

2024 ANNUAL REPORT

RHYTHM BIOSCIENCES LIMITED (ASX:RHY)

ACN 619 459 335

For personal use only

RHYTHM'S ColoSTAT®

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

CONTENTS

Key Milestones.....	4
Company Overview.....	6
Market Overview	7
Chairman's Report	8
CEO's Report	9
Directors' Report.....	10
Auditor's Independence Declaration	24
Consolidated Statement of Profit or Loss and Other Comprehensive Income	25
Consolidated Statement of Financial Position	26
Consolidated Statement of Changes in Equity	27
Consolidated Statement of Cash Flows	28
Notes to the Consolidated Financial Statements	29
Consolidated Entity Disclosure Statement	46
Directors' Declaration	47
Independent Auditor's Report	48
Additional ASX Information	53
Corporate Directory.....	57

RHYTHM BIOSCIENCES MILESTONES

2003 - 2016



CSIRO Research and Development

January 2018



Development Program Commences

May 2019



ISO Certification

December 2020



Global Manufacturer Appointed

November 2021



CE Mark Granted for ColoSTAT®

May 2023



UKCA Mark Granted and Strategic Partnership with LINK Medical Solutions

August 2024



Alpha Version of the Multiplex Antibody Detection Kits received



Multiplex Kit Validation



Market Entry

For personal use only

Rhythm Biosciences Lists on the ASX



December 2017

Clinical Trial Program Commences



February 2019

Patents Secured in 21 Countries



January 2018 -
November 2020

Clinical Trial Complete (RHY-001)



November 2021

ColoSTAT® Authorised for Sale in New Zealand



November 2022

RHY001 Study - Submit Publication



January 2024

Pipeline Activities - Other Cancers



FUTURE MILESTONES

ABOUT RHYTHM BIOSCIENCES



Rhythm Biosciences is committed to saving lives through early detection of cancers by developing and providing physicians simple and accurate diagnostic tools.

The World Health Organisation has reported that 30 – 50% of cancers could be prevented¹ with the early detection and characterisation of disease being an important part of the solution. As well as more timely information, there is a need for simple and cost-effective solutions that can be incorporated in health care systems in the developed economies as well as in the low and middle-income economies where most of the estimated 9.6 million annual deaths due to cancer occur.^{1,2} Rhythm Biosciences' mission is to discover, develop and commercialise affordable and simple clinical diagnostic solutions for a broad range of cancers.

Our most advanced program is focussed on Colorectal Cancer (CRC), the second leading cause of cancer-related deaths worldwide.³ In 2020, there were more than 1.9 million people diagnosed with CRC and over 930,000 lives lost to the disease. By 2040, the burden of CRC is predicted to increase to 3.2 million new cases and 1.6 million deaths per year.³

Faecal immunochemical test (FIT) is the prevalent CRC screening method globally. Unfortunately, the utilisation of the FIT test is low, due to inconvenience, sample collection and aversion with the procedure.⁴ A recent report from Australian Institute of Health and Welfare has revealed overall participation for the two-year period 2021-2022 has dropped to 40 per cent from 44 per cent in 2019-2020.⁵

Another challenge has been increasing incidence rates, particularly among younger people.⁶ In the United Kingdom (UK), between the 1990s and 2018, cancer incidence rates in 25 to 49-year-olds increased by 22% (> twice the 9% increase in over-75s.).⁷ Around 350 of the >3,300 diagnosed with CRC each year in NZ, are under the age of 50.⁸ For Australia, Incidence rates of 40-49 year olds increased from 22 cases per 100,000 people in 2005 to an estimated 30 cases in 2024.⁹ The CRC healthcare burden has led to fewer resources and increased delays in wait times for colonoscopies. In the UK there was a 40% increase from 2017 to 2018 in the average number of patients waiting longer than two weeks.^{10,11}

Furthermore, the lack of compliance with national CRC screening programs results in the vast majority

of diagnosed cancers originating from patients who are under screened and enter the care path through presentation of symptoms to their primary carer.¹²⁻¹⁴ This often leads to unnecessary investigation by colonoscopy¹⁵⁻¹⁸ and there is a need for a mechanism, like an effective, low cost blood-based test, to help triage or prioritise those individuals awaiting endoscopy to reduce waiting lists.¹⁹ The Australian Commission on Safety and Quality in Health Care has recommended states and territories adopt triaging systems to prioritise colonoscopies for most at risk individuals.^{20,21}

ColoSTAT® Test Kit, Rhythm Bioscience's first simple blood-based cancer test, designed for the detection of colorectal cancer, is a solution for use within the disease detection pathway. There are a number of potential opportunities to integrate ColoSTAT® into clinical practice that are being explored by the company. (A) colonoscopy to prioritise those who should be examined first (B) use as an adjunct to FIT testing for vulnerable patients who are unable to withstand colonoscopy (C) inherited or familial cancer detection and (D) general screening alongside the current stool-based methods as an alternative screening test for individuals unable to or are unwilling to use currently available screening modalities.

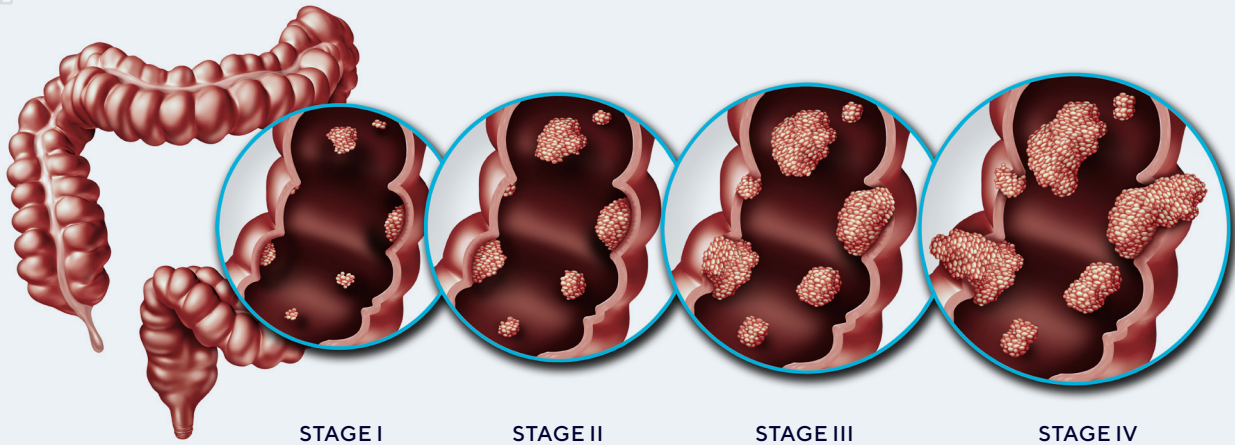
ColoSTAT® is patented in over 20 countries, and in response to significant regulatory changes in Europe and proposed changes in Australia and the U.S. the test is being updated to meet IVDR (In vitro diagnostic medical devices regulation) regulatory standard. The updated development consists of a redesigned multiplex assay that has the potential to be of materially lower cost, simpler to use, and a more consistent quality through increased automation and reduced chance of human error.

The need to detect other cancers is also real and Rhythm Biosciences has programs focussed on other cancers including gastric, lung and breast cancer. The programs are in the stage of further qualifying protein biomarkers for their utility as blood-based markers for underlying disease and represent a significant platform extension opportunity.

References: 1. <https://www.who.int/activities/promoting-cancer-early-diagnosis>. 2. <https://bmccancer.biomedcentral.com/articles/10.1186/s12885-023-11272-9>. 3. <https://www.who.int/news-room/fact-sheets/detail/colorectal-cancer>. 4. Gordon NP, Green BB. Factors associated with use and non-use of the Faecal Immunochemical Test (FIT) kit for Colorectal Cancer Screening in Response to a 2012 outreach screening program: a survey study. BMC Public Health. 2015 Jun 11;15:546. 5. <https://www.aihw.gov.au/reports/australias-health/cancer-screening-and-treatment>. 6. Xi Y, Xu P (2021), Global colorectal cancer burden in 2020 and projections to 2040, Translational Oncology, 14(10), 101174, doi:10.1016/j.tranon.2021.101174 Epub 2021 Jul 6. 7. <https://news.cancerresearchuk.org/2023/01/24/early-onset-cancer-why-are-more-young-adults-being-diagnosed>. 8. <https://bowelcancer.nz.org.nz/never-too-young>. 9. <https://www.aihw.gov.au/getmedia/ea870f59-a9e4-4772-8fa8-e1206b56a552/cancer-data-in-australia.pdf?v=20240815054943&inline=true>. 10. <https://www.who.int/news/item/01-02-2024-global-cancer-burden-growing--amidst-mounting-need-for-services>. 11. NHS waiting times trends shows drastic increase in delays to bowel cancer diagnostic testing | Bowel Cancer UK. 12. Why are most colorectal cancers diagnosed outside of screening? A retrospective analysis of data from the English bowel screening programme - Robert Stephen Kerrison, Andrew Prentice, Sarah Marshall, Christian von Wagner, 2022 (sagepub.com). 13. The diagnostic value of symptoms for colorectal cancer in primary care: a systematic review | British Journal of General Practice (bjgp.org). 14. Colorectal cancer screening: a global overview of existing programmes | Gut (bmj.com). 15. An Estimate of the US Rate of Overuse of Screening Colonoscopy: a Systematic Review - PMC (nih.gov). 16. RACGP - New standard provides up-to-date guidance on colonoscopy referral and care. 17. Colonoscopy overuse in colorectal cancer screening and associated factors in Argentina: a retrospective cohort study | BMC Gastroenterology | Full Text (biomedcentral.com). 18. New study at Coventry's University Hospital could reduce need for colonoscopies across NHS - The Coventry Observer. 19. <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC7563245>. 20. <https://pursuit.unimelb.edu.au/articles/who-needs-a-colonoscopy-most>. 21. <https://www.safetyandquality.gov.au/sites/default/files/migrated/2.1-Text-Colonoscopy-hospitalisations-all-ages.pdf>.

COLORECTAL CANCER

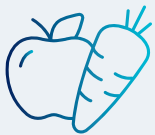
5-YEAR SURVIVAL RATES FOR THOSE DIAGNOSED AT AN EARLY STAGE OF CRC ARE OVER 90%.⁸



EARLY DETECTION IS KEY TO SURVIVAL (STAGES I/II)

>90%

MODIFIABLE RISK FACTORS ASSOCIATED WITH CRC⁹



A diet low in fibre



High red meat consumption, especially processed meats



Physical inactivity and obesity



Consumption of alcohol and tobacco

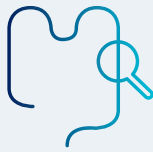


Low blood level of Vitamin D

NON-MODIFIABLE RISK FACTORS ASSOCIATED WITH CRC⁹



Personal history of certain types of cancers (ovarian/uterine)



IBD, such as Crohn's and Ulcerative Colitis



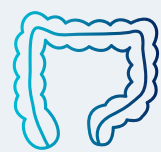
Family history of CRC



Type 2 diabetes

50+

Aged ≥ 50



A previous diagnosis of polyps/CRC



A MESSAGE FROM THE CHAIRMAN

Otto Buttula

Dear Fellow Shareholders

On behalf of the Board, I am pleased to present Rhythm Biosciences' 2024 Annual Report. Financial year 2024 was once again very disappointing in terms of shareholder returns, with an ongoing and significant decrease in our Company's share price. This follows a tumultuous 2023 calendar year which included senior executive changes, the difficult, but correct decision to withdraw our ColoSTAT® application from the Therapeutic Goods Administration (TGA) and further instability earlier this calendar year, with minority shareholder discontent seeking to alter the composition of the Board.

