Navigators

Intellectual Property Report

Rhythm Biosciences Limited

October 2017

Patent and Trade Mark Attorneys

FB Rice Pty Ltd ABN 70 618 431 851

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October 2017
Our Ref: CM776558

1 Executive Summary

Set out below is our report (the "Report") detailing the current status of intellectual property being handled by FB Rice on behalf of Rhythm Biosciences Limited (and its group entities) for inclusion in a Prospectus to be lodged at the Australian Securities & Investments Commission (ASIC) for the purpose of raising funds through the issue of securities and to seek listing on the Australian Securities Exchange Limited.

The Report provides a general summary of intellectual property in Section 3 and summarises and details the status of the granted patents and pending patent applications assigned to Vision Tech Bio Pty Ltd (a wholly owned subsidiary of Rhythm Biosciences Limited).

Section 5 explains that we are not aware of any issues that affect proprietorship of the patent family in the portfolio.

Section 6 provides general comments on Validity of Patents. Limitations and Qualifications of this Report are outlined in Section 7.

2 Background and Scope

FB Rice has been instructed by Rhythm Biosciences Limited to prepare this Report for inclusion in a Prospectus to be issued by Rhythm Biosciences Limited. FB Rice has been instructed to provide the details and status of patent matters in the intellectual property portfolio referred to in this Report.

To the best of our knowledge the Report is accurate as at its date, subject to the limitations and qualifications set out in Section 7 (in particular, subject to the sources of information described in Section 7.1). FB Rice is not aware of any material changes expected to occur to the status of the matters outlined below, except where indicated.

3 Intellectual Property

3.1 Meaning of Intellectual Property

The term "intellectual property" refers to a group of registrable and non-registrable rights, including rights in patents, designs, trademarks, plant varieties, copyright, confidential information and trade secrets. Intellectual property has many of the characteristics possessed by real and personal property. In particular, intellectual property is an asset, which may be bought, sold, licensed, exchanged, or otherwise transferred as other forms of property. Accordingly, an intellectual property owner has the right to prevent the unauthorised use or sale of its property.

This Report is only directed to intellectual property which is in the form of patents and patent applications.

3.2 Patents

Patents cover invention and provide a monopoly in exchange for an inventor's full disclosure of the invention to the public. A patent provides protection for novel (new), inventive (non-obvious) and useful inventions for a fixed period, which is typically up to 20 years. For certain inventions this period may be extended. In addition, to maintain a pending application or patent in force, it is necessary to pay renewal fees, usually on an annual basis. Patents may be granted in relation to a wide range of subject matter, such as new or improved products, new uses for products or methods for doing things. Such subject matter must, however, be industrially applicable.

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A patent cannot be granted on a worldwide basis. Rather, patents must be obtained individually in every country where protection is required. Although there is a certain amount of harmonization between the patent granting procedures and standards throughout the world, there are in the way individual Patent Offices assess patentability of claims. For example, different countries assess inventive step and enable/support differently. Accordingly, the claim scope of a patent may vary from country to country and indeed a patent may not be granted in a particular country for failure to comply with the relevant patentability standards in that country.

3.3 Patenting Process

In most countries of the world the process of protecting patent rights begins with the submission of a patent application comprising a patent specification describing the invention. Filing an Australian patent application (provisional or complete) or other initial patent application in a foreign country, which permits such a filing, satisfies this requirement.

A fundamental requirement of the patent system is that the invention is novel and inventive at the time of filing, relative to what was publicly known or used at the date of the application. Accordingly, it is imperative that the specification contains a full disclosure of the invention. A patent specification generally consists of a description of the invention including relevant experimental data supporting the invention, figures, and so-called claims, which define the scope (e.g. the monopoly sought) of the invention.

Once the initial application has been filed, further applications in foreign countries must be filed within twelve (12) months, pursuant to an international Treaty called the Paris Convention, otherwise rights to the invention may be lost in those countries. In this regard, the Paris Convention provides that the filing of an initial patent application establishes a priority date for the invention in all other countries which are party to this Convention, including countries such as the United States, Japan and Australia, as well as jurisdictions such as the European Union and Eurasia.

The filing of further patent applications in foreign countries may be pursued individually or in some instances by filing an application with a regional patent office that does the work for a number of countries, such as the European Patent Office and the African Regional Industrial Property Organisation (ARIPO). The Patent Cooperation Treaty ("PCT") may also be utilised for the filing of a single international patent application. The PCT allows applicants to request patent protection in as many signatory states as needed at a later date.

Once a PCT application has been filed it is subjected to what is called an "international search", carried out by one of the major patent offices. The search results are then communicated to the patent applicant (i.e. the party or parties that filed the patent application) in an "international search report", which is a listing of published documents that the searching authority deems relevant to the patentability of the invention claimed in the international application. On the basis of the international search report, the applicant may decide to withdraw the patent application prior to publication. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau a few months later.

If the applicant decides to continue with the international application, when within thirty (30) months of the provisional patent application filing date, national patent applications need to be filed. In some countries such as Australia and regions such as Europe, the deadline is thirty-one (31) months.

Once the PCT process has been completed then the national or regional phase is undertaken, then the national or regional phase is undertaken, as the PCT application itself does not mature into patents. The standard documentation and fee requirements will need to be satisfied in each country, and in non-English speaking countries that will include translating the PCT specification into the language of the relevant country. Failure to enter the national phase within the thirty (30) month period will result in abandonment of the ability to secure patent protection in most PCT countries.

The national or regional applications progress under the jurisprudence and legislation of each country or region. In most jurisdictions, such as Australia, Europe, United States and Japan, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. Examination establishes what is referred to as the "state of the art". The patent application is measured against the state of the art and an assessment is made regarding whether the invention described in the application is novel, inventive, useful and relates to patentable subject matter in that jurisdiction. Therefore, the time required to complete the process of examination differs from country-to-country and the scope of protection may differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is actually granted. With respect to regional applications, like the European application, this involves filing a single application designating any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to the grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

3.4 Granted patents: renewal fees, validity, exploitation and enforcement

Once a patent has been granted renewal fees (typically annually for most countries) will need to be paid, otherwise the patent will cease.

Once a patent has been granted, the owner has the exclusive rights to use the patented technology throughout the lifetime of a patent. This means that the owner can decide to exclusively use it for their own benefit and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement (e.g. via an exclusive or non-exclusive license). The terms of the license agreement generally define the limited scope of the use of the patent and the consideration to be paid for the use of it. Sometimes the owner may need to take a license to exploit their granted patent claims. This may occur for example if the granted claim relates to a new treatment method which requires the use of a product covered by a third party patent.

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs.

4 Patent Portfolio

4.1 Patent Family 1

Vision Tech Bio Pty Ltd, a wholly owned subsidiary of Rhythm Biosciences Limited, has acquired by virtue of assignment from the Commonwealth Scientific Industrial Research Organisation (CSIRO), a patent family which invention is directed to the diagnosis of colorectal cancer. Details of the patent family are summarised in the below table.

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Inventors:	Leah Jane COSGROVE, Bruce TABOR, Antony W BURGESS, Edouard Collins NICE
Provisional application No:	AU 2010903140
Earliest Priority Date:	14 July 2010
International (PCT) Application No:	PCT/AU2011/000895
International Publication No:	WO 2012/006681
Publication date:	19 January 2012
International Application filing date:	14 July 2011

Country	Application No./Grant No.	Status	Renewal Date	Expiry Date
Australia	2011279555	Registered and in force	14 July 2018	14 July 2031
Brazil	1120130007451	Pending- Request for examination has been filed	14 July 2018	
Europe	11806149.8	Abandoned		
Europe (divisional application)	14178981.8 (2829881)	Registered	31 July 2018	14 July 2031
India	1129/CHENP/2012	Pending- Waiting examiner's report	Renewals payable at grant	
Japan	6061344	Registered and in force	22 December 2019	14 July 2031
China	ZL201180034158.5	Registered and in force	14 July 2018	14 July 2031
China (divisional application of ZL201180034158.5)	201511009181.5	Pending- Waiting examiner's report	14 July 2018	
Russian Federation	2013103995	Abandoned		
United States of America	13/809785	Abandoned		
United States of America (divisional application of 13/809785)	15/471147	Pending-Examination is underway	Renewals due after grant	

The invention described in this patent family relates to methods for diagnosing or detecting colorectal cancer in subjects which involves determining the presence of particular biomarkers whose expression (whether increased or decreased relative to control subjects) is highly correlative with colorectal cancer.

Ten biomarkers were identified whose expression was determined to be particularly strongly correlative with colorectal cancer. In particular, the invention is based on the finding that particular combinations of genetic biomarkers where found to be statistically well correlated with colorectal cancer detection in subjects when assessed by an algorithm.

Patents with relatively broad claims have been granted in Australia, Japan, China and Europe. Furthermore, the claims encompass biomarker combinations considered to be commercially relevant. The invention provides the ability to screen for colorectal cancer in all Dukes stages with a sensitivity that is comparable, if not greater than that achieved with conventional fecal occult blood test (FOBT).

To the extent that we can ascertain, where relevant all renewal fees have been paid and no applications have lapsed. All applications with a status of "abandoned" were intentionally abandoned.

4.2 Pending provisional application

A provisional patent application is currently being prepared which is directed to early detection of colorectal cancer. The content of this document is confidential and will remain so until publication. Filing of the application is expected to occur within the next six months.

5 Proprietorship

Typically, a patent for an invention may only be granted to the inventor(s) or to a person who has entitlement to the invention by way of assignment, employment contract or other means.

It is important to note that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention. We are not aware of any issues regarding the ownership or entitlement with respect to the patents or patent applications listed in Section 4.

5 Validity of Patents

The ultimate validity of the claims of a patent cannot be guaranteed. Various legal mechanisms exist to challenge the validity of patents and patent applications. For example, validity of a patent application may be challenged in the following ways:

(a) during examination;
(b) in opposition proceedings once the application has been examined and found allowable;
(c) in court during revocation proceedings brought by a third party; or
(d) during infringement proceedings initiated against an alleged infringer.

As at the date of this Report, we are not aware of any litigation being commenced in respect to any patent or patent application referred to in this Report.

As some of the patent rights set out in this Report are still pending patent applications and will undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the claims of these patent applications may be restricted during examination of the applications.

7 Limitations and qualifications

7.1 Information Sources

In preparing this Report, in addition to reviewing our internal databases, we relied upon information contained in relevant publicly available databases with respect to the patents and patent applications in Section 4. FB Rice is not responsible for the accuracy of the information available in public databases and accordingly cannot guarantee the accuracy of this information.

The IP Navigators

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Our Ref: CM776558

7.2 Jurisdictional Requirements

Each jurisdiction has its own laws and particular requirements that need to be met for the grant and maintenance of a patent. Accordingly, the assessment of patentability varies from jurisdiction-to-jurisdiction, and inventions, which may be granted and registrable in one jurisdiction, may be excluded from grant and registration in another. Moreover, the different jurisdictional requirements may result in variation of the scope of patent protection obtained for the same patent in different jurisdictions. The outcome of examination of the patent application by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, international PCT searches and examination reports are not binding on national patent applications during examination in the national phase.

