

# NOTICE OF ANNUAL GENERAL MEETING



PaperlinX Limited ABN 70 005 146 350

The ninth Annual General Meeting of PaperlinX Limited (the Company) will be held in the Melbourne Exhibition Centre, Level 2 Auditorium, 2 Clarendon Street, Southbank, VIC 3006 on Friday, 24 October 2008 at 11.00am. Registration will commence at 10.30am.

## 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 2008.

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

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

- Mr Lindsay Yelland retires and, being eligible, offers himself for re-election.
  - Dr Nora Scheinkestel retires and, being eligible, offers herself for re-election.
  - Mr Harry Boon, 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 2008 (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 439,510 Performance Share Rights and 293,010 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 to Managing Director under Short-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 short-term incentive plan, to the Managing Director, Mr Thomas P Park, of up to 439,510 Performance Share Rights 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 and 5 are marked).

The Chairman will vote any undirected proxies in favour of these resolutions.

## 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. Cloak room service will be provided on the day for you to leave your bags and other large items, such as umbrella, as these will not be allowed in the meeting.

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).

### Full Annual Report

You may request a printed copy of the full Annual Report from the Company's registry. Alternatively, you can download a copy from the Company's 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 Wednesday, 22 October 2008 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 percentage of votes or proportion or number of shares 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 Wednesday, 22 October 2008. 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 or via online lodgement at [www.investorvote.com.au](http://www.investorvote.com.au) by following the instructions provided.

By order of the Board

**James Orr**  
Company Secretary  
Melbourne  
19 September 2008

## EXPLANATORY NOTES

### Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2008 and the Directors' Report and Auditor's Report are set out in PaperlinX Annual Report 2008. 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 Lindsay Yelland and Dr Nora Scheinkestel, are required to retire; however, being eligible they each offer themselves for re-election.

Profiles of the Directors follow:



#### Lindsay Yelland, age 62

BSc, FAICD, MACS  
(Independent Non-executive Director)

Appointed a Director in February 2000. Extensive experience in the IT industry. Currently Chairman of Argus Solutions Limited (from March 2003) and a member

of the NSW AICD Council and AICD Reporting Committee (from March 2008). Previous roles include Chairman of Legion Interactive Pty Limited (2002–2005) and Ideas International Limited (from November 2000 – December 2007); a Group Managing Director of Telstra Corporation; Vice President Asia-Pacific of Data General Corp; and Vice President of Apollo Computer Corporation. He is the Chairman of the Remuneration & HR Committee and a member of the Safety & Environment Committee.



#### Nora Scheinkestel, age 48

LLB (Hons) PhD, FAICD  
(Independent Non-executive Director)

Appointed a Director in February 2000. An experienced company director with a background in international project and structured financing. An Associate Professor

at the Melbourne Business School. Currently a Director of AMP Limited (from September 2003), AMP Capital Group (from February 2004) and Orica Ltd (from August 2006). Previous directorships include Mayne Group Ltd (July 2005 – November 2005), Mayne Pharma Ltd (November 2005 – February 2007) and Newcrest Mining Limited (from August 2000 – August 2007). She is a member of the Safety & Environment Committee and Remuneration & HR Committee.

Rule 50 of the Company's Constitution allows the Board to appoint additional directors 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 Harry Boon 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.



#### Harry Boon, age 60

LLB (Hons), BCom  
(Independent Non-executive Director)

Appointed a Director in May 2008. An experienced Director with a strong background in international marketing, sales and manufacturing operations.

Currently, he is the Chairman of Tatts Group Limited and Gale Pacific Limited and a Director of Toll Holdings Limited and Hastie Group Limited. A former Chief Executive Officer and Managing Director of Ansell Limited (retired in 2004) and a Director of Funtastic Limited (September 2004 – February 2008). He is a member of the Audit Committee and Nomination & Governance 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 Annual Report 2008. Additional copies of the Annual 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 (LTIP)

Shareholders are asked to approve for all purposes (including ASX Listing Rule 10.14) the issue of up to a maximum of 439,510 Performance Share Rights (PSRs) and a maximum of 293,010 Performance Share Options (POs) to the Managing Director, Mr T P Park. 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 2007 Annual General Meeting for the issue of PSRs and 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. Shareholder approval is being sought for this issue to give the Company future flexibility and in the interests of transparency and good governance.

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 certain defined 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.

