

Notice of Annual General Meeting

PaperlinX Limited ABN 70 005 146 350

The tenth Annual General Meeting of PaperlinX Limited (the Company) will be held at the Melbourne Exhibition Centre, Level 2 Auditorium, 2 Clarendon Street, Southbank, VIC 3006 on Thursday, 22 October 2009 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 2009.

2. Re-election of Directors

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

- (a) Mr Barry Jackson retires and, being eligible, offers himself for re-election.
- (b) Mr David Meiklejohn retires and, being eligible, offers himself for re-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 2009 (as set out in the Directors' Report) be adopted.'

(The vote on this resolution is advisory only.)

Special Business

4. Alteration to Constitution – Re-insertion of Partial Takeovers Provision

To consider and, if thought fit, pass the following resolution as a special resolution:

'That pursuant to sections 136(2) and 648G of the Corporations Act 2001 (Cth), the Company's Constitution be altered by re-inserting Rule 97 in the form set out in the Explanatory Notes accompanying the Notice of Meeting.'

5. 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 1,926,782 Performance Share Rights and 1,284,521 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.'

6. 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 770,713 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 5 and 6 :

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

- Mr Thomas P Park (T P Park);
- all Directors who are 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 5 and 6 is marked).

Where permitted, 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. A cloakroom service will be provided on the day for you to leave your bags and other large items, such as umbrellas, 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.

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.

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, 20 October 2009 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 and where permitted, 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 Tuesday, 20 October 2009. 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 (within Australia) 1800 783 447 or (outside Australia) +61 (0) 3 9473 2555 or via online lodgement at www.investorvote.com.au by following the instructions provided.

For Custodians who are subscribers to the Intermediary Online, please visit www.intermediaryonline.com to submit your voting intentions.

By order of the Board



James Orr
Company Secretary
Melbourne
21 September 2009

EXPLANATORY NOTES

Item 1 – Financial statements and reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2009 and the Directors' Report and Auditor's Report are set out in PaperlinX Annual Report 2009. No vote will be taken on these.

Item 2 – 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 Barry Jackson and Mr David Meiklejohn, are required to retire; however, being eligible they each offer themselves for re-election.

Profiles of the Directors follow:



Barry Jackson, Age 63

BCom (Hons), MAICD

Independent Non-executive Director

Appointed a Director in February 2000. Over 30 years' experience in manufacturing and industrial marketing in Australian and international markets. Currently, a director of Equity Trustees Limited (since September 2002). A former director of CSR Limited (April 2003–March 2007) and Alesco Corporation Ltd (November 2001–September 2008). He is a member of the Audit Committee and the Nomination & Governance Committee.



David Meiklejohn, Age 67

BCom, Dip Ed, FCPA, FAIM, FAICD

Independent Non-executive Director (Chairman)

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). President of Melbourne Cricket Club (since February 2007). He is the Chairman of the Nomination & Governance Committee and an ex officio member of the Audit Committee, Remuneration & HR Committee and Safety & Environmental 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 2009.

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 – Alteration to the Constitution – Re-insertion of Partial Takeovers Provision

Background

The Company's Constitution currently contains Rule 97 which deals with proportional takeovers. A proportional takeover is a bid made for a specified proportion of each shareholder's shares. The inclusion of this rule is intended to assist shareholders in receiving proper value for their shares in the circumstances of a proportional takeover. Broadly, it permits shareholders, in a general meeting, to vote on any proportional takeover offer. If the resolution is rejected the offer is prevented from proceeding.

It is a requirement of the Corporations Act that such provisions in a company's constitution apply for a maximum period of three years, unless earlier renewed. In the case of the Company, such a proportional takeover bid approval rule (existing Rule 97 of the Constitution) was last renewed by shareholders in 2006 and expires on 20 October 2009, in accordance with its terms and the Corporations Act.

Given that the existing Rule 97 will expire before the meeting, it is not able to be renewed by shareholders at the meeting. Accordingly, a special resolution is being put to shareholders under sections 136(2) and 648G of the Corporations Act to re-insert a proportional takeover bid approval rule into the Company's Constitution. If re-inserted, the provision will be in exactly the same form as the existing Rule 97, and is in the following terms:

Rule 97 – Approval of partial takeover bids

97.1 Where offers have been made under a proportional takeover bid in respect of shares in a class of shares in the Company the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the takeover bid is prohibited unless and until a resolution (in this Rule referred to as an *Approving Resolution*) to approve the proportional takeover bid is passed in accordance with this Rule.

