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RADIATION. DELIVERED.

ANNUAL REPORT 2020

TELIX PHARMACEUTICALS

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Annual General Meeting

Telix Pharmaceuticals will hold its AGM at 11.30am AEST, Wednesday 12 May 2021 at:

The Larwill Studio
48 Flemington Road
Parkville VIC 3052 Australia

Registered Office

Telix Pharmaceuticals Limited
401/55 Flemington Road
North Melbourne VIC 3051 Australia

Australian Business Number

85 616 620 369

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SEE IT. TREAT IT.

Telix is a late clinical-stage radiopharmaceutical company focused on the development of diagnostic and therapeutic products using Molecularly Targeted Radiation (MTR).

The Company's pipeline is being developed to address significant unmet needs in the fields of:

- Prostate cancer
- Kidney cancer
- Glioblastoma (brain cancer)
- Hematologic (blood) cancers
- Bone marrow transplantation and rare diseases

MISSION

At Telix, our mission is to help patients with cancer live longer, better quality lives.

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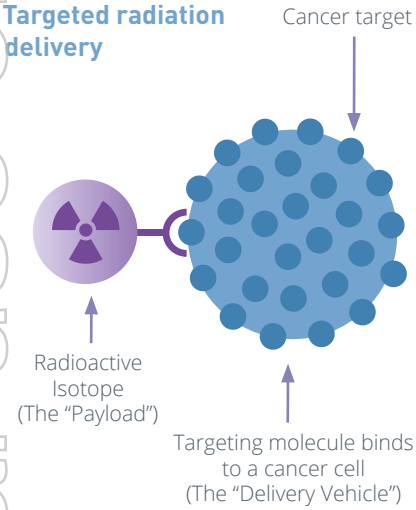
WHAT IS MOLECULARLY TARGETED RADIATION?

MTR has emerged as a new frontier in personalised cancer care.

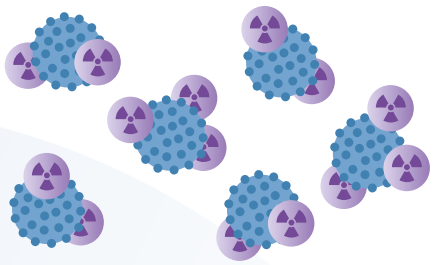
1. Targeted radiation delivery



An MTR drug comprises of a radioactive payload attached to a targeting agent such as a small molecule or antibody, which binds selectively to cancer cells.

An MTR drug attaches to unique cancer cell signatures or 'targets' that are typically expressed only on the surface of the cancer cell, thus sparing normal tissues.

2. Systemic administration



Once administered into the blood stream, the MTR drug circulates throughout the body and attaches to the cancer cells, including small metastases, wherever they are located in the body. This is differentiated from traditional radiation therapy, which is typically highly localised.

3. See it... Treat it

A low dose of radiation may be used to image the cancer, for the purpose of diagnosing and staging the cancer.[1]

A high dose of radiation may be used to destroy the cancer cells, for the purpose of cancer therapy.[2]

4. Quality of life

Better-informed treatment decisions and personalised therapy may lead to improved outcomes for patients.

1. Diagnostic imaging is typically achieved using a positron-emitting isotope such as gallium-68 (^{68}Ga) or zirconium-89 (^{89}Zr), or a gamma-emitting isotope such as technetium-99m (^{99m}Tc).
2. Therapy is typically achieved using a beta-emitting isotope such as lutetium-177 (^{177}Lu) or yttrium-90 (^{90}Y), or an alpha-emitting isotope such as actinium-225 (^{225}Ac) or astatine-211 (^{211}At).

MTR EXTENDS ACROSS MODERN CANCER CARE

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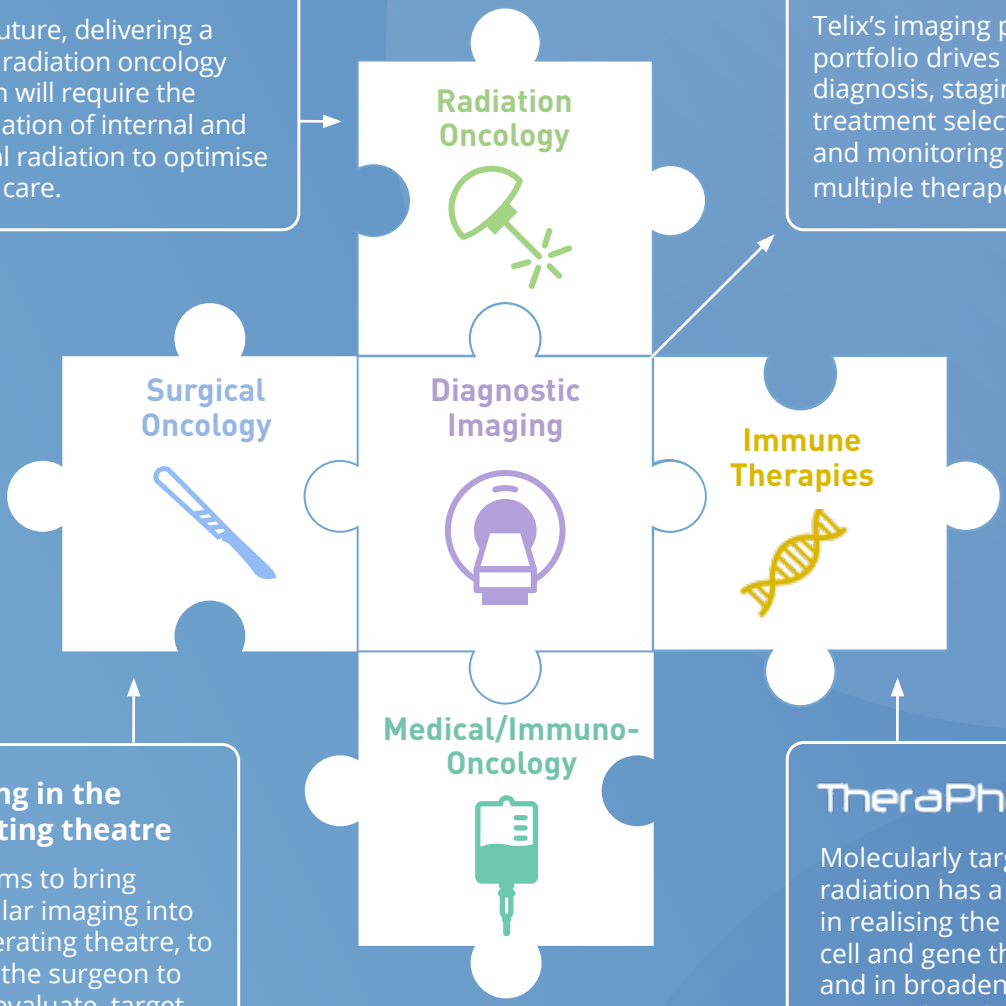
Integrating with conventional radiation therapy

In the future, delivering a holistic radiation oncology solution will require the combination of internal and external radiation to optimise patient care.

More than just imaging

Telix's imaging product portfolio drives cancer diagnosis, staging, and treatment selection, planning and monitoring across multiple therapeutic areas.



Imaging in the operating theatre

Telix aims to bring molecular imaging into the operating theatre, to enable the surgeon to better evaluate, target, excise, and confirm surgical margins.

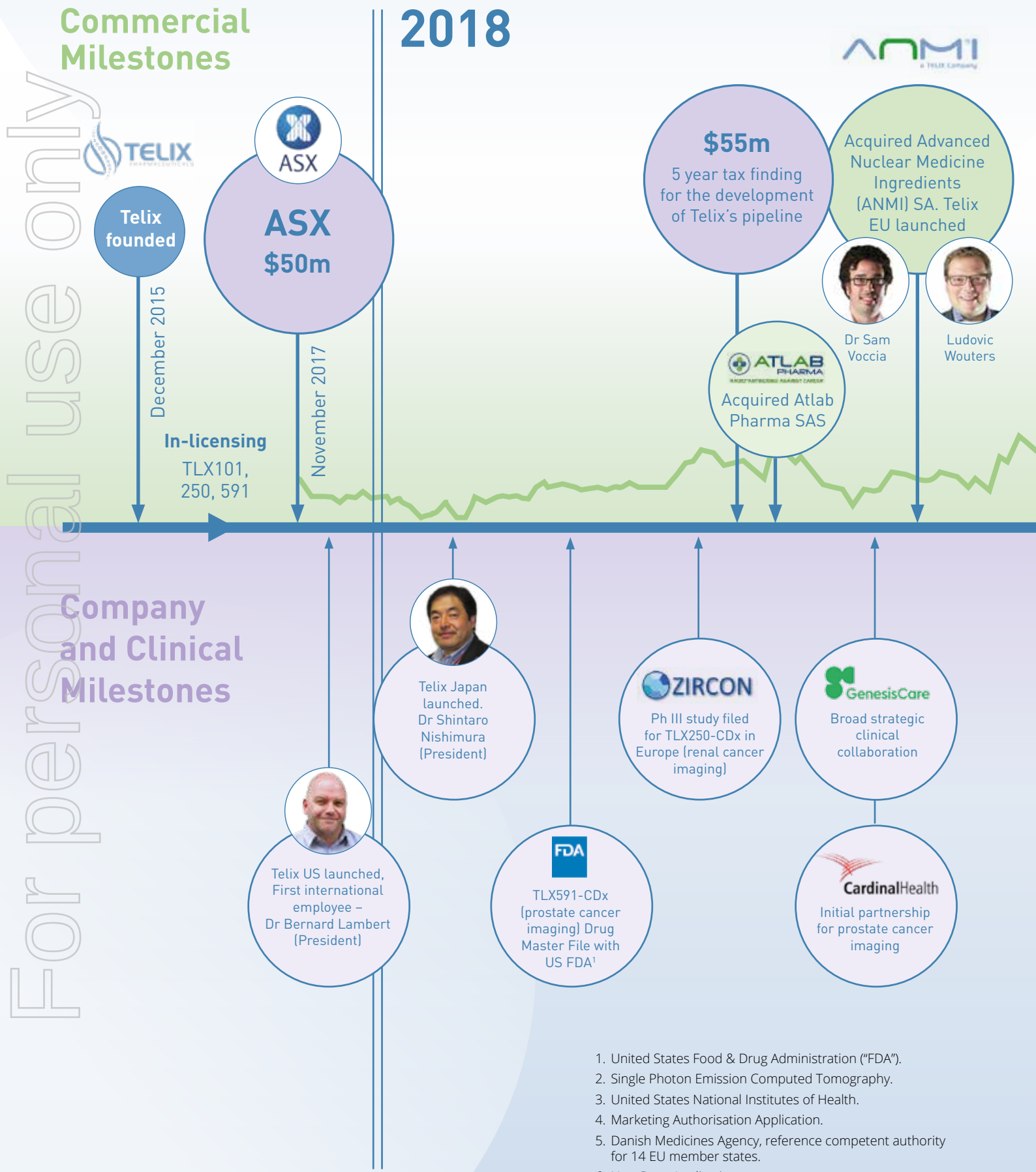
Integrating with the standard of care

To maximise patient access to molecularly targeted radiation, Telix is committed to clinical development of its portfolio of products that is fully integrated with the current standard of care.

TheraPharm

Molecularly targeted radiation has a key role in realising the efficacy of cell and gene therapies, and in broadening the potential applications of bone marrow transplantation in cancer and immunologic diseases.

FIVE YEARS SINCE FORMATION, THREE YEARS AS A PUBLIC COMPANY



1. United States Food & Drug Administration ("FDA").
2. Single Photon Emission Computed Tomography.
3. United States National Institutes of Health.
4. Marketing Authorisation Application.
5. Danish Medicines Agency, reference competent authority for 14 EU member states.
6. New Drug Application.
7. Therapeutic Goods Administration of Australia ("TGA").

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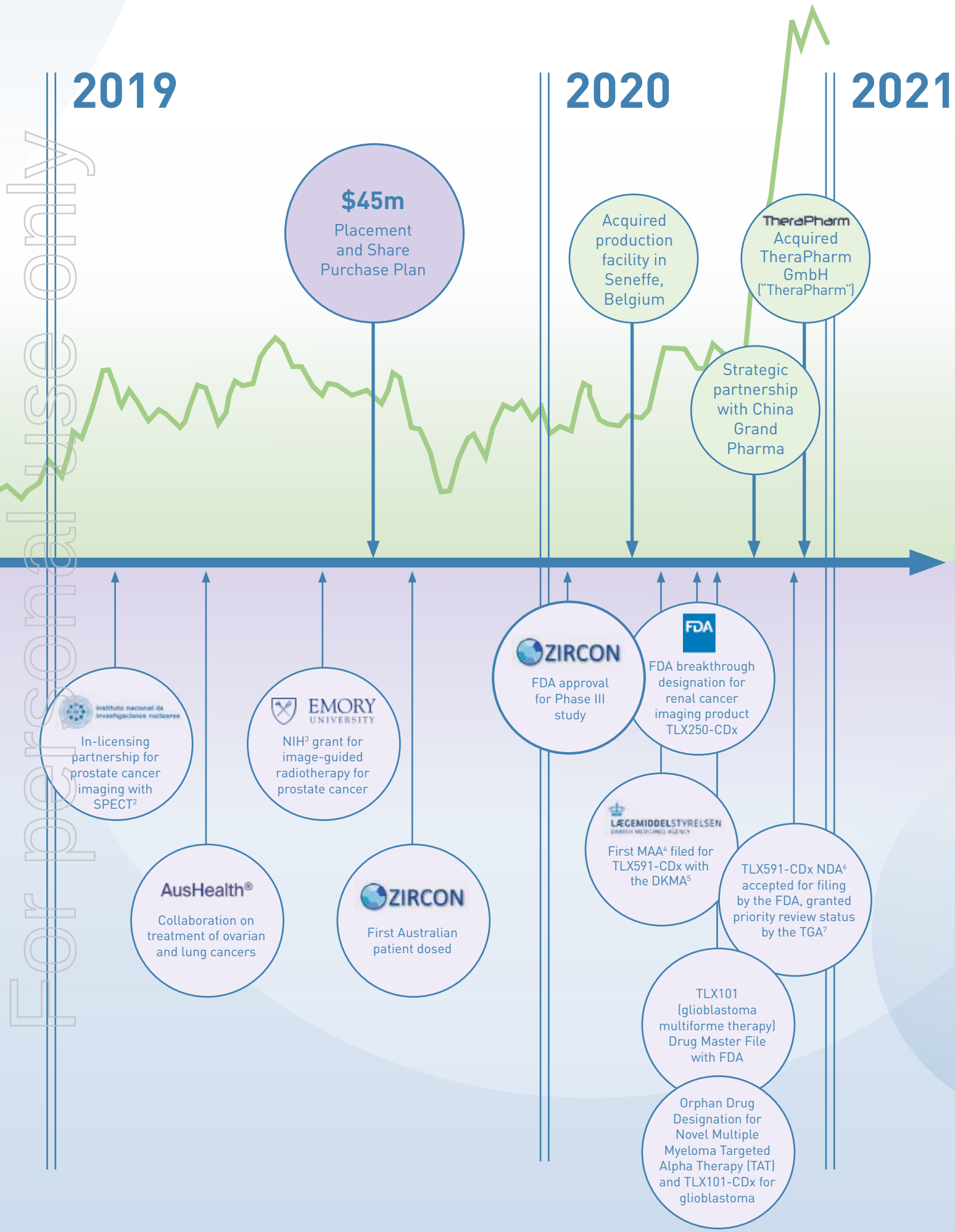


BUSINESS OVERVIEW

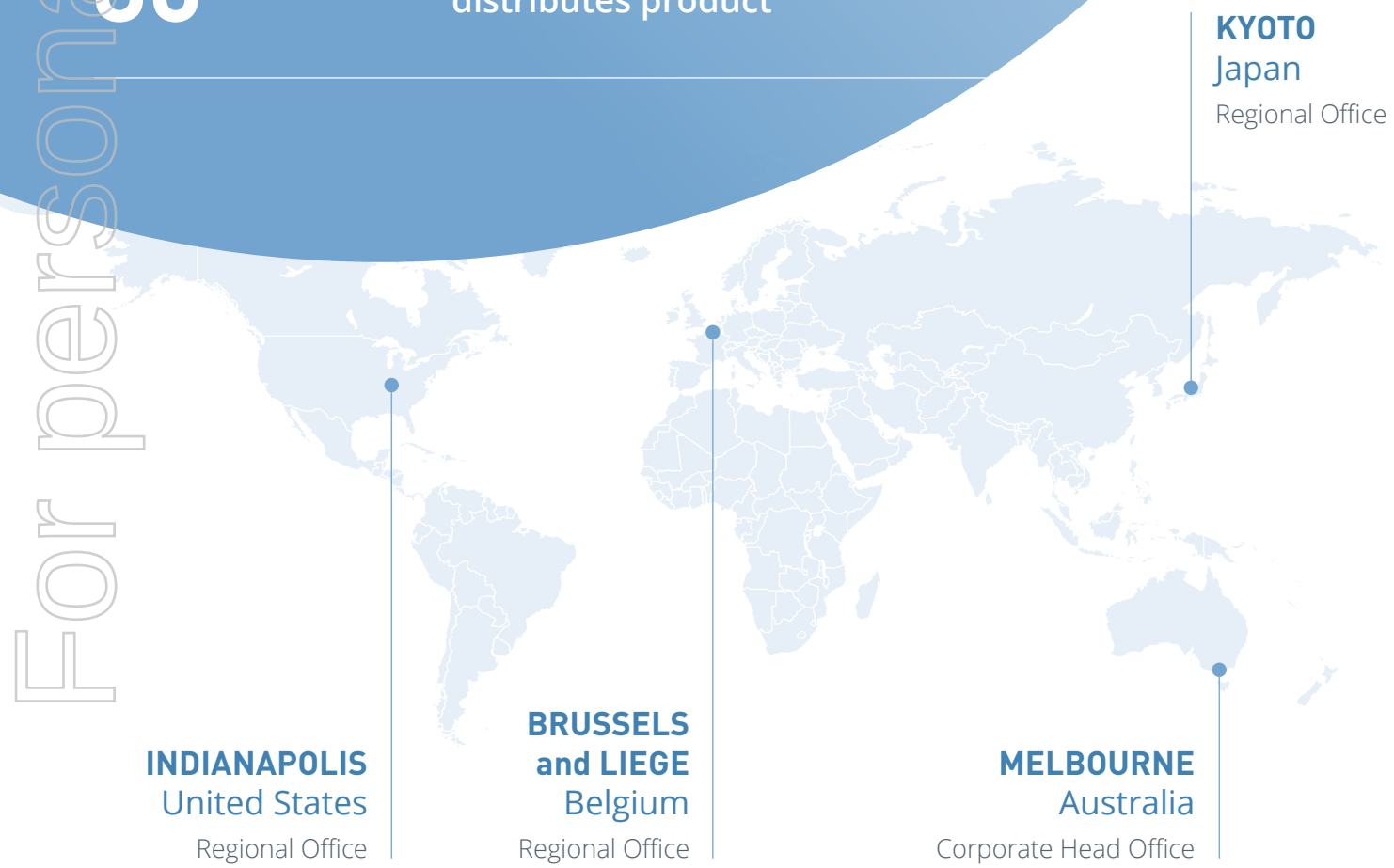
10 Clinical trials in progress

17 Countries with a marketing authorisation submission in progress

~9,500 Doses delivered during 2020, despite COVID-19

11 Countries with a manufacturing footprint

80 Countries to which Telix distributes product



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LETTER FROM THE CHAIRMAN

We have a collective mission to help patients with cancer live longer, better quality lives, a mission that has never been more important and relevant.

H Kevin McCann AO
Independent Non-Executive Chairman

Dear Shareholders,

At the commencement of 2020, we could not have anticipated the astonishing extent to which the world would change over the next twelve months. For a company like Telix, the impact of a global pandemic presented both challenges and opportunities on an unprecedented scale. Faced with the prospect of such dramatic externalities, a management team could be somewhat forgiven for resorting to a lock-down mentality and focusing predominantly on risk management. As a leadership team, the Board of Directors and Telix's Management certainly internalised the risks and responded with effective mitigation plans to protect our people, our financial resources, and patients.

However, cancer doesn't stop for a pandemic and neither did the Telix team. Despite adverse operating conditions we continued to run clinical trials, deliver outcomes for patients and grow the operational and commercial footprint of the business. The hard work of 2019 in terms of building out the capabilities of the team and governance framework of the business was significantly tested in 2020.

There are three major aspects of Telix's 'DNA' that enabled the Company to thrive under adverse operating conditions. The first is the quality of the leadership team and the distributed nature of the team that enabled operations to continue, even when borders had closed, and flight routes were no longer operational. As an Australian-headquartered company, we would have potentially had a very different outcome were it not for the strength and commitment of our regional teams in the US, Japan and Europe. Telix has always been a distributed organisation and this comes with a degree of resilience and operational flexibility that was undoubtedly part of the Company's success this year.

The second consideration is the Company's culture around risk management. Building redundancy in execution capacity, supply chain and vendors has become an important part of making sure that we are able to deliver patient and clinical trial doses every day around the globe. Radiopharmaceuticals are a logistically complex business and while it is realistic to expect that there are always areas of improvement for the future, the execution fundamentals of the Company proved sound. Certainly, it is my expectation that Telix will be even stronger because of the events of the last twelve months.

Finally, our people. The culture of the Company is based around the pervasive belief that what we are doing is vitally important. I personally witnessed a team that pushed harder, with even greater resolve, despite a great deal of headwind. The Company continues to deliver on its promise to shareholders and patients. This is evidenced by both the excellent clinical and regulatory outcomes during the course of the year, as

The Company continues to deliver on its promise to shareholders and patients and this is evidenced by both the excellent clinical and regulatory outcomes during the course of the year

well as a number of important new commercial partnerships. The acquisition of TheraPharm, the strategic partnership with China Grand Pharma and the important regulatory milestones achieved in the US and Europe are examples of this.

I wish to commend Chris Behrenbruch and his team both for their resilience and their commitment to Telix in a year of unprecedented disruption. Against all expectations 2020 has been a year of outstanding achievement for Telix.

The demands on the management team extended to your Directors and I would like to acknowledge their additional energy and commitment over the past year. The Board and its committees met more frequently, often at short notice to address COVID-19 issues impacting the company, to review and approve the TheraPharm acquisition and the very important strategic transaction with China Grand Pharma.

Telix is a company at the point of transition to becoming a global, commercially active company. Telix currently has product approval processes underway in 17 countries, as it prepares for an expected commercial launch of its first product in the second half of this year. When this occurs Telix will have transitioned to a financially sustainable, revenue-generating company.

As a prostate cancer survivor, I understand in a very personal and direct way what Telix has set out to accomplish and it is a privilege for all of us – Board and Management – to be a part of this exciting journey with you, our shareholders. Above all else, we have a collective mission to help patients with cancer live longer, better quality lives, a mission that has never been more important and relevant.

In conclusion may I thank our growing number of shareholders for their support over the year.

H Kevin McCann AO
Independent Non-Executive Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

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The Telix team is a resilient team and there is not a single person in the organisation who did not go 'above and beyond' this year to ensure the future of the Company.

Dr Christian P. Behrenbruch
CEO and Managing Director

Dear Shareholders,

What a year.

If you had told me at the start of 2020 that I would spend the majority of the year leading Telix from my kitchen table with two young children running around, I would have expressed disbelief. The Telix team is a resilient team and there is not a single person in the organisation who did not go 'above and beyond' this year to ensure the future of the Company.

We made the decision early in the pandemic not to downsize the business or mothball operating teams that would likely be unable to operate at 100%. Instead, we invested in our team, their ability to work from home and we creatively deployed our human resources to the long-term benefit of the Company. When we had a pause in clinical trial recruitment, we implemented a new ERP and quality system. When we experienced manufacturing delays due to operational shutdowns, we reworked regulatory documentation and qualified new vendors. At every setback, I believe the Telix team asked 'what else can we do?'. I am humbled to work with such an impressive and committed group of people that made the year as successful as it has been.

The low point of the year has been recruitment in clinical trials. Across all of our programs we have managed to continue to collect further clinical data and operationalise new studies around the globe, but progress has been slower than ideal. We experienced many months of hospital shutdowns that prevented patient recruitment, but we also worked proactively with our clinical partners to make sure that we were part of the solution, not part of the problem. The result is that our clinical relationships have never been stronger, but we are also six to eight months behind where we would ideally like to be.

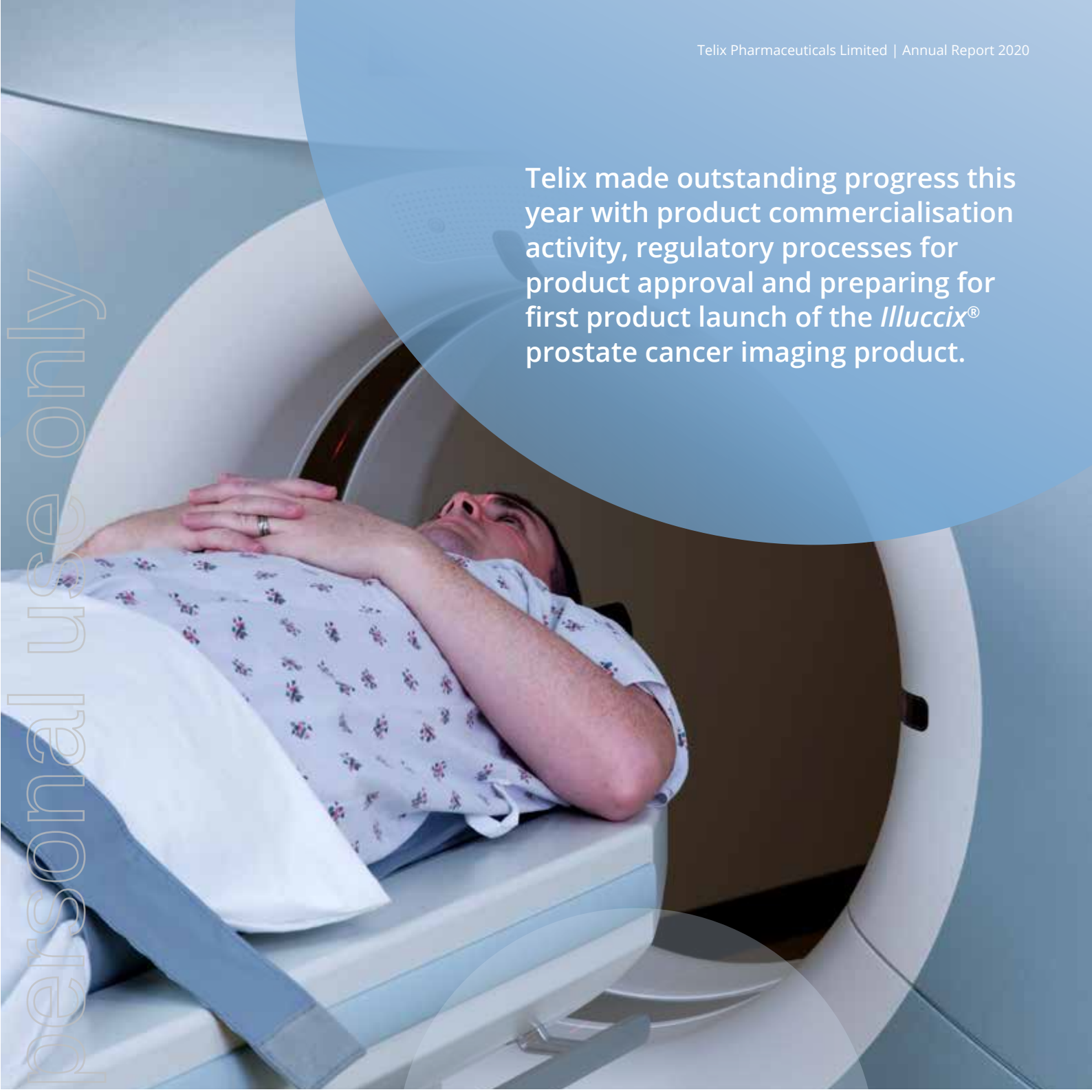
In terms of pre-commercial revenue, we were similarly impacted. However, by focusing on our most important and highest value clinical customers, we increased revenue for the year despite a significant reduction in procedure volume, particularly for the Company's prostate cancer imaging agent. Although the effects of the COVID-19 pandemic will continue to be pervasive, we believe that the 'first wave' was the most damaging in terms of clinical and commercial activity because the uncertainty of the situation resulted in the most drastic response measures. As we collectively start to understand how to manage the pandemic, we are seeing a return to routine oncology care. Cancer does not stop for a virus, but the 'new normal' does mean adjusting to new ways of engaging with clinicians and patients. We have learned a lot and become a more efficient company because of it.