Pleasingly this is now all behind us and the comprehensive change in strategy, announced in late December 2023 has been front and foremost in the Company's plans for 2024 and beyond. This included:

- Appointment of a suitably qualified CEO to support the IVDR transition work, with my own executive status reverting to non-executive following a brief handover period. I am pleased to report that this has been achieved with Dr David Atkins commencing in the CEO role as of 13 May 2024 and myself returning to non-executive as of 31 May 2024. Dr Atkins is the most experienced CEO appointment since the Company's inception and has had strong commercial experience in the Company's sphere of activity, particularly overseas. Dr Atkins

will report more upon the progress made by the Company in his CEO Letter / Report, which will summarise current operational and commercialisation activities.

- Reclassification of previously produced IVDD ColoSTAT® kits to Research Use Only (RUO) rather than for commercial sales.
- The engagement of a US based Contract Manufacturing Organisation (CMO) to undertake all future design and development work on ColoSTAT®. The Company has contracted with Quansys Biosciences in the USA, with work progressing well, converting ColoSTAT® to a Multiplex Assay, meeting higher production standards capable of meeting IVDR transition work and better meeting end customer / user requirements.
- Implementation of a cost reduction program, with ongoing costs reducing materially in line with the new manufacturing agreement and a more targeted and qualified team, given much of the previous scientific investigative work has been completed.

Therefore, despite a difficult period being experienced, the Board and I believe the major problematic issues experienced by the Company are largely behind us. This reset in the Company's strategic direction positions the Company to take advantage of its potential and to commercialise upon what is a valuable

intellectual property portfolio.

The Board and I sincerely believe the experience of Dr Atkins together, with the quality of the current personnel within the Company is of a high calibre and are driven to succeed commercially. Hence, with a team now being aligned with the Company's strategic goals we believe we will start to restore shareholder value over time.

On behalf of the Board, I would like to thank Dr Atkins, the executive management team and all our employees, for their ongoing personal commitment and diligent contributions to Rhythm. Our Board members remain focussed on continuing to contribute strongly to the Company's success. I would also acknowledge the contribution made by Dr Rachel David, a Non-Executive Director of Rhythm, who resigned from the Board in December 2023.

Finally, and importantly, I would also like to thank our many loyal shareholders who continue to support and believe in the Company.

Rest assured, we continue to be driven and pursue our goal of assisting patients diagnose cancers early, with simple, inexpensive diagnostic tools.

Sincerely

Otto Buttula
Non-Executive Chairman



A MESSAGE FROM THE CEO

Dr David Atkins, PhD

Dear Shareholders

It's a real pleasure and a privilege to be writing this first letter for our stakeholders, and I am delighted to be trusted by our board to lead Rhythm Biosciences on the journey from start-up to successful, commercial scale-up business.

I have had the opportunity to be a member of several teams engaged in clinical diagnostic development over the years and my first impressions are that our current team sets the standard of understanding the opportunity and responsibility that Rhythm has for making an impact to individuals, patients and their families around the globe. Furthermore, the entire team and board members have made me feel instantly welcome and for that I am grateful. I am also grateful to the previous members of the Rhythm team who have worked tirelessly for more than 7 years, and left the current team a sizeable body of high-quality foundational work to build on. It is true that we have had to take a step sideways in order to go forward and having a rich history available to us is going to allow acceleration towards the end goal.

The focus for Rhythm has been

colorectal cancer where we have the most developed technology. However, we have a wealth of additional assets in other cancer types and I look forward to continue the work with our partners to broaden out the commercial solutions that we can ultimately bring to market.

The next 12 months is going to be an important phase of the company as we explore the new clinical opportunities that keeps general cancer screening as an end-goal but allows us to get there in several steps. We're exploring different regulatory paths around the globe and building the right commercial networks to allow us to bring our CSIRO-originated technology to market as soon as its ready.

Being an Australian business solving an important global cancer challenge is a goal worth striving for and I look forward to providing a continuous flow of news over the coming 12 months!

Sincerely

A handwritten signature in black ink, appearing to read 'David Atkins', with a stylized flourish at the end.

Dr David Atkins, PhD
CEO



DIRECTORS' REPORT

The Directors of Rhythm Biosciences Limited (Rhythm, the Group, or the Consolidated Entity) present their report for the financial year ended 30 June 2024.

Directors

The Directors at any time during the year, or since the end of the financial year, were as follows:

Mr Otto Buttula
Dr Trevor Lockett
Mr Louis (Lou) Panaccio
Ms Susan MacLeman
Dr Rachel David (resigned 28 December 2023)

Meetings of Directors

The following table sets out the number of Director meetings of the Company held during the financial year, and the number of meetings attended by each Director.

Director	Directors' Meetings	
	Held	Attended
Mr O Buttula	12	12
Dr T Lockett	12	12
Mr L Panaccio	12	11
Ms S MacLeman	12	12
Dr R David	4	4

'Held' represents the number of meetings held during the time the Director held office during the year.

Corporate Governance

Details on the Company's corporate governance procedures, policies and practices are at www.rhythmbio.com.

Principal Activities

Rhythm Biosciences Limited (ASX: RHY) is an innovative Australian publicly listed medical diagnostics company with a focus on delivering simple, affordable blood tests for the accurate detection of cancers, providing physicians with accurate and reliable diagnostic tools. Its ColoSTAT® product, which is nearing the commercialisation phase aims to provide a simple accurate and early detection test for colorectal cancer.

Corporate Information

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

The registered office and operations of the Company are located at Bio21 Institute, 30 Flemington Road, Parkville Victoria, Australia, 3010.

Results of Operations

The Group incurred a loss after income tax of \$6,856,761 for the year ended 30 June 2024 (2023: \$8,217,557) which reflects the research and development activity during the year. Highlights were as follows:

- ColoSTAT® Automation project with Nutripath and Tecan completed;
- Platform expansion – initial outcomes in Breast and Lung Cancer positive;
- 1st Tranche of R&D Tax Incentive received, new secondary submission underway;

- Manuscript for ColoSTAT® clinical performance study submitted.
- Internationally Renowned Clinically Advisory Board established, with initial meeting held;
- The current patent review and renewals of ColoSTAT® in preferred markets, will lengthen patent protection by more than a decade to early 2042;
- Phase 1 for ColoSTAT® update with U.S. based Contract Manufacturing Organisation (CMO) complete;
- Board's Unanimous Recommendation supported in Extraordinary General Meeting (EGM);
- Maintained ISO 13485:2016 Certification;
- Appointment of Dr David Atkins as new Chief Executive Officer;
- Significant progress made on re-engineering ColoSTAT® assay into a simpler, higher quality multiplex antibody assay;
- Update of clinical strategy to include the indication of triage for patients symptomatic for bowel disease and with higher-than-average risk of colon cancer; and
- Significant upgrade of quality systems with migration to eQMS and strengthening of team to ensure consistent quality.

Significant Changes in the State of Affairs

During the year the Company issued:

- 27,454,161 shares at 10 cents each from a rights issue and a subsequent shortfall placement, raising \$2,745,416; and
- 1,350,000 shares at 20 cents each from the exercise of options raising \$270,000.

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

Future Developments

The Directors do not foresee any unusual future event that may significantly negatively impact the Group's operations, results or state of affairs. Rhythm's business model of developing diagnostic products for global markets will always bear some risk given the nature of technological development, competitors entering the market, changes in global healthcare, reliance on commercial partners and our ability to access capital to sustain operations. We cannot guarantee that Rhythm's technology will be widely adopted. Moreover, the global Healthcare industry is an ever-evolving landscape where changes may impact our business opportunities.

Internal Risks:

Most risks associated with personnel are limited due to the use of external consultants and outsourced agencies. Our people risks were inherently our largest obstacle in the 2024 financial year which we have overcome with the training and diversification of knowledge. Cash Flow is identified as a potential risk despite the minimisation with the R&D grant expected. The management and Board have identified that Cash Flow will not be an impediment to the growth of the company.

The financial statements as at 30 June 2024 have been prepared on a going concern basis for the following reasons:

- as at 30 June 2024, the consolidated entity had a cash position of \$709,496;
- a research and development refund for FY24, based on expenditure incurred, is expected to be received in full by November 2024. A secured loan obtained for \$1,150,000 in August 2024 has provided early access to this forecast research and development refund. A resubmitted research and development claim for FY23 for overseas activities is also expected to be lodged in the near term;
- activities are focused on commercialising ColoSTAT® in various geographies;
- the Company has the potential to raise additional capital from investors and debt funding from financiers: The Directors are confident in the Company's ability to raise additional capital based on the Company's successful track record in doing so. Management has commenced activities in preparation for additional funding including initial meetings with third parties;
- the consolidated entity is still in the early stages of operations and is able to scale back activity if required for cashflow management purposes; and

- the forecast cash flows for the consolidated entity indicate that based on current cash on hand and expected inflows from research and development refunds and additional capital to be raised from investors, the consolidated entity is expected to maintain a positive cash position for at least the period of 12 months from the date the Directors approve the annual financial statements.

Whilst the Directors are confident in the consolidated entity's ability to continue as a going concern, in the event that cash flow forecasts are adversely impacted, and cash inflows described above do not eventuate as planned, there is a material uncertainty as to whether the consolidated entity will be able to execute alternative funding arrangements.

External Risks:

The major external risks are supply chain of raw materials and global demand. With the current suppliers of raw materials and the proprietary recipe / algorithm, the raw material supply is adequate to ensure material supply to current and future target markets. It is anticipated that Rhythm will expand its CMO (Contract Manufacturers) globally.

Dividends

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

Directors and Company Secretaries

Names, qualifications and experience

Name	Otto Buttula
Title	Non-Executive Chairman
Experience and expertise	Mr Buttula has had extensive experience and success in investment research, funds management, information and biotechnologies and has held directorships in a number of public companies. Mr Buttula's executive experience includes co-founder and CEO and Managing Director of IWL Ltd, an online financial services company that listed on the ASX in 1999. The company grew from a market capitalisation of \$48 million at listing before a takeover in 2007 by Commonwealth Bank of Australia Ltd for \$373 million. Mr Buttula also founded and was Managing Director of Investors Mutual, prior to which he was a co-founder and director of Lonsdale Securities Ltd. Following his completion of executive duties, Mr Buttula was Non-Executive Chairman of platform and stockbroking provider Investorfirst Ltd and led the acquisition of HUB24 Ltd (ASX: HUB). More recently, he served on the Board as a non-executive director and Head of Audit and Risk at Imugene Ltd (ASX: IMU) between 2014 and 2016.
Former directorships	HITIQ Limited (resigned 27 November 2023) OncoSil Medical Limited (resigned 31 August 2023)
Interests in shares	36,384,575 fully paid ordinary shares
Interests in options	5,425,001 Options/500,000 ESOP Options (expired 31 July 2024)
Name	Dr Trevor Lockett
Title	Non-Executive Director
Experience and expertise	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™.
Interests in shares	1,678,300 fully paid ordinary shares
Interests in options	193,650 Options/125,000 ESOP Options (expired 31 July 2024)