97.2 Where offers have been made under a proportional takeover bid in respect of shares in a class of shares in the Company:

- (a) a person (other than the offeror or an associate of the offeror) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held shares in that class is entitled to vote on an Approving Resolution and, for the purpose of voting, is entitled to one vote for each of the shares held in that class; and
- (b) the offeror or an associate of the offeror is not entitled to vote on an Approving Resolution.

97.3 An Approving Resolution is to be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the Approving Resolution.

97.4 The provisions of this Constitution that apply in relation to a general meeting of the Company apply, with modifications as the circumstances require, in relation to a meeting that is convened to vote on an Approving Resolution and apply as if the meeting was a general meeting of the Company.

97.5 An Approving Resolution that has been voted on in accordance with this Rule is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one-half, and otherwise is to be taken to have been rejected.

97.6 This Rule ceases to have effect on the third anniversary of the date of the adoption or last renewal of this Rule.

If the re-insertion of Rule 97 is approved by shareholders at the meeting, the rule will operate for three years from the date of the meeting, unless earlier renewed.

The Directors consider that it is in the interests of the Company's shareholders to have a proportional takeover rule in the Constitution and shareholders are asked to consider this resolution to re-insert Rule 97 on identical terms.

The operation of Rule 97

If a proportional takeover bid is made for the Company, the existence of the re-inserted Rule 97 would require a meeting to be convened for shareholders to vote on a resolution to approve the proportional bid. The resolution must be voted on at least 14 days before the close of the proportional bid. If a meeting was called, it would be conducted in accordance with the provisions of the Company's Constitution governing general meetings.

Rule 97 provides that for a resolution to be approved it must be passed by a majority of votes, excluding votes by the bidder and its associates.

If a resolution approving the proportional bid is passed, the offer may proceed. If the resolution is rejected, the offer will not proceed.

Rule 97 does not apply to full takeover bids, that is, for all shares in the Company.

Reasons for proposing the resolution

The Directors consider that it is in the interests of the Company's shareholders to have a proportional takeover approval rule in its Constitution, as it gives shareholders the opportunity to vote on a proposed proportional takeover bid. If the proposed proportional takeover bid were not subject to such a vote, control of the Company may be acquired by a party holding less than a majority stake without shareholders having the opportunity to dispose of all their shares. This leaves shareholders at risk of becoming part of a minority interest in the Company, which could result in them suffering a loss due to a decrease in share price following reduced opportunities to dispose of their remaining shares. The re-insertion of Rule 97 will prevent this situation by permitting shareholders to decide whether a proportional takeover bid should be permitted to proceed.

Advantages and disadvantages

The Corporations Act requires this explanatory statement to discuss the potential advantages and disadvantages of the re-insertion of Rule 97 for both Directors and shareholders.

As the Directors remain free to make recommendations on whether a proportional takeover bid should be accepted, they consider that there are no advantages or disadvantages specific to them as Directors, for the re-insertion of Rule 97. One view, however, is that a re-insertion of Rule 97 could make it easier for Directors to discharge their fiduciary and statutory duties to the Company and shareholders in respect of a bid as it allows Directors to formally ascertain the views of shareholders in respect of the bid.

A re-insertion of Rule 97 enables all shareholders to have an opportunity to study a proportional takeover bid and specifically to vote on the proposal. It provides a process for shareholders to express their collective views and to act in a cohesive manner to both increase their bargaining power in the face of a proportional bid and to lessen any coercive effects of the proportional bid.

This is important as a proportional takeover bid may result in a change in control of the Company without shareholders having an opportunity to dispose of all their shares. There is advantage to shareholders in having an opportunity to prevent a proportional takeover bid proceeding if they believe that control of the Company should not be permitted to pass in such circumstances. The very existence of Rule 97 may impact upon the terms of any future proportional bid and lead prospective bidders to structure any prospective proportional bids to be attractive to a majority of shareholders.

On the other hand, it may be argued that a re-insertion of Rule 97 reduces the possibility of a successful proportional takeover bid, therefore discouraging proportional bids for the Company. It may also deny some shareholders an opportunity to sell securities at what they consider to be an attractive price where the majority of shareholders reject an offer. As a consequence, shareholders may have fewer opportunities to receive an attractive price for their shares from persons seeking control of the Company.

Present acquisition proposals

The Directors are not aware of any current proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company or to announce a takeover offer for shares in the Company.

Directors' recommendation

Directors do not perceive the above or any other possible disadvantages as justification for not re-inserting the proportional takeover approval provisions for a further three years.

Directors recommend that shareholders vote in favour of the resolution to re-insert Rule 97 into the Constitution.