More positively, Telix made outstanding progress this year with product commercialisation activity, regulatory processes for product approval and preparing for first product launch of the *Illuccix*®[1] prostate cancer imaging product. There is an intense level of excitement about this product in our major markets and Telix, along with our key partners, is ready to go as soon as regulators give us the green light. We particularly welcome the opportunity to work with the FDA to bring *Illuccix*® (^{68}Ga-PSMA imaging) to the vast majority of prostate cancer patients not fully served through the limited institutional approvals at University of California, Los Angeles (UCLA), and University of California, San Francisco (UCSF).

On the business development front, 2020 was a stellar year. Telix entered into a whole range of new partnerships with important companies that will not only help us as we develop new markets and indications for our technology, but also enable us to combine capabilities in ways that have the potential to profoundly affect cancer care. Our partnership with Varian Medical Systems (now a part of Siemens Healthineers) is helping us to understand how advanced prostate cancer imaging may affect traditional radiation oncology. We are exploring 'next generation' radiation oncology with RefleXion Medical, one of the most innovative companies in the field. The exciting 'Imaging and Robotics in Surgery' or 'IRiS' Alliance with Mauna Kea Technologies is one of several important forays into the use of MTR technology in the operating theatre, delivering new tools and techniques to surgeons. We also continued to work closely with key partners such as Cardinal Health, Eckert & Ziegler, PharmaLogic, IRE ELiT, Eczacıbaşı Monrol, JFE Engineering and GE Healthcare, to name but a few. Delivering cancer care is truly a team effort and we are immensely grateful for the commitment and energy that our partners delivered under such challenging conditions.

Finally, we continued our march toward building a truly global business. At the time of launch, Telix focused on Australia, US, EU and Japan. This has expanded to include many other countries where Telix is clinically and commercially active, either directly or through partnerships. Our acquisition of the Swiss-German company TheraPharm significantly expands Telix's pipeline into hematologic (blood) cancers and rare diseases, but also delivers an approved product into the portfolio with sales in approximately 30 countries. We expanded the scope

1. *Illuccix*® is Telix's intended brand name for TLX591-CDx and is not approved in any country.



Telix made outstanding progress this year with product commercialisation activity, regulatory processes for product approval and preparing for first product launch of the *Illuccix*® prostate cancer imaging product.

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of clinical and commercial activity in Japan and South Korea, notably with our partnership with Seoul-headquartered DuChemBio. Perhaps our most exciting new partnership of 2020 is the long-term clinical and commercial partnership with China Grand Pharma for the Greater China region, a partnership that we believe will continue to evolve in the coming years.

I would like to thank the entire global Telix team for their collaboration, integrity and passion – three of Telix's core values that served us particularly well during a difficult but also immensely rewarding year. We ended the year an operationally, financially and technologically stronger company than when we started, ready for an even bigger year in 2021. I would also like to thank Kevin McCann and the entire Board of Directors for their support, critical analysis and above all – care – during a tough year. The Board unwaveringly supported the decision to put people – employees and patients – first and the results are self-evident.

On behalf of the Company, we thank all shareholders for their support and look forward to the continuation of this exciting journey together.

Christian P. Behrenbruch PhD MBA JD
Chief Executive Officer and Managing Director

CLINICAL PIPELINE

In the five years since the Company was founded, Telix has built a comprehensive late-stage portfolio of MTR assets that are being developed for clinical indications in prostate, kidney, brain and hematologic (blood) cancers, as well as rare diseases.

Telix is an innovative therapeutics company with a mission to help patients with cancer live longer, better quality lives. Telix harnesses diagnostic imaging to personalise its therapeutic pipeline and to address important unmet medical needs, such as accurately staging patients with prostate and renal cancer. Such applications not only help increase physician familiarity with MTR, they also create early commercial and revenue opportunities for the Company.

Telix – Radiation. Delivered.

TELIX'S COMPREHENSIVE PORTFOLIO OF MTR PRODUCTS FOR ONCOLOGY AND RARE DISEASE APPLICATIONS

	Targeting Molecule	Target	Radioactive Isotope	Phase I	Phase II	Phase III	Commercial
Prostate	Small molecule	PSMA[1]	^{68}Ga	TLX591-CDx (^{68}Ga-PSMA-11, *Illuccix*®)			Imaging
	Antibody	PSMA	^{177}Lu	TLX591 (^{177}Lu–rosopatamab)			Therapy
	Antibody	PSMA	^{225}Ac	TLX592 (^{225}Ac–RADmAb®)			Therapy (2nd Gen)
	Small molecule	PSMA	^{99m}Tc	TLX599-CDx (^{99m}Tc-iPSMA)			Imaging/ Surgery
	Small molecule	PSMA	^{68}Ga	TLX591-Sx (^{68}Ga-PSMA-IRDye)			Imaging/ Surgery
Kidney	Antibody	CA9[2]	^{89}Zr	TLX250-CDx (^{89}Zr–girentuximab)			Imaging
	Antibody	CA9	^{177}Lu	TLX250 (^{177}Lu–girentuximab)			Therapy
Brain	Small molecule	LAT-1[3]	^{18}F	TLX101-CDx (^{18}F-FET)			Imaging
	Small molecule	LAT-1	^{131}I	TLX101(^{131}I-IPA)			Therapy
BMC/RD[4]	Antibody	CD66[5]	^{99m}Tc	TLX66-CDx (^{99m}Tc-besilesomab, Scintimun®[6])			Imaging
	Antibody	CD66	^{90}Y	TLX66 (^{90}Y-besilesomab)			Therapy

Shaded arrows indicate completion expectations in the next 12 months.

1. Prostate-specific membrane antigen.
2. Carbonic anhydrase 9.
3. Large amino acid transporter 1.
4. Bone marrow conditioning and rare diseases.
5. Cluster of differentiation 66.
6. Scintimun® is a registered trademark of Curium Pharma.

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PROSTATE CANCER

Prostate cancer is the second most common cancer in men,[1] with 1.4 million men diagnosed in 2020. While meaningful improvements in the treatment of prostate cancer have occurred in recent years, over 375,000 men still die from their disease each year.

Due to high rates of screening and early diagnosis most men receive local therapy, either prostatectomy or radiotherapy and may be cured of their disease. However, approximately 15% of men will ultimately develop advanced disease, thus there remains a significant medical need for effective new therapies.[2]

Telix's core prostate cancer portfolio comprises the prostate cancer imaging products *Illuccix*®[3] (TLX591-CDx, ^{68}Ga-PSMA-11) and TLX599-CDx (^{99m}Tc-PSMA-11), and the prostate cancer therapy product TLX591 (^{177}Lu-DOTA-rosopatamab). Each of these products targets PSMA, which is an important and well-validated drug target in prostate cancer.

Telix's flagship investigational product *Illuccix*® (pronounced: Ill-loo-six) for the imaging of prostate cancer is the most proximal to market product in the Company's portfolio. The *Illuccix*® product branding recognisably carries the historical 'kit' *Illumet*® trademark forward into a pharmaceutical brand that meets the stringent naming requirements of global regulators. During 2020, Telix achieved the major milestone of submitting its first regulatory applications for *Illuccix*®. In April 2020, Telix filed its first Marketing Authorisation Application (MAA) with the Danish Medicines Agency (DKMA) as a reference competent authority for fourteen EU member states, representing the key markets for the product.

This was followed by an NDA for *Illuccix*® that was submitted to the FDA in September 2020. In December 2020, the FDA determined that Telix's NDA submission was sufficiently complete to permit a substantive review.

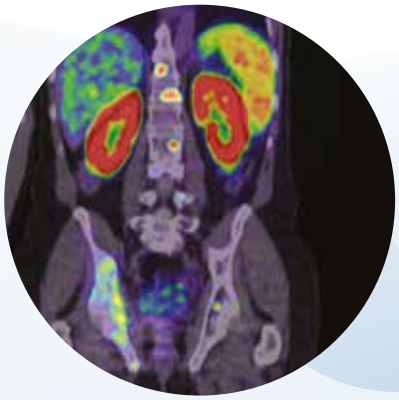
Also in December, Telix filed a New Drug Submission (NDS) for *Illuccix*® with Health Canada, and the Australian TGA granted priority review status for *Illuccix*®, thus granting a significantly accelerated timeframe for regulatory review and approval in Telix's home market.

Each of Telix's regulatory submissions for *Illuccix*® has made significant progress in 2020, with Telix anticipating marketing approvals to be granted during the second half of 2021, that would enable the commercial launch of *Illuccix*® to occur progressively in US, Europe, Australia and Canada.

During 2020, Telix also made significant progress towards the launch of its prostate cancer Phase III therapy program for TLX591. In November, the Company completed a second pre-Investigational New Drug Application (IND) meeting with the FDA, enabling Telix to finalise the design of its Phase III ProstACT study as an international, multicentre, randomised controlled trial (RCT) comparing best standard of care with and without TLX591, in patients with PSMA-expressing metastatic castration-resistant prostate cancer (mCRPC).

Based on the feedback received from the FDA, Telix intends to initiate the ProstACT study in Australia, and progressively add European and US sites to the study during the second half of 2021, subject to satisfying the necessary regulatory approvals.

- Prostate cancer is the second most common cancer in men, after skin cancer
- Worldwide, 1.4 million men were diagnosed with prostate cancer in 2020[1]
- More than 375,000 men died from prostate cancer globally in 2020[1]
- Biochemical recurrence (BCR) following curative local therapy such as prostatectomy or radiotherapy occurs in up to 70,000 men in the US annually
- Detecting early metastatic disease in this setting is vital
- Over 9,500 individual patient doses of TLX591-CDx delivered globally in 2020
- Rates of diagnosis are increasing and the highest levels of prostate cancer are found in US, Europe, and Australia and New Zealand
- Total addressable market value for *Illuccix*® in US and Europe estimated at US$900M
- Total addressable market value for TLX591 (therapy) in US and Europe estimated at US$4.5B



1. GLOBOCAN 2020.
2. Scher HI et al. Prevalence of Prostate Cancer Clinical States and Mortality in the United States: Estimates Using a Dynamic Progression Model. PLoS ONE 10(10), 2015.
3. *Illuccix*® is Telix's intended brand name for TLX591-CDx and is not approved in any country.

CLINICAL PIPELINE CONTINUED

KIDNEY CANCER

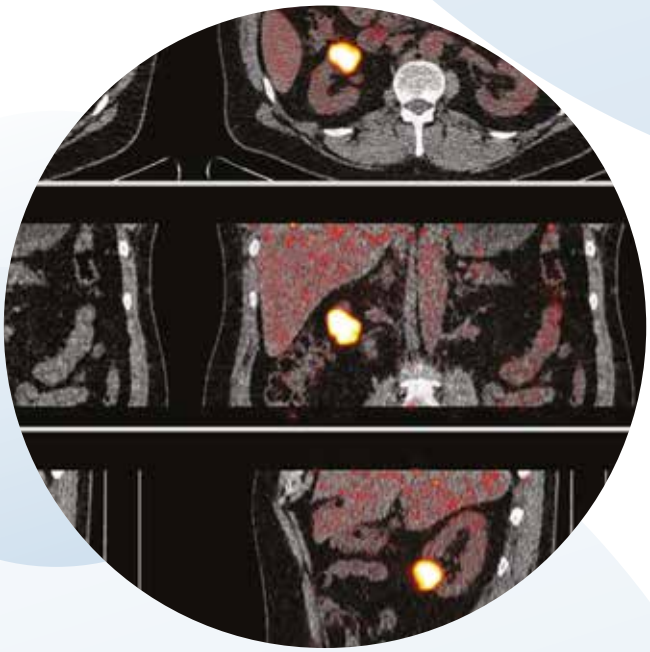
Each year, more than 400,000 people worldwide are diagnosed with kidney cancer and more than 175,000 people died from their disease.[1] While the introduction of immunotherapy agents has improved the outlook for patients with metastatic renal cell carcinoma, the most common type of kidney cancer, many patients do not adequately respond to immunotherapies, and most eventually progress. There remains a significant need for new therapeutic options for patients with advanced kidney cancer.

Telix's kidney cancer imaging product TLX250-CDx (^{89}Zr-DFO-girentuximab) and the kidney cancer therapeutic product TLX250 (^{177}Lu-girentuximab), represent the key assets in the Company's kidney cancer program. Each of these products targets carbonic anhydrase IX (CA9), a cancer target that is highly expressed by several tumour types including clear cell renal cell carcinoma (ccRCC).

During 2020, Telix made significant progress with the Company's international, multicentre Phase III ZIRCON trial, which is evaluating the sensitivity and specificity of pre-surgical imaging using TLX250-CDx in detecting ccRCC, compared to histology from the surgical resection in up to 252 patients. In January 2020, the FDA approved Telix's Phase III IND application, enabling the ZIRCON trial to recruit patients in the US, and in July the FDA granted Breakthrough Therapy (BT) designation for TLX250-CDx. Such a designation represents a significant outcome for Telix, as it grants the Company the opportunity to interact closely with the FDA, potentially expediting the regulatory approval process for TLX250-CDx in the US, once the ZIRCON trial is completed. Telix anticipates that with 36 sites participating in the ZIRCON trial across Europe, Australia, Turkey, Canada and US, study recruitment will complete in mid-2021, potentially enabling TLX250-CDx to be the first marketed diagnostic imaging agent intended for the non-invasive assessment of patients with suspected ccRCC.

Preparation for the launch of two Telix-supported STARLITE Phase II trials of TLX250 (therapy) in combination with immunotherapy for the treatment of patients with advanced ccRCC, was impacted in 2020 by the COVID-19 pandemic and the diversion of clinical research staff away from usual research activities. Telix expects the STARLITE I and STARLITE II trials, which are being conducted at MD Anderson Cancer Center (Houston, TX) and Memorial Sloan Kettering Cancer Center (New York, NY), respectively to have IND applications filed with the FDA during the first half of 2021, and to open for patient recruitment in mid-2021.

- Renal cell carcinoma is the most common form of kidney cancer
- Worldwide 430,000 people were diagnosed with kidney cancer in 2020[1]
- More than 175,000 people died from kidney cancer globally in 2020[1]
- TLX250-CDx has been granted Breakthrough Therapy designation by the US FDA
- Telix anticipates TLX250-CDx to be the first diagnostic imaging agent indicated for the non-invasive assessment of patients with suspected ccRCC
- No comparable product to TLX250-CDx is presently clinically available
- Phase III ZIRCON trial of TLX250-CDx includes 36 sites across Europe, Australia, Turkey, Canada and the US
- ZIRCON is expected to complete patient recruitment in mid-2021
- Total addressable market value for TLX250-CDx in US and Europe estimated at US$350M
- Total addressable market value for TLX250 in US and Europe estimated at US$3B



1. GLOBOCAN 2020.

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GLIOBLASTOMA (BRAIN CANCER)

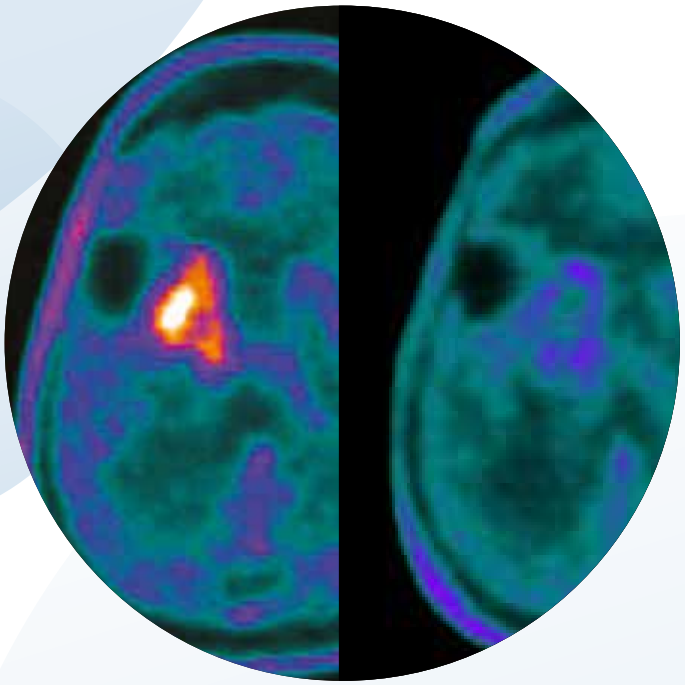
Glioblastoma, also known as glioblastoma multiforme (GBM), is the most aggressive form of primary brain cancer, with approximately 11,000 new cases diagnosed annually in the US.[1] The mainstay of treatment for GBM typically comprises surgical resection, followed by combined radiotherapy and chemotherapy. However, despite such treatment, most patients experience recurrence of their GBM, with an expected survival duration of approximately 15 months from diagnosis.[2]

Telix's therapeutic product TLX101 (^{131}I-IPA) targets LAT-1, a promising target in several cancer types, including glioblastoma. TLX101 is a novel approach that is readily able to pass through the blood-brain barrier, the normal protective barrier that prevents many potential drug candidates from entering the brain.

TLX101, which has been granted orphan drug designation in the US and Europe is presently under evaluation in the Phase I/II IPAX-1 trial. The study aims to evaluate the safety and effectiveness of TLX101 in combination with external beam radiation therapy (EBRT) in patients with recurrent glioblastoma, at five sites in Australia and Europe.[3] In December 2020, Telix reported initial data from the first (lowest) dose cohort in eight patients, demonstrating encouraging treatment responses, including reductions in tumour burden based on imaging and prolonged disease stabilisation.

These early data indicated evidence of an anti-tumour effect at relatively low doses, without toxicities that would prevent planned higher therapeutic doses. Based on this encouraging early data, Telix plans to accelerate the development of TLX101 in 2021 with the aim of determining the optimal dosing schedule to support consultation with regulatory authorities and pivotal clinical trial design.

- Glioblastoma is the most aggressive form of primary brain cancer
- Worldwide, more than 300,000 people were diagnosed with brain or central nervous system cancer in 2020, with GBM being the most common form of the disease[4]
- More than 250,000 people died from brain or central nervous system cancer globally in 2020[4]
- TLX101 is being developed for the treatment of recurrent glioblastoma in combination with conventional external beam radiation therapy
- Initial treatment with surgery, external beam radiation therapy and chemotherapy has limited success, with 5% 5-year survival
- Early data from Telix's IPAX-1 trial demonstrated encouraging tumour responses including prolonged disease stabilisation
- Total addressable market value for TLX101 in US and Europe estimated at US$1.5B



1. Ostrom QT et al. CBTRUS statistical report: Primary brain and central nervous system tumors diagnosed in the United States in 2006–2010. Neuro Oncol. 2013.
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3. ClinicalTrials.gov Identifier: NCT03849105.
4. GLOBOCAN 2020.

CLINICAL PIPELINE CONTINUED

FUTURE CLINICAL FRONTIERS

Through 2020, Telix continued to build on its existing pipeline of molecules and platform technologies and made significant progress towards its objective of category leadership in urologic oncology. This is accomplished through partnerships with other companies that have complementary technology, university and clinical partnerships and an active program of identifying intellectual property (IP) in-licensing opportunities.

Telix's first targeted alpha therapy (TAT) candidate ^{225}Ac-TLX592 employs an engineered variant of TLX591 based on a platform technology called RADmAb® that is optimally designed for the delivery of targeted alpha-emitting isotopes. TAT delivers high energy, short range radiation that penetrates only a few cells deep, potentially suited to patients with early-stage metastatic prostate cancer with small disease burden, or patients with late-stage prostate cancer following failure of ^{177}Lu-PSMA therapy. In November, Telix was granted CTN[1] clearance by the Australian TGA to commence the CUPID study, a first-in-human study of TLX592 in patients with advanced prostate cancer. The CUPID study uses imaging methods to evaluate biodistribution and dosing prior to commencing therapeutic studies, highlighting the power of the 'theranostic' approach to drug development.

Telix's prostate cancer imaging agent TLX599-CDx (^{99m}Tc-iPSMA), a 'sibling' asset to TLX591-CDx (^{68}Ga-PSMA-11) aims to enable patient access to the latest generation in prostate cancer imaging regardless of the patient's location in the world. While TLX591-CDx utilises PET[2] imaging, a diagnostic modality that is mostly confined to wealthy countries, TLX599-CDx employs SPECT[3] imaging, a ubiquitous imaging technology available in most of the rest of the world. Telix's international NOBLE registry, which is expected to open in early 2021, will enable patients with prostate cancer to access PSMA-SPECT imaging across eight developing markets, and will collect real-world clinical evidence supporting the use of TLX599-CDx in the major prostate cancer imaging indications.

To further expand Telix's leadership in urologic oncology imaging and surgical staging, Telix has completed a collaboration and intellectual property (IP) license agreement with the German Center for Cancer Research (DKFZ). The collaboration focuses on a unique technology intended for image-guided urologic cancer surgery. TLX591-Sx (^{68}Ga-PSMA-IRDye) is a dual-modality PET-optical imaging agent, enabling pre-operative PET imaging, as well as intra-operative fluorescent visual guidance to the prostate cancer surgeon. Together with Paris (France) based Mauna Kea Technologies, Telix has formed the Imaging and Robotics in Surgery (IRiS) Alliance to further develop TLX591-Sx and similar technologies under development by Telix for a variety of urologic oncology indications. The hope is that this technology direction will provide advanced capabilities for pre-operative planning, and intra-operative guidance and surgical margin assessment during surgery.

In December, Telix acquired Swiss-German biotechnology company TheraPharm GmbH, expanding the Company's pipeline to hematologic oncology, bone marrow transplantation and rare diseases. TLX66 (^{90}Y-besilesomab) targets CD66, a receptor expressed on specific types of immune/blood cells, and has been granted orphan drug designation (ODD) status in Europe for bone marrow conditioning (BMC) for hematopoietic stem cell transplantation (HSCT), a broad clinical indication. Prior Phase I and II clinical studies of TLX66 have demonstrated encouraging efficacy and safety data in multiple myeloma, pediatric leukemia and systemic amyloid light chain amyloidosis (SALA), a rare disease with a poor prognosis characterised by abnormal protein deposition in the organs of the body. The Phase I TRALA clinical trial of TLX66 in patients with SALA was recently completed, with final data readout imminent. The TheraPharm acquisition also adds Scintimun® imaging to the portfolio, an approved product in approximately 30 countries around the world, indicated for imaging bone infection. Through clinical collaboration with key opinion leaders, Telix sees an opportunity to significantly expand the utility of this 'companion imaging' agent to other oncology, inflammation and infection imaging applications.

1. Clinical Trial Notification.
2. Positron Emission Tomography.
3. Single Photon Emission Computed Tomography.

In 2020, Telix made significant progress towards its objective of category leadership in urologic oncology

Targeted alpha therapy is intended for early-stage metastatic prostate cancer, or late stage disease following ^{177}Lu-PSMA therapy. Telix has developed 'next generation' TAT agents to potentially target these indications

TLX599-CDx broadens patient access to PSMA prostate cancer imaging, so that 'nobody is left behind'. This reflects Telix's ambition to deliver products globally

Telix's dual-labelled PET-optical imaging agent TLX591-Sx aims to provide visual guidance to the prostate cancer surgeon and ultimately improve surgical outcomes. Surgical solutions will be a growing focus area for Telix's platform technology

SALA is an orphan disease indication with an annual incidence of approximately 12 per 1,000,000 population. Telix views rare disease indications as a potential acceleration strategy across the entire pipeline

Total addressable market value for TLX66 in US and Europe estimated at US$550M, with potential upside for TLX66-CDx (imaging). TLX66-CDx is currently approved and marketed as *Scintimun*® in approximately 30 countries

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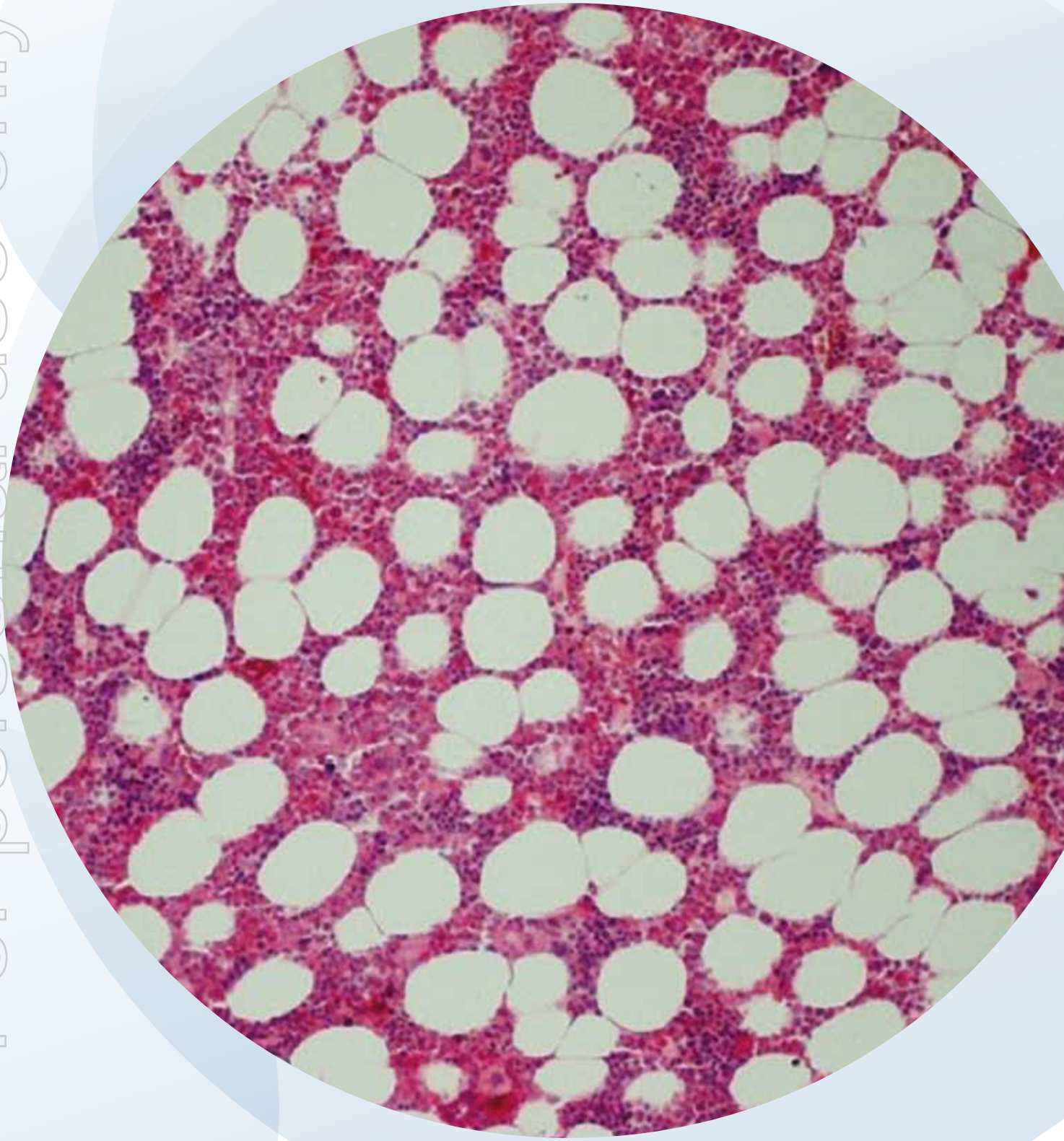

PEOPLE AND CULTURE

As Telix transitions to a commercial stage, revenue-generating company it is vitally important for the Company to continue to recruit and develop its outstanding team, and harness the strength of diversity and talent that is present worldwide.

During 2020, Telix appointed globally experienced leaders to its key medical, regulatory, quality and clinical functions, including Group Chief Medical Officer (US), Senior Vice President Global Regulatory Affairs (US), Global Director of Quality (Australia) and Global Director of Clinical Operations (Australia). Building the leadership and capability of these critical functional areas has significantly strengthened Telix's ability to effectively develop its product portfolio and efficiently bring these state-of-the-art diagnostic and therapeutic products to commercial realisation.

Transitioning to becoming a commercial stage organisation also requires experienced commercial and operational teams that are patient-centric in everything they do. With the objective of ensuring broad patient access to oncology and rare disease products that are available when required, Telix further built out its Sales & Marketing and Manufacturing & Supply Chain functions, adding highly experienced, senior people across North America, Europe and Australia. Telix's leadership recognises that as it becomes a commercial stage company, it will require different skills and ways of thinking, however the Company must make this transition without losing its innovative drug development approach.

