See it.
Treat it.

TELIX
PHARMACEUTICALS

Annual Report
2019

CONTENTS

Annual General Meeting

Telix Pharmaceuticals will hold its AGM at 11:30am AEST, Tuesday 12 May 2020 at:

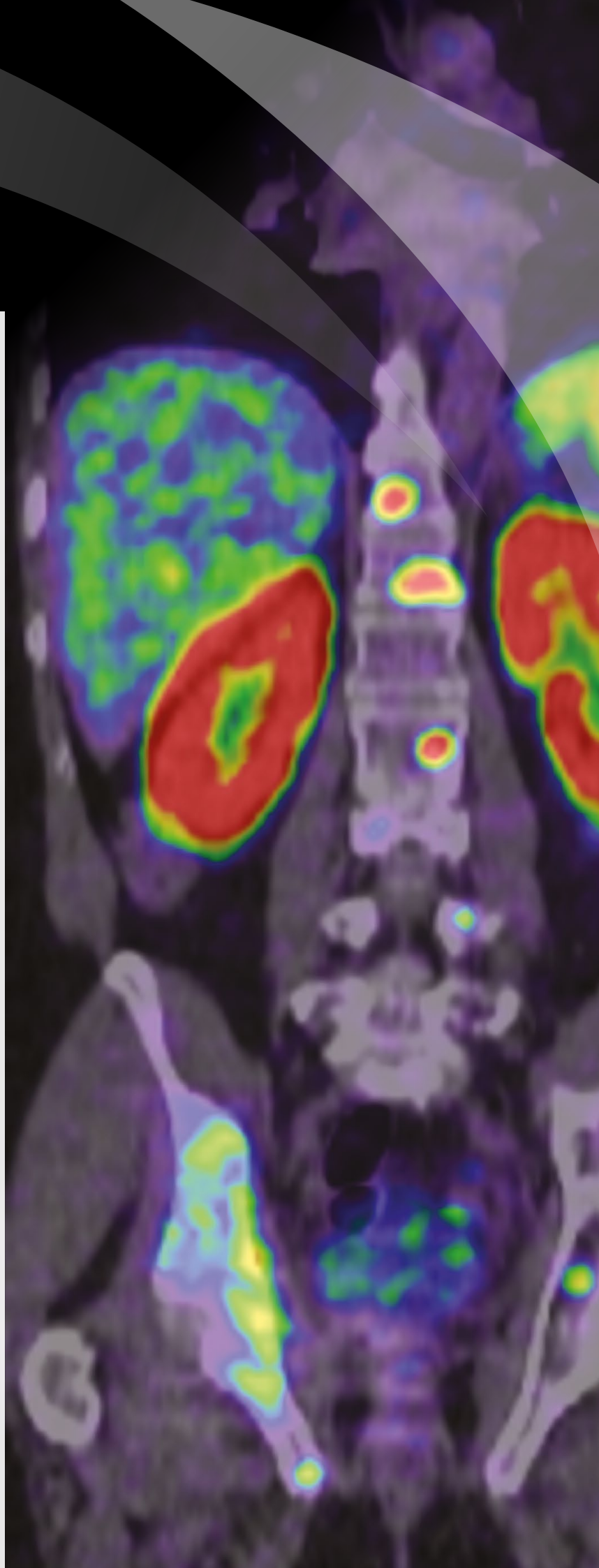
The Larwill Studio
48 Flemington Road
Parkville VIC 3052 Australia

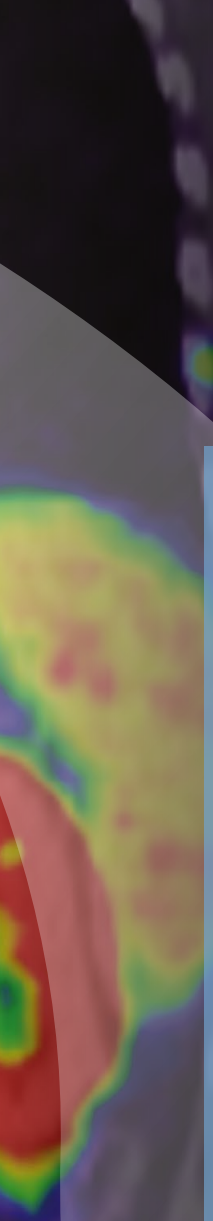
Registered Office

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

Australian Business Number

85 616 620 369





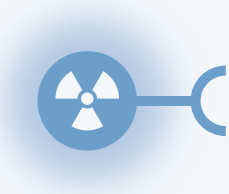
We are a dedicated team of drug developers, clinicians and executives, with a passion for radiation biology and oncology.

Telix's pipeline focuses on unmet needs in cancer care, specifically in prostate, renal (kidney) and glioblastoma (brain) cancer.

Mission

Our mission is to help patients with cancer live longer with a better quality of life.

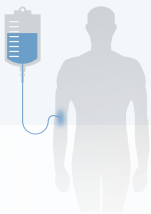
MOLECULARLY TARGETED RADIATION (MTR)



MTR drug

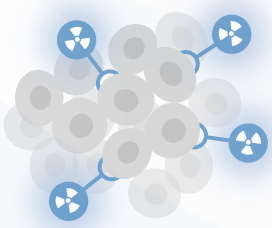
The radioactive isotope (the payload) is connected to a small molecule or antibody (the targeting molecule), which binds to a cancer cell.

A specific target on the cancer cell is the 'address' to which the radioactive isotope will be delivered.



Intravenous injection

MTR is administered via the blood stream and binds to cancer cells, wherever they are, including small metastases.



Targeted delivery of radiation to cancer cells

MTR binds to a specific target on the cancer cell

- Low doses may be used to image the patient's cancer (See the cancer)
- High doses destroy the cancer cells (Treat the cancer)

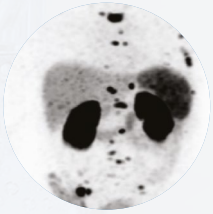
Quality of life

Radiation relieves the pain of bone metastases

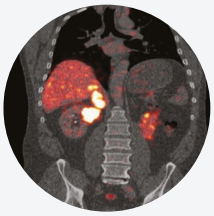
MTR enables precise diagnostic imaging of a cancer.

Benefit	Impact
Accurate cancer staging	Optimal patient selection
Personalised therapy	Personalised radiation dose for the patient's cancer burden Reduced side effects

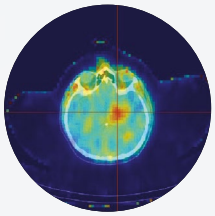
PET[1] scanner generates diagnostic image



Advanced prostate cancer image using TLX591-CDx[2]



Advanced kidney cancer image using TLX250-CDx[3]



Brain cancer image using TLX101[4]

MTR is highly effective at treating cancer.

Benefit	Impact
Precise	Acts only on cancer tissue, with minimal 'off-target' damage to healthy tissues
Systemic	Targets cancer cells wherever they are located in the body
Durable	Targets cancer cells. Radiation also destroys the tumour micro-environment
Multi-modal	Radiation damage mobilises the immune system which contributes to the treatment response
Personalised	Diagnostic imaging enables accurate cancer staging, patient selection, treatment planning, therapy optimisation (personalised MTR dose)
Synergistic	Compatible and often synergistic with other cancer treatments
Quality of life	Relieves pain of metastases

1. Positron emission tomography. .
2. Courtesy of Dubai Nuclear Medicine & Molecular Imaging Center, UAE.
3. Courtesy of Radboud University Medical Centre, Netherlands.
4. Glioblastoma multiforme, courtesy of Kepler Universitats Klinikum and Medizinische Universitat Wien, Austria.

Business overview

2015
Founded

2
Two commercial product launches with current cash reserves

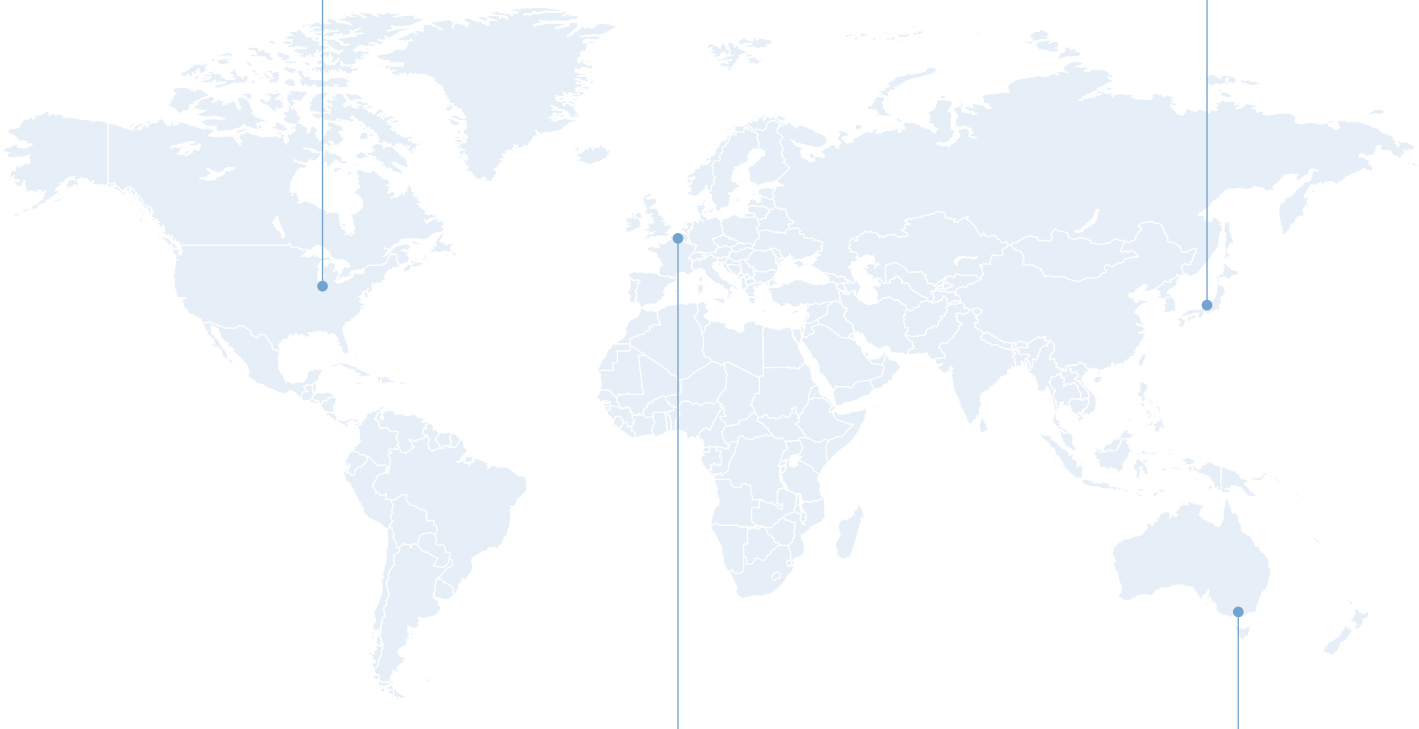
8
Clinical trials in progress

65+
Countries in our distribution network

17
Countries in which we have a clinical and regulatory footprint

INDIANAPOLIS
United States
Regional Office
10 people

KYOTO
Japan
Regional Office
5 people



BRUSSELS and LIEGE
Belgium
Regional Office
27 people

MELBOURNE HQ
Australia
Corporate Head Office
20 people

Chairman's letter

With clinical activity in 20 countries, Telix has built an excellent global reputation in an astonishingly short period of time.

H Kevin McCann, AO
Independent Non-Executive Chairman

Dear Shareholders

The past 12 months represented a period of significant growth and transformation. For Telix, 2019 was about building the clinical experience with our product pipeline, establishing the foundation of a revenue-generating company and furthering Telix's engagement with the global oncology community through meaningful commercial partnerships. We successfully demonstrated all these important aspects across the backdrop of a year of significant growth in the capability and maturity of the Company.

There are four areas of accomplishment that warrant particular mention. The first is the Telix team. Delivering advanced healthcare solutions is a people-centric business and over the last year Telix has significantly built out the executive team of the Company with some outstanding operational and commercial additions to the executive team. It has been a focus of the Telix Board to support the executive team in addressing founder and key employee risk in a systematic and considered way. Telix now has a leadership that is of the calibre and functionality expected of a growth-stage biopharmaceutical company.

The second area of focus – and a continued focus in 2020 – is risk management. As the Company grows in its operational scope and stage of product development, a more sophisticated and comprehensive risk-management framework is critical, particularly as Telix brings its first products to market. The transition from a development-stage company to a commercial entity means that, as a Board, we must be more attuned to the competitive, regulatory and commercial risks that are inherent to the commercialisation process. These are exciting times for the Company, but they are also complex.

Telix has built further credibility with clinicians, regulators and the wider pharmaceutical industry as a company with a strong commitment to patient care.

Financial stability and the resulting operational resilience of a properly capitalised enterprise was also an important focus for the Company this past year. We were appreciative of the support from both existing and new shareholders for our over-subscribed placement and rights issue, raising $45M of further capital. Our augmented balance sheet puts us in a strong position to not only complete the launch of Telix's first product in Europe and the United States (TLX591-CDx for the imaging of prostate cancer), but to also complete the clinical development of our second product (TLX250-CDx for the imaging of kidney cancer), further de-risking the commercial future of the Company.

Finally, the Telix team had real-world impact. This year we delivered benefit to over 11,500 patients through clinical trials and compassionate use access to our product pipeline. This activity has helped us to build further credibility with clinicians, regulators and the wider pharmaceutical industry as a company with a commitment to patient care and the capacity to deliver at the level required to impact human health. With clinical activity in almost 20 countries, Telix has built an excellent global reputation in an astonishingly short period of time.

Although 2019 was a critically important year for Telix, 2020 will be a pivotal year. In 2020 we expect to become a fully fledged, commercial-stage company with first product approvals. Our engagement with regulators this year has been positive and helpful in terms of steering our development strategy towards marketing authorisations in key commercial territories. Our Australian and international teams are ready to deliver on the next major milestones of the business.

I wish to extend my sincere gratitude to Telix's people, our CEO and Management team, and our shareholders for the commitment they have demonstrated through the year.

We look forward to keeping you closely informed of our progress as the year proceeds.

H Kevin McCann, AO
Independent Non-Executive Chairman

CEO's report

These are exciting times and we are focused on building a commercially aware and performance-based culture within the business.