In some jurisdictions there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information may adversely affect the validity and/or enforceability of the patent.

We further note that there may be changes to patent law or its interpretation by the courts in a particular jurisdiction from time-to-time, which may have an impact on patents in the relevant country. For example, the Australian Government recently enacted the Intellectual Property Law Amendments (Raising the Bar) Act 2012 (Cth), which represents a significant amendment to Australian patent law. In particular, the Act raises the requirement for patentability and the description requirements for patent specifications. It applies to all Australian patent applications for which a request for examination was filed on or after 15 April 2013. Other examples include relatively recent decisions of the US Supreme Court which have increased the threshold for what constitutes patentable subject matter in the USA.

By way of elaboration, the company is aware that in the USA, due to a number of decisions of the US Supreme Court (the highest court of authority in the USA), claims directed to diagnostic methods have become more difficult to patent. More particularly, in view of these court decisions, the United States Patent and Trademark Office (USPTO) has generally been rejecting inventions directed to diagnostic methods as failing to meet patent eligibility. In other words, the courts have been interpreting the claims of such inventions as being directed to patent ineligible laws of nature. Therefore, while the company is working closely with its local and US-based patent attorneys to submit claims which meet the current USPTO subject matter eligibility requirements, in the current legal environment, the outcome of its US patent application is uncertain and not expected to be known for several months (if not years). Should the company fail to obtain a US patent, competitors would not be restrained in the US from using the information available in the patent application to develop competing products and methods which could adversely impact our market share of the diagnostic colorectal cancer screening market in the USA.

7.3 Patentability Search Limitations

A patentability search, such as international searches carried out by various patent offices under the PCT procedure, cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Such searches are generally computer-based searches and are dependent on the database search strategy and the coverage provided by the databases used. For example, the databases may not cover older published documents and/or certain jurisdictions. Further, all patentability searches are subject to the accuracy of records, as well as the

indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the keyword(s) selected for the search.

Besides documentary prior art, commercialisation or secret use of an invention by, or with the authority of, a patent applicant (or their predecessor in title), public use of an invention and non-confidential oral disclosures before the priority date of a patent application may also be relevant to the assessment of patentability. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Accordingly, although patentability searches provide a reasonable indication of patentability, it is not possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent based on patent office searches should be regarded as indicative rather than conclusive.

Further, non-provisional patent applications are not normally published until at least 18 months from the earliest acceptable priority date. Accordingly, a patentability search would not normally identify any third party patent application that is potentially relevant to the assessment of patentability that have a priority date which is less than 18 months prior to the date of the patentability search. Delays between official publication and the incorporation of information into the relevant database can also occur, which means that some documents may not be located in a patentability search.

7.4 Freedom to Operate

There is no guarantee that the patent rights referred to in this Report comprise all of the rights that are required for Rhythm Biosciences Limited to be entitled to freely use and commercialise its products. If third party patents or patent applications contain claims infringed by Rhythm Biosciences Limited technology and these claims are valid, Rhythm Biosciences Limited may be unable to obtain licenses to these patents at a reasonable cost, if at all, and may also be unable to develop or obtain alternative technology. If such licenses cannot be obtained at a reasonable cost, the business could be significantly impacted.

7.5 Entitlement to Claimed Priority Date

In Australia, for subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application or provisional patent application there must be a "real and reasonably clear disclosure" of the subject matter in the priority application. Similar provisions apply in other jurisdictions. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

8 Statement of Independence

FB Rice is a firm of patent and trade mark attorneys that provide advice in relation to all aspects of intellectual property. FB Rice has extensive experience protecting and defending intellectual property rights and commercializing products and services. FB Rice provides a comprehensive intellectual property service through its patent and trade mark attorney practices, consultancy arm and through its partnership with a major international renewal service.

FB Rice has no interest in Rhythm Biosciences Limited other than fees for professional work done.

The IP Navigators

October 2017
Our Ref: CM776558

FB Rice has no involvement in the preparation of the Prospectus by Rhythm Biosciences other than the preparation of this Report. FB Rice is therefore considered independent of Rhythm Biosciences Limited. for the purpose of preparing this Report and gives its consent for inclusion of this Report in the Prospectus.

The person responsible for preparing this Report is Dr Karin Innes, Senior Associate in FB Rice.

Yours sincerely
FB Rice

Karin Innes, PhD
Senior Associate
FB Rice

Section 9

Corporate Governance

9.1 ASX Corporate Governance Council Principles and Recommendations

The Company has adopted systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity commensurate with the Company's needs.

The Board seeks, where appropriate, to provide accountability levels that meet or exceed the ASX Corporate Governance Council's Principles and Recommendations. Section 9.2 contains a table setting out where the Company has not complied with The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council on 27 March 2014 (**Recommendations**) and provided reasons for non-compliance.

The Company's corporate governance policies will also be reviewed and where necessary updated and amended to address the Recommendations as amended from time to time.

Copies of the Company's corporate governance procedures, policies and practices are available on the Company website at www.rhythmbio.com/corporate-governance.

Board of Directors

The Board is responsible for the corporate governance of the Company. The Board is responsible for the following matters:

- ensuring the Company's conduct and activities are ethical and carried out in accordance with the Company's charters, policies and for the benefit of its stakeholders;
- development of corporate strategy, implementation of business plans and performance objectives;
- approval of Company budgets;
- monitoring and reviewing at regular intervals the Company's performance towards meeting its stated objectives;
- reviewing, ratifying and monitoring systems of risk management, codes of conduct, internal control systems and legal and regulatory compliance;
- the appointment (and removal) of the Chair of the Board;
- the appointment of new Directors to fill a vacancy or as additional Directors;
- the appointment, and where appropriate, the removal of the:
  - CEO;
  - Managing Director;
  - CFO;
  - Company Secretary; and
  - ratifying the appointment or removal of other Senior Management of the Company.
- oversight of all matters delegated to Managing Director & CEO and Senior Management;
- managing succession planning for the position of Managing Director & CEO and overseeing succession planning for his or her direct reports;
- approving overall Company, Director and specific senior executive remuneration and related performance standards and their evaluation;
- regular review of the Code of Conduct, the Communication and Disclosure Policy, the Securities Trading Policy, the Diversity Policy, the Risk Management Policy and Remuneration Policy to ensure the policies meet the standards of corporate governance the Board is committed to;
- review and oversight of compliance with ASX Listing Rules, financial reporting obligations, including periodic and continuous disclosure, legal compliance and related corporate governance matters;
- approving and monitoring major Company financing matters including approving and monitoring major capital expenditure, capital management, acquisitions and divestitures, material contracts and incurring material debt obligations;
- monitoring and reviewing the operational performance of the Company including the viability of current and prospective operations and exploration opportunities; and
- proposing and recommending to shareholders any changes in the capital structure of the Company.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the shareholders in a general meeting. However, subject thereto, the Company is committed to the following principles:

- the Board is to comprise Directors with a blend of skills, experience and attributes appropriate for the Company and its business; and
- the principal criterion for the appointment of new Directors is their ability to add value to the Company and its business.

Board Charter and Policies

The Board has adopted a Charter, which formally recognised its responsibilities, functions, power and authority and composition. This Charter sets out other things that are important for effective corporate governance including:

a. a definition of 'independence';
b. a framework for the identification of candidates for appointment to the Board and their selection (including undertaking appropriate background checks);
c. a framework for individual performance review and evaluation;
d. proper training to be made available to Directors both at the time of their appointment and on an on-going basis;
e. basic procedures for meetings of the Board and its committees including frequency, agenda, minutes and private discussion of management issues among non-executive Directors;

f. ethical standards and values (in a detailed code of corporate conduct);

g. dealings in securities (in a detailed code for securities transactions designed to ensure fair and transparent trading by Directors and senior management and their associates); and

h. communications with shareholders and the market.

Independent Professional Advice

Under the Board Charter, subject to approval from the Chair, each Director has the right to seek independent legal or other professional advice at the Company's expense on all matters necessary for that Director to make fully informed and independent decisions.

Remuneration Arrangements

The total maximum remuneration of non-executive Directors is determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director. The aggregate remuneration for non-executive Directors is set at $300,000 per annum. Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

Trading Policy

The Board has adopted a securities trading policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel. The policy generally provides that written notification to the Company Secretary must be obtained prior to trading.

External Audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit and Risk Committee

Having regard to its size and intended operations, the Company will not have an Audit and Risk Committee at the time of Listing. The function of the committee will be the responsibility of the Board in accordance with the Company's corporate governance policies (as described below). The Company will review this position periodically and, where a decision is made to establish an Audit and Risk Committee and where Directors numbers permit, that committee will consist of at least 2 members.

Where possible, any Audit and Risk Committee will consist of two independent non-executive Directors and such other members so that overall Audit and Risk Committee will comprise:

- at least one member who has an understanding of the industry in which the Company operates.
- members who can read and understand financial statements and are otherwise financially literate

The Executive Chairman, CEO, Managing Director and CFO have standing invitations to attend all meetings.

The committee's responsibilities (or in the absence of a committee the role of the Board) will include:

- reviewing the overall conduct of the external audit process, including the independence of all parties to the process;
- reviewing the performance of external auditors;
- considering the reappointment and proposed fees of the external auditor;
- where appropriate, seeking tenders for the audit and where a change of external auditor is recommended, arrange submissions to the shareholders for shareholder approval;
- corporate risk assessment (including economic, environmental and social sustainability risks) and compliance with internal controls;
- overseeing the risk management system;
- monitor and review the propriety of any related party transactions;
- reviewing the quality and accuracy of all published financial reports; and
- reviewing the accounting function and ongoing application of appropriate accounting and business policies and procedures

Meetings shall be held at least quarterly to review and discuss financial issues and the financial statements. A broad agenda is laid down for each regular meeting according to an annual cycle. The committee may invite the external auditors to attend each of its meetings.

Remuneration and Nomination Committee

Having regard to its size and intended operation, the Company will not have a Remuneration and Nomination Committee at the time of Listing. The function of the committee will be the responsibility of the Board (or independent advisors engaged by the Board) in accordance with the principles set out in the Company's corporate governance policies. The purpose of this committee (or in its absence the principles to be followed by the Board) is to:

- review and report on remuneration and related policies and practices (including remuneration of senior management and non-executive Directors); and
- make recommendation to it about the appointment of new Directors (both executive and non-executive) and senior management.

The committee's functions (or in the absence of a committee the Board's role) will include

- review and evaluation of market practices and trends on remuneration matters;

- recommendations about the Company's remuneration policies and procedures;
- oversight of the performance of senior management and non-executive Directors;
- recommendations about remuneration of senior management and non-executive Directors; and
- review the Company's reporting and disclosure practices in relation to the remuneration of Directors and senior executives.

Meetings shall be held at least annually and more often as required.