"I joined Telix via the ANMI[1] acquisition, as we were growing from a small Belgian company to one with a worldwide footprint and global ambitions. It was a fantastic opportunity and a huge turning point to negotiate, yet Telix's story is in its infancy."

Caroline Defraiteur – Head of Manufacturing Operations, Europe

"What attracted me to Telix – and its team of two at the time – was its goal to transform the radiopharmaceutical sector and the lives of patients with cancer."

Jyoti Arora – Global Director of Manufacturing and Logistics Operations

"Great people make great companies, and this is so true about Telix. Helping patients to live longer, healthier lives gives purpose to my role and I am very keen to be part of the next growth phase at Telix."

Harry Marfatia – Director of Corporate Finance

"The drive and commitment of the Telix team to deliver on the promise of nuclear medicine to improve outcomes for patients with cancer was enviable as an outsider and is inspiring and vitalising as an insider."

Danielle Meyrick – Chief Medical Officer, Asia Pacific

"Helping to save lives and those in need drives my purpose. And the opportunity to grow my leadership skills as part of a smart, yet humble team, making history in oncology, is what gets me up each day."

Robyn Jackson – Regional Sales Director, West Coast, US

"Telix's mission to improve the quality of life of patients with cancer, its ambition, its values, and certainly the recognition that the company has for its employees, correspond exactly to what I need to feel in my element, inspiring me to give the best of myself every day."

Sebastian Clarenne – Head of Manufacturing and Supply Chain, Europe

1. ANMI is a wholly owned subsidiary of Telix Pharmaceuticals Limited.

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"It's exciting to be part of a disruptive landscape of changing oncology care, where molecularly target radiation meets precision medicine. And I get to do this amongst an incredibly talented, passionate, and caring team."

Executive Medical Director, US

"Working at Telix is a great pleasure and honour for me. The pioneer spirit, challenge, encouraging company climate, and mutual respect across the business are everyday sources of motivation."

Manabu Murakami – Vice President Program Management, Japan

"I have always loved innovation, and medical and scientific discovery, and with Telix I have the opportunity to contribute towards our collective ambition to be a patient-centric global leader in radiopharmaceuticals."

Eddie Yan – Director Greater China Partnerships

"Working for Telix is an exciting adventure, that combines the demonstrated value of late clinical-assets, with innovative R&D and taking on new challenges."

Françoise Bruyère – Head of Regulatory Affairs, Europe

"I joined Telix in 2017, three years after my 14-year-old daughter died of brain cancer, having learned about Telix as a carer and patient advocate. Being part of a team developing therapies for glioblastoma and other cancers helps me deliver on my promise to Erin: To make a difference in fighting brain cancer."

Amanda Griffin – Communications Manager

"As a recent starter at Telix, I am energised by the company's growth potential, and excited by the prospect of my role and team expanding to manufacture more new products for the company."

Dan Sardella – Senior API Manager, Canada

"The best part of my job is working for a company at the forefront in 'theranostic' solutions aimed at advancing care for cancer patients. I look forward to achieving our objectives, whilst also developing personally and professionally in my role with Telix."

Andrew Obot – Senior Manager Radiochemistry, US

"Since joining, I have been privileged to see Telix grow into a global company with an exceptionally talented and driven staff. I am excited to be part of a team that is working towards improving theranostic products for cancer patients."

Dhaksha Popat – Director of Finance

PARTNERSHIPS AND TRANSACTIONS

Telix recognises, that to deliver on its mission to help patients with cancer live longer, better quality lives, all the available therapeutic modalities addressing cancer need to be deployed, in the optimal combination and sequence, in the optimally selected patient. These modalities include the specialty domains of:

- Medical, surgical, radiation, interventional and immuno-oncology
- Nuclear medicine
- Cell and gene therapy
- Bone marrow transplantation and rare diseases

In 2020, the partnerships, collaborations and transactions Telix entered into were directed across each of these domains, with the objective of enabling diagnostic and therapeutic radiopharmaceuticals to facilitate, augment and synergise with these established approaches to cancer care.

Varian Medical Systems

Advanced prostate imaging

In September, Telix entered into a strategic collaboration with Palo Alto, California (US) based market leading cancer therapy company Varian Medical Systems, to evaluate the use of advanced prostate cancer imaging within Varian's radiation treatment planning platform. Telix's collaboration with Varian aims to utilise Telix's extensive PSMA PET imaging data, to potentially develop new image-guided treatment planning functions, automated analysis and artificial intelligence capabilities within Varian's radiation treatment planning platforms.

"Our collaboration with Telix is investigating the potential to incorporate rich diagnostic information into Varian's bioinformatics and radiation treatment planning platforms to generate highly personalised and targeted radiation therapy for men with prostate cancer. The additional diagnostic and cancer staging information provided by PSMA PET/CT imaging may offer important insights that impact clinical care decisions for prostate cancer patients."

Dr Corey Zankowski – Senior Vice President of Varian's Oncology Software Solutions

RefleXion Medical

Improved treatment for high-risk or recurrent urological cancers

During July, Telix entered into a strategic collaboration with RefleXion Medical, a Hayward, California (US) based radiation oncology company pioneering the development of biology-guided radiotherapy (BgRT) for the treatment of advanced cancers. The strategic collaboration will evaluate Telix's PET imaging tracers TLX591-CDx (^{68}Ga-PSMA-11) and TLX250-CDx (^{89}Zr-Girentuximab) to guide BgRT for the treatment of prostate and kidney cancers, respectively.

Telix's PET tracers, which are designed to target specific types of cancer may enable more accurate guidance of BgRT for prostate and kidney cancers, than currently available PET tracers. In the future, the collaboration with RefleXion may enable Telix to expand the indications for TLX591-CDx and TLX250-CDx for use in BgRT.

"The use of Telix's cancer-specific PET tracers may help guide biology-guided radiotherapy in patients with more advanced forms of prostate and kidney cancer. Combining these technologies could bring us a step closer to improving outcomes for patients with metastatic disease."

Dr Thorsten Melcher – Chief Business Officer, RefleXion Medical

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Mauna Kea Technologies

Imaging and Robotics in Surgery (IRiS) Alliance

In December Telix entered a scientific and clinical research alliance with Paris (France) based Mauna Kea Technologies, a leading medical device company pioneering the development of real-time intra-operative endomicroscopic visualisation of cancer tissue.

The objective of Telix's alliance with Mauna Kea, named the Imaging and Robotics in Surgery (IRiS) Alliance, is to combine Telix's dual-modality PET-optical imaging tracers with Mauna Kea's *Cellvizio*® confocal laser endomicroscopy (CLE) cellular imaging platform. Together, the IRiS Alliance partners aim to develop advanced capabilities for pre-operative planning, intra-operative guidance, surgical margin assessment and other surgical parameters, with initial applications in prostate and kidney cancer.

"By combining the strengths of Telix's molecular targeting with Mauna Kea's *Cellvizio*® real-time in vivo cellular imaging platform, we aim to bring dual-modality molecular imaging to the operating theatre for the first time. The IRiS Alliance aims to significantly transform how the urologic surgeon will evaluate, target, excise, and confirm surgical margins at the cellular level, further empowering surgeons to fight cancers and save lives."

Robert L. Gershon – Chief Executive Officer, Mauna Kea Technologies

China Grand Pharmaceutical and Healthcare Holdings Limited

Greater China market commercial partnership

In November, Telix entered into a long-term commercial partnership with Hong Kong listed (512.HK) China Grand Pharmaceutical and Healthcare Holdings Limited (China Grand Pharma), granting exclusive rights to Telix's current clinical stage diagnostic and therapeutic MTR product portfolio for Greater China. Central to Telix's objective of building a significant Asian commercial presence, the Telix-China Grand Pharma partnership represents over $400 million in value to Telix over the lifetime of the partnership.

Importantly, the transaction with China Grand Pharma provided Telix an immediate cash injection of $69.2 million from the up-front, non-refundable prepayment of $33.8 million for future regulatory and commercial milestones, and an equity investment of $35.4 million in Telix.

"We firmly believe in the potential of Telix's product portfolio to have a significant clinical impact in China. It is an honour for us to have the right to bring Telix's unique product range to our doctors and patients with major unmet medical needs. At the same time, our close clinical involvement will help bring strength to Telix's product development and reach. We are very excited about this long-term partnership."

Frank Zhou – Executive Deputy Officer, China Grand Pharmaceutical and Healthcare Holdings

TheraPharm acquisition

Hematologic cancers and rare diseases

In December, Telix acquired Baar (Switzerland) based biotechnology company TheraPharm for $32.7 million (€20.2 million) comprising upfront, and future earn-out and royalty payments. Through acquiring TheraPharm, Telix has extended its MTR pipeline into hematologic (blood) cancer, transplant medicine, and several under-served rare diseases including amyloidosis, also known as SALA. While Telix gained access to the diagnostic product *Scintimun*® (^{99m}Tc-besilesomab) which is approved in Europe for the indication of locating suspected bone infection (osteomyelitis), Telix also gained access to the clinical-stage therapeutic product ^{90}Y-besilesomab, which targets CD66 expressed on white blood cells. ^{90}Y-besilesomab has been granted orphan drug designation status in Europe for the broad indication of Bone Marrow Conditioning (BMC) for Hematopoietic Stem Cell Transplantation (HSCT), providing significant potential for the fast-track development of ^{90}Y-besilesomab for the treatment of SALA.

"Over the past five years, TheraPharm, in collaboration with Dr. Kim Orchard from the University of Southampton (UK), has made excellent progress developing ^{90}Y-besilesomab for the treatment of hematologic cancers and several related conditions including multiple myeloma, leukemia and amyloidosis. This unique asset is a logical addition to Telix's portfolio, offering a potentially rapid development path to a commercial product for the treatment of patients with SALA."

Klaus Bosslet – Co-founder and Managing Director, TheraPharm

LEADERSHIP TEAM

Chief Executive Officer and Managing Director

Christian Behrenbruch BEng (Hons) DPhil (Oxon) MBA (TRIUM) JD (Melb) FIEAust

Dr Behrenbruch has over 20 years of healthcare entrepreneurship and executive leadership experience. He has previously served in a CEO or Executive Director capacity at Mirada Solutions, CTI Molecular Imaging (now Siemens Healthcare), Fibron Technologies and ImaginAb, Inc. He is a former Director of Momentum Biosciences LLC, Siemens Molecular Imaging Ltd, Radius Health Ltd (now Adaptix), Amplia Therapeutics Limited (ASX: ATX) and was the former Chairman of Cell Therapies Pty Ltd (a private-public partnership with the Peter MacCallum Cancer Centre). Christian is currently a Director of Factor Therapeutics (ASX: FTT). Christian holds a DPhil (PhD) in biomedical engineering from the University of Oxford, an executive MBA jointly awarded from New York University, HEC Paris and the London School of Economics (TRIUM Program) and a Juris Doctor (Law) from the University of Melbourne. He is a Fellow of Engineers Australia in the management and biomedical colleges and a Graduate of the Australian Institute of Company Directors.

Group Chief Financial Officer

Douglas Cubbin BBus FCPA GAICD

Mr Cubbin has 15 years' experience in CFO, COO, commercial and business development roles in the Nuclear Medicine sector, including as Chairman of Australian Nuclear Medicine Pty Ltd and as General Manager of Business Development at the Australian Nuclear Science and Technology Organisation (ANSTO). Doug is a fellow of the Australian Society of CPAs and a Graduate of the Australian Institute of Company Directors.

Group Chief Operating Officer

Gabriel Liberatore BSc (Hons) PhD (Melb) MBA (La Trobe) MAICD

Dr Liberatore has over 20 years' experience in pharmaceutical and biotech development and operational management functions. Underpinned with science qualifications and a solid background in research and development, Gabriel has held senior business development, consultancy, research & development and operational roles with CSL Limited (ASX: CSL), Deloitte (Australia), Swisse Wellness (112.HK) and the PACT Group (ASX: PGH). Gabriel holds a PhD in Neuroscience from the University of Melbourne, a post-doctorate from Columbia University and an MBA (Corporate Strategy) from La Trobe University. Gabriel is an Advisory Board member at Swinburne University and is a Member of the Australian Institute of Company Directors.

Chief Governance and Risk Officer, Group Company Secretary

Melanie Farris BComn FGIA FCG GAICD

Ms Farris is an experienced governance and corporate operations professional and non-executive director with over 13 years' experience in listed life sciences companies, as well as extensive experience in the planning, management and delivery of strategic corporate activities including IPO, M&A due diligence and integration. Melanie's prior roles include with Factor Therapeutics Limited (ASX: FTT), Invion Limited (ASX: IVX), Menzies Research Centre, HRH The Prince of Wales's Office, Global Asset Management, Imperial Cancer Research Fund, and The Prince's Foundation. Melanie holds a Bachelor of Communication (Public Relations), and a Graduate Diploma in Applied Corporate Governance. She is a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Governance Institute (UK) and a Graduate of the Australian Institute of Company Directors.

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Chief Business Officer & Head of Investor Relations

Dr David Cade MBBS MBA GAICD

Dr Cade has over 20 years' experience as an industry physician spanning the fields of novel biotechnology, pharmaceuticals and medical devices. Prior to joining Telix, David held senior executive roles at Cochlear Limited (ASX: COH), where he served as Chief Medical Officer, and at Sirtex Medical Limited (ASX: SRX), where he served as Chief Medical Officer and in other senior roles across the US, Europe and Australia, gaining deep experience in the Oncology, Interventional Radiology and Nuclear Medicine therapeutic areas. Earlier in his career David trained in surgery at Monash Medical Centre in Melbourne and worked at management consultancy, Booz & Company across the Asia Pacific. David holds an MBBS from Monash Medical School, an MBA from Melbourne Business School and ESADE Business and Law School Barcelona, and is a Graduate of the Australian Institute of Company Directors.

Chief Medical Officer

Dr Colin Hayward MBBS FFPM

Dr Hayward has over 20 years' of global pharmaceutical, biotechnology and drug development experience and leads Telix's medical affairs, regulatory, clinical operations and pharmaco-vigilance activities on a global basis. Prior to joining Telix, Colin was the Chief Medical Officer of Premier Research (North Carolina, US), a leading global Contract Research Organisation (CRO) specialising in the biopharmaceutical and specialty pharmaceutical areas of clinical research. Colin has held a series of senior medical, executive and board-level roles with F. Hoffmann-La Roche, Myriad Genetics, Prism Ideas Ltd and Symprove Ltd. Earlier in his career, Colin worked in the UK National Health Service with a clinical focus in intensive care and anaesthesia. Colin holds a Medical degree from the University of London and is a Fellow of the Faculty of Pharmaceutical Medicine (UK).

SVP Global Clinical Operations

Tracey Brown PhD

Dr Brown joined Telix in February 2020 as the Global Director of Clinical Operations. Over the last 25 years Tracey has founded and acted as the Chief Scientific Officer or Chief Development Officer in several global biotechnology companies (Meditech, Alchemia and Anatara Lifesciences) and worked with European and USA biotechnology companies to lead product development, taking products from conception through to registration. Through this process, Tracey has developed broad-ranging experience in the manufacture of chemical and biological therapeutics, development and implementation of preclinical and clinical development plans, regulatory affairs via interaction with international regulatory agencies and management of clinical trials (Phase I-III). Tracey obtained her PhD in Biochemistry and Molecular Biology from Monash University and is a Graduate of the Australian Institute of Company Directors.

SVP Global Regulatory Affairs

Sunil Kadam PhD

Dr Kadam is a regulatory professional and a drug developer with over 34 years of Pharmaceutical Industry experience in discovery, translational medicine and regulatory affairs. He joined Telix in June 2020. Sunil has previously worked with Abbott, Eli Lilly, Quintiles/IQVIA and Shire/Takeda in the areas of early and late-stage pipeline development for drugs, devices, and diagnostics. Sunil has global regulatory submission and team leading experience including in US, Europe, Japan, Canada and China. He has led teams at advisory committee and secured FDA drug approval. Sunil obtained his Master's and Ph.D graduate degrees in Fermentation Technology and Enzymology from University College, Dublin, Ireland and his undergraduate degree in Microbiology from Bombay University. He trained as a post-doctoral fellow in Microbial Genetics at the University of Calgary, Canada and in Biotechnology and Molecular Engineering at the Massachusetts Institute of Technology before joining Industry.

Global Director of People & Culture

Margaret Haarhoff BA (Hons) Psych MCIPD FCPHR

Ms Haarhoff is an experienced Human Resources professional, having extensive experience in multinational organisations within pharmaceuticals, banking and education sectors across the UK and Australia / NZ. Before joining Telix Margaret had worked with GlaxoSmithKline and the Royal Bank of Scotland. Margaret holds a Bachelor of Arts Psychology (Hons) from the University of Pretoria, South Africa and a Graduate Diploma with the Chartered Institute of Personnel Development (CIPD) in the UK. She is a chartered member with CIPD and a Graduate of the Australian Human Resources Institute.

LEADERSHIP TEAM CONTINUED

Global Director of Quality
Michael Larcom BAS (Ap Chem)

Mr Larcom has over 25 years' experience in pharmaceutical, medical device and biotechnology companies, he has a strong experience set to draw from in quality management, technical project management and managerial roles in companies ranging from startups to global innovators. He has had the privilege to lead and manage teams as a senior manager / director, where these teams have achieved success for their organisations. As the Asia Pacific Director of Quality for Cook Medical Mr Larcom gained a wealth of experience managing and auditing suppliers in Asia, in particular China, Europe, and the US. As a founding member of the Arrow Pharmaceuticals technical team Mr Larcom was instrumental in taking the initial idea and help build a successful and profitable pharmaceutical company. Michael has a Bachelor of Applied Science, Chemistry from the Queensland University of Technology.

General Counsel
Jonathan Barlow BSc LLB (Hons) PGDipMgt GAICD

Mr Barlow has over 20 years' experience working with major pharmaceutical, biotech and technology-driven organisations, both in Australia and overseas. Jonathan practised in commercial and intellectual property law at Allens, a leading international law firm, before joining the pharmaceuticals division of Mayne Group Limited (later Hospira Inc.) where he served as Legal Director – Asia Pacific. Jonathan then founded Kinetic Venture Advisory in 2014, a boutique legal practice focussed on supporting the commercialisation of new technologies across the life sciences and technology sectors. Jonathan is a Graduate of Melbourne Business School, the Australian Institute of Company Directors and the Asialink Leaders Program.

President, Telix US
Bernard Lambert PhD

Dr Lambert has a long career in the Nuclear Medicine sector in manufacturing and radiopharmaceuticals drug development in Europe and the US. Bernard has served as Vice President, CMC and Radiopharmaceutical Development at Zevacor and IBA Molecular, and led the manufacturing of ^{124}I-Girentuximab (the predecessor to Telix's TLX250 product) that was studied in the Phase III REDECT trial by German company, Wilex AG. A radiochemist by training, Bernard has a PhD in Chemistry from the University of Liège, Belgium.

President, Telix Japan
Shintaro Nishimura PhD BSc (Keio)

Dr Nishimura is a highly experienced drug development and commercialisation professional, with many years' experience gained in the pharmaceutical industry. Shintaro has held senior positions at Eli Lilly, ImaginAb and Astellas, as well as academic appointments at Kyoto Prefectural University of Medicine, University of Tsukuba, Tohoku University, and Gifu University. Shintaro received his doctorate in organic chemistry from Keio University, Japan and was a post-doctoral researcher at the University of Michigan Medical School, US.

President, Telix Europe
Ludovic Wouters IE

Mr Wouters has 20 years' experience in the Nuclear Medicine industry covering R&D, production, medical devices and regulatory. Ludo is a former lead designer for GE Healthcare for both medical devices and in a pharmaceutical environment. Ludo has held various management positions in other medical device companies and he co-founded ANMI in 2015 (subsequently acquired by Telix in 2018), where he served as Managing Director and CEO.

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DIRECTORS' REPORT

Your Directors present their report on the Telix Pharmaceuticals Group for the financial year ended 31 December 2020. The Telix Pharmaceuticals Group ('Group') consists of Telix Pharmaceuticals Limited ('Telix' or the 'Company') and its wholly owned subsidiaries.

The names and details of the Company's Directors in office during the financial year and until the date of this report are detailed below. Directors were in office for the entire period unless noted otherwise.

H Kevin McCann AO	Chairman
Christian Behrenbruch PhD	Managing Director and Chief Executive Officer
Oliver Buck	Non-Executive Director
Andreas Kluge MD PhD	Non-Executive Director
Mark Nelson PhD	Non-Executive Director
Jann Skinner	Non-Executive Director

H Kevin McCann
AO BA LLB (Hons) (Sydney) LLM (Harvard) Life Fellow AICD

Appointed Non-Executive Director and Chairman, 17 September 2017

Mr McCann is Chairman of China Matters. He is a member of Champions of Change, a Pro-Chancellor of the University of Sydney, a Trustee of the Sydney Opera House Trust and a Director of E&P Financial Services Group. Previously, Kevin has been Chairman of Macquarie Group and Macquarie Bank Limited, Chairman of Origin Energy Limited, Healthscope Limited and ING Management Limited. Kevin practiced as a commercial lawyer as a partner of Allens Arthur Robinson from 1970 to 2004 and was Chairman of Partners from 1995 to 2004. Kevin has a Bachelor of Arts and a Bachelor of Law (Honours) from Sydney University and a Master of Law from Harvard University. Kevin was made an Officer of the Order of Australia for services to business, corporate governance and gender equality in January 2020. He is a Life Fellow of the Australian Institute of Company Directors.

Christian Behrenbruch
BEng (Hons) DPhil (Oxon) MBA (TRIUM) JD (Melb) FIEAust

Appointed Executive Director, 3 January 2017

Dr Behrenbruch has over twenty years of healthcare entrepreneurship and executive leadership experience. He has previously served in a CEO or Executive Director capacity at Mirada Solutions, CTI Molecular Imaging (now Siemens Healthcare), Fibron Technologies and ImaginAb, Inc. He is a former Director of Momentum Biosciences LLC, Siemens Molecular Imaging Ltd, Radius Health Ltd (now Adaptix) and was the former Chairman of Cell Therapies Pty Ltd (a partnership with the Peter MacCallum Cancer Centre). Christian is currently a Director of Factor Therapeutics (ASX: FTT) and was previously a Director of Amplia Therapeutics Limited (ASX: ATX). Christian holds a DPhil (PhD) in biomedical engineering from the University of Oxford, an executive MBA jointly awarded from New York University, HEC Paris and the London School of Economics (TRIUM Program) and a Juris Doctor (Law) from the University of Melbourne. He is a Fellow of Engineers Australia in the management and biomedical colleges and a Graduate of the Australian Institute of Company Directors.

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Oliver Buck
Dipl Phys Theoretical Biophysics (Technical University of Munich)

Appointed Non-Executive Director, 16 January 2017

Mr Buck is a bio-physicist who has spent his professional career in a variety of entrepreneurial and management positions in industrial companies. Oliver has served as founder and Managing Director of several companies in the fields of manufacturing, technology, demilitarisation, pharmaceuticals and information technologies. Oliver is the co-founder of ITM Isotopen Technologien München AG, one of the largest isotope manufacturing and distribution companies in the world, founded with Technical University of Munich. Since 2012, Oliver has acted as senior advisor to the CEO in a role that continues to support the ITM group as it has become a leader in next generation medical isotopes and theranostics. Oliver holds a graduate degree in theoretical physics from the Technical University of Munich and is an alumnus of the German National Academy for Security Policy and the 'Young Leaders Program' of the Atlantik Brücke/American Council on Germany.

Andreas Kluge
MD PhD (Berlin)

Appointed Executive Director, 3 January 2017. Transitioned to Non-Executive Director, 2 June 2020

Dr Kluge has over 20 years of clinical research and development experience, including as Founder, General Manager and Medical Director for ABX-CRO, a full service CRO for Phase I-III biological, radiopharmaceutical and anticancer trials based in Dresden, Germany. He is also Founder and was founding CEO of ABX GmbH (www.abx.de), one of the leading manufacturers of radiopharmaceutical precursors globally. Andreas is further Founder, General Manager and Medical Director for Therapeia, an early stage development company in the field of neuro-oncology, which was acquired by Telix. Andreas has extensive experience in the practice of Nuclear Medicine and radiochemistry, molecular imaging and the clinical development of novel radionuclide-based products and devices. He is the author of numerous patents and publications in the field of Nuclear Medicine, neurology, infection and immunology. Andreas is a registered physician and holds a doctorate in Medicine from the Free University of Berlin.

Mark Nelson
BSc (Hons) (Melb) MPhil (Cantab) PhD (Melb)

Appointed Non-Executive Director, 17 September 2017

Dr Nelson is Chairman and Co-Founder of the Caledonia Investments Group, and a Director of The Caledonia Foundation. He is Chairman of Art Exhibitions Australia, a Director of Kaldor Public Art Projects, Director of The Mindgardens Neuroscience Network, and serves as a Governor of the Florey Neurosciences Institute. Previously Mark was a Director of The Howard Florey Institute of Experimental Physiology and Medicine, and served on the Commercialisation Committee of the Florey Institute. Mark was educated at the University of Melbourne and University of Cambridge (UK).

Ms Jann Skinner
BCom (UNSW) FCA FAICD

Appointed Non-Executive Director, 19 June 2018

Ms Skinner has extensive experience in audit and accounting and in the insurance industry. She was a partner of PricewaterhouseCoopers for 17 years before retiring in 2004. Jann is an independent non-executive director of QBE Insurance Group Limited, where she also serves as Chair of the Audit Committee and Deputy Chair of the Risk & Capital Committee. She also serves as a Director of the Create Foundation Limited and HSBC Bank Australia Limited. Jann is a Fellow of both Chartered Accountants Australia & New Zealand and the Australian Institute of Company Directors.

DIRECTORS' REPORT CONTINUED

DIRECTORS' INTERESTS IN THE SECURITIES OF TELIX PHARMACEUTICALS LIMITED

In accordance with section 300(11) of the *Corporations Act 2001* (Cth), the interests of the Directors in the shares and options of Telix Pharmaceuticals Limited, as at the date of this report were:

Number of:	Ordinary shares	Options
K McCann	160,000	990,000
C Behrenbruch	24,675,000	600,000
O Buck	1,552,500	–
A Kluge	24,675,000	–
M Nelson	2,638,750	990,000
J Skinner	100,000	495,000

DIRECTORS' MEETINGS

The number of meetings of Directors and committees of Directors held in the year to 31 December 2020, and the number of meetings attended by each Director, is as follows:

	Board of Directors		Audit and Risk Committee		Nomination and Remuneration Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
K McCann	8	8	6	6	2	2
C Behrenbruch[(i)]	8	8	–	–	–	–
O Buck	8	8	6	6	2	2
A Kluge	8	7	–	–	–	–
M Nelson	8	8	6	6	2	2
J Skinner	8	8	6	6	2	2

(i) C Behrenbruch attended all Committee Meetings as an observer by invitation.

	Special purpose Sub Committees of the Board	
	Eligible to attend	Meetings attended
K McCann	3	3
C Behrenbruch	3	3
O Buck	–	–
A Kluge	–	–
M Nelson	3	3
J Skinner	3	3

In addition to standing Committees of the Board, in the year ended 31 December 2020 the Board convened two special purpose Sub Committees – one with respect to final authorisation of the Annual Report for the year ended 31 December 2019; and one to consider and address matters relating to COVID-19 and business continuity planning. The Sub Committees were convened once and twice, respectively.

COMMITTEE MEMBERSHIP

At the date of this report the Company has the following standing Committees of the Board in place:

- Audit and Risk Committee, the members of which are independent Non-Executive Directors Ms Jann Skinner (Chair), Mr Kevin McCann and Dr Mark Nelson, as well as non-independent Non-Executive Director, Mr Oliver Buck.
- Nomination and Remuneration Committee, the members of which are independent Non-Executive Directors Mr Kevin McCann (Chair), Dr Mark Nelson and Ms Jann Skinner, as well as non-independent Non-Executive Director, Mr Oliver Buck.
- Disclosure Committee. The Board has appointed the Disclosure Committee to assist it to discharge its responsibility for compliance with the Company's continuous disclosure obligations. The Disclosure Committee is constituted by the Chairperson of the Board, CEO and the Company Secretary. The Chairperson of the Audit and Risk Committee is included as a member of the Disclosure Committee for financial related disclosures.

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PRINCIPAL ACTIVITIES OF THE COMPANY IN THE YEAR UNDER REVIEW

Telix Pharmaceuticals Limited is a late-stage radiopharmaceutical company focused on the development of diagnostic and therapeutic products using Molecularly Targeted Radiation (MTR). Telix is headquartered in Melbourne, Australia with international operations in Belgium, Japan and the US. Telix is developing a portfolio of clinical-stage products that address significant unmet medical need in oncology and rare diseases. Telix was established on 3 January 2017 and listed on the Australian Securities Exchange on 15 November 2017.