Name	Lou Panaccio
Title	Non-Executive Director
Experience and expertise	A chartered accountant with extensive management experience in business and healthcare services. Lou is currently on the boards of ASX listed companies Sonic Healthcare Limited and Avita Medical, Inc. Lou is also on the board of Unison Housing Ltd. 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 executive Chairman of Health Networks Australia.
Other current directorships	Sonic Healthcare Limited Avita Medical, Inc. Adherium Limited
Former directorships (last 3 years)	Nil
Interests in shares	1,079,000 fully paid ordinary shares
Interests in options	124,500 Options /37,500 ESOP Options (expired 31 July 2024)
Name	Ms Susan MacLeman
Title	Non-Executive Independent Deputy Chair
Experience and expertise	Susan has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development at Schering-Plough Corporation (now Merck), Amgen, Bristol-Myers Squibb and Mesoblast. Susan has also served as CEO and a Board member of several ASX, AIM and NASDAQ listed companies in the Healthtech sector. Susan is a Non-Executive Director of Viral Vector Manufacturing Facility Pty Ltd, HOS Ltd T/A Smartways Logistics, Health Translation Group Ltd, Planet Innovation Holdings Ltd, ATSE and OMICO (Australian Genomic Cancer Medicines Ltd). Susan is also a member of the NSW Innovation and Productivity Council, Fellow of the Australian Academy of Technology and Engineering (ATSE) and Fellow/Graduate of Australian Institute of Company Directors (AICD). Susan is also appointed to several academic and government advisory boards. Susan brings a unique set of experiences in technology commercialisation, strategic planning, capital markets and fund raising, M&A and alliance management. Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School.
Interests in shares	Nil
Interests in options	200,000 ESOP Options
Name	Dr Rachel David
Title	Former Non-Executive Director (resigned 28 December 2023)
Experience and expertise	Rachel is an experienced senior health and financial services sector executive who holds a Bachelor of Medicine, Bachelor of Surgery (MBBS), Master of Business Administration (MBA) and is a graduate of the Australian Institute of Company Directors. Rachel is currently the Chief Executive Officer (CEO) of Private Healthcare Australia (PHA). Rachel's career has spanned over 25 years during which she has delivered significant value by promoting policy change to address the significant economic problems and market failures in healthcare, particularly relating to evidence-based practice and access to new technologies. Prior roles include Senior Director Government Affairs, Policy and Market Access for Johnson & Johnson, senior roles within McKinsey, CSL and Pfizer (formerly Wyeth). Further, Dr David has held direct Government roles within the Office of the Federal Minister for Health and Ageing.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretaries

Andrea Steele (appointed 25 February 2022) has a Bachelor of Laws (LLB), a Master of Laws (LLM), a Master of Legal Practice and a Bachelor of Commerce (Accounting/Finance). Her professional career spans over 23 years and includes management consultancy, corporate strategy, company secretary and general counsel positions throughout Europe and Australia. Currently Ms Steele is a Principal Consultant at ENRG Consulting.

James Barrie's (appointed 1 January 2024) experience includes governance, share registry, employee equity plans, investor relations, M&A, Treasury operations, capital management initiatives, financial accounting and reporting, business development, forecasting and budgeting and project management. In 2017 James established Fernville Group to provide solutions to unlisted and small-cap listed companies (ASX/NSX). Services include Non-Executive Director, Resident Director (for overseas subsidiary companies), outsourced Company Secretarial and CFO, virtual/hybrid AGMs, helping companies get "IPO ready" and ongoing business support post-listing. Prior to establishing Fernville, James held a range of senior executive positions in ASX20, ASX100, microcap, private and start-up organisations across industries including resources, pharmaceuticals, retail, technology, professional services and not-for-profit.

Paul Smith (appointed 17 October 2022, resigned 15 November 2023).

The Remuneration Report, which forms part of the Directors' report, sets out information about the remuneration of the Company's Directors and its Key Management Personnel for the financial year ended 30 June 2024.

Directors' Report – Remuneration Report (Audited)

Names and positions held by Directors and Key Management Personnel at any time during the financial year were:

Name	Position	Date Appointed to Position
Mr Otto Buttula	Non-Executive Chairman	28 October 2019 (Executive Chairman from 1 December 2021 to 31 May 2024)
Dr Trevor Lockett	Non-Executive Director	1 June 2017 (previously Technical Director until 15 December 2023)
Mr Louis (Lou) Panaccio	Non-Executive Director	1 August 2017
Ms Susan MacLeman	Non-Executive Director	31 January 2023
Dr Rachel David	Non-Executive Director	15 December 2021 (resigned 28 December 2023)
Dr David Atkins	Chief Executive Officer	13 May 2024
Mr Paul Smith	CFO & Company Secretary	17 October 2022 (resigned 15 November 2023)
Mr Guy Carisbrooke	Financial Controller	21 September 2023 (Key Management Personnel member from 16 November 2023)

Directors' and Key Management Personnel Interests (received and acquired) in Shares and Options

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

Name	Position	Number of Ordinary Shares	Number of Options	Number of Loan Funded Shares
Mr Otto Buttula	Non-Executive Chairman	36,384,575	5,425,001	-
Dr Trevor Lockett	Non-Executive Director	1,678,300	193,650	-
Mr Louis (Lou) Panaccio	Non-Executive Director	1,079,000	124,500	-
Ms Susan MacLeman	Non-Executive Director	-	200,000	-
Dr David Atkins	Chief Executive Officer	-	4,000,000	4,000,000
		39,141,875	9,943,151	4,000,000

Remuneration Policy

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

Remuneration Structure

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

- Fixed Remuneration, comprising: base salary, superannuation and other benefits in lieu of salary; and
- Variable Remuneration, may include: a short-term incentive bonus (cash) and a long-term incentive in the form of options under the ESOP or loan funded shares.

The Company aims to set the level of fixed remuneration at market levels for comparable jobs, in similarly structured and sized companies in the industry in which the Company operates. No advice from a remuneration consultant was sought during the financial year.

Short-Term Incentive Plan (STIP)

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

Long-Term Incentive Plan (LTIP)

The purpose of the long-term incentive plan is to align the interests of directors, management personnel and employees with those of the shareholders and provide reward for sustained achievement of the Group's strategic objectives. Rhythm's long-term incentive plan is implemented through the Employee Share Option Plan (ESOP) or loan funded shares.

Options

During the 2024 year, 4,200,000 (2023: 10,950,000) Options were issued to management personnel and employees. The fair value of employee share options was \$132,000 (2023: \$5,812,500). \$1,067,744 was reversed in the current financial year (2023: \$3,003,935 expensed) for options issued in the current and previous years. In addition, \$19,726 was expensed in the current financial year (2023: \$nil) for loan funded shares. The options were issued for nil consideration and granted in accordance with performance guidelines established by the Board.

The following ESOP Share Options arrangements existed at 30 June 2024:

Number of Options	Exercise Price (\$)	Grant Date	Vesting Period	Vesting Date	Expiry Date	Holder	Fair Value per Option at Grant Date
212,500	\$1.80	26.7.2021	Various ⁽ⁱ⁾	Various ⁽ⁱ⁾	31.7.2024	Employees	\$0.45
1,450,000	\$1.80	24.11.2021	Various ⁽ⁱ⁾	Various ⁽ⁱ⁾	31.7.2024	Directors	\$1.02
3,000,000	\$1.80	31.12.2022	Various ⁽ⁱ⁾	Various ⁽ⁱ⁾	31.12.2025	Employees	\$0.53
200,000	\$1.80	10.10.2023	Various ⁽ⁱ⁾	Various ⁽ⁱ⁾	30.11.2025	S MacLeman	\$0.06
2,000,000	\$0.20	13.05.2024	Employment	13.05.2025	13.05.2026	D Atkins	\$0.02
1,000,000	\$0.30	13.05.2024	Employment	13.05.2025	31.03.2028	D Atkins	\$0.04
1,000,000	\$0.30	13.05.2024	Employment	13.05.2026	31.03.2028	D Atkins	\$0.04
8,862,500	Total ESOP Options						

(i) There are various performance and or service vesting conditions related to these options not yet achieved. Refer to Note 17 for details on vesting conditions. These options include amounts outstanding at 30 June 2024 that lapsed past balance date.

All options granted are in respect of ordinary shares in Rhythm Biosciences Limited and confer a right of one ordinary share for each option held.

For factors that determine the fair value of options granted during the year refer to Note 17 to the financial statements.

Movement in the number of Share Options on issue

	2024 Number of Options	2024 Weighted Average Exercise Price (cents)	2023 Number of Options	2023 Weighted Average Exercise Price (cents)
Opening balance	11,920,000	156.78	14,232,500	97.65
Voluntarily Forfeited / Lapsed	(5,907,500)	170.18	(9,687,500)	180.00
Granted	4,200,000	32.38	10,950,000	180.00
Exercised	(1,350,000)	20.00	(3,575,000)	20.00
Outstanding at year-end	8,862,500	110.04	11,920,000	156.78
Exercisable at year-end	1,640,625	180.00	4,891,250	123.30

Loan Funded Shares

During the 2024 year, Dr Atkins remuneration also includes awarded 'signing on' incentives for 4,000,000 Loan Funded Shares at \$0.10 each (4 year non-recourse loan at 0% interest rate). The fair value of loan funded shares was \$200,000. \$19,726 was expensed in the current financial year (2023: \$nil). The loan funded shares were issued for nil consideration and granted in accordance with performance guidelines established by the Board.

The following ESOP Loan Funded Share (LFS) arrangements existed at 30 June 2024:

Number	Issue Price (\$)	Grant Date	Vesting Period	Vesting Date	Expiry Date	Holder	Fair Value per LFS at Grant Date
2,000,000	\$0.10	13.5.2024	Employment	12.5.2025	12.5.2028	Dr Atkins	\$0.05
2,000,000	\$0.10	13.5.2024	Employment	12.5.2026	12.5.2028	Dr Atkins	\$0.05
4,000,000	Total Loan Funded Shares						

Non-Executive Director Remuneration

The Board considers the level of remuneration necessary to attract and retain Directors with the skills and experience required by the Company at its stage of development. Non-executive Directors fees are paid within an aggregate limit which is approved by the shareholders from time to time. No retirement payments are made to Non-executive Directors.

Non-executive Directors' fees were set at \$52,500 per annum inclusive of superannuation. The Company entered into an executive services agreement effective 1 July 2022 for Mr Otto Buttula to receive an annual salary of \$165,000 (exclusive of superannuation). Effective 31 May 2024, Mr Buttula reverted to the role of Non-Executive Chairman on an annual salary of \$105,000 (exclusive of superannuation). Ms MacLeman receives a salary of \$82,500 (inclusive of superannuation) per annum for her role as Deputy Chairman. 200,000 Options exercisable at \$1.80 on or before 30 November 2025 were issued to Ms MacLeman under the ESOP during the 2024 financial year. The Company entered into a revised consulting services agreement effective 1 July 2022 for Dr Trevor Lockett to receive an annual salary of \$159,500 (inclusive of superannuation). Dr Lockett ceased his executive role on 15 December 2023 and continues as a Non-Executive Director.

Key Management Personnel Remuneration

Key Terms of the CEO's employment contract

The Company entered into an executive services agreement effective 13 May 2024 for Dr David Atkins as Chief Executive Officer (CEO).

Dr Atkins annual remuneration consists of a fixed base remuneration of \$350,000 (exclusive of superannuation) per annum. In addition to his base, he is eligible to participate in:

- (i) up to 30% of that fixed base remuneration as a short-term incentive; and
- (ii) up to 20% of that fixed base remuneration as a long-term incentive – as described below.

Execution Equity Incentive (EEI)

Dr Atkins remuneration also includes awarded 'signing on' incentives:

- (i) 4,000,000 Loan Funded Shares at \$0.10 (4 year non-recourse loan at 0% interest rate);
- (ii) 2,000,000 Options, exercisable at \$0.20 (unlisted, expiry of 31 March 2026); and
- (iii) 2,000,000 Options, exercisable at \$0.30 (unlisted, expiry of 31 March 2026 and 31 March 2028).

Short-term incentive (STI)

Dr Atkins is entitled in addition to his fixed income (FI) to a target short-term incentive with a maximum opportunity capped at 30% of FI. Payment of any STI will be subject to the financial and non-financial performance of the Group, Dr Atkins performance against performance targets and priorities set by the Board in consultation with Dr Atkins, the rules of the short-term incentive plan and relevant market information.

Short-term incentive awards are treated as follows:

- (i) 50% will be paid in cash; and
- (ii) 50% will be deferred for two years in equity (on the terms of the Company's Omnibus Employee Incentive Plan).

