

## Remuneration Report

This report details the nature and amount of remuneration for each director of Sun Resources NL. There were no specified executives involved in the management of the company who were not directors.

The remuneration report is set out under the following main headings:

- A Principles used to determine the nature and amount of remuneration
- B Details of remuneration
- C Service agreements
- D Share-based compensation
- E Additional information

The information provided under headings A-D includes remuneration disclosures that are required under Accounting Standard AASB 124 Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited. The disclosures in Section E are additional disclosures required by the Corporations Act 2001 and the Corporations Regulations 2001 which have not been audited.

### A Principles used to determine the nature and amount of remuneration (audited)

The performance of Sun Resources NL depends upon the quality of its directors, executives and staff. To achieve its financial and operating activities, the Company must attract, motivate and retain highly skilled directors and executives.

The Company embodies the following principles in its remuneration framework:

- Provide competitive awards to attract high calibre executives;
- Structure remuneration at a level and mix commensurate with their position and responsibilities within the Company so as to reward executives for Company and individual performance;
- Align executive incentive rewards with the creation of value for shareholders; and
- Link rewards with the performance of the Company.

The performance of executives is measured against criteria agreed annually with each executive and is based predominantly on the performance of the Company. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options, and can recommend changes to the committee's recommendations. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is 9%. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation. Mr A P Woods has a post employment benefit on termination or expiry of his consultancy contract refer, "Post Employments Benefits" page 23.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options and contributing shares are valued using the Black-Scholes or binomial valuation models.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The remuneration committee determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting and is currently \$170,000. Fees for Non-Executive Directors are not linked to the performance of the consolidated entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company.

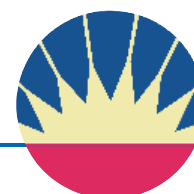
The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the Company and key management personnel are on a continuing basis. Upon retirement key management personnel are paid employee benefit entitlements accrued to the date of retirement. Dr B L Farrell and Mr A P Woods each have separate consultancy contracts and have retirement benefit schemes which on termination or on expiry of those contracts, the Company is required to pay 1.2 months of present annual monthly fees for each year or part year of service since 1 July 1993. Dr B L Farrell's contract was terminated on 1 July 2006 and a retirement benefit of \$218,400 was paid out.

Dr B L Farrell continues to serve the Company as the Executive Chairman.

The remuneration committee determines the proportion of fixed and variable compensation for each key management personnel.

# Remuneration Report (Continued)



## B Details of remuneration (audited)

### Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 Related Party Disclosures) of Sun Resources NL are set out in the following tables

The key management personnel included the Directors who have the responsibility for planning, directing and controlling the activities of the entity:

- i) Chairman - executive  
Dr B L Farrell
- ii) Executive directors  
Mr W J Ashby - Managing Director  
Mr A P Woods - Chief Financial Officer
- iii) Non-executive directors  
Dr P Linsley  
Dr W G Martinick

Other than the Directors there were no other key management personnel.

The company secretary of the company is Mr A P Woods.

### Key management personnel and other executives of the Group Remuneration

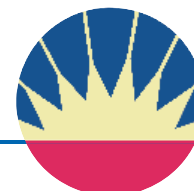
#### 2007

Name	Short-term employee benefits			Post-employment benefits		Share based payments	Total
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	
	\$	\$	\$	\$	\$	\$	\$
<u>Executive</u>							
Dr B L Farrell	168,000	20,617	-	45,120	218,400	-	452,137
Mr W J Ashby	221,316	1,706	-	48,084	-	17,298	288,404
Mr A P Woods	99,600	-	-	-	-	-	99,600
Sub-total executives	488,916	22,323	-	93,204	218,400	17,298	840,141
<u>Non-executive</u>							
Dr P Linsley	30,000	-	10,319	-	-	-	40,319
Dr W Martinick	30,000	-	-	-	-	-	30,000
Sub-total non-executives	60,000	-	10,319	-	-	-	70,319
Total	548,916	22,323	10,319	93,204	218,400	17,298	910,460