Diversity Policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

9.2 Departures from Recommendations

As noted above, the Company seeks to adopt the Recommendations with respect to its corporate governance. Where the Company does not comply with a Recommendation it must identify the extent of the non-compliance and provide an explanation for the departure from the Recommendation.

The Company's departures from the Recommendations as at the date of this Prospectus are detailed in the table below.

Recommendations (3rd Edition)	Comply	Explanation
Principle 1: Lay solid foundations for management and oversight		
Recommendation 1.5 A listed entity should: a. have a diversity policy which includes requirements for the Board or a relevant committee of the Board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them; b. disclose that policy or a summary or it; and c. disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the Board in accordance with the entity's diversity policy and its progress towards achieving them and either: i. the respective proportions of men and women on the Board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or ii. if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in the Workplace Gender Equality Act.	Partially	a. The Company has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect of gender diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives, if considered appropriate, and to assess annually both the objectives (if any have been set) and the Company's progress in achieving them. b. The Diversity Policy is available, as part of the Corporate Governance Pack, on the Company's website. c. The Board has not set measurable gender diversity objectives • the Board did not anticipate there would be a need to appoint any new Directors or senior executives' due to limited nature of the Company's existing and proposed activities and the Board's view that the existing Directors and senior executives have sufficient skill and experience to carry out the Company's plans; and • if it became necessary to appoint any new Directors or senior executives, the Board considered the application of a measurable gender diversity objective requiring a specified proportion of women on the Board and in senior executive roles will, given the small size of the Company and the Board, unduly limit the Company from applying the Diversity Policy as a whole and the Company's policy of appointing based on skills and merit: and • the Company does not have any women on the Board, in senior executive positions or across the organisation.

A detailed corporate governance statement is contained on the Company's website at www.rhythmbio.com/corporate-governance.

Section 10

Details of The Offers

10.1 The Offers

The Offers in this Prospectus comprise the Equity Offer and the Advisor Share Offer.

10.2 Equity Offer

This Prospectus invites investors to apply for 45,000,000 New Shares at an issue price of $0.20 per New Share to raise $9 million before costs. The Equity Offer of New Shares to investors under this Prospectus consists of:

- the Broker Offer to retail investors who have received a firm allocation of New Shares from their Broker and who are eligible to participate in the Offer; and
- a General Offer, which is available to all eligible investors.

Details of how to apply for New Shares and the allocation policy under the Equity Offer are set out in Section 11.1.

The raising amount for the Equity Offer is $9,000,000 through the issue of 45,000,000 New Shares

10.3 Advisor Share Offer

This Prospectus contains an offer of 750,000 Advisor Shares to the Lead Manager or recipients determined by the Lead Manager or to AFSL holders or others determined by the Lead Manager (and/or their respective nominees) as consideration for services provided in connection with the Equity Offer. Only the Lead Manager and recipients determined by the Lead Manager are eligible to accept the Advisor Share Offer and receive Advisor Shares.

No funds will be raised through the issue of Advisor Shares.

The Company anticipates ASX will impose mandatory escrow of 24 months from Listing on the Advisor Shares. In the event ASX does not impose mandatory escrow on the Advisor Shares they will be voluntary escrowed for 12 months from Listing.

Nothing in this Prospectus is to be taken as stating or implying the Advisor Shares are to be quoted on ASX at the time the Company Lists.

10.4 Terms of Securities Offered

All New Shares and Advisor Shares issued pursuant to this Prospectus will be issued as fully paid ordinary shares and will rank equally in all respects with the Company's ordinary shares already on issue.

The rights attaching to the New Shares and Advisor Shares are contained in the Company's constitution and summarised in Section 12.3 of this Prospectus.

10.5 Purpose of the Equity Offer

The funds raised by the Company under the Equity Offer are intended to be used as set out in the table in Section 10.5 to provide funding for the Company's business objectives, namely:

- **Complete Reagent Development:** Development of own antibodies to provide supply consistency
- **IVD Kit Development and Production Transfer:** Ensuring the technology can work as a laboratory test
- **Clinical Trials:** Clinical trial to assess the clinical performance of ColoSTAT™ – Study 7
- **Regulatory Submissions:** Apply for TGA approval in Australia and CE mark in EU (and subject to acceptable preliminary Study 7 results, initial FDA regulatory activities will commence)
- **Pre-launch Activities:** Marketing and business development to raise profile of the proposed ColoSTAT™ solution
- **Intellectual Property:** Secure additional patents covering the technology

Funds raised will also be used to pay the administrative expenses and costs associated with the Offers.

Funds raised under the Equity Offer not allocated for the purposes set out above are anticipated to be used to meet unforeseen expenditure and for working capital purposes.

10.6 Use of Funds

The Company's intended use of funds raised under the Equity Offer on its business objectives as set out in the table below:

	24 Months From Beginning of December 2017 (Rounded)		
	Year 1	Year 2	Total
SOURCE OF FUNDS			
Cash position at start of period [1]	174,000	4,708,000	
Capital raised	**9,000,000**	**-**	**9,000,000**
USE OF FUNDS			
Product Development and Manufacturing Set-Up	1,748,000	871,000	2,619,000
Clinical Trials and Regulatory Submissions	515,000	526,000	1,041,000
Commencement of US Clinical Trial	-	1,009,000	1,009,000
Marketing and Business Development	343,000	701,000	1,044,000
Intellectual Property and Establishment of Quality Systems	270,000	299,000	569,000
Management and Administration	916,000	962,000	1,878,000
Cash Cost of the Offers [2]	674,000	-	674,000
Sub Totals	**4,466,000**	**4,368,000**	**8,834,000**
Working capital at end of period	**4,708,000**	**340,000**	**340,000**

Notes:

1. *The Company notes that the Statement of Pro-forma Financial Position set out in Section 6 indicates a cash balance (prior to the Offers) of approximately $1.2 million, whereas the starting cash balance in the Use of Funds is $174,000. The difference of approximately $1.03 million is attributable to $390,000 of the cash costs of the Offers having been pre-paid from existing cash reserves (refer Note 2 below) and actual and anticipated expenditure on business activities between 1 September 2017 and 1 December 2017 (being the anticipated date of completion of the Offers) of $640,000 (being approximately $213,000 per month). The Company expects that its monthly expenditure will increase from current levels upon, and subject to, completion of the Offers to be reflective of the Use of Funds table above.*
2. *The cash cost of the Offers set out in the table above excludes costs of $390,000 (excluding GST) which have, or will, be paid from existing cash reserves prior to the anticipated date of completion of the Offers. The full cash cost of the Offers (excluding GST) are approximately $1 million and are set out in detail in Section 12.7. The total costs of the Offers include non-cash costs associated with the issue of Advisor Shares under the Advisor Share Offer, the details of which are contained in section 12.7.*

The Company provides the following further detail on the key expenditure lines items referred to in the Use of Funds table above:

Product Development and Manufacturing Set-Up

Product development and manufacturing set-up expenditure principally comprises the anticipated costs (including human resource expenditure) associated with the Company's efforts to develop and validate its own protein reagents and monoclonal antibodies for each of the target proteins (refer Section 3.4 and risks in Section 5.2(b)). In addition, expenditure will be applied to development of antigen for kit calibration and quality control purposes, set up of manufacturing systems and processes to achieve a validated production supply of reagents and establishment of processes to reliably effect the transfer of these antibodies and reagents into kit product form.

Clinical Trials and Regulatory Approvals

Clinical trials and regulatory approval expenditure principally comprises the anticipated costs (including human resource expenditure) associated with the conduct of further proposed clinical trial referred to in Sections 3.3 and 3.4 and risks in Section 5.2(b)) and the costs associated with seeking product certifications in the EU and Australia (see Section 3.4 and risks in Section 5.2(c)).

Commencement of US Clinical Trial

Commencement of US clinical trial expenditure principally comprises the anticipated costs of the preliminary stages of a clinical trial to support a regulatory submission to the FDA. Commencement of a trial to support FDA approval in the US is dependent on progress of the Company's commercialisation strategy (refer Section 3.4 and risks in Sections 5.2(b) and 5.2(c)).

Marketing and Business Development

Marketing and business development expenditure principally comprises the anticipated costs of attendance at, and participation in, tradeshows and conferences, investor relations expenses and the engagement of business development staff to promote the activities and developments of the Company (see Section 3.6).

Intellectual Property and Establishment of Quality Systems

Intellectual property and establishment of quality systems expenditure principally comprises the anticipated costs of maintaining and prosecuting the Company's existing and potential future intellectual property rights (refer Section 3.7 and risks in Section 5.2(a)) and the establishment of internal quality management systems (e.g. systems to seek to enable the Company to become ISO 13485 compliant (refer Section 3.4).

Management and Administration

Management, administration and working capital expenditure principally comprises the costs associated with administration and operation of an ASX-listed entity (including regulatory fees, audit fees, legal and accounting fees, share registry fees etc.), director and officer remuneration, day to day operating costs (including IT costs, insurance, office expenses, travel, accommodation etc.) and an allowance for future rental expenses.

Cash Cost of the Offers

Costs of the Offers are set out in detail in Section 12.7.

Director Statement

The Directors believe that, following completion of the Offers, the Company will have enough working capital to carry out its stated objectives.

As noted in Section 5.2(e) of this Prospectus, the future capital requirements of the Company depend on numerous factors and the Company may require further financing in addition to amounts raised under the Equity Offer. Any additional equity financing will dilute shareholdings. Debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations.

10.7 Capital Structure

The Company has 55,000,000 Shares on issue at the date of this Prospectus. The expected capital structure of the Company following completion of the Offer is summarised below.

	Shares
Current Rhythm shares	55,000,000 (54.59%)
New Shares under the Equity Offer	45,000,000 (44.67%)
Advisor Shares under the Advisor Share Offer	750,000 (0.74%)
Total Shares	**100,750,000**

At Listing, the Company's free float will be not less than 20%.

The Company also has 2 million options on issue to Trevor Lockett, the CEO and Managing Director of the Company. These options vest on 29 August 2018, are exercisable at $0.30 and expire three years from the date of Listing.

10.8 Minimum Raising and Listing Conditions

No New Shares and/or Advisor Shares will be issued pursuant to the Offers unless applications for the full $9 million raising (which is both the minimum and maximum) are received and the New Shares are admitted to Official Quotation (Listed) by ASX. If the $9 million raising amount is not reached before the expiration of four months after the date of this Prospectus, or if the New Shares are not admitted to Official Quotation before the expiration of three months after the date of issue of this Prospectus (or, in each case, any longer period as ASIC and ASX may permit), the Company will not issue any New Shares and/or Advisor Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest

Nothing in this Prospectus is to be taken as stating or implying that the Advisor Shares are to be quoted on ASX at the time the Company Lists

Section 11

How to Apply for New Shares and Advisor Shares

11.1 Applying Under the Equity Offer

Applications for New Shares under the Equity Offer must be made either:

- Pursuant to the Broker Offer if you have received a firm allocation of New Shares from your broker and you are eligible to participate in the Offer.
- In relation to the General Offer, by returning an application form attached to or accompanying this Prospectus to the Share Registry, together with payment of the application amount, prior to the Closing Date.