Activities during the year were principally directed to securing strategic commercial global partnerships, establishing Telix as a globally recognised oncology and rare diseases company, and the continued development and commercialisation of the Group's three lead assets:

- TLX250/TLX250-CDx: diagnosis and treatment of renal (kidney) cancer
- TLX591/TLX591-CDx: diagnosis and treatment of metastatic castrate-resistant prostate cancer
- TLX101: treatment of glioblastoma (brain cancer)

In addition, on 14 December 2020 upon completion of the acquisition of TheraPharm GmbH, Telix acquired a radiolabelled monoclonal antibody asset that targets CD66, a receptor expressed on specific types of immune/blood cells. Telix intends to develop this asset for therapeutic and diagnostic applications in hematologic oncology, bone marrow transplantation and rare diseases.

CORPORATE STRUCTURE

Telix Pharmaceuticals Limited is an entity incorporated and domiciled in Australia. Telix Pharmaceuticals Limited is listed on the Australian Securities Exchange with the code TLX (ASX: TLX). Telix operates globally in a number of jurisdictions through wholly owned subsidiaries. Subsidiaries of Telix have been established or acquired in order to optimally manage the Company's extensive intellectual property portfolio and to facilitate clinical, operational and commercial activities in the key territories in which the Company does business.

FINANCIAL RESULTS AND DIVIDENDS

Telix is a revenue-stage company, through the early commercialisation and sale of its investigational product *illumet*® (prostate cancer imaging kit). Revenue from the sale of *illumet*® of $3,278,000, and $1,935,000 of revenue associated with the China Grand Pharma transaction was recorded for the year. With three lead assets under clinical and regulatory development, Telix recorded an operating loss for the year.

The loss after tax of the Group for the year ended 31 December 2020 was $44,887,000 (2019: $27,867,000). Total equity recorded at 31 December 2020 was $79,016,000 (2019: $70,081,000). At 31 December 2020, the Group held total assets of $157,821,000 (2019: $102,608,000) and net assets of $79,016,000 (2019: $70,081,000). No dividend was recommended or paid during the year. There was no return of capital by the Company to any of its shareholders during the year.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Issue of unlisted share options: on 13 January 2020, the Company agreed to issue 3,755,000 unlisted share option**s** with an exercise price of $2.23 and an expiry date of 12 January 2024. The options were issued to staff and consultants to the Company. Of those options, 200,000 were issued to MD & CEO C Behrenbruch subject to shareholder approval, which was received at the Company's AGM held on 14 May 2020.

On 1 July 2020, the Company issued 1,350,000 unlisted share options with an exercise price of $1.83 and an expiry date of 30 June 2024. The options were issued to new employees of the Company.

On 13 October 2020, the Company issued 425,000 unlisted rights to acquire fully paid ordinary TLX shares. TLX shares to be allocated following vesting of Rights are currently on issue and held in the Telix Employee Share Trust. Rights were issued in line with the Company's Equity Incentive Plan and long-term incentive policy for key employees. Each right was issued for nil consideration and has a nil exercise price. Subject to performance and other conditions being met, Rights will vest and become exercisable on or before 24 September 2021. Rights lapse on 24 September 2021.

Issue of fully paid ordinary shares: on 5 November 2020, 20,947,181 fully paid ordinary shares were issued further to the strategic licence and commercial transaction with China Grand Pharmaceutical and Healthcare Holdings Limited as announced to the market on 2 November 2020. Shares were issued at $1.69 per share based on the 10-day volume-weighted average price for Telix shares up to and including the last trading day before the transaction was executed.

On 14 December 2020, Telix acquired all of the issued capital of TheraPharm GmbH for an upfront consideration of $16,653,000 (EUR 10,200,000) comprising 4,312,151 fully paid ordinary Telix shares, issued at a price of $3.75 per share and $322,000 cash consideration.

During the year 2,409,265 options on issue were exercised resulting in the issue of 1,865,991 new fully paid ordinary shares. 408,400 options lapsed, unexercised, in accordance with their terms of issue.

The total issued securities of the Company are as follows:

	At 31 December 2020	At the date of this report
Ordinary shares	280,405,322	280,405,322
Share options and warrants	21,007,423	23,234,279

DIRECTORS' REPORT CONTINUED

REVIEW OF OPERATIONS

During 2020, Telix made substantial progress on its mission to help patients with cancer live longer, better quality lives, and towards achieving the Company's vision of becoming a global leader in the delivery of disruptive precision oncology products. This progress occurred across all facets of Telix's business, during a year in which the COVID-19 global pandemic affected human health to an extent not seen for decades, and wreaked operational havoc across numerous industry sectors.

Very significantly for a pre-commercial stage pharmaceutical company, during 2020, Telix filed its inaugural regulatory applications for its first MTR product *Illuccix*® (Kit for the preparation of ^{68}Ga-PSMA-11) for the imaging of prostate cancer. Firstly, Telix filed a Marketing Authorisation Application (MAA) with the Danish Medicines Agency (DKMA) for Denmark and a basket of 13 other European member states (14 in total) in April. This European submission was subsequently followed by a New Drug Application (NDA) that was made to the United States Food & Drug Administration (FDA) in September. Each of these regulatory submissions has made significant progress during 2020, with the expectation that European and US marketing authorisations will be granted for *Illuccix*® during 2021, ahead of commercial launch of this highly anticipated, next-generation prostate cancer imaging product.

Telix's second MTR product, the renal cancer imaging agent TLX250-CDx (^{89}Zr-girentuximab) also achieved significant clinical and regulatory progress towards its commercialisation during the year. In January, the US FDA approved Telix's Phase III Investigational New Drug (IND) application, enabling the recruitment of patients into Telix's international, multi-centre Phase III 'ZIRCON' trial in the US. This milestone was followed by the FDA granting TLX250-CDx Breakthrough Therapy (BT) designation in July. BT designation is an important accomplishment for the Company, as it grants Telix the opportunity to interact closely with the FDA, potentially expediting the regulatory approval process for TLX250-CDx in the US, following completion of the ZIRCON study.

Manufacturing and supplying diagnostic and therapeutic radiopharmaceutical products to patients at commercial scale requires considerable manufacturing, supply chain and distribution expertise. In April, Telix entered into a definitive commercial distribution agreement with Columbus, Ohio (US) based Cardinal Health (NYSE: CAH) to provide radio-pharmacy and logistics services to support the commercial distribution of *Illuccix*®, utilising Cardinal Health's nationwide US network of over 130 nuclear pharmacies. Under the terms of this agreement, Cardinal Health will prepare and deliver patient-specific unit-doses of *Illuccix*® for the US market, following the granting of US marketing authorisation from the FDA. With the aim of ensuring equitable access to advanced prostate cancer imaging, Telix entered into a further commercial distribution agreement in May with Boca Raton, Florida (US) based Pharmalogic Holdings Corp. to provide nuclear pharmacy and logistics services to further support the commercial distribution of *Illuccix*®. Pharmalogic will prepare and deliver patient-specific unit-doses of *Illuccix*® through its network of 27 nuclear pharmacies, predominantly in regional and rural areas in the US.

In Europe, Telix completed the acquisition of a licensed radiopharmaceutical production facility in Seneffe, Belgium from German company Eckert & Ziegler Strahlen und Medizintechnik AG (EZAG) in April. Telix's Seneffe facility has one of the broadest private sector medical isotope licences in Europe which delivers significant operational flexibility to Telix. This vertically integrated approach to radioisotope and finished radiopharmaceutical production has the ability to meet the Company's commercial production needs for its entire product portfolio in Europe, both increasing Telix's independence and reducing Telix's exposure to interruptions in radioisotope supply. Completion of the acquisition of this facility required approval from Belgium's Federal Agency for Nuclear Control (FANC) for the transfer of the site's active radiation licence to Telix, as well as an amendment of the radiation licence to enable R&D and production activities to commence using the isotopes required for Telix's product portfolio.

To develop a global leadership position in the radiopharmaceuticals market, Telix's Management believes that a robust commercial plan for Greater China – which includes mainland China, Hong Kong SAR, Macau SAR and Taiwan – and the broader Asian geographic region is necessary. In November, Telix entered into a long- term strategic commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Limited (CGP) (HKSE: 512.HK) for Telix's portfolio of diagnostic and therapeutic MTR products. The partnership, which represents more than $400 million in value to Telix based on the achievement of regulatory and commercial milestones, delivered an immediate cash injection of $68.91 million and secured an excellent China partner for Telix, with an established track record in oncology product development, including the development of therapeutic radioactive products.

Telix also took steps to expand its innovative diagnostic and therapeutic solutions pipeline through the acquisition of TheraPharm GmbH (TheraPharm) which provides Telix with access to a portfolio of patents, technologies, production systems, clinical data and know-how in relation to the use of MTR in hematology and immunology. Telix acquired antibody MTR technology against CD66, a cell surface target highly expressed by neutrophils and tumor-infiltrating lymphocytes. Telix believes the technology has potentially very broad applications in the diagnosis and treatment of hematologic diseases (e.g. blood cancers), infection management and a variety of lymphoproliferative diseases.

During 2020, Telix made numerous key appointments to its senior leadership as well as in key functional areas including Sales & Marketing, Medical Affairs, Quality & Regulatory, Information Technology and Manufacturing and Supply Chain. Combined with the successful implementation of new Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) tools during the year, Telix has ensured it possesses both the experienced talent as well as the executional capacity and capability to enable successful transition to commercialisation during 2021.

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FORWARD STRATEGY AND OPERATIONAL TARGETS

Telix's corporate objectives for 2021 are underpinned by three key themes:

1. Being patient-centric in everything we do
2. Becoming a revenue generating company
3. Building a sustainable team

The Company's forward corporate objectives are intended to build on the foundational work of 2020 and ensure Telix's successful transition from a pre-commercial stage pharmaceutical company to commercialisation during the 2021 financial year.

Transition to commercial revenue

In 2021, Telix expects to become a financially sustainable, revenue generating company based on the successful launch of its first product, *Illuccix*® (Kit for the preparation of ^{68}Ga-PSMA-11) for the imaging of prostate cancer. To achieve this pivotal outcome, Telix expects to obtain the required regulatory approvals in key territories, comprising US, Europe and Australia. Successful commercial launch of *Illuccix*® will also require the further build-out of Telix's commercial teams and infrastructure in each key market and the effective operationalisation of the Company's commercial distribution partnerships, including system integration and robust forecasting capabilities. Telix is in a strong position to realise the clinical and commercial potential from its first product, given PSMA-based imaging of prostate cancer has rapidly emerged as the new standard of clinical care, and is already included in the clinical practice guidelines of both the American Society of Clinical Oncology (ASCO) and the European Association of Urology (EAU).

Second commercial product

While launching the Company's first commercial product represents a major inflection point for Telix, a significant advantage Telix possesses relative to its peer group, is a broad and deep pipeline of clinical stage, as well as earlier pre-clinical stage assets. During 2021, Telix aims to be in a position to launch a 'fast following' second product, TLX250-CDx (^{89}Zr-girentuximab) for the imaging of renal cancer, thus delivering a significant commercial de-risk to the business. To achieve this outcome, Telix expects to complete the Phase III 'ZIRCON' trial during 2021, following which a Biologics License Application (BLA) will be filed with the US FDA and other regulatory authorities. Given TLX250-CDx was granted Breakthrough Therapy designation by the FDA during 2020 and TLX250-CDx is expected to be the first product of its type on the market for the diagnosis of 'indeterminate renal masses', Telix expects this product to significantly reduce the Company's commercial risk through diversification of its commercial-stage product portfolio.

Therapeutic programs

Beyond imaging, Telix expects to demonstrably transition from a diagnostics-focused company to a multi-product therapeutics company during 2021. Telix intends to commence the Phase III 'ProstACT' trial for TLX591 (prostate cancer therapy) in Australia and is in the process of submitting a clinical trial notification (CTN) to the Australian Therapeutic Goods Administration (TGA) during the first quarter of 2021. Telix expects to add Australian and European sites progressively to the ProstACT trial during the year. Based on the ProstACT trial requirements indicated by the US FDA, Telix expects to add US patients to the ProstACT study during the second half of 2021, subject to FDA approval.

Telix also expects to commence recruitment of patients into its two Phase II 'STARLITE' trials of TLX250 (renal cancer therapy) during the first half of 2021, and obtain the definitive final data from the Company's ongoing Phase I/II 'IPAX-1' trial of TLX101 (glioblastoma therapy) to facilitate discussions with regulatory authorities in relation to pivotal registration trial design for TLX101.

Further, Telix plans to materially advance its 'Targeted Alpha Therapy' (TAT) program, with the first clinical data becoming available from the Company's first in human biodistribution study of TLX592 during 2021. These critical data will enable Telix to design the Company's first therapy trials for this unique TAT asset.

Workforce development

As Telix transitions to commercialisation in 2021, a critical enabler will be to recruit and retain a high performing and sustainable global workforce that continues to deliver outcomes at high velocity and quality. A focus on hiring for Telix's business critical roles at speed in 2021 will be an accelerator in achieving Telix's strategic and operational objectives. In the first quarter of 2021, Telix will reinvigorate its recruitment and selection processes to ensure the Company is able to attract top talent globally, with efficiency and reliability. Moreover, measurable targets will be put in place relating to Telix's speed to hire talent, retention of its top performers and increasing employee engagement. Initiatives will also commence to further develop the diversity and inclusion of Telix's workforce and wellbeing practices.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The likely developments in the operations of the Group and the expected results from those operations in future financial years will be affected by the success of management in reaching critical development and commercial milestones in its core programs. This will include becoming a financially sustainable, revenue generating company based on the successful launch of its first product, *Illuccix*®; launching TLX250-CDx (^{89}Zr-girentuximab) for the imaging of renal cancer; and demonstrably transitioning from a diagnostics-focused company to a multi-product therapeutics company.

DIRECTORS' REPORT CONTINUED

REGULATORY AND ENVIRONMENTAL MATTERS

Telix is required to carry out its activities in accordance with applicable environment and human safety regulations in each of the jurisdictions in which it undertakes its operations. Commencing in 2020, this also includes environmental regulations relevant to its licensed radiopharmaceutical production facility in Seneffe, Belgium.

Telix has obligations of annual inspections by FANC and FANC's subsidiary in charge of the regulatory controls and safety assessments, BEL-V. Telix's obligations with respect to these regulations have been met and are up to date. The Seneffe site is considered a "brownfield" site but has been largely decommissioned from prior use. The site passed the requisite environmental audits on 2 December 2020.

Other than two cyclotron vaults, the site has been decontaminated by the prior owner. Contracts are in place between Telix and SCK-CEN for the decommissioning of the cyclotron vaults. Decommissioning has commenced.

Beyond those mentioned above the Company is not aware of any matter that requires disclosure with respect to any significant regulations in respect of its operating activities.

There have been no issues of non-compliance during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 27 January 2021, the Company agreed to issue 2,226,856 unlisted share options with an exercise price of $4.38 and an expiry date of 26 January 2026. The options were issued to staff and consultants to the Company. Of those options, 100,708 were agreed to be issued to MD & CEO C Behrenbruch subject to shareholder approval, which will be sought at the Company's 2021 AGM.

On 16 February 2021, the Company announced the Ministry of Health of the Czech Republic as the first European health authority to grant a temporary national authorisation allowing the use of TLX591-CDx (Kit for the preparation of ^{68}Ga-PSMA-11).

On 22 February 2021, the Company announced that its subsidiary, Telix Pharmaceuticals Japan KK, in collaboration with Kanazawa University, has received Clinical Trial Notification (CTN) clearance by the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) to commence a Phase I trial of its prostate cancer imaging product TLX591-CDx in Japan. The purpose of the trial is to obtain preliminary clinical data in a suitable patient population, confirming that the targeting and pharmacology of TLX591-CDx is equivalent to non-Japanese patients. Such clinical data will support future planning discussions with the objective of regulator product approval in Japan.

Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Financial Report of the Company for the year ended 31 December 2020.

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LETTER FROM CHAIRMAN OF NOMINATION AND REMUNERATION COMMITTEE

Dear Shareholder

On behalf of the Board, I am pleased to present the Remuneration Report for the year ended 31 December 2020. This Report contains information regarding the remuneration arrangements for the directors and key management personnel (KMP) for the Company during 2020.

The corporate objectives approved by the Board in December 2019 were reviewed in April 2020, subsequent to the global impacts associated with the COVID-19 crisis, and were reset to proactively address the new global situation with the aim of maximising productivity and focus in a challenging time as well as maintaining team morale and engagement. As described within this Report, revised corporate objectives focused on commercial-readiness activities across the global business from targets for regulatory submissions related to the Company's development programs, to infrastructure and system refinements, and people and culture initiatives in line with the Group's growth targets. Actual achievement against revised corporate objectives was 91%. The Board recognises and thanks the CEO and his team for their collective efforts through the difficulty of COVID-19 and for the direct positive impact their efforts made to the Company.

The Board is committed to a remuneration framework that drives a culture of performance and that links overall remuneration and incentives to the achievement of the Group's long-term strategy and business objectives. The Board assesses the remuneration framework on an annual basis, and firmly believes that our current remuneration framework is fit for purpose for the Company in that it is effective to both reward and incentivise, is aligned to shareholder and stakeholder interests, and supports our global team in their work towards achieving the Company's global business goals.

Prior to 31 December 2020 remuneration benchmarking was undertaken through the review of market data of a comparison group of organisations with similar corporate profiles to Telix. This review established that base salaries of KMP and those senior executive that report to the CEO ("CxO") did not meet the Board's aim of base salaries at the median of peer group companies. The Nomination and Remuneration Committee considered the recommendations of the CEO for KMP and CxO remuneration and recommended to the Board that the market median base salary be achieved stepwise over three years (for alignment with the median by the end of the 2023 financial year). To support this stepwise approach over three years commencing 1 January 2021, base salary delta will be supplemented by equity incentive awards in the form of market-priced options. Further information on this review and outcomes is within this Report.

In setting and reviewing the remuneration policy, the Board considers the remuneration guidelines of shareholder and corporate governance advisors. In the event that we depart from these guidelines, we explain the Board's reasoning. The Board aims to provide clarity in the remuneration framework so that our shareholders, employees and all other interested parties understand how remuneration at Telix helps drive the business forward.

Kevin McCann AO
Chairman, Nomination and Remuneration Committee

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 31 December 2020 outlines the remuneration arrangements of the Group in accordance with the requirements of the *Corporations Act 2001* (Cth) and its regulations. This information has been audited as required by section 308(3C) of the *Corporations Act 2001* (Cth).

The Remuneration Report details the remuneration arrangements for key management personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any Director, whether executive or otherwise.

For the purposes of this report, the term 'Director' refers to Non-Executive Directors (NEDs) only. 'KMP' refers to Executive Directors and other key management personnel.

The names and details of the Directors and KMP of the Group in office during the financial year and until the date of this report are detailed below. Unless otherwise noted, Directors and KMP listed are in office at the date of this report.

Non-Executive Directors	
H Kevin McCann AO	Director and Chairman
Oliver Buck	Director
Andreas Kluge MD PhD[(i)]	Director
Mark Nelson PhD	Director
Jann Skinner	Director
Executive Directors	
Christian Behrenbruch PhD	Managing Director and Group CEO
Other key management personnel	
Doug Cubbin	Group Chief Financial Officer
Gabriel Liberatore PhD	Group Chief Operating Officer

(i) A Kluge was appointed Executive Director on 3 January 2017. Dr Kluge transitioned to a Non-Executive Director on 2 June 2020 following the appointment of the Group Chief Medical Officer.

Remuneration practice and philosophy

The Group's guiding principle for remuneration is that remuneration should be simple and transparent, should reward achievement, and should facilitate the alignment of shareholder and executive interests. The Company's philosophy is that shareholder and executive interests are best aligned:

- by providing levels of fixed remuneration and 'at risk' pay sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy;
- by ensuring 'at risk' remuneration is contingent on outcomes that grow and/or protect shareholder value; and
- by ensuring a suitable proportion of remuneration is received as a share-based payment so that reward is earned by achievement and performance over the longer term.

The Telix leadership team is responsible for making and executing decisions that build Group value. In setting the remuneration philosophy and design, the Board aims to balance reward for short-term results with long-term business performance and value creation.

Our remuneration, rewards and benefits design recognises the remuneration guidelines of shareholder and corporate governance advisors and explains where we depart from them in specific instances. The Board's aim is to provide clarity so that our shareholders, executives, and all other interested parties understand how remuneration at Telix helps drive the business strategy and shareholder alignment.

Policy and process for remuneration setting and review

The Group aims to reward personnel with a level and mix of remuneration commensurate with their position and responsibilities so as to:

- attract and retain appropriately capable and talented individuals to the Company;
- reward personnel for corporate and individual performance;
- align the interest of personnel with those of shareholders; and
- build a strong cohesive leadership team which can deliver execution excellence against the strategy.

Remuneration consists of:

- Fixed remuneration
- Short-term incentives (STI)
- Long-term incentives (LTI)
- Benefits

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Fixed remuneration

To ensure that the Company continues to attract, retain and motivate talented staff at a competitive cost, the Company will aim to align total fixed remuneration to the median rate paid by others operating in the relevant market, with consideration given to experience, qualifications, performance and other non-financial benefits. Total fixed remuneration will be reviewed using market data to determine what, if any, adjustments may need to be made to individual remuneration. Refer to the section on "Remuneration and awards for the financial year ended 31 December 2020" for discussion on this point as it relates to remuneration levels for the years ended 31 December 2020 and 2021.

Performance and remuneration reviews are combined and are conducted on a single cycle which runs from 1 January to 31 December. There are no automatic adjustments to individual total fixed remuneration other than those required by law.

Position descriptions are prepared for all roles. Position descriptions are reviewed when necessary due to internal or external changes and are considered as part of the annual performance and remuneration review. The Nomination and Remuneration Committee recommends to the Board the remuneration packages for KMP and those executives that report to the CEO ("CxOs"). The Committee may seek external advice to determine the appropriate level and structure of the remuneration packages.

Short-term incentives (STI)

STI reward performance against annual Key Performance Indicators (KPIs) – maintaining a focus on underlying value creation within the business operations. KPIs, weightings and targets are approved by the Board on the advice and recommendation of the CEO at the commencement of each year. KPIs are set with the primary purpose of incentivising KMP to work together to achieve key business-building objectives. STI is generally awarded as an annual cash payment. The Board has discretion over and approves KPIs and all outcomes at the end of the performance year.

STIs comprise 30% of fixed remuneration for the CEO and between 10% and 30% for other personnel. Corporate KPIs are approved by the Board on an annual basis, and individual KPIs and commercial targets are set by the CEO. STI calculations and actual payments are based on achievement against KPIs. For the year-ended 31 December 2020, the relative contributions of corporate and individual KPIs for company personnel were:

- CEO = 100% corporate objectives
- All other personnel = 75% corporate objectives and 25% individual objectives

For the year commencing 1 January 2021 STI payments for the CEO and KMP will be determined solely (100%) based on achievement against corporate objectives.

Commencing 1 January 2020, the Company included culture based KPIs in addition to program and commercial objectives against which STI payments are assessed. These culture based KPIs promote both performance and the delivery of objectives in line with Telix's Code of Conduct and corporate values.

For the year ended 31 December 2020 KPI included deliverables related to employee engagement, training and development of employees, and diversity objectives.

Long-term incentives (LTI)

LTI are offered to build alignment between KMP and stakeholders over the long term. On an annual basis, the Nomination and Remuneration Committee considers the recommendation of the CEO regarding the issue of LTI in light of the performance, financial position and current issued capital of the Company. Both the decision to offer and the quantum of LTI to be awarded for performance is at the absolute discretion of the Board. There will be no automatic grant of LTI following each performance and remuneration review. At the discretion of the Board, the Company may also offer grants of LTI as an award to incentivise high-quality prospective employees to join the Company. The Board may also consider equity-based remuneration for consultants to the Company as a means of preserving cash reserves.

The terms of any LTI grant are determined by the Board. LTI grants normally take the form of the issue of unlisted share options. Share options are normally issued under the Company's equity incentive plan (EIP). All grants of equity are determined by the Board, following a recommendation by the Nomination and Remuneration Committee.

Prior to 31 December 2020, the Nomination and Remuneration Committee reviewed the general terms of new options to be issued. Commencing 1 January 2021, options will be typically granted with a five-year term and with an exercise price that is equal to the 10-day volume weighted average price of Telix shares as at the date of grant. As LTIs are offered to incentivise, reward and retain personnel, options will typically vest at a future point upon achievement of a performance metric.

The quantum of LTI awards to all employees will typically be based on the STI awarded following the annual review of performance. LTI awarded for performance will typically match (in dollar value) STI awarded for performance. The fair value of each LTI will be determined by Black Scholes modelling. The number of options awarded will be determined as 'dollar value of award divided by Black Scholes value of one option'. At its discretion the Board may determine to issue a lesser value of LTI or no LTI. If, due to performance, STI is not awarded then all LTI will be forfeited. Performance-based LTI issued on 27 January 2021 reflect achievement against corporate objectives and individual KPIs for the financial year ended 31 December 2020.

In the event that a holder of unvested options ceases to be employed, unvested options will lapse, except where the ceasing of employment is due to death or permanent disability, or in any other circumstances determined by the Board to be on a 'good leaver' basis. In these circumstances the Board, in its sole discretion, will determine the vesting of any unvested options. In the event of a change of control, the Board, at its absolute discretion, may determine that a proportion or all unvested awards will vest.

The Board targets that the issue of LTI under the EIP not exceed 10% of total shares on issue.

DIRECTORS' REPORT CONTINUED

Benefits

Market competitive benefits, aligned with the customary remuneration arrangements of the broader workforce in the country of residence, may include superannuation or local pension plans, car parking, telephone and/or participation in local health insurance or other benefit programs.

Clawback and malus policy

'Malus' means reducing or cancelling all or part of an individual's variable remuneration as a consequence of a materially adverse development occurring prior to payment (in the case of cash incentives) and/or prior to vesting (in the case of equity incentives). 'Clawback' means seeking recovery of a benefit paid to take into account a materially adverse development that only comes to light after payment or the vesting of equity incentives.

The Board, in its sole discretion, may reduce, cancel in full, or seek to clawback any incentive provided to any employee, including former employees, if it determines that an employee has at any time acted dishonestly (including, but not limited to, misappropriating funds or deliberately concealing a transaction); acted or failed to act in a way that contributed to a breach of a significant legal or significant regulatory requirement relevant to Telix; acted or failed to act in a way that contributed to the Group incurring significant reputational harm, a significant unexpected financial loss, impairment charge, cost or provision; acted or failed to act in a way that contributed to Telix making a material financial misstatement; and/or committed a breach or non-compliance with the Telix Code of Conduct and/or any other employee or governance related policies.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised wholly of Non-Executive Directors, with the majority being independent, Non-Executive Directors. The objective of the Nomination and Remuneration Committee is to assist the Board in fulfilling its duties and responsibilities by reviewing, advising and making recommendations to the Board on:

(a) Nomination

- Board composition and succession planning, taking into account diversity objectives and the mix of Director skills and experience;
- induction and continuing education for Directors;
- Board performance evaluation; and
- the performance of the CEO and KMP.

(b) Remuneration

- implementing policies for the purposes of using remuneration to foster long term growth and success;
- monitoring the implementation by management of the Board's strategic objectives and policies;
- remuneration for Non-Executive Directors; and
- remuneration and incentive arrangements for the CEO and other KMP.

Remuneration and awards for the financial year ended 31 December 2020

Remuneration benchmarking was undertaken prior to the Company listing on the ASX. During this review, total fixed remuneration was benchmarked against a peer group of 50 comparable (market capitalisation, pre-revenue stage) ASX life sciences companies. Since Listing, KMP remuneration has represented bottom quartile ASX-benchmarked salary, reflective of the 'start- up' mode of the Group.

STI and LTI awards for the financial year ended 31 December 2020 were applicable to KMP following the achievement of targets determined by the Board. The corporate objectives set by the Board in December 2019 were reviewed in April 2020, subsequent to the global impacts associated with the COVID-19 crisis, and were reset to proactively address the new global situation with the aim of maximising productivity and focus in a challenging time as well as maintaining team morale and engagement. Revised corporate objectives included submission of marketing authorisations in Europe, the US and other global jurisdictions for the prostate imaging product (TLX591-CDx *illuccix*®); related launch plans for the marketing and commercialisation of *illuccix*® including the conclusion of material distribution agreements; reactivation (post-COVID) of the global clinical trial program; targets associated with pipeline development; and recruitment of senior roles including Chief Medical Officer and SVP of Regulatory Affairs.