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

When my co-founder Dr Andreas Kluge and I started Telix in late 2015, we did so with the conviction that the field of Nuclear Medicine was ready for commercial 'prime time' and that diagnostic and therapeutic ('theranostic') radiopharmaceuticals would become an asset class that would finally capture the attention of clinicians, pharmaceutical companies and the investment community. Four years on, it is evident that we are operating in a landscape that has a significant amount of momentum and the last 12 months clearly reflect this.

The fundamental philosophy of Telix's Management team is that if we can develop products that address true unmet clinical need, and develop them well, then the commercial success will follow. Of course, commercialisation of pharmaceutical products is fraught with its own set of risks, independent of the clinical realities of drug development. This is why an important part of de-risking the future of the business has been to invest in people and capabilities that deliver the commercial nous needed by the Company at this critical juncture.

As such, we invested in the expansion of the leadership team and key functional hires and I have been personally delighted with the calibre of people we have been able to recruit, not just in Australia, but also internationally. Although we continue to invest in our Melbourne-based headquarters' team, most of the growth is in the US and European teams as we gear up for commercialisation in the major markets for our products. These are exciting times and we are focused on building a commercially aware and performance-based culture within the business.

In 2019 we generally delivered well on our clinical objectives. We activated a tremendous number of clinical sites around the globe and we successfully engaged with key opinion leaders (KOLs) in each of the disease areas that we are active in. We delivered prostate cancer imaging doses – and patient benefit – to over 11,500 patients around the globe, evidence that there is a genuine demand for the technologies that Telix is developing. Telix does not yet have any regulatory-approved product and our ability to impact patient outcomes is currently limited to clinical trials and various investigational exemptions. That said, our presence is being noticed and the commercial and partnering interest in our pipeline is real.

We also missed some targets in 2019. We had expected to complete the ZIRCON Phase III trial for TLX250-CDx (imaging of renal cancer) by the end of the year. Instead, this trial is now expected to complete recruitment around mid-2020 due to the relatively late addition of US sites – approximately six months behind schedule. The rapidly evolving landscape of prostate cancer care also meant that we elected to more closely align partnering discussions and Phase III trial development for TLX591 (prostate cancer therapy). This has introduced a few months of delay around key regulatory consultations, although we feel that our submissions are much more robust because we have had 'Big Pharma' input into their design. This is also an important market education exercise, and we need to get it right.

Telix generated some early sales in 2019, with $4.4M in orders of the TLX591-CDx (prostate cancer imaging) kit received and revenue of $3.5M booked. Although this revenue is nascent and hardly indicative of the market opportunities we are pursuing, this revenue is also meaningful because it required the Company to develop the frameworks and infrastructure to deliver a commercial product. In practical terms, this has meant a soft launch of our commercial machinery in advance of the various marketing authorisations we expect to achieve in 2020. This represents a significant de-risk of the business and we have learned many hard lessons along the way that set us in good stead for actual commercial launch.

We are ready.

Although the development strategy and timelines for therapeutic drugs are far more complex than diagnostics, the inflection points are also much greater.

2020 will be a truly transformative year.

11,500+

We delivered prostate cancer imaging doses – and patient benefit – to over 11,500 patients around the globe, evidence of the demand for the technologies that Telix is developing.

Our stated mission is 'to help patients live longer with a better quality of life' and 2020 represents the year where the Company truly has the potential to deliver on this formidable and worthwhile objective.

Whereas 2019 was the year that the IPO 'black box' was unlocked, and we were able to demonstrate to clinical and commercial stakeholders the immense potential of our business, 2020 is truly the pivotal year. In 2020, we expect to achieve our first marketing authorisations in the US and Europe for TLX591-CDx (prostate cancer imaging). Close behind is the kidney cancer imaging product (TLX250-CDx). With the $45M over-subscribed capital raise that was completed this year, we have runway out to at least mid-2021. Our balance sheet is in a strong position to cover the financial needs of the commercialisation of our first two products.

In 2020 our therapeutic programs will also attract more attention as we start to achieve the regulatory clarity required to move these assets ahead to the next stage. Although the development strategy and timelines for therapeutic drugs are far more complex than diagnostics, the inflection points are also much greater. We have already given a glimpse of progress with our glioblastoma program (TLX101) and the urology therapeutics programs (TLX250, TLX591) are getting very close to commencement of the next wave of trials. The clinical community is excited about these assets.

Finally, collaboration. Telix had an excellent year of high-level collaboration and engagement with the pharmaceutical industry. Our collaborations with Novartis and Merck Group are just a few of our active partnerships that will continue to deliver interesting scientific and clinical outcomes in 2020. We are also on the radar of a number of key players in Radiation Oncology and Interventional Oncology, and we are actively looking at a number of clinical indications for our existing product pipeline that could lead to expanded use of our products in the future. Of course, none of this progress would be possible without the commitment of our shareholders, employees, clinical collaborators and – above all – patients. Our stated mission is 'to help patients with cancer live longer with a better quality of life' and 2020 represents the year where the Company truly has the potential to deliver on this formidable and worthwhile objective.

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

Clinical pipeline

Telix is a pre-commercial stage pharmaceutical company focused on the development of diagnostic and therapeutic products for prostate, kidney and brain cancers using Molecularly Targeted Radiation (MTR). In their very essence is a precision medicine approach, whereby the diagnostic product is intended to identify patients suitable for treatment and monitor those patients' response to treatment, while the therapeutic product is intended to treat the cancer that has thus been identified with the diagnostic product.

Telix's clinical development programs for its diagnostic products support the development programs for the accompanying therapeutic products. Consequently, Telix's diagnostic products provide an opportunity to generate early revenue, gain physician familiarity with MTR, and de-risk the therapeutic programs.

See it. Treat it.

TELIX'S ADVANCED PIPELINE OF MOLECULARLY TARGETED RADIATION PRODUCTS FOCUSES ON THREE MAIN CANCERS[1].

	Targeting Molecule	Cancer Cell Target	Radioactive Isotope	Phase I	Phase II	Phase III	Commercial
Prostate	Small molecule	PSMA[3]	^{68}Ga	**TLX591-CDx**[5]			Imaging
	Antibody	PSMA	^{177}Lu	**TLX591**		Therapy	
Kidney	Antibody	CAIX[4]	^{89}Zr	**TLX250-CDx**			Imaging
	Antibody	CAIX	^{177}Lu	**TLX250**		Therapy	
Brain[2]	Small molecule	LAT1[6]	^{124}I	**TLX101-CDx** (Research use only)		Imaging	
	Small molecule	LAT1	^{131}I	**TLX101**		Therapy	

1. Shaded arrows indicate development objectives over next ~18 months.
2. Glioblastoma multiforme (GBM).
3. PSMA = Prostate-specific membrane antigen.
4. CAIX = Carbonic anhydrase IX.
5. CDx = Companion diagnostic.
6. LAT1 = Large amino acid transporter 1.

Prostate cancer

Telix's prostate cancer program comprises the prostate cancer imaging product TLX591-CDx and the prostate cancer therapeutic product TLX591. The TLX591-CDx program is the Company's most advanced program, with the product branded as *illumet*® kit for investigational and clinical trial use in the US, and as a ^{68}Ga-PSMA-11 kit for investigational, clinical trial and special access use in Europe. During 2019, over 11,500 individual patient doses of TLX591-CDx were delivered under these defined use conditions.

In July 2019, Telix completed a successful pre-New Drug Application (pre-NDA) meeting with the US Food and Drug Administration (FDA), at which the process for submission of the New Drug Application (NDA) for TLX591-CDx was agreed. As part of the Procedural Guidance received during the pre-NDA meeting, the FDA provided Telix with the opportunity to review and provide an opinion on the completeness of Telix's clinical data for TLX591-CDx in advance of the FDA accepting the Company's full NDA submission. Consequently, Telix submitted a full Clinical Briefing Package, comprising the safety and effectiveness data for TLX591-CDx, in December 2019. Telix expects to receive a response from the FDA in respect of the adequacy of its clinical data for TLX591-CDx in February 2020.

Planning for the Phase III PROSTACT trial with TLX591 is well advanced with a pre-Phase III meeting request expected to be submitted to the FDA during the first quarter of 2020.

Detecting early metastatic disease is a major unmet need

100

TLX591-CDx used at >100 hospital sites globally, mostly at large cancer centres

3,000,000

3 million men are living with prostate cancer in the United States 450,000 of these men do not know where the disease is located in their body

TLX591-CDx for prostate cancer imaging is a USD $500M market

Clinical pipeline continued

Kidney cancer

Telix's kidney cancer program comprises the kidney cancer imaging product TLX250-CDx and the kidney cancer therapeutic product TLX250. These products target carbonic anhydrase IX (CAIX), which is highly expressed by clear cell renal cell carcinoma (ccRCC), the most common type of kidney cancer. TLX250-CDx is expected to be the first imaging agent to enable the non-invasive assessment of patients with suspected ccRCC. This represents a significant opportunity, as an asymptomatic 'renal mass' is a common incidental finding on CT, MRI or ultrasound investigation performed for another health condition. Today, such incidental renal masses are typically followed up via invasive kidney biopsy or surgery.

During 2019, Telix initiated the Phase III ZIRCON trial with TLX250-CDx at sites in Europe and Australia, and submitted an Investigational New Drug (IND) application to the US FDA in order that the ZIRCON trial may be conducted in the US. The ZIRCON trial is an international, multicentre Phase III registration trial that will recruit up to 252 patients and determine the sensitivity and specificity of pre-surgical imaging using TLX250-CDx in detecting ccRCC, compared to histology from the surgical resection. The ZIRCON trial is expected to open for patient recruitment at five US sites in the first quarter of 2020, and patient recruitment is expected to be completed approximately mid-2020.

Planning for the two STARTLITE Phase II trials with TLX591 in combination with immunotherapy is well advanced, with an IND application expected to be submitted to the FDA in the middle of 2020.

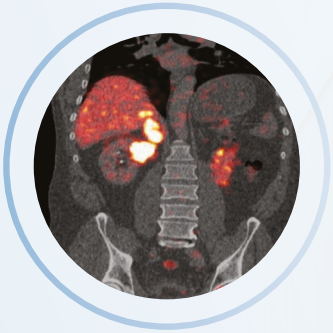
73,000 new cases of kidney cancer in the United States per year, 70% of these are the clear cell renal cell carcinoma (ccRCC) the most aggressive form of kidney cancer

TLX250-CDx is expected to be the first imaging agent to enable non-invasive diagnosis of patients with suspected ccRCC

Phase III ZIRCON trial with TLX250-CDx at sites in Australia, Europe and the United States expected to complete patient recruitment mid-2020

No competing product for TLX250-CDx product presently available

TLX250 therapy for patients who have progressed from immunotherapy estimated USD $400M+ market



Glioblastoma

Glioblastoma multiforme (GBM) is the most common type of brain cancer and has a poor prognosis due to a dearth of effective treatment options. Telix's GBM therapeutic product TLX101 is a novel approach that is able to freely cross the blood-brain barrier, when many pharmaceutical agents cannot.

In July 2019, Telix commenced enrolling patients into the Phase I/II IPAX-1 trial of TLX101 plus external beam radiation therapy (EBRT). The IPAX-1 trial aims to evaluate the safety and effectiveness of TLX101 combined with standard EBRT in patients with recurrent GBM. As Telix announced in December 2019, the Phase I component of the IPAX-1 trial is recruiting to plan, with both the single and multi-dose (known as fractionated) cohorts recruiting patients. Single Photon Emission Computed Tomography (SPECT) imaging has demonstrated encouraging evidence of tumour targeting by TLX101 and disease stabilisation has been observed in patients with recurrent GBM in both the single and multi-dose cohorts. Telix expects that the Phase I component of the IPAX-1 trial, which will enrol up to 22 patients, to complete recruitment during the second quarter of 2020, with data available mid-2020 that will be used for consultation with the US FDA and European Medicines Agency (EMA).

TLX101 is a novel therapy for the treatment of GBM that is intended to act in concert with standard of care external beam radiation therapy and chemotherapy

10,000

Approximately 10,000 new cases of GBM diagnosed in the United States annually

Recurrence of GBM is nearly universal following standard first-line therapy

TLX101 has received orphan drug designation in United States and Europe

People

Telix's mission is to help patients with cancer to live longer, better quality lives. To be able to optimally serve patients and the clinicians providing their care, Telix recognises it needs the best people, who possess the necessary qualifications and experience, and a commitment to delivering to market potentially life-changing new diagnostic and therapeutic options.

A significant priority during 2019 was to build the executive leadership of the Company, as Telix transitions from a clinical stage, to a pre-commercial and then revenue-generating company. During the year, highly experienced leaders were appointed into the roles of Chief Operating Officer, Chief People Officer, Global Head of Drug Development and Chief Business Officer. Additional senior appointments were made to put in place the required Clinical Trials, Regulatory, Supply Chain, Manufacturing and Sales & Marketing executional capability to advance the Company's clinical pipeline and take Telix's innovative products to market.

Telix has rigorously road tested its global supply chain well ahead of commercial product launch

Gabriel Liberatore
COO

The calibre of people we have been able to attract to Telix globally has been quite remarkable

Melanie Farris
CPO

Partnerships

COMMERCIAL READINESS

Telix has developed considerable expertise in the research, development and manufacture of Molecularly Targeted Radiation (MTR) products. This expertise includes capabilities in the diverse fields of antibodies and small molecules, radioactive isotopes, and chelator ('linker') chemistry, all of which are required to produce a diagnostic or therapeutic MTR product.

Beyond being capable of producing an MTR product, Telix demonstrated during 2019 that it is also suitably adept at distributing its products, delivering over 11,500 patient doses of its prostate cancer imaging product TLX591-CDx to over 100 hospital sites around the world for clinical trial, investigational and special access use.

This commercial readiness was significantly enhanced during the year via the completion of distribution agreements in the United States with United Pharmacy Partners Inc. (UPPI) and PharmaLogic for the distribution of the *illumet*® prostate cancer imaging product, as well as manufacturing and distribution agreements with additional partners covering Latin America, Europe, Turkey, Middle East, North Africa and Asia. Pending the necessary marketing authorisations from US and European regulatory authorities, Telix believes it is ready to reliably deliver its MTR products to hospitals and cancer centres in these markets.

