

Rhythm Biosciences Limited

ACN 619 459 335
(ASX code: RHY)

PLACEMENT PROSPECTUS

Placement of up to 35,000,000 New Shares at an issue price of \$0.10 per New Share **together with** (subject to Shareholder Approval) 2 New Options for every 3 New Shares issued (with an exercise price of \$0.20) to raise approximately \$3.5 million before costs (**Offer**).

The Offer is NOT open to the general public and Application Forms will only be provided to the invited Placement Investors

IMPORTANT NOTICE

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

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

This Prospectus may not be released to US wire services or distributed in the United States except by the Company to a limited number of shareholders who are employees of the Company or “*accredited investors*” (as defined in Rule 501(a) under the US Securities Act).

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

IMPORTANT NOTICE

1. Prospectus

This Prospectus is dated 19 November 2024. A copy of this Prospectus has been lodged with ASIC on that date. ASIC and its officers take no responsibility for the contents of this Prospectus. No Offer Securities will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus (**Expiry Date**).

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

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

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

Applications for New Shares and New Options offered pursuant to this Prospectus can only be submitted on the Application Form which accompanies this Prospectus upon invitation by the Company. If you are in any doubt about the contents of this document, you should obtain independent professional advice.

2. Disclaimer

The information contained in this Prospectus is not investment advice. Before deciding to invest in the Company, you should read and understand the entire Prospectus and in considering the Company's prospects, you should consider the risk factors that could affect the Company's performance. You should carefully consider these risk factors in Section 6 in light of your personal circumstances (including financial and taxation

issues) and seek advice from your professional adviser before deciding to invest. Investing in the Company involves risks.

None of the Company, the Directors or any other person gives any guarantee as to the success of the Company, the repayment of capital, the payment of dividends, the future value of the Offer Securities.

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

3. No Representations other than this Prospectus

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

The Application Form accompanying this Prospectus is important.

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

4. Forward looking information

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

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

5. No cooling off rights apply to this Offer

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

6. Offer Restrictions on Distribution

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or to otherwise permit a public offering of New Options in any jurisdiction outside Australia.

In particular, the Offer Securities have not been, and will not be, registered under the US Securities Act and may only be offered and sold in the United States in accordance with an available exemption from registration under the US Securities Act and applicable US state securities laws.

Making an Application or return of a duly completed Application Form will be taken by the Company as a representation that that the Applicant is a Placement Investor.

7. Electronic prospectus

Those investors who receive this Prospectus electronically are advised that the issue of securities under this Prospectus is only available to persons receiving the Prospectus in accordance with the distribution restrictions described in item 6 above. A paper copy of this Prospectus may be obtained free of charge from the Company or downloaded from the ASX website. The information on the ASX website or the Company's website do not form part of this Prospectus.

8. Definitions and glossary, financial amounts and time

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

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Key Offer details

Key details of the Offer

Offer to Placement Investors	For every 3 New Shares issued under the Offer, 2 New Options will be issued
Participation in the Offer	The Offer is NOT open to the general public and Application Forms will only be provided to Placement Investors invited to participate
Issue Price per New Share	10 cents per New Share payable in full on Application
Exercise Price per New Option	20 cents per New Option
Maximum number of New Shares issued under this Prospectus	35,000,000 (subject to rounding) New Shares
Maximum number of New Options to be issued under this Prospectus	23,333,333 (subject to rounding) New Options; and 10,000,000 Alignment Options (comprising 7,000,000 Adviser Options and 3,000,000 Broker Options)
Maximum proceeds (excluding costs associated with the Offer) if the Maximum Subscription Amount is achieved	Approximately \$3.5 million for New Shares (before expenses and costs of the issue)
Maximum number of Shares on issue following the Offer (excluding any shares issued upon the exercise of any Options)	289,596,750 Shares (subject to rounding), including 6,000,000 Unlisted Employee Loan Funded Shares
Maximum number of Options on issue following the Offer	52,960,501 Options (subject to rounding), including 5,900,000 Unlisted Employee Options

Important Dates*

Event	Date
<u>Prospectus date</u>	19 November 2024
<u>Closing Date</u>	19 November 2024
<u>Issue of the New Shares</u>	27 November 2024
<u>Trading</u> (T+2) of New Shares expected to commence	29 November 2024
<u>Issue of the New Options</u> (subject to Shareholder Approval)	January – February 2025
<u>Trading</u> (T+2) of New Options expected to commence (subject to Shareholder Approval)	January – February 2025

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

Letter from the Non-Executive Chairman

Dear Placement Investor

The current year, whilst not without challenge, has been a period punctuated by recovery and major positive progress towards our goal of developing Rhythm Biosciences Limited (**Rhythm** or **Company**) into a still small, but importantly, a commercial enterprise. The last year has seen a major rebuilding of our Company, with a new, capable and experienced Chief Executive Officer / Managing Director at the helm, being ably assisted by a new re-energised scientific and regulatory team, with several senior new hires joining us either full-time or on a consultancy basis. Importantly, everything we do, has purpose and is methodically planned and in line with our overall strategy.

As a Company we remain focused on launching our revised ColoSTAT® kit and have had some major, albeit early successes with our new manufacturing partner, Quansys Biosciences in the USA. Whilst we have been a major beneficiary of the Australian Government's Research and Development Tax Incentive, we do require further capital to complete not only this project but also expand our portfolio via previously announced platform expansion initiatives, initially into lung cancer. Further, we are also looking into several other additions to our portfolio, which we believe could provide significant future value, although these activities whilst ongoing remain in a due diligence phase.

Given the previous rights issue shortfall, the Board has opted for certainty raising some further funding by way of a placement to institutional and sophisticated investors. This Offer is largely in line with the terms of our previous non-renounceable pro-rata entitlement offer to shareholders only (attaching options are now 2 for 3, rather than 1 for 2), which officially closed with a remaining shortfall on 14 June 2024.

The Offer is to raise up to \$3.5 million, via the issue of up to 35,000,000 New Shares at an Issue Price of 10 cents per New Share, plus (subject to Shareholder Approval) 2 New Options for every 3 New Shares issued under the Offer to raise up to maximum of approximately \$3.5 million, less costs. Note there will be no Director entitlement, so Director's holdings will not alter, apart from dilution, as set out in section 7.8.

The Offer may be summarised as follows:

- Placement Investors can subscribe for New Shares at \$0.10 per Share and for every 3 Shares issued under the Offer for they will be issued with (subject to Shareholder Approval) 2 attaching, listed Options, exercisable at \$0.20 by 31 March 2026.
- There is no minimum subscription to be raised under this Prospectus.

