

The eighth Annual General Meeting of PaperlinX Limited (the Company) will be held in the Four Seasons Hotel Sydney, 199 George Street, Sydney, NSW 2000 on Thursday, 25 October 2007 at 11.00am. Registration will commence at 10.00am.

## Ordinary Business

### 1. Financial statements and reports

To receive and consider the financial statements, Directors' Report and Auditor's Report for the year ended 30 June 2007.

### 2. Election and re-election of Directors

To elect and re-elect Directors in accordance with the Company's Constitution:

- (a) Mr David E Meiklejohn retires and, being eligible, offers himself for re-election.
- (b) Mr Barry J Jackson retires and, being eligible, offers himself for re-election.
- (c) Mr James W Hall, who having been appointed since the last Annual General Meeting, retires and, being eligible, offers himself for election.

*(Information on these Directors is set out in the attached explanatory notes.)*

### 3. Remuneration Report

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the Remuneration Report for the year ended 30 June 2007 (as set out in the Directors' Report) be adopted.'

*(The vote on this resolution is advisory only.)*

## Special Business

### 4. Issue of Performance Share Rights and Performance Share Options to Managing Director under Long-Term Incentive Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the Company approves the issue, under a long-term incentive plan, to the Managing Director, Mr Thomas P Park, of up to 313,160 Performance Share Rights and 149,120 Performance Share Options to acquire ordinary shares in the capital of the Company, subject to achievement of performance conditions and on the other terms as set out in the Explanatory Notes accompanying this Notice of Meeting.'

### 5. Issue of Performance Share Rights and Performance Share Options to Managing Director under Managing Director's Strategic Initiatives Share Plan

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the Company approves the issue, under a Managing Director's Strategic Initiatives Share Plan, to the Managing Director, Mr Thomas P Park, of up to 500,000 Performance Share Rights and up to 500,000 Performance Share Options to acquire ordinary shares in the capital of the Company, subject to achievement of performance conditions and on the other terms as set out in the Explanatory Notes accompanying this Notice of Meeting.'

### Voting exclusion statement on items 4 and 5:

The Company will disregard any votes cast on these resolutions by:

- Mr T P Park;
- any other Director who is eligible to participate in any Company share plan; or
- any of their respective associates.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides (and the acknowledgment box on the proxy form in relation to items 4, 5 and 6 is marked).

The Chairman will vote any undirected proxies in favour of the resolution.

### 6. Increase in aggregate cap of Non-executive Directors' Fees

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

'That the aggregate maximum sum available for remuneration of Non-executive Directors is increased by \$175,000 from \$1,085,000 per year to \$1,260,000 per year.'

### Voting exclusion statement on item 6:

The Company will disregard any votes cast on this resolution by a Director of the Company or an associate of a Director.

However, the Company need not disregard a vote if it is cast by:

- a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- a person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides (and the acknowledgment box on the proxy form in relation to items 4, 5 and 6 is marked).

The Chairman will vote any undirected proxies in favour of the resolution.

## Information for Shareholders

### Attendance at the meeting and questions in advance

If you are planning to attend the meeting, please bring the Chairman's letter and proxy form with you to facilitate registration.

In addition to being given a reasonable opportunity to ask questions at the meeting, shareholders are invited to submit questions in advance. They may be submitted in writing or through the Contact Us form on the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com).

### Voting

For the purpose of voting at the meeting, Directors have determined that persons holding shares in PaperlinX Limited that are listed for quotation on the ASX at 7.00pm Melbourne time on Tuesday, 23 October 2007 will be treated as shareholders of the Company.

### Appointment of proxies

A proxy form accompanies this Notice of Annual General Meeting.

A shareholder entitled to attend and vote is entitled to appoint not more than two proxies. A proxy need not be a shareholder.

Where the Chairman is appointed proxy, he will vote in accordance with the shareholder's directions as specified on the proxy form or, in the absence of a direction, in favour of the resolutions contained in the Notice of Meeting.

Where a shareholder wishes to appoint two proxies, an additional proxy form may be obtained by contacting the Company's Share Registrar, Computershare. A shareholder appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a shareholder appoints two proxies and does not specify each proxy's percentage of voting rights, the rights are deemed to be 50 per cent each. Fractions of votes are to be disregarded.