RESEARCH PARTNERSHIPS

For a pharmaceutical company of Telix's size, the Company has established a significant portfolio of research collaborations with pharmaceutical companies, medical technology enterprises and academic research institutions. During 2019, these included clinical and pre-clinical research collaborations with Novartis, Merck Healthcare KGaA and GenesisCare, as well as the in-licensing of a clinical-stage Single Photon Emission Computed Tomography (SPECT) prostate cancer imaging agent from the Mexican National Institute of Nuclear Research (ININ). SPECT imaging is considerably more ubiquitous than PET imaging, which is of more limited availability in less developed markets. A SPECT-based prostate cancer imaging agent accords with Telix's view than all patients, regardless of where they are located, should have access to world class diagnostic tools to guide their cancer care.

During the year, Telix entered into significant clinical trial collaborations with leading academic and research institutions in United States, Germany, France, Japan and Australia. A significant theme of several of these clinical trial collaborations is that of indication expansion, in which Telix's targeting molecules, isotopes and chelator ('linker') chemistry are being evaluated for potential new indications including lung, ovarian, bladder and other poorly served cancer types. Telix firmly believes that such exploratory work is critical to the building of a sustainable pipeline of assets for the future.

We are totally committed to improving care for patients and that's why after just 4 years we have a lead product in Phase III.

Ros Wilson
GHDD

Telix is at the vanguard of Nuclear Medicine as it rapidly becomes a mainstream part of cancer diagnosis and care

David Cade
CBO

Executive team

Chief Executive Officer and Managing Director
Dr Christian Behrenbruch BEng (Hons) DPhil (Oxon) MBA JD FIEAust GAICD

Dr Behrenbruch has 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) 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 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.

Group Chief Financial Officer
Mr Douglas Cubbin BBus FCPA GAICD

Mr Cubbin has fourteen 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
Dr Gabriel Liberatore BSc (Hons) PhD (Melb) MBA (La Trobe) MAICD

Dr Liberatore has 20 years of experience in senior Business Development and R&D roles including with CSL Limited (ASX: CSL), Deloitte (Australia), Swisse Wellness (HK: 112) 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 from La Trobe University. Gabriel is an Advisory Board member at Swinburne University. Gabriel joined Telix in February 2019.

Global Head of Drug Development
Dr Rosalind Wilson MBBS MBA

Dr Wilson is a graduate of the Monash University Medical School and holds an MBA from London Business School. Following her earlier career in clinical medicine, Ros joined the pharmaceutical industry and worked for Roche in Australia, the United Kingdom and the Company's global headquarters in Basel, Switzerland over a 12-year period. Ros commenced her pharmaceutical career in Medical Affairs, eventually leading the team that developed pertuzumab in HER2-overexpressing breast cancer. Ros has previously served as CEO of Factor Therapeutics (ASX: FTT) and has consulted extensively to Australian biotech companies, helping them to develop clinical research and product pipeline strategy.

Chief Business Officer & Head of Investor Relations
Dr David Cade MBBS MBA GAICD

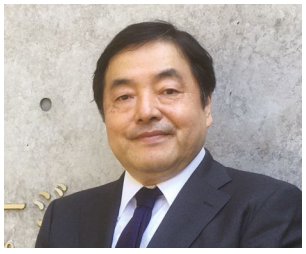
Dr Cade joined Telix in October 2019 as Chief Business Officer and Head of Investor Relations. Before joining Telix, David worked at Cochlear Limited (ASX: COH), where he served as Chief Medical Officer. Prior to Cochlear, David spent many years in the Oncology and Nuclear Medicine therapeutic areas with Sirtex Medical Limited (ASX: SRX), where he served as Chief Medical Officer and in other senior roles across the US, Europe and Australia. Earlier in his career David trained in surgery at Monash Medical Centre in Melbourne and worked at management consultancy, Booz and Company across 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.

Group Secretary & Head of Corporate Governance
Chief People Officer
Ms Melanie Farris BComn FGIA FCIS MAICD

Ms Farris is an experienced governance, communications and operations professional and non-executive director. Career 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 Institute of Chartered Secretaries (UK) and a Member of the Australian Institute of Company Directors.

President, Telix USA
Dr Bernard Lambert PhD

Dr Lambert has a long career in the Nuclear Medicine sector. 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 Wilex AG. A radiochemist by training, Bernard has a PhD in Chemistry from the University of Liège, Belgium.



President, Telix Japan
Dr 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 (Interim)
Mr Ludovic Wouters

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 SA in 2015 (subsequently acquired by Telix in 2018), where he acted as CEO.

Directors' report

Your Directors present their report on the Telix Pharmaceuticals Group for the financial year ended 31 December 2019. The Telix Pharmaceuticals Group ('Group') consists of Telix Pharmaceuticals Limited ('Telix Pharmaceuticals' 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
Andreas Kluge MD PhD	Executive Director
Oliver Buck	Non-Executive Director
Mark Nelson PhD	Non-Executive Director
Jann Skinner	Non-Executive Director

H Kevin McCann
AO BA LLB (Hons) 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 the Male Champions of Change, a Pro-Chancellor of the University of Sydney, a Trustee of the Sydney Opera House Trust and a Director of the US Studies Centre. 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 Arts and a Bachelor of Law (Honours) from Sydney University and a Master of Law from Harvard University. He was made an Officer of the Order of Australia for services to business, corporate governance and gender equality in January 2020, and 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 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 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.

Andreas Kluge
MD PhD (Berlin)
Appointed Executive Director, 3 January 2017

Dr Kluge provides advisory services to the Group under a consulting agreement as Chief Medical Advisor. It is anticipated Dr Kluge will transition to a Non-Executive Director upon the appointment of a Group Chief Medical Officer.

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).

Oliver Buck
Dipl Phys (Theoretical Biophysics, TUM)
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.

Ms Jann Skinner
B Com 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	400,000
A Kluge	24,675,000	-
O Buck	1,222,335	330,165
M Nelson	2,238,750	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 2019, and the number of meetings attended by each Director, is as follows:

	Board of Directors		Audit and Risk Management Committee		Nomination and Remuneration Committee	
	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended	Eligible to attend	Meetings attended
K McCann	6	6	4	4	2	2
C Behrenbruch[(i)]	6	6	-	-	-	-
A Kluge	6	6	-	-	-	-
O Buck	6	6	4	4	2	2
M Nelson	6	6	4	4	2	2
J Skinner	6	6	4	4	2	2

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

COMMITTEE MEMBERSHIP

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

- Audit and Risk Management 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.

PRINCIPAL ACTIVITIES OF THE COMPANY IN THE YEAR UNDER REVIEW

Telix Pharmaceuticals Limited is a Melbourne-headquartered oncology company that is developing a pipeline of 'molecularly targeted radiation', or 'MTR', products for unmet needs in cancer care. The Company was established on 3 January 2017 and listed on the on the Australian Securities Exchange on 15 November 2017.

Activities during the year were directed to furthering strategic commercial global partnerships and the continued development 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)

Principal achievements during the year included finalising the global strategy for prostate cancer imaging; agreement with the US FDA for the NDA process for *illumet*®; submission to the FDA of an NDA clinical briefing package for the TLX591-CDx product; submission of a Phase lll IND application and conclusion of strategic commercial partnerships in renal cancer program; the opening of multiple clinical trial sites and commencement of the Phase II portion of the TLX101 (glioblastoma) therapy program (the IPAX-1 study).

With the 2018 acquisition of ANMI SA, the Company is now able to develop and deliver a global strategy for prostate cancer imaging and expects to conclude commercially significant agreements with key marketing and distribution partners.

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*® was recorded at $3,485,000 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 2019 was $27,867,000 (2018: $13,830,000). Total equity recorded at 31 December 2019 was $70,081,000 (2018: $52,905,000). At 31 December 2019, the Group held total assets of $102,608,000 (2018: $76,709,000) and net assets of $70,081,000 (2018: $52,905,000). 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 19 January 2019, the Company issued 6,845,000 unlisted share options with an exercise price of $1.09 and an expiry date of 11 June 2022. The options were issued to staff and consultants to the Company. Of those options, 895,000 were issued to Directors C Behrenbruch and J Skinner subject to shareholder approval, which was received at the Company's AGM held on 22 May 2019.

Issue of fully paid ordinary shares: On 24 July 2019, 30,770,000 fully paid ordinary 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. 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 existing eligible shareholders to purchase up to $15,000 of shares at $1.30 per share, without brokerage fees.

Proposed acquisition of European production facility: On 3 October 2019, the Company announced it had entered into a conditional purchase agreement to acquire a licensed radiopharmaceutical production facility in Seneffe, Belgium. Ownership of the site is expected to deliver a range of commercial benefits to Telix including a Class IIA licence, enabling Telix to manufacture a broad range of diagnostic and therapeutic radiopharmaceuticals; the expansion of Telix's existing product R&D and commercial manufacturing footprint in Belgium; a fully-licensed production facility strategically located in western Europe with excellent logistics and ready access to key commercial territories; and the capability to produce certain isotopes at the site in the future (if required), to protect and augment Telix's core supply chain. Subject to several closing conditions related to attaining the requisite regulatory approvals in Belgium, the Company will acquire the site for a nominal cash sum in addition to assuming the future decommissioning liability associated with the site. This liability is currently estimated to be up to €5.2m over the operating lifetime of the site, with certain downside cost and risk mitigations in place with relevant government agencies as part of the proposed transaction structure. The transaction is anticipated to complete before 31 March 2020.

The total issued securities of the Company are as follows:

	At 31 December 2019	At the date of this report
Ordinary shares	253,279,999	253,444,834
Share options and warrants	18,595,088	21,985,253

Directors' report continued

REVIEW OF OPERATIONS

In 2019, Telix transitioned from a clinical stage to a pre-commercial stage pharmaceutical company, with Telix reaching agreement with the US FDA on the process for submission of the Company's first New Drug Application (NDA) for its prostate cancer imaging product *illumet*®, as well as generating early revenue from the sale of over 4,600 TLX591-CDx (*illumet*®) kits for investigational and clinical trial use in the US and Europe. Given the typical time required to take a new drug from discovery to market is 10 to 15 years, these achievements are highly significant for a company founded four years ago, that has been public for only two years.

During the year, Telix made several key appointments, both to complete its Executive Leadership, as well as put in place the necessary Clinical Trials, Regulatory, Supply Chain, Manufacturing and Sales & Marketing executional capability required to advance the Company's clinical pipeline and take Telix's innovative products to market. At the end of 2019, Telix had 60 people – up from 50 at the end of 2018 – comprising 20 in Australia, 10 in United States, 27 in Belgium and 3 in Japan. Telix's corporate head office is in Melbourne Australia, with regional offices in Indianapolis USA, Brussels Belgium and Kyoto Japan.

The manufacture of Molecularly Targeted Radiation (MTR) products requires highly specialised expertise in radioactive isotopes; antibodies and small molecules; and chelator chemistry, the process of attaching the radioactive isotope to the antibody or small molecule to produce a final drug product. In October 2019, Telix entered into an agreement to acquire a significant licensed radiopharmaceutical production facility in Seneffe, Belgium from the German company Eckert & Ziegler Strahlen und Medizintechnik AG. This facility has one of the most extensive private enterprise nuclear licences in Europe, which delivers significant operational flexibility to the Company and the ability to deliver all of Telix's European production needs for its product portfolio. The timing of this acquisition is significant as the Company expects to undertake the European launch of its prostate cancer imaging product TLX591-CDx and its kidney cancer imaging agent TLX250-CDx in the next 18 months, subject to regulatory approvals. However, there is significant lead time to complete the requisite regulatory and compliance requirements, ahead of the Seneffe production facility becoming operational.

The completion of the transaction is subject to several closing conditions related to regulatory approvals in Belgium. Conditions include receiving approval from Belgium's Federal Agency for Nuclear Control relating to the license to enable production activities to commence, as well as repeat verification of key environment testing.

In the Americas and Asia Pacific regions, Telix has established partnerships with leading firms that have sufficient manufacturing capacity to support the Company's commercialisation of its product portfolio. During 2019, while additional supply side agreements were entered into with GE Healthcare, Cyclotek and Thermo Fisher Scientific, the pre-commercial stage that the Company has now entered saw Telix enter a number of distribution agreements. These included additional distribution partners United Pharmacy Partners Inc. and PharmaLogic in US; a manufacturing and distribution agreement with Istanbul, Turkey based Monrol for Turkey, Middle East and North Africa; a distribution agreement with PI Medical Diagnostic Equipment for the Netherlands; and a manufacturing and distribution agreement with Porto Alegre, Brazil based Grupo RPH for Latin American markets.

During 2019, the investigational and clinical trial use of Telix's prostate cancer imaging product *illumet*® occurred in over 100 hospital sites around the world, including 52 sites in US. The supply of the *illumet*® product to these sites, which are predominantly large cancer centres, while generating early revenue for Telix, also facilitated the streamlining and strengthening of the Company's product supply chain, prior to full commercial launch pending marketing approvals.

FORWARD STRATEGY AND OPERATIONAL TARGETS

Telix's forward corporate objectives are reflective of the Company's commercial launch goals and comprise three key areas of focus: programs and commercial; infrastructure; and organisational and corporate development.

Programs and commerical

Telix's clinical pipeline comprises five main programs in prostate cancer imaging and therapy, renal cancer imaging and therapy, and glioblastoma therapy.

Telix's prostate cancer program is the Company's most advanced, with TLX591-CDx (prostate cancer imaging) the closest to commercial launch and generation of revenue. Telix submitted a clinical briefing package to the US FDA in December 2019 and expects to receive correspondence from the FDA during the first quarter 2020 on the forward steps required to finalise the NDA submission.

In Europe, Telix has received positive consultation from the Danish Medicines Agency for European approval of TLX591-CDx. Formal recognition in both the American Society of Clinical Oncology and European Association of Urology clinical practice guidelines for the use of prostate-specific PET imaging tracers in the management of prostate cancer is considered supportive of Telix's commericalisation efforts for TLX591-CDx, through increased awareness and formal recognition of medical utility. Telix expects to file its US and major European marketing authorisations for TLX591-CDx during the first quarter of 2020.

The Company's Phase III ZIRCON trial of TLX250-CDx (renal cancer imaging) is expected to complete patient enrolment in mid-2020. The Company has received Investigational New Drug (IND) approval from the FDA for this program. The study is expected to close approximately two months after enrolment of the last patient and provide first data read-out shortly thereafter.