Further details in respect of each method of applying for New Shares under the Equity Offer are set out below.

Applications for New Shares under the Equity Offer must be for a minimum of 10,000 New Shares ($2,000) and thereafter in multiples of 2,500 New Shares ($500). Payment for New Shares must be made in full at the issue price of $0.20 per New Share:

- when applying for New Shares under the General Offer; or
- in accordance with your broker's instructions in the case of the Broker Offer.

The allocation of New Shares between the Broker Offer and the General Offer will be determined by the Company at its discretion in consultation with the Lead Manager.

a. Broker Offer

If you have received a firm allocation of New Shares from your broker, you will be treated as a Broker Offer application in respect of that allocation if you apply using a personalised Broker Offer application form.

You should contact your broker to determine whether you can receive an allocation of New Shares from them under the Broker Offer.

If you have received an allocation of New Shares from your broker under the Broker Offer and wish to apply for those New Shares, you should contact you broker for information about how to submit your Broker Offer application form and for payment instructions.

Applicants under the Broker Offer must lodge their personalised Broker Offer application form and application monies with the relevant broker in accordance with the relevant broker's directions to receive their firm allocation.

If you are an investor applying under the Broker Offer, you should complete and lodge your Broker Offer application form with the broker from whom you received your firm allocation. Broker Offer application forms must be completed in accordance with the instructions given to you by your broker and the instructions set out in the Broker Offer application form.

Applicants under the Broker Offer must not send their Broker Offer application form or payment to the Share Registry.

The Company, the Lead Manager and the Share Registry take no responsibility for any acts or omissions committed by your broker in connection with your application.

The Company, in consultation with the Lead Manager, reserves the right to reject any application which is submitted by a person who they believe is ineligible to participate in the Broker Offer.

Payment Methods – Broker Offer

Applicants under the Broker Offer must pay the application amount of the New Shares applied for under the Broker Offer to their broker in accordance with instructions provided by their broker.

Allocation Policy Under the Broker Offer

New Shares that have been allocated to brokers for allocation to their Australian resident clients will be issued to the applicants nominated by those brokers. It will be a matter for each broker as to how they allocate firm New Shares among their clients, and they (and not the Company or the Lead Manager) will be responsible for ensuring that retail clients who have received a firm allocation from them receive the relevant New Shares.

b. General Offer

Applications under the Equity Offer (other than applications made under the Broker Offer) may be made, and will only be accepted, in one of the following forms:

- on the General Offer application form attached to or accompanying this Prospectus; or
- on a paper copy of the relevant electronic General Offer application form which accompanied an electronic version of this Prospectus, which can be found at and downloaded from the Company website at www.rhythmbio.com/prospectus.

Instructions for completion and lodging the General Offer application form and paying the application amount are set out in the General Offer application form. Unless you have made arrangements with your broker or the Lead Manager, the completed General Offer application form and payment should be sent to:

Mailing Address

Rhythm Biosciences Limited
C/- Link Market Services Limited
Locked Bag A14, Sydney South NSW 1235

For hand-delivered applications (please do not use this address for mailing purposes), deliver to:

Hand Delivery

Rhythm Biosciences Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Rhodes NSW 2138

(Do not use this address for mailing purposes).

Payment Methods — General Offer

Payments are to be made in Australian currency by a cheque drawn on an Australian branch of an Australian bank. Do not send cash. Cheques or bank drafts should be made payable

to "Rhythm Biosciences Limited IPO" and crossed "Not Negotiable". Applicants should ensure cleared funds are available at the time the Application is lodged, as dishonoured cheques will result in the application being rejected. Application monies will be held in trust in a subscription account established until allotment has taken place.

Allocation Policy Under the General Offer

The Company, in consultation with the Lead Manager, reserves the right to accept or reject applications received under the General Offer.

11.2 Acceptance of the Equity Offer Generally

It is your responsibility to ensure that application and acceptance forms and payments are mailed in time to allow for delivery before the Closing Date. It is also your responsibility to ensure sufficient funds are available upon presentation of cheques. If returning your acceptance or application to your broker please allow sufficient time for your broker to receive and process your acceptance, application or bid.

The Company, the Lead Manager and the Share Registry take no responsibility for lost or delayed mail, or misprocessed acceptances and payments, or errors or delays by brokers. The Company, in consultation with the Lead Manager may, but is not obliged to, accept late applications and acceptances.

To the extent permitted by law, an acceptance or application under the Equity Offer is irrevocable. If the amount received as application monies is less than the amount payable for the New Shares accepted or applied for, the Company may (but is not obliged to) treat the acceptance or application as being for the number of New Shares represented by the amount received and issue fewer New Shares than were applied for. The Company, in consultation with the Lead Manager, may correct or fill in an application or acceptance form and/or treat as valid and give effect to an application or acceptance form notwithstanding any error or that an information is incomplete.

The Company, in consultation with the Lead Manager, may reject or not accept an application in part or in whole or to allocate a fewer number of New Shares than applied for. If acceptances in excess of $9 million are received, the Board reserves the right not to accept (in whole or in part) or to scale back applications at its discretion in consultation with the Lead Manager. If an application is rejected or not accepted in whole or in part or is scaled back, the relevant amount will be refunded to the applicant as soon as practicable after completion of the Equity Offer without interest.

There is no guarantee that applicants will receive any number of New Shares applied for. Where the number of New Shares allotted is fewer than the number applied for, surplus application monies will be refunded to the applicant without interest.

There is no maximum number or value of New Shares that may be applied for under the Equity Offer, provided that an applicant alone or with its associates (as that term is defined in the Corporations Act) may not acquire an interest in more than 20% of the issued voting shares of the Company unless permitted by the Corporations Act without further action by the Company.

By making an application, you declare that you were given access to a copy of this Prospectus together with the applicable application form. The Corporations Act prohibits any person from passing an application form to another person unless it is attached to, or accompanied by, a hard copy of this Prospectus or the complete and unaltered electronic version of this Prospectus.

11.3 Acceptance of the Advisor Share Offer

The Advisor Share Offer is only made to and capable of acceptance by the Lead Manager (and/or their respective nominee(s)) for the performance of services in connection with the Equity Offer to whom a personalised Advisor Share Offer application form attached to or accompanying a copy of this Prospectus is given. Recipients of a personalised Advisor Share Offer application form must complete the form and return it to the Company or as specified in the Advisor Share Offer application form. Instructions for completion and returning the Advisor Share Offer application form are set out in the Advisor Share Offer application form. Each proposed recipient of Advisor Shares will be required to execute an escrow agreement in the form specified by ASX. Advisor Shares may be withheld and not issued until an executed escrow agreement is received.

11.4 ASX Listing and Escrow Provisions

An application will be made to ASX not later than seven days after the date of this Prospectus for the Company to be admitted to ASX, and for official quotation of Shares (excluding Advisor Shares).

Acceptance of the application by ASX is not a representation by ASX about the merits of the Company or the New Shares and/or Advisor Shares.

Neither ASIC or ASX nor any of their respective officers, take any responsibility for the content of this Prospectus or the merits of the investment to which this Prospectus relates.

Official quotation of Shares (excluding Advisor Shares), if granted, commences as soon as practicable after the issue of the initial holding statements to successful applicants.

It is expected that trading of the Shares (excluding Advisor Shares) on ASX will commence on or about 13 December 2017.

If the New Shares are not admitted to Official Quotation by ASX before the expiration of three months after the date of issue of this Prospectus, or such period as varied by ASIC, the Company will not issue any New Shares and/or Advisor Shares and will repay all application monies for the New Shares within the time prescribed under the Corporations Act, without interest.

No restrictions (escrow) will apply to New Shares issued under the Equity Offer. While the Company is not presently aware of what restriction obligations will be imposed, and will not know the extent of restriction obligations until determined by ASX, it is anticipated that ASX will impose restriction (escrow) on

some of the Company's existing Shares and that these Shares will be escrowed for a period of up to 2 years from Listing.

Details of restriction obligations will be announced by the ASX as part of the pre-listing disclosure. Refer to Section 5.2(l) for further details.

The Company anticipates ASX will impose a mandatory escrow period of 24 months from Listing on the Advisor Shares. In the event ASX does not impose mandatory escrow on the Advisor Shares they will be voluntarily escrowed for a period of 12 months from Listing.

Nothing in this Prospectus is to be taken as stating or implying the Advisor Shares are to be quoted on ASX at the time the Company Lists.

11.5 ASX Waivers and ASIC Modifications or Exemptions

As at the date of this Prospectus the Company has not applied to ASX for any waivers of the Listing Rules or to ASIC for any modification of or exemptions from the Corporations Act or other legislation.

11.6 Issuance of New Shares and/or Advisor Shares

Subject to the conditions of the Offers being satisfied and the Offers not being withdrawn, allotment of the New Shares and/or Advisor Shares offered under this Prospectus will take place as soon as practicable after the Closing Date. The Company reserves the right not to proceed with all or part of the Offers at any time before the issue of New Shares to applicants. If the Offers do not proceed, all application amounts will be refunded to the applicants without interest.

11.7 Offers Not Underwritten

The Offers are not underwritten.

11.8 Commissions Payable

The Company will pay an aggregate fee to the Lead Manager of 6% (ex GST) of the total amount raised by it under this Prospectus (refer to Section 12.1(c) for a summary of the Lead Manager's Mandate Agreement, which includes details of the other amounts payable to the Lead Manager).

No brokerage, commission or stamp duty is payable by applicants on acquisition of New Shares under the Equity Offer.

11.9 CHESS

The Company will agree to participate in the Clearing House Electronic Sub-Register System (**CHESS**). ASX Settlement Pty Ltd, a wholly owned subsidiary of ASX, operates CHESS. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with holding statements (similar to a bank account statement) that set out the number of New Shares issued to them under this Prospectus. The holding statements will also advise holders of their Holder Identification Number (if the holder is broker sponsored) or Security Holder Reference Number (if the holder is issuer sponsored) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of shares or options can be transferred without having to rely upon paper documentation. Further, monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month. Security holders may request a holding statement at any other time, however a charge may be made for such additional statements.

11.10 Taxation Considerations

The taxation consequences of an investment in the Company depend upon investor particular circumstances. Investors should make their own enquiries about the taxation consequences of investment in the Company. If you are in doubt as to the course you should follow you should consult your accountant, stockbroker, lawyer or other professional advisor.

11.11 Foreign Investors

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities law.

No action has been taken to register or qualify the New Shares or otherwise permit a public offering of the New Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisors as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the Company to allot and issue the New Shares to you pursuant to this Prospectus. The return of a completed application or acceptance form will be taken by the Company to constitute a representation and warranty by you that you are a person whom the Company's securities can be offered and issued lawfully, that all relevant laws have been complied with and that all relevant approvals have been obtained.

