

**ADDRESS BY THE CHAIRMAN OF THE REMUNERATION & NOMINATION
COMMITTEE SIGMA PHARMACEUTICALS LTD
MR BRIAN JAMIESON
AT THE SIGMA ANNUAL GENERAL MEETING IN MELBOURNE
ON 22 MAY 2008**

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Thank you Elmo.

Good morning Ladies and Gentlemen

The Corporations Act (2001) requires the preparation of the Remuneration Report, and for Shareholders to have a non-binding vote on the Remuneration Report. You should refer to Item 3 in your Notice of Meeting in this regard.

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As the Chairperson of Sigma's Remuneration Committee, we felt it may be beneficial to briefly outline the main features of Sigma's Remuneration Strategy.

The key outcomes from the Remuneration and Nominations Committee meetings for 2007/08 are as follows:

- Consolidation of the Executive Remuneration Framework
- Emphasis on linking remuneration with individual and Company performance
- Increasing the proportion of Senior Executive remuneration which is "At Risk"
- Consistent application of the Short Term Incentive Plan across the Senior Executive team
- Second offering of the Executive Long Term Incentive Plan- 3 year equity incentive

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During the year, a Board Performance Review was conducted. This Review was the continuation of a Board Review process instigated some years ago now (our last Review being in 2006).

This Review focussed on, amongst other matters:
Chairman of the REM 2008 AGM Address

- does our Board have the right set of skills and competencies to grow and enhance Sigma in the future; AND
- our Non Executive Directors Succession Plan.

At this time, I would also like to formally welcome Mr. David Bayes to the Remuneration and Nomination Committee who joined shortly after last year's Annual General Meeting.

At the Board level, the total aggregate fee pool for Directors was increased at last years Annual General Meeting to \$1,100,000. We are not seeking any further increases in the aggregate fee pool this year, and we are confident that we are able to accommodate an additional Director within the current pool if required.

At the Executive level, the Remuneration and Nomination Committee has been committed to consolidating and enhancing Sigma's Executive Remuneration as follows:

The Executive Remuneration Framework is designed to align Senior Executive remuneration with:

- achievement of strategic Company objectives;
- personal performance, and;
- 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 Incentives and Long Term Incentives.

Total Employment Cost (TEC)	+	Short Term Incentive (STI)	+	Long Term Incentive (LTI)	=	Total Reward (TR)
Fixed	At risk					

In 2007/08 the Remuneration and Nomination Committee further restructured the remuneration packages for the CEO and some Senior Executives to ensure these packages emphasized the creation of value for Shareholders.

As a result our CEO only received a small increase to his salary, however, his potential Short Term Incentive increased from 50% to 100% of salary in 2007/08. Eligibility for payment of this Short Term Incentive only exists when the Company's Net Profit After Tax meets or exceeds budget. Were an acquisition be made an adjustment would be made to the NPAT target level.

As a result of the Company's disappointing performance for the financial year ended 31st January 2008 our CEO was not awarded any Short Term Incentive payment due to the Company's failure to meet the hurdle requirement of budgeted Net Profit After Tax. In addition, no shares in Sigma were awarded to the CEO under his Long Term Incentive plan during the period by virtue of the required performance hurdles not being met. The first hurdle is that the Total Shareholder Return for Sigma shareholders over the period from granting of the Long Term Incentive to vesting, or measurement date, must exceed a certain percentage. Secondly, the performance of Sigma is compared to the ASX200 comparator group. We believe that these hurdles ensure that the remuneration of the CEO and Senior Management are aligned directly with value creation for our shareholders.

During 2007/08 the Remuneration and Nomination Committee reviewed the structure of the Senior Executive Short Term Incentive Plan to ensure there is consistency across all Senior Executives. As a result ALL Senior Executives now have the opportunity to participate in the Short Term Incentive Plan and earn up to 30% of salary in cash incentives.

As per our CEO, payment of incentives under this plan is contingent on the Company meeting or exceeding the budgeted Net Profit After Tax KPI. For the financial year ended 31st January 2008 the Senior Executive team was also not awarded any Short Term Incentive payments due to failure to meet this hurdle requirement.

In 2006/07 an Executive Long Term Incentive Plan was introduced which involves granting performance rights to our key employees. In 2007/08 a second Executive Long Term Incentive Plan was offered to our CEO and our Senior Executive Team.

Our CEO has the opportunity to earn 60% of salary in performance rights as part of the Long Term Incentive Plan. Our Senior Executive team has the opportunity to earn 40% of salary in performance rights as part of the Long Term Incentive Plan.

The equity nature of the Executive Long Term Incentive Plan is designed to ensure there is alignment between the values and behaviours of our Executives with those of Shareholders. Furthermore, the Long Term Incentive Plan is designed to assist the Company in attracting and retaining high calibre Executives.

You will see Agenda Item 5, which addresses our CEO participation in this Incentive and as usual requires your support. There is a very detailed explanation of this Incentive in the Notice of Meeting, including the performance hurdles. The performance hurdles are measured over a 3 year period and no rights vest if the performance hurdles are not met. The performance hurdles of Total Shareholder Return and Earnings Per Share are consistent with other ASX 200 companies and our approach to driving Shareholder value.

I note that under the terms of the plan all Performance Rights granted are non-transferable; they cannot be charged or otherwise disposed of, and as with all Sigma shares and performance rights held by directors and seniors executives, they cannot be the subject of margin loans.

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To conclude, we believe that the Group Remuneration Strategy ensures the linkage between Sigma's performance and Executive remuneration.

The strategy ensures that our Executives are motivated to deliver outstanding performance for you, our Shareholders. Our Executive's are only rewarded with 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.

Furthermore, the Executive Remuneration Framework is designed to ensure Sigma is able to attract and retain high calibre Executives. The Long-Term and Short-Term Incentive Programs provide significant incentives for employees to remain with Sigma, resulting in reduced turnover of Executives, and to strive for increased Shareholder value.

Mr Brian Jamieson

Director

22 May 2008

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