Telix's prostate cancer therapy agent TLX591 is the Company's most advanced therapeutics program. Phase III trial development for TLX591 and partnering discussions are reliant on guidance from the US FDA, in respect of trial design, appropriate clinical endpoints, study size and other factors. The Company expects to submit a pre-Phase III briefing package to the FDA in the first quarter of 2020, with the intention of transitioning to a Phase III therapeutics company during the year.

Infrastructure

Telix expects to launch its first commercial product TLX591-CDx (prostate cancer imaging) during 2020 and is working to secure US and major European distribution agreements capable of supporting the broader product portfolio. The Company is also working to implement the fundamental support infrastructure required for the transition to a commercial-stage company, including organisation-appropriate enterprise resource planning and customer relationship management systems.

Organisational and corporate development

As Telix transitions to a revenue stage company there is recognition across the global team that the Company must embrace a commercially-aware, performance-driven culture that is capable of anticipating and managing developmental, competitive, regulatory, commercial and other risks to the business. Focus is therefore placed on setting and measuring corporate, team and personal objectives; resourcing and new hire planning; professional development; financial control, reporting and analysis; and communication across the Group.

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 developing and expanding existing and emerging commercial partnerships with leading global healthcare companies, securing one or more commercial transactions for one or more of the Group's drug assets, as well as establishing a sustainable revenue stream for the Group via the commercialisation and sale of the Group's TLX591-CDx 'kit' and other assets under development.

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. The Company is not aware of any matter that requires disclosure with respect to any significant regulations in respect of its operating activities, and there have been no issues of non-compliance during the year.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 13 January 2020, the Company issued 3,555,000 unlisted share options to employees and consultants to the Company. Options have a four-year term, with an expiry date of 12 January 2024. The exercise price of $2.23 per option is a 43% premium to the five-day volume weighted average closing price prior to the day of issue ($1.56). Options remain unvested for a three-year period, and 'cliff vest' on 24 January 2022.

On 23 January 2020, the Company announced that the US Food and Drug Administration had approved the ZIRCON study for recruitment of American patients. The receipt of the IND notice of allowance enables patient recruitment to commence in the US after 30 days.

Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Consolidated Financial Statements of the Company for the year ended 31 December 2019.

Directors' report continued

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 2019. This Report contains information regarding the remuneration arrangements for the directors and key management personnel (KMP) for the Company during 2019.

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.

In setting and reviewing the remuneration policy, the Board considers the remuneration guidelines of shareholder and corporate governance adviors. In the event that we depart from these guidenlines, 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

REMUNERATION REPORT (AUDITED)

This Remuneration Report for the year ended 31 December 2019 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
Mark Nelson PhD	Director
Jann Skinner	Director
Executive Directors	
Christian Behrenbruch PhD	Managing Director and Group CEO
Andreas Kluge MD PhD[(i)]	Executive Director
Other key management personnel	
Doug Cubbin	Group Chief Financial Officer
Gabriel Liberatore PhD[(ii)]	Group Chief Operating Officer

(i) A Kluge was appointed Executive Director on 3 January 2017. Dr Kluge provides advisory services to the Group under a consulting agreement as Chief Medical Advisor. It is anticipated Dr Kluge will transition to a Non-Executive Director upon the appointment of a Group Chief Medical Officer.

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

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 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 adviors 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

Directors' report continued

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.

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 positions. 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. The Committee may seek external advice to determine the appropriate level and structure of the remuneration packages. The CEO determines remuneration packages for non-KMP team members. The CEO refers the remuneration packages of the senior executive team - that is executive team members that report directly to the CEO - to the Committee for information.

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 set at the start of the performance year, incentivising KMP to work together to achieve key business-building short-term objectives. STI is 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 25% 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. In prior years, STI payments for the CEO and KMP were determined solely (100%) based on achievement against corporate objectives. Effective 1 January 2020, the relative contributions of corporate and individual KPIs for company personnel are:

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

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

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. 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 2019, the Nomination and Remuneration Committee reviewed the general terms of new options to be issued. Options will be typically granted with an exercise price that is between a 40-50% premium to the market price of shares on the day of issue, and with an expiry date that is between three and four years from the date of issue. As LTIs are offered to incentivise, reward and retain personnel, options will typically vest at a 'cliff' prior to the expiry date. The Board has considered adopting performance-based metrics for the vesting of LTIs. The Board is of the view that in future years, and once the Company has a sustainable revenue stream, performance-based metrics will be appropriate and will be applied to the vesting of LTIs. At this time given the Company's objectives and growth trajectory and as LTIs are 'premium-priced', the Board has not applied separate performance-specific metrics to the vesting of LTIs. However members of the senior executive team who do not achieve greater than 70% of their individual KPIs in any given year will not be eligible for LTI grants in that year.

The terms of options, and what happens to options in the event of cessation of employment, is at the discretion of the Board. However generally, in the event that a holder of unvested options ceases to be employed, if 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, options that are vested remain vested and the Board, in its sole discretion, will determine the vesting of any unvested options. If, at the absolute discretion of the Board, the ceasing of employment occurs for any other reason than in 'good leaver' circumstances, including, but not limited to, termination for cause, or due to resignation, all unvested options lapse immediately and the expiry date is taken to have occurred on the last day of engagement. 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.

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; and/ or acted or failed to act in a way that contributed to Telix making a material financial misstatement.

Nomination and Remuneration Committee

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 2019

Detailed remuneration benchmarking was undertaken prior to the Company listing on the ASX. During this review, total fixed remuneration was benchmarked against 50 comparable (market capitalisation, pre-revenue stage) ASX life sciences companies. Since Listing, the CEO salary has represented a bottom quartile ASX-benchmarked salary, reflective of the 'start-up' mode of operation and in consideration of the CEO's significant founding equity ownership. KMP salaries were benchmarked to the middle of the ASX for peer companies in the biopharmaceutical industry. CEO and KMP salaries have been reviewed for the 2020 financial year. The Board has agreed that the CEO salary will be reviewed following the anticipated receipt of marketing authorisation from the FDA with respect to the Company's TLX591-CDx asset.

STI awards for the financial year ended 31 December 2019 were applicable to KMP following the achievement of targets determined by the Board. The corporate objectives set by the Board for the year under review included completion of enrolment of the TLX250-CDx (kidney cancer imaging) trial (the ZIRCON study); commencement of the Phase II portion of the TLX101 (glioblastoma) therapy program (the IPAX-1 study); the submission of a New Drug Application (NDA) to the US Food and Drug Administration (FDA) for the prostate imaging product (TLX591-CDx/*Illumet*®); the identification of a potential Phase III strategy for the TLX591 (prostate cancer) platform and revenue generation from the commercialisation and sale of the *Illumet*® product (prostate cancer imaging kit).

Based on recognition of overall team performance during the year and the actual achievement against corporate objectives 70% of STI entitlements due to each eligible KMP for the year was awarded. The remaining 30% of STI entitlements due to each eligible KMP for the year was forfeited.

LTI awards made during the year, effective in future years

Prior to 31 December 2019, and as part of the FY2019 remuneration review, the Nomination and Remuneration Committee recommended that LTIs in the form of unlisted share options were made to new and existing employees, including KMP, as a tool to both incentivise and retain personnel. The issue of unlisted share options was made on 13 January 2020. Options issued have a four-year term, with an expiry date of 12 January 2024. The exercise price of $2.23 per option is a 43% premium to the five-day volume weighted average closing price prior to the day of issue ($1.56). Options remain unvested for a three-year period, and 'cliff vest' on 13 January 2023. The Company considers that this grant of options allows the Company to maintain cash reserves for its operations whilst both incentivising and rewarding and KMP and personnel for their commitment and contribution to the Company. The Board considered adopting performance-based metrics for the vesting of LTIs. The Board is of the view that in future years, and once the Company has a sustainable revenue stream, performance-based metrics will be appropriate and will be applied to the vesting of LTIs. At this time given the Company's objectives and growth trajectory and as LTIs are 'premium-priced' with a three-year vesting point, the Board has not applied separate performance-specific metrics to the vesting of these LTIs.

Directors' report continued

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 pool for Non-Executive Directors of $500,000. The total Non-Executive Director remuneration of Telix Pharmaceuticals Limited for the year ended 31 December 2019 utilised $323,077 of this authorised amount.

Fees to Non-Executive Directors reflect the obligations, responsibilities and demands which are made on Directors. The Board has resolved that the remuneration of 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. Although the Chairman of the Board receives a higher fee, the remuneration of Non-Executive Directors consists only of Directors fees, Non-Executive Directors do not receive committee fees or retirement benefits. The Board has resolved that following appointment remuneration of Non-Executive Directors shall only be in the form of cash fees. Annualised fees are base remuneration fees inclusive of superannuation (where applicable). Fees as recorded below remain in effect at 1 January 2020 and at the date of this report.

	2019 $	2018 $
Annual fees		
K McCann, Chairman	120,000	120,000
O Buck, Non-Executive Director	65,700	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[(i)]	14,345	14,345

(i) 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 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.

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 vest 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 this 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.

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 $	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	319,445	17,816	-	70,825	28,600	436,686	99,425	23
A Kluge	65,700	-	-	-	-	65,700	-	-
	385,145	**17,816**	**-**	**70,825**	**28,600**	**502,386**	**99,425**	
Other KMP								
D Cubbin	243,000	23,085	-	46,565	91,010	403,660	137,575	34
G Liberatore[(iii)]	216,987	20,614	-	40,144	28,600	306,345	68,744	22
	459,987	**43,699**	**-**	**86,709**	**119,610**	**710,005**	**206,319**	**-**
Total for all KMP	**1,145,840**	**83,884**	**-**	**157,534**	**379,128**	**1,766,386**	**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.

Directors' report continued

Remuneration for the year ended 31 December 2018

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 $	Other $	STI[ii] $	Share-based payment (options) $	$	$	%
Non-Executive Directors								
K McCann	109,589	10,411	-	-	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[i]	39,161	3,720	-	-	-	42,881	-	-
	274,450	**19,831**	**-**	**-**	**195,525**	**489,806**	**195,525**	**-**
Executive Directors								
C Behrenbruch	280,000	26,600	-	73,584	-	380,184	73,584	19
A Kluge	157,850	-	-	-	-	157,850	-	-
	437,850	**26,600**	**-**	**73,584**	**-**	**538,034**	**73,584**	**-**
Other KMP		-						
D Cubbin	220,000	20,900	-	48,180	62,410	351,490	110,590	31
	220,000	**20,900**	**-**	**48,180**	**62,410**	**351,490**	**110,590**	**-**
Total for all KMP	**932,300**	**67,331**	**-**	**121,764**	**257,935**	**1,379,330**	**379,699**	**-**

(i) J Skinner was appointed to the Board on 19 June 2018.

(ii) C Behrenbruch is eligible to receive an annual STI of up to 30% of remuneration. D Cubbin is eligible to receive an annual STI of up to 25% of remuneration. No other KMP are eligible to receive an STI. In the year to 31 December 2018, based on successful completion of 75% of pre-set corporate objectives, and in recognition of significant achievements against new targets set following the realignment of corporate strategy during the year, 80% of STI entitlement due to each eligible KMP for the year was awarded. The remaining 20% of STI entitlement due to each eligible KMP for the year was forfeited.

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 2019 and 2018.

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 2019, the total amount paid or payable to ABX CRO was $2,048,381.

Other than those noted above, there were no related party transactions with any KMP in the year ended 31 December 2019.

Employment contracts

Executive Directors and other key management personnel have rolling contracts, not limited by term. Details of contractual terms effective 1 January 2020 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 salary of $317,240 subject to annual review. Exclusive 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 STIs 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.
Andreas Kluge Executive Director Appointed 3 January 2017	Base fee of up to $160,000 (€100,000). Dr Kluge is engaged on a consulting basis.	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.	Not eligible.	Eligible to participate in the Company's EIP. Any issue of securities is subject to shareholder approval. The treatment of LTIs on termination is at Board discretion.
Doug Cubbin Group CFO Appointed 22 May 2017	Base salary of $250,290 subject to annual review. Exclusive 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 salary of $257,500 subject to annual review. Exclusive 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.

Directors' report continued

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
M Nelson	2,238,750	-	-	2,238,750
J Skinner	100,000	-	-	100,000
C Behrenbruch	24,675,000	-	-	24,675,000
A Kluge	24,675,000	-	-	24,675,000
D Cubbin	-	-	-	-
G Liberatore	-	-	-	-
	52,906,250	**164,835**	**-**	**53,071,085**

Shareholdings of Directors and KMP for the year ended 31 December 2018

	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	-	-	1,057,500
M Nelson	2,238,750	-	-	2,238,750
J Skinner	-	-	100,000	100,000
C Behrenbruch	24,675,000	-	-	24,675,000
A Kluge	24,675,000	-	-	24,675,000
D Cubbin	-	-	-	-
	52,806,250	**-**	**100,000**	**52,906,250**

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
D Cubbin	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**

Option holdings of Directors and KMP for the year ended 31 December 2018

	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	-	-	329,670	-
						15-Oct-19	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	-	-	164,835	-
						15-Oct-19	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	-	-	329,670	-
						15-Oct-19	329,670	-	-	-	-	329,670
						15-Oct-20	330,660	-	-	-	-	330,660
J Skinner		-	-		-		-	-	-	-	-	-
C Behrenbruch		-	-		-		-	-	-	-	-	-
A Kluge		-	-		-		-	-	-	-	-	-
D Cubbin	15-Oct-17	790,000	0.85	15-Oct-21	0.23	15-Oct-18	263,070	263,070	-	-	263,070	-
						15-Oct-19	263,070	-	-	-	-	263,070
						15-Oct-20	263,860	-	-	-	-	263,860
		3,265,000					**3,265,000**	**1,087,245**	**-**	**-**	**1,087,245**	**2,177,755**

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 requires 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.

TELIX PHARMACEUTICALS LIMITED PERFORMANCE AND SHAREHOLDER WEALTH

	2019	2018	2017
Basic loss per share (cents)	(11.94)	(6.84)	(4.98)
Net tangible assets per share (cents)	25.99	6.67	38.74
Dividend per share (cents)	-	-	-
Closing share price ($)	1.55	0.65	0.62
Increase/(decrease) in share price (%)	+138	+5	(5)[i]
Market capitalisation ($)	392,584,000	141,938,000	122,411,000

(i) Telix listed on the ASX on 15 November 2017. The opening share price at listing was $0.65.