Dividends, if any, will be paid on short-term equity (issued shares) incentives.

Unless the Board determines otherwise, Dr Atkins will forfeit any deferred short-term incentive if his employment ceases due to death, retirement, hardship, redundancy or other reason determined by the Board from time to time.

Long-term incentive (LTI)

Subject to any approval Rhythm considers necessary or appropriate, Dr Atkins will be entitled to participate in the Rhythm's Omnibus Employee Incentive Plan a long-term incentive scheme in accordance with the rules of the scheme and any applicable Rhythm policy. Dr Atkins will be entitled to an annual long-term incentive grant up to 20% of his FI. This is a four-year performance period. The number of equity incentive rights (66.67% Loan Funded Shares and 33.33% 3-year unlisted options) granted will be determined using Rhythm's share price (face value).

Dividends, if any, will be paid on long-term equity (issued shares) incentives.

If at any time approval of Dr Atkins participation in the Rhythm's Omnibus Employee Incentive Plan is sought but not obtained, he will be entitled to receive a cash payment equivalent in value to the long-term incentive that would have been granted had shareholder approval been obtained, subject to the same performance hurdles and timing for vesting (payment).

Dr Atkins will forfeit any cash long-term incentive if his employment is terminated by his resignation (unless approved by Rhythm or due to his death or illness), due to his misconduct, or if Rhythm determines that such action is necessary to protect the financial soundness of Rhythm or where adverse outcomes have arisen that reduce the original assessment of the performance generating the provision of the benefit.

If Dr Atkins employment is terminated by the provision of notice by Rhythm or by the provision of notice by Dr Atkins with Rhythm approval or due to his death or illness, at Rhythm's discretion he will forfeit either all or a pro rata portion of the cash long-term incentive taking into account his employment period as a portion of the performance period for the incentive.

Clawback Policy

Rhythm retains discretion to clawback some or all of any short or long term incentive awarded to Dr Atkins (if not already paid or vested) if Rhythm considers such award(s) would be an inappropriate benefit pursuant to the Rhythm Clawback Policy.

Termination

Rhythm may terminate Dr Atkins employment at any time on three months' notice or payment in lieu of notice. Dr Atkins may terminate his employment with Rhythm at any time on three months' notice or, at Rhythm's election, payment in lieu of notice. Dr Atkins employment may also be summarily terminated (without notice) by Rhythm in circumstances of his misconduct or long-term illness.

Restrictive covenant

Dr Atkins will be restrained for up to six months after termination of his employment with Rhythm from being engaged in competition with Rhythm, and from soliciting Rhythm employees or persuading people who do business with Rhythm to cease or reduce their business with Rhythm.

Key Terms of the former CFO's employment contract

The Company entered into an executive services agreement effective 17 October 2022 for Mr Paul Smith as Chief Financial Officer (CFO) and Company Secretary to receive an annual salary of \$265,000 (exclusive of superannuation). The Company also issued Mr Smith 2,000,000 unlisted Options exercisable at \$1.80 on or before 31 December 2025. Refer to Note 17 for details on Options vesting conditions. Mr Smith was also entitled to receive short-term incentives dependent upon performance, as assessed against key performance indicators. Mr Smith resigned effective 15 November 2023.

Details of the remuneration of Directors and Key Management Personnel for the 2024 financial year are provided below:

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Termination benefit (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Shares and Options (\$)		
Executive Directors								
O Buttula	160,000	-	-	-	17,600	191,510	369,110	51.9
T Lockett	91,475	-	-	-	10,062	47,878	149,415	32.0
Non-Executive Directors								
S MacLeman	74,217	-	-	-	8,164	5,359	87,740	6.1
L Panaccio	47,297	-	-	-	5,203	14,363	66,863	21.5
R David ⁽ⁱ⁾	23,649	-	-	-	2,601	(26,421)	(171)	-
Executives								
D Atkins ⁽ⁱⁱ⁾	49,359	-	3,706	-	5,429	32,877	91,371	36.0
P Smith ⁽ⁱⁱⁱ⁾	99,545	-	(14,480)	-	10,950	(260,334)	(164,319)	-
G Carisbrooke ^(iv)	125,135	-	4,272	-	13,765	-	143,172	-
Total	670,677		(6,502)		73,774	5,232	743,181	

⁽ⁱ⁾ Resigned 28 December 2023.

⁽ⁱⁱ⁾ Appointed 13 May 2024.

⁽ⁱⁱⁱ⁾ Resigned 15 November 2023.

^(iv) Employed from 21 September 2023 (Key Management Personnel member from 16 November 2023).

^(v) Factors that determine the fair value of equity based compensation are set out in Note 17 to the financial statements.

Details of the remuneration of Directors and Key Management Personnel for the 2023 financial year are provided below:

	Short-term Benefits			Long-term Benefits			Total (\$)	% Performance Based
	Cash salary and fees (\$)	Termination benefit (\$)	Annual Leave Provision (\$)	Long Service Leave Provision (\$)	Post-employment Superannuation (\$)	Equity-based compensation Shares and Options (\$)		
Executive Directors								
O Buttula	165,000	-	-	-	17,325	191,510	373,835	51.2
T Lockett	144,344	-	-	-	15,156	47,878	207,378	23.1
G Gilbert ^(iv)	284,936	96,688	6,179	(16,443)	35,370	397,500	804,230	49.4
Non-Executive Directors								
L Panaccio	47,511	-	-	-	4,989	14,363	66,863	21.5
E Vom ⁽ⁱ⁾	18,854	-	-	-	1,980	-	20,834	-
R David	47,511	-	-	-	4,989	48,546	101,046	48.0
S MacLeman ⁽ⁱⁱ⁾	19,796	-	-	-	2,079	-	21,875	-
Executives								
P Smith ⁽ⁱⁱⁱ⁾	188,234	-	14,480	-	19,765	525,334	747,813	70.2
Total	916,186	96,688	20,659	(16,443)	101,653	1,225,131	2,343,874	

⁽ⁱ⁾ Resigned 29 November 2022.

⁽ⁱⁱ⁾ Appointed 31 January 2023.

⁽ⁱⁱⁱ⁾ Appointed 17 October 2022.

^(iv) Resigned 21 April 2023. During the year the amount paid for superannuation included 10.5% on a portion of annual leave entitlement taken as a cash payment.

^(v) Factors that determine the fair value of equity based compensation are set out in Note 17 to the financial statements.

Share-Based Payments

No shares were issued to employees during the current or prior year.

There were 1,350,000 (2023: 3,575,000) ordinary shares issued during the financial year from the exercise of employee share options.

Dr Atkins remuneration included 4,000,000 Loan Funded Shares at \$0.10 (4 year non-recourse loan at 0% interest rate).

Options Holdings

The number of options and loan funded shares over ordinary shares in the Company held during and at the end of the financial year by each Director and Key Management Personnel, including related parties, are set out below (refer also to Note 17 for further details):

	Balance at Beginning of Year	Granted During Year	Exercised During Year	Lapsed	Acquired	Balance at End of Year	Vested and Exercisable at End of Year	Unvested at End of Year
T Lockett	1,377,000	-	(1,125,000)	-	193,650	445,650	320,650	125,000
O Buttula	1,342,500	-	-	-	4,925,001	6,267,501	5,767,501	500,000
S MacLeman	-	200,000	-	-	-	200,000	50,000	150,000
R David	150,000	-	-	(150,000)	-	-	-	-
L Panaccio	85,000	-	-	-	124,500	209,500	172,000	37,500
D Atkins	-	4,000,000	-	-	-	4,000,000	-	4,000,000
P Smith	2,000,000	-	-	(2,000,000)	-	-	-	-
Total	4,954,500	4,200,000	(1,125,000)	(2,150,000)	5,243,151	11,122,651	6,310,151	4,812,500

Shareholdings and Loan Funded Shares Holdings

The number of ordinary shares and loan funded shares in the Company held during and at the end of the 2024 financial year by each Director and Key Management Personnel of the Group, including related parties, are set out below.

	Balance at Beginning of Year	Share-based Compensation	Acquired via Rights Issue	Upon Appointment/ Resignation	On-market and Other Transactions	Balance at End of Year
Directors						
O Buttula	24,111,396	-	12,273,179	-	-	36,384,575
S MacLeman	-	-	-	-	-	-
L Panaccio	830,000	-	249,000	-	-	1,079,000
R David	-	-	-	-	-	-
T Lockett	166,000	-	1,512,300	-	-	1,678,300
D Atkins	-	-	-	-	-	-
D Atkins - Loan Funded Shares	-	4,000,000	-	-	-	4,000,000
P Smith	-	-	-	-	-	-
Total	25,107,396	4,000,000	14,034,479	-	-	43,141,875

Additional Information

The earnings of the consolidated entity are summarised below:

Loss after income tax of \$6,856,761 for the year ended 30 June 2024 (2023: \$8,217,557).

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

	2024	2023	2022	2021	2020
Share price at the end of the financial year	\$0.06	\$0.41	\$1.15	\$0.89	\$0.07
Basic Loss per share (cents per share) for the year	3.00	3.79	4.19	3.57	3.99

Related Party Transactions

During the 2024 and 2023 financial years there were no transactions with related parties other than remuneration.

From time to time the Directors incur and are reimbursed for costs arising in fulfilling their duties, such as travel and accommodation charges.

This concludes the remuneration report, which has been audited.

Unissued Shares or Interests under Option

The company has issued 13,727,168 listed Options with an exercise price of \$0.20 each expiring on 31 March 2026.

The following unlisted Unissued Shares or Interests under Option existed as at the date of this report:

Number of Options	Exercise Price (\$)	Grant Date	Vesting Conditions	Vesting Date	Expiry Date	Holder
200,000	\$1.80	10.10.2023	Various	Various	30.11.2025	S MacLeman
2,000,000	\$0.20	13.05.2024	Employment	13.05.2025	13.05.2026	D Atkins
1,000,000	\$0.30	13.05.2024	Employment	13.05.2025	31.03.2028	D Atkins
1,000,000	\$0.30	13.05.2024	Employment	13.05.2026	31.03.2028	D Atkins
4,200,000						

The following ESOP Loan Funded Share arrangements existed as at the date of this report::

Number	Issue Price (\$)	Grant Date	Vesting Conditions	Vesting Date	Expiry Date	Holder
2,000,000	\$0.10	13.5.2024	Employment	12.5.2025	12.5.2028	Dr Atkins
2,000,000	\$0.10	13.5.2024	Employment	12.5.2026	12.5.2028	Dr Atkins
4,000,000						

Voting and comments made at the Company's 2023 Annual General Meeting

At the 2023 Annual General Meeting the 2023 Remuneration Report was voted on by shareholders with 3.58% of votes against the resolution.

Environmental Issues

Rhythm's operations are subject to certain environmental regulations under the laws of the Commonwealth and State. The Directors are not aware of any breaches during the period covered by this report.

After Balance Date Events

On 14 August 2024, the Company announced on the ASX it entered into a secured loan facility agreement (Loan) which will provide early access to \$1,150,000 cash of its forecast ~\$1,500,000 FY24 R&D Tax Incentive (RDTI Rebate) expected to be received in full by November 2024.

The Loan is secured by and repayable out of the FY24 RDTI Rebate and attracts a fixed 1.33% per month interest rate. It matures on 31 December 2024, however, can be extended by agreement between the lender and Rhythm. This Loan is intended to be used in a bridging period prior to receiving the FY24 RDTI Rebate, along with the amended FY23 RDTI rebate for overseas activities.

There has been no other matters or circumstances which have arisen since 30 June 2024 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2024, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2024, of the consolidated entity.