To be valid, the proxy form, and any authority under which the form is signed, must be received by Computershare prior to 11.00am, Melbourne time on Tuesday, 23 October 2007. Proxies may be returned by mail in the reply paid envelope provided or by hand to 452 Johnston Street, Abbotsford, Victoria 3067 or by facsimile +61 (0) 3 9473 2555.

By order of the Board



**James Orr**  
Company Secretary  
Melbourne  
21 September 2007

# Explanatory Notes

## Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2007 and the Directors' Report and Auditor's Report are set out in the PaperlinX Full Year Financial Report 2007. No vote will be taken on these.

## Item 2 – Election and re-election of Directors

Rule 63 of the Company's Constitution requires one-third of the Non-executive Directors of the Company to retire by rotation every year; however, they are eligible for re-election.

This year two Directors, Mr David E Meiklejohn and Mr Barry J Jackson are required to retire; however, being eligible they each offer themselves for re-election.

Profiles of both Directors follow:



### David E Meiklejohn

BCom, Dip Ed, FCPA, FAIM, FAICD (Chairman) Age 65

Appointed a Director and Chairman in December 1999. An experienced company director with a solid financial background and over 40 years experience in paper manufacturing and distribution businesses. Currently a Director of ANZ Banking Group Limited (from October 2004), Coca-Cola Amatil Limited (from February 2005) and Mirrabooka Investments Limited (from March 2006). Previous roles include Chief Financial Officer of Amcor Limited and a Director of Amcor Limited (1985–2000); Chairman of SPC Ardmona Limited (2002–2005); Deputy Chairman of GasNet Australia Limited (2001–2004); and a Director of OneSteel Limited (2001–2005) and WMC Resources Limited (2002–2005). President of Melbourne Cricket Club (since Feb 2007). He is the Chairman of the Nomination & Governance Committee and a member of the Audit Committee, the Remuneration & HR Committee and the Safety & Environment Committee.



### Barry J Jackson

BCom (Hons), MAICD (Non-executive Director) Age 62

Appointed a Director in February 2000. Over 30 years experience in manufacturing and industrial marketing in Australian and international markets. Currently a Director of Alesco Corporation Ltd (from November 2001), Equity Trustees Limited (from September 2002) and St Vincent's Institute of Medical Research in Melbourne (from February 2002). A former Managing Director of Pacifica Group Limited (1995–2001) and Director of CSR Limited (April 2003–March 2007). He is the Chairman of the Remuneration & HR Committee and a member of the Audit Committee and the Nomination & Governance Committee.

Rule 50 of the Company's Constitution allows the Board to appoint an additional director to the Board, but any Director appointed under this Rule may hold office only until the next Annual General Meeting of the Company and is then eligible for election at that meeting. Mr James W Hall was appointed as an additional Director during the year, thus is required to retire at this Annual General Meeting; however, being eligible has offered himself for election.



### James W Hall

BCom (Acc), FCPA, MAICD (Non-executive Director) Age 56

Appointed a Director in May 2007. An experienced company director with a strong background in finance and commercial matters. He has over 32 years experience in financial management, including senior management roles at BHP Billiton and Orica. Currently a Director of Alesco Corporation Limited (since July 2005), the ConnectEast Group (since June 2005), Symbion Health Limited (since June 2005), Centro Properties Group (since September 2005) and a member of JP Morgan Advisory Council (Australia) since May 2005. A former executive director finance of Orica Limited (Feb 2002–April 2005). He is a member of the Audit Committee and the Safety & Environment Committee.

## Item 3 – Remuneration Report

The Corporations Act requires a non-binding resolution to be put to shareholders for the adoption of the Remuneration Report. The Remuneration Report is contained in the PaperlinX Concise Annual Report 2007.

Additional copies of the Remuneration Report will be available at the meeting.

The shareholder vote is advisory only and will not bind the Directors or the Company. The vote will, however, be taken into consideration in determining future remuneration policy for Directors and executives.