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 2019. 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 auditor, PricewaterhouseCoopers, and is attached to this report.

During the year the Company's auditor performed non-audit services being tax advice relating to incentive plan structure. 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. The details of the services provided and their costs are as follows:

	$
Taxation advisory services	5,500
	5,500

Directors' report continued

COMPANY SECRETARY

Melanie Farris
(FGIA, FCIS, MAICD) BComn Grad Dip ACG

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 Institute of Chartered Secretaries (UK) and a Member 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 2019 Corporate Governance Statement reflects the corporate governance practices in place throughout the financial year ended 31 December 2019 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 24 February 2020.

Kevin McCann AO
Chairman

Christian Behrenbruch
Managing Director and Group CEO

Auditor's independence declaration

Auditor's Independence Declaration

As lead auditor for the audit of Telix Pharmaceuticals Limited for the year ended 31 December 2019, 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

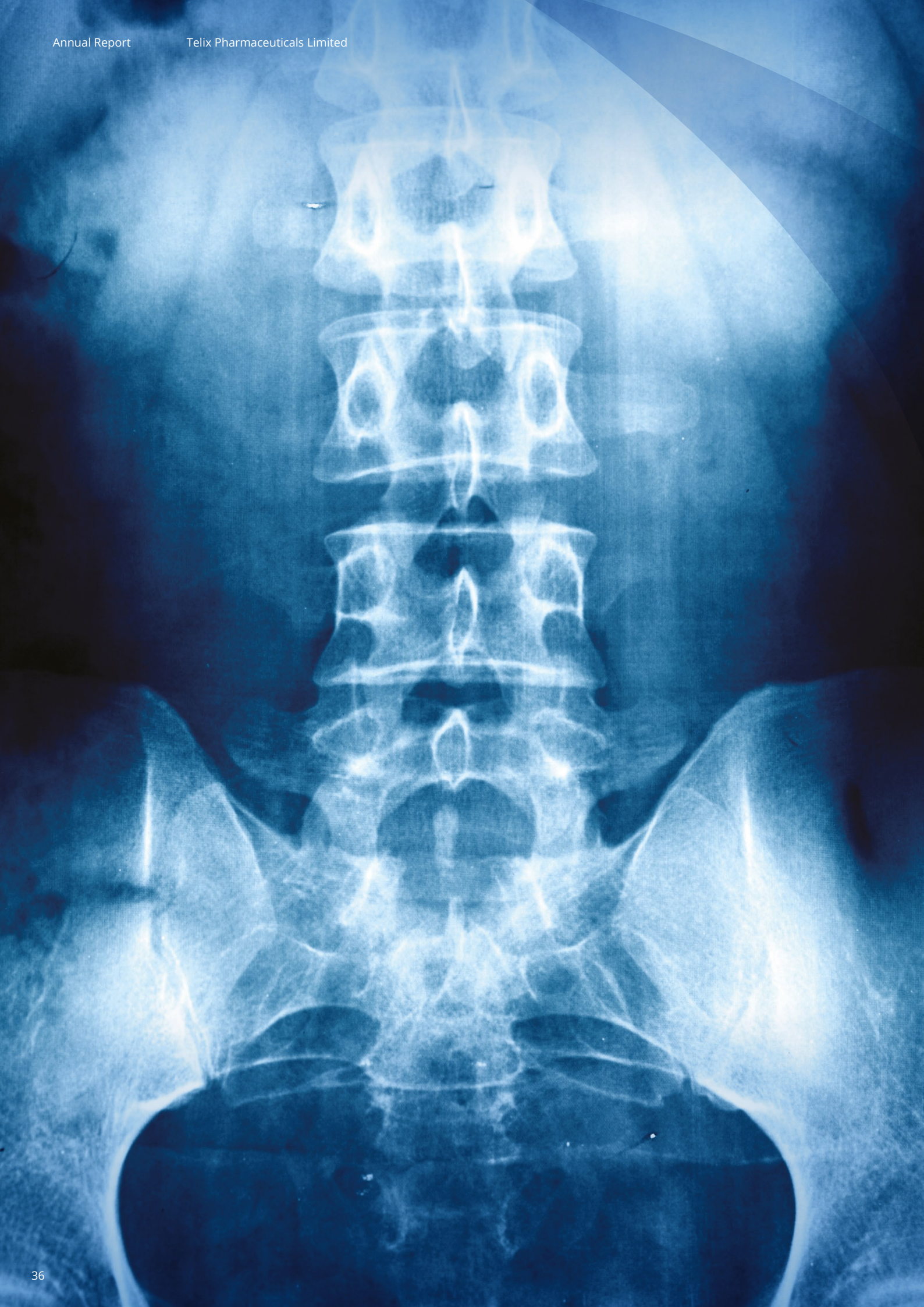
(b) no contraventions of any applicable code of professional conduct in relation to the audit.

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

Jon Roberts
Partner
PricewaterhouseCoopers

Melbourne
24 February 2020

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au



Financial report

Consolidated statement of comprehensive income or loss

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Continuing operations			
Revenue	4	3,485	195
Cost of sales of goods		(2,543)	-
Gross profit		**942**	**195**
Research and development costs	5	(21,162)	(18,692)
Administration and corporate costs	6	(6,826)	(4,246)
Employment costs	7	(8,974)	(4,897)
Depreciation and amortisation	8	(4,236)	(7)
Finance costs	9	(2,408)	(29)
Other income and expenses	10	11,542	11,962
Loss before income tax		**(31,122)**	**(15,714)**
Income tax benefit	**11**	**3,255**	**1,884**
Loss from continuing operations after income tax		**(27,867)**	**(13,830)**
Loss is attributable to: Owners of Telix Pharmaceuticals Limited		(27,867)	(13,830)
Loss for the year		**(27,867)**	**(13,830)**
Other comprehensive income/(loss)			
Items to be reclassified to profit or loss in subsequent periods: Exchange differences on translation of foreign operations		(116)	54
Total comprehensive loss for the year		**(27,983)**	**(13,776)**

	Note	2019 Cents	2018 Cents
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	31.1	(11.94)	(6.84)
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	31.2	(11.94)	(6.84)

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

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 $'000	2018 $'000
Current assets			
Cash and cash equivalents	12.1	44,598	25,771
Trade and other receivables	12.2	12,071	8,436
Inventory	14	542	643
Other current assets	12.3	1,468	1,007
Total current assets		**58,679**	**35,857**
Non-current assets			
Property, plant and equipment	15.1	1,899	226
Intangible assets	16	41,948	39,451
Non-current trade and other receivables	17	82	1,175
Total non-current assets		**43,929**	**40,852**
Total assets		**102,608**	**76,709**
Current liabilities			
Trade and other payables	12.4	9,218	6,893
Borrowings	18	469	1,133
Lease liabilities	15.2	21	-
Provisions	19	917	216
Total current liabilities		**10,625**	**8,242**
Non-current liabilities			
Borrowings	18	292	596
Lease liabilities	15.2	1,349	-
Deferred tax liabilities	13.2	3,170	4,374
Government grant liability	24	650	-
Contingent consideration liability	20	16,441	10,592
Total non-current liabilities		**21,902**	**15,562**
Total liabilities		**32,527**	**23,804**
Net assets		**70,081**	**52,905**
Equity			
Share capital	21.1	115,943	72,053
Foreign currency translation reserve		(62)	54
Share-based payments reserve	21.2	2,274	1,005
Accumulated losses		(48,074)	(20,207)
Total equity		**70,081**	**52,905**

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

Consolidated statement of changes in equity

for the year ended 31 December 2019

	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 2018		**55,561**	**(6,377)**	**-**	**109**	**49,293**
Loss for the year		-	(13,830)	-	-	(13,830)
Other comprehensive income		-	-	54	-	54
Total comprehensive income/(loss)		**-**	**(13,830)**	**54**	**-**	**(13,776)**
Shares issued as consideration on acquisition of subsidiaries	21.1	16,492	-	-	-	16,492
Warrants issued as consideration on acquisition of subsidiaries	21.2	-	-	-	184	184
Share based payments	21.2	-	-	-	712	712
		16,492	**-**	**-**	**896**	**17,388**
As at 31 December 2018		**72,053**	**(20,207)**	**54**	**1,005**	**52,905**

	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	21.1	45,254	-	-	-	45,254
Transaction costs arising on new share issues	21.1	(1,364)	-	-	-	(1,364)
Share based payments	21.2	-	-	-	1,269	1,269
		43,890	**-**	**-**	**1,269**	**45,159**
As at 31 December 2019		**115,943**	**(48,074)**	**(62)**	**2,274**	**70,081**

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

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		3,427	-
Receipts in relation to R&D tax incentive		9,261	1,178
Payments to suppliers and employees		(36,002)	(22,243)
Interest received		98	333
Interest paid		(117)	(17)
Net cash used in operating activities	**22**	**(23,333)**	**(20,749)**
Cash flows from investing activities			
Payment for acquisition of subsidiary, net of cash acquired	24	-	(2,693)
Purchase of intangible assets	16	(65)	-
Purchase of plant and equipment	15.1	(403)	-
Net cash used in investing activities		**(468)**	**(2,693)**
Cash flows from financing activities			
Repayment of borrowings	18	(943)	(869)
Principal element of lease payments	15.2	(224)	-
Proceeds from issue of shares and other equity	21.1	45,254	-
Transaction costs of capital raising	21.1	(1,364)	-
Net cash provided by/(used in) financing activities		**42,723**	**(869)**
Net increase/(decrease) in cash held		**18,922**	**(24,311)**
Net foreign exchange differences		(95)	1,323
Cash and cash equivalents at the beginning of the financial year		25,771	48,759
Cash and equivalents at the end of the financial year	**12.1**	**44,598**	**25,771**

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

Notes to the consolidated financial statements

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 an oncology company that is developing a pipeline of 'molecularly targeted radiation', or 'MTR', products for unmet needs in cancer care. 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 2019 was authorised for issue in accordance with a resolution of the Directors on 24 February 2020.

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 2019, the Group incurred an operating loss of $27,867,000 (2018: $13,830,000) and an operating cash outflow of $23,333,000 (2018: $20,749,000). As at 31 December 2019 the net assets of the Group stood at $70,081,000 (2018: $52,905,000), with cash on hand at $44,598,000 (2018: $25,771,000).

The Group has recorded current trade and other receivables in the amount of $11,326,000 (2018: $7,758,000) 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 2019. The Group expects to receive this amount during the 12 months ending 31 December 2020. The Group expects the R&D tax incentive to be applicable in subsequent years for eligible R&D activities undertaken, until the Group reaches $20M of revenue in a financial year.

Cash on hand at 31 December 2019 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 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. 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.

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 2019.

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 liabilities which are measured at fair value.

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

d.1. Change in accounting policies following the adoption of accounting standards in the current period

In the current reporting period, the Group had to change its accounting policies and make adjustments as a result of adopting AASB 16 Leases. The impact of the adoption of the leasing standard and the new accounting policy is disclosed below.

d.2. Impact of change in accounting policy

This note explains the impact of the adoption of AASB 16 Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 January 2019. The Group has adopted AASB 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8% being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single post-tax discount rate to a portfolio of leases with reasonably similar characteristics; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made in applying AASB 117 Interpretation for determining whether an arrangement contains a lease.

The Group's leasing activities and how they are accounted for

The Group leases various offices and motor vehicles across all jurisdictions of activity. These leasing contracts are typically made for fixed periods of two to four years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Until 31 December 2018, leases of property and motor vehicles were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 January 2019, 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 assets are 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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the lessee's incremental borrowing rate (8%), being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

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.

	2019 $'000
Operating lease commitments disclosed as at 31 December 2018	163
Add: adjustments as a result of a different treatment of extension and termination options, net of discounting	327
Lease liability recognised as at 1 January 2019	**490**
Current	204
Non-current	286
Lease liability as at 1 January 2019	**490**

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The recognised right-of-use assets relate to the following types of assets:

	1 January 2019 $'000
Properties	217
Motor vehicles	273
Total right-of-use-assets	**490**

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- property, plant and equipment – $Nil;
- right-of-use assets – increase by $490,000;
- deferred tax assets – increase by $Nil; and
- lease liabilities – increase by $490,000.

The net impact on retained earnings on 1 January 2019 was $Nil.

e. New standards and interpretations not yet adopted

New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2019:

- AASB 16 Leases (See note 3.2 d.2);
- AASB 2017-6 Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation;
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle;
- AASB 2018-2 Amendments to Australian Accounting Standards – Plan Amendment, Curtailment or Settlement; and
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting AASB 16. The group elected to adopt the new rules using the modified retrospective approach. As a result, the comparative financial information has not been restated. This is disclosed in note 15. The other 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.

New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 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

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.

Notes to the consolidated financial statements continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

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.

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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation. 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. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are recognised in other comprehensive income.

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 are recognised at their 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 consolidated income statement 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 significant judgements and estimates.

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.

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.

Notes to the consolidated financial statements continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.11 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 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) and Advanced Nuclear Medicine Ingredients SA (ANMI) (2018). The intellectual property associated with the Therapeia and Atlab acquisitions is recorded as indefinite useful lived assets 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 lived 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 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.

3.12 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.

3.13 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 their cost, net of their residual values, over their 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 estimate recoverable amount.

The useful lives of assets are as follows:

- 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 retained earnings.

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.

3.14 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.

3.15 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.

3.16 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.

Notes to the consolidated financial statements continued

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

3.17 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 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.

3.18 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, and 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.

3.19 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.

3.20 Revenue recognition

The Group assembles cancer imaging kits to supply hospitals and institutions. Sales are recognised 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. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

If the collection of revenues is uncertain, the company should either (1) not recognise any revenues as long as the collection remains uncertain or (2) recognise revenues and an impairment loss in the statement of comprehensive income or loss.

3.21 Receivables

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

a. Trade and other receivables

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 is regularly reviewed and updated. They are subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 23.4 for further information about the group's accounting for trade receivables and description of the group's impairment policies.

3.22 Leases

There was no adjustment to property, plant and equipment on 1 January 2019 following the adoption of the leasing standard.

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to leases recognised in the statement of financial position as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

From 1 January 2019, 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

3.23 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. 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.

