

STOCK EXCHANGE RELEASE

22 February, 2006

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PAPERLINX RE-ORGANISES ITS MANUFACTURING OPERATIONS

The PaperlinX Board today announced the closure of the number 1 paper machine at Australian Paper's Shoalhaven Mill and the transfer of its paper production to its sister mill at Maryvale. The decision to close the machine follows a comprehensive review of Australian Paper's domestic customer requirements, extensive trials at the Maryvale Mill and an analysis of the financial outcomes flowing from the review and the trials.

The Company will take a pre tax charge of approximately \$15 million for the closure, including generous redundancy packages as well as out-placement and retraining opportunities for affected employees. The closure is forecast to deliver significant savings for Australian Paper and will be earnings positive in 2007.

The move will strengthen Australian Paper's competitive position by capacity balancing across its four paper mills while retaining the Company's position as Australia's leading producer of printing and writing paper. Unprofitable exports will decrease with a 40,000 tonnes reduction in overall capacity, while domestic sales will be unaffected.

The closure of the Shoalhaven paper machine number 1 will take several weeks with operations expected to cease in the June quarter and 98 production roles and 21 maintenance contractor positions at Shoalhaven will be lost.

Shoalhaven Mill will continue to service the specialty paper market in Australia through the operation of Machines 2 and 3.

Australian Paper's Chief Operating Officer, David Goldthorp, said "ongoing competition from imports, increasing fuel and distribution costs and a strong Australian dollar has placed Australian Paper under significant pressure".

"Today, Australian Paper's Communication Papers business reported a loss for our first half results for 2006. To enable the Company to retain a sustainable manufacturing presence in Australia the decision to close the number 1 paper machine has been unavoidable. The Company has maintained ongoing communication with employees and unions throughout the process and I would like to thank them for their cooperation".

“Over the past 12 months the Company has announced a number of operational actions, including the pulp mill upgrade at Maryvale and investment in growth areas such as our brands, to improve profitability and return Australian Paper’s business to its target return on average funds employed over time,” Mr Goldthorp said.

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Editors Note:

PaperlinX is the world’s leading fine paper merchant, with businesses in Australia, New Zealand, Asia, South Africa, North America and Europe. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers, and a major Australian producer of high performance packaging and industrial papers.