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under or in accordance with the Securities Act 1978 (New Zealand). The New Shares are not being offered or sold in New Zealand, or allotted with a view to being offered for sale in New Zealand, and no person in New Zealand may accept a placement of New Shares unless otherwise permitted by law.

Section 12

Additional Information

12.1 Material Contracts

Set out below is a summary of the material contracts entered into by the Company:

a. CSIRO Licence Agreement

On 25 August 2017 the Company's fully owned subsidiary, Vision Tech, entered a Licence Agreement with CSIRO (the Licence), whereby CSIRO granted Vision Tech an exclusive licence to exploit the patents and patent applications described in the Intellectual Property Report in Section 8, together with associated know-how relating to the identification of blood-based protein biomarkers of colorectal neoplasia (and the development of panels of such biomarkers for the detection of same) (referred to herein as the Licensed Property). The know-how includes access to various reports and data related to studies conducted in respect of the biomarker panels forming part of the patent and patent applications.

The Licence is granted for an initial term of the shorter of: (a) 17 years; or (b) the date of the last to expire of the patents provided that, in the case of the latter, the Licence will continue as a licence of know-how for the balance of 17 years. Provided Vision Tech is not in breach of the Licence at the end of this initial term, the Licence may be extended for a further 17 years or until the expiration of the last assigned patent and/or granted patent application, whichever occurs earlier. The Licence allows for sub-licencing on conditions which include a requirement that CSIRO is notified in writing of the proposed sub-licensee, the sub-licence is not assignable and the sub-licensee agrees to observe terms consistent with those contained in the Licence.

As noted in the Intellectual Property Report in Section 8, under the terms of the Licence Agreement the patents and patent applications have now been assigned to Vision Tech with Vision Tech responsible for the prosecution and maintenance of the patent and patent applications and associated costs. Under the Licence Agreement, royalties continue to be payable following the assignment of the patents and patent applications and the assignment does not affect the licence to the know-how described above.

As consideration for the grant of the Licence, an aggregate fee of $300,000 (being an initial fee of $100,000 and a milestone fee of $200,000) was paid to CSIRO. In addition to the cash consideration, the Licence required the Company (as the parent company of Vision Tech) to issue CSIRO 2,500,000 shares at a deemed issue price of $0.10 (10 cents) per share. These shares have been issued.

Under the Licence, CSIRO is granted a non-exclusive, non-transferrable, irrevocable and royalty-free licence to use the patents and/or patent applications related to the Licensed Property for non-commercial research and education purposes (expressly excluding rights of exploitation). CSIRO can sub-licence this non-commercial licence to certain institutes, but the institutes cannot grant further sub-licences.

Vision Tech will own any improvements created by it, which improvements will form part of the research licence granted to CSIRO. CSIRO will own any improvements or new intellectual property created by it as a result of the exercise of its research rights however is required, upon request, to negotiate in good faith with Vision Tech to seek to reach an agreement for the license of those rights to Vision Tech. The foregoing does not apply to intellectual property created as a result of a collaboration by Vision Tech and CSIRO, intellectual property ownership rights to which will be negotiated separately as part of any collaboration.

CSIRO has agreed it will not directly or indirectly commercialise any blood-based protein biomarker(s) or assay(s) which compete with the Licensed Property, or commercialise products embodying the technology or which may have application in the field of detection or diagnosis of colorectal cancer using protein biomarkers.

Royalties of 2% (plus applicable GST) of all gross sales revenues from sales of products that arise from or incorporate the Licensed Property are payable to CSIRO. Additional royalties of 10% (plus applicable GST) are payable with respect to all sub-licencing revenue received by Vision Tech from any sub-licensees. The Company (through Vision Tech) is to use reasonable endeavours to exploit the Licensed Property in a way that maximises the royalties' payable to CSIRO and to actively market and promote products incorporating the Technology. Royalties are payable within 30 days of the end of each financial year.

Performance by Vision Tech of its obligations under the Licence will be assessed against specific performance criteria. The performance criteria for the period from 25 August 2017 to exploitation of the Licensed Property (exploitation being defined as two successive quarters of gross sales revenue of at least $50,000) are Vision Tech incurring minimum development and commercialisation expenditure of $250,000 per annum. The performance criteria applicable from exploitation is the making a minimum annual aggregate royalty payment of $30,000 under the Licence.

Where the applicable performance criteria above are not achieved in a financial year, CSIRO may, within two months of the end of that financial year, issue a notice of failure. Upon receipt of a notice of failure, the failure will need to be remedied to the satisfaction of CSIRO within two months. If the failure is not remedied CSIRO may, within two months of the failure to remedy, convert the Licence to a non-exclusive licence upon provision of a written election. In the case of a failure to meet financial based performance criteria CSIRO has acknowledged that any such failure may be remedied by a cash payment to CSIRO or by Vision Tech incurring required development expenditure.

The parties agree CSIRO has not made warranties pertaining to the technology not infringing any third party's intellectual property rights, the prospects or likelihood of the grant of any patent application, the suitability or safety of the technology or that the technology will achieve a particular commercial outcome for Vision Tech.

If a third-party claim results in Vision Tech being required to pay a royalty to a third party with respect to technology covered by the patent and/or patent applications, the parties have agreed to act reasonably to negotiate variations to the royalties due under the terms of the Licence Agreement.

Either party may immediately terminate the Licence by written notice to the other party if that other party has committed a breach of the Licence capable of remedy that has remained

unremedied for a period of 30 days from notice being given or where there is a breach of a material term of the Licence Agreement. CSIRO may terminate the Licence where Vision Tech becomes insolvent, abandons efforts to exploit the Licensed Property, fails to pay fees, royalties or issue shares under the Licence or if Vision Tech (or any sub-licensee or affiliate of Vision Tech) commences proceedings challenging the patent and patent applications relating to the Licensed Property.

Upon termination, all licences granted pursuant to the Licence Agreement will cease and Vision Tech is to pay all outstanding fees to CSIRO and cease any use (including exploitation) of the Licensed Property. Further, upon termination, each party who received confidential information is to return it to the disclosing party.

The Licence otherwise contains terms which are consistent with similar arrangements, including provisions relating to confidentiality, limitation of liability and indemnity in favour of CSIRO (with an exception to the extent that the indemnified liability is caused by the negligence of or material breach by CSIRO), the requirement that Vision Tech maintain insurances, provisions relating to publicity and provisions for dealing with disputes with respect to the Licence (if any) by way of mediation followed by arbitration.

b. Sale of Shares Agreement with Vision Tech Bio Pty Ltd

On 13 June 2017 the Company, Vision Tech and the then sole member of Vision Tech entered into a Sale of Shares Agreement (the SSA). The SSA sets out the terms and conditions under which the Company acquired Vision Tech. Completion of the acquisition took place on 23 June 2017.

At completion, the Company paid a nominal amount to acquire all of the shares in Vision Tech. The SSA further provided for payment by the Company, at completion of the acquisition, $50,000 to the vendor on account of repayment of shareholder loans.

The SSA contained various pre-completion covenants that were satisfied by the parties prior to completion, including obtaining the consent of CSIRO to the change of ownership in Vision Tech occasioned by the SSA and CSIRO accepting the issue of shares in the Company in lieu of an issue of shares in Vision Tech.

The SSA contains warranties from the Company typical for agreements of this kind, including warranties that the execution of the SSA complies with the Company's constitution, that the Company is validly incorporated, that the SSA is enforceable and that the Company did not withhold from Vision Tech any information material to the decision to enter into the SSA.

The SSA also contains warranties from the vendor, including warranties regarding ownership of and title to the shares in Vision Tech being acquired by the Company and a waiver of any claims against the Company.

The SSA otherwise contains general terms pertaining to confidentiality, the SSA forming the entirety of the transaction between the parties, governing law, severance and provision of notice to all parties.

c. Corporate and Financial Services Mandate – Taylor Collison

On 10 October 2017, the Company engaged Taylor Collison Limited [ABN 53 008 172 450] [AFSL 247083] (Taylor Collison) to act as Lead Manager of the Equity Offer pursuant to the terms of a Corporate and Financial Services Mandate (**Mandate**).

As Lead Manager, Taylor Collison has agreed to provide the Company with advice regarding the pricing and structure of the IPO (including the amount to be raised), assist with marketing, distribution and allocation of New Shares, participate in the Company's due diligence process, co-ordinate presentations (including institutional, investor and broker presentations), assist in negotiations, where necessary, with regulatory agencies and provide such other services as agreed with the Company.

Taylor Collision will receive (subject to and conditional upon the successful completion of the IPO):

- An amount equal to 2% of the funds raised as a management fee;
- An amount equal to 4% of the funds raised (other than funds introduced by the Company and agreed by Taylor Collison at the time) as a placement fee; and
- 750,000 fully paid ordinary shares of the Company, to be issued to Taylor Collision and/or its nominee in connection with services provided under the Mandate. These shares are the subject of the Advisor Share Offer. Further details of the Advisor Share Offer are set out in section 11.3. The Company anticipates ASX will impose mandatory escrow of 24 months from Listing on the Advisor Shares. Taylor Collison has agreed, however, that in the event ASX does not impose escrow on the Advisor Shares they will be voluntarily escrowed for 12 months from Listing.

Taylor Collison is also entitled to be reimbursed for reasonable costs and expenses incurred (even if the IPO does not proceed). Taylor Collision is required to seek the Company's approval prior to the incurrence of any individual out of pocket expense exceeding $1,000 per month.

In the event the IPO does not proceed because of a trade sale, and that trade sale completes within 12 months of the Mandate, the Company shall pay Taylor Collision a break fee of 1.5% (exclusive of any applicable GST) of the value of the trade sale.

Subject to successful completion of the IPO, the Company has agreed to appoint Taylor Collison as sole Lead Manager of any capital raisings undertaken by the Company for a period of 12 months from Listing, unless otherwise agreed between the Company and Taylor Collison.

If the Company terminates the Mandate other than for material default (which cannot or has not been remedied within a reasonable period following notice), negligence or breach of the law, or if Taylor Collison terminates the Mandate of its own volition, Taylor Collison will be entitled to the management and placement fees as set out above if the Company completes the IPO within 9 months of termination.

The Company has agreed that it will not, without prior consultation with Taylor Collison, from the date of the

Mandate and ending on a date that is 180 days from the date of the IPO, issue or agree to allot or issue, or grant an option right or warrant over, Shares or other securities in the capital of the Company, or change the nature of the business of the Company, or acquire or divest any material assets, other than issues pursuant to any Director or employee share or option plan of the Company.

The Mandate otherwise contains terms consistent with similar arrangements, including clauses relating to confidentiality, the provision of information from the Company to Taylor Collison and an indemnity in favour of Taylor Collison.

d. Executive Services Agreement – Trevor Lockett

The Company has engaged Trevor Lockett to act as its CEO and Managing Director pursuant to the terms of a written executive services agreement entered into on 23 June 2017.

Under the terms of his engagement, Trevor is to provide executive services consistent with those expected of a managing director and to promote the fulfilment of the Company's objectives. Trevor's engagement as CEO and Managing Director is for an initial term of one year, with an option for a further term of 12 months if agreed by both parties.