3.24 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 at a rate of 43.5% 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 2019 the Group has recognised $11,693,000 (2018: $10,142,000) in the consolidated statement of comprehensive income or loss.

The Group has recognised $11,326,000 (2018: $7,758,000) 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. $Nil has been classified as non-current (2018: $1,136,000).

Contingent consideration liability

The Group has identified the contingent consideration liability as a balance requiring estimates and significant judgements. These estimates and judgements have been outlined in note 20.

Finalisation of purchase price allocation of intellectual property (ANMI)

The Company appointed an independent external valuation expert to assist in the finalisation of the purchase price allocation and goodwill impairment testing for the ANMI acquisition as at 24 December 2018.

This model contained key assumptions including, sales volumes, price per unit, margin, cost to achieve regulatory approval, probability of success and risk adjusted post-tax discount rates. Further detail has been provided in note 24.

Impairment assessment – carrying value of goodwill and intangible assets

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

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

4. REVENUE

	2019 $'000	2018 $'000
Revenue from contracts with customers recognised at a point in time	3,485	195
Total revenue from continuing operations	**3,485**	**195**

5. RESEARCH AND DEVELOPMENT COSTS

	2019 $'000	2018 $'000
Preclinical	1,000	1,793
Clinical	4,384	2,959
Manufacturing	11,705	12,029
Other research and development related costs	4,073	1,911
	21,162	**18,692**

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

Telix utilised five outsourced sites for manufacturing during 2019 for the provision of clinical grade investigative products for Phase I-III clinical studies. Work also commenced on scale up activities for the eventual commercial supply of our products including the TLX 250 diagnostic product.

6. ADMINISTRATION AND CORPORATE COSTS

	2019 $'000	2018 $'000
Insurance	658	478
Professional fees	4,213	2,083
Training and compliance	617	546
Travel costs	593	578
Marketing and sponsorship	312	72
Other administration	433	489
	6,826	**4,246**

Notes to the consolidated financial statements continued

7. EMPLOYMENT COSTS

	2019 $'000	2018 $'000
Salaries and wages	6,572	3,276
Superannuation	222	193
Non-executive directors' fees	393	300
Share based payment and incentives	1,787	1,128
	8,974	**4,897**

8. DEPRECIATION AND AMORTISATION

	2019 $'000	2018 $'000
Depreciation	323	-
Amortisation of intangible assets[(i)]	3,913	7
	4,236	**7**

(i) Includes amortisation of intangible assets acquired in business combinations (see note 24) $3,830,000 (2018: $Nil).

9. FINANCE COSTS

	2019 $'000	2018 $'000
Bank fees	21	12
Interest expense[(i)]	2,387	17
	2,408	**29**

(i) Includes interest expense in the unwinding of discount on contingent consideration liability of $2,271,000 (2018: $Nil).

10. OTHER INCOME AND EXPENSES

	2019 $'000	2018 $'000
Research and development tax incentive income	(11,693)	(10,142)
Realised currency loss	66	16
Unrealised currency (gain)/loss	387	(1,503)
Interest income	(98)	(333)
Other income	(204)	-
	(11,542)	**(11,962)**

11. INCOME TAX BENEFIT

11.1 Income tax benefit

	2019 $'000	2018 $'000
Deferred tax benefit	(3,255)	(1,884)
Total income tax benefit	**(3,255)**	**(1,884)**

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

	2019 $'000	2018 $'000
Loss from continuing operations before income tax benefit	(31,122)	(15,714)
Prima-facie tax at a rate of 27.5% (2018: 27.5%)	(8,559)	(4,321)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D tax incentive credit	(3,216)	(2,789)
Eligible expenses claimed under R&D tax incentive	7,161	5,627
Non-deductible interest	625	-
Employee option plan	349	196
Deductible transaction costs on share issues	(293)	(217)
Sundry items	34	64
Foreign exchange translation loss/(gain)	107	(413)
	(3,792)	**(1,853)**
Current year tax losses not recognised	1,071	689
Adjustment for current tax of prior periods	(343)	-
Impact of change in tax rates	(272)	-
Difference in overseas tax rates	-	(36)
Provisions recognised in international jurisdictions	81	-
Previously unrecognised tax losses	-	(684)
Income tax benefit	**(3,255)**	**(1,884)**

11.3 Tax losses

	2019 $'000	2018 $'000
Unused tax losses for which no deferred tax asset has been recognised:		
Potential tax benefit (presented net)	**1,760**	**689**

The unused tax losses for which no deferred tax asset has been recognised were incurred by overseas subsidiaries that are not likely to generate taxable income in the foreseeable future.

Notes to the consolidated financial statements continued

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

	Note	2019 $'000	2018 $'000
Financial assets			
Cash and cash equivalents	12.1	44,598	25,771
Trade and other receivables	12.2	12,071	8,436
Other current assets	12.3	1,468	1,007
		58,137	**35,214**
Financial liabilities			
Trade and other payables	12.4	9,218	6,893
Borrowings	18	761	1,729
Lease liabilities	15.2	1,370	-
Government grant liability	24	650	-
Contingent consideration liability	20	16,441	10,592
		28,440	**19,214**

12.1 Cash and cash equivalents

	2019 $'000	2018 $'000
Cash on hand	**44,598**	**25,771**

(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

	2019 $'000	2018 $'000
Trade receivables	745	678
R&D tax incentive receivable	11,326	7,758
	12,071	**8,436**

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 2019 the Group has recognised a total current receivable of $11,326,000 (2018: $7,758,000) and a non current receivable of $Nil (2018: $1,136,000). The R&D tax incentive receivable has been determined based on a combination of eligible domestic and international expenditure of $26,881,000 (2018: $20,473,000) 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.

12.3 Other current assets

	2019 $'000	2018 $'000
GST receivables	264	154
Other receivables	674	380
Prepayments	530	473
	1,468	**1,007**

12.4 Trade and other payables

	2019 $'000	2018 $'000
Trade creditors	6,964	3,248
Other creditors and accruals	1,801	3,160
Payroll liabilities	453	485
	9,218	**6,893**

The carrying amounts of trade and other payables are assumed to be the same as their fair values, due to their short-term nature.

Notes to the consolidated financial statements continued

13. DEFERRED TAX ASSETS AND LIABILITIES

13.1 Deferred tax assets

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Tax losses	4,064	1,884
Lease liability	411	-
Total deferred tax assets	**4,475**	**1,884**
Set-off of deferred tax liabilities pursuant to set-off provisions	(4,475)	(1,884)
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 2018	-	-	-
(Charged)/credited:			
to profit and loss	1,884	-	1,884
Balance at 31 December 2018	**1,884**	**-**	**1,884**
Adjustment on adoption of AASB 16	**-**	**147**	**147**
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**

13.2 Deferred tax liabilities

	2019 $'000	2018 $'000
The balance comprises temporary differences attributable to:		
Intangible assets	7,241	6,258
Right-of-use assets	404	-
Total deferred tax liabilities	**7,645**	**6,258**
Set-off of deferred tax assets pursuant to set-off provisions	(4,475)	(1,884)
Net deferred tax liabilities	**3,170**	**4,374**

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 2018	332	-	332
Charged/(credited):			
acquisition of subsidiary	5,926	-	5,926
Balance at 31 December 2018	**6,258**	**-**	**6,258**
Adjustment on adoption of AASB 16	**-**	**147**	**147**
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**

14. INVENTORY

	2019 $'000	2018 $'000
Raw materials and stores	84	80
Work in progress	412	510
Finished goods	46	53
	542	**643**

Notes to the consolidated financial statements continued

15. PROPERTY, PLANT AND EQUIPMENT

15.1 Property, plant and equipment

	Plant and equipment $'000	Furniture, fittings and equipment $'000	Leasehold improvements $'000	Right-of-use assets $'000	Total $'000
At 31 December 2018					
Balance at 1 January 2018	5	-	-	-	5
Disposals	(5)	-	-	-	(5)
Acquisition of subsidiary (note 24)	170	21	35	-	226
Balance at 31 December 2018	**170**	**21**	**35**	**-**	**226**
Year ended 31 December 2018					
Cost	170	21	35	-	226
Accumulated depreciation	-	-	-	-	-
Net book amount	**170**	**21**	**35**	**-**	**226**

	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**

15.2 Lease liabilities

As explained in note 3.2 d.2. and 3.22, the impact of the change in accounting policy is included in the net carrying amount relating to leases below:

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

Right-of-use assets	31 December 2019 $'000	1 January 2019 $'000
Properties	1,039	217
Motor vehicles	308	273
Total right-of-use-assets	**1,347**	**490**

Lease liabilities	2019 $'000	2018 $'000
Current	21	-
Non-current	1,349	-
	1,370	**-**

Additions to the right-of-use assets during the 2019 financial year were $1,103,000.

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

Depreciation charge on right-of-use assets	2019 $'000	2018 $'000
Properties	168	-
Motor vehicles	78	-
	246	**-**

Interest expense relating to leases	2019 $'000	2018 $'000
Properties	26	-
Motor vehicles	21	-
	47	**-**

The total cash outflow for leases in 2019 was $271,000. This is made up of $224,000 principal and $47,000 interest payments.

Notes to the consolidated financial statements continued

16. INTANGIBLE ASSETS

	Goodwill $'000	Intellectual property $'000	Patents $'000	Total $'000
At 31 December 2018				
Balance at 1 January 2018	332	1,108	68	1,508
Additions (note 24)	-	13,440	155	13,595
Amortisation charge	-	-	(7)	(7)
Acquisition of subsidiary (note 24)	2,808	21,547	-	24,355
Balance at 31 December 2018	**3,140**	**36,095**	**216**	**39,451**
Cost	3,140	36,095	226	39,461
Accumulated amortisation and impairment	-	-	(10)	(10)
Net book amount	**3,140**	**36,095**	**216**	**39,451**
At 31 December 2019				
Balance at 1 January 2019	3,140	36,095	216	39,451
Additions	-	-	65	65
Adjustments on acquisition of subsidiaries (note 24)	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	-	(3,830)	(94)	(3,924)
Net book amount	**4,224**	**37,527**	**197**	**41,948**

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

CGU	Entity name	2019 $'000	2018 $'000
illumet®	ANMI	26,870	24,354
TLX591-t	Atlab	13,440	13,440
TLX101	Therapeia	1,441	1,441
Patents	Corporate	197	216
		41,948	**39,451**

Impairment test for goodwill and indefinite life intangible assets

Since its inception Telix has completed three acquisitions: Therapeia (2017), Atlab (2018) and ANMI (2018). See accounting policy note 3.11 for amortisation methods and useful life of intangible assets.

Therapeia: Goodwill and indefinite life intangible assets, being intellectual property were acquired as part of the asset purchase of Therapeia. On 31 December 2019, 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.

Atlab: Indefinite life intangible assets, being intellectual property, were acquired as part of the asset purchase with Atlab on 11 September 2018. On 31 December 2019, the Group 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.

ANMI: Goodwill and definite life intangible assets, being intellectual property, were acquired as part of the acquisition of ANMI. At 31 December 2019, 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.

The Group has identified the estimate of the recoverable amount as a significant judgement for the year ended 31 December 2019. In determining the recoverable amount for the four CGU's listed above, the Group has used discounted cash flow forecasts and the following key assumptions:

- Risk adjusted post-tax discount rate – 15.7%
- 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 2019.

The Group has considered reasonable possible changes in the key assumptions and has not identified any instances that could cause the carrying amount of the intangible assets at 31 December 2019 to exceed its recoverable amount.

17. NON-CURRENT TRADE AND OTHER RECEIVABLES

	2019 $'000	2018 $'000
Deposits	82	39
Research and development incentive receivable	-	1,136
	82	**1,175**

18. BORROWINGS

	2019 $'000	2018 $'000
Current borrowings		
Unsecured	469	1,133
	469	**1,133**
Non-current borrowings		
Unsecured	292	596
	292	**596**

Notes to the consolidated financial statements continued

18. BORROWINGS continued

All borrowings outstanding at 31 December 2019 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	50	37	13	30/04/2021
Development loan(i)	121	48	73	31/05/2022
Development loan(i)	14	12	2	28/02/2021
Development loan(i)	189	120	69	30/09/2021
Development loan(i)	172	112	60	30/09/2021
Development loan(i)	215	140	75	30/06/2021
	761	**469**	**292**	

(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 2019.

- **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 2019 the Group's on-balance sheet gearing and leverage ratio was 1.3% for 2019 and 3.3% for 2018.
- **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 2018					
Borrowings	345	(869)	2,228	-	1,704
Lease liabilities	-	-	25	-	25
	345	**(869)**	**2,253**	**-**	**1,729**
For the year ended 31 December 2019					
Borrowings	1,704	(943)	-	-	761
Lease liabilities	25	224	-	1,121	1,370
	1,729	**(719)**	**-**	**1,121**	**2,131**

19. PROVISIONS

	2019 $'000	2018 $'000
Annual leave	388	108
Bonus	529	108
	917	**216**

20. CONTINGENT CONSIDERATION LIABILITY

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 Europe and the United States. 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. The Group calculated a preliminary fair value assessment of contingent consideration liability for the business combination of $10,592,000 that was disclosed in the 31 December 2018 Annual Report. As part of the Group's finalisation of the purchase price allocation accounting (note 24) the valuation of the contingent consideration was adjusted to $14,170,000.

	2019 $'000	2018 $'000
Finalised fair value at acquisition date - 24 December 2018 (note 24)	14,170	10,592
Unwind of discount	2,271	-
Closing balance – 31 December 2019	**16,441**	**10,592**

The Group has determined that the estimates associated with the valuation of the contingent consideration liability as at 31 December 2019 are significant estimates. 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 (15.7%), 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 level 3 inputs, including the impact of sensitivities from reasonable possible changes where applicable:

Unobservable input	Methodology	Contingent consideration valuation (31 December 2019)
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 liability by 1.52% and decreasing the post-tax discount rate by 0.5% would increase the contingent consideration liability by 1.55%
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 liability by 2.06%
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 liability by 6.88% and a 10% decrease in market population would decrease the contingent consideration liability by 6.88%
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 liability by 6.88% and 10% decrease in net sales price per unit would decrease the contingent consideration liability by 6.88%
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. EQUITY

21.1 Share capital

	2019 Number	2019 $'000	2018 Number	2018 $'000
Movements in shares on issue				
As at 1 January	218,365,836	72,053	197,437,500	55,561
Shares issued Atlab acquisition[(i)]	-	-	14,837,531	12,612
Shares issued ANMI acquisition[(ii)]	-	-	6,090,805	3,880
Shares issued through private placement[(iii)]	30,770,000	40,001	-	-
Shares issued through share purchase plan[(iv)]	3,846,128	5,000	-	-
Shares issued through options[(v)]	298,035	253	-	-
Less transaction costs	-	(1,364)	-	-
As at 31 December	**253,279,999**	**115,943**	**218,365,836**	**72,053**

(i) 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.