There are substantial risks in investment in biotechnology companies and medical device development and commercialisation. **You should carefully consider in detail the summary of current investment risks contained in Section 6 of this Prospectus.**

The funds from the Offer are important to the future of the Company and will be applied to complete our new product development of ColoSTAT® and continue pipeline development activities into other cancers and for general working capital purposes. For more information, please see section 2.4 of this Prospectus.

We thank you for your participation in the Offer.

Yours sincerely



Otto Buttula
Non-Executive Chairman
Rhythm Biosciences Limited

1. OFFER OVERVIEW

1.1 Overview of the Offer

This Section is not intended to provide full information for Placement Investors participating in the Offer pursuant to this Prospectus. This Prospectus and all of its Sections should be read and considered in their entirety.

Question	Response	Where to find more information
What is the Offer	Placement of New Shares, accompanied (subject to Shareholder Approval) by attaching options (i.e., the New Options) as described below to Placement Investors. The Offer is NOT open to the general public and Application Forms will only be provided to the Placement Investors.	Sections 2.1
What are the terms of the Offer	For every 3 New Shares issued at an issue price of 10 cents per Share under the Offer, (subject to Shareholder Approval) 2 New Options will be issued with each New Option expiring on or before 31 March 2026 at an exercise price of 20 cents.	Section 2.1
Are the New Options to be Quoted on the ASX	Yes, the New Options will be quoted on the ASX in an existing quoted class "RHYO".	Section 2.3 and Annexure A
Is the Offer underwritten	The Offer is not underwritten.	Section 2.13
How do the New Shares rank in comparison to existing Shares	All New Shares issued under the Offer will rank equally in all respects with existing Shares from the date of their issue.	Sections 2.11 and 5.1
What will be the effect of the Offer on control	The effect of the Offer on the control of the Company will vary with the level of participation in the Offer by Placement Investors. The Offer will not result in a Shareholder having an interest in the Company in excess of 19.9% on the completion of the Offer. In this regard, no Chapter 6 approvals under the Corporations Act will be sought.	Section 3.2
How do I apply for New	The Offer is only available to a Placement Investor who has been personally invited to accept the Offer. An	Sections 4.1 and 4.2

Question	Response	Where to find more information
Shares / Options under the Offer	Application Form will be provided to the Placement Investor only. A completed Application Form for the Offer Securities must be mailed or delivered to the Company by the Closing Date in accordance with the instructions provided by the Company to the Placement Investor. If you do not return the Application Form but have made payment, the Company will assume that you have applied for that number of New Shares corresponding to the subscription monies paid.	
How can I obtain further information	Contact our Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (from outside Australia) at any time between 9:00am to 5:00pm Monday to Friday AEDT. For advice, actively consult your broker, accountant or other professional adviser.	N/A
Risk Factors	There are many risks associated with an investment in the Company, including relating to the Company's business, its regulatory environment, its financial requirements generally. These risks will in part turn upon the Company's ability to: • complete the transition of the Company's product development of ColoSTAT® to an appropriate standard for the chosen regulatory path. As an example, IVDR standard and to obtain CE Mark and TGA registration for ColoSTAT® to those new IVDR standards; • cement distributor partnerships together with marketing and sales activities (subject to regulatory approvals); • managing capital expenditure in producing and marketing the products (subject to regulatory approvals). Refer to Section 6 for a more detailed description of some of these Risk Factors.	Section 6

2. DETAILS OF THE OFFER

2.1 The Offer

The Company is offering Placement Investors the opportunity to subscribe for New Shares issued at an issue price of 10 cents per Share under the Offer together with (subject to Shareholder Approval) 2 New Options issued for every 3 New Shares issued under the Offer, with each New Option expiring on or before 31 March 2026 at an exercise price of 20 cents.

Placement Investors may only make application for New Shares and New Options pursuant to this Prospectus and the Application Form. The Offer is not open to the general public and Application Forms will only be provided to the Placement Investors. Details on how to apply under the Offer is set out in Section 4.

The proposed issue of the New Options is subject to prior Shareholder Approval, to be sought at a general meeting of Shareholders expected to be held in January – February 2025. If Shareholder Approval is not obtained, the New Options will not be issued.

2.2 Placement Investors

Placement Investors are those persons who:

- the Company, by invitation only, were asked to participate in the Offer; and
- are a professional or sophisticated investor within the meaning of section 708(8) and s708(11) of the Corporations Act.

2.3 Size and Nature of the Offer

As at the date of this Prospectus, the Company has on issue 248,596,750 Shares and 19,627,168 options (at varying expiry dates, exercisable between \$0.20 and \$1.80), together with 6,000,000 Unlisted Employee Loan Funded Shares and 5,900,000 Unlisted Employee Options (at varying expiry dates, exercisable between \$0.20 and \$0.30).

Approximately 35.0 million New Shares and (subject to Shareholder Approval) approximately 33.3 million New Options will be offered under the Offer to raise up to approximately \$3.5 million before the expenses of the Offer are taken into account.

There is no minimum subscription under the Offer before the Company may use the funds raised after the close of the Offer.

2.4 Use of Funds

The Company proposes to use the funds received* pursuant to the Offer (assuming the maximum amount is raised) as described below:

Indicative expenditure	Description	AUD \$
Progress Product Development – 2 nd Generation ColoSTAT®.	Complete development and production of ColoSTAT ® Multiplex test kits in conjunction with product development partner in North America.	up to \$700,000

Clinical Validation Program and preparation regulatory approvals.	Clinical validation activities, including serum sample collection across sites and laboratory testing. Development of strategy and materials for regulatory agency submission.	up to \$1,200,000
Continued R&D pipeline development activities into other cancers.	Further funds allocated to R&D in progressing studies into other cancers.	up to \$250,000
General Working Capital and capital raising costs*.	Day to day working capital requirements and capital raising costs for the Offer.	up to \$1,350,000
Maximum funds raised under the Offer.	-	up to \$3,500,000

** Where less than the maximum amount of \$3.5 million is raised, the Company will apply the funds raised as deemed most effective for general working capital requirements and completion of new product development for ColoSTAT®.*

2.5 Closing Date of the Offer

The Closing Date of the Offer is 19 November 2024.

The Company reserves the right, subject to the Corporations Act and the Listing Rules, to extend the last date for the close of the Offer, or to delay or withdraw the Offer at any time without prior notice. Where an Offer is withdrawn, all Application Monies will be refunded (without interest) as soon as practicable by EFT to your bank account.

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

2.6 No cooling off rights

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

2.7 Issue and despatch

The issue of New Shares offered by this Prospectus is expected to occur on the 27th day of November 2024 and the New Options (subject to Shareholder Approval) is expected to occur or around late January – early February 2025.