Actual achievement against revised corporate objectives was 91%. The Board recognised Management's efforts through the difficulty of COVID and noted that the enhanced market capitalisation of the Company was a direct result of the delivery against business objectives. 88-91% of STI entitlements due to each eligible KMP for the year was awarded. The remaining 9-12% of STI entitlements were forfeited. LTI to the dollar value of STI awards were awarded to KMP. The issue of LTI awards for performance in the year ended 31 December 2020 occurred on 27 January 2021. LTI awards had the following terms:

- Options to acquire Telix shares
- Term: 5 years
- Expiry Date: 26 January 2026
- Exercise price: $4.38
- Options vest and become exercisable upon the achievement of $100M in cumulative revenue from product sales.

Prior to 31 December 2020 remuneration benchmarking was again undertaken through the review of market data of a comparison group of organisations with similar corporate profiles to Telix. This review established that base salaries did not meet the Board's aim of base salaries at the median of peer group companies. The Nomination and Remuneration Committee considered the recommendations of the CEO for KMP and CxO remuneration and recommended to the Board that the market median base salary be achieved stepwise over three years (for alignment with the median by the end of the 2023 financial year). To support this stepwise approach over three years commencing 1 January 2021, base salary delta would be supplemented by equity incentive awards in the form of market-priced options (or "bridging options"). KMP were eligible to receive "bridging options" on the same terms as STI awarded for performance in the year ended 31 December 2020. Bridging options were issued on 27 January 2021.

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Non-Executive Director remuneration

All Non-Executive Directors enter into a letter of appointment, which summarises obligations, policies and terms of appointment, including remuneration, relevant to the office of Director of the Company.

In accordance with the Constitution of the Company and ASX Listing Rules, the aggregate remuneration of Non-Executive Directors is determined from time to time by General Meeting. The last determination for Telix Pharmaceuticals Limited was made at the General Meeting of shareholders held on 22 May 2019. At that meeting, shareholders approved an aggregate annual remuneration cash pool for Non-Executive Directors of $500,000. The total Non-Executive Director remuneration of Telix Pharmaceuticals Limited for the year ended 31 December 2020 utilised $382,800 of this authorised amount.

Fees to Non-Executive Directors reflect the obligations, responsibilities and demands which are made on Directors. Prior to Listing, the Board resolved that fees for Non-Executive Directors should only be paid as cash fees and that fees will be reviewed periodically by the Board. In conducting these reviews the Board will consider market information to seek to ensure that fees are in line with the market, as well as the financial position of the Company. Prior to 31 December 2020, the Nomination and Remuneration Committee reviewed public market data of a comparison group of organisations with similar corporate profiles to Telix. The Committee recommended to the Board that Non-executive Director remuneration levels target market median. As a result of this recommendation, effective 1 January 2021, the Board introduced Committee fees for Non-executive Directors, which in prior years had not formed part of Non-executive Director remuneration. Fees in the following amounts were agreed: Chairperson of a Committee of the Board: $15,000 per annum. Member of a Committee of the Board: $7,500 per annum. The Chairman of the Board is not compensated for Committee Membership but is compensated as Chairperson of the Nomination and Remuneration Committee. Annualised fees are base remuneration fees inclusive of superannuation (where applicable).

	2020 $	2019 $
Annual fees		
K McCann, Chairman	120,000	120,000
O Buck, Non-Executive Director	65,700	65,700
A Kluge, Non-Executive Director[(i)]	65,700	–
M Nelson, Non-Executive Director	65,700	65,700
J Skinner, Non-Executive Director	65,700	65,700
Additional fees		
J Skinner, Non-Executive Director[(ii)]	–	14,345

(i) A Kluge was appointed Executive Director on 3 January 2017. Dr Kluge transitioned to a Non-Executive Director on 2 June 2020 following the appointment of the Group Chief Medical Officer. The fee listed above came into effect on 1 February 2019.

(ii) In consideration for agreeing to join the Board, and in lieu of an equity grant at the time of appointment, the Board offered Ms Skinner an additional fee of $14,345 per annum (inclusive of statutory superannuation), effective to the date of the Company's 2019 AGM. Following shareholder approval for the issue of options to Ms Skinner, the fee ceased to be payable effective 1 June 2019.

Non-Executive Directors are able to participate in the Company's Equity Incentive Plan (EIP) under which equity may be issued subject to Shareholder approval. Options are normally not issued to Non-Executive Directors as an 'incentive' under the EIP but in appropriate cases as a means of cost-effective consideration for agreeing to join the Board.

Following Shareholder approval at the EGM held on 13 October 2017, Non-Executive Directors were granted Director options, the vesting of which was contingent on the Company's IPO and listing. These options became eligible to vest upon listing and vested equally over three years from the date of issue. The options have an exercise price of $0.85 per option and an expiry of 14 October 2021. The Company considered that grant of Director options allowed the Company to maintain cash reserves for its operations while providing cost-effective consideration to the Non-Executive Directors for agreeing to join the Board (in the case of Messrs McCann and Nelson) and rewarding their commitment and contribution to the Company (in the case of Mr Buck).

Ms Jann Skinner joined the Board as a Non-Executive Director on 19 June 2018. At the AGM held on 22 May 2019, shareholders approved the issue of 495,000 options in the Company to Ms Skinner. Options offered have a four-year term, with an expiry date of 24 January 2023. The exercise price of $1.09 per option is a 44% premium to the five-day volume weighted average closing price prior to the day of issue ($0.7561). Options remain unvested for a three-year period and will 'cliff vest' on 24 January 2022.

DIRECTORS' REPORT CONTINUED

Remuneration for the year ended 31 December 2020

The below table shows details of the remuneration expenses recognised for KMP measured in accordance with the requirements of the accounting standards.

	Fixed remuneration				Variable remuneration		Total	STI and option	STI and option
	Salary and fees $	Superann-uation $	Leave accruals[iii] $	Other $	STI[i] $	Share-based payment (options)[ii] $	$	$	%
Non-Executive Directors									
K McCann	109,550	10,450	–	–	–	78,210	198,210	78,210	39
O Buck	65,700	–	–	–	–	15,096	80,796	15,096	19
A Kluge	65,700	–	–	–	–	–	65,700	–	–
M Nelson	60,000	5,700	–	–	–	78,210	143,910	78,210	54
J Skinner	60,000	5,700	–	–	–	35,393	101,093	35,393	35
	360,950	**21,850**	**–**	**–**	**–**	**206,909**	**589,709**	**206,909**	**–**
Executive Directors									
C Behrenbruch	295,100	25,000	(31,687)	–	86,607	46,473	421,492	133,080	32
	295,100	**25,000**	**(31,687)**	**–**	**86,607**	**46,473**	**421,492**	**133,080**	**–**
Other KMP									
D Cubbin	241,626	23,778	11,697	–	55,220	113,990	446,311	169,210	38
G Liberatore	248,935	24,595	10,809	–	56,811	51,580	392,730	108,391	28
	490,561	**48,373**	**22,506**	**–**	**112,031**	**165,570**	**839,041**	**277,601**	**–**
Total for all KMP	**1,146,610**	**95,223**	**(9,181)**	**–**	**198,638**	**418,952**	**1,850,242**	**617,590**	**–**

(i) C Behrenbruch is eligible to receive an annual STI of up to 30% of remuneration. D Cubbin and G Liberatore are eligible to receive an annual STI of up to 25% of remuneration. No other KMP are eligible to receive an STI amount. In the year to 31 December 2020, based on achievement against corporate objectives between 88-91% of STI entitlements due to each eligible KMP for the year was awarded. The remaining 9-12% of STI entitlements were forfeited. LTI to the dollar value of STI awards were awarded to KMP. The issue of LTI awards for performance in the year ended 31 December 2020 occurred on 27 January 2021.

(ii) As a means of cost-effective consideration for agreeing to join the Board, and following Shareholder approval, premium-priced unlisted share options were issued to Mssrs McCann, Nelson and Buck in 2017, and Ms Skinner in 2019. The amounts recorded for Share Based Payments (options) for Non-executive Directors and KMP reflect the fair value of these options expensed each year over the life of the option.

(iii) Remuneration includes movement in annual leave provisions during the year.

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Remuneration for the year ended 31 December 2019

The below table shows details of the remuneration expenses recognised for KMP measured in accordance with the requirements of the accounting standards.

	Fixed remuneration				Variable remuneration		Total	STI and option	STI and option
	Salary and fees $	Superann-uation $	Leave accruals[iv] $	Other $	STI[i] $	Share-based payment (options) $	$	$	%
Non-Executive Directors									
K McCann	109,550	10,450	–	–	–	78,210	198,210	78,210	39
O Buck	65,700	–	–	–	–	39,105	104,805	39,105	37
M Nelson	60,000	5,700	–	–	–	78,210	143,910	78,210	54
J Skinner[ii]	65,458	6,219	–	–	–	35,393	107,070	35,393	33
	300,708	**22,369**	**–**	**–**	**–**	**230,918**	**553,995**	**230,918**	**–**
Executive Directors									
C Behrenbruch	317,043	17,816	25,926	–	70,825	28,600	460,210	99,425	22
A Kluge	65,700	–	–	–	–	–	65,700	–	–
	382,743	**17,816**	**25,926**	**–**	**70,825**	**28,600**	**525,910**	**99,425**	**–**
Other KMP									
D Cubbin	231,785	23,085	8,506	–	46,565	91,010	400,951	137,575	34
G Liberatore[iii]	216,987	20,614	18,764	–	40,144	28,600	325,109	68,744	21
	448,772	**43,699**	**27,270**	**–**	**86,709**	**119,610**	**726,060**	**206,319**	**–**
Total for all KMP	**1,132,223**	**83,884**	**53,196**	**–**	**157,534**	**379,128**	**1,805,965**	**536,662**	**–**

(i) C Behrenbruch is eligible to receive an annual STI of up to 30% of remuneration. D Cubbin and G Liberatore are eligible to receive an annual STI of up to 25% of remuneration. No other KMP are eligible to receive an STI amount. In the year to 31 December 2019, based on recognition of overall team performance during the year and the actual achievement against corporate objectives, 70% of STI entitlement due to each eligible KMP for the year was awarded. The remaining 30% of STI entitlement due to each eligible KMP for the year was forfeited.

(ii) In consideration for agreeing to join the Board, and in lieu of an equity grant at the time of appointment, the Board offered J Skinner an additional fee of $14,345 per annum (inclusive of statutory superannuation), effective to the date of the Company's 2019 AGM. Following shareholder approval for the issue of options to Ms Skinner, the fee ceased to be payable effective 1 June 2019.

(iii) G Liberatore was appointed as Group Chief Operating Officer on 18 February 2019.

(iv) Remuneration includes movement in annual leave provisions during the year.

Related party transactions with KMP

Remuneration: Remuneration to KMP is recorded in the tables above.

Loans: There were no loans between the Company and any KMP in the years ended 31 December 2020 and 2019.

Other transactions: ABX CRO is a clinical research organisation that specialises in radiopharmaceutical product development. Telix has entered into a master services agreement with ABX CRO for the provision of clinical and analytical services for its programs. Director and Chief Medical Advisor, Dr Andreas Kluge, is the principal owner and Managing Director of ABX CRO. In the year ended 31 December 2020, the total amount paid or payable to ABX CRO was $1,390,458 (2019: $2,048,381).

Other than those noted above, there were no related party transactions with any KMP in the year ended 31 December 2020.

DIRECTORS' REPORT CONTINUED

Employment contracts

Executive Directors and other key management personnel have rolling contracts, not limited by term. Details of contractual terms effective 1 January 2021 are as follows:

KMP and start date	Remuneration	Notice period	STI and treatment of STI on termination	LTI and treatment of LTI on termination
Christian Behrenbruch MD & Group CEO Appointed 3 January 2017	Base remuneration package of $399,484 subject to annual review. Inclusive of superannuation paid at government-determined levels.	Three months' notice of termination by either party. All payments on termination will be subject to the termination benefits cap under the Corporations Act. Shareholder approval was obtained prior to listing for the provision of benefits on cessation of employment.	Eligible to receive an annual STI of up to 30% of base remuneration. Payout of any STI is at the discretion of the Board. The treatment of STI on termination is at Board discretion.	Eligible to participate in the Company's EIP. Any issue of securities is subject to shareholder approval. The treatment of LTI on termination is at Board discretion.
Doug Cubbin Group CFO Appointed 22 May 2017	Base remuneration package of $301,474 subject to annual review. Inclusive of superannuation paid at government-determined levels.	Three months' notice of termination by either party. All payments on termination will be subject to the termination benefits cap under the Corporations Act. Shareholder approval was obtained prior to listing for the provision of benefits on cessation of employment.	Eligible to receive an annual STI of up to 25% of base remuneration. Payout of any STI is at the discretion of the Board. The treatment of STI on termination is at Board discretion.	Eligible to participate in the Company's EIP. The treatment of LTI on termination is at Board discretion.
Gabriel Liberatore Group COO Appointed 18 February 2019	Base remuneration package of $306,044 subject to annual review. Inclusive of superannuation paid at government-determined levels.	Three months' notice of termination by either party. All payments on termination will be subject to the termination benefits cap under the Corporations Act. Shareholder approval was obtained prior to listing for the provision of benefits on cessation of employment.	Eligible to receive an annual STI of up to 25% of base remuneration. Payout of any STI is at the discretion of the Board. The treatment of STI on termination is at Board discretion.	Eligible to participate in the Company's EIP. The treatment of LTI on termination is at Board discretion.

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Shareholdings of Directors and KMP for the year ended 31 December 2020

	Balance 1 January	Shares issued from options exercised	Net acquired/ (disposed)	Balance 31 December
K McCann	160,000	–	–	160,000
O Buck	1,222,335	330,165	–	1,552,500
A Kluge	24,675,000	–	–	24,675,000
M Nelson	2,238,750	–	400,000	2,638,750
J Skinner	100,000	–	–	100,000
C Behrenbruch	24,675,000	–	–	24,675,000
D Cubbin	–	–	49,298	49,298
G Liberatore	–	–	–	–
	53,071,085	**330,165**	**449,298**	**53,685,218**

Shareholdings of Directors and KMP for the year ended 31 December 2019

	Balance 1 January	Shares issued from options exercised	Net acquired/ (disposed)	Balance 31 December
K McCann	160,000	–	–	160,000
O Buck	1,057,500	164,835	–	1,222,335
A Kluge	24,675,000	–	–	24,675,000
M Nelson	2,238,750	–	–	2,238,750
J Skinner	100,000	–	–	100,000
C Behrenbruch	24,675,000	–	–	24,675,000
D Cubbin	–	–	–	–
G Liberatore	–	–	–	–
	52,906,250	**164,835**	**–**	**53,071,085**

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Option holdings of Directors and KMP for the year ended 31 December 2020

	Grant date of options	Number of options granted	Exercise price $	Expiry date	Fair value per option at grant date $	Vesting date	Vesting number	Vested during the year	Lapsed or forfeited during the year	Exercised in current or prior year/s	Eligible to exercise at 31 December	Unvested at 31 December
K McCann	15-Oct-17	990,000	0.85	15-Oct-21	0.23	15-Oct-18	329,670	–	–	–	329,670	–
						15-Oct-19	329,670	–	–	–	329,670	–
						15-Oct-20	330,660	330,660	–	–	330,660	–
O Buck	15-Oct-17	495,000	0.85	15-Oct-21	0.23	15-Oct-18	164,835	–	–	164,835	–	–
						15-Oct-19	164,835	–	–	164,835	–	–
						15-Oct-20	165,330	165,330	–	165,330	–	–
A Kluge		–	–		–		–	–	–	–	–	–
M Nelson	15-Oct-17	990,000	0.85	15-Oct-21	0.23	15-Oct-18	329,670	–	–	–	329,670	–
						15-Oct-19	329,670	–	–	–	329,670	–
						15-Oct-20	330,660	330,660	–	–	330,660	–
J Skinner	22-May-19	495,000	1.09	24-Jan-23	0.23	24-Jan-22	495,000	–	–	–	–	495,000
C Behrenbruch	22-May-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
	13-Jan-20	200,000	2.23	12-Jan-24	0.46	13-Jan-23	200,000	–	–	–	–	200,000
D Cubbin	15-Oct-17	790,000	0.85	15-Oct-21	0.23	15-Oct-18	263,070	–	–	–	263,070	–
						15-Oct-19	263,070	–	–	–	263,070	–
						15-Oct-20	263,860	263,860	–	–	263,860	–
	24-Jan-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
	13-Jan-20	150,000	2.23	12-Jan-24	0.46	13-Jan-23	150,000	–	–	–	–	150,000
G Liberatore	24-Jan-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
	13-Jan-20	150,000	2.23	12-Jan-24	0.46	13-Jan-23	150,000	–	–	–	–	150,000
		5,460,000					**5,460,000**	**1,090,510**	**–**	**495,000**	**2,770,000**	**2,195,000**

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Option holdings of Directors and KMP for the year ended 31 December 2019

	Grant date of options	Number of options granted	Exercise price $	Expiry date	Fair value per option at grant date $	Vesting date	Vesting number	Vested during the year	Lapsed or forfeited during the year	Exercised during the year	Eligible to exercise at 31 December	Unvested at 31 December
K McCann	15-Oct-17	990,000	0.85	15-Oct-21	0.23	15-Oct-18	329,670		–	–	329,670	–
						15-Oct-19	329,670	329,670	–	–	329,670	–
						15-Oct-20	330,660	–	–	–	–	330,660
O Buck	15-Oct-17	495,000	0.85	15-Oct-21	0.23	15-Oct-18	164,835		–	164,835	–	–
						15-Oct-19	164,835	164,835	–	–	164,835	–
						15-Oct-20	165,330	–	–	–	–	165,330
M Nelson	15-Oct-17	990,000	0.85	15-Oct-21	0.23	15-Oct-18	329,670	–	–	–	329,670	–
						15-Oct-19	329,670	329,670	–	–	329,670	–
						15-Oct-20	330,660	–	–	–	–	330,660
J Skinner	22-May-19	495,000	1.09	24-Jan-23	0.23	24-Jan-22	495,000	–	–	–	–	495,000
C Behrenbruch	22-May-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
A Kluge		–	–		–		–	–	–	–	–	–
D Cubbin	15-Oct-17	790,000	0.85	15-Oct-21	0.23	15-Oct-18	263,070	–	–	–	263,070	–
						15-Oct-19	263,070	263,070	–	–	263,070	–
						15-Oct-20	263,860	–	–	–	–	263,860
	24-Jan-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
G Liberatore	24-Jan-19	400,000	1.09	24-Jan-23	0.23	24-Jan-22	400,000	–	–	–	–	400,000
		4,960,000					**4,960,000**	**1,087,245**	**–**	**164,835**	**2,009,655**	**2,785,510**

The disclosures in the Consolidated Financial Statements of shares and options held by KMP are determined in accordance with the requirements of AASB 124, which require that KMP holdings also include the holdings of 'close family members'. Disclosure of 'close family member' holdings is not required by the *Corporations Act 2001* (Cth), therefore the figures shown above may differ from those holdings reported in at note 20a to the Consolidated Financial Statements.

DIRECTORS' REPORT CONTINUED

TELIX PHARMACEUTICALS LIMITED PERFORMANCE AND SHAREHOLDER WEALTH

	2020	2019	2018	2017
Basic loss per share (cents)	(17.45)	(11.94)	(6.84)	(4.98)
Net tangible assets per share (cents)	6.44	11.83	6.67	39
Dividend per share (cents)	–	–	–	–
Closing share price ($)	3.78	1.55	0.65	0.62
Increase/(decrease) in share price (%)	+144	+138	+5	–
Market capitalisation ($000)	1,059,932	392,584	141,938	112,411

The Company was established on 3 January 2017 and listed on ASX on 15 November 2017. Performance data prior to 2017 is not available.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

INDEMNITY

Subject to the *Corporations Act 2001* (Cth) and rule 10.2 of the Constitution of Telix Pharmaceuticals Limited, the Company must indemnify each Director, Secretary and Executive Officer to the maximum extent permitted by law against any liability incurred by them by virtue of their holding office as, and acting in the capacity of, Director, Secretary or Executive Officer of the Company, other than:

a) a liability owed to the Company or a related body corporate of the Company;

b) a liability for a pecuniary penalty order under section 1317G of the *Corporations Act 2001* (Cth) or a compensation order under section 1317H of the *Corporations Act 2001* (Cth);

c) a liability owed to a person other than the Company that did not arise out of conduct in good faith.

The Company has paid premiums in respect of a contract insuring its Directors, the Company Secretary and Executive Officers for the financial year ended 31 December 2020. Under the Company's Directors and Officers Liability Insurance Policy, the Company cannot disclose the nature of the liabilities insured by the policy or the amount of the premium.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, PricewaterhouseCoopers, as part of the terms of its audit engagement agreement, against claims by third parties arising from the audit. No payment has been made to indemnify PricewaterhouseCoopers during or since the financial year.

AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

A statement of independence has been provided by the Company's auditors and is attached to this report.

During the year the Company's auditor, PricewaterhouseCoopers, performed non-audit services related to tax structuring. In the year ended 31 December 2020, the total amount paid or payable to PricewaterhouseCoopers for non-audit services was $37,000 (2019: $5,500). During the year non PricewaterhouseCoopers audit firms performed non-audit services related to an analysis of the business case related to the acquisition of the Seneffe manufacturing site and facility. In the year ended 31 December 2020, the total amount paid or payable to non PricewaterhouseCoopers audit firms for non-audit services was $34,000 (2019: $NIL). The provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* (Cth), and the Directors are satisfied that the nature, scope and quantum of the non-audit services provided did not compromise auditor independence.

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COMPANY SECRETARY

Melanie Farris FGIA FCG GAICD

Ms Farris holds a Bachelor of Communication (Public Relations), and a Graduate Diploma in Applied Corporate Governance. She is a Fellow of the Governance Institute of Australia, a Fellow of the Chartered Governance Institute (UK) and a Graduate of the Australian Institute of Company Directors.

CORPORATE GOVERNANCE STATEMENT

Telix Pharmaceuticals and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The 2020 Corporate Governance Statement reflects the corporate governance practices in place throughout the financial year ended 31 December 2020 and is available in the Investors section of the Company's website: http://www.telixpharma.com/investors/corporate-governance/.

Signed in accordance with a resolution of Directors on 26 February 2021.

Kevin McCann AO
Chairman

Christian Behrenbruch
Managing Director and Group CEO

AUDITOR'S INDEPENDENCE DECLARATION

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Auditor's Independence Declaration

As lead auditor for the audit of Telix Pharmaceuticals Limited for the year ended 31 December 2020, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Telix Pharmaceuticals Limited and the entities it controlled during the period.

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
26 February 2021

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FINANCIAL REPORT

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OR LOSS

for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Continuing operations			
Revenue	4	5,213	3,485
Cost of inventory sold		(2,024)	(2,543)
Research and development costs	5	(23,085)	(21,162)
Administration and corporate costs	6	(8,915)	(6,826)
Employment costs	7	(15,560)	(8,974)
Fair value remeasurement of contingent consideration liability	20.2	(7,291)	(2,271)
Depreciation and amortisation	8	(4,882)	(4,236)
Finance costs	9	(1,175)	(137)
Other income and expenses	10	9,784	11,542
Loss before income tax		**(47,935)**	**(31,122)**
Income tax benefit	**11**	**3,048**	**3,255**
Loss from continuing operations after income tax		**(44,887)**	**(27,867)**
Loss is attributable to: Owners of Telix Pharmaceuticals Limited		(44,887)	(27,867)
Loss for the year		**(44,887)**	**(27,867)**
Other comprehensive income/(loss)			
Items to be reclassified to profit or loss in subsequent periods: *Exchange differences on translation of foreign operations*		361	(116)
Total comprehensive loss for the year		**(44,526)**	**(27,983)**

Total comprehensive loss for the period is attributable to:
Owners of Telix Pharmaceuticals Limited

	Note	2020 Cents	2019 Cents
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	32.1	(17.45)	(11.94)
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	32.2	(17.45)	(11.94)

The above consolidated statement of comprehensive income or loss is to be read in conjunction with the notes to the consolidated financial statements.

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020

	Note	2020 $'000	2019 $'000
Current assets			
Cash and cash equivalents	12.1	77,945	44,598
Trade and other receivables	12.2	12,399	12,071
Inventory	14	633	542
Other current assets	12.3	2,651	1,468
Total current assets		**93,628**	**58,679**
Non-current assets			
Property, plant and equipment	15.1	4,821	1,899
Intangible assets	16	59,189	41,948
Non-current trade and other receivables	17	183	82
Total non-current assets		**64,193**	**43,929**
Total assets		**157,821**	**102,608**
Current liabilities			
Trade and other payables	12.4	10,892	9,218
Borrowings	18	264	469
Contract liabilities	4	3,235	–
Lease liabilities	15.2	503	21
Government grant liability	22	73	–
Contingent consideration	20	1,294	–
Decommissioning liability	21	1,686	–
Provisions	19	2,009	917
Total current liabilities		**19,956**	**10,625**
Non-current liabilities			
Borrowings	18	95	292
Contract liabilities	4	27,515	–
Lease liabilities	15.2	1,345	1,349
Deferred tax liabilities	13.2	–	3,170
Government grant liability	22	982	650
Contingent consideration	20	23,802	16,441
Decommissioning liability	21	5,110	–
Total non-current liabilities		**58,849**	**21,902**
Total liabilities		**78,805**	**32,527**
Net assets		**79,016**	**70,081**
Equity			
Share capital	23.1	167,058	115,943
Foreign currency translation reserve		299	(62)
Share-based payments reserve	23.2	4,620	2,274
Accumulated losses		(92,961)	(48,074)
Total equity		**79,016**	**70,081**

The above consolidated statement of financial position is to be read in conjunction with the notes to the consolidated financial statements.

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2020

	Note	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Total equity $'000
Balance as at 1 January 2019		**72,053**	**(20,207)**	**54**	**1,005**	**52,905**
Loss for the year		–	(27,867)	–	–	(27,867)
Other comprehensive loss		–	–	(116)	–	(116)
Total comprehensive income/(loss)		**–**	**(27,867)**	**(116)**	**–**	**(27,983)**
Contributions of equity	23.1	45,254	–	–	–	45,254
Transaction costs arising on new share issues	23.1	(1,364)	–	–	–	(1,364)
Share based payments	23.2	–	–	–	1,269	1,269
		43,890	**–**	**–**	**1,269**	**45,159**
As at 31 December 2019		**115,943**	**(48,074)**	**(62)**	**2,274**	**70,081**

	Note	Share capital $'000	Accumulated losses $'000	Foreign currency translation reserve $'000	Share-based payments reserve $'000	Total equity $'000
Balance as at 1 January 2020		**115,943**	**(48,074)**	**(62)**	**2,274**	**70,081**
Loss for the year		–	(44,887)	–	–	(44,887)
Other comprehensive income		–	–	361	–	361
Total comprehensive loss		**–**	**(44,887)**	**361**	**–**	**(44,526)**
Contributions of equity	23.1	50,407	–	–	–	50,407
Transaction costs arising on new share issues	23.1	(130)	–	–	–	(130)
Issue of shares on exercise of options		838	–	–	–	838
Share based payments	23.2	–	–	–	2,346	2,346
		51,115	**–**	**–**	**2,346**	**53,461**
As at 31 December 2020		**167,058**	**(92,961)**	**299**	**4,620**	**79,016**

The above consolidated statement of changes of equity is to be read in conjunction with the notes to the consolidated financial statements.

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CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 December 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		36,539	3,427
Receipts in relation to R&D tax incentive		11,405	9,261
Payments to suppliers and employees		(45,860)	(36,002)
Interest received		67	98
Interest paid		(191)	(117)
Net cash provided by/(used in) operating activities	**24**	**1,960**	**(23,333)**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired		(322)	–
Purchase of intangible assets		(74)	(65)
Purchase of plant and equipment		(248)	(403)
Payment for decommissioning liability		(447)	–
Net cash used in investing activities		**(1,091)**	**(468)**
Cash flows from financing activities			
Repayment of borrowings		(402)	(943)
Principal element of lease payments		(502)	(224)
Proceeds from issue of shares and other equity		35,151	45,254
Transaction costs of capital raising		(130)	(1,364)
Net cash provided by financing activities		**34,117**	**42,723**
Net increase in cash held		**34,986**	**18,922**
Net foreign exchange differences		1,639	(95)
Cash and cash equivalents at the beginning of the financial year		44,598	25,771
Cash and equivalents at the end of the financial year	**12.1**	**77,945**	**44,598**

The above consolidated statement of cash flows is to be read in conjunction with the notes to the consolidated financial statements.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. CORPORATE INFORMATION

Telix Pharmaceuticals Limited ("Telix" or "the Company") is a for profit company limited by shares incorporated in Australia whose shares have been publicly traded on the Australian Securities Exchange since its listing on 15 November 2017 (ASX:TLX). Telix is developing a portfolio of clinical-stage products that address significant unmet medical need in oncology and rare diseases. Telix is the Parent company of the Telix Pharmaceuticals Group ("the Group").

