

**ASX RELEASE**

7 October 2008

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**SUCCESSFUL COMPLETION OF INSTITUTIONAL ENTITLEMENT OFFER**

PaperlinX Limited ("PaperlinX") today announced that it has successfully completed the institutional component of the accelerated non-renounceable entitlement offer ("Entitlement Offer") announced on 1 October 2008.

The Institutional Entitlement Offer raised approximately \$150 million from existing and new Institutional Shareholders.

As previously announced, net proceeds from the Entitlement Offer will be used to repay debt, including the committed \$150 million reduction in PaperlinX's multi-currency facility by May 2009. This will strengthen PaperlinX's financial platform and support the continuation of its strategy of building on the key competitive advantages in its two business streams of global paper merchanting and paper manufacturing in Australia.

Mr Tom Park, Managing Director of PaperlinX, said, "We appreciate the support from our major shareholders in this capital raising during what turned out to be a volatile week in international markets. PaperlinX now has secured funding in relation to the \$150 million May 2009 debt repayment announced on 24 September as part of the roll of the first year tranche of PaperlinX's multi currency debt facility to December 2009, and has removed the funding overhang that weighed on the share price. This also provides flexibility to ensure the optimal outcome is achieved from the Australian Paper review."

"We remain focussed on completion and commissioning of the Maryvale Mill pulp upgrade, delivery of profit protection plans, sale of European warehouses, and success in our core business activities."

"Recent external factors have turned favourable for PaperlinX, including the weakness of the Australian dollar which benefits Australian Paper and the translation of overseas earnings, as well as the announcement last week of major consolidation in the European paper manufacturing sector with announced capacity reductions in coated woodfree paper manufacturing supporting future pricing in that market."

The Institutional Entitlement Offer was conducted by way of an institutional bookbuild, through which the entitlement ratio was set at 2 New Shares for every 5 Existing Shares held in PaperlinX at 7.00pm (Melbourne time) on Friday, 3 October 2008 (the Record Date). The Offer Price for both the

Institutional Entitlement Offer and Retail Entitlement Offer was set at \$1.25 per New Share, which represents a 29% discount to \$1.75, the last PaperlinX closing share price on Friday, 26 September 2008, and a 22% discount to the theoretical ex-rights price (TERP)<sup>1</sup>.

Settlement of the Institutional Entitlement Offer is scheduled to take place on Tuesday, 14 October 2008. New Shares issued under the Institutional Entitlement Offer are expected to be allotted on Wednesday, 15 October 2008, and commence trading the same day.

### **The Retail Entitlement Offer**

The Retail Entitlement Offer, which is seeking to raise up to an additional \$77 million, opens today following lodgement of a prospectus with the Australian Securities and Investments Commission and closes at 5.00pm (Melbourne time) on Friday 24 October 2008. The Retail Entitlement Offer is open to Eligible Retail Shareholders in Australia and New Zealand on the PaperlinX share register at the Record Date.

Eligible Retail Shareholders are able to subscribe for 2 New Shares for every 5 Existing Shares held as at the Record Date, at the Offer Price of \$1.25 per New Share. This is the same as the Offer Price for the Institutional Entitlement Offer. The Entitlements will not be tradeable on the ASX or otherwise transferable, and Shareholders who elect not to take up their full Entitlement will not receive any value in respect of Entitlements they do not take up. New Shares equal to the number of Entitlements not taken up under the Retail Entitlement Offer will be offered to existing retail shareholders under the Retail Entitlement Offer, to the extent there are oversubscriptions. However, as the Retail Entitlement Offer is not underwritten, there is no guarantee that all, if any, of the additional \$77 million will be raised.

A copy of the Prospectus and a personalised Entitlement and Acceptance Form is expected to be dispatched to Eligible Retail Shareholders on or about Thursday, 9 October 2008.

Eligible Retail Shareholders who have any queries regarding the Entitlement Offer, or who do not receive a copy of the Prospectus by Wednesday, 15 October 2008 are encouraged to contact the PaperlinX Shareholder Information Line on 1300 662 058 from within Australia or on +61 3 9415 4021, between 8.30am and 5.00pm (Melbourne time) Monday to Friday during the Offer Period. Copies of the Prospectus will also be available for download by Eligible Retail Shareholders at the PaperlinX website [www.paperlinx.com](http://www.paperlinx.com).

PaperlinX shares are expected to resume trading on the ASX today, Tuesday 7 October 2008.

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<sup>1</sup> The theoretical price at which PaperlinX shares should trade immediately after the ex-date for the Entitlement Offer. The calculation assumes that the Retail Entitlement Offer is fully subscribed.

Deutsche Bank AG, Sydney Branch and Macquarie Capital Advisers Limited acted as joint bookrunners and Joint Lead Managers to the PaperlinX Entitlement Offer.

***For further information, please contact:***

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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.

**IMPORTANT INFORMATION**

This announcement does not constitute an offer of securities for sale in the United States. Securities may not be offered or sold in the United States absent registration or an exemption from registration. Any public offering of securities to be made in the United States will be made by means of a prospectus that will contain detailed information about the company and management, as well as financial statements.