The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law) to persons who trade New Shares or New Options before the New Shares or New Options (respectively) are listed on the official list of ASX or before they receive their holdings statements.

2.8 ASX Listing

The Company will make an application for official quotation by ASX of the New Shares and the New Options as offered under this Prospectus.

If the New Shares or the New Options are not quoted by ASX within 3 months after the date of this Prospectus, the Company will not issue any New Shares or New Options and all Application Monies received will be refunded (without interest) in full to the Applicants.

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

It is expected that normal trading on ASX will commence in relation to New Shares on 27th day of November 2024 and New Options (subject to Shareholder Approval) on or around late January 2025 – early February 2025.

2.9 **CHESS**

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

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

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

2.10 **Overseas shareholders**

No action has been taken to register or qualify the Offer Securities or the Offer in any jurisdiction outside of Australia, or otherwise to permit a public offering of the Offer Securities outside Australia. This Prospectus does not, and is not intended to, constitute an offer to sell, or a solicitation of an offer to buy, any securities in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or solicitation.

This Prospectus does not constitute an offer of New Shares or New Options in any jurisdiction in which it would be unlawful. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of those restrictions. Any failure to comply with the restrictions may constitute a violation of applicable securities laws.

United States

The New Shares and the New Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares, the New Options and the shares underlying the New Options may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

2.11 **Rights and liability attaching to New Shares / New Options**

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

the Company's Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia) to request a copy of the Company's constitution.

A summary of the important rights attaching to the New Shares is contained in Section 5.1 of this Prospectus. The terms and conditions of the New Options are described in Annexure A to this Prospectus and are otherwise subject to the ASX Listing Rules. The Company will be making application for quotation of the New Shares and also the New Options (as a separate class of listed securities).

2.12 Brokerage and Stamp Duty Costs

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

2.13 No underwriting

The Offer is not underwritten.

2.14 Withdrawal

The Company reserves the right to withdraw the Offer, at any time before the allotment of New Shares and New Options. If the Offer does not proceed, the Application Monies will be refunded. No interest will be paid to the Placement Investors on any Application Monies refunded because of the withdrawal of the Offer.

2.15 Risks

There are a number of risks associated with an investment in New Shares and New Options in the Company. A brief overview of some of the key risks is outlined in Section 6.

An investment in the Company carries certain risks that may impact on the future profitability of the Company and the value of the Company's securities. The Offer Securities should be considered speculative.

The Directors recommend that Placement Investors carefully consider this Prospectus and consult their professional advisors before deciding whether to apply for New Shares pursuant to this Prospectus.

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

3. EFFECT OF THE OFFER

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

The total number of Offer Securities to be issued under the Offer (the exact number depends on the level of acceptances), if the Maximum Subscription Amount is achieved, will be up to approximately 35,000,000 New Shares and 33,333,333 New Options.

The table below sets out, for illustrative purposes only, the existing capital structure (before the Offer) together with the impact of the issue of the New Shares and New Options under the Offer. It assumes that no existing options are exercised prior to the date of this Prospectus.

	Number of Options	Number of Shares
Existing Shares as at date of the Offer	-	254,596,750
Existing Options as at date of the Offer**	19,627,168	-
Maximum number of Offer Securities issued under the Offer (approximately), excluding any shares to issue upon the exercise of New Options	33,333,333	35,000,000
Total Securities on issue following completion of the Offer (approximate) assuming maximum raising under this Prospectus, but excluding any Shares issued on exercise of the New Options and any existing options	52,960,501	289,596,750

*** This includes a total of 19,627,168 Existing Options as detailed in Section 7.11 of this Prospectus.*

The combined effect of the capital raising (including the Offer, if the Maximum Subscription Amount is achieved) will be to increase the number of Shares on issue in the Company and increase the cash held by the Company (before taking into account the expenses of the Offer) by up to approximately \$3.5 million.

The cash expenses of the Offer are expected to be approximately \$43,200 (See Section 7.13), plus any commissions paid by the Company.

3.2 Potential effect on control of the Company

The issue of the Offer Securities under this Prospectus is not expected to have any material effect on the control of the Company.

3.3 Market Price of Shares

The highest and lowest closing market prices of the Shares on ASX during the 3 months of trading up to and including 14 November 2024, and the respective dates of those sales, are:

Highest: \$0.135 on 11 November 2024
 Lowest: \$0.060 on 6 September 2024

The Issue Price represents a discount of:

- 13.0% discount to the Company's closing price on 14 November 2024 of \$0.115;
- 19.5% discount to the Company's 5-day VWAP of \$0.124; and
- 11.4% discount to the Company's 15-day VWAP of \$0.113.

Shareholders will note that the Issue Price is a significant discount to the above Share prices, particularly where including (subject to Shareholder Approval) the theoretical value of the Listed Options, which last traded at \$0.030 and is \$0.040 Bid on the ASX.

4. HOW TO APPLY

4.1 Applying for Offer Securities

The Offer is only available to a Placement Investors who have been personally invited to accept the Offer. An Application Form will be provided to the Placement Investors only.

A completed Application Form for the Offer Securities must be mailed or delivered to the Company by the Closing Date set out in section 2.5 in accordance with the instructions provided by the Company to the Placement Investors.

The Opening Date and Closing Date for the Offer (as set out in section 2.5) are indicative only and subject to change without notice. The Company may vary these dates, including to close the Offer early, extend the Closing Date or to withdraw the Offer at any time prior to issue. If any of the dates are changed, subsequent dates may also change. You are encouraged to lodge your Application Form as soon as possible after the opening date.

4.2 Payment

The consideration for the Offer Securities is payable in full on application by a payment of \$0.10 (10 cents) per New Share and associated New Options (subject to Shareholder Approval). The Application Form must be accompanied by the Application Monies. The Company will contact the Investor with details regarding how payment can be made.

Receipts for payment will not be issued.

4.3 Payment of Application Monies is binding

Payment of Application Monies pursuant to this Prospectus constitutes a binding offer to acquire New Shares and associated New Options (subject to Shareholder Approval) on the terms and conditions set out in this Prospectus and once lodged, cannot be withdrawn. If the Application Form is not completed correctly, it may still be treated as a valid application for New Shares (together with the New Options). The Directors' decision whether to treat an acceptance of any Offer as valid and how to construe, amend or complete the Application Form is final.