Proceedings on Behalf of the Company

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

Indemnity and insurance of officers

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

Under the Company's constitution:

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

The Company insures its Directors, Company Secretary, and executive officers under a Management Liability Insurance policy. Under the Company's Management Liability Insurance Policy, the Company cannot release to any third party or otherwise publish details of the nature of the liabilities insured by the policy or the amount of the premium. Accordingly, the Company relies on section 300(9) of the Corporations Act 2001 to exempt it from the requirement to disclose the nature of the liability insured against and the premium amount of the relevant policy.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under s307C of the Corporations Act 2001 is set out on page 24.

Non-Audit Services

BDO Audit Pty Ltd were paid \$13,100 (2023: \$25,280) for non-audit services during the 2024 financial year. Non-audit services related to tax compliance services.

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

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing, or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

There are no officers of the company who are former directors of BDO Audit Pty Ltd.

This report is made in accordance with a resolution of the Directors.



Otto Buttula
Non-Executive Chairman

Melbourne, Australia

Dated this 30th day of August 2024



Tel: +61 3 9603 1700
Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
Level 18, 727 Collins Street
Melbourne VIC 3008
GPO Box 5099 Melbourne VIC 3001
Australia

DECLARATION OF INDEPENDENCE BY TONY BATSAKIS TO THE DIRECTORS OF RHYTHM BIOSCIENCES LIMITED

As lead auditor of Rhythm Biosciences Limited for the year ended 30 June 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Rhythm Biosciences Limited and the entities it controlled during the period.

A handwritten signature in black ink that reads 'Tony Batsakis'.

Tony Batsakis
Director

BDO Audit Pty Ltd
Melbourne, 30 August 2024

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Notes	2024 (\$)	2023 (\$)
Income			
Income	3	1,742,426	3,324,112
Expenses			
Employment related costs	4	(1,590,179)	(6,298,904)
Office and compliance costs		(1,218,452)	(992,663)
Research and development costs		(2,345,560)	(3,647,711)
Marketing and investor relations		(115,498)	(175,558)
Occupancy costs		(41,362)	(32,052)
Travel and meetings		(38,817)	(198,847)
Depreciation - PPE	10	(74,035)	(64,508)
Depreciation - ROU		(88,654)	(88,898)
Amortisation of intangibles	9	(35,971)	(35,971)
Inventory impairment expense	8	(3,047,516)	-
Finance expense		(3,143)	(6,557)
Loss Before Income Tax		(6,856,761)	(8,217,557)
Income tax expense	5	-	-
Loss After Tax		(6,856,761)	(8,217,557)
Other comprehensive income		-	-
Total Comprehensive Loss for the Year		(6,856,761)	(8,217,557)
Loss Per Share			
Basic loss per share (cents per share)	6	(3.00)	(3.79)
Diluted loss per share (cents per share)	6	(3.00)	(3.79)

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

Consolidated Statement of Financial Position

	Notes	2024 (\$)	2023 (\$)
Current Assets			
Cash and cash equivalents	15	709,496	4,124,181
Trade and other receivables	7	37,199	65,513
Other financial assets – term deposit		45,000	45,000
Prepayments		94,973	117,569
Inventories – raw materials	8	–	2,766,682
Total Current Assets		886,668	7,118,945
Non-Current Assets			
Intangible assets	9	354,102	390,073
Right-of-use assets		164,779	81,490
Property, plant and equipment	10	113,159	104,913
Total Non-Current Assets		632,040	576,476
Total Assets		1,518,708	7,695,421
Current Liabilities			
Trade and other payables	11	459,709	1,522,843
Provisions	12	23,782	158,139
Lease liabilities		78,351	84,606
Total Current Liabilities		561,842	1,765,588
Non-Current Liabilities			
Provisions	12	4,229	55,382
Lease liabilities		85,471	–
Total Non-Current Liabilities		89,700	55,382
Total Liabilities		651,542	1,820,970
Net Assets		867,166	5,874,451
Equity			
Issued capital	13	34,448,096	31,550,602
Reserves	14	5,093,243	6,141,261
Accumulated losses		(38,674,173)	(31,817,412)
Total Equity		867,166	5,874,451

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

Consolidated Statement of Changes in Equity

	Issued Capital (\$)	Reserves (\$)	Accumulated Losses (\$)	Total (\$)
Balance at 1 July 2022	27,834,579	3,137,326	(23,599,855)	7,372,050
Loss attributable to members	-	-	(8,217,557)	(8,217,557)
Total comprehensive income/(loss) for the year	-	-	(8,217,557)	(8,217,557)
<i>Transactions with owners in their capacity as owners:</i>				
Issued capital	3,740,240	-	-	3,740,240
Capital raising costs	(24,217)	-	-	(24,217)
Share-based payments expense (Note 17)	-	3,003,935	-	3,003,935
Total transactions with owners of the Company	3,716,023	3,003,935	-	6,719,958
Balance at 30 June 2023	31,550,602	6,141,261	(31,817,412)	5,874,451
Balance at 1 July 2023	31,550,602	6,141,261	(31,817,412)	5,874,451
Loss attributable to members	-	-	(6,856,761)	(6,856,761)
Total comprehensive income/(loss) for the year	-	-	(6,856,761)	(6,856,761)
<i>Transactions with owners in their capacity as owners:</i>				
Issued capital	3,015,416	-	-	3,015,416
Capital raising costs	(117,922)	-	-	(117,922)
Share-based payments expense (Note 17)	-	(1,048,018)	-	(1,048,018)
Total transactions with owners of the Company	2,897,494	(1,048,018)	-	1,849,476
Balance at 30 June 2024	34,448,096	5,093,243	(38,674,173)	867,166

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

Consolidated Statement of Cash Flows

	Notes	2024 (\$)	2023 (\$)
Cash Flow from Operating Activities			
Interest received		52,282	228,379
Payments to suppliers and employees		(7,876,454)	(10,275,274)
Interest paid		(3,143)	(6,557)
Government grant		-	15,000
Other income		-	297
Research and development tax refund		1,690,144	3,080,545
Net Cash Used in Operating Activities	15	(6,137,171)	(6,957,610)
Cash Flow from Investing Activities			
Purchase of property, plant and equipment	10	(82,281)	(99,122)
Net Cash Used In Investing Activities		(82,281)	(99,122)
Cash Flow from Financing Activities			
Proceeds from issues of shares and options		3,015,416	3,740,240
Costs of capital raising		(117,922)	(24,217)
Repayment of lease liabilities	10	(92,727)	(85,534)
Net Cash From/(Used in) Financing Activities		2,804,767	3,630,489
Net Increase/(Decrease) in Cash Held		(3,414,685)	(3,426,243)
Cash and cash equivalents at beginning of financial year		4,124,181	7,550,424
Cash And Cash Equivalents at end of Financial Year		709,496	4,124,181

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

Note 1: Material Accounting Policy Information

The consolidated financial statements and notes represent those of Rhythm Biosciences Limited and Controlled Entities (the 'consolidated entity' or 'Group'). The separate financial statements of the parent entity, Rhythm Biosciences Limited ('the Company'), have not been presented within this financial report as permitted by amendments made to the Corporations Act 2001. The financial report covers the economic entities of Rhythm Biosciences Limited and its controlled entities as an economic entity for the year ended 30 June 2024. Comparatives are disclosed for the year ended 30 June 2024.

The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency. The financial statements were authorised for issue on the date of the approval of the Directors' declaration by the Directors of the Company.

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Australian Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

Basis of Preparation

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs.

Going Concern

The consolidated entity incurred an operating loss of \$6,856,761 (2023: \$8,217,557) and had cash outflows from operating activities of \$6,137,171 (2023: \$6,957,610) for the year ended 30 June 2024. The consolidated entity is in start-up phase and does not yet have an income stream. These conditions indicate a material uncertainty that may

cast significant doubt about the consolidated entity's ability to continue as a going concern.

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activities and the realisation of assets and the settlement of liabilities in the normal course of business for the following reasons:

- as at 30 June 2024, the consolidated entity had a cash position of \$709,496;
- a research and development refund for FY24, based on expenditure incurred, is expected to be received in full by November 2024. A secured loan obtained for \$1,150,000 in August 2024 has provided early access to this forecast research and development refund. A resubmitted research and development claim for FY23 for overseas activities is also expected to be lodged in the near term;
- activities are focused on commercialising ColoSTAT® in various geographies;
- the Company has the potential to raise additional capital from investors and debt funding from financiers: The Directors are confident in the Company's ability to raise additional capital based on the Company's successful track record in doing so. Management has commenced activities in preparation for additional funding including initial meetings with third parties;
- the consolidated entity is still in the early stages of operations and is able to scale back activity if required for cashflow management purposes; and
- the forecast cash flows for the consolidated entity indicate that based on current cash on hand and expected inflows from research and development refunds and additional capital to be raised from investors, the consolidated entity is expected to maintain a positive cash position for at least the period of 12 months from the date the Directors approve the annual financial statements.

Whilst the Directors are confident in the consolidated entity's ability to continue as a going concern, in the event that cash flow forecasts are adversely impacted, and cash inflows described above do not eventuate as planned, there is a material uncertainty as to whether the consolidated entity will be able to execute alternative funding arrangements to enable it to continue as a going concern beyond the 12 months from the date the Directors approve the annual financial statements.

Consequently, a material uncertainty exists as to whether the consolidated entity will continue as a going concern and it may therefore be required to realise its assets at amounts different to their carrying amounts in the

consolidated statement of financial position, extinguish liabilities at amounts different to those recorded in the consolidated statement of financial position and settle liabilities other than in the ordinary course of business.

Revenue Recognition

Interest income is recognised as it accrues, taking into account the effective yield on the financial asset.

Government stimulus and research and development tax refund income is recognised when there is reasonable assurance that the eligibility conditions are met and that the grants will be received.

Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'weighted average' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Stock in transit is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of-use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

At 30 June 2024, the Group leased office premises at Bio21 Institute, 30 Flemington Road, Parkville, Victoria

with an expiry date of 31 May 2025 and has an option to renew for a further one year. The lease liability includes the extension option. The undiscounted payments due less than one year are \$97,699 and between one to two years are \$92,014. Non-cash additions to right-of-use assets in 2024 were \$171,943.

Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment.

Plant & Equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

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

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

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each end of reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangibles

Research and development

Expenditure during the research phase of a project is recognised as an expense when incurred. Product development costs are capitalised only when each of the following specific criteria has been satisfied:

- i. Technical feasibility of completing development of the product and obtaining approval by regulatory authorities.
- ii. Ability to secure a commercial partner for the product.
- iii. Availability of adequate technical, financial and other resources to complete development of the product, obtain regulatory approval and secure a commercial partner.
- iv. Reliable measurement of expenditure attributable to the product during its development.
- v. High probability of the product entering a major diagnostic market.

Capitalised development costs have a finite life and are amortised on a systematic basis over the period from when the product becomes available for use and ceases at the earlier of the date the asset is expected to exit the market or that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with AASB 5.

Other intangible assets

Other intangible assets comprise licences and are stated at cost less accumulated amortisation and impairment losses.

Employee Entitlements

Short-term and long-term employee benefits

A liability is recognised for benefits accruing to employees for wages and salaries and annual leave in the year the related service is rendered. Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date. Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Share-based compensation

Equity-settled and cash-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, or options over shares including loan funded shares that

meet the criteria of options over shares, including loan funded shares that meet the criteria of options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing or models that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- During the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- From the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

Issued Capital

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

Financial Instruments

Recognition

Financial instruments are initially measured at fair value on transaction date, plus or minus transaction costs directly attributable to the acquisition. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets

Cash balances are recognised at amortised cost using the effective interest rate method.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation. Lease liabilities have been recorded adopting an Incremental borrowing rate of 15% (2023: 4.99%).