TSR 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/ASX 200 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, Mr T P Park is 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 Mr T P Park 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.

TSR performance (but not EPS performance) may be measured at multiple testing points over an extended period. However, the maximum number of PSRs and POs which could vest in successive testing periods reduces as set out in the table below, and the application of further measurement will cease as soon as positive vesting of PSRs/POs occurs. Accordingly, whilst there is multiple testing, there is only a single vesting.

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

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 439,510 PSRs and 293,010 POs be issued to Mr T P Park for the measurement period commencing 1 July 2008. The number of PSRs proposed to be granted has been calculated on the basis of 50 per cent of Mr T P Park's total fixed remuneration (TFR) (reduced from 70 per cent in previous years), divided by the average cost of PaperlinX shares for the month of June 2008, which was \$2.05. 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 2008).

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: Mr T P Park – 439,510	30 June 2011 (100% of issue measured against TSR & EPS)
Benchmark date: 30 June 2008	31 December 2011 30 June 2012
Exercise price: Nil	31 December 2012 (Proportion measured against TSR only and subject to multiple testing rules)

Performance Options	Measurement period
Maximum potential number available for vesting: Mr T P Park – 293,010	30 June 2011 (100% of issue measured against TSR & EPS)
Benchmark date: 30 June 2008	31 December 2011 30 June 2012
Exercise price: \$2.05 (VWAP for June 2008)	31 December 2012 (Proportion measured against TSR only and subject to multiple testing rules)

*VWAP = volume weighted average price of PaperlinX Limited ordinary shares on ASX for June 2008.*

## 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 313,160 PSRs and 149,120 POs under the LTIP at an exercise price of zero and \$3.80 respectively, in accordance with shareholder approval gained at the 2007 Annual General Meeting. 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. Mr T P Park is presently the only executive Director entitled to participate in the LTIP.

Mr T P Park also received 500,000 PSRs and 500,000 POs under the MD Strategic Initiatives Share Plan at an exercise price of zero and \$3.80 respectively, in accordance with shareholder approval gained at the 2007 Annual General Meeting. Details are provided in the Remuneration Report.

**Item 5 – Issue of Performance Share Rights to Managing Director under Short-Term Incentive Plan (STIP)****Introduction**

Shareholders are asked to approve for all purposes (including ASX Listing Rule 10.14) the issue of up to a maximum of 439,510 Performance Share Rights (PSRs) to the Managing Director, Mr T P Park under a Short-Term Incentive Plan. The number of PSRs proposed to be granted has been calculated on the basis of 50 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 2008, which was \$2.05.

The PSRs will only vest if the performance hurdles are met as set out below. Shares resulting from the vesting of qualifying PSRs will have full voting and dividend rights corresponding to the rights of all other holders of ordinary shares in the Company.

**Background**

For the year ended 30 June 2008, following independent advice from its remuneration adviser, the Board introduced an equity incentive plan based on the achievement of annual targets, for direct reports to the Managing Director. Consistent with this approach, the Board proposes to add an equity component to the Short-Term Incentive Plan (STIP) for the Managing Director for the year ending 30 June 2009.

Under this proposal, the 2008/09 STIP for the Managing Director would comprise both a cash and an equity component. The cash component would remain the same as 2007/08 with an annual maximum payment of up to 120 per cent of Mr T P Park's TFR. The performance hurdles for the additional equity component would be based on achieving annual earnings and cash flow targets with a maximum payment of up to 50 per cent of Mr T P Park's TFR. The number of PSRs that will ultimately vest and be automatically exercised to acquire shares in PaperlinX will be dependent on achieving these performance hurdles.

The increased weighting given to the STIP in the Managing Director's total remuneration package has been partially offset by a reduction in the quantum of the award under the Long-Term Incentive Plan (refer to Item 4 in this Notice of Meeting).

The measurement period for the performance conditions is one year. Mr T P Park will be required to remain employed by the PaperlinX Group for the whole of the measurement period and for a further two year service period. If he leaves employment with the Group before the end of the service period (except in certain defined circumstances), all PSRs will lapse. During the service period, Mr T P Park may receive a cash distribution in respect of qualifying PSRs equivalent to the dividend rate (if any) declared on PaperlinX shares. This is consistent with rules for other executives.

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

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 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 Short-Term Incentive Plan, and no securities have previously been issued under this plan.

**Share Registry**

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