

ASX RELEASE

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UPDATE ON EUROPEAN PROPERTY SALES

PaperlinX advises that some of the key European asset sales planned for completion by 31st December 2008 are now expected to complete early in the New Year. The absence of the anticipated profit contribution from these sales will result in PaperlinX breaching previously agreed lending covenants for the period ending 31st December 2008. This possible outcome was referred to in the Prospectus dated 7 October 2008. PaperlinX is in discussions with financiers to address this issue. Earnings for the period are now expected to be more than 15% below the prior corresponding period.

The sale programme of pan-European properties announced in February 2008 has continued, with approximately \$90 million cash received from this programme through to the end of November, with additional transactions recently completed in the UK, Netherlands and the Czech Republic.

Lending covenants have come under pressure during the current half year as a result of the investment on the recently completed Maryvale Mill pulp upgrade with minimal related earnings contribution. In the second half earnings will benefit from increased incremental benefits from the Maryvale Mill pulp upgrade along with recent increases to Australian dollar pricing, translation of overseas earnings, and improved receipts from the sale of Australian exports.

Volatility and deterioration in general external conditions could also negatively impact earnings, while factors specific to the global paper market, currency movements and company initiatives including the previously announced profit protection plans could also impact outcomes.

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.