4.4 Representations you will be taken to have made by accepting

By making a payment pursuant to this Prospectus, you will be deemed to have:

- a) fully read and understood this Prospectus and the Application Form in their entirety;
- b) confirmed that you are a professional or sophisticated investor within the meaning of section 708(8) and s708(11) of the Corporations Act;
- c) agreed to be bound by the terms of the Offer, the provisions of this Prospectus and the Company's Constitution;
- d) declared that you are over 18 years of age and have the legal capacity and power to perform all your rights and obligations under the Offer and the Application Form;
- e) authorised the Company to register you as the holder of the New Shares and New Options (subject to Shareholder Approval);
- f) acknowledged that once the Company receives any payment of Application Monies pursuant to this Prospectus, you may not withdraw your application or funds provided except as allowed by law;

- g) agreed to apply for and be issued up to the number of New Shares and New Options for which you have submitted payment of any Application Monies pursuant to this Prospectus, at the Issue Price per New Share;
- h) authorised the Company, the Share Registry and their respective officers, employees or agents to carry out on your behalf all necessary actions for the New Shares and New Options (subject to Shareholder Approval) to be issued to you;
- i) understood and acknowledged that the information contained in this Prospectus and the Application Form is not investment advice nor a recommendation that the New Shares or New Options are suitable for you given your investment objectives, financial situation or circumstances;
- j) acknowledged that investment in the Company is subject to the risk factors outlined in Section 6 of this Prospectus;
- k) acknowledged that the Company or its related bodies corporate, affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers do not guarantee the performance of the Company or the Share price, nor do they guarantee the repayment of capital;
- l) authorised the Company to correct any errors in the Application Form or any other document provided to you; and
- m) represented and warranted that:
 - i. you are not in the United States and are not acting for the account or benefit of a person in the United States;
 - ii. the New Shares or New Options have not been, and will not be, registered under the US Securities Act or the securities laws of any state or other jurisdiction of the United States and accordingly, the New Shares, New Options and the shares underlying the New Options may not be offered, sold or otherwise transferred except in accordance with an available exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws; and
 - iii. you have not sent, and will not send, any materials relating to the Offer to any person in the United States.

4.5 **Privacy Act**

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

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

- a) to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's Share Registry.
- b) the Share Registry for ongoing administration of the shareholder register;
- c) printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and

- d) legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering and advising on the New Shares and or New Options (subject to Shareholder Approval) and for associated actions.

The Company complies with its legal obligations under the Privacy Act 1988 (Cth). You can access, correct and update the personal information that we hold about you. Please contact the Company or its Share Registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

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

4.6 **Brokerage Commission and Stamp Duty**

No brokerage is payable by Shareholders who accept the Offer. No stamp duty is payable for subscribing under the Offer. The Company will pay the Joint Lead Managers to the Offer (PAC Partners Securities Pty Ltd [**"PAC Partners"**] and CPS Capital Group Pty Ltd [**"CPS"**] an amount equal to 6% (ex-GST) of the funds raised from Placement Investors they introduce to the Offer (3% Management Fee and 3% Selling Fee) and 10,000,000 listed Alignment Options at a cost of \$0.00001 (divided as 3 million broker options and 7 million adviser options (will comprise additional ASX: RHYO options) and reserves the right to pay commission to AFSL holders or their authorised representatives based on the amount subscribed by investors introduced by those persons.

4.7 **Queries concerning the Offer**

If you have any queries concerning the Offer, please contact the Company's Share Registry on 1300 288 664 (within Australia) or +61 2 9698 5414 (outside Australia).

5. RIGHTS AND LIABILITIES ATTACHING TO THE NEW SHARES AND NEW OPTIONS (SUBJECT TO SHAREHOLDER APPROVAL)

5.1 New Options (subject to Shareholder Approval) attaching to the New Shares

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

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

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

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

General Meetings and Notice

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

Voting Rights

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

- » each Shareholder entitled to vote may vote in person or by proxy, attorney or representative, or if a determination has been made by the Board in accordance with the Constitution, by direct vote;
- » on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder entitled to vote has one vote (even though he or she may represent more than one member);
- » on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder (or where a direct vote has been lodged) shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares, shall have such number of votes being equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable in respect of those Shares (excluding amounts credited); and
- » different voting procedures may apply at a virtual meeting of Shareholders.

Dividend Rights

There is no guarantee of any dividends or distributions by the Company. Subject to and in accordance with the Corporations Act, the Listing Rules, the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time decide to pay a dividend to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited) in respect of such Shares. The Directors may rescind a decision to pay a dividend if they decide, before the payment date, that the Company's financial position no longer justifies the payment.

Winding Up

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

Transfer of Shares

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

Variation of Rights

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

5.2 Terms and Conditions of the New Options

The terms and conditions of the New Options (subject to Shareholder Approval) are described in Annexure A to this Prospectus.

6. RISKS

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

An investment in the Offer Securities should be regarded as very speculative and involves many risks. The Offer Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Offer Securities.

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

6.1 Speculative nature of investment

This Section 6 identifies some (but not all) of the major risks associated with an investment in the Company. There may be other risks which the Directors and/or management of the Company are unaware which may impact upon the Company, its operations and/or the value and performance of the Offer Securities and the Company generally. This is not an exhaustive list of the relevant risks and the risks set out below are not in order of importance. Many of the risks below are outside the control of the Company and its directors. These risks and other risks not specifically referred to below, may in the future materially adversely affect the value of the Company's shares and their performance.

An investment in Offer Securities should be regarded as very speculative and involves many risks. The Offer Securities carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those securities.

Placement Investors should carefully consider and evaluate the Company, its assets and its business and whether the Company's Shares are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors, as set out below. Applicants should also read the Company's prior continuous disclosure announcement to the ASX market in order to fully appreciate the risks particular to an investment in the Company and in particular the risks faced by the Company in the continued development and proposed commercialisation of its intellectual property rights.

Any potential investor should be aware that subscribing for New Shares involves various risks. The New Shares to be issued carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those shares. The Company's business is in the development and commercialisation of novel cancer clinical diagnostics with the Company's lead product being ColoSTAT®, a simple blood test for the detection of colorectal (bowel) cancer. The Company is also engaged in research and development of our platform technologies into other simple, blood-based cancer diagnostic tests composed of novel protein biomarkers. An investment in the Company should therefore be considered very speculative.

6.2 Business risks associated with the Company

Regulatory registration: The Company has announced that it intends to take a 2-step approach to market access that involves the initial use of regulatory paths in several geographies that allow partnership with sophisticated laboratories that allow commercialisation following validation of the assay by that partner's development team.