## Item 4 – Issue of Performance Share Rights and Performance Share Options to Managing Director under Long-Term Incentive Plan

### Introduction

Shareholders are asked to approve for all purposes (including ASX Listing Rule 10.14) the issue of up to 313,160 Performance Share Rights (PSRs) and 149,120 Performance Share Options (POs) to the Managing Director, Mr T P Park under a Long-Term Incentive Plan (LTIP). If approved by Shareholders, the PSRs and POs will be issued as soon as possible, and no later than 12 months after the Annual General Meeting.

The PSRs and POs will only vest if the performance hurdles relating to total shareholder return (TSR) and earnings per share (EPS) are met as set out below. No dividends are paid with respect to PSRs and POs. Shares resulting from the exercise of PSRs and POs, following their vesting, will have full voting and dividend rights corresponding to the rights of other holders of ordinary shares in the Company.

Shareholder approval was gained at the 2004 Annual General Meeting for the issue of 300,000 POs to Mr T P Park under the LTIP. ASX Listing Rule 10.14 requires shareholder approval for the issue of securities under an employee incentive scheme to a Director, however it is not required if shares are purchased on-market. Shareholders approval is being sought for this issue to give the Company future flexibility and in the interests of transparency and good governance.

### Background

PaperlinX established a LTIP at the time of the de-merger from Amcor Limited and, pursuant to that Plan, rights and options have been issued to employees over the past seven years.

The LTIP comprises PSRs and POs. The shares relating to the PSRs and POs are either issued or purchased on-market and held in trust for distribution to participants if the performance criteria are satisfied.

The vesting of PSRs and POs is dependent on the performance criteria, summarised below, being met over the relevant measurement period.

If the performance criteria have not been met by the end of the relevant measurement period, the PSRs and POs will lapse. The Board has a discretion in limited circumstances to make a pro rata vesting if an employee ceases employment with the Company prior to the end of the measurement period.

### Performance measures and hurdles

The performance hurdles for the LTIP are relative total shareholder return (TSR) and earnings per share (EPS) growth. Each hurdle applies to 50 percent of the grant.

Relative total shareholder return is measured over the relevant period against the performance of ASX 200 companies. The TSR performance condition relates to the 'total shareholder return' of PaperlinX relative to the total shareholder return of all stocks which have been included in the ASX's S&P/ASX200 for the whole of the measurement period (Comparators).

Both PaperlinX's TSR and the Comparators' TSRs will be based on ASX share price movements plus dividends paid on the shares (on a pre-tax basis) notionally reinvested to purchase additional shares at the market price prevailing on the date the shares begin trading ex the relevant dividend. As far as possible, this will be determined in the same way as changes in the ASX Accumulation Indexes are determined.

If PaperlinX ranks below the 50th percentile of the ASX 200 group, executives are not able to exercise any awards (i.e. PSRs or POs) in respect of this criterion. PaperlinX needs to perform in the top 20 per cent for executives to obtain the maximum benefit. Pro rata arrangements apply for a TSR ranking at or greater than the 50th but less than the 80th percentile.

The second performance criterion relates to growth in earnings per share. To obtain the maximum benefit of this criterion, earnings per share growth over the relevant measurement period must equal or exceed the aggregate growth in the Consumer Price Index (CPI) over the same period plus 5 per cent. No benefit accrues if the earnings per share growth over the period is 50 per cent or less of the aggregate growth in CPI plus 5 per cent. Pro rata arrangements apply for performance greater than 50 per cent but less than 100 per cent results.

#### Recent change to LTIP

In accordance with independent advice, the LTIP was amended on 1 July 2007, to introduce multiple testing periods for measuring performance against the TSR hurdle. This is considered appropriate for companies such as PaperlinX which operate in cyclical industries and have high volatility of earnings and share price performance. It also reduces the somewhat arbitrary nature of a single day test point at the end of the three-year measurement period. It is appropriate that a long-term incentive plan should be treated as part of a continuous and extended performance requirement which is the basis for regular annual grants.

For these reasons, the Board considered that TSR performance (but not EPS performance) should be measured at multiple testing points over an extended period, but that the maximum number of PSRs and POs which could vest in successive testing periods should be reduced as follows:

| Testing period      | Percentage of issue available for vesting  |
|---------------------|--|
| 3 years             | 100% (50% TSR, 50% EPS).   |
| 3.5 years           | 100% of residual unvested proportion measured against TSR;<br>0% of residual unvested proportion measured against EPS. |
| 4 years & 4.5 years | 50% of residual unvested proportion measured against TSR;<br>0% of residual unvested proportion measured against EPS.  |

In all other respects, the LTIP is in the form previously advised to shareholders.