#### 2006

Name	Short-term employee benefits			Post-employment benefits		Share based payments	Total
	Cash salary, consulting fees and directors' fees	Non monetary benefits	Other expenses	Superannuation	Retirement benefits	Equity and options	
	\$	\$	\$	\$	\$	\$	\$
<u>Executive</u>							
Dr B L Farrell	198,000	38,975	-	2,477	-	98,400	337,852
Mr A P Woods	90,000	-	-	-	-	98,400	188,400
Sub-total executives	288,000	38,975	-	2,477	-	196,800	526,252
<u>Non-executive</u>							
Dr P Linsley	30,000	-	11,843	-	-	98,400	140,243
Dr W Martinick	30,000	-	-	-	-	98,400	128,400
Sub-total non-executives	60,000	-	11,843	-	-	196,800	268,643
Total	348,000	38,975	11,843	2,477	-	393,600	794,895

# Remuneration Report (Continued)



The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2007	2006	2007	2006	2007	2006
<b>Executive</b>						
Dr B L Farrell	100%	71%	0%	0%	0%	29%
Mr W J Ashby	94%	0%	6%	0%	0%	0%
Mr A P Woods	100%	48%	0%	0%	0%	52%
<b>Non-executive</b>						
Dr P Linsley	100%	30%	0%	0%	0%	70%
Dr W G Martinick	100%	23%	0%	0%	0%	77%

## C Service agreements (audited)

Mr A P Woods has a consultancy contract with a retirement benefit scheme. On termination or on expiry of the contract, the Company is required to pay 1.2 months of the present annual monthly fees for every year or part year of service since 1 July 1993. Dr B L Farrell and Mr W J Ashby have contracts with the company as employees with no special benefits. There are no service agreements with Dr P Linsley or Dr W G Martinick.

## D Share-based Compensation (audited)

### 2007

The following incentive options convertible to shares on payment of an exercise price on or before expiry date of the options were granted to Mr W J Ashby as part of his remuneration package following his letter of appointment on 1 July 2006. Issued on appointment - 1,500,000 options with an expiry date of 30 December 2008 and exercise price of \$0.20 per share. These options have vested and have a value of \$17,298. To be issued; on 1 January 2008, 1,500,000 options with an expiry date of 30 June 2009 and exercise price of \$0.25 per share, and; on 1 January 2009, 1,000,000 options with an expiry date of 9 December 2009 and exercise price of \$0.30 per share.

### 2006

At the AGM on 27 October 2005 shareholders approved the grant to each of the Directors listed below unlisted incentive 25 cent contributing shares each paid to 2.5 cents by the recipients. The valuation of the shares at grant date was determined using the binomial valuation model.

Director	Vested No.	Granted No.	Grant Date	Value at Grant Date	Exercise Date	Exercise Price
Dr B L Farrell	1,200,000	1,200,000	27 Oct 2005	8.2 cents	30 December 2010	22.50 cents
Mr A P Woods	1,200,000	1,200,000	27 Oct 2005	8.2 cents	30 December 2010	22.50 cents
Dr P Linsley	1,200,000	1,200,000	27 Oct 2005	8.2 cents	30 December 2010	22.50 cents
Dr W G Martinick	1,200,000	1,200,000	27 Oct 2005	8.2 cents	30 December 2010	22.50 cents

## E Additional Information (unaudited)

### Share-based compensation: Options

Further details relating to options are set out below.

Name	A	B	C	D	E
	Remuneration consisting of options	Value at grant date \$	Value at exercise date \$	Value at lapse date \$	Total of columns B-D \$
Dr B L Farrell	-	-	-	-	-
Mr W J Ashby	6%	17,298	-	-	-
Mr A P Woods	-	-	-	-	-
Dr P Linsley	-	-	-	-	-
Dr W G Martinick	-	-	-	-	-

A= The percentage of the value of remuneration consisting of options, based on the value of options expensed during the current year.

B= The value at grant date calculated in accordance with AASB 2 Share-based payment of options granted during the year as part of remuneration.

C= The value at exercise date of options that were granted as part of remuneration and were exercised during the year, being the intrinsic value of the options of that date.

D= The value at lapse date of options that were granted as part of remuneration and that lapsed during the year. Lapsed options refer to options that vested but expired unexercised.