This path is called “in house IVD” and Laboratory Developed Tests (LDT) in Australia and the USA respectively. As a 2nd step, the Company seek to obtain CE Mark and TGA registration for ColoSTAT® for the new IVDR standards for Australia, UK and EU and FDA approval for the USA. This will involve significant compliance, data and audit work to support the new applications to those regulatory authorities. There is a significant risk that the Company is unable to secure strategic partnerships and that the regulatory authorities do not accept ColoSTAT® dossiers as evidence for registration. Investors should note there is no guarantee the Company will obtain regulatory approval for ColoSTAT®.

Commercialisation risks: While the Company believes it has a sound strategy for market entry to initiate commercial sales, there is still significant risks in the Company's commercialisation strategy of appointing appropriate distributor partnerships together with marketing and sales activities and ultimately market penetration of an approved ColoSTAT®.

Sufficiency of funding: The Company has limited financial resources and will need to raise additional funds from time to time to finance the continued research, development and commercialisation of its technology / products and its other longer-term objectives.

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

Technology risk: The Company relies upon a range of hosting providers to maintain continuous operation of its technology platforms, servers and hosting services and the cloud-based environment in which it provides its products. There is a risk that these systems may be adversely affected by various factors to cause them to become unavailable. If a hosting provider ceased to offer its services to the Company, this could lead to disruption of service to the Company website and cloud infrastructure. This could lead to potential loss in revenues, as well as adversely affecting the Company's reputation, financial position and performance.

Development and commercialisation of intellectual property: The Company relies on its ability to develop and commercialise its intellectual property. A failure to develop and commercialise its intellectual property successfully would lead to a loss of opportunities and adversely impact on the operating results and financial position of the Company. Any third party developing superior technology with greater commercial appeal in the field may harm the future prospects of the Company. The Company's success depends, in part, on its ability to obtain, maintain and protect its intellectual property, including its patents. Actions taken by the Company to protect its intellectual property may not be adequate, complete or enforceable and may not prevent the misappropriation of its intellectual property and proprietary information or deter independent development of similar technologies by others.

Intellectual property: The Company's success depends, in part, on its ability to obtain patents, maintain trade secret protection and operate without infringing the proprietary rights of third parties. Securing rights in technology, manufacturing and patents is an important part of securing potential product value in the outcomes of medical device research, development and commercialisation. Competition in retaining and sustaining protection of technology and the complex nature of technologies can lead to patent disputes.

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

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

Protection of intellectual property: The Company may also suffer damage if former employees infringe its intellectual property rights or assert their moral rights. The granting of a patent does not guarantee that the Company's intellectual property is protected and that others will not develop similar technologies that circumvent such patents. There can be no assurance that any patents Rhythm owns, controls or licences, whether now or in the future, will give Rhythm commercially significant protection of its intellectual property. Additionally, monitoring unauthorised use of the Company's intellectual property rights is difficult and can be costly. The Company may not be able to detect all unauthorised use of its intellectual property rights. Changes in laws in Australia and other jurisdictions in which Rhythm operates may adversely affect the Company's intellectual property rights.

Third party intellectual property: Other parties may develop and patent substantially similar or substitute products, processes, or technologies to those used by the Company, and other parties may allege that the Company's products incorporate intellectual property rights derived from third parties without their permission. Whilst the Company is not the subject of any claim that its products infringe the intellectual property rights of a third party, allegations of this kind may be received in the future and, if successful, injunctions may be granted against the Company which could materially affect the operation of the Company and the Company's ability to earn revenue, and cause disruption to the Company's services. The defence and prosecution of intellectual property rights lawsuits, proceedings, and related legal and administrative proceedings are costly and time-consuming, and their outcome is uncertain.

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

Research and Development: The Company's future success is dependent on the performance of the Company's product in both laboratory testing and in clinical trials and whether it proves to be an effective diagnostic test. While the results of its prospective clinical trial have been positive, more R&D is required to enable the product to meet increasingly rigorous regulatory hurdles and user requirements. There is no certainty the results will meet or surpass these requirements nor that the test will demonstrate any material benefit or advancement over existing technologies and methods. Additional clinical performance evaluation may be required, and the results of further trials and testing may require a change in strategy. This may include adding or removing biomarkers, algorithm refinement or adaptation to other testing platforms requiring further research and development adding cost and time to potential registration. The Company may change its clinical focus from time to time. This may be precipitated by either the results of technical verification, any additional clinical performance evaluations, or the results from other aspects of the overall research and development program. Potential product sales and revenues may be year/s away, and there is no guarantee that the Company's products will be successful. There is no certainty that the components for the final product will be suitable or sufficiently stable to support longer term reliable and reproducible kit manufacture and performance, requiring further work. Additional R&D may be required to verify the suitability, stability and appropriateness of a variety of antibodies, reagents various proteins, cross reactivity with other cancers, materials, algorithm and software of the ColoSTAT® test kit to a level that meets new regulatory guidelines. All these aspects are required prior to re-submission to regulatory bodies and receiving marketing authorisation in various jurisdictions.

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

Misuse of data: Data collected through the usage of the Company's products may not be owned by the Company and the Company may have limited control of the usage or decision making made by the holders of that data. There is a risk that users may make decisions, including in relation to the treatment or management of an individual, based on the data that is outside the Company's recommended protocols.

Future product development: The Company has developed its IVD technologies and continues to invest in the R&D of these systems. There is no guarantee that the further development of these systems will be successful. There are a number of inherent risks associated with developing technology systems and related products. The Company gives no guarantee that development milestones will be achieved or that intellectual property will be developed into further products that are commercially exploitable.

Competition: The Company competes against other companies who are developing technologies which are aimed at competing with the Company's technology. The Company faces the risk that (amongst other things) existing competitors could gain market share through aggressive sales and marketing campaigns, product research and development or /price discounting, The Company may fail to anticipate and respond to changing opportunities, technology or customer requirements as quickly as its competitors or new market entrants into the industry could develop products which compete with the Company's products.

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

Insurance and Uninsured Risks: Although the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance will not cover all the potential risks associated with its operations and insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high discounts or other reasons.

Stock Market Volatility: The price of Shares or the New Options may rise or fall depending upon a range of factors beyond the Company's control and which are unrelated to the Company's operational performance. No assurances can be made that the Company's market performance will not be adversely affected by any such market fluctuations or factors. Investors who decide to sell their New Shares or New Options after the Company's capital raising may not receive the entire amount of their original investment. The price of Shares or New Options listed on ASX may also be affected by multiple factors including the Company's financial performance and by changes in the business environment. The New Shares and the New Options carry no guarantee in respect of profitability, dividends, return on capital, or the price at which they may trade on the ASX. No guarantee can be given that the Company's share price will be greater than the issue price.