Trevor receives an annual salary of $200,000 (plus 15% superannuation), which may be reviewed annually by the Board. Trevor will be reimbursed for reasonable expenses incurred in the performance of his duties, where those expenses can be evidenced.

The Company has also issued Trevor 2,000,000 options to acquire ordinary fully paid shares in connection with his engagement as CEO and Managing Director. Options vest on 29 August 2018, expire three years from the date of Listing, have an exercise price of $0.30 and expire 3 years from the date the Company is admitted to the Official List of the ASX.

Trevor may also receive short-term and/or long-term incentives. The payment of incentives is dependent on Trevor's performance, as assessed by the Board, against key performance indicators relating to the Company's commercial, business and research and development goals.

Trevor may receive up to 50% of his salary as a short-term incentive, payable at the discretion of the Board and assessed at the conclusion of the initial term. If the initial term is extended, Trevor may also receive a long-term incentive of up to 40% of his salary, payable in fully paid ordinary shares in the Company at a deemed issue price equal to the 30-day volume weighted average price of the Company's shares as traded on the ASX (if applicable). The long-term incentive is payable at the discretion of the Board and assessed at the conclusion of the further term (if applicable). Trevor may also receive a further 30% of his base salary, to be awarded at the discretion of the Board having regard to his performance during the further term (if applicable) assessed against key performance indicators (which may be varied or revised at the commencement of the further term depending on the development of the Company's business).

Trevor receives various entitlements arising under the National Employment Standards including annual leave, sick/carers leave and paid compassionate leave.

The Company may terminate Trevor's employment upon 3 months' written notice. The Company may, at its election, choose to pay out the notice period. The Company may immediately terminate Trevor's employment for cause including where Trevor refuses to perform his duties, disobeys without proper legal reason a lawful direction of the Company, breaches or fails to observe any of the key terms and obligations of his engagement, engages in serious misconduct or becomes bankrupt.

Trevor is bound by a non-competition clause where he is prohibited from, amongst other things engaging in a business or activity competing with the Company, canvassing, soliciting or accepting any approach from any party who was a client of the Company's during the last 12 months of his employment, inducing or attempting to induce employees or contractors of the Company to terminate their engagement for the purpose of joining a business that competes with or provides similar services to those of the Company. This clause applies for a maximum period of 6 months from termination.

Trevor's agreement otherwise contains provisions typical of arrangements of this type, including restrictions on disclosure and use of confidential information, the ownership of the Company over all data, inventions and improvements made by Trevor in performing his role as CEO and Managing Director and a mechanism for dispute resolution.

e. Non-executive Director Engagements

Shane Tanner, David White and Lou Panaccio have been engaged as non-executive Directors of the Company. Shane has also been engaged as the Chair of the Board.

The remuneration of the Directors is set out in Section 4.3.2. In connection with their appointment as non-executive Directors, Shane, Lou and David were each invited to subscribe for Shares the details of which are disclosed in Section 4.3.1. Each of Shane, Lou and David are also entitled to reimbursement for reasonable out of pocket expenses, provided the Company's prior written approval is obtained prior to incurring an expense in excess of $500.

Each of Shane, Lou and David are engaged on terms otherwise typical for arrangements of this kind, including provisions relating to confidentiality, acknowledgement and confirmation of the Director's duties owed to the Company and the requirement to disclose matters affecting a Director's independence (including other directorships and business interests).

12.2 Litigation

As at the date of this Prospectus the Company is not engaged in any litigation. Furthermore, the Directors are not aware of any legal proceedings pending or threatened against the Company.

12.3 Rights and Liabilities Attaching to New Shares and Advisor Shares under the Offers

The New Shares and Advisor Shares offered under this Prospectus will be fully paid Shares in the issued capital of the Company and will, upon issue, rank equally with all other Shares, New Shares and/or Advisor Shares then on issue.

The rights and liabilities attaching to New Shares and Advisor Shares are regulated by Rhythm's Constitution, the Corporations Act, the ASX Listing Rules, the ASX Settlement Rules and common law.

The following is a summary of the more significant rights and obligations attaching to the New Shares and Advisor Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of shareholders. To obtain such a statement, persons should seek independent legal advice.

Further details of the rights attaching to New Shares and Advisor Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours. A copy of the Constitution can also be downloaded from the Company's website at www.rhythmbio.com/corporate-governance.

General Meetings

Shareholders are entitled to attend and vote at general meetings of the Company, in person, or by proxy, attorney or representative.

For so long as the Company remains a listed entity, Shareholders will be entitled to receive at least 28 days' prior written notice of any proposed general meeting.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

Voting Rights

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

- on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and
- on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder 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 the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

Dividend Rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any Shares created or raised under any special arrangement as to dividends, the Board may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

No dividend shall carry interest as against the Company. The Board may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Board, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Board by resolution passed at a general meeting, implement a dividend reinvestment plan which provides for any dividend which the Board may declare from time to time, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares to be issued to the relevant Shareholder.

Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, 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.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

Shareholder Liability

As the New Shares offered under the Prospectus are fully paid shares, they are not subject to any calls for money by the Company and will therefore not become liable for forfeiture.

Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

Variation of Rights

The rights attaching to Shares may only be varied or cancelled by the sanction of a special resolution passed at a meeting of Shareholders or with the written consent of holders of three quarters of all Shares on issue. A special resolution is passed only where approved by at least 75% of all votes cast (and entitled to be cast) on the resolution at the meeting.

If at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the authorisation by a special resolution passed at a separate meeting of the holders of the shares of that class.

Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting.

12.4 Incentive Plans

The Company has adopted the following incentive plans. Directors and related parties are entitled to participate in the incentive plans (subject to obtaining requisite approvals under the Listing Rules). No securities have been issued under any incentive plan nor are there any current approvals for Director participation.

Employee Share Option Plan (ESOP)

The Company has adopted an Employee Security Ownership Plan (**ESOP**). Shareholder approval has been received for the adoption of the ESOP.

As at the date of this Prospectus, no securities have been offered or issued under the ESOP and there is no current proposal to issue securities under the ESOP. Any issues of securities or agreements to issue securities under the ESOP will be announced to ASX.

The ESOP provides for shares, options or other securities or interests to be issued to eligible persons. The purpose of the ESOP is to:

a. provide eligible persons with an additional incentive to work to improve the performance of the Company;
b. attract and retain eligible persons essential for the continued growth and development of the Company;
c. to promote and foster loyalty and support amongst eligible persons for the benefit of the Company; and
d. enhance the relationship between the Company and eligible persons for the long term benefit of all parties.

Eligible persons are officers and employees of, or consultants to, the Company or an associated body corporate and, in the case of consultants, may include bodies corporate. Participants in the ESOP, the number, type and terms of any securities offered or issue, and the terms of any invitation, offer or issue are determined by the Board with the advice of the remuneration committee, if any.

The total number of securities which may be issued under the ESOP from time to time is the number which is 10% (ten percent) of the number of Shares on issue at the time of issue of a security. Shares issued on exercise of an option or exercise or conversion of an interest issued under the ESOP, and options or other interests which have been converted or cancelled or which have lapsed are not counted in determining the number of securities issued under the ESOP.

The Directors may make loans to eligible persons to assist acquiring or for the purpose of acquiring securities under the ESOP, subject to compliance with the Corporations Act and Listing Rules.

The Board is to administer the terms of the ESOP, including but not limited to determining the terms of securities issued, adoption of rules subordinate to the ESOP for the administration of the ESOP and the suspension or termination of the ESOP.

Performance Rights Plan

The Company has adopted a Performance Rights Plan (**Plan**) as a long-term incentive plan aimed at creating a strong link between Director and employee performance and reward and increasing shareholder value by enabling current or prospective full time, part-time or casual employees or contractors (including Directors) of the Company or a related body corporate (each an Eligible Person) to have greater involvement, and share in, future growth and profitability of the Company.

Shareholder approval has been received for adoption of the Plan. Relief for the issue of securities under the Plan is provided for by ASIC Class Order [CO 14/1000].

Under the Plan, the Board may offer rights to acquire shares (Performance Rights) to Eligible Persons. An Eligible Person (or their nominee) who validly accepts an offer becomes a participant in the Plan. Performance Rights may only be transferred upon a participant becoming deceased.

As at the date of this Prospectus, no securities have been offered or issued under the Plan and there is no current proposal to issue securities under the Plan. Any issues of Performance Rights or agreements to issue Performance Rights under the Plan will be announced to ASX.

The Board will determine what performance conditions apply to Performance Rights, including the date by which such performance conditions must be satisfied and any applicable vesting conditions. Satisfaction of performance conditions (including vesting) is as determined by the Board.

Upon satisfaction of all applicable performance conditions shares will automatically issue and be transferred to the participant (unless prohibited by the Corporations Act or if the Company is in a blackout period as defined in the Company's Securities Trading Policy) in which case the shares shall be transferred as soon as reasonably practicable.

Performance Rights will lapse on the earlier of performance conditions not being satisfied by the set date, if the participant ceases to be an eligible person, if the Board determines a Participant has breached their obligations to the Company or any of its subsidiaries or has acted fraudulently or dishonestly or the Performance Rights expire.

If an Eligible Person ceases their employment or office with the Company and/or its subsidiaries due to retirement, total and permanent disability, redundancy or death then the Board may determine that any unvested Performance Rights become vested. If an Eligible Person ceases employment for any other reason any unvested Performance Rights held by them immediately lapse.

The Board has discretion to administer the Plan (which may be delegated to a committee), including in the event of a variation to the Company's share capital to adjust the terms of Performance Rights, as well as determine to suspend, terminate or reinstate the Plan without notice. The Plan and any offers of Performance Rights under it are subject to the law, the ASX Listing Rules and the Constitution.

12.5 Top 20 Shareholders

The top 20 shareholders of Rhythm are set out in the table below. The table also sets out the percentage of issued Shares of the Company that will be held at completion of the Offers. The table below assumes that the shareholders listed do not apply for and receive New Shares and/or Advisor Shares under the Offers.