#### Performance Share Rights and Performance Options for Managing Director

The grant of PSRs and POs remains an essential component of the total remuneration for the Managing Director and it is proposed that 313,160 PSRs and 149,120 POs be issued to Mr T P Park for the measurement period commencing 1 July 2007. The number of PSRs proposed to be granted has been calculated on the basis of 70 per cent of Mr T P Park's total fixed remuneration (TFR), divided by the average cost of PaperlinX shares for the month of June 2007, which was \$3.80. The number of POs proposed to be granted has been calculated on the basis of 10 per cent of Mr T P Park's TFR, divided by the option value for PaperlinX shares (30 per cent of the average cost of PaperlinX shares for June 2007).

No amount is payable on the grant of PSRs and POs. Each PSR will carry the right, upon vesting, to convert into one fully paid ordinary share at a zero exercise price. Each PO will carry the right, upon vesting and payment of the exercise price, to convert into one fully paid ordinary share.

The table below summarises details of the proposal.

| Performance Share Rights                                | Measurement period  |
|---|---|
| Maximum potential number available for vesting: 313,160 | 30 June 2010<br>(100% of issue measured against TSR & EPS)              |
| Benchmark date: 30 June 2007                            | 31 December 2010<br>30 June 2011  |
| Exercise price : Nil                                    | 31 December 2011<br>(Residual unvested proportion measured against TSR) |

| Performance Options                                     | Measurement period  |
|---|---|
| Maximum potential number available for vesting: 149,120 | 30 June 2010<br>(100% of issue measured against TSR & EPS)              |
| Benchmark date: 30 June 2007                            | 31 December 2010<br>30 June 2011  |
| Exercise price: \$3.80<br>(VWAP for June 2007)          | 31 December 2011<br>(Residual unvested proportion measured against TSR) |

VWAP = volume weighted average price of PaperlinX Limited ordinary shares on ASX for June 2007.

#### Directors who have received securities under the LTIP since the last approval and Directors who are eligible to participate in the LTIP

The names of the Directors or associates of Directors who have received securities under the LTIP since the last shareholder approval was given, the number of securities received and the acquisition price for each security are as follows.

Mr T P Park received 300,000 POs and Mr D G Abotomey received 150,000 POs under the LTIP at an exercise price of \$4.84 in accordance with Shareholder approval gained at the 2004 Annual General Meeting. Mr D G Abotomey resigned as a Director on 31 December 2005. Details of all PSRs and POs issued to Mr T P Park have been included in the Company's Annual Report. None have vested to date. All executive Directors of the Company are eligible to participate in the LTIP. As Mr T P Park is presently the only executive Director, he is presently the only Director entitled to participate in the LTIP.

### Item 5 – Issue of Performance Share Rights and Performance Share Options to Managing Director under Managing Director's Strategic Initiatives Share Plan

#### Introduction

The Managing Director, Mr T P Park, does not have a fixed term contract with the Company and either party is able to terminate the contract on the giving of the requisite notice. Because of the strategic initiatives in progress or contemplated which will improve the underlying profitability of the Company, the Board considers it important to retain the Managing Director in his current position for at least the next three years. The current and proposed initiatives are targeted to improve Earnings Before Interest and Tax by over \$100 million per annum with effect from 1 July 2009 compared to the base year of 2005.

The Board proposes a special incentive plan for Mr T P Park to cover the period to 30 June 2010. Shareholders are asked to approve for all purposes (including ASX Listing Rule 10.14) the issue of up to 500,000 Performance Share Rights (PSRs) and 500,000 Performance Share Options (POs) to the Managing Director, Mr T P Park under the Managing Director's Strategic Initiatives Share Plan. The vesting of all or part of the PSRs and POs is dependent on the strategic initiatives delivering audited additional benefits of over \$100 million and up to \$130 million per annum by 30 June 2010, from the base year of 2005. A vesting scale is included below.