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

Dilution Risk: Non Placement Investors will be diluted by the Offer, but will not be exposed to future increases or decreases in the Company's share price.

Economic Risks: The Company is exposed to economic factors in the ordinary course of business. A number of economic factors / conditions, both domestic and global, affect the performance of financial markets generally, which could affect the price at which the Company's Shares trade on ASX. Trading prices can be volatile and volatility can be caused by general market risks such as those that have been mentioned. Shares in the Company may trade at or below the price at which they are currently trading on ASX including as a result of any of the factors that have been mentioned, and factors such as those mentioned may also affect the income, expenses and liquidity of the Company. Additionally, the stock market can experience price and volume fluctuations that may be unrelated or disproportionate to the operating performance of the Company.

Forward-Looking Statements: There can be no guarantee that the assumptions and contingencies on which any forward-looking statements, opinions and estimates contained in materials published by the Company are based will ultimately prove to be valid or

accurate. The forward-looking statements, opinions and estimates depend on various factors, including known and unknown risks, many of which are outside the control of the Company. Actual performance of the Company may materially differ from forecast performance.

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

- i. Timing of market introduction, number and clinical profile of competitive products;
- ii. The Company's ability to provide acceptable evidence of the safety and efficacy of its product and the ability to secure the support of key clinicians and physicians for its products;
- iii. Cost-effectiveness compared to existing and new tests;
- iv. Ability to obtain coverage, reimbursement and adequate payment from government bodies, health maintenance organisations and other third-party payers; and
- v. Advances in other competing detection and diagnostic methods

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

Manufacturing: Scale-up may present technical difficulties, or even not work at all. Technical difficulties could include the inability to produce medical devices that meet regulatory specifications or the production from manufacturing batches may be insufficient to conduct the clinical studies and/or laboratory based and/or clinical trial testing. Licensing and manufacturing agreements may be required, with no certainty that these will be completed in a timely manner or on appropriate commercial terms. Any unforeseen difficulty relating to manufacturing, scale up processes, replication of existing processing or the external sourcing of other key materials may negatively impact the Company's ability to generate profit in future and add to costs incurred to rectify and an unknown period of time.

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

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

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

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

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a transaction specific prospectus issued under section 713 of the Corporations Act which allows the issue of a transaction specific prospectus in relation to offers of securities (or options to acquire such securities) where those securities are of a class which have been quoted for 3 months before the date of that prospectus.

7.2 Indemnification of Directors

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

7.3 Taxation

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

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

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

7.4 Continuous Disclosure and Documents Available for Inspection

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

Section 713 of the Corporations Act enables companies to issue transaction specific prospectuses where those companies are, and have been for a period of 3 months, disclosing entities.

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

Outside the recent period of 3 months, the Company had received two ASX queries regarding announcements and those ASX queries together with the Company's response have been published on the ASX Markets Announcement Platform.

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

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

Additionally, the Company is also required to prepare and lodge with ASX yearly and half yearly financial statements accompanied by a directors' statement and report and an audit review or report. These reports are released to ASX and published on the Company's and ASX's websites.

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

- a) the Annual Report for the financial year ended on 30 June 2024, being the annual financial report most recently lodged with ASIC by the Company;
- b) any continuous disclosure notices given by the Company after the lodgement of the Annual Report referred to in paragraph a) above and before the lodgement of this Prospectus with ASIC. Such notices are listed below under the heading "ASX Releases" in Section 7.6.

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

7.5 Details of Substantial Shareholders

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

Shareholder	No of Shares	%
Otto Buttula & related entities – WebInvest Pty Ltd & Newfound Investments Pty Ltd <Newfound Super Fund A/c>.	36,384,575	14.29%
Adrien Wing & related parties.	18,117,500	7.12%

7.6 ASX Releases

ASX releases of the Company since the date of lodgement of the Company's latest annual report for the period ended 30 June 2024 (released 26 September 2024) and prior to the lodgement of this Prospectus are listed below:

Date	ASX Announcement title
18 November 2024	Notification regarding unquoted securities - RHY
18 November 2024	Notification regarding unquoted securities - RHY
18 November 2024	Awarding of Employee Options and Loan Shares to Management
15 November 2024	Trading Halt
11 November 2024	New, Independent, Non-executive Director to be Appointed
7 November 2024	Receipt of Research & Development Tax Incentive
24 October 2024	Market Presentation
24 October 2024	2 nd Generation, ColoSTAT® Multiplex Alpha Kit Outperforms
30 October 2024	Initial Director's Interest Notice – David Atkins
30 October 2024	Board Renewal / Composition Update

The Company may make further ASX announcements after the date of this Prospectus. Copies of the abovementioned announcements (as well as any further announcements) will be available on the ASX website, www.asx.com.au under the Company's code "RHY".

You are advised to refer to the ASX's website and the Company's website for announcements or updates relating to the Company.

7.7 Information excluded from continuous disclosure notices

As at the date of this Prospectus, there is no information that has not been disclosed under the continuous disclosure requirements of the Listing Rules and which the Board considers would reasonably require in order to assess the Company's assets and liabilities, financial position and prospects and the rights and liabilities attaching to New Shares and New Options in the Company.

7.8 Interests of Directors

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

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

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

	Otto Buttula & Entities	Sue MacLeman & Entities	Trevor Lockett & Entities	Lou Panaccio & Entities	David Atkins & Entities
Current number of Shares	36,384,575	-	1,678,300	1,079,000	4,000,000 (unlisted loan funded @ \$0.10)
Current percentage holding	14.29%	-	0.66%	0.42%	1.57%
Current number of Existing Options	5,425,001	200,000	193,650	124,500	4,000,000 (unlisted)
Maximum number of Shares following the Offer	36,384,575	-	1,678,300	1,079,00	4,000,000
Maximum percentage of Shares following the completion of the Offer	12.56%	-	0.58%	0.37%	1.38%

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

Director	FY 2023 \$	FY 2024 \$
Mr Otto Buttula <i>(non-executive chairman, including in 2023 payment as an executive)</i>	182,325	177,600
Ms Sue MacLeman <i>(non-executive director)</i>	21,875	82,381
Dr Trevor Lockett <i>(being an executive director, non-executive from 15/12/23)</i>	159,500	101,537
Mr Louis Panaccio <i>(non-executive director)</i>	52,500	52,500
Dr David Atkins <i>(CEO and Managing Director from 30/09/24)</i>	0	54,788

The Directors also received non-cash-based benefits under the Company's employee incentive scheme during this same 2-year period, which benefits are included in their securities listed in the shareholdings table above.

