ADDRESS GIVEN BY THE CHAIRMAN OF THE REMUNERATION AND NOMINATION COMMITTEE OF SIGMA PHARMACEUTICALS LIMITED, DAVID BAYES, AT THE ANNUAL GENERAL MEETING ON WEDNESDAY 9 MAY 2012 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 your Notice of Meeting in this regard.

As the Chair of Sigma's Remuneration Committee, I'd like to briefly outline the main features of Sigma's Remuneration Strategy.

During the financial year, the Board appointed Deloitte as its independent external remuneration consultant. With support and guidance from Deloitte, several changes were implemented to enhance the link between incentive programs, Company performance and the creation of value for shareholders. Specifically we:

- Introduced a deferred equity component to the Executive STI plan; and
- Implemented a Loan Funded Share Plan for the 2011 Executive LTI plan in order to motivate and reward Executives for achieving significant, yet sustainable, share price growth via improved Total Shareholder Return (TSR) and Return On Invested Capital (ROIC).

The Board is confident that these changes made to the Company's remuneration framework and practices will assist the Company in attracting, retaining and motivating talented Executives capable of delivering superior long term results for our shareholders. They will also achieve a better linkage between remuneration and shareholder interests from the enhanced equity link.

At the Board level, the aggregate fees maximum limit for the Non-Executive Director fee pool is currently $1.1 million, as set at the 2007 Annual General Meeting. We are seeking shareholder approval to increase the maximum aggregate fee pool to $1.25 million. This provides us with the opportunity to appoint an additional Non-Executive Director if it is deemed appropriate.

At the Executive level, the Remuneration Framework is designed to align Executive remuneration with:

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

Total remuneration for executives comprises "Fixed Remuneration" and "At Risk" Remuneration- which is made up of Short Term and Long Term Incentives.

Short Term Incentives
The structure of the Executive STI plan was modified to incorporate a deferred equity component.

Previously 100% of the awarded STI was delivered in cash at the end of the relevant financial year. Commencing during the 2011/12 financial year, 60% of awarded STI was paid as cash and 40% was deferred as performance rights that may vest over a two year period.

A detailed overview of the STI Plan can be found in the Remuneration Report.

If you refer to item 5.1 in your notice of meeting you will see that we are seeking your approval to implement the deferred equity component of this year's STI Plan for our CEO, consistent with the resolution you approved last year. In item 5.3 we are seeking your approval to permit accelerated vesting of any previously earned, but unvested, STI deferred equity in certain circumstances such as redundancy or a take over of the Company.

Long Term Incentives
Turning now to the Long Term Incentive plan.

A key objective for the Board during the 2011/12 financial year was to motivate the Executive team to drive company performance which would ultimately lead to sustainable improvements in the share price – a result which clearly benefits all shareholders. In order to achieve this objective, and following independent external advice from Deloitte and shareholder approval at last years AGM, the Board implemented a Loan Funded Share Plan.

A detailed description of the LTI Plan is contained within the Remuneration Report.

If you refer to item 5.2 of your Notice of Meeting you will see that we are seeking shareholder approval to issue loan funded shares to our CEO.

The 2012 LTI offer is on the same terms and conditions as that which you approved at last year's AGM for the 2011 LTI offer, with the exception of the vesting conditions. For the 2012 Loan Funded Share Plan, 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%; and
- **Secondly:** when the company's average Return on invested capital (ROIC) over the performance period is 14% or more as compared to 11% last year.

The Board considers the increase in the ROIC target for 2012 is appropriate given the improvements in the Company's performance over the past 12 months.

To conclude, we believe the Group Remuneration Strategy ensures that
- Our Executives are motivated to deliver outstanding performance for you, our Shareholders.
- Our Executive's will only be rewarded with Short Term and Long Term incentive payments when value has been created for Shareholders.
- The performance hurdles used in both the Long Term and Short Term Incentive Plans are consistent with our approach of driving Shareholder value.

Thank-you for your time this morning.

David Bayes
Chairman of the Remuneration and Nomination Committee
9 May 2012