Rank	Investor	Current Balance	% Issued Capital	% Post Offer
1	LOUMEA INVESTMENT PTY LTD	10,000,000	18.18%	9.93%
2	FERNDALE SECURITIES PTY LTD <WING SUPERANNUATION FUND A/C>	6,500,000	11.82%	6.45%
3	NORTHERN STAR NOMINEES PTY LTD	4,500,000	8.18%	4.47%
4	COMMONWEALTH SCIENTIFIC & INDUSTRIAL RESEARCH ORGANSATION	2,500,000	4.55%	2.48%
5	NATALIE LOUISE PATTERSON	2,000,000	3.64%	1.99%
6	MOWBRICK PTE LTD	1,650,000	3.00%	1.64%
7	MR DAVID CHARLES NEESHAM + MRS PAMELA CHRISTINE NEESHAM	1,500,000	2.73%	1.49%
8	SHANE FRANCIS TANNER + LISA JANE WHEELER <TANNER SUPER FUND A/C>	1,500,000	2.73%	1.49%
9	MR DANIEL EDDINGTON + MRS JULIE EDDINGTON <DJ HOLDINGS A/C>	1,450,000	2.64%	1.44%
10	PERMANENT 4 NOMINEES PTY LTD	1,250,000	2.27%	1.24%
11	SINDEL NOMINEES PTY LTD	1,250,000	2.27%	1.24%
12	MRS SARAH CAMERON	800,000	1.45%	0.79%
13	EDUARDO VOM	650,000	1.18%	0.65%
14	SISU INTERNATIONAL PTY LTD	600,000	1.09%	0.60%
15	ACCOUNTING STRATEGISTS PTY LTD <ACCOUNTING STRATEGISTS A/C>	500,000	0.91%	0.50%
16	ADAM GEOFFREY WELLISCH <THE WELSON FAMILY A/C>	500,000	0.91%	0.50%
17	AIVARS STRAZDINS + DIANE JEANETTE THORLEY <FOR EVERYFREE SUPERFUND A/C>	500,000	0.91%	0.50%
18	BODIE INVESTMENTS PTY LTD	500,000	0.91%	0.50%
19	CHALEYER HOLDINGS PTY LTD <RUBBEN FAMILY A/C>	500,000	0.91%	0.50%
20	DAVID WHITE	500,000	0.91%	0.50%
21	FILMRIM PTY LTD <MAJUFE SUPER A/C>	500,000	0.91%	0.50%
22	KITARA INVESTMENTS PTY LTD	500,000	0.91%	0.50%
23	TERCUS PTY LTD	500,000	0.91%	0.50%
Total		**40,650,000**	**73.91%**	**40.35%**

12.6 Consents

Other than as set out below, each of the parties referred to in this Section:

- do not make, or purport to make, any statement in this Prospectus, nor is any statement in this Prospectus based on any statement by the relevant party;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of the party; and
- did not authorise or cause the issue of all or any part of this Prospectus.

Taylor Collison Limited has given its written consent to being named as Lead Manager to the Equity Offer in the forms and context in which it is named in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BDO Corporate Finance (East Coast) Pty Ltd has given its written consent to being named as the Investigating Accountant in the form and context in which it is named in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 7 and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

BDO East Coast Partnership has given its written consent to being named as the auditor of the Company in the form and context in which it is named in this Prospectus and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Quinert Rodda & Associates Pty Ltd has given its written consent to being named as the Legal Advisor to the Company in the form and context in which it is named in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

FB Rice Pty Ltd has given its written consent to being named as Intellectual Property Advisor to the Company in the form and context in which it is named in this Prospectus and to the inclusion of the Intellectual Property Report in Section 8 and has not withdrawn its consent prior to lodgement of this Prospectus with ASIC.

Link Market Services Limited has given its written consent to being named as the Share Registry of the Company in the form and context in which it is named in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

CSIRO has given its written consent to being named in this Prospectus in the form and context in which it is so named in this Prospectus and has not withdrawn its consent prior to the lodgement of this Prospectus with ASIC.

12.7 Costs of the Offers

The total costs of the Offers (excluding GST) are estimated to be approximately $1 million. A detailed breakdown of the cash costs of the Offers (excluding GST) is set out in the table below:

Cash Cost of the Offers (excluding GST)	Amount
Lead Manager Fees	$540,000
Legal Fees	$120,000
Investigating Accountant	$24,000
Audit Fees	$9,000
ASX Listing Fees and Lodgement and Regulatory Fees	$82,650
Corporate and Administration Costs	$80,000
Design, Printing and Distribution	$79,450
Travel, Accommodation and Miscellaneous Expenses	$65,000
Intellectual Property Report	$5,000
Total	**$1,005,100**

As at the date of this Prospectus, $390,000 of the cash costs of the Offers set out above have been paid. Accordingly, the Company's Use of Funds (refer Section 10.6) reflect an allocation for cash cost of the Offers which is net of amounts already paid.

In addition to the cash costs of the Offers outlined above, the Company will also issue 750,000 Advisor Shares to the Lead Manager or recipients determined by the Lead Manager or to AFSL holders or others determined by the Lead Manager (and/or their respective nominees) as consideration for services provided in connection with the Equity Offer. At the date of this Prospectus these Advisor Shares have a valuation of $150,000. The valuation of the Advisor Shares to be issued is based on the issue price of $0.20 cents per New Share under the Equity Offer.

12.8 Continuous Disclosure Obligations

Following Listing, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's Shares.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX.

In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

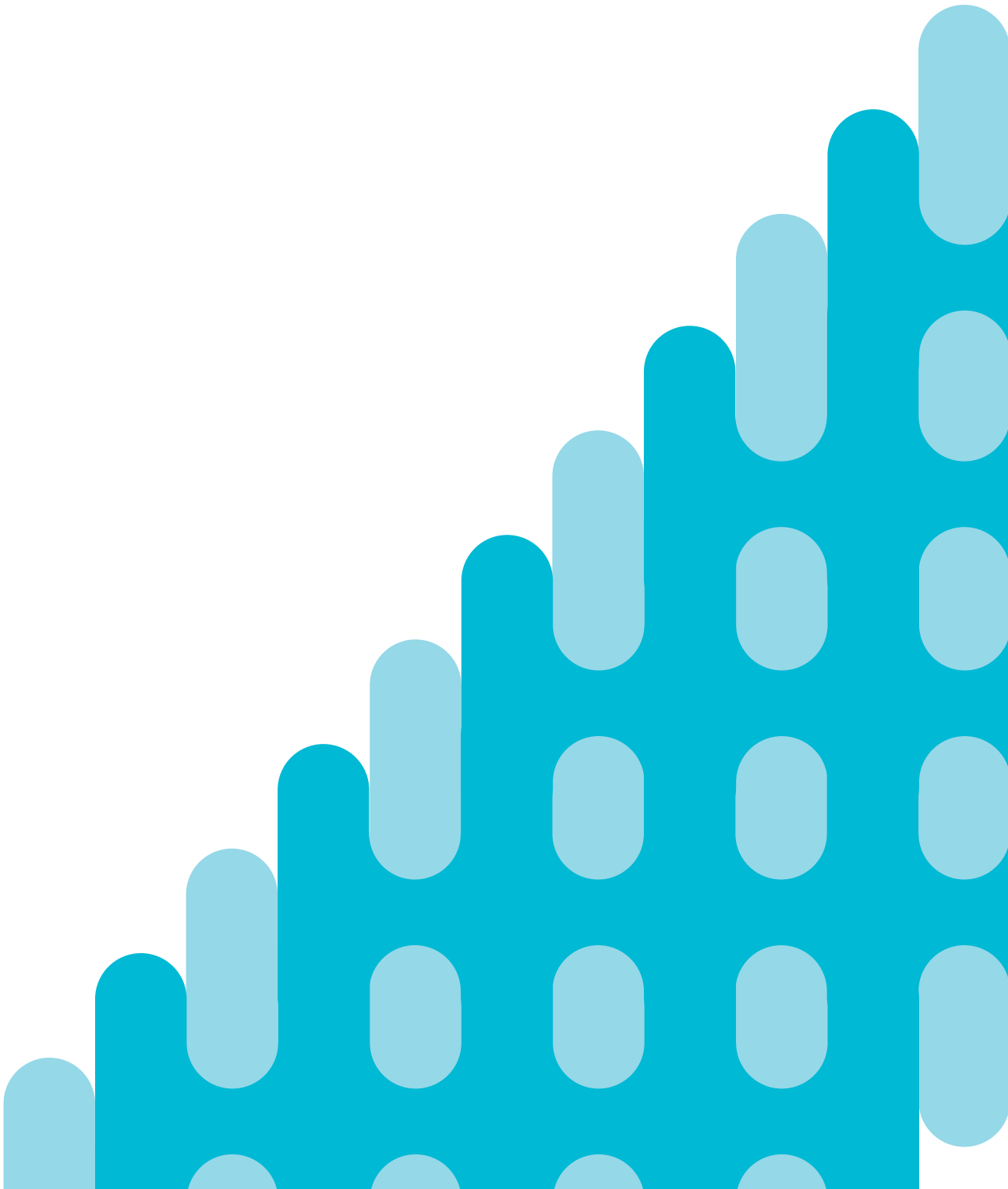
12.9 Governing Law

The Offers and the contracts formed on return of an application or acceptance form are governed by the laws applicable in Victoria, Australia. Each person who applies for New Shares or Advisor Shares pursuant to this Prospectus submits to the non exclusive jurisdiction of the courts of Victoria, Australia, and the relevant appellate courts.

12.10 Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director and Proposed Director has consented, and as at the date of this Prospectus has not withdrawn his consent, to the lodgement of this Prospectus with ASIC.



Section 13

Glossary

13.1 Technical Glossary

Adenoma means precancerous overgrowths of epithelium cells.

Bowel, herein refers to the large bowel, collectively comprising the caecum, colon and rectum. 'Bowel' in this Prospectus is synonymous with both 'colorectal' and 'colorectum'.

Colonoscopy means a test where a physician can inspect the inner lining of a large intestine by using a thin, flexible tube and camera called a colonoscope to look at the colon.

ColoSTAT™ means the Company's proposed diagnostic blood test for colorectal cancer.

ELISA means enzyme-linked immunosorbent assay, an assay commonly using antibodies to bind a biomarker of interest, and utilises an enzyme reaction to cause a colour change to indicate the amount of said biomarker found in the sample.

FIT means Faecal Immunochemical Test, an antibody-based faecal screening test that looks for the appearance of blood in the faeces as a surrogate for the presence of colorectal cancer.

FOBT means Faecal Occult Blood Test, a faecal screening test, generally a guaiac acid-based chemical test, that looks for appearance of blood in the faeces as a surrogate for the presence of colorectal cancer.

IVD Kit means In-Vitro Diagnostic Test Kit

Qualified means scientifically demonstrated to show efficacy

Relative Survival Rate means the percentage change of survival after five year calculated from the point of diagnosis, divided by the percentage of the general population of corresponding sex and age.

Sigmoidoscopy means a test where a physician can inspect a portion of the colon by using a thin, flexible tube and camera.

13.2 Corporate Glossary

Advisor Share means a share issued under the Advisor Share Offer

Advisor Share Offer means the offer of Advisor Shares under this Prospectus

ASX means ASX Limited [ACN 008 624 691].

ASX Bookbuild means the automated on-market bookbuild facility operated by ASX.

AUD means Australian dollars.

Board means the board of Directors of the Company, as it is constituted from time to time.

Broker Offer means the invitation to clients of brokers who have received a firm allocation of Shares from their broker as part of the Equity Offer.

Company means Rhythm Biosciences Limited [ACN 619 459 335]

Closing Date means 22 November 2017 or such other date as determined by the Board.

Corporations Act means the Corporations Act 2001 (Cth), as amended from time to time.

CSIRO means the Commonwealth Scientific and Industrial Research Organisation.

Directors means the directors of the Company, from time to time.

