

11 October, 2006

## **PAPERLINX ENTERS INTO AGREEMENT TO DIVEST WESTERN CANADIAN PAPER MERCHANTING BUSINESS**

As previously announced, as a condition of acquiring the Spicers Canada business (previously Cascades Resources), PaperlinX agreed with the Canadian Competition Bureau to divest certain elements of that business in Alberta and British Columbia. PaperlinX has achieved an important milestone in that process, entering into an agreement with Gould Paper under which it will divest those elements of the business for a price that will result in a small positive contribution above the net asset value. Completion of the transaction is subject to final approval from the Canadian Competition Bureau and other usual conditions.

Details of the business sold are shown in Note 11 in the PaperlinX Full Financial Report for 2006. Completion of the transaction will have the impact of lowering the net acquisition cost and overall size of the business, but will not materially impact the fundamental benefits of PaperlinX's acquisition of the Spicers Canada business from Cascades completed on 1 March 2006. As previously advised, Spicers Canada has met all earnings targets and has already achieved the targeted year 3 return on investment of at least 15%.

Commenting on the completion, Managing Director of PaperlinX, Tom Park said, "We are very pleased to have executed this agreement which will allow us to complete the sale of the Western Canadian business we were required to divest as previously agreed with the Canadian Competition Bureau. Our North American management team is to be congratulated on such a positive outcome for all concerned and for the positive momentum already reflected in the results of our Canadian businesses."

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### **Editors Note:**

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