Impairment

An 'expected credit loss' ('ECL') model is used to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Critical Accounting Estimates and Judgments

The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key Estimates

Share-based payments

Rhythm operates an Employee Share Option Plan (ESOP). The non-cash expense of issuing these options is calculated using a Black-Scholes option pricing model. This model requires the input of a number of variables including an estimate of future volatility and a risk-free interest rate. The probability of meeting any vesting conditions is also required to be estimated. Refer to Note 17 to the financial statements.

Research and Development Tax Refund Income

Research and development tax refund income is recognised when there is reasonable assurance that the eligibility conditions are met and that the grants will be received. Significant judgement is required in determining the income tax refund eligibility. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The amounts recorded as revenue for the financial years ended 30 June 2024 and 2023 relate to tax refunds received in the same financial year following tax returns lodged claiming eligible expenditure incurred in the previous financial year.

Estimated Useful Lives of Other Intangible Assets

Other intangible assets comprise licences and are stated at cost less accumulated amortisation. Rhythm determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Provision for Impairment of Inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account expected future sales, the ageing of inventories and other factors that affect inventory obsolescence.

Adoption of New and Revised Accounting Standards

During the current year, the Group has adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

New Accounting Standards for Application in Future Periods

The Board has not yet assessed the impact of the new, but not yet mandatory, accounting standards issued by Australian Accounting Standards Board (AASB).

Note 2: Parent Information

	2024 (\$)	2023 (\$)
Statement of Financial Position		
Current assets	1,114,815	4,052,048
Non-current assets	403,893	2,346,158
Total Assets	1,518,708	6,398,206
Current liabilities	483,491	468,373
Non-Current Liabilities	168,051	55,382
Total Liabilities	651,542	523,755
Issued Capital	34,448,096	31,550,602
Reserves	5,093,243	6,141,261
Accumulated losses	(38,674,173)	(31,817,412)
Total Equity	867,166	5,874,451
Statement of Comprehensive Income	2024 (\$)	2023 (\$)
Total loss	(6,856,761)	(8,217,557)
Total Comprehensive Income	(6,856,761)	(8,217,557)

Guarantees

The Parent Company has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its subsidiary Vision Tech Pty Ltd. Further details of the Deed of Cross Guarantee and the subsidiary to the deed are set out in Note 23.

Commitments and Contingent Liabilities

At 30 June 2024, the Parent Company had no capital commitments and no contingent liabilities (2023: Nil).

Significant Accounting Policies

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

Note 3: Income

	2024 (\$)	2023 (\$)
Interest Income	52,282	228,270
Government Grant Income	-	15,000
Research and Development Tax Refund	1,690,144	3,080,545
Other sundry income	-	297
Total	1,742,426	3,324,112

Note 4: Employment Related Costs

	2024 (\$)	2023 (\$)
Staff salaries and Director fees	2,097,522	2,739,970
Superannuation	238,696	288,258
Share-based payments expense (Refer to Note 17 for options and shares issued)	(1,048,018)	3,003,935
Other employment related expenses	301,979	266,741
Total	1,590,179	6,298,904

Note 5: Income Tax

	2024 (\$)	2023 (\$)
Prima facie income tax benefit before income tax at 25% (2023: 25%)	1,714,190	2,054,389
Add/(subtract) tax effect:		
- Research and development claim	422,536	770,136
- Share based payments expense	262,005	(750,984)
- Other non-deductible expenditure	(14,010)	(11,500)
- Tax losses and temporary differences not brought to account	(2,384,721)	(2,062,041)
Income tax expense	-	-

Tax losses of \$5,681,511 (2023: \$4,089,419) and temporary differences of \$86,857 (2023: \$169,811) have not brought to account on the basis that their recovery is not considered probable at balance date.

Note 6: Loss Per Share

The following reflects the income and share data used in the calculations of basic and diluted loss per share:

Loss used in calculating basic and diluted earnings per share

Weighted average number of ordinary shares used in calculating basic loss per share

Basic and diluted loss per share (cents)

Calculation of diluted loss per share

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

	2024 (\$)	2023 (\$)
	(6,856,761)	(8,217,557)
	2024 No. of Shares	2023 No. of Shares
	228,296,917	216,893,990
	(3.00)	(3.79)

Note 7: Trade and Other Receivables

GST receivable

	2024 (\$)	2023 (\$)
	37,199	65,513

Note 8: Inventories

Raw materials – at cost

Reconciliation of movement in net carrying value

Balance at the beginning of the year

Additions

Transfers from prepayments

Impairment⁽ⁱ⁾

Disposals

Balance at the end of the period

	2024 (\$)	2023 (\$)
	-	2,766,682
	2,766,682	-
	225,619	2,766,682
	59,315	-
	(3,047,516)	-
	(4,100)	-
	-	2,766,682

⁽ⁱ⁾ Following a strategic review, inventory on hand is to be used for research and development use rather than commercial sales. As a consequence, the consolidated entity's ColoSTAT® kits recorded as raw materials inventory were impaired to nil having regard to the expectation that the consolidated entity does not anticipate any material revenue to be earned in future years from existing ColoSTAT® kits on hand. Future revenue will be dependent on completion of in vitro diagnostic medical devices regulation standards ("IVDR") transition work and then obtaining regulatory approvals for the new IVDR compliant kits.

Note 9: Intangible Assets

	2024 (\$)	2023 (\$)
Intellectual Property		
Licences at cost ⁽ⁱ⁾	600,000	600,000
Licences accumulated amortisation ⁽ⁱ⁾	(245,898)	(209,927)
	354,102	390,073
	2024 (\$)	2023 (\$)
Movement in Carrying Amounts:		
Balance at the beginning of the year	390,073	426,044
Amortisation ⁽ⁱ⁾	(35,971)	(35,971)
Balance at the end of the year	354,102	390,073

⁽ⁱ⁾ A licence was granted by the Commonwealth Scientific and Industrial Research Organisation ("CSIRO") on 23 August 2017 and is being amortised over a period of 17 years based on contract terms. This has been assessed as the expected useful life of the intangible asset.

Note 10: Property, Plant and Equipment

	2024 (\$)	2023 (\$)
Computers – at cost	91,718	90,020
Accumulated depreciation	(76,742)	(60,399)
	14,976	29,621
Office equipment – at cost	36,063	36,063
Accumulated depreciation	(14,283)	(6,266)
	21,780	29,797
Laboratory equipment – at cost	328,845	248,262
Accumulated depreciation	(252,442)	(202,767)
	76,403	45,495
Total	113,159	104,913

Movement in Carrying Amounts 2024:

	Computer Equipment (\$)	Office Equipment (\$)	Laboratory Equipment (\$)	Total (\$)
Balance at the beginning of the year	29,621	29,797	45,495	104,913
Additions	1,698	–	80,583	82,281
Depreciation	(16,343)	(8,017)	(49,675)	(74,035)
Balance at the end of the year	14,976	21,780	76,403	113,159

Movement in Carrying Amounts 2023:

	Computer Equipment (\$)	Office Equipment (\$)	Laboratory Equipment (\$)	Total (\$)
Balance at the beginning of the year	16,125	10,534	43,640	70,299
Additions	28,973	23,818	46,331	99,122
Depreciation	(15,477)	(4,555)	(44,476)	(64,508)
Balance at the end of the year	29,621	29,797	45,495	104,913

Note 11: Trade and Other Payables

	2024 (\$)	2023 (\$)
Trade creditors	211,609	1,333,906
Accruals	248,100	188,937
Balance at the end of the year	459,709	1,522,843

Note 12: Provisions

	2024 (\$)	2023 (\$)
Current		
Provision for Annual Leave	23,782	158,139
Non-Current		
Provision for Long Service Leave	4,229	55,383
	28,011	213,522

Note 13: Issued Capital

	2024 (No.)	2023 (No.)	2024 (\$)	2023 (\$)
Ordinary shares fully paid				
Balance at the beginning of the year	219,792,589	214,082,145	31,550,602	27,834,579
Rights issue and placement at 10 cents per share	27,454,161	-	2,745,416	-
Options exercised	1,350,000	5,710,444	270,000	3,740,240
Capital raising costs	-	-	(117,922)	(24,217)
Balance at the end of the year	248,596,750	219,792,589	34,448,096	31,550,602

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. Ordinary shares have no par value and the company does not have a limited amount of authorised capital. On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents. In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The consolidated entity would look to raise capital when an opportunity to invest further into development and commercialisation or in a business seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies. The capital risk management policy remains unchanged from 30 June 2023.

Note 14: Reserves

	Notes	2024 (\$)	2023 (\$)
Share Based Payments Reserve			
Balance at the beginning of the year		6,141,261	3,137,326
Share-based payments (reversal)/expense	17	(1,048,018)	3,003,935
Balance at the End of the Year		5,093,243	6,141,261

Share based payments reserve is used to record the value of equity benefits provided to Directors, employees and consultants as part of their remuneration.

Note 15: Cash Flow Information

	Notes	2024 (\$)	2023 (\$)
a. Cash at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the balance sheet as follows:			
Cash at bank		709,496	4,124,181
		709,496	4,124,181
b. Reconciliation of cash flow from operating activities with loss after income tax benefit			
Loss after income tax		(6,856,761)	(8,217,557)
Non-Cash Items			
Depreciation and amortisation		198,660	189,377
Expense/(reversals) recognised in respect of equity-settled share-based payments		(1,048,018)	3,003,935
Changes In Assets and Liabilities			
Decrease/(Increase) in trade and other receivables		28,315	16,902
Decrease/(Increase) in prepayments		22,596	(24,370)
Decrease/(Increase) in inventories		2,766,682	(2,766,682)
(Decrease)/Increase in trade and other payables		(1,063,134)	891,906
(Decrease)/Increase in provision for employee entitlements		(185,511)	(51,121)
Net Cash Used In Operating Activities		(6,137,171)	(6,957,610)

Note 16: Related Party Transactions

Rhythm Biosciences Limited is the parent entity. Refer to Note 22 for details on the subsidiaries.

The names of each person holding the position of director of Rhythm Biosciences Limited during the year were Mr Otto Buttula, Dr Trevor Lockett, Mr Lou Panaccio, Dr Rachel David (resigned 28 December 2023) and Ms Susan MacLeman. Company secretaries were Ms Andrea Steele, Mr Paul Smith (resigned 15 November 2023) and Mr James Barrie (appointed 1 January 2024).

During the 2024 financial year the Company granted 4,200,000 options to key management personnel as part of their remuneration. Vesting conditions related to these options not yet achieved are as follows:

In respect to Ms MacLeman:

- 33.3% upon remaining employed on 30 November 2025.

In respect to Dr Atkins:

- 50% upon remaining employed on 12 May 2025; and
- 50% upon remaining employed on 12 May 2026.

Dr Atkins' remuneration also included 4,000,000 Loan Funded Shares at \$0.10 (4 year non-recourse loan at 0% interest rate). Vesting conditions related to these Loan Funded Shares not yet achieved are as follows:

- 50% upon remaining employed on 12 May 2025; and
- 50% upon remaining employed on 12 May 2026.

During the 2023 financial year the Company granted 10,950,000 options to key management personnel and other employees as part of their remuneration. Vesting conditions related to these options not yet achieved are as follows:

- 25% upon the Company achieving first revenue from 2 other countries by December 2024; and
- 25% upon remaining employed on 31 December 2025.

During the 2022 financial year the Company granted 8,195,000 options to consultants, key management personnel and other employees as part of their remuneration. Vesting conditions related to these options not yet achieved as at 30 June 2024 are as set out below.

In respect to Mr Buttula, Mr Panaccio, Dr Lockett and employees:

- 25% upon remaining employed on 21 July 2024.

Set out below are summaries of Options granted. Options include amounts cancelled subsequent to balance date as announced on the ASX.