7.9 Related Party Transactions

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

7.10 Restricted securities

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

7.11 Existing Options

Code	Existing Options	Exercise price	Expiry date
RHYO	13,727,168	\$0.20	31 March 2026
RHYAP	2,000,000	\$0.20	31 March 2026
RHYAQ	2,000,000	\$0.30	31 March 2028
RHYAQ	200,000	\$1.80	30 November 2025
RHYAS	850,000	\$0.20	20 August 2026
RHYAT	850,000	\$0.30	20 August 2028

The Board considers it is unlikely that any Existing Options will be exercised before the Closing Date. However, if any Existing Options are exercised before the Closing Date, any proceeds raised will be applied to the general working capital of RHY.

The New Options will be quoted options in the current quoted class "RHYO".

7.12 Litigation

To the best of the Directors' knowledge and belief, no litigation, mediation, conciliation or administrative proceeding is taking place, pending or threatened against the Company.

7.13 Estimated Costs of the Offer

If the Offer are fully subscribed, the expenses of the Offer (exclusive of GST and before any commissions paid by the Company) are estimated to be approximately as follows:

Expenses	\$
Legal (in the preparation of this Prospectus)	25,000
Additional ASX listing fees and CHESS issue fees	6,000
Registry costs (including printing and postage)	9,000
ASIC lodgement fees	3,200
Total	\$43,200

** The Company may pay commission of up to 6% ex-GST (excluding management fees) of the amount subscribed by eligible new investors under the Shortfall Offer introduced holders of an AFSL (or their authorised representatives). Any such commission costs would be paid from general working capital.*

7.14 Consents and Interests of Parties

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

Automic Pty Ltd has given and not withdrawn its written consent to be named herein as the Share Registry to the Company in the form and context in which it is so named. Automic Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

PAC Partners Pty Ltd (**PAC Partners**) has given and not withdrawn its written consent to be named herein as Joint Lead Manager to the Company in the form and context in which it is so named. PAC Partners Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

CPS Capital Group Pty Ltd (**CPS**) has given and not withdrawn its written consent to be named herein as Joint Lead Manager to the Company in the form and context in which it is so named. CPS Capital Group Pty Ltd does not make, or purport to make, any statement in this Prospectus and is not aware of any statement in this Prospectus which purports to be based on a statement made by it and makes no representation, expressed or implied, regarding and takes no responsibility for, any statements in or omissions from this Prospectus.

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

- » the formation or promotion of the Company;
- » property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the offer of New Shares and New Options (subject to Shareholder Approval) pursuant to this Prospectus; or
- » the offer of New Shares and New Options (subject to Shareholder Approval) pursuant to this Prospectus,

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

7.15 **Electronic Prospectus**

A copy of the Prospectus can be downloaded from the website of the Company at the Rhythm website: www.rhythmbio.com.

7.16 **Financial Forecasts**

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

7.17 Directors' authorisation

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

8. DIRECTORS' STATEMENT

The Directors have made all reasonable enquiries in the preparation of this Prospectus and, on that basis, have reasonable grounds to believe that:

- any statements made by the Directors in this Prospectus are not misleading or deceptive and that in respect to any other statements made in this Prospectus by persons other than Directors;
- other persons making the statement or statements in the Prospectus were competent to make such statements and that those persons have given their consent to the statements being included in this Prospectus in the form and context in which they are included and have not withdrawn that consent before lodgement of this Prospectus with the ASIC, or to the Directors knowledge, before any issue of New Shares or New Options (subject to Shareholder Approval) pursuant to this Prospectus.

This Prospectus is prepared on the basis that certain matters may reasonably be expected to be known to likely investors or their professional advisors. Each of the Directors of the Company has consented to the lodgement of this Prospectus in accordance with Section 720 of the Corporations Act and has not withdrawn that consent.

Otto Buttula
Non-Executive Chairman
Rhythm Biosciences Limited

9. DEFINITIONS

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

\$ or AUD means Australian dollar;

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

Applicant refers to a person who submits an Application Form or makes payment pursuant to this Prospectus;

Application refers to the submission of an Application Form or making payment pursuant to this Prospectus;

Application Form means the Application Form accompanying this Prospectus

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

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

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

Board means the board of Directors;

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

CHESS means Clearing House Electronic Subregister System;

Closing Date means the closing date of the Offer being 19 November 2024 (subject to the right of the Company to vary the date without notice);

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

Constitution means the constitution of the Company;

Corporations Act means Corporations Act 2001 (Cth);

Directors means the directors of the Company;

EFT means electronic funds transfer, and if applicable, includes funds transfer using required SWIFT codes;

Existing Options means the existing options issued by the Company as at the date of this Prospectus and detailed in Section 7.11 of this Prospectus;

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

IVDR means In Vitro Diagnostic Medical Device Regulations;

Issue Price means 10 cents per New Share;

Listing Rules means the listing rules of the ASX;

Maximum Subscription Amount means the sum of approximately \$3.5 million;

New Option or **Option** means an option, subject Shareholder Approval and to the Option Terms, to purchase a Share with an expiry date of on or before 31 March 2026 and an exercise price of 20 cents per Option;

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

Offer or Placement means the placement of up to 35,000,000 New Shares at an issue price of \$0.10 per New Share together with 2 New Options (subject to Shareholder Approval) for every 3 New Shares (with an exercise price of \$0.20) to raise approximately \$3,500,000 before costs, under this Prospectus;

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

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

Placement Investor means a person who is invited to participate in the Offer and meets the criteria set out in section 2.2 of this Prospectus;

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

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

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

Shareholder means a holder of Shares;

Shareholder Approval means the approval by the Company's shareholders at a general meeting expected to be held in late January – early February 2025 for the issue of the New Options;

Share Registry means Automic Pty Ltd ACN 152 260 814; and

US Securities Act means the US Securities Act of 1933, as amended.