Item 5 – 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 1,926,782 Performance Share Rights (PSRs) priced at \$0.491 each and 1,284,521 Performance Share Options (POs) priced at \$0.1473 each to the Managing Director, Mr T P Park with a measurement period of three years. 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.

Shareholder approval was given at the 2008 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 to purchase or issue shares, and in the interests of transparency and good governance.

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.

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 discretion in certain defined circumstances including a takeover bid or scheme of arrangement, to make a pro rata vesting if Mr T P Park 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 per cent 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/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, 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 (EPS). To obtain the maximum benefit of this criterion, EPS growth over the relevant measurement period must equal or exceed 15 per cent compound per year. On achievement of 10 per cent compound growth per year 50 per cent vesting will apply. No benefit accrues if the EPS growth over the period is less than 10 per cent compound per year. Pro rata arrangements apply for growth greater than 10 per cent compound per year but less than 15 per cent compound per year.

The EPS growth criterion has been strengthened considerably from previous years when the maximum benefit could be obtained where EPS growth over the relevant measurement period was equal to or exceeded the aggregate growth in the Consumer Price Index (CPI) over the same period plus 5 per cent.

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.

Apart from the change in the EPS criterion the LTIP is, in all other respects, 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 1,926,782 PSRs and 1,284,521 POs be issued to Mr T P Park for the measurement period of three years commencing 1 July 2009. 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 2009, which was \$0.491. 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 2009 being \$0.1473).

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: 1,926,782	30 June 2012 (initial measurement) (100% of issue measured against TSR & EPS)
Benchmark date: 30 June 2009	31 December 2012 30 June 2013
Exercise price : Nil	31 December 2013 (Proportion measured against TSR only and subject to multiple testing rules)

Performance Options	Measurement period
Maximum potential number available for vesting: 1,284,521	30 June 2012 (initial measurement) (100% of issue measured against TSR & EPS)
Benchmark date: 30 June 2009	31 December 2012 30 June 2013
Exercise price: \$0.491 (VWAP for June 2009)	31 December 2013 (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 2009.

The Australian Government has recently proposed legislative changes to the rules relating to employee share plans, including those applicable to the long-term plan for Mr T P Park. At the time of drafting this Notice the legislation had not been enacted and certain aspects of the new rules had not been clarified. The proposed grants of PSRs and POs to Mr T P Park are based on the current rules for employee share plans. Once the legislation is enacted and the rules have been clarified, it may be necessary to review the terms of the proposed grants to Mr T P Park.

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

Mr T P Park is presently the only Director entitled to participate in the LTIP and is the only Director or associate of a Director who has received securities under that plan since the last shareholder approval was given at the Company’s 2008 Annual General Meeting. Mr T P Park received 439,510 PSRs and 293,010 POs under the LTIP at an exercise price of zero and \$2.05 respectively, following the shareholder approval given at the 2008 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. At present, Mr T P Park is the only Executive Director in the Company.

Item 6 – 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 770,713 Performance Share Rights (PSRs) priced at \$0.491 each to the Managing Director, Mr T P Park under the STIP. The number of PSRs proposed to be granted has been calculated based on 20 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 2009, which was \$0.491.

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 rights and dividend rights corresponding to the rights of all other holders of ordinary shares in the Company.

Background

At the 2008 Annual General Meeting, shareholders approved the addition of an equity component to the Short-Term Incentive Plan (STIP) for the Managing Director for the year ending 30 June 2009 (none of these were earned). The Board proposes to make an offer of PSRs on the same basis for the year ending June 2010.

Performance measures and hurdles

Under this proposal, performance hurdles for the equity component will be based on achieving Group Net Profit After Tax and Group Cash Flow targets with a maximum payment of up to 20 per cent of Mr T P Park's TFR (down from 50 per cent last year). The number of PSRs that will ultimately vest and be automatically exercised to acquire shares in the Company will be dependent on achieving these performance hurdles.

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 specified circumstances including redundancy, bona fide retirement or a takeover bid) all PSRs will lapse.

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 to purchase or issue shares, 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 is the only Director or associate of a Director who was issued securities under that plan since the last shareholder approval was given at the Company's 2008 Annual General Meeting. He was issued 439,510 PSRs under the Short-Term Incentive Plan at an exercise price of zero following the shareholder approval given at the 2008 Annual General Meeting. However, as the financial targets were not met, none of those PSRs vested and they have now lapsed. Details are provided in the Company's Annual Report.

The Australian Government has recently proposed legislative changes to the rules relating to employee share plans, including those applicable to the short-term plan for Mr T P Park. At the time of drafting