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

An expense reversal of \$1,048,018 (2023: \$3,003,935 expensed) for Options and loan funded shares is included in the Statement of profit or loss and other comprehensive income which arose as a result of service conditions not being met and consequently Options lapsing prior to the vesting date. Details are as follows:

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year	Granted	Lapsed	Exercised	Balance at End of the Year	Vested
14.9.2020	14.9.2023	\$0.20	587,500	-	(362,500)	(225,000)	-	-
18.11.2020	14.9.2023	\$0.20	1,125,000	-	-	(1,125,000)	-	-
26.7.2021	31.7.2024	\$1.80	807,500	-	(595,000)	-	212,500	53,125
26.7.2021	31.7.2024	\$1.80	1,000,000	-	-	-	1,000,000	1,000,000
24.11.2021	31.7.2024	\$1.80	1,450,000	-	-	-	1,450,000	787,500
29.11.2022	31.12.2025	\$1.80	150,000	-	(150,000)	-	-	-
31.12.2022	31.12.2025	\$1.80	7,800,000	-	(4,800,000)	-	3,000,000	750,000
10.10.2023	30.11.2025	\$1.80	-	200,000	-	-	200,000	50,000
13.5.2024	31.3.2026	\$0.20	-	2,000,000	-	-	2,000,000	-
13.5.2024	31.3.2028	\$0.30	-	2,000,000	-	-	2,000,000	-
TOTAL			12,920,000	4,200,000	(5,907,500)	(1,350,000)	9,862,500	2,640,625

The valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant Date	Expiry Date	Share Price at Grant Date	Exercise Price	Expected Volatility	Dividend Yield	Risk-free Interest Rate*	Fair Value at Grant Date
14.9.2020	14.9.2023	\$0.145	\$0.20	100%	-	0.24%	\$0.0799
18.11.2020	14.9.2023	\$0.47	\$0.20	100%	-	0.11%	\$0.3545
** 26.7.2021	31.7.2024	\$0.93	\$1.80	100%	-	0.13%	\$0.45
24.11.2021	31.7.2024	\$1.74	\$1.80	100%	-	1.01%	\$1.02
29.11.2022	31.12.2025	\$1.10	\$1.80	100%	-	3.20%	\$0.59
31.12.2022	31.12.2025	\$1.02	\$1.80	100%	-	3.30%	\$0.53
10.10.2023	30.11.2025	\$0.32	\$1.80	100%	-	3.97%	\$0.06
13.5.2024	31.3.2026	\$0.079	\$0.20	100%	-	3.965%	\$0.02
13.5.2024	31.3.2026	\$0.079	\$0.30	100%	-	3.965%	\$0.04
*** 13.5.2024	31.3.2028	\$0.079	\$0.30	100%	-	3.965%	\$0.04

*The risk-free interest rate is based on the Australian Government 3-year bond yield (Reserve Bank of Australia website) at the grant date.

**On 26 July 2021 when the share price was \$0.93, Directors resolved to issue these Options, subject to receipt of shareholder approval. On 24 November 2021, when the share price was \$1.74, shareholder approval occurred at the Annual General Meeting (AGM). The fair value for accounting purposes is determined based upon final approval at the date of the AGM.

*** Loan funded shares.

A share option plan has been established by the consolidated entity, whereby the consolidated entity may, at the discretion of the Board, grant options over ordinary shares in the Company to certain key management personnel of the consolidated entity. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Board. In addition, the Company has also issued loan funded shares pursuant to an employment agreement with the CEO.

All options granted are in respect of ordinary shares in Rhythm Biosciences Limited and confer a right of one ordinary share for each option held.

Movement in the number of share options on issue to Directors, employees and third parties

	2024	2024	2023	2023
	Number of Options	Weighted Average Exercise Price (cents)	Number of Options	Weighted Average Exercise Price (cents)
Opening balance	12,920,000	158.60	15,232,500	103.06
Granted	4,200,000	32.38	10,950,000	180.00
Forfeited / Lapsed	(5,907,500)	170.18	(9,687,500)	146.75
Exercised	(1,350,000)	20.00	(3,575,000)	20.00
Outstanding at year-end	9,862,500	117.14	12,920,000	158.60
Exercisable at year-end	2,640,625	180.00	5,891,250	133.02

The fair value of issued share-based payments granted during the year pursuant to the ESOP in 2024 was calculated to be \$332,000 (2023: \$5,812,500). The total amount in the income statement is a share-based payments expense reversal of \$1,048,018 (2023: \$3,003,935 expensed) for Options and Loan Funded Shares in the current and previous years.

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

	S MacLeman	D Atkins	D Atkins	D Atkins
Options granted	200,000	2,000,000	1,000,000	1,000,000
Grant date	10.10.2023	13.5.2024	13.5.2024	13.5.2024
Exercise price	\$1.80	\$0.20	\$0.30	\$0.30
Underlying share price	\$0.32	\$0.079	\$0.079	\$0.079
Expiry date	30.11.2025	31.3.2026	31.3.2026	31.3.2028
Vesting period	various	12 mths	12 mths	24 mths
Expected share price volatility	100%	100%	100%	100%
Risk free interest rate	3.97%	3.965%	3.965%	3.965%
Fair value per option at grant date	\$0.06	\$0.02	\$0.04	\$0.04
Total fair value at grant date	\$12,000	\$40,000	\$40,000	\$40,000

The life of the options is based on the contracted expiry date.

The value of loan funded shares issued has been calculated by using a Black-Scholes option pricing model applying the following inputs:

	D Atkins	D Atkins
Loan funded shares granted	2,000,000	2,000,000
Grant date	13.5.2024	13.5.2024
Issue price	\$0.10	\$0.10
Underlying share price	\$0.079	\$0.079
Expiry date	12.5.2028	12.5.2028
Vesting period	12 mths	24 mths
Expected share price volatility	100%	100%
Risk free interest rate	3.965%	3.965%
Fair value per option at grant date	\$0.05	\$0.05
Total fair value at grant date	\$100,000	\$100,000

Note 18: Financial Risk Management

The Group's financial instruments consist mainly of term deposits with banks, other receivables and trade payables.

The totals for each category of financial instruments, measured in accordance with AASB 9 as detailed in the accounting policies to these financial statements, are as follows:

	2024 (\$)	2023 (\$)
Financial Assets		
Cash and cash equivalents	709,496	4,124,181
Trade and other receivables	37,199	65,513
Other financial assets – term deposits	45,000	45,000
	791,695	4,234,694
Financial Liabilities		
Trade and other Payables	459,709	1,522,843
	459,709	1,522,843

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

Financial Assets Pledged as Collateral

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

Financial Risk Management Policies

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

The Group did not have any derivative instruments at 30 June 2024.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments is liquidity risk.

Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through maintaining procedures ensuring, to the extent possible, that members and counterparties to transactions are of sound credit worthiness.

Credit risk exposures

Cash reserves form the majority of the Group's financial assets. At 30 June 2024, cash was deposited with a large Australian bank in order to limit risk and ensure interest rate competitiveness.

Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group manages this risk through the following mechanisms:

- preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

Market Risk**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. Exposure to interest rate risk arises on interest earned on cash and cash equivalents and term deposits.

The consolidated entity's cash and cash equivalents and term deposits were \$754,496 as at 30 June 2024 (2023: \$4,169,181). An official increase/decrease in interest rates of 100 (2023: 100) basis points would have an adverse/favourable effect on loss before tax of \$7,545 (2023: \$41,692) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Variable rate instruments were cash held at financial Instruments of \$709,496 (2023: \$4,124,181). Fixed rate instruments were term deposits held at financial Institutions of \$45,000 (2023: \$45,000).

Price risk

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

Currency risk

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

Note 19: Segment Reporting

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

Note 20: Key Management Personnel Compensation

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

	Share-based payments (\$)	Short-term benefits (\$)	Termination benefits (\$)	Post-employment benefits (\$)	Other Long-term benefits (\$)	Total (\$)
2024						
Total compensation	5,232	664,175	-	73,774	-	743,181
2023						
Total compensation	1,225,131	936,845	96,688	101,653	(16,443)	2,343,874

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

Note 21: Auditor Remuneration

	2024 (\$)	2023 (\$)
Remuneration of the Auditor of the Group for:		
Auditing or reviewing the financial report	92,556	65,433
Other services:		
- Taxation advice	13,100	25,280
	105,656	90,713

Note 22: Controlled Entities

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%) 2024	Percentage Owned (%) 2023
Vision Tech Bio Pty Ltd	Australia	100%	100%
IchorDX Inc,	United States	100%	100%
Rhythm Biosciences UK Limited	United Kingdom	100%	100%

* Percentage of voting power in proportion to ownership

Note 23: Deed of Cross Guarantee

A Deed of Cross Guarantee was lodged with the ASIC on 18 April 2023 covering Rhythm Biosciences Limited and Vision Tech Pty Ltd. The assets and liabilities of the companies within the Deed are as stated in the financial statements as at 30 June 2024.

Note 24: Events Subsequent to Reporting Date

On 14 August 2024, the Company announced on the ASX it entered into a secured loan facility agreement (Loan) which will provide early access to \$1,150,000 cash of its forecast ~\$1,500,000 FY24 R&D Tax Incentive (RDTI Rebate) expected to be received in full by November 2024.

The Loan is secured by and repayable out of the FY24 RDTI Rebate and attracts a fixed 1.33% per month interest rate. It matures on 31 December 2024, however, can be extended by agreement between the lender and Rhythm. This Loan is intended to be used in a bridging period prior to receiving the FY24 RDTI Rebate, along with the amended FY23 RDTI rebate for overseas activities.

There has been no other matters or circumstances which have arisen since 30 June 2024 that has significantly affected or may significantly affect:

- the operations, in financial years subsequent to 30 June 2024, of the consolidated entity; or
- the results of those operations; or
- the state of affairs, in financial years subsequent to 30 June 2024, of the consolidated entity.

Note 25: Commitments

The Group has inventory purchase commitments of \$nil (2023: \$265,193) for goods not yet received as at 30 June 2024. There are no capital commitments for expenditure as at 30 June 2024 (2023: \$nil).

Note 26: Contingent Assets and Liabilities

The Group has no contingent assets or liabilities as at 30 June 2024 (2023: \$nil).

Controlled Entities Consolidated	Country of Incorporation	Percentage Owned (%)	Tax Residency
Vision Tech Bio Pty Ltd	Australia	100%	Australia
IchorDX Inc,	United States	100%	United States
Rhythm Biosciences UK Limited	United Kingdom	100%	United Kingdom

The parent entity is Rhythm Biosciences Ltd incorporated in and with a tax residency in Australia. In addition, all entities are a Body Corporate.

Basis of Preparation

The Consolidated Entity Disclosure Statement (CEDS) has been prepared in accordance with the Corporations Act 2001. It includes certain information for each entity that was part of the consolidated entity at the end of the financial year.

Determination of Tax Residency

Section 295(3A) of the Corporations Act 2001 defines tax residency as having the meaning in the Income Tax Assessment Act 1997. The determination of tax residency involves judgement as there are currently different interpretations that could be adopted and which could give rise to a different conclusion on residency.

Australian Tax Residency

The consolidated entity has applied current legislation and judicial precedent, including having regard to the tax Commissioner's public guidance in Tax Ruling TR 2018/5.

Foreign Tax Residency

Where necessary, the consolidated entity has used independent tax advisors in foreign jurisdictions to assist in determining tax residency and ensure compliance with applicable foreign tax legislation.