No dividends are paid in respect of PSRs or POs. Shares resulting from the vesting of the PSRs and POs will have full voting and dividend rights corresponding to the rights of all other holders of ordinary shares in the Company.

ASX Listing Rule 10.14 requires shareholder approval for the issue of securities under an employee incentive scheme to a Director, however it is not required if shares are purchased on-market. Shareholder approval is being sought for this issue to give the Company future flexibility and in the interests of transparency and good governance.

If approved by shareholders, the PSRs and POs will be issued as soon as possible and no later than 12 months after the Annual General Meeting. Mr T P Park is the only Director entitled to participate in the Managing Director's Strategic Initiatives Share Plan, and no securities have previously been issued under this plan.

#### Measurement Period and Hurdles

The Managing Director's Strategic Initiatives Share Plan has been designed to provide a greater alignment between Mr T P Park's remuneration and the Company's strategic business initiatives. It operates as a separate plan from the other long-term and short-term incentive plans currently in place. Targets will be specific to each plan.

It is proposed that Mr T P Park be issued with PSRs and POs pursuant to the Managing Director's Strategic Initiatives Share Plan on the following basis.

The strategic initiatives which are included pursuant to this Plan will be determined at the discretion of the Board. The following are the types of initiatives which may be included: successful start up and operation of the Maryvale pulp mill; restructuring of the delivery platform and information systems in Europe; acquisitions and successful integrations in Europe and North America.

For the PSRs or POs under the Plan to vest, the identified strategic initiatives must be fully implemented and delivering continuing audited benefits to the Company's underlying profit from 1 July 2010.

The following table sets out the level of PSRs and POs which will vest, based on the benefits delivered from the identified initiatives.

| Benefit from identified initiatives | % of maximum PSRs and POs to vest |
|-------------------------------------|-----------------------------------|
| Below \$100m                        | 0%                                |
| At \$100m                           | 25%                               |
| At \$120m                           | 50%                               |
| At \$130M                           | 100%                              |

PSRs and POs will vest pro rata within the above bands. The determined percentage will apply equally to PSRs and POs.

It is a further condition for the PSRs and POs to vest, that Mr T P Park must be in his current position of Managing Director and Chief Executive Officer at 30 June 2010. The Board will have discretion in limited circumstances, such as a takeover or serious illness, to shorten the measurement period and make a pro rata vesting.

No amount is payable on the grant of PSRs and POs. Each PSR will carry the right, upon vesting, to convert into one fully paid ordinary share at a zero exercise price. Each PO will carry the right, upon vesting and payment of the exercise price, to the issue of one fully paid ordinary share. The exercise price for POs will be the volume weighted average price of PaperlinX Limited ordinary shares on the ASX for June 2007 which is \$3.80.

### Item 6 – Increase in aggregate cap of Non-Executive Directors' Fees

At last year's Annual General Meeting, shareholders approved a restructure of Non-executive Director (NED) remuneration. The restructure involved terminating the NED retirement scheme and incorporating the SGC payment into the fee cap. Shareholders approved a maximum annual aggregate sum of \$1,085,000 (including SGC payments), as being available for NED remuneration. This sum allowed an increase in the fees payable to individual Directors to compensate for the loss of retirement benefits only. An amount was also included in the fee cap to allow a temporary increase in Board numbers.

Other than the compensating payment above, there has been no increase in the base fees paid to individual Directors for the past three years, even though the responsibilities and time demands of Directors continue to increase. Independent external advice has confirmed that the PaperlinX NED fees are below fees paid to Directors of comparable companies.

The Board indicated last year that it would be seeking new Directors to cover the progressive retirement of existing Directors. It is essential that the Company pays fees at a level which will not only attract high calibre Directors with appropriate skills and experience, but will also retain existing Directors during this transitory period. The increase in the fee cap of \$175,000 (including SGC payments) to a maximum annual aggregate sum of \$1,260,000 (including SGC payments) will allow appropriate adjustments to be effected.

If the resolution is passed, shareholders will have approved an increase in the aggregate remuneration payable to Non-executive Directors for the purposes of Rule 51 of the Company's Constitution and the ASX Listing Rules.

## Share Registry

Computershare Investor Services Pty Limited  
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