This consolidated financial report of Telix Pharmaceuticals Limited for the year ended 31 December 2020 was authorised for issue in accordance with a resolution of the Directors on 26 February 2021.

2. SEGMENT REPORTING

The Telix Pharmaceuticals Group is an oncology group with operations in Australia, the United States, Belgium and Japan. The Group does not currently consider that the risks and returns of the Group are affected by differences in either the products or services it provides, nor the geographical areas in which the Group operates. As such the Group operates as one segment. Group performance is evaluated based on operating profit or loss and is measured consistently with profit or loss in the financial statements. Financing (including finance costs and finance income) and income taxes are managed on a Group basis.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies that have been used in the preparation of these financial statements are summarised below.

3.1 Going concern

The Group is a development stage medical biotechnology company and as such expects to be utilising cash until its research activities have become marketable. For the year ended 31 December 2020, the Group incurred an operating loss of $44,887,000 (2019: $27,867,000) and cash provided by operating activities of $1,960,000 (2019: ($23,333,000)). As at 31 December 2020 the net assets of the Group stood at $79,016,000 (2019: $70,081,000), with cash on hand at $77,945,000 (2019: $44,598,000).

The Group has recorded current trade and other receivables in the amount of $12,239,000 (2019: $11,326,000) from the Australian Taxation Office ("ATO") in respect of its Research and Development ("R&D") tax incentive claim for eligible R&D activities undertaken in the year to 31 December 2020. The Group expects to receive this amount during the 12 months ending 31 December 2021.

Cash on hand at 31 December 2020 is considered sufficient to meet the Group's forecast cash outflows in relation to research and development activities currently underway and other committed business activities for at least 12 months from the date of this report.

On 2 November 2020, the Group entered into a strategic commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Limited ('CGP') for the Group's portfolio of MTR products. CGP made an equity investment of $35,401,000 (US$25,000,000) in the form of a placement to CGP of 20,947,181 fully paid ordinary Telix shares.

Additional shares were issued via exercise of employee share plan of $838,000. The Directors are satisfied that there is sufficient working capital to support the committed research activities over the coming 12 months and the Group has the ability to realise its assets and pay its liabilities and commitments in the normal course of business

On this basis, the Directors are satisfied that the Group continues to be a going concern as at the date of this report. Further, the Directors are of the opinion that no asset is likely to be realised for an amount less than the amount at which it is recorded in the consolidated statement of financial position as at 31 December 2020.

As such, no adjustment has been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern.

3.2 Basis of preparation

These general-purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001* (Cth). Telix Pharmaceuticals Limited is a for-profit entity for the purpose of preparing the financial statements. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

a. Compliance with IFRS

The consolidated financial statements of the Telix Pharmaceuticals Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

b. Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following: intellectual property, share based payments, government grants and contingent consideration and decommissioning liabilities which are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.2 Basis of preparation CONTINUED

c. Comparatives and rounding

Where necessary, comparative information has been re-classified to achieve consistency in disclosure with current financial amounts and other disclosures. The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the consolidated financial statements. Amounts in the consolidated financial statements have been rounded off in accordance with the instrument to the nearest thousand dollars, or in some cases the nearest dollar.

d. New and amended standards adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2020:

- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (AASB 101 and AASB 108)
- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business (AASB 3)
- AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform (AASB 9, AASB 139 and AASB 7)
- AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet issued in Australia (AASB 1054)
- Conceptual Framework for Financial Reporting and AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

e. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3.3 Principles of consolidation

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

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

3.4 Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification. An asset is current when it is expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current. A liability is current when it is expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current. Deferred tax assets and liabilities are always classified as non-current.

3.5 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

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3.6 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost, other than contingent consideration liabilities where the fair value measurement is recognised in profit and loss.

3.7 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of the Group are measured in Australian dollars, being the currency of the primary economic environment in which the entity operates ('the functional currency'). (The financial statements are presented in Australian dollars).

b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income or loss, within finance costs. All other foreign exchange gains and losses are presented in the statement of comprehensive income or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

c. Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position
- income and expenses for each consolidated statement of total comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3.8 Government grant income (R&D tax incentive income)

Income from government grants is recognised at fair value where there is a reasonable assurance that the grant will be received, and the Group will comply with all attached conditions. Income from government grants is recognised in the on a systematic basis over the periods in which the entity recognises as expense the related costs for which the grants are intended to compensate.
See further information in critical estimates, judgements and errors.

3.9 Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.9 Income tax CONTINUED

Tax consolidation regime

Telix Pharmaceuticals Limited and its wholly owned Australian resident entities have formed a tax-consolidated group and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Telix Pharmaceuticals Limited. The Company, and the members of the tax-consolidated group, recognise their own current tax expense/income and deferred tax assets and liabilities arising from temporary differences using the 'standalone taxpayer' approach by reference to the carrying amounts of assets and liabilities in the separate financial statements of each entity and the tax values applying under tax consolidation. In addition to its current and deferred tax balances, the Company also recognises the current tax liabilities (or assets), and the deferred tax assets arising from unused tax losses and unused tax credits assumed from members of the tax-consolidated group, as part of the tax-consolidation arrangement. Assets or liabilities arising as part of the tax consolidation arrangement are recognised as current amounts receivable or payable from the other entities within the tax consolidated group.

3.10 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred. The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The post-tax discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

The acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss. If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year.

3.11 Asset acquisitions

When the Group acquires a business, the Directors consider the treatment of the transaction under AASB 3 Business Combinations, including the amendment made to AASB 3 (AASB 2018-6: Business Combinations, Definitions of a Business, issued in December 2018). This standard clarifies the definition of a business, and assists entities in determining whether a transaction should be accounted for as a business combination or as an asset acquisition.

In assessing the qualification as a business combination or asset acquisition, the Directors determine whether the acquisition meets the requirements of the 'concentration test' as prescribed by the accounting standards. When identifying net identifiable assets acquired, the Directors determine whether the acquisition relates to an asset acquisition – generally being intellectual property.

This policy has been applied historically to the Atlab and TheraPharm acquisitions in note 3.12.c below. The intangible assets acquired in these purchases have been recognised at their respective fair values at acquisition date. No goodwill and deferred tax is recognised.

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3.12 Intangible assets

a. Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised, but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or group of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

b. Patents, trademarks, licenses and customer contracts

Separately acquired trademarks and licenses are shown at historical cost. Trademarks, licenses and customer contracts acquired in a business combination are recognised at fair value at the acquisition date. They have a finite useful life and are subsequently carried at cost less accumulated amortisation and impairment losses. The useful life of these intangibles assets is 20 years.

c. Intellectual property

Intellectual property has been realised on the acquisition of Therapeia GmbH & Co.KG (Therapeia) (2017), Atlab Pharma SAS (Atlab) (2018), Advanced Nuclear Medicine Ingredients SA (ANMI) (2018) and TheraPharm GmbH (TheraPharm) (2020). The intellectual property associated with the Therapeia, Atlab and TheraPharm acquisitions is recorded as an indefinite life asset as it is not yet ready for use. At the point the asset is ready for use, the useful life will be reassessed as a definite life asset and amortised over an appropriate period. All assets will be tested annually for impairment and subsequently carried at cost less accumulated impairment losses and/or accumulated amortisation. The intellectual property associated with ANMI is recorded with a useful life of seven years and will be amortised on a straight line over the period. An impairment trigger assessment will be performed annually.

d. Research and development

Research expenditure on internal projects is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will, after considering its commercial and technical feasibility, be completed and generate future economic benefits and its costs can be measured reliably. The expenditure that could be recognised comprises all directly attributable costs, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other expenditures that do not meet these criteria are recognised as an expense as incurred. As the Group has not met the requirement under the standard to recognise costs in relation to development as intangible assets, these amounts have been expensed within the financial statements.

3.13 Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or Groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

3.14 Property, plant and equipment

All property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfer from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost, net of the residual values, over the estimated useful lives. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.14 Property, plant and equipment CONTINUED

The useful lives of assets are as follows:

- Buildings: 18 years
- Plant and equipment: 3-5 years
- Furniture, fittings and equipment: 3-5 years
- Leased plant and equipment: 3-5 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss. When revalued assets are sold, it is Group policy to transfer any amounts included in other reserves in respect of those assets to accumulated losses.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

3.15 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

3.16 Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

3.17 Inventory

Raw materials and stores, work in progress and finished goods

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost includes the reclassification from equity of any gains or losses on qualifying cash flow hedges relating to purchases of raw material but excludes borrowing costs. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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3.18 Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

a. Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

b. Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Re-measurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss. The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

c. Share-based payments

Equity-settled share-based compensation benefits are provided to employees. Equity-settled transactions are awards of shares, options or performance rights over shares, that are provided to employees. The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option and volatility. No account is taken of any other vesting conditions.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited. If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

d. Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(i) when the Group can no longer withdraw the offer of those benefits; and

(ii) when the entity recognises costs for a restructuring that is within the scope of AASB 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.19 Earnings per share

a. Basic earnings per share

Basic earnings per share is calculated by dividing: the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

b. Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account: the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.20 Goods and Services Tax (GST)

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

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

3.21 Revenue recognition and measurement

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised using a five step approach in accordance with AASB 15 Revenue from Contracts with Customers to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Distinct promises within the contract are identified as performance obligations. The transaction price of the contract is measured based on the amount of consideration the Group expects to be entitled to from the customer in exchange for goods or services. Factors such as requirements around variable consideration, significant financing components, noncash consideration, or amounts payable to customers also determine the transaction price. The transaction is then allocated to separate performance obligations in the contract based on relative standalone selling prices. Revenue is recognised when, or as, performance obligations are satisfied, which is when control of the promised good or service is transferred to the customer.

Amounts received prior to satisfying the revenue recognition criteria are recorded as deferred revenue. Amounts expected to be recognised as revenue within the 12 months following the balance sheet date are classified within current liabilities. Amounts not expected to be recognised as revenue within the 12 months following the balance sheet date are classified within non-current liabilities.

a. Sales of goods – imaging kits

Sales are recognised at a point-in-time when control of the products has transferred, being when the products are delivered to the customer. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, parties have accepted the products in accordance with the sales contract and the acceptance provisions have lapsed. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts.

Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. No element of financing is deemed present as the sales are made with a credit term of 30 days, which is consistent with market practice. The Group's obligation to replace faulty products under the standard warranty terms is recognised as a provision.

b. Licenses of intellectual property

When licenses of intellectual property are distinct from other goods or services promised in the contract, the transaction price is allocated to the license as revenue upon transfer of control of the license to the customer. All other promised goods or services in the license agreement are evaluated to determine if they are distinct. If they are not distinct, they are combined with other promised goods or services.

The transaction price allocated to the license performance obligation is recognised based on the nature of the license arrangement. The transaction price is recognised over time if the nature of the license is a "right to access" license. This is where the Group performs activities that significantly affect the intellectual property to which the customer has rights, the rights granted by the license directly expose the customer to any positive or negative effects of the Group's activities, and those activities do not result in the transfer of a good or service to the customer as those activities occur. When licenses do not meet the criteria to be a right to access license, the license is a "right to use" license, and the transaction price is recognised at the point in time when the customer obtains control over the license.

C. Research and development services

Where research and development (R&D) services do not significantly modify or customise the license nor are the license and development services significantly interrelated or interdependent, the provision of R&D services is considered to be distinct. The transaction price is allocated to the R&D services based on a cost-plus margin approach. Revenue is recognised over time based on the costs incurred to date as a percentage of total forecast costs. Reforecasting of total costs is performed at the end of each reporting period to ensure that costs recognised represent the goods or services transferred.

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d. Financing component

The existence of a significant financing component in the contract is considered under the five-step method under AASB 15 Revenue from Contracts with Customers.

If the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer, the promised amount of consideration will be adjusted for the effects of the time value of money when determining the transaction price.

e. Milestone revenue

The five-step method under the standard is applied to measure and recognize milestone revenue.

The receipt of milestone payments is often contingent on meeting certain clinical, regulatory or commercial targets, and is therefore considered variable consideration. The transaction price of the contingent milestone is estimated using the most likely amount method. Within the transaction price, some or all of the amount of the contingent milestone is included only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the contingent milestone is subsequently resolved. Milestone payments that are not within the control of the Group, such as regulatory approvals, are not considered highly probable of being achieved until those approvals are received. Any changes in the transaction price are allocated to all performance obligations in the contract unless the variable consideration relates only to one or more, but not all, of the performance obligations. When consideration for milestones is a sale-based or usage-based royalty that arises from licenses of IP (such as cumulative net sales targets), revenue is recognised at the later of when (or as) the subsequent sale or usage occurs, or when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

f. Sales-based or usage-based royalties

Licenses of intellectual property can include royalties that are based on the customer's usage of the intellectual property or sale of products that contain the intellectual property. The specific exception to the general requirements of variable consideration and the constraint on variable consideration for sales-based or usage-based royalties promised in a license of intellectual property is applied. The exception requires such revenue to be recognised at the later of when (or as) the subsequent sale or usage occurs and the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied (or partially satisfied).

3.22 Receivables

a. Trade and other receivables

Trade receivables and other receivables are all classified as financial assets held at amortised cost.

Trade receivables are recognised initially at the amount of consideration that is unconditional, unless they contain significant financing components when they are recognised at fair value.

b. Impairment of trade and other receivables

The collectability of trade and other receivables is reviewed on an ongoing basis. Individual debts which are known to be uncollectible are written off when identified. The Group recognises an impairment provision based upon anticipated lifetime losses of trade receivables. The anticipated losses are determined with reference to historical loss experience and are regularly reviewed and updated. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 25.4 for further information about the group's accounting for trade receivables and description of the group's impairment policies.

3.23 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

3.24 Decommissioning liability

The Group has recognised a provision for its obligation to decommission its nuclear product manufacturing plant facility over its operating life.

At the end of a facility's life, costs are incurred in safely removing certain assets involved in the production of radioactive isotopes. The Group recognises the full discounted cost of decommissioning as an asset and liability when the obligation to restore sites arises. The decommissioning asset is included within property, plant and equipment with the cost of the related installation. The liability is included within provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset is included in the consolidated statement of comprehensive income or loss and the unwinding of discount of the provision is included within finance costs. Further detail has been provided in note 21.

3.25 Fair value measurement

Certain judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. The different levels have been defined as follows:

- **Level 1:** fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets is the current bid price.
- **Level 2:** fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- **Level 3:** if one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

There were no transfers between level 1, 2 and 3 for recurring fair value measurements during the year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the reporting period. Certain judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements.

3.26 Critical estimates, judgements and errors

Accrued R&D expenditure

As part of the process of preparing our financial statements, the Group is required to estimate its accrued expenses. This process involves reviewing open contracts and purchase orders, communicating with program directors and managers to identify services that have already been performed for the Group, estimating the level of services performed with associated costs incurred for the service for which the Group has not yet been invoiced or otherwise notified of the actual cost. The majority of service providers invoice the Company monthly in arrears for services performed or when contractual milestones are met. The Group estimates accrued expenses as of each statement of financial position date in the financial statements based on facts and circumstances known at that time. The Group periodically confirms the accuracy of estimates with the service providers and make adjustments if necessary. Examples of estimated accrued expenses include fees paid to:

- Contract Research Organisations (CROs) in connection with clinical studies
- investigative sites in connection with clinical studies
- vendors in connection with preclinical development activities, and
- vendors related to product manufacturing, process development and distribution of clinical supplies.

Recognition of R&D tax incentive income

The Australian government allows a refundable research and development (R&D) tax incentive to eligible companies with an annual aggregate turnover of less than $20,000,000. Eligible companies can receive refundable amounts of their research and development expenditure. On 3 August 2018 Telix Pharmaceuticals Limited was granted certificates from the Department of Innovation, Industry and Science ("Innovation and Science Australia") for an advance/overseas R&D tax finding providing approval for activities that are eligible for R&D tax incentive in relation to qualifying expenditure of up to $55,200,000.

The research and development activities have been assessed by management and also by an independent subject matter expert to determine which areas are eligible under the R&D tax incentive scheme. This analysis includes an assessment of both the domestic and international spend. For the year ended 31 December 2020 the Group has recognised $12,318,000 (2019: $11,693,000) in the consolidated statement of comprehensive income or loss.

The Group has recognised $12,239,000 (2019: $11,326,000) of R&D tax incentive receivables which is classified as a current asset as it is expected to be received in the next 12 months.

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Impairment assessment – carrying value of goodwill and intangible assets

Since its inception Telix has completed four acquisitions: Therapaeia (2017), Atlab (2018), ANMI (2018) and TheraPharm (2020).

The assessment of impairment of these has required estimates and judgements to be made. The inputs for these have been outlined in note 16.

Contingent consideration and decommissioning liabilities

The Group has identified the contingent consideration and decommissioning liabilities as balances requiring estimates and significant judgements. These estimates and judgements have been outlined in notes 20 and 21 respectively.

Decommissioning liability assessment

Telix purchased the facility at Seneffe in Belgium on the 27th of April 2020. As part of this transaction, Telix assumed the obligation to remove these assets after the end of their useful lives and restore the site.

Currently the site has two cyclotrons installed in concrete shielded vaults which also contain some nuclear contamination associated with past manufacturing activities. The decommissioning provisions at 31 December 2020 represent the present value of decommissioning costs related to the Seneffe facility and removal of these cyclotrons under a staged approach.

4. REVENUE

China Grand Pharma strategic partnership

In the period, the Group entered into a strategic commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Limited (CGP) for the Group's portfolio of MTR products. The Group has appointed CGP as its exclusive partner for the Greater China market and grants CGP exclusive development and commercialisation rights to the Group's portfolio of prostate, renal and brain (glioblastoma) cancer imaging and therapeutic MTR products in the Territory.

A non-refundable upfront payment of USD $25,000,000 was received upon signing of the contract with CGP. The Group is further entitled to receive milestones payments based on regulatory and cumulative product sales milestones, as well as tiered royalties on product sales. The strategic partnership with CGP includes a license of existing intellectual property and the provision of development services. Under AASB 15 Revenue from Contracts with Customers, the Group has identified two distinct performance obligations in the strategic partnership with CGP. The two performance obligations identified are the right of use license of intellectual property, and research and development (R&D) services. The license of intellectual property was considered distinct from the R&D services as it is capable of being granted separately and the R&D services do not significantly modify or customise the license nor are the license and R&D services significantly interrelated or interdependent.

The standalone selling price for each performance obligation is not directly observable. The Group has estimated the standalone selling price through the most appropriate method to ensure the estimate represents the price that could be charged for the goods or services if they were sold separately.

Significant judgement was applied in determining the standalone selling price and the variable consideration that was allocated to each performance obligation. Based on this analysis $1,402,000 in revenue was recognised for the right of use license of intellectual property as this performance obligation was considered completely satisfied at this date. In relation to the R&D services, the application of a cost plus margin approach was utilised as the primary method. For R&D services, the Group estimated the standalone selling price to be $31,283,000, recognised over time. $533,000 was recognised as revenue for the current period.

a. Disaggregation of revenue from contracts with customers

The Group derives revenue from the sale and transfer of goods and services over time and at a point in time under the following major business activities:

	2020 $'000	2019 $'000
Sale of goods	3,278	3,485
Licenses of intellectual property	1,402	–
Research and development services	533	–
Total revenue from continuing operations	**5,213**	**3,485**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

4. REVENUE CONTINUED

	Sale of goods		Licenses of intellectual property		Research and development services	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Timing of revenue recognition						
At a point in time	3,278	3,485	1,402	–	–	–
Over time	–	–	–	–	533	–
Total revenue from continuing operations	**3,278**	**3,485**	**1,402**	**–**	**533**	**–**

b. Contract liabilities

The Group has recognised the following liabilities related to contracts with customers in licensing arrangements:

Contract liabilities relating to licensing arrangements	2020 $'000	2019 $'000
Current	3,235	–
Non-current	27,515	–
Total contract liabilities	**30,750**	**–**

5. RESEARCH AND DEVELOPMENT COSTS

	2020 $'000	2019 $'000
Preclinical	473	1,000
Clinical	6,476	4,384
Manufacturing	10,771	11,705
Other research and development related costs	5,365	4,073
	23,085	**21,162**

Manufacturing costs primarily relate to technical transfer and scale-up from research and development stage facilities and production runs to clinical and commercial stage, good manufacturing practice production.

Telix utilised a number of outsourced sites for manufacturing during 2020 for the provision of clinical grade investigative products for Phase I-III clinical studies. Work also continued on scale up activities for the eventual commercial supply of our products including the TLX 591 and TLX 250 diagnostic products.

6. ADMINISTRATION AND CORPORATE COSTS

	2020 $'000	2019 $'000
Insurance	878	658
Professional fees	5,267	4,213
Training and compliance	447	617
Travel costs	185	593
Marketing and sponsorship	1,202	312
Other administration	936	433
	8,915	**6,826**

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7. EMPLOYMENT COSTS

	2020 $'000	2019 $'000
Salaries and wages	11,037	6,572
Superannuation	327	222
Non-executive directors' fees	376	393
Share based payments and incentives	3,820	1,787
	15,560	**8,974**

8. DEPRECIATION AND AMORTISATION

	2020 $'000	2019 $'000
Depreciation	777	323
Amortisation of intangible assets	4,105	3,913
	4,882	**4,236**

9. FINANCE COSTS

	2020 $'000	2019 $'000
Bank fees	23	21
Interest expense	191	116
Unwind of discount on provisions and government grant liability[(i)]	961	–
	1,175	**137**

(i) At 31 December 2020, the Group identified an opportunity to enhance the presentation of the fair value remeasurement of contingent consideration and associated unwinding of the discount rate recorded within finance costs in the consolidated statement of comprehensive income or loss. The Group considered that the change in contingent consideration is primarily due to changes in assumptions about the settlement of the contingent consideration and these line items in the consolidated statement of comprehensive income or loss should therefore be reported in aggregate, to provide more relevant information to the users of the financial statements. This change in presentation of $2,271,000, previously included as interest expense in the unwinding of discount on the contingent consideration liability, has been retrospectively applied to the year ended 31 December 2020.

10. OTHER INCOME AND EXPENSES

	2020 $'000	2019 $'000
Research and development tax incentive income	12,318	11,693
Realised currency loss	(7)	(66)
Unrealised currency loss	(3,930)	(387)
Interest income	67	98
Other income/(expense)	1,336	204
	9,784	**11,542**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11. INCOME TAX BENEFIT

11.1 Income tax benefit

	2020 $'000	2019 $'000
Deferred tax benefit	(3,048)	(3,255)
Total income tax benefit	**(3,048)**	**(3,255)**

11.2 Numerical reconciliation of prima facie tax payable to income tax benefit

	2020 $'000	2019 $'000
Loss from continuing operations before income tax benefit	(47,935)	(31,122)
Prima-facie tax at a rate of 27.5% (2019: 27.5%)	(13,182)	(8,559)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D tax incentive credit	(3,387)	(3,216)
Eligible expenses claimed under R&D tax incentive	7,787	7,161
Non-deductible interest	–	625
Employee option plan	645	349
Deductible transaction costs on share issues	(314)	(293)
Sundry items	162	34
Foreign exchange translation loss/(gain)	907	107
	(7,382)	**(3,792)**
Current year tax losses not recognised	4,174	1,071
Adjustment for current tax of prior periods	37	(343)
Impact of change in tax rates	–	(272)
Provisions recognised in international jurisdictions	123	81
Income tax benefit	**(3,048)**	**(3,255)**

11.3 Tax losses

	2020 $'000	2019 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Potential tax benefit (presented net)	**5,934**	**1,760**

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12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	2020 $'000	2019 $'000
Financial assets			
Cash and cash equivalents	12.1	77,945	44,598
Trade and other receivables	12.2	12,399	12,071
Other current assets	12.3	2,651	1,468
		92,995	**58,137**
Financial liabilities			
Trade and other payables	12.4	10,892	9,218
Borrowings	18	359	761
Lease liabilities	15.2	1,848	1,370
Contract liabilities	4	30,750	–
Government grant liability	22	1,055	650
Contingent consideration liability (ANMI)	20	23,732	16,441
Decommissioning liability	21	6,796	–
		75,432	**28,440**

12.1 Cash and cash equivalents

	2020 $'000	2019 $'000
Cash on hand	**77,945**	**44,598**

(i) Reconciliation to cash flow statement: The above figures agree with the amount of cash shown in the statement of cash flows at the end of the financial year.

(ii) Classification as cash equivalents: Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition.

12.2 Trade and other receivables

	2020 $'000	2019 $'000
Trade receivables	160	745
R&D tax incentive receivable	12,239	11,326
	12,399	**12,071**

Research and development activities have been assessed by the Group and by an independent subject matter expert to determine which areas are likely to be eligible under the R&D tax incentive scheme. This assessment includes a review of both domestic and international spend. For the year ended 31 December 2020 the Group has recognised a total current receivable of $12,239,000 (2019: $11,326,000). The R&D tax incentive receivable has been determined based on a combination of eligible domestic and international expenditure of $28,317,000 (2019: $26,881,000) at a rate of 43.5 cents tax incentive rebate per eligible R&D dollar spent. The credit risk associated with this receivable is low.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

12.3 Other current assets

	2020 $'000	2019 $'000
GST receivables	337	264
Other receivables	1,455	674
Prepayments	859	530
	2,651	**1,468**

12.4 Trade and other payables

	2020 $'000	2019 $'000
Trade creditors	5,808	6,964
Other creditors and accruals	4,600	1,801
Payroll liabilities	484	453
	10,892	**9,218**

13. DEFERRED TAX ASSETS AND LIABILITIES

13.1 Deferred tax assets

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Tax losses	6,066	4,064
Lease liabilities	555	411
Total deferred tax assets	**6,621**	**4,475**
Set-off of deferred tax liabilities pursuant to set-off provisions	(6,621)	(4,475)
Net deferred tax assets	**–**	**–**

Deferred tax assets movements	Tax losses $'000	Lease liability $'000	Total $'000
The balance comprises temporary differences attributable to:			
Balance at 1 January 2019	**1,884**	**147**	**2,031**
(Charged)/credited:			
to profit and loss	2,180	264	2,444
Balance at 31 December 2019	**4,064**	**411**	**4,475**
Balance at 1 January 2020	**4,064**	**411**	**4,475**
(Charged)/credited:			
to profit and loss	2,002	144	2,146
Balance at 31 December 2020	**6,066**	**555**	**6,621**

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13.2 Deferred tax liabilities

	2020 $'000	2019 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	6,094	7,241
Right-of-use assets	527	404
Total deferred tax liabilities	**6,621**	**7,645**
Set-off of deferred tax assets pursuant to set-off provisions	(6,621)	(4,475)
Net deferred tax liabilities	**–**	**(3,170)**

Deferred tax liabilities movements	Intangible assets $'000	Right-of-use asset $'000	Total $'000
The balance comprises temporary differences attributable to:			
Balance at 1 January 2019	**6,258**	**147**	**6,405**
Charged/(credited):			
to profit and loss	(1,149)	257	(892)
directly to equity	15	–	15
finalisation of subsidiary acquisition accounting purchased in prior year	2,117	–	2,117
Balance at 31 December 2019	**7,241**	**404**	**7,645**
Balance at 1 January 2020	**7,241**	**404**	**7,645**
Charged/(credited):			
to profit and loss	(1,149)	123	(1,026)
directly to equity	2	–	2
Balance at 31 December 2020	**6,094**	**527**	**6,621**

14. INVENTORY

	2020 $'000	2019 $'000
Raw materials and stores	149	84
Work in progress	404	412
Finished goods	80	46
	633	**542**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Property, plant and equipment

	Land and buildings $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Leasehold improvements $'000	Right-of-use assets $'000	Total $'000
At 31 December 2019						
Balance at 1 January 2019	**–**	**170**	**21**	**35**	**–**	**226**
Adoption of AASB 16	–	–	–	–	490	490
Additions	–	42	172	189	1,103	1,506
Depreciation charge	–	(35)	(29)	(13)	(246)	(323)
Balance at 31 December 2019	**–**	**177**	**164**	**211**	**1,347**	**1,899**
Year ended 31 December 2019						
Cost	–	212	193	224	1,593	2,222
Accumulated depreciation	–	(35)	(29)	(13)	(246)	(323)
Net book amount	**–**	**177**	**164**	**211**	**1,347**	**1,899**

	Land and buildings $'000	Plant and equipment $'000	Furniture, fittings and equipment $'000	Leasehold improvements $'000	Right-of-use assets $'000	Total $'000
At 31 December 2020						
Balance at 1 January 2020	**–**	**177**	**164**	**211**	**1,347**	**1,899**
Additions	2,463	112	120	6	950	3,651
Depreciation charge	(61)	(39)	(77)	(30)	(570)	(777)
Exchange differences	–	–	18	–	30	48
Balance at 31 December 2020	**2,402**	**250**	**225**	**187**	**1,757**	**4,821**
Year ended 31 December 2020						
Cost	2,463	324	313	230	2,560	5,890
Accumulated depreciation	(61)	(74)	(88)	(43)	(803)	(1,069)
Net book amount	**2,402**	**250**	**225**	**187**	**1,757**	**4,821**

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15.2 Lease liabilities

The statement of financial position shows the following amounts relating to leases:

Right-of-use assets	2020 $'000	2019 $'000
Properties	1,380	1,039
Motor vehicles	377	308
Total right-of-use assets	**1,757**	**1,347**

Lease liabilities	2020 $'000	2019 $'000
Current	503	21
Non-current	1,345	1,349
Total lease liabilities	**1,848**	**1,370**

Additions to the right-of-use assets during the 2020 financial year were $950,000 (2019: $1,103,000).