The Directors declare that:

1. The financial statements and notes, as set out on pages 25 to 45 are in accordance with the Corporations Act 2001, and:
 - a. comply with Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2024 and of its performance for the year ended on that date;
2. The attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
3. The consolidated entity disclosure statement on page 46 is true and correct;
4. The Chief Executive Officer and Chief Finance Officer have provided the declarations as required by section 295A of the Corporations Act 2001 to the Company;
5. In the Directors' opinion, subject to the matters disclosed in note 1, there are reasonable grounds to believe that the entity will be able to pay its debts as and when they become due and payable;
6. Remuneration disclosures on pages 15 to 21 comply with section 300A of the Corporations Act 2001; and
7. There are reasonable grounds to believe that the Company and the group entity identified in Note 23 will be able to meet any obligations or liabilities to which they are or may become subject to by virtue of the Deed of Cross Guarantee between the Company and group entity pursuant to ASIC Corporations (wholly owned Companies) Instrument 2016/785.

This declaration is made in accordance with a resolution of the Directors pursuant to section 295(5)(a) of the Corporations Act 2001.



Otto Buttula
Non-Executive Chairman

Melbourne, Australia

Dated this 30th day of August 2024



Tel: +61 3 9603 1700
 Fax: +61 3 9602 3870
www.bdo.com.au

Collins Square, Tower Four
 Level 18, 727 Collins Street
 Melbourne VIC 3008
 GPO Box 5099 Melbourne VIC 3001
 Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Rhythm Biosciences Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Rhythm Biosciences Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2024 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How the matter was addressed in our audit
Research and Development Grant Income Recognition Other income includes a research and development (“R&D”) tax refund and Note 1 to the annual financial report discloses the accounting policy used by the Group for the recognition and measurement of its R&D tax refund income. Recognition of the R&D tax refund income was considered a key audit matter due to the significance of the recorded amount and the inherent subjectivity associated with the calculation performed to determine the R&D tax refund income amount, including the assessment of eligibility criteria met in respect of regulatory requirements applicable to the R&D tax refund income.	Our procedures included, but were not limited to: • Assessing the Group’s accounting policy for refundable R&D tax offsets for compliance with Australian Accounting Standards. • Assessing the adequacy of procedures and key internal controls surrounding the recording of income. • Engaging our internal R&D tax specialist team to evaluate management’s assessment of whether the R&D expenditure claimed is eligible expenditure under the criteria of the Income Tax Assessment Act 1997 and relevant regulatory registrations obtained for the R&D expenditure activities. • Vouching a sample of R&D expenditure items claimed to underlying internally and externally sourced documentary evidence, including reperforming calculations used to determine the R&D tax refund amount. • Vouching the cash proceeds for the R&D tax refund income to the relevant documentary evidence such as the lodged income tax return, bank statements and the relevant income tax assessment notice. • Checking the completeness and appropriateness of the disclosures within the annual financial report.



Key audit matter	How the matter was addressed in our audit
Measurement of Share Based Payments and Loan Funded Shares A net reversal of share-based payment expenses was recognised for the financial impact of options that were granted in prior periods. In addition, share based payments were expensed during the year relating to options and loan funded shares issued during the 30 June 2024 financial year to key management personnel. Share-based payments are a complex accounting area, and due to this complexity and judgements used in determining the fair value of the share-based payments and the probability of vesting conditions being achieved, we consider the Group's calculation of the share-based payment expense to be a key audit matter. Refer to Note 1 and Note 17 of the financial report for a description of the accounting policy and significant estimates and judgements applied to the share-based payment net reversal of expense recorded in the 2024 annual financial statements.	Our procedures included, but were not limited to: • Reviewing board minutes and ASX announcements for the completeness of share-based payments and loan funded shares issued during the year. • Engaging our internal valuation expert to calculate an appropriate valuation range, including assessment of inputs used in management's valuations, for the new options and loan funded shares issued during the year. We compared the valuation range derived to the fair values used by management to record the share based payment expenses. • Reviewing a sample of underlying agreements related to the issuance of any new share-based payments and loan funded shares in addition to assessing whether there have been any modifications in the agreements in place from prior years. • Evaluating the reasonableness of key estimates applied by management in determining the probability percentages of the various performance-based vesting conditions. • Assessing whether the recognition of the current year's share-based payment and loan funded shares expense and net reversal of expense and corresponding reserve balance movement were materially correct based on conditions stipulated within the underlying agreements. • Checking the adequacy of the related disclosures within the annual financial report.

Other information

The directors are responsible for the other information. The other information comprises the information contained in the Directors' report for the year ended 30 June 2024, but does not include the financial report and our auditor's report thereon, which we obtained prior to the date of this



auditor's report, and the Chairman's report, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Executive Chairman's report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and will request that it is corrected. If it is not corrected, we will seek to have the matter appropriately brought to the attention of users for whom our report is prepared.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the Corporations Act 2001, and

for such internal control as the directors determine is necessary to enable the preparation of:

- i) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- ii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 15 to 21 of the directors' report for the year ended 30 June 2024.

In our opinion, the Remuneration Report of Rhythm Biosciences Limited, for the year ended 30 June 2024, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO Audit Pty Ltd

Tony Batsakis
Director

Melbourne, 30 August 2024

Rhythm Biosciences Ltd is quoted on the Australian Securities Exchange (ASX) under the ticker code RHY. The following information was extracted from the Company's records as at 15 August 2024 and is required by the ASX Listing Rules. Rhythm's securities are not quoted on any other stock exchange.

Twenty Largest Holders of Ordinary Shares

Rank	Shareholder	Number of Fully Paid Ordinary Shares	Percentage of Total Issued Capital
1	WEBINVEST PTY LTD	22,479,168	9.04
2	NEWFOUND INVESTMENTS PTY LTD	13,905,407	5.59
3	FERNDAL SECURITIES PTY LTD	10,300,000	4.14
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,269,796	3.73
5	LOUMEA INVESTMENT PTY LTD	8,052,520	3.24
6	NORTHERN STAR NOMINEES PTY LTD	7,380,000	2.97
7	ROJO NERO CAPITAL PTY LTD	4,213,751	1.70
8	GIOKIR PTY LTD	3,661,470	1.47
9	MR HSIEN MICHAEL SOO	3,305,403	1.33
10	MR MARK ANTHONY ROGERS & MR ARTHUR NICHOLAS VELISS	3,000,000	1.21
11	DC & PC HOLDINGS PTY LTD	2,688,156	1.08
12	COMMONWEALTH SCIENTIFIC & INDUSTRIAL RESEARCH ORGANISATION	2,500,000	1.01
13	MS NATALIE LOUISE PATTERSON	2,477,083	1.00
14	E & W NOMINEE PTY LTD	2,207,941	0.89
15	MR DANIEL EDDINGTON & MRS JULIE EDDINGTON	2,123,532	0.85
16	MR WEI FENG & MRS JIE LIU	2,050,215	0.82
17	MRS JOAN MARGARET MOLYNEUX & MRS WENDY ANNE HUTCHISON & MR JOHN EDWARD HUTCHISON	2,000,000	0.80
18	ARDROY SECURITIES PTY LTD	1,857,040	0.75
19	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	1,775,214	0.71
20	MRS LINDA JANE LOCKETT & DR TREVOR JOHN LOCKETT	1,678,300	0.68
Total		106,924,996	43.01
Balance of register		141,671,754	56.99
Grand total		248,596,750	100.00

Distribution Schedule

The following is a distribution schedule of the number of holders of fully paid ordinary shares in the Company, within the bands of holding specified by the ASX Listing Rules:

Range	No. of Shareholders	No. of Ordinary Shares	Percentage of Total Issued Capital
100,001 and Over	295	199,177,798	80.12
10,001 to 100,000	1,213	40,929,699	16.46
5,001 to 10,000	595	4,720,757	1.90
1,001 to 5,000	1,199	3,260,232	1.31
1 to 1,000	1,028	508,264	0.21
Total	4,330	248,596,750	100.00

2,439 shareholders held less than a marketable parcel of fully paid ordinary shares.

Substantial Shareholdings Register

Shareholder	Number of fully paid ordinary shares	Percentage of Total Issued Capital
Otto Buttula	36,384,575	14.64%
Adrien Wing	18,117,500	7.29%

A substantial holder is a shareholder who either alone or together with their associates has an interest in 5% or more of the voting shares of the Company.

Listed Options Over Ordinary Shares

Rhythm Biosciences Ltd Options are quoted on the Australian Securities Exchange (ASX) under the ticker code RHYO. The Company has issued 13,727,168 listed Options with an exercise price of \$0.20 each expiring on 31 March 2026.

The following information was extracted from the Company's records as at 15 August 2024 and is required by the ASX Listing Rules. Rhythm's securities are not quoted on any other stock exchange.

Twenty Largest Holders of Listed Options

Rank	Holder	Number of Options	Percentage of Total Issued Capital
1	NEWFOUND INVESTMENTS PTY LTD	2,831,250	20.63
2	WEBINVEST PTY LTD	2,593,751	18.90
3	MR MARK ANTHONY ROGERS & MR ARTHUR NICHOLAS VELISS	500,000	3.64
4	MR BRIAN LEEDMAN & MRS NATASHA LEEDMAN	500,000	3.64
5	JD'S FAMILY LG'S PTY LTD	344,001	2.51
6	MRS SARAH CAMERON	288,120	2.10
7	MR ARTHUR NICHOLAS VELISS & MR MARK ANTHONY ROGERS	255,000	1.86
8	MARBEX PTY LTD	250,001	1.82
9	WARWICK DAVID SMYTH	250,000	1.82
10	LARRAKEYAH PTY LIMITED	250,000	1.82
11	MRS JOAN MARGARET MOLYNEUX & MRS WENDY ANNE HUTCHISON & MR JOHN EDWARD HUTCHISON	250,000	1.82
12	MR SCOTT CRANK & MS LOLA CRANK	200,001	1.46
13	MRS LINDA JANE LOCKETT & DR TREVOR JOHN LOCKETT	193,650	1.41
14	MR PETER GEOFFREY HENDERSON	160,500	1.17
15	DR SCOTT MAURICE DONNELLAN	156,000	1.14
16	SIGGY2 PTY LTD	139,562	1.02
17	SULLIVAN CAPITAL HOLDINGS PTY LTD	135,000	0.98
18	SODOR INVESTMENTS PTY LTD	125,000	0.91
19	TERCUS PTY LTD	124,500	0.91
20	MR JON DAVID HEWITT & MRS DONNA RAE HEWITT	119,210	0.87
Total		9,665,546	70.41
Balance of register		4,061,622	29.59
Grand total		13,727,168	100.00

RHYO

Range	No. of Holders	No. of Options	Percentage of Total Issued Options
100,001 and Over	26	10,296,114	75.00
10,001 to 100,000	94	2,758,532	20.09
5,001 to 10,000	43	294,697	2.15
1,001 to 5,000	133	330,223	2.41
1 to 1,000	138	47,602	0.35
Total	434	13,727,168	100.00

Rhythm has granted unlisted options which entitles the holder to purchase one ordinary share in the Company at a predetermined price. No voting rights attach to options. Further details of options outstanding as at 15 August 2024 are provided below:

Share Option Type	Expiry Date	Number of Options	Number of Holders	Exercise Price \$
RHYAN	30/11/25	200,000	1	1.80
RHYAP	31/03/26	2,000,000	1	0.20
RHYAQ	31/03/28	2,000,000	1	0.30

Escrow Arrangements

There are no shares subject to mandatory escrow arrangements.

Voting Rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares:

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors

Mr Otto Buttula
Ms Susan MacLeman
Dr Trevor Lockett
Mr Louis (Lou) Panaccio

Company Secretaries

Ms Andrea Steele
Mr James Barrie

Registered and Principal Office is located at

Bio21 Institute
30 Flemington Road
Parkville VIC 3010

Auditor

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

Legal Advisers

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

Share Registry

Automic Registry Services
477 Collins Street
Melbourne VIC 3000
www.automicgroup.com.au

For personal use only



Rhythm Biosciences Limited
ACN 619 459 335

Bio21 Institute
30 Flemington Road
Parkville VIC 3010

Phone +61 3 8256 2880
rhythmbio.com

RHYZ025 09/24