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

10. CORPORATE DIRECTORY

Directors

Mr Otto Buttula	Non-Executive Chairman
Ms Sue MacLeman	Independent Deputy Non-Executive Chair
Dr Trevor Lockett	Non-Executive Director
Mr Louis Panaccio	Non-Executive Director
Dr David Atkins	CEO and Managing Director

Joint Company Secretaries

Mr James Barrie
Ms Andrea Steele

Registered office

Bio21 Institute
30 Flemington Road
Parkville VIC 3010

Share Registry

Automic Pty Ltd
Suite 5
Level 12
530 Collins Street
Melbourne VIC 3000

Telephone: 1300 288 664 (within Australia)
Internet: www.automicgroup.com.au
Email: hello@automicgroup.com.au

Annexure A - Option Terms and Conditions

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

1. Subject to clause 2 and any restrictions imposed by the ASX Limited (**ASX**), each Option is exercisable at any time after the date it is issued (**Issue Date**), until and including their expiry date, namely 5pm (AEDT) on 31 March 2026 (**Expiry Date**). Any Options not exercised by the Expiry Date will automatically lapse at 5pm on the Expiry Date.
2. The Options may be exercised for part or all of the Options held at a particular time by the Option Holder paying to the Company at its registered office prior to the Expiry Date the exercise price of A\$0.20 per Option (**Exercise Price**).
3. On receipt by the Company of the payment of the Exercise Price, the Company must, within 4 Business Days and if the Shares are listed on the ASX within the time period prescribed by the Listing Rules of the ASX (**ASX Listing Rules**):
 - (a) allot to the Option Holder one Share in the Company for each Option exercised by the Option Holder;
 - (b) cause to be despatched to the Option Holder the relevant acknowledgement of issue, a holding statement or share certificate (as applicable) as soon as is reasonably practicable detailing the issue of the relevant Share/s; and
 - (c) issue (if applicable) a new holding statement (or option certificate) for the balance of the Options that remain unexercised.
4. Shares allotted on the exercise of Options will rank equally in all respects with the then existing issued ordinary fully paid shares in the capital of the Company (except in respect to any dividends which shall have been declared but not yet distributed before the actual exercise of an Option) and will be subject to the provisions of the Constitution of the Company.
5. The Options are transferable in accordance with the ASX Listing Rules.
6. If any reorganisation (including consolidation, subdivision, reduction, return or cancellation) of the issued capital of the Company occurs before the expiry of any Options, the number of Options to which each Option Holder is entitled or the Exercise Price of his or her Options or both must be reorganised in accordance with the ASX Listing Rules applying to a reorganisation at the time of the reorganisation (which adjustment formula will apply even where the Company is not admitted to the ASX Official List).
7. An Option does not confer the right to participate in new issues of capital offered to holders of Shares during the currency of the Options without exercising the Options. However, the Company will use reasonable endeavours to see that for the purpose of determining Rights Entitlements to any such issue, the Option Holder is to receive at least 2 Business Days written notice from the Company of the pending closing or record date and sufficient time for the Option Holder to exercise the Options prior to that closing or record date in order to qualify for participation.
8. In the event of the liquidation of the Company, all unexercised Options will lapse upon the occurrence of that liquidation.
9. The Options do not provide any entitlement to dividends paid to ordinary shareholders.
10. The Options do not entitle the Option Holder to vote at any meeting of shareholders
11. To the extent (if any) that any of these Option Terms and Conditions are inconsistent with or contrary to the ASX Listing Rules, the ASX Listing Rules provisions will prevail and these Option Terms and Conditions are deemed to incorporate the relevant ASX Listing Rules provisions as an amendment to these terms; and
12. These Option Terms and Conditions are governed by the laws of Victoria. The parties submit to the non-exclusive jurisdiction of the courts of Victoria.

INSTRUCTIONS FOR COMPLETING THE FORM

This is an Application Form for new fully paid Ordinary Shares in Rhythm Biosciences Limited ACN 619 459 335 at an issue price of \$0.10 per New Share together with 3 New Options for every 2 New Shares subscribed (with an exercise price of \$0.20) to raise approximately \$3.5 million before costs (**Offer**). The proposed issue of the New Options is subject to prior Shareholder Approval, to be sought at a general meeting of Shareholders expected to be held in January – February 2025. If Shareholder Approval is not obtained, the New Options will not be issued.

- Shares Applied For & Payment Amount** - Enter the number of Shares & the amount of the application monies payable you wish to apply for.
- Applicant Name(s) and Postal Address** - The Application must be in the name of a natural person(s), companies or other legal entities acceptable by the Company. At least one full given name and surname is required for each natural person. Refer to the table above for the correct forms of registrable title(s). Applicants using the wrong form of names may be rejected. Next, enter your postal address for the registration of your holding and all correspondence. Only one address can be recorded against a holding.
- Contact Details** - Please provide your contact details for us to contact you between 9:00am and 5:00pm (AEDT) should we need to speak to you about your application. In providing your email address you elect to receive electronic communications. You can change your communication preferences at any time by logging in to the Investor Portal accessible at <https://investor.automic.com.au/#/home>.
- CHESS Holders** - If you are sponsored by a stockbroker or other participant and you wish to hold Shares allotted to you under this Application on the CHESS subregister, enter your CHESS HIN. Otherwise leave the section blank and on allotment you will be sponsored by the Company and a "Securityholder Reference Number" (SRN) will be allocated to you.
- TFN/ABN/Exemption** - If you wish to have your Tax File Number, ABN or Exemption registered against your holding, please enter the details. Collection of TFN's is authorised by taxation laws but quotation is not compulsory and it will not affect your Application.
- Payment** - Payments for applications made using this application form can only be made by Electronic Funds Transfer (EFT), details below. Do not forward cash with this Application Form as it will not be accepted.

DECLARATIONS

BY SUBMITTING THIS APPLICATION FORM WITH THE APPLICATION MONIES, I/WE DECLARE THAT I/WE:

- Have completed this Application Form in accordance with the instructions on the form;
- Declare that the Application Form and all details and statements made by me/us are complete and accurate;
- I/we agree to provide further information or personal details, including information related to tax-related requirements, and acknowledge that processing of my application may be delayed, or my application may be rejected if such required information has not been provided;
- Where I/we have been provided information about another individual, warrant that I/we have obtained that individual's consent to the transfer of their information to the Company;
- Authorise the Company and their agents to do anything on my/our behalf necessary (including the completion and execution of documents) to enable the Shares to be allocated;
- Agree to be bound by the Constitution of the Company; and
- Acknowledge that neither the Company nor any person or entity guarantees any particular rate of return of the Shares, nor do they guarantee the repayment of capital.

LODGEMENT INSTRUCTIONS

EMAIL: Please send your completed Application Form and payment receipt to investors@rhythmbio.com.

PAYMENT: You can pay by Electronic Funds Transfer "EFT"

Funds are to be deposited directly to following bank account:

Account name: Rhythm Biosciences Limited
Account BSB: 033-157
Account number: 599753
Swift Code: WPACAU2S

Important:

You must quote your application holding name as your payment reference/ description when processing your EFT payment. Failure to do so may result in your funds not being allocated to your Application and New Shares subsequently not issued.

You must provide a copy of your payment receipt, that shows the application holding name, payment amount, sender, and date.

If you require further information about the Offer, please contact Automic by either phone on 1300 288 664 or +61 2 9698 5414 between 8:30am and 7:00pm (AEDT), or via email at corporate.actions@automic.com.au.