Equity Offer means the offer to investors to purchase New Shares in the Company.

ESOP means the Company's Employee Share Option Plan summarised in Section 12.4.

Exposure Period means the seven-day period after the date of lodgement of this Prospectus, which may be extended by ASIC by up to a further seven days.

GST means Goods and Services Tax.

IPO means this initial public offer of the Company's Shares.

Lead Manager means Taylor Collison Limited [AFSL 247083].

Licence means the licence held by the Company's wholly owned subsidiary, Vision Tech, pursuant to the terms of the Licence Agreement summarised in Section 12.1(a).

Listing means admission to the Official List of ASX.

Listing Rules means the listing rules of ASX

New Shares means a Share issued pursuant to the Equity Offer.

Offer Price means the offer price of New Shares under the Equity Offer $0.20 per New Share.

Offers means collectively the Advisor Share Offer and the Equity Offer.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

PE means Period Ending

Personal Information means any personal information contained in an application.

Plan means the Company's Performance Rights Plan summarised in Section 12.4.

Prospectus means this Replacement Prospectus.

Recommendations means the ASX Corporate Governance Principles and Recommendations (Third Edition).

Rhythm means Rhythm Biosciences Limited [ACN 619 459 335].

Section means a section of this Prospectus.

Share means an ordinary fully paid share in the issued capital of Rhythm.

Share Registry means Link Market Services Limited.

Shareholders means the shareholders of the Company, from time to time.

Vision Tech means Vision Tech Bio Pty Ltd [ACN 607 497 263], the Company's wholly owned subsidiary.

Section 14

Corporate Directory

Directors

Dr Trevor Lockett
Mr Shane Tanner
Mr Lou Panaccio
Mr David White

Company Secretary

Mr Adrien Wing

Registered Office

Level 17, 500 Collins Street
Melbourne VIC 3000

Telephone: +61 3 9614 0600
Facsimile: +61 3 9614 0550

rhythmbio.com

Proposed ASX Code

RHY

Lead Manager to the Equity Offer

Taylor Collison
Level 16, 211 Victoria Square
Adelaide SA 5001

Investigating Accountant

BDO Corporate Finance (East Coast) Pty Ltd
Collins Square, Tower Four
Level 18, 727 Collins Street
Docklands VIC 3008

Intellectual Property Report and IP Advisors

FB Rice
Level 14, 90 Collins Street,
Melbourne VIC 3000

Share Registry

Link Market Services Limited
QV1, Level 12, 250 St. Georges Terrace
Perth WA 6000

Telephone
1800 990 479 (within Australia)
+61 1800 990 479 (outside Australia)

From 8.30am to 5.30pm (Sydney time)
Monday to Friday (excluding public holidays)

Company's Legal Advisers in Respect of the Offers

Quinert Rodda & Associates Pty Ltd
Suite 1, Level 6, 50 Queen Street
Melbourne VIC 3000

Company's Auditor

BDO East Coast Partnership
Collins Square, Tower Four
Level 18, 727 Collins Street,
Docklands VIC 3008

Broker Code

Adviser Code

Rhythm Biosciences Limited **ACN 619 459 335**

General Offer Application Form

This is an application form for New Shares in Rhythm Biosciences Limited under the General Offer on the terms set out in the Replacement Prospectus dated 30 October 2017. You may apply for a minimum of 10,000 New Shares and multiples of 2,500 thereafter. This application form and your cheque or bank draft must be received by 5:00pm (AEDT) on 22 November 2017.

If you are in doubt as to how to deal with this application form, please contact your accountant, lawyer, stockbroker or other professional adviser. The Prospectus contains information relevant to a decision to invest in New Shares and you should read the entire Prospectus carefully before applying for New Shares.

A New Shares applied for

(minimum 10,000, thereafter in multiples of 2,500)

at Price per New Share **A$0.20**

B Application Monies **A$**

PLEASE COMPLETE YOUR DETAILS BELOW (refer overleaf for correct forms of registrable names)

C

Applicant #1
Surname/Company Name

Title | First Name | Middle Name

Joint Applicant #2
Surname

Title | First Name | Middle Name

Designated account e.g. <Super Fund> (or Joint Applicant #3)

D

TFN/ABN/Exemption Code
First Applicant | Joint Applicant #2 | Joint Applicant #3

TFN/ABN type – if NOT an individual, please mark the appropriate box ☐ Company ☐ Partnership ☐ Trust ☐ Super Fund

PLEASE COMPLETE ADDRESS DETAILS

E

PO Box/RMB/Locked Bag/Care of (c/-)/Property name/Building name (if applicable)

Unit Number/Level | Street Number | Street Name

Suburb/City or Town | State | Postcode

Email address (only for purpose of electronic communication of shareholder information)

F CHESS HIN (if you want to add this holding to a specific CHESS holder, write the number here)

X

Please note: that if you supply a CHESS HIN but the name and address details on your application form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN and any New Shares issued as a result of the Offer will be held on the issuer sponsored sub-register.

G Telephone Number where you can be contacted during Business Hours ( )

Contact Name (PRINT)

Cheques or bank drafts should be made payable to "**Rhythm Biosciences Limited IPO**" in Australian currency and crossed "Not Negotiable".

H Cheque or Bank Draft Number | BSB - | Account Number

Total Amount A$

LODGEMENT INSTRUCTIONS

You must return your application so it is received before 5:00pm (AEDT) on 22 November 2017 to:
Link Market Services Limited, Locked Bag A14, Sydney South NSW 1235.

RHY IPO001

Your Guide to the Application Form

Please complete all relevant white sections of the application form in BLOCK LETTERS, using black or blue ink. These instructions are cross-referenced to each section of the form.

The New Shares to which this application form relates are Rhythm Biosciences Limited (the Company) Shares. Further details about the New Shares are contained in the Replacement Prospectus dated 30 October 2017 issued by the Company. The Prospectus will expire on 30 November 2018. While the Prospectus is current, the Company will send paper copies of the Prospectus, any supplementary document and the application form, free of charge on request.

The Australian Securities and Investments Commission requires that a person who provides access to an electronic application form must provide access, by the same means and at the same time, to the relevant Prospectus. This application form is included in the Prospectus.

The Replacement Prospectus contains important information about investing in the New Shares. You should read the Prospectus before applying for New Shares.

A Insert the number of New Shares you wish to apply for. The application must be for a minimum of 10,000 New Shares and thereafter in multiples of 2,500. You may be issued all of the New Shares applied for or a lesser number.

B Insert the relevant amount of application monies. To calculate your application monies, multiply the number of New Shares applied for by the issue price. Amounts should be in Australian dollars. Please make sure the amount of your cheque or bank draft equals this amount.

C Write the full name you wish to appear on the register of Shares. This must be either your own name or the name of a company. Up to three joint applicants may register. You should refer to the table below for the correct registrable title.

D Enter your Tax File Number (TFN) or exemption category. Business enterprises may alternatively quote their Australian Business Number (ABN). Where applicable, please enter the TFN or ABN for each joint applicant. Collection of TFN(s) and ABN(s) is authorised by taxation laws. Quotation of TFN(s) and ABN(s) is not compulsory and will not affect your application. However, if these are not provided, the Company will be required to deduct tax at the highest marginal rate of tax (including the Medicare Levy) from payments.

E Please enter your postal address for all correspondence. All communications to you from the Company and the Share Registry will be mailed to the person(s) and address as shown. For joint applicants, only one address can be entered.

F If you are already a CHESS participant or sponsored by a CHESS participant, write your Holder Identification Number (HIN) here. If the name or address recorded on CHESS for this HIN is different to the details given on this form, your New Shares will be issued to the Company's issuer sponsored subregister.

G Please enter your telephone number(s), area code and contact name in case we need to contact you in relation to your application.

H Please complete the details of your cheque or bank draft in this section. The total amount of your cheque or bank draft should agree with the amount shown in section B.

Make your cheque or bank draft payable to "**Rhythm Biosciences Limited IPO**" in Australian currency and cross it "Not Negotiable". Your cheque or bank draft must be drawn on an Australian bank. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected. If you receive a firm allocation of New Shares from your Broker make your cheque payable to your Broker in accordance with their instructions.

LODGEMENT INSTRUCTIONS

This application form and your cheque or bank draft must be mailed or delivered so that it is received before 5:00pm (AEDT) on 22 November 2017 at:

Mailing Address
Rhythm Biosciences Limited
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235

Hand Delivery
Rhythm Biosciences Limited
C/- Link Market Services Limited
1A Homebush Bay Drive
Sydney South NSW 2138
(do not use this address for mailing purposes)

PERSONAL INFORMATION COLLECTION NOTIFICATION STATEMENT

Personal information about you is held on the public register in accordance with Chapter 2C of the Corporations Act 2001. For details about Link Group's personal information handling practices including collection, use and disclosure, how you may access and correct your personal information and raise privacy concerns, visit our website at www.linkmarketservices.com.au for a copy of the Link Group condensed privacy statement, or contact us by phone on +61 1800 502 355 (free call within Australia) 9am–5pm (Sydney time) Monday to Friday (excluding public holidays) to request a copy of our complete privacy policy.

CORRECT FORMS OF REGISTRABLE NAMES

Note that ONLY legal entities are allowed to hold Shares. Applications must be in the name(s) of natural persons or companies. At least one full given name and the surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mrs Katherine Clare Edwards	K C Edwards
Company Use Company's full title, not abbreviations	Liz Biz Pty Ltd	Liz Biz P/L or Liz Biz Co.
Joint Holdings Use full and complete names	Mr Peter Paul Tranche & Ms Mary Orlando Tranche	Peter Paul & Mary Tranche
Trusts Use the trustee(s) personal name(s)	Mrs Alessandra Herbert Smith <Alessandra Smith A/C>	Alessandra Smith Family Trust
Deceased Estates Use the executor(s) personal name(s)	Ms Sophia Garnet Post & Mr Alexander Traverse Post <Est Harold Post A/C>	Estate of late Harold Post or Harold Post Deceased
Minor (a person under the age of 18 years) Use the name of a responsible adult with an appropriate designation	Mrs Sally Hamilton <Henry Hamilton>	Master Henry Hamilton
Partnerships Use the partners' personal names	Mr Frederick Samuel Smith & Mr Samuel Lawrence Smith <Fred Smith & Son A/C>	Fred Smith & Son
Long Names	Mr Hugh Adrian John Smith-Jones	Mr Hugh A J Smith Jones
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s)	Mr Alistair Edward Lilley <Vintage Wine Club A/C>	Vintage Wine Club
Superannuation Funds Use the name of the trustee of the fund	XYZ Pty Ltd <Super Fund A/C>	XYZ Pty Ltd Superannuation Fund

Put the name(s) of any joint applicant(s) and/or account description using < > as indicated above in designated spaces at section C on the application form.

RHYTHM™
BIOSCIENCES

Rhythm Biosciences Limited ACN 619 459 335
Level 17, 500 Collins Street, Melbourne VIC 3000 **Phone** +61 3 9614 0600 rhythmbio.com

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