The statement of comprehensive income or loss shows the following amounts relating to leases:

Depreciation charge on right-of-use assets	2020 $'000	2019 $'000
Properties	455	168
Motor vehicles	115	78
	570	**246**

Interest expense relating to leases	2020 $'000	2019 $'000
Properties	120	26
Motor vehicles	27	21
	147	**47**

The total cash outflow for leases in 2020 financial year were $649,000 (2019: $271,000). This is made up of $502,000 (2019: $224,000) principal and $147,000 (2019: $47,000) interest payments.

15.3 Acquisition of facility at Seneffe

The Group purchased the facility at Seneffe in Belgium in April 2020. This facility was acquired from a German company Eckert & Ziegler Strahlen und Medizintechnik AG (EZAG) for the nominal amount of €1. In addition, the Group agreed to take on responsibility for the decommissioning liability for this site which was estimated at $8,497,000 (€5,183,000) based on a decommissioning plan prepared by the Company in close consultation with expert nuclear decommissioning advisory prior to completion of the acquisition. Based on timing of activities and costs included in the signed contract and the calculated net present value at a discount rate of 8%, the liability has been estimated at $7,003,000 (€4,272,000). The Company has allocated the acquisition value across the site's land and buildings ($2,463,000) and the isotype licence ($4,540,000) disclosed in notes 15.1 and 16. The allocation of value has been based on valuation reports from third party advisors and market rates. The building ($1,652,000) is depreciated on a straight-line basis over the asset's remaining useful life of 18 years. The land ($812,000) is not depreciated in accordance with the Group's accounting policies. The licence $4,540,000 is amortised on a straight-line basis over the asset's remaining useful life of 15 years. The Group's estimate of the useful life is based on the useful life of similar assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. INTANGIBLE ASSETS

16.1 Acquisition of TheraPharm

On 30 November 2020, Telix Pharmaceuticals Limited entered into the Joint Agreement with Scintec Diagnostics GmbH ("Scintec") to acquire TheraPharm, a Swiss-German biotechnology company developing innovative diagnostic and therapeutic solutions in the field of hematology.

TheraPharm is developing antibody MTR technology against CD66, a cell surface target highly expressed by neutrophils (a type of granulocyte, a category of white blood cell) and tumour-infiltrating lymphocytes. As such, the technology has potentially very broad applications in the diagnosis and treatment of hematologic diseases (e.g. blood cancers), infection management and a variety of lymphoproliferative diseases.

The Directors considered the treatment of the TheraPharm acquisition under AASB 3 Business Combinations and accounting policy note 3.11. In assessing the qualification as a business combination or asset acquisition, the Directors determined that this represented an asset acquistion. When identifying net identifiable assets acquired, it was determined that the acquisition related to an asset acquisition – being intellectual property (therapeutic and diagnostic). As a result of this determination, no goodwill has been recognised on the acquisition.

The Group acquired TheraPharm with an upfront payment of $16,653,000 comprising $15,006,000 in Telix ordinary shares, $322,000 cash consideration and an earn out based on future milestones and future royalty payments with a net present value of $1,325,000.

The intellectual property associated with TheraPharm consists of two components. Intellectual property associated with diagnostic product ^{99m}Tc-besilesomab, Scintimun® will be amortised over it's useful life of 12 years. The intellectual property associated with the therapeutic product (^{90}Y-anti-CD66 molecularly targeted radiation) is recorded as an indefinite life asset as it is not yet ready for use. At the point that the asset is ready for use, the useful life will be reassessed as a definite life asset and amortised over an appropriate period.

As the therapeutic intellectual property has been determined to represent an indefinite useful life intangible asset, it will be tested for impairment at least annually.

The diagnostic product ^{99m}Tc-besilesomab, Scintimun® has already established its market in territories including Europe, Middle East, South Americas, and South East Asia, and Telix started amortising the intellectual property of this asset from acquisition date over its 12 year useful life.

TheraPharm Therapeutic: Indefinite life intangible assets, being intellectual property, were acquired as part of the acquisition with TheraPharm and are required to be annually tested for impairment. At 31 December 2020, the Directors used a fair value less costs to sell approach to assess the carrying value of the associated intangible assets. No impairment was recognised by the Group.

TheraPharm Diagnostic: Definite life intangible asset is required to be tested for impairment where triggers have been identified. At 31 December 2020 no impairment triggers were noted.

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	Goodwill $'000	Intellectual property $'000	Patents $'000	License $'000	Total $'000
At 31 December 2019					
Balance at 1 January 2019	**3,140**	**36,095**	**216**	**–**	**39,451**
Additions	–	–	65	–	65
Adjustments on acquisition of subsidiaries	1,084	5,262	–	–	6,346
Amortisation charge	–	(3,830)	(84)	–	(3,914)
Balance at 31 December 2019	**4,224**	**37,527**	**197**	**–**	**41,948**
Cost	4,224	41,357	291	–	45,872
Accumulated amortisation and impairment	–	(3,830)	(94)	–	(3,924)
Net book amount	**4,224**	**37,527**	**197**	**–**	**41,948**
At 31 December 2020					
Balance at 1 January 2020	**4,224**	**37,527**	**197**	**–**	**41,948**
Additions	–	16,586	72	4,540	21,198
Amortisation charge	–	(3,881)	(22)	(202)	(4,105)
FX movements	–	145	2	1	148
Balance at 31 December 2020	**4,224**	**50,377**	**249**	**4,339**	**59,189**
Cost	4,224	58,088	365	4,541	67,218
Accumulated amortisation	–	(7,711)	(116)	(202)	(8,029)
Net book amount	**4,224**	**50,377**	**249**	**4,339**	**59,189**

The allocation of intangible assets to each cash-generating unit (CGU) is summarised below:

CGU	Name of entity	2020 $'000	2019 $'000
Illuccix (previously *Illumet*®)	ANMI	23,134	26,870
TLX591-t	Atlab	13,440	13,440
TLX101	Therapeia	1,441	1,441
TheraPharm Therapeutic	TheraPharm	15,476	–
TheraPharm Diagnostic	TheraPharm	1,110	–
Seneffe manufacturing facility license	Telix Belgium	4,339	–
Patents	Corporate	249	197
		59,189	**41,948**

Impairment test for goodwill and indefinite life intangible assets

Since its inception Telix has completed four acquisitions Therapeia (2017), ANMI (2018), Atlab (2018) and ThermaPharm (2020).

Illuccix (previously *Illumet*®): Goodwill and definite life intangible assets, being intellectual property, were acquired as part of the acquisition of ANMI. Goodwill is required to be annually tested for impairment whereas a definite life intangible asset is required to be tested for impairment where triggers have been identified. At 31 December 2020 the Directors used a fair value less costs to sell approach to assess the carrying value of the associated goodwill. No impairment was recognised by the Group. No impairment was recognised by the Group at 31 December 2020 as no impairment triggers were noted.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

16. INTANGIBLE ASSETS CONTINUED

TLX591-t: Indefinite life intangible assets, being intellectual property, were acquired as part of the asset purchase with Atlab and are required to be annually tested for impairment. At 31 December 2020, the Directors used a fair value less costs to sell approach to assess the carrying value of the associated intangible assets. No impairment was recognised by the Group.

TLX101: Goodwill and indefinite life intangible assets, being intellectual property, were acquired as part of the acquisition of Therapeia and are required to be annually tested for impairment. At 31 December 2020, the Directors used a fair value less costs to sell approach to assess the carrying value of the associated goodwill and intangible assets. No impairment was recognised by the Group.

Seneffe manufacturing facility license: The Group acquired an isotope licence as part of the Seneffe manufacturing facility acquired in April 2020 (as disclosed in Note 15.3). The licence represents a definite useful life intangible asset which is required to be tested for impairment where triggers have been identified. The licence does not generate cash inflows that can be separately identified from other assets therefore the CGU for the licence is the Seneffe manufacturing facility as a whole. At 31 December 2020, there were no impairment triggers noted.

The Group has identified the estimate of the recoverable amount as a significant judgement for the year ended 31 December 2020. In determining the recoverable amount of all CGU's listed above, the Group has used discounted cash flow forecasts and the following key assumptions:

- Risk adjusted post-tax discount rate – 12.3%
- Regulatory/marketing authorisation approval dates
- Expected sales volumes
- Net sales price per unit
- Approval for marketing authorisation probability success factor
- Costs of disposal were assumed to be immaterial at 31 December 2020.

The Group has considered reasonable possible changes in the key assumptions and has not identified any instances that could cause the carrying amounts of the intangible assets at 31 December 2020 to exceed their recoverable amounts.

17. NON-CURRENT TRADE AND OTHER RECEIVABLES

	2020 $'000	2019 $'000
Deposits	183	82
	183	**82**

18. BORROWINGS

Borrowings – unsecured	2020 $'000	2019 $'000
Current	264	469
Non-current	95	292
Total borrowings	**359**	**761**

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All borrowings outstanding at 31 December 2020 are in relation to the ANMI and Atlab entities and have arisen as a result of these acquisitions by the Group. All ANMI borrowings are commercial in nature, Atlab borrowings are with a French government authority as a development loan. Details of the borrowings are as follows:

Lenders	Loan balance $'000	Due < 1 year $'000	Due >1 year $'000	Maturity date
Commercial loan	14	14	–	30/04/2021
Development loan(i)	2	2	–	28/02/2021
Development loan(i)	215	140	75	30/06/2021
Development loan(i)	60	60	–	30/09/2021
Development loan(i)	68	48	20	31/05/2022
	359	**264**	**95**	

(i) Development loans are provided by local and national government bodies to support the industry in which they operate in their jurisdictions. All loans are denominated in Euros and have been translated to Australian dollars at the exchange rate current at 31 December 2020.

Fair value: For all borrowings, the fair values are not materially different to their carrying amounts, since the interest payable on those borrowings is either close to current market rates or the borrowings are of a short-term nature.

Capital risk management: Capital is defined as the combination of shareholders' equity, reserves and net debt. The key objective of the Group when managing its capital is to safeguard its ability to continue as a going concern, so that the Group can continue to provide benefits for stakeholders and maintain an optimal capital and funding structure. The aim of the Group's capital management framework is to maintain, monitor and secure access to future funding arrangements to finance the necessary research and development activities being performed by the Group. Consistent with others in the industry, the Group monitors capital on the basis of the following gearing ratio: Debt as divided by Equity. At 31 December 2020 the Group's on-balance sheet gearing and leverage ratio was 0.5% for 2020 and 1.1% for 2019.

Reconciliation of liabilities arising from financing activities:

	Opening balance $'000	Net cash inflow/ (outflow) $'000	Acquisition of subsidiaries $'000	Other non-cash movements $'000	Closing balance $'000
For the year ended 31 December 2019					
Borrowings	1,704	(943)	–	–	761
Lease liabilities	25	(224)	–	1,569	1,370
	1,729	**(1,167)**	**–**	**1,569**	**2,131**
For the year ended 31 December 2020					
Borrowings	761	(402)	–	–	359
Lease liabilities	1,370	(502)	–	980	1,848
	2,131	**(904)**	**–**	**980**	**2,207**

19. PROVISIONS

	2020 $'000	2019 $'000
Annual leave	779	388
Bonus	1,230	529
	2,009	**917**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

20. CONTINGENT CONSIDERATION

20.1 TheraPharm

Telix acquired TheraPharm on 14 December 2020. Part of the consideration for the acquisition was in the form of future payments contingent on certain milestones. These are:

- EUR 5m cash payment upon successful completion of a Phase III pivotal registration trial.
- EUR 5m cash payment upon achievement of marketing authorisation in the Europe or the United States, whichever approval comes first.
- 5% of net sales for the first three years following marketing authorisation in the Europe or the United States, whichever approval comes first.

Contingent consideration	2020 $'000	2019 $'000
Current	–	–
Non-current	1,364	–
Total contingent consideration	**1,364**	**–**

The valuation of the contingent consideration has been performed utilising a discounted cash flow model that uses certain unobservable assumptions. These key assumptions include risk adjusted post-tax discount rate (12.3%), market authorisation date, expected sales volume over the forecast period, net sales price per unit and approval for marketing authorisation probability success factor.

The following table summarises the quantitative information about these assumptions, including the impact of sensitivities from reasonable possible changes where applicable:

	Methodology	Contingent consideration valuation 31 December 2020
Risk adjusted post-tax discount rate	The post-tax discount rate used in the valuation has been determined based on required rates of returns of listed companies in the biotechnology industry (having regards to their stage of development, size and risk adjustments)	A 0.5% increase in the post-tax discount rate would decrease the contingent consideration by 1.61% and decreasing the post-tax discount rate by 0.5% would increase the contingent consideration by 1.64%
Market authorisation date	This assumption is based on the estimated time to achieve marketing authorisaton	A 6 month delay in achieving market authorisation would decrease the contingent consideration by 4.81%
Expected sales volumes	This is determined through assumptions on target market population, penetration and growth rates in the United States and Europe	A 10% increase in the market population would increase the contingent consideration by 2.42% and a 10% decrease in market population would decrease the contingent consideration by 2.43%
Net sales price per unit	The sales price per unit is estimated based on comparable products currently in the market	A 10% increase in the net sales price per unit would increase the contingent consideration by 2.42% and 10% decrease in net sales price per unit would decrease the contingent consideration by 2.42%
Approval for marketing authorisation probability success factor	This assumption is based on management's estimate for achieving regulatory approval and is determined through benchmarking of historic approval rates	Not applicable

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20.2 Advanced Nuclear Medicine Ingredients SA (ANMI)

The Group acquired ANMI on 24 December 2018. The Group is liable for future variable payments which are calculated based on the percentage of net sales for five years following the achievement of market authorisation of the product. The percentage of net sales varies depending on the net sales achieved in the United States and the rest of the world. The Group also holds an option to buy-out the remaining future variable payments in the third year following the achievement of market authorisation, if specified sales thresholds are met.

	2020 $'000	2019 $'000
Balance at 1 January	**16,441**	**14,170**
Fair value remeasurement of contingent consideration	7,291	2,271
Balance at 31 December	**23,732**	**16,441**
Current	1,294	–
Non-current	22,438	16,441
Total contingent consideration liability	**23,732**	**16,441**

As at balance date, the Group has remeasured the contingent consideration to its fair value. The remeasurement is as a result of changes to the key assumptions such as probability of success factors, risk adjusted post-tax discount rate, market authorisation date, expected sales volumes and net sales price per unit.

The Group has adopted a process to value the contingent consideration liability with the assistance of an independent valuation expert. The contingent consideration liability has been valued using a discounted cash flow model that utilises certain unobservable level 3 inputs. These key assumptions include risk adjusted post-tax discount rate (12.3%), market authorisation date, expected sales volume over the forecast period, net sales price per unit and approval for marketing authorisation probability success factor.

The following table summarises the quantitative information about these assumptions, including the impact of sensitivities from reasonable possible changes where applicable:

Unobservable input	Methodology	Contingent consideration valuation 31 December 2020
Risk adjusted post-tax discount rate	The post-tax discount rate used in the valuation has been determined based on required rates of returns of listed companies in the biotechnology industry (having regards to their stage of development, size and risk adjustments)	A 0.5% increase in the post-tax discount rate would decrease the contingent consideration by 1.45% and decreasing the post-tax discount rate by 0.5% would increase the contingent consideration by 1.48%
Market authorisation date	This assumption is based on the estimated time to achieve marketing authorisaton	A 6 month delay in achieving market authorisation would decrease the contingent consideration by 1.66%
Expected sales volumes	This is determined through assumptions on target market population, penetration and growth rates in the United States and Europe	A 10% increase in the market population would increase the contingent consideration by 8.56% and a 10% decrease in market population would decrease the contingent consideration by 7.31%
Net sales price per unit	The sales price per unit is estimated based on comparable products currently in the market	A 10% increase in the net sales price per unit would increase the contingent consideration by 6.23% and 10% decrease in net sales price per unit would decrease the contingent consideration by 6.23%
Approval for marketing authorisation probability success factor	This assumption is based on management's estimate for achieving regulatory approval and is determined through benchmarking of historic approval rates	Not applicable

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21. DECOMMISSIONING LIABILITY

	2020 $'000	2019 $'000
Finalised fair value at acquisition date – April 2020	**7,003**	**–**
Unwind of discount	358	–
Provision utilised in the period	(447)	–
Exchange differences	(118)	–
Balance at 31 December	**6,796**	**–**
Current	1,686	–
Non-current	5,110	–
Total decommissioning liability	**6,796**	**–**

The Group has recognised a provision for its obligation to decommission its nuclear product manufacturing plant facility over its operating life. The provision is recognised to represent the best estimate of the expenditures required to settle the present obligation at 31 December 2020. Such cost estimates adjusted for inflation have been discounted to $6,796,000, using a discounted cash flow model, utilising a discount rate of 8.0%. While the Group has made its best estimate in establishing its decommissioning liability, because of potential changes in technology as well as safety and environmental requirements, plus the actual timescale to complete decommissioning, the ultimate provision requirements could vary from the Group's current estimates. Any subsequent changes in estimate will be recognised directly through profit and loss. Each year, the provision is increased to reflect the unwind of discount and to accrue an estimate for the effects of inflation, with the charges being presented in the statement of total comprehensive income or loss. Actual payments for commencement of decommissioning activity are disclosed as payments made in the above table.

The Group assessed the decommissioning liability of $7,003,000 on the acquisition date of April 2020. The liability was discounted by 8.0%, which includes a commercial borrowing rate of 4.25% and Telix related risk premium of 3.75%.

Since the acquisition of the Seneffe site the Group has paid $447,000 towards the removal of cyclotrons from the site. The removal of the cyclotrons from the site is targeted for completion by 2024.

At 31 December 2020, the Group performed another fair value assessment of the remaining Seneffe decommissioning expenditure and revalued the liability at $6,796,000. The Group has recorded exchange differences of $118,000 and an increase in the decommissioning liability of $358,000.

22. GOVERNMENT GRANT LIABILITY

ANMI has received grants from the Walloon regional government in Belgium. These grants meet the definition of a financial liability as defined in AASB 9 Financial Instruments and are required to be recognised at fair value through profit and loss.

The grants are repayable to the Walloon government based on a split between fixed and variable repayments. The fixed proportion is based on contractual cash flows agreed with the Walloon government. The variable cash flows are based on a fixed percentage of future sales and are capped at an agreed upon level.

The Group has estimated that the full variable repayments will be made up to the pre-agreed capped amount. The key inputs into this calculation are the risk adjusted post-tax discount rate (12.3%), the expected sales volumes and the net sales price per unit. These assumptions are consistent with those utilised by the Group in the calculation of the contingent consideration liability and intellectual property valuation.

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	2020 $'000	2019 $'000
Balance at 1 January	**650**	**–**
Fair value remeasurement of government grant liability	432	650
Provision utilised in the period	(27)	–
Balance at 31 December	**1,055**	**650**
Current	73	–
Non-current	982	650
Total government grant liability	**1,055**	**650**

23. EQUITY

23.1 Share capital

	2020 Number	2020 $'000	2019 Number	2019 $'000
Movements in shares on issue				
Balance at 1 January	**253,279,999**	**115,943**	**218,365,836**	**72,053**
Shares issued through private placement[(i)]	–	–	30,770,000	40,001
Shares issued through share purchase plan[(ii)]	–	–	3,846,128	5,000
Shares issued through the exercise of share options[(iii)]	1,865,991	838	298,035	253
Shares issued CGP[(iv)]	20,947,181	35,401	–	–
Shares issued TheraPharm[(v)]	4,312,151	15,006	–	–
Less transaction costs	–	(130)	–	(1,364)
Balance at 31 December	**280,405,322**	**167,058**	**253,279,999**	**115,943**

(i) On 24 July 2019, 30,770,000 fully paid shares were issued further to a private placement announced on 17 July 2019. Shares were issued at $1.30 per share to raise $40,001,000 before costs.

(ii) On 22 August 2019, 3,846,128 fully paid ordinary shares were issued further to the Share Purchase Plan (SPP) announced on 17 July 2019 to raise a total amount of $5,000,000 before costs. The SPP enabled the existing eligible shareholder to purchase up to $15,000 of shares at $1.30 per share, without brokerage fees.

(iii) Options exercised during the year through the employee Equity Incentive Plan resulted in 1,865,991 (2019: 298,035) shares being issued for total value of $838,000 (2019: $253,000). 843,274 shares were forfeited when options were exercised in the absence of cash.

(iv) On 2 November 2020, the Group entered into a strategic commercial partnership with China Grand Pharmaceutical and Healthcare Holdings Limited ('CGP') for the Group's portfolio of MTR products. CGP made an equity investment of $35,401,000 (US$25,000,000) in the form of a placement to CGP of 20,947,181 fully paid ordinary Telix shares, issued at a price of $1.69 per share.

(v) On 14 December 2020, Telix acquired all of the issued capital of TheraPharm for consideration which included $15,006,000 (€10,200,000) comprising 4,312,151 fully paid ordinary Telix shares, issued at a price of $3.48 per share.

The weighted average ordinary shares for the period 1 January 2020 to 31 December 2020 is 257,271,000 (2019: 233,437,000). The Company does not have a limited amount of authorised capital.

Rights applying to securities:

(i) *Ordinary shares:* Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

(ii) *Options and warrants:* Holders of Options and Warrants have no voting rights. Information relating to the Company's Employee Incentive Plan (EIP), including details of Options issued, exercised and lapsed during the financial year, is set out in note 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23. EQUITY CONTINUED

23.2 Share-based payments reserve

	2020 Number '000	2020 $'000	2019 Number '000	2019 $'000
Movements				
Balance at 1 January	**17,814**	**2,274**	**10,374**	**1,005**
Options issued prior year	–	1,628	–	752
Options issued during the year	5,530	807	8,555	517
Options exercised during the year	(2,710)	–	(298)	–
Options or warrants lapsed during the year	(408)	(89)	(817)[1]	–
Balance at 31 December	**20,226**	**4,620**	**17,814**	**2,274**

1. On 11 September 2018, Telix completed the acquisition of Atlab. The consideration for the acquisition comprised $12,612,000 in Telix shares at a fair value of shares on the execution date of $0.85 per share (14,837,531 Telix shares) and in warrants over Telix shares at a fair value of $184,000 (780,923 warrants). The warrants have an expiry date of 11 September 2022 and an exercise price of $1.34 per warrant.

24. CASH FLOW INFORMATION

24.1 Reconciliation of loss after income tax to net cash used in operating activities

	Note	2020 $'000	2019 $'000
Operating loss after income tax		(44,887)	(27,867)
Adjustments for			
Depreciation/amortisation	8	4,882	4,236
Fair value remeasurement of contingent consideration		7,291	2,271
Unwind of discount		961	–
Income tax benefit	11	(3,048)	(3,255)
Share based payments		2,346	1,269
Foreign exchange (gains)/losses		2,603	374
Change in assets and liabilities			
(Increase)/decrease in trade and other receivables		(328)	(3,635)
(Increase)/decrease in inventory		(91)	101
(Increase)/decrease in other current assets		(1,184)	(461)
(Increase)/decrease in other non-current assets		(101)	(43)
Increase/(decrease) in trade creditors		1,674	2,975
Increase/(decrease) in provisions		1,092	702
Increase/(decrease) in contract liabilities		30,750	–
Net cash provided by/(used in) operating activities		**1,960**	**(23,333)**

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25. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The overall risk management program focuses on the unpredictability of markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed.

25.1 Interest rate risk

The majority of the Group's borrowings have fixed interest rates, and therefore the Group is not exposed to any significant interest rate risk.

25.2 Price risk

The Group is not exposed to any significant price risk as contracts are in place to meet current estimated material requirements.

25.3 Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group has certain clinical and regulatory activities conducted internationally. The main currency exposure to the Group is research and development activities which are occurring in Europe, the United States of America, Japan and Australia. As a result of these activities, the Group has foreign currency liabilities in Euro (EUR) and United States Dollars (USD). These foreign currency balances give to a currency risk, which is the risk of the exchange rate moving, in either direction, or the impact it may have on the Group's financial performance.

Telix has a policy of holding foreign currency reserves to cover a projected 12 month contract spend.

The major foreign currency exposure is in USD. This is as a result of cash funds held and both receivable and payable contracts entered into in this currency. The Group maintains foreign currency bank accounts denominated in USD in order to minimise foreign currency risk exposure. The Group had a deficit of foreign currency receivables over payables of $4,181,000 at 31 December 2020 (2019: deficit of $5,141,000).

The Group's exposure to the risk of changes in foreign exchange rates also relates to the Group's net investments in foreign subsidiaries, which predominantly include denominations in EUR and USD, however given the level of current investments foreign subsidiaries, the impact of this is limited.

The Group manages the currency risk by evaluating the trend of foreign currency rates to the Australian dollar and making decisions as to the levels to hold in each currency by assessing its future activities which will likely be incurred in those currencies.

As at 31 December 2020, the Group held 2.9% (2019: 48.3%) of its cash in Australian dollars, 95.0% (2019: 48.1%) in United States dollars, 1.8% (2019: 2.9%) in EUR and 0.2% (2019: 0.7%) in Japanese Yen (JPY).

The balances held at 31 December 2020 that give rise to currency risk exposure are presented in Australian dollars, together with a sensitivity analysis which assesses the impact that a change of +/- 10% in the exchange rate as of 31 December 2020 would have on the Group's reported profit/(loss) after income tax and/or equity balance.

As at 31 December 2019	Foreign currency balance held $'000 AUD	+10% Profit/(loss) $'000 AUD	-10% Profit/(loss) $'000 AUD
Bank accounts – USD	21,464	(1,951)	2,385
Bank accounts – EUR	1,290	(117)	143
Bank accounts – JPY	325	(30)	36
Trade and other payables – USD	(3,883)	353	(431)
Trade and other payables – EUR	(1,927)	175	(215)
Trade and other payables – JPY	(224)	20	(25)
Government grant liability – EUR	(650)	59	(72)
Contingent consideration liability – EUR	(16,441)	1,500	(1,833)
Borrowings – EUR	(769)	70	(85)
Trade and other receivables – USD	55	(5)	6
Trade and other receivables – EUR	838	(76)	93

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

25. FINANCIAL RISK MANAGEMENT CONTINUED

25.3 Foreign currency risk CONTINUED

As at 31 December 2020	Foreign currency balance held $'000 AUD	+10% Profit/(loss) $'000 AUD	-10% Profit/(loss) $'000 AUD
Bank accounts – USD	74,078	(6,734)	8,231
Bank accounts – EUR	1,370	(125)	152
Bank accounts – JPY	180	(16)	20
Trade and other payables – USD	(3,155)	287	(351)
Trade and other payables – EUR	(1,012)	92	(112)
Trade and other payables – SGD	(13)	1	(3)
Trade and other payables – GBP	(303)	28	(34)
Trade and other payables – JPY	(6)	1	(1)
Government grant liability – EUR	(1,055)	96	(117)
Decommissioning liability – EUR	(6,796)	618	(755)
Contingent consideration liability – EUR	(25,096)	2,281	(2,788)
Contract liabilities – USD	(30,750)	2,795	(3,417)
Borrowings – EUR	(359)	33	(40)
Trade and other receivables – USD	15	(1)	2
Trade and other receivables – EUR	293	(27)	33

25.4 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Given the absence of loan receivables, the Group's exposure to credit risk is limited to trade receivables. The Group obtains guarantees where appropriate to mitigate credit risk.

