ADDRESS GIVEN BY THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE OF SIGMA PHARMACEUTICALS LIMITED, DAVID BAYES, AT THE ANNUAL GENERAL MEETING ON WEDNESDAY 8 JUNE 2011 IN MELBOURNE, AUSTRALIA

The Corporations Act requires the preparation of the Remuneration Report and for Shareholders to have a non-binding vote on the Report. I refer you to Item 3 in the Notice of Meeting in this regard. As the Chairperson of Sigma's Remuneration Committee, I'd like to briefly outline the main features of Sigma's Remuneration Strategy and outcomes for the financial year ended 31st January 2011.

The 2010/11 financial year represented a very challenging period in the company's history and a number of key events occurred that impacted the remuneration report. Those events are detailed in the remuneration report in the annual report.

At the Board level, the aggregate fees maximum limit for the Non-Executive Director fee pool remains at $1.1 million as set at the 2007 Annual General Meeting. No increase to the aggregate fee pool is proposed at today's Annual General Meeting

For the third consecutive year the Board has not sought to increase the base fees or committee fees paid to Non-Executive Directors during the 2010/11 financial year.

Since I assumed the role of Chairman of the Remuneration and Nomination Committee we've begun a process to review the Board's skills and experience and how they align with the new Sigma. The Board and management are conducting a detailed strategic review and it's our intention that upon conclusion we'll compare the Board's skills and experience required for the forward strategic direction agreed.

In the meantime I've sought independent advice from Deloitte regarding Board member numbers, base remuneration and committee fees. Following that advice, it's our intention that the Chairman will receive a reduced fee, that we will reduce the base fees paid to each Board member and increase Committee Chair and member fees to reflect workload and responsibility. The current slide details the new remuneration structure which is effective 1st July 2011.

The total Board fees paid will remain comfortably inside the maximum fee pool I referred to earlier.

Now moving to our Executives…..At the Executive level, the remuneration framework is designed to align Executive remuneration with:

- achievement of strategic Company objectives;
- personal performance of the Executives, and, most importantly, the
- creation of value for shareholders.

Total Remuneration comprises "Fixed Remuneration" (which is referred to as Total Employment Cost or TEC) and "At Risk" Remuneration (which is made up of Short Term and Long Term Incentives). I'll now discuss each component in more detail.

Fixed Remuneration

Fixed remuneration comprises base salary, company superannuation contributions and other benefits such as company cars, novated leases and car allowances. Fixed remuneration is set at levels that fairly reflect the size and complexity of the role and the employee's experience and performance, as well as being internally consistent and also competitive with the external market. Fixed remuneration is reviewed annually with increases effective from 1st May each year.

Now, turning to the Short and Long Term Incentives…… first…..**Short Term Incentives**

The CEO and executives participated in a Short Term Incentive Plan during the 2010/11 financial year as set out in the Remuneration Report.

For the current financial year the Board are seeking shareholder approval to make some amendments to the current Short Term Incentive Plan. Specifically the Board are seeking shareholder approval to implement a deferred equity component as a retention initiative and to better align the interests of the executive team with those of shareholders.

For the CEO this will mean he continues to have the ability to earn up to 100% of fixed remuneration as part of the short term incentive plan. However, instead of all of the reward being paid in cash each year, 60% of any reward earned will be paid in the form of cash at the end of the financial year and the remaining 40% will be paid in performance rights with half vesting 1 year after the end of the financial year and the remaining half vesting 2 years after the end of the financial year.

This slide demonstrates the way it works and the same will apply for the other executives, but with different %'s as I mentioned earlier.

The trigger for eligibility for payment under the 2011/12 Short Term Incentive plan will only exist when the minimum hurdle of 90% of the Company's Net Profit After Tax is achieved. Once this hurdle is achieved the extent to which any payment is made is contingent upon the Executive's ability to meet or exceed their KPIs - half of which are weighted against company financial targets and the remaining half are weighted against individual and departmental KPIs.

Turning now to the **Long Term Incentive Plan**

In items 5 and 6 of the Notice of Meeting you will see that Sigma is seeking to implement a new long term incentive plan to replace the existing performance rights based plan that has been in operation since 2006.

The new plan is a loan funded share plan and we feel that it is a more appropriate mechanism for motivating our executives than the historical performance rights plan. Loan funded share plans like this one proposed are best utilised in environments where the share price is low and a key objective is to deliver an increased share price because the participant Executive is actually rewarded by the growth in the share price.

The participant is provided with an interest free, limited recourse loan to acquire fully paid ordinary shares in the Company. The shares are subject to a vesting period of 3 years and provided the vesting conditions and performance conditions are satisfied, the shares will vest and once the participant has repaid the loan they will be able to deal with them (subject to Sigma's Share Trading Policy).

The loan funded share plan has 2 performance conditions. 50% of the shares will each vest where the following vesting conditions are met:

Firstly: when the Company's total shareholder return (TSR) over the performance period is 50%

Secondly: when the Company's average return on invested capital (ROIC) over the performance period is 11% or more

So, the CEO has the opportunity to earn up to an additional 60% of fixed remuneration as part of this long term incentive plan while the executives have the opportunity to earn up to 40% of fixed remuneration.

This loan funded share plan is designed to support the achievement of the company's business strategy by linking executive rewards to improvements in the financial performance of the company and very much aligning the interests of executives with shareholders.

We believe the Group Remuneration Strategy ensures that

- our Executives are motivated to reinvigorate our Company and deliver outstanding performance for you, our Shareholders;
- our Executives will only be rewarded with short term and long term incentive payments when value has been created for Shareholders; and
- the performance hurdles used in both the Long Term and Short Term Incentive Plans are consistent with our approach of driving Shareholder value.

Sigma's Executive Remuneration Framework is designed to reflect the fact that we are acutely conscious of the need to balance our operational costs with our ability to attract and retain high calibre Executives.

We believe the achievement of the Long-Term and Short-Term Incentive Programs provide significant potential rewards for employees (but only where shareholders also win) and therefore our executives have appropriate incentives to remain working with Sigma and to strive to increase Shareholder value.

Thank you for your time this morning.

David Bayes
Chairman of the Remuneration and Nomination Committee
8 June 2011