(ii) On 24 December 2018, Telix completed the acquisition of ANMI. The upfront consideration value of $3,880,000 in Telix shares at a fair value of shares on the execution date of $0.637 per share (6,090,805 Telix shares), in addition to cash consideration of €1,700,000 ($2,739,000) and the fair value of contingent consideration of $10,592,000.

(iii) 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.

(iv) 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.

(v) Options exercised during the current financial year through the employee share scheme resulted in 298,035 shares being issued at a price of $253,000.

The weighted average ordinary shares for the period 1 January 2019 to 31 December 2019 is 233,437,000 (2018: 202,124,000). 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 26.

21.2 Share-based payments reserve

	2019 Number '000	2019 $'000	2018 Number '000	2018 $'000
Movements				
As at 1 January	11,155	1,005	6,624	109
Options issued prior year	-	752	-	-
Options issued during the year	8,555	517	3,950	712
Warrants issued during the year	-	-	781	184
Options exercised during the year	(298)	-	-	-
Options or warrants lapsed during the year	(817)	-	(200)	-
As at 31 December	**18,595**	**2,274**	**11,155**	**1,005**

22. CASH FLOW INFORMATION

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

	Note	2019 $'000	2018 $'000
Operating loss after income tax		(27,867)	(13,830)
Adjustments for			
Depreciation / amortisation	8	4,236	7
Interest on contingent consideration liability	20	2,271	-
Income tax benefit	11	(3,255)	(1,884)
Share based payments	26	1,269	711
Foreign exchange (gains)/losses	10	374	(1,487)
Change in assets and liabilities			
(Increase)/decrease in inventory		101	-
(Increase)/decrease in other current assets		(461)	(560)
(Increase)/decrease in other non-current assets		(43)	(1,139)
(Increase)/decrease in trade and other receivables		(3,635)	(7,220)
Increase/(decrease) in trade creditors		2,975	4,437
Increase/(decrease) in provisions		702	216
Net cash used in operating activities		**(23,333)**	**(20,749)**

23. 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.

23.1 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.

23.2 Price risk

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

23.3 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 $6,558,000 at 31 December 2019.

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 limited.

Notes to the consolidated financial statements continued

23. FINANCIAL RISK MANAGEMENT continued

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 2019, the Group held 48.3% (2018: 28.5%) of its cash in Australian dollars, 48.1% (2018: 62.13%) in United States dollars, 2.9% (2018: 8.88%) in EUR and 0.7% (2018: 0.48%) in Japanese Yen (JPY).

The balances held at 31 December 2019 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 2019 would have on the Group's reporting profit/(loss) after income tax and/or equity balance.

As at 31 December 2018	Foreign currency balance held $'000 AUD	+10% Profit/(loss) $'000 AUD	-10% Profit/(loss) $'000 AUD
Bank accounts – USD	16,048	(1,459)	1,783
Bank accounts – EUR	2,268	(206)	252
Bank accounts – JPY	124	(11)	14
Trade and other payables – USD	(2,952)	268	(328)
Trade and other payables – EUR	(2,086)	190	(232)
Borrowings – EUR	(1,729)	118	(144)
Trade and other receivables – USD	872	(17)	21
Trade and other receivables – EUR	188	(79)	97

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 – AUD	(650)	59	(72)
Borrowings – EUR	(769)	70	(85)
Trade and other receivables – USD	55	(5)	6
Trade and other receivables – EUR	838	(76)	93

23.4 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 2019, the expected credit losses are $Nil (2018: $Nil). The following tables sets out the ageing of trade receivables, according to their due date:

Aged trade receivables

Gross carrying amount	2019 $'000	2018 $'000
30 days	471	477
60 days	122	12
90 days	62	103
120 days	90	86
Total	**745**	**678**

23.5 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 2018	1-6 months $'000	6-12 months $'000	1-5 years $'000	Over 5 years $'000	Total $'000
Non-derivatives					
Trade payables	6,893	-	-	-	6,893
Borrowings	566	566	596	-	1,728
Contingent consideration liability	-	-	10,592	-	10,592
Total non-derivatives	**7,459**	**566**	**11,188**	**-**	**19,213**

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 payables	9,218	-	-	-	9,218
Borrowings	234	234	293	-	761
Government grant liability	-	-	650	-	650
Contingent consideration liability	-	-	16,441	-	16,441
Total non-derivatives	**9,452**	**234**	**17,384**	**-**	**27,070**

For the year ended 31 December 2019, the Group has incurred a total comprehensive loss after income tax of $27,867,000 (2018: $13,830,000) and net cash outflows from operations of $23,333,000 (2018: 20,749,000). As at 31 December 2019, the Group held total cash and cash equivalents $44,598,000 (2018: $25,771,000). The Group is a development stage biotechnology company and as such expects to be utilising cash reserves until its research activities are commercialised.

In FY19 the Group raised $40,001,000 by issue of fully paid shares and another $5,000,000 via Share Purchase Plan. Additional shares issued via exercise of employee share plan of $253,000. 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. Accordingly, the Directors have prepared the financial report on a going concern basis.

Notes to the consolidated financial statements continued

24. BUSINESS COMBINATIONS

Advanced Nuclear Medicine Ingredients SA (ANMI)

On 24 December 2018, Telix Pharmaceuticals acquired 100% of the issued share capital of ANMI. ANMI is a pharmaceutical company developing innovative radiopharmaceutical solutions and a global service provider in the nuclear medicine field, located in Liege, Belgium. ANMI has developed innovative solutions to facilitate the scalable synthesis of theranostic radiopharmaceuticals and to ease their daily production in hospitals and radiopharmacies. ANMI's vision is focused on increasing patient access to new highly specific theranostic radiopharmaceuticals through streamlined and cost-effective production processes. ANMI develops innovative solutions in the manufacture and packaging of therapeutic products to enable fast, easy preparation and use in hospitals and the radio-pharmacy setting.

As permitted under Australian Accounting Standards, the Group finalised its assessment of purchase consideration, its assessment of the fair value of net assets acquired and goodwill. This process, resulted in a $3,578,000 increase in the fair value of purchase consideration, a $5,262,000 increase in intellectual property, a $2,118,000 increase in deferred tax liabilities, the recognition of $650,000 of government grant liabilities, and a $1,084,000 increase in goodwill.

	Provisional fair value $'000	Adjustments to provisional fair value $'000	Final fair value $'000
Purchase consideration			
Cash paid	2,739	-	2,739
Contingent consideration	10,592	3,578	14,170
Equity consideration	3,880	-	3,880
Total purchase consideration	**17,211**	**3,578**	**20,789**

The fair value of the 6,090,805 shares issued as part of the consideration paid for ANMI ($3,880,000) was based on the published share price on 24 December 2018 of $0.637 per share.

	Provisional fair value $'000	Adjustments to provisional fair value $'000	Final fair value $'000
Cash	46	-	46
Trade and other receivables	877	-	877
Inventories	643	-	643
Property, plant and equipment	226	-	226
Intangible assets: intellectual property	21,547	5,262	26,809
Trade and other payables	(1,225)	-	(1,225)
Government grant liability	-	(650)	(650)
Borrowings	(1,786)	-	(1,786)
Deferred tax liability	(5,925)	(2,118)	(8,043)
Total purchase consideration	**14,403**	**2,494**	**16,897**
Add: Goodwill	2,808	1,084	3,892
Net assets acquired	**17,211**	**3,578**	**20,789**

Intellectual property and contingent consideration liability

The Group has determined that the estimates associated with the valuation of the contingent consideration liability and the valuation of intellectual property for the purposes of the finalisation of the purchase price allocation are significant estimates. The Group has adopted a process to value the intellectual property and contingent consideration liability with the assistance of an independent valuation expert. Both the contingent consideration liability and the intellectual property have 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 (15.7%), market authorisation date and 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 level 3 inputs, including the impact of sensitivities from reasonable possible changes where applicable:

Unobservable input	Methodology	Intellectual property valuation (24 December 2018)	Contingent consideration valuation (24 December 2018)
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).	An increase in the post-tax discount rate by 0.5% would decrease the fair value by 1.88% and a decrease in the post-tax discount rate by 0.5% would increase the fair value by 1.92%	An increase in the post-tax discount rate by 0.5% would decrease the contingent consideration liability by 1.95% and a decrease in the post-tax discount rate by 0.5% would increase the contingent consideration liability by 2.0%
Market authorisation date	This assumption is based on the estimated time to achieve marketing authorisaton.	A 6 month delay in the market authorisation date would decrease the fair value by 0.5%	A 6 month delay in the market authorisation date would decrease the contingent consideration liability by 2.06%
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 fair value by 8.34% and a 10% decrease in the market population would decrease the fair value by 8.34%	A 10% increase in the market population would increase the contingent consideration liability by 6.88% and a 10% decrease in the market population would decrease the contingent consideration liability by 6.88%
Net sales price per unit	The sales price per unit is estimated based on comparable products currently in the market.	A 10% increase is the net sales price per unit would increase the fair value by 8.55% and a decrease in the net sales price by 10% per unit would decrease the fair value by 8.55%	A 10% increase is the net sales price per unit would increase the contingent consideration liability by 6.88% and decrease in the net sales price by 10% would decrease the contingent consideration liability by 6.88%
Approval for marketing authorisation probability factor	This assumption is based on management's estimate for achieving regulatory approval and is determined through benchmarking of historic approval rates.	Not applicable.	Not applicable.

Government grant liability

In the finalisation of the fair value of acquired assets and liabilities, the Group identified grants received 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.

Prior to the acquisition, ANMI had received the grants as part of the research phase of its product's life cycle. 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 measured the liability at its fair value as at acquisition date. This has been calculated through a discounted cashflow model that takes into consideration future sales and contractual fixed cash flows. 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 (15.7%), 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.

Acquisitions

There were no acquisitions within the year ended 31 December 2019. There were no changes to the fair value of net assets acquired in the purchase of Atlab that occurred in the year ended 31 December 2018.

Notes to the consolidated financial statements continued

25. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

On 3 October 2019, the Company announced it had entered into a conditional purchase agreement to acquire a licensed radiopharmaceutical production facility in Seneffe, Belgium. Ownership of the site is expected to deliver a range of commercial benefits to Telix including a Class IIA licence, enabling Telix to manufacture a broad range of diagnostic and therapeutic radiopharmaceuticals; the expansion of Telix's existing product R&D and commercial manufacturing footprint in Belgium; a fully-licensed production facility strategically located in western Europe with excellent logistics and ready access to key commercial territories; and the capability to produce certain isotopes at the site in the future (if required), to protect and augment Telix's core supply chain. Subject to several closing conditions related to attaining the requisite regulatory approvals in Belgium, the Company acquired the site for a nominal cash sum in addition to assuming the future decommissioning liability associated with the site. This liability is currently estimated to be up to €5.2M over the operating lifetime of the site, with certain downside cost and risk mitigations in place with relevant government agencies as part of the proposed transaction structure. The transaction is anticipated to complete before 31 March 2020. The Group had no other contingent liabilities or assets at 31 December 2019 (2018: $Nil).

26. SHARE-BASED PAYMENTS

26.1 Equity Incentive Plan and Options issued to Non-Executive Directors

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 2019. 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.

	2019 Number '000	2019 WAEP*	2018 Number '000	2018 WAEP*
As at 1 January	10,374	$0.85	6,624	$0.85
Granted during the year	8,555	$1.33	3,950	$0.85
Exercised during the year	(298)	$0.85	-	-
Lapsed/forfeited during the year	(817)	$0.92	(200)	$0.85
As at 31 December	**17,814**	**$1.08**	**10,374**	**$0.85**
Vested and exercisable at 31 December	**4,662**	**$0.85**	**2,206**	**$0.85**

* WAEP – weighted average exercise price.

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 as at 1 January 2019 '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 31 December 2019 '000
15 October 2017	15 October 2018	14 October 2021	0.85	2,206	-	-	(165)	-	2,041
15 October 2017	15 October 2019	14 October 2021	0.85	2,206	-	2,206	-	-	2,206
15 October 2017	15 October 2020	14 October 2021	0.85	2,213	-	-	-	-	2,213
11 June 2018	11 June 2019	10 June 2022	0.85	1,115	-	1,115	(133)	(567)	415
11 June 2018	11 June 2020	10 June 2022	0.85	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	-	6,845	-	-	(250)	6,595
4 November 2019	4 November 2022	3 November 2023	2.30	-	1,710	-	-	-	1,710
Total				**10,374**	**8,555**	**3,321**	**(298)**	**(817)**	**17,814**

a. Fair value of options granted

The assessed fair value of grant options issued in January and November 2019 was $0.234 and $0.4781 respectively (2018: $0.227). 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 2019 are:

	January 2019	November 2019	2018
Consideration	$Nil	$Nil	$Nil
Exercise price	$1.09	$2.30	$0.85
Grant date	24 January 2019	4 November 2019	11 June 2018
Expiry date	23 January 2023	3 November 2023	10 June 2022
Term	4 years	4 years	4 years
Share price at grant date	$0.76	$1.60	$0.66
Volatility	52%	52%	52%
Dividend yield	0.00%	0.00%	0.00%
Risk-free rate	1.79%	0.85%	2.29%

b. Expense arising from share-based payments transactions

Total expense arising from share-based payments transactions recognised during the year as part of employee benefit expense are as follows:

	2019 $'000	2018 $'000
Options issued under EIP	1,269	712
Total	**1,269**	**712**

Notes to the consolidated financial statements continued

26. SHARE-BASED PAYMENTS continued

26.2 Warrants

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.

	2019 Number	2019 WAEP*	2018 Number	2018 WAEP*
As at 1 January	781	$1.34	-	-
Granted during the year	-	-	781	$1.34
As at 31 December	**781**	**$1.34**	**781**	**$1.34**

* WAEP – weighted average exercise price.

a. Fair value of warrants granted

There were no warrants issued during the current financial year. At 31 December 2019, the assessed fair value of warrants granted during the previous financial year is $0.236 (2018: $0.236) per warrant. 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 2018 are:

	2018 $'000
Consideration	$Nil
Exercise price	$1.34
Grant date	11 September 2018
Expiry date	10 September 2022
Term	4 years
Share price at grant date	$0.87
Volatility	49%
Dividend yield	0.00%
Risk-free rate	2.08%

27. COMMITMENTS

At 31 December 2019 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 2018		
Operating lease commitments	62	-
R&D manufacturing commitments	11,068	3,249
	11,130	**3,249**
At 31 December 2019		
Operating lease commitments	17	-
R&D manufacturing commitments	16,962	96
	16,979	**96**

28. RELATED PARTY TRANSACTIONS

28.1 Key management personnel compensation

	2019 $	2018 $
Short-term employee benefits	1,303,375	1,054,064
Superannuation entitlements	83,884	67,331
Share-based payments	379,128	257,935
	1,766,387	**1,379,330**

28.2 Transactions with other related parties

	2019 $	2018 $
Purchases of various goods and services from entities controlled by key management personnel[(i)]	2,048,381	2,624,927
	2,048,381	**2,624,927**

(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. Director and Chief Medical Advisor, Dr Andreas Kluge, is the principal owner and Geschäftsführer (Managing Director) of ABX CRO. Amount outstanding at 31 December 2019 was $332,163 (2018: $411,432).

28.3 Loans from related parties

	2019 $	2018 $
As at 1 January	-	345,333
Loans repayments made	-	(345,333)
	-	**-**

Upon the acquisition of Therapeia, the Group took on an existing loan by ABX-CRO to Therapeia. This loan from ABX-CRO has been repaid by Telix. Director and Chief Medical Advisor, Dr Andreas Kluge, is the principal owner and Geschäftsführer (Managing Director) of ABX-CRO.

Notes to the consolidated financial statements continued

28. RELATED PARTY TRANSACTIONS continued

28.4 Interests in other entities

The Group's principal subsidiaries at 31 December 2019 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

29. 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:

	2019 $'000	2018 $'000
Statement of financial position		
Current assets	50,061	57,778
Non-current assets	27,658	3,618
Total assets	**77,719**	**61,396**
Current liabilities	6,577	7,904
Non-current liabilities	-	-
Total liabilities	**6,577**	**7,904**
Net assets	**71,142**	**53,492**
Reserves		
Issued capital	115,943	72,237
Other reserve	2,274	820
Accumulated losses	(47,075)	(19,565)
Total equity	**71,142**	**53,492**
Loss for the year	**(27,289)**	**(13,227)**
Total comprehensive loss for the year	**(27,289)**	**(13,227)**

30. REMUNERATION OF AUDITOR

PricewaterhouseCoopers Australia	2019 $	2018 $
Audit or review of financial statements	256,500	170,000
Other advisory services	5,500	29,290
	262,000	**199,290**

Non PricewaterhouseCoopers audit firms	2019 $	2018 $
Audit or review of financial statements	12,000	-
Other advisory services	-	-
	12,000	**-**

Notes to the consolidated financial statements continued

31. EARNINGS PER SHARE

31.1 Basic earnings per share

	2019 Cents	2018 Cents
Basic loss per share from continuing operations attributable to the ordinary equity holders of the Company	(11.94)	(6.84)
Total basic loss per share attributable to the ordinary equity holders of the Company	(11.94)	(6.84)

31.2 Diluted earnings per share

	2019 Cents	2018 Cents
Diluted loss per share from continuing operations attributable to the ordinary equity holders of the Company	(11.94)	(6.84)
Total basic loss per share attributable to the ordinary equity holders of the Company	(11.94)	(6.84)

31.3 Weighted average number of shares used as the denominator

	2019 Number '000	2018 Number '000
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	233,437	202,124

32. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 13 January 2020, the Company issued 3,555,000 unlisted share options to employees and consultants to the Company. Options have a four-year term, with an expiry date of 12 January 2024. The exercise price of $2.23 per option is a 43% premium to the five-day volume weighted average closing price prior to the day of issue ($1.56). Options remain unvested for a three year period, and 'cliff vest' on 24 January 2022.

On 23 January 2020, the Company announced that the US Food and Drug Administration had approved the ZIRCON study for recruitment of American patients. The receipt of the IND notice of allowance enables patient recruitment to commence in the US after 30 days.

Other than the matters referred to above, there were no subsequent events that required adjustment to or disclosure in the Directors' Report or the Consolidated Financial Statements of the Company for the year ended 31 December 2019.

Directors' declaration

for the year ended 31 December 2019

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 2019 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 2019 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 24 February 2020

On behalf of the Board

Kevin McCann AO
Chairman

Christian Behrenbruch
Managing Director and
Group Chief Executive Officer

Independent auditor's report

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 2019 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 2019
- 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 a summary of significant accounting policies
- 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

PricewaterhouseCoopers, ABN 52 780 433 757
2 Riverside Quay, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001
T: 61 3 8603 1000, F: 61 3 8603 1999, www.pwc.com.au

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 $1.5 million, which represents approximately 5% of the Group's 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 loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured. • We utilised a 5% threshold	• 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 business combinations, impairment assessments and consolidation of the Group's reporting units.	• Amongst other relevant topics, we communicated the following key audit matters to the Audit and Risk Management Committee: – Finalisation of the purchase price allocation for acquisition accounting of ANMI SA – Valuation of contingent consideration – Impairment assessment for goodwill and intangible assets – Research and development tax incentive. • These are further described in the *Key audit matters* section of our report.

Independent auditor's report continued

Materiality	*Audit scope*	*Key audit matters*
	based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• 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 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*
Finalisation of the purchase price allocation of acquisition accounting for ANMI SA *(Refer to note 24)* The Group acquired Advanced Nuclear Medicine Ingredients SA (ANMI) on 24 December 2018. Following the presentation of a preliminary assessment of the fair values of acquired assets and liabilities at 31 December 2018, the Group finalised the purchase price allocation of acquired assets and liabilities during the year ended 31 December 2019. There are complexities and a high degree of judgement involved in determining the fair value of assets and liabilities acquired, particularly relating to the recognition of intangible assets including intellectual property. Contingent consideration arises as part of the cost of acquisition as the Group is liable for future variable payments which are calculated based on the percentage of net sales for a specified period of time following regulatory approval, as discussed in note 20 of the financial statements. The Group was assisted by an expert in determining the fair value of intellectual property and contingent consideration at acquisition date. The key assumptions used in the calculations included the associated market population and penetration over the forecast period, net sales price per unit, timing and probability of regulatory approval and the discount rate applied to forecast cash flows. This is a key audit matter due to the: - financial significance of the acquisition purchase price (fair value of consideration of	Our audit procedures to assess the finalisation of the purchase price allocation of the ANMI acquisition included assessing the key changes to the preliminary fair value of material assets and liabilities identified in the previous year. This included: - evaluating the Group's valuation methodology against the requirements of Australian Accounting Standards with the assistance of PwC valuation experts - comparing the key inputs and assumptions underpinning the valuation of intangible assets and contingent consideration liability to available source data - assessing the mathematical accuracy of the valuations - assessing whether changes to key assumptions as part of the finalisation of the purchase price allocation qualify as measurement period adjustments - comparing the discount rates used to our view of an acceptable range using independent external market data - considering the adequacy of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.

Independent auditor's report continued

Key audit matter	*How our audit addressed the key audit matter*
$20.8 million), goodwill ($3.9 million) and intangible assets ($26.8 million) recognised - financial significance of the contingent consideration liability (fair value of $14.2 million) - complexities and judgement required by the Group to determine the fair value of assets and liabilities acquired and the contingent consideration liability - the judgement required by the Group when determining the treatment of changes to assumptions as those that qualify as a measurement period adjustment.	
Valuation of contingent consideration *(Refer to note 20) $16.4 million* The Group accounts for the contingent consideration that arose as part of the cost of acquisition of ANMI at fair value at each balance sheet date. The initial valuation of the liability was performed as part of the finalisation of the purchase price allocation. The Group was assisted by an expert in determining the fair value as at the acquisition date. The Group have remeasured this liability to reflect post-acquisition changes in circumstances and assumptions in the fair value as at 31 December 2019. This is a key audit matter due to: - the financial significance of the contingent consideration liability (fair value $16.4 million) - complexities and judgement required by the Group to determine the fair value the liability - the judgement required by the Group when determining the treatment of changes to assumptions as those that qualify as a measurement period adjustment - 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 contingent consideration liability.	Our audit procedures to assess the Group's valuation of contingent consideration as 31 December 2019 included, amongst others: - evaluating the Group's valuation methodology against the requirements of Australian Accounting Standards - assessing the mathematical accuracy of the valuation - comparing the key inputs and assumptions underpinning the valuation to available source data - assessing whether changes to key assumptions as part of the finalisation of the purchase price allocation qualify as measurement period adjustments - performing 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 adequacy of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Impairment assessment for goodwill and intangible assets *(Refer to note 16) $41.9 million* The Group has recognised $4.2 million of goodwill and $37.5 million of other intangible assets as at 31 December 2019. These assets are predominately divided amongst the *illumet* ($26.8 million), TLX 591-t ($13.4 million) and TLX101 ($1.4 million) cash-generating units (CGUs). 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 timing of receiving product regulatory approvals and associated commercialisation timelines, market penetration, price per unit and costs required to reach regulatory approval - the judgement exercised by the Group in calculating and applying a discount rate to the impairment model. In addition, due to the nature and stage of development of the business, each CGU continues to generate negative cash flows in the current financial year.	Our audit procedures over the Group's impairment assessments of goodwill and intangible assets included, amongst others: - assessing the mathematical accuracy of key formulae in the impairment model - comparing key assumptions used within the impairment models to Board approved budgets and other evidence obtained throughout the course of the audit - for 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 model to available source data - comparing the discount rates used to our view of an acceptable range using independent external market data - performing 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 model to external data sources including broker report valuations - considering the adequacy of associated disclosures in the financial report in light of the requirements of the Australian Accounting Standards.
Research and development tax incentive *(Refer to note 10) $11.7 million* The Group's qualifying research and development (R&D) activities are eligible for a refundable tax offset under an Australian Government tax incentive scheme. The Group has assessed these activities and related expenditure to determine its eligibility under the incentive scheme for a refundable tax offset. The R&D tax incentive income recognised in the consolidated statement of comprehensive income or loss was $11.7	Our audit procedures, amongst others, to assess the Group's estimate of the R&D tax incentive receivable as at 31 December 2019 and income recognised in the consolidated statement of comprehensive income or loss included: - assessing the nature of the 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

Independent auditor's report continued

Key audit matter	*How our audit addressed the key audit matter*
million and the R&D tax incentive receivable as at 31 December 2019 was $11.3 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 2019 - the degree of judgement and interpretation of the R&D tax legislation required by the Group to assess the eligibility of the incurred R&D expenditures under the scheme.	2018 to the amount of cash received from the Australian Tax Office (ATO) after lodgement of the 2018 R&D tax incentive claim to assess historical accuracy of the Group's estimate - agreeing a sample of the 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.

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 2019 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: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

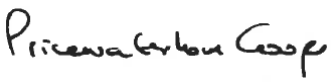
We have audited the remuneration report included in pages 23 to 32 of the directors' report for the year ended 31 December 2019.

In our opinion, the remuneration report of Telix Pharmaceuticals Limited for the year ended 31 December 2019 complies with section 300A of the *Corporations Act 2001*.

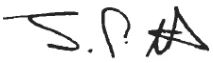
Independent auditor's report continued

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
24 February 2020

Shareholder information

for the year ended 31 December 2019

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, Tuesday 12 May 2020 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 24 January 2020.

Shareholder information continued

for the year ended 31 December 2019

Total securities on issue

	Securities (listed)	Securities (unlisted)
Fully paid ordinary shares	253,279,999	-
Options and warrants to acquire shares	-	22,350,088
Total	**253,279,999**	**22,350,088**

Distribution of equity securities – ordinary shares

Range	Securities	%	No. of holders	%
100,001 and over	219,086,350	86.50	179	7.03
10,001 to 100,000	28,787,421	11.37	877	34.43
5,001 to 10,000	3,263,820	1.29	416	16.33
1,001 to 5,000	1,894,126	0.75	665	26.11
1 to 1,000	248,282	0.09	410	16.10
Total	**253,279,999**	**100.00**	**2,547**	**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	9.74
Elk River Holdings Pty Ltd as trustee for The Behrenbruch Family Trust	24,675,000	9.74
FIL Investment Management (Hong Kong) Limited	19,743,750	7.93

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.

Twenty largest shareholders - ordinary shares

Rank	Name	24 Jan 2020	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	32,489,522	12.83
2	GNOSIS VERWALTUNGSGESELLSCHAFTM B H	24,675,000	9.74
2	ELK RIVER HOLDINGS PTY LTD	24,675,000	9.74
3	BNP PARIBAS NOMS PTY LTD	9,406,521	3.71
4	DALE LTD	7,995,600	3.16
5	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	7,515,730	2.97
6	THE ONCIDIUM FOUNDATION	6,719,898	2.65
7	CITICORP NOMINEES PTY LIMITED	4,841,331	1.91
8	UV-CAP GMBH & CO KG	4,700,000	1.86
9	UBS NOMINEES PTY LTD	4,277,983	1.69
10	JEAN-MARC LE DOUSSAL	3,901,554	1.54
11	BNP PARIBAS NOMINEES PTY LTD	3,845,417	1.52
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	3,425,710	1.35
13	UV-CAP GMBH & CO	3,075,000	1.21
14	NATIONAL NOMINEES LIMITED	2,941,405	1.16
15	REMORA CAPITAL	2,613,163	1.03
16	ILUSA SPRL	2,558,138	1.01
17	YELWAC PTY LTD	2,381,804	0.94
18	CYCLOTEK PTY LTD	2,350,000	0.93
19	SARGON CT PTY LTD	2,242,500	0.89
20	MAN HOLDINGS PTY LTD	2,238,750	0.88
Total		**158,870,026**	**62.72**
Balance of register		**94,409,973**	**37.28**
Grand total		**253,279,999**	**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
Andreas Kluge MD PhD
Oliver Buck
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

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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