The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on historical payment profiles of sales and the corresponding historical credit losses experienced. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. As at the 31 December 2020, the expected credit losses are $NIL (2019: $NIL). The following tables sets out the ageing of trade receivables, according to their due date:

Aged trade receivables

Gross carrying amount	2020 $'000	2019 $'000
30 days	79	471
60 days	1	122
90 days	–	62
120 days	80	90
Total	**160**	**745**

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25.5 Liquidity risk

The Group is exposed to liquidity and funding risk from operations and from external borrowings, where the risk is that the Group may not be able to refinance debt obligations or meet other cash outflow obligations when required. Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents). The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities: The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

As at 31 December 2019	1-6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives					
Trade and other payables	9,218	–	–	–	9,218
Borrowings	234	234	293	–	761
Government grant liability	–	–	650	–	650
Contingent consideration liability	–	–	38,592	–	38,592
Total non-derivatives	**9,452**	**234**	**39,535**	**–**	**49,221**

As at 31 December 2020	1-6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives					
Trade and other payables	10,892	–	–	–	10,892
Borrowings	132	132	95	–	359
Government grant liability	–	129	2,480	–	2,609
Decommissioning liability	–	1,738	6,393	–	8,131
Contingent consideration liability	–	1,453	33,445	–	34,898
Total non-derivatives	**11,024**	**3,452**	**42,413**	**–**	**56,889**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group had no contingent liabilities or assets at 31 December 2020.

27. SHARE BASED PAYMENTS

Equity Incentive Plan and Options

The Equity Incentive Plan (EIP) was established to allow the Board of Telix to make Offers to Eligible Employees to acquire securities in the Company and to otherwise incentivise employees. "Eligible Employees" includes full time, part time or casual employees of a Group Company, a Non-Executive Director of a Group Company, a Contractor, or any other person who is declared by the Board to be eligible.

The Board may, from time to time and in its absolute discretion, invite Eligible Employees to participate in a grant of Incentive Securities, which may comprise Rights, Options, and/or Restricted Shares. Vesting of Incentive Securities under the EIP is subject to any vesting or performance conditions determined by the Board and specified in the Offer document. Options are normally granted under the EIP for no consideration and carry no dividend or voting rights. When exercised, each Option is convertible into one Share.

Non-Executive Directors are able to participate in the Equity Incentive Plan, under which equity may be issued subject to Shareholder approval. Options are however normally issued to Non-Executive Directors not as an 'incentive' under the EIP but as a means of cost-effective consideration for agreeing to join the Board. The details of Options on issue to individual Directors can be found in the Remuneration Report for the year ended 31 December 2020. For the purposes of this table and to illustrate the total number of Options on issue under the rules of the EIP, all Options issued to Non-Executive Directors, Executive Directors, employees and contractors are included.

Share options contain a cashless exercise clause that allows employees to exercise options for an exercise price of $0.00 in exchange for forfeiting a portion of their vested options.

	2020 Number '000	2020 WAEP[(i)]	2019 Number '000	2019 WAEP[(i)]
Balance at 1 January	**17,814**	**$1.08**	**10,374**	**$0.85**
Granted during the year	5,530	$1.96	8,555	$1.33
Exercised during the year	(2,710)	$0.87	(298)	$0.85
Lapsed/forfeited during the year	(408)	$1.36	(817)	$0.92
Balance at 31 December	**20,226**	**$1.34**	**17,814**	**$1.08**
Vested and exercisable at 31 December	**3,528**	**$0.85**	**4,662**	**$0.85**

(i) WAEP – weighted average exercise price

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Details of Options issued under the EIP outstanding at the end of the year:

Grant date	Vesting date	Expiry date	Exercise price	Options on issue at 1 January 2020 '000	Issued during the year '000	Vested during the year '000	Exercised during the year '000	Lapsed/ forfeited during the year '000	Options on issue at 31 December 2020 '000
15 October 2017	15 October 2018	14 October 2021	0.85	2,041	–	–	(1,910)	–	131
15 October 2017	15 October 2019	14 October 2021	0.85	2,206	–	–	–	–	2,206
15 October 2017	15 October 2020	14 October 2021	0.85	2,213	–	2,213	–	–	2,213
11 June 2018	11 June 2019	10 June 2022	0.85	415	–	–	(600)	(134)	(314)
11 June 2018	11 June 2020	10 June 2022	0.85	1,315	–	1,315	–	–	1,315
11 June 2018	11 June 2021	10 June 2022	0.85	1,319	–	–	–	–	1,319
24 January 2019	24 January 2022	23 January 2023	1.09	6,595	–	–	(200)	(150)	6,245
4 November 2019	4 November 2022	3 November 2023	2.30	1,710	–	–	–	–	1,710
13 January 2020	13 January 2023	12 January 2024	2.23	–	3,755	–	–	(124)	3,631
1 July 2020	1 July 2023	30 June 2024	1.83	–	1,350	–	–	–	1,350
13 October 2020	Vest on receipt of marketing authorisation	24 September 2021	–	–	425	–	–	–	425
Total				**17,814**	**5,530**	**3,528**	**(2,710)**	**(408)**	**20,226**

The assessed fair value of grant options issued in January, July and October 2020 was $0.4596, $0.4193 and $1.80 respectively (January and November 2019 – $0.234 and $0.4781). The fair value at grant date is independently determined using the Black Scholes Model. The model inputs for options granted during the year ended 31 December 2020 are:

	January 2019	November 2019	January 2020	July 2020	October 2020
Consideration	$NIL	$NIL	$NIL	$NIL	$NIL
Exercise price	$1.09	$2.30	$2.23	$1.83	$NIL
Grant date	24 January 2019	4 November 2019	13 January 2020	1 July 2020	13 October 2020
Expiry date	23 January 2023	3 November 2023	12 January 2024	30 June 2024	24 September 2021
Term	4 years	4 years	4 years	4 years	0.951 year
Share price at grant date	$0.76	$1.60	$1.54	$1.50	$1.80
Volatility	52%	52%	52%	56%	59%
Dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Risk-free rate	1.79%	0.85%	0.83%	0.33%	0.09%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27. SHARE BASED PAYMENTS CONTINUED

Expense arising from share-based payments transactions

	2020 $'000	2019 $'000
Options issued under EIP	2,346	1,269
Total	**2,346**	**1,269**

28. COMMITMENTS

At 31 December 2020 and at the date of this Report, the Group had commitments against existing R&D and clinical development related contracts. R&D commitments in future years are expected, specifically with relation to manufacturing agreements.

	Due < 1 year $'000	Due >1 year $'000
At 31 December 2019		
Operating lease commitments	17	–
R&D manufacturing commitments	16,962	96
	16,979	**96**
At 31 December 2020		
Operating lease commitments	–	–
R&D manufacturing commitments	19,457	1,630
	19,457	**1,630**

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29. RELATED PARTY TRANSACTIONS

29.1 Key management personnel compensation

	2020 $	2019 $
Short-term employee benefits	1,336,067	1,342,953
Superannuation entitlements	95,223	83,884
Share-based payments	418,952	379,128
	1,850,242	**1,805,965**

29.2 Transactions with other related parties

	2020 $	2019 $
Purchases of various goods and services from entities controlled by key management personnel[(i)]	1,390,458	2,048,381
	1,390,458	**2,048,381**

(i) ABX-CRO is a clinical research organisation (CRO) that specialises in radiopharmaceutical product development. Telix has entered into a master services agreement with ABX-CRO for the provision of clinical and analytical services for its programs. Non-Executive Director, Dr Andreas Kluge, is the principal owner and Geschäftsführer (Managing Director) of ABX-CRO. In the year ended 31 December 2020, the total amount paid and payable to ABX-CRO was $1,213,348 (2019: 1,716,218) and $177,110 (2019: 332,163) respectively.

29.3 Interests in other entities

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also the principal place of business.

Name of entity	Place of business/ country of incorporation	Ownership interest held by the Group %	Principal activities
Telix Pharmaceuticals (EST) Pty Ltd Employee Share Trust	Australia	100	Employee Share Trust
Telix International Pty Ltd	Australia	100	Holding company
Telix Pharmaceuticals (ANZ) Pty Ltd	Australia	100	Clinical R&D
Telix Pharmaceuticals (US) Inc	USA	100	Clinical R&D
Telix Life Sciences (UK) Ltd	England	100	Clinical R&D
Telix Pharmaceuticals (Singapore) Pte Ltd	Singapore	100	Clinical R&D
Telix Pharmaceuticals Holdings (Germany) GmbH	Germany	100	Clinical R&D
Telix Pharmaceuticals (Germany) GmbH	Germany	100	Clinical R&D
Therapeia GmbH & Co.KG	Germany	100	Clinical R&D
Telix Pharma Japan KK	Japan	100	Clinical R&D
Telix Pharmaceuticals (Belgium) SPRL	Belgium	100	Clinical R&D
Atlab Pharma SAS	France	100	Clinical R&D
Advanced Nuclear Medicine Ingredients SA	Belgium	100	Research and production
TheraPharm GmbH	Switzerland	100	Clinical R&D

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

30. PARENT ENTITY FINANCIAL INFORMATION

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements. The individual financial statements for the parent entity show the following aggregate amounts:

	2020 $'000	2019 $'000
Statement of financial position		
Current assets	57,261	50,061
Non-current assets	48,433	27,658
Total assets	**105,694**	**77,719**
Current liabilities	2,026	6,577
Non-current liabilities	–	–
Total liabilities	**2,026**	**6,577**
Net assets	**103,668**	**71,142**
Reserves		
Issued capital	168,223	115,943
Other reserve	4,620	2,274
Accumulated losses	(69,175)	(47,075)
Total equity	**103,668**	**71,142**
Loss for the year	**(31,618)**	**(27,289)**
Total comprehensive loss for the year	**(31,618)**	**(27,289)**

31. REMUNERATION OF AUDITOR

PricewaterhouseCoopers Australia	2020 $'000	2019 $'000
Audit or review of financial statements	322,500	256,500
Other advisory services	37,000	5,500
	359,500	**262,000**

Non PricewaterhouseCoopers audit firms	2020 $	2019 $
Audit or review of financial statements	32,821	12,000
Other advisory services	34,000	–
	66,821	**12,000**

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32. EARNINGS PER SHARE

32.1 Basic earnings per share

	2020 Cents	2019 Cents
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	(17.45)	(11.94)
Total basic loss per share attributable to the ordinary equity holders of the Company	(17.45)	(11.94)

32.2 Diluted earnings per share

	2020 Cents	2019 Cents
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(17.45)	(11.94)
Total diluted loss per share attributable to the ordinary equity holders of the Company	(17.45)	(11.94)

32.3 Weighted average number of shares used as the denominator

	2020 Number '000	2019 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share[(i)]	257,271	233,437

(i) The 1,865,991 options granted in 2020 are not included in the calculation of diluted earnings per share because they are antidilutive for the year ended 31 December 2020. These options could potentially dilute basic earnings per share in the future.

33. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 27 January 2021, the Company agreed to issue 2,226,856 unlisted share options with an exercise price of $4.38 and an expiry date of 26 January 2026. The options were issued to staff and consultants to the Company. Of those options, 100,708 were agreed to be issued to MD & CEO C Behrenbruch subject to shareholder approval, which will be sought at the Company's 2021 AGM.

On 16 February 2021, the Company announced the Ministry of Health of the Czech Republic as the first European health authority to grant a temporary national authorisation allowing the use of TLX591-CDx (Kit for the preparation of ^{68}Ga-PSMA-11).

On 22 February 2021, the Company announced that its subsidiary, Telix Pharmaceuticals Japan KK, in collaboration with Kanazawa University, has received Clinical Trial Notification (CTN) clearance by the Japanese Pharmaceuticals and Medical Devices Agency (PMDA) to commence a Phase I trial of its prostate cancer imaging product TLX591-CDx in Japan. The purpose of the trial is to obtain preliminary clinical data in a suitable patient population, confirming that the targeting and pharmacology of TLX591-CDx is equivalent to non-Japanese patients. Such clinical data will support future planning discussions with the objective of regulator product approval in Japan.

Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Financial Report of the Company for the year ended 31 December 2020.

DIRECTORS' DECLARATION

for the year ended 31 December 2020

In the opinion of the Directors:

(a) the financial statements and notes of the Group are in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its performance for the financial year ended on that date, and

(ii) complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

(b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 3.2; and

(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* for the financial year ended 31 December 2020 by the Chief Executive Officer and Chief Financial Officer and as recommended under the ASX Corporate Governance Council's Corporate Governance Principles.

Signed in Melbourne on 26 February 2021

On behalf of the Board

Kevin McCann AO
Chairman

Christian Behrenbruch
Managing Director and Group CEO

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INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report

To the members of Telix Pharmaceuticals Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Telix Pharmaceuticals Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2020 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2020
- the consolidated statement of comprehensive income or loss for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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INDEPENDENT AUDITOR'S REPORT CONTINUED

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Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to provide an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*	*Key audit matters*
• For the purpose of our audit we used overall Group materiality of $2.0 million, which represents approximately 5% of the Group's adjusted loss before tax. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group adjusted loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. We adjusted for the fair value remeasurement of contingent consideration as it is a volatile item. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • We performed an audit of the financial information of the parent company, Telix Pharmaceuticals Limited, given its financial significance to the Group. The parent company holds the largest share of the Group's total assets and losses. • We also performed further audit procedures at a Group level, including over impairment assessments, acquisition accounting and consolidation of the Group's reporting units. • Where audit work was performed by an auditor operating under our instruction (component auditor), we determined the level of involvement we needed to have in their audit work to	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Committee: – Impairment assessment for goodwill and intangible assets – Revenue recognition associated with the license of therapeutic products to China Grand Pharma – Research and development tax incentive – Valuation of decommissioning liability – Valuation of contingent consideration • These are further described in the *Key audit matters* section of our report.

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be able to conclude whether sufficient and appropriate audit evidence had been obtained as a basis for our opinion. This included active dialogue throughout the year through phone calls, discussions and written instructions.

- Component auditors performed an audit of Advanced Nuclear Medicine Ingredients SA (ANMI) given the nature and risk profile of the entity and being the largest revenue contributor to the Group.
- We performed specific risk focused audit procedures on selected balances and transactions arising within Telix Pharmaceuticals (US) Inc, Telix Pharmaceuticals (Belgium) SPRL and Telix Pharma Japan KK. We also performed analytical procedures over the financial information of all other entities within the Group.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment for goodwill and intangible assets *(Refer to note 16) $59.2 million* The Group has recognised $4.2 million of goodwill and $55.0 million of other intangible assets as at 31 December 2020. These assets are predominately divided amongst the illuccix ($23.1 million), TLX 591-t ($13.4 million), TLX101 ($1.4 million), Seneffe manufacturing facility license ($4.3 million) and TheraPharm ($16.6 million) cash generating units (CGUs).	Our audit procedures over the Group's impairment assessments of goodwill and intangible assets included, amongst others: - evaluating the existence of impairment indicators for definite lived intangible assets by considering both financial performance and product developments during the year - evaluating the appropriateness of the discounted cash flow models used to estimate recoverable amount (the impairment models) in light of the requirements of Australian Accounting Standards

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Key audit matter	*How our audit addressed the key audit matter*
In accordance with Australian Auditing Standards, the Group is required to test goodwill and indefinite lived intangible assets for impairment annually and consider definite lived intangibles for impairment indicators. We considered the impairment assessment of goodwill and intangible assets to be a key audit matter due to: - the financial significance of the balances - the judgement exercised by the Group in calculating the recoverable amount of each CGU including estimating the regulatory/marketing authorisation dates, expected sales volumes, net sales price per unit and approval for marketing authorisation probability of success factor (key inputs and assumptions) - the judgement exercised by the Group in calculating and applying a discount rate to the impairment models.	- assessing the mathematical accuracy of key formulae in the impairment models - comparing key assumptions used within the impairment models to Board approved budgets and other evidence obtained throughout the course of the audit - for illuccix, TLX 591-t and TLX 101, comparing actual performance of the CGUs to the Group's prior year forecasts to assess budgeting accuracy - comparing the key inputs and assumptions underpinning the impairment models to available external market and industry data - comparing the discount rates used to our view of an acceptable range using independent external market data - assessing the Group's sensitivity analysis over key assumptions in the impairment models in order to assess the potential impact of a range possible outcomes - comparing the valuation of goodwill and intangible assets as per the Group's impairment models to external data sources including broker report valuations - considering the reasonableness of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.
Revenue recognition associated with the Licence of Therapeutic Products to China Grand Pharma *(Refer to note 4)* The Group has recognised $1.9 million of revenue during the year in relation to the Licence of Therapeutic Products to China Grand Pharma (CGP). A further $30.8 million of revenue has been deferred as a contract liability as at 31 December 2020. The Group identified two distinct performance obligations; a right to use license for the Therapeutic Products in the Greater China market (associated revenue recognised at a point in time) and the provision of research and development services (associated revenue recognised over time). As the standalone selling price of each performance obligation was not directly observable, the Group estimated the standalone selling price by using an expected cost plus	Our audit procedures included, amongst others: - considering the appropriateness of the significant judgements made by the Group in identifying the performance obligations in the contract against the requirements of Australian Accounting Standards - evaluating the appropriateness of the Group's estimates used in determining the standalone selling price of each performance obligation and the method of allocation applied to measure revenue recognised over time - considering the reasonableness of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.

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Key audit matter	*How our audit addressed the key audit matter*
a margin approach. This has been determined to be a key audit matter due to: - the financial significance of the revenue recognised in the consolidated statement of comprehensive income or loss and the contract liability in the consolidated statement of financial position - the degree of judgement exercised by the Group in interpreting the contractual terms and conditions and applying this to the requirements of Australian Accounting Standards - the degree of judgement exercised by the Group in determining the standalone selling price of each performance obligation and the method of allocation applied to measure revenue recognised over time.	
Research and development tax incentive *(Refer to note 10) $12.3 million* The Group assessed research and development (R&D) activities, related expenditure and qualifying criteria to determine its eligibility under an Australian Government tax incentive programme for a refundable tax offset. The R&D tax incentive income recognised in the consolidated statement of comprehensive income or loss was $12.3 million and the R&D tax incentive receivable as at 31 December 2020 was $12.3 million. The Group makes a number of judgements and estimates in determining the eligibility of claimable expenses, including the eligibility of employee costs. The Group was assisted by an expert to assist with the review of the eligibility of expenses underlying the Group's claim and with the lodgement of the R&D refund application. This is a key audit matter due to: - the financial significance of the amount recognised as income during the year and the amount receivable as at 31 December 2020 - the degree of judgement and interpretation of the R&D tax incentive legislation required by the Group to assess the eligibility of the incurred R&D expenditures under the programme.	Our audit procedures to assess the Group's estimate of the R&D tax incentive receivable as at 31 December 2020 and income recognised in the consolidated statement of comprehensive income or loss included, amongst others: - assessing the eligibility of the Group to qualify for the refundable tax offset under the Australian Government's R&D tax incentive programme - assessing the nature of a sample of expenses and the Group's assumptions on the eligibility of employee costs against the eligibility criteria of the R&D tax incentive programme - comparing the prior year receivable recorded in the financial statements at 31 December 2020 to the amount of cash received from the Australian Tax Office (ATO) after lodgement of the 2019 R&D tax incentive claim to assess historical accuracy of the Group's estimate - testing a sample of eligible expenditure in the Group's calculation of the R&D tax incentive receivable to the general ledger or other underlying accounting records - obtaining copies of correspondence between the Group and their expert and agreeing the advice to the R&D tax incentive calculation - assessing the classification of the R&D tax incentive in the financial statements in light of the requirements of Australian Accounting Standards.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Key audit matter	*How our audit addressed the key audit matter*
Valuation of decommissioning liability *(Refer to note 21) $6.8 million* The Group accounts for the decommissioning liability that arose as part of the Seneffe acquisition at fair value at each balance sheet date. The valuation of the liability was calculated at acquisition to represent the best estimate of the expenditure required to settle the obligation, discounted to its present value. The Group was assisted by an expert in determining the fair value at acquisition date. This is a key audit matter due to: - The financial significance of the decommissioning liability - complexities and judgement required by the Group to determine the fair value the liability - the judgement exercised by the Group in calculating and applying a discount rate to the cash flow model used to calculate the fair value of the decommissioning liability.	Our audit procedures to assess the Group's valuation of decommissioning liability as 31 December 2020 included, amongst others: - evaluating the Group's valuation methodology against the requirements of Australian Accounting Standards - assessing the mathematical accuracy of the valuation calculation - comparing the key inputs and assumptions underpinning the valuation to available external market and industry data - comparing the actual decommissioning expense incurred to 31 December 2020 to the Group's initial estimate - comparing the discount rates used to our view of an acceptable range using independent external market data - considering the reasonableness of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.
Valuation of contingent consideration *(Refer to note 20) $25.1 million* The Group values the contingent consideration that arose as part of the acquisition of ANMI and TheraPharm at each balance sheet date. The initial measurement of the contingent consideration was performed at the acquisition date. The Group have remeasured both liabilities to reflect post-acquisition changes in circumstances and assumptions in the valuation as at 31 December 2020. This is a key audit matter due to: - the financial significance of the contingent consideration liability - complexities and judgement required by the Group to determine the valuation of the liability including marketing authorisation dates, expected sales volumes, net sales prices per unit and approval for marketing authorisation probability of success factors (key inputs and assumptions) - the judgement exercised by the Group in calculating and applying a discount rate to the cash flow model used to calculate the valuation of the contingent consideration liability.	Our audit procedures to assess the Group's valuation of contingent consideration as 31 December 2020 included, amongst others: - evaluating the Group's valuation methodology against the requirements of Australian Accounting Standards - assessing the mathematical accuracy of the valuation calculation - comparing the key inputs and assumptions underpinning the valuation to available external market and industry data - assessing the Group's sensitivity analysis over key assumptions in order to assess the potential impact of a range possible outcomes - comparing the discount rates used to our view of an acceptable range using independent external market data - considering the reasonableness of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.

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Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 31 December 2020, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

INDEPENDENT AUDITOR'S REPORT CONTINUED

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Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 32 to 41 of the directors' report for the year ended 31 December 2020.

In our opinion, the remuneration report of Telix Pharmaceuticals Limited for the year ended 31 December 2020 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

PricewaterhouseCoopers

Jon Roberts
Partner

Melbourne
26 February 2021

SHAREHOLDER INFORMATION

for the year ended 31 December 2020

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Telix Pharmaceuticals Limited
ACN 616 620 369

Registered office

Suite 401, 55 Flemington Road
North Melbourne, VIC 3051

W telixpharma.com

Share registry

Shareholder information in relation to shareholding or share transfer can be obtained by contacting the Company's share registry:

Link Market Services Locked Bag A14
Sydney South NSW 1235

T 1300 554 474
F (02) 9287 0303
E registrars@linkmarketservices.com.au
W linkmarketservices.com.au

For all correspondence to the share registry, please provide your Security-holder Reference Number (SRN) or Holder Identification Number (HIN).

Change of address

Changes to your address can be updated online at www.linkmarketservices.com.au or by obtaining a Change of Address Form from the Company's share registry. CHESS sponsored investors must change their address details via their broker.

Annual General Meeting

The Annual General Meeting is anticipated to be held at 11.30am, Wednesday 12 May 2021 at The Larwill Studio, 48 Flemington Road, Parkville VIC 3052.

Annual Report mailing list

All shareholders are entitled to receive the Annual Report. In addition, shareholders may nominate not to receive an Annual Report by advising the share registry in writing, by fax, or by email, quoting their SRN/HIN.

Securities exchange listing

Telix Pharmaceuticals' shares are listed on the Australian Securities Exchange and trade under the ASX code TLX. The securities of the Company are traded on the ASX under CHESS (Clearing House Electronic Sub-register System).

ASX shareholder disclosures

The following additional information is required by the Australian Securities Exchange in respect of listed public companies. The information is current as at 1 February 2021.

SHAREHOLDER INFORMATION CONTINUED

for the year ended 31 December 2020

Total securities on issue

	Securities (listed)	Securities (unlisted)
Fully paid ordinary shares	280,405,322	–
Options and warrants to acquire shares	–	23,234,279
Total	**280,405,322**	**23,234,279**

Distribution of equity securities – ordinary shares

Range	Securities	%	No. of holders	%
100,001 and over	237,522,877	84.70	182	3.78
10,001 to 100,000	32,633,301	11.64	1,109	22.97
5,001 to 10,000	5,371,486	1.92	689	14.27
1,001 to 5,000	4,195,896	1.50	1,537	31.84
1 to 1,000	681,762	0.24	1,310	27.14
Total	**280,405,322**	**100.00**	**4,827**	**100.00**
Unmarketable parcels	–	–	–	–

Voting rights

Shareholders in Telix Pharmaceuticals Limited have a right to attend and vote at General Meetings. At a General Meeting, individual shareholders may vote in person or by proxy. On a show of hands every member present in person or by proxy shall have one vote. Upon a poll each share shall have one vote. All quoted and unquoted share options, and convertible notes, have no voting rights. A copy of the Constitution is available at https://telixpharma.com/investors/#corporate-governance.

Substantial shareholder	Securities	%
Gnosis Verwaltungsgesellschaft m.b.H	24,675,000	8.80
Elk River Holdings Pty Ltd as trustee for The Behrenbruch Family Trust	24,675,000	8.80
FIL Investment Management (Hong Kong) Limited	19,743,750	8.91
Grand Decade Developments Limited	20,947,181	7.47

Share buy-back

There is no current or planned buy-back of the Company's shares.

Statement in accordance with ASX Listing Rule 4.10.19

The Company confirms that it has used the cash and assets in a form readily convertible to cash at the time of admission in a way consistent with its business objectives.

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Twenty largest shareholders - ordinary shares

Rank	Name	1 February 2021	%
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	37,477,609	13.37
2	GNOSIS VERWALTUNGSGESELLSCHAFTM B H	24,675,000	8.80
2	ELK RIVER HOLDINGS PTY LTD	24,675,000	8.80
3	GRAND DECADE DEVELOPMENTS LIMITED	20,947,181	7.47
4	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	8,371,563	2.99
5	UV-CAP GMBH & CO KG	7,775,000	2.77
6	BNP PARIBAS NOMS PTY LTD	6,904,087	2.46
7	THE ONCIDIUM FOUNDATION	6,470,392	2.31
8	NATIONAL NOMINEES LIMITED	6,361,306	2.27
9	CITICORP NOMINEES PTY LIMITED	6,249,988	2.23
10	SCINTEC DIAGNOSTICS GMBH	4,312,151	1.54
11	BNP PARIBAS NOMINEES PTY LTD	3,782,218	1.35
12	UBS NOMINEES PTY LTD	3,029,153	1.08
13	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED – A/C 2	2,843,462	1.01
14	JEAN-MARC LE DOUSSAL	2,750,000	0.98
15	ILUSA SPRL	2,558,138	0.91
16	YELWAC PTY LTD	2,381,804	0.85
17	MAN HOLDINGS PTY LTD	2,238,750	0.80
18	TELIX PHARMACEUTICALS (EST) PTY LTD	2,115,000	0.75
19	AGLUB INVESTMENTS PTY LTD	1,933,342	0.69
20	JEAN-FRANCOIS CHATAL	1,797,795	0.64
Total		**179,648,939**	**64.07**
Balance of register		**100,756,383**	**35.93**
Grand total		**280,405,322**	**100.00**

Twenty largest shareholders – quoted share options

No share options are quoted.

Holders of greater than 20% unquoted securities

No shareholder owns greater than 20% or more of unquoted equity securities (by class) of the Company.

CORPORATE DIRECTORY

Directors

H Kevin McCann AO (Chairman)
Christian Behrenbruch PhD
Oliver Buck
Andreas Kluge MD PhD
Mark Nelson PhD
Jann Skinner

Company Secretary

Melanie Farris

Registered office

Telix Pharmaceuticals Limited
401/ 55 Flemington Road
North Melbourne VIC 3051

E info@telixpharma.com
W telixpharma.com

Australian Business Number

85 616 620 369

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Securities exchange listing

Australian Securities Exchange ASX Code: TLX

Auditor

PricewaterhouseCoopers
2 Riverside Quay
Southbank VIC 3006

Share registry

Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

T 1300 554 474
F (02) 9287 0303
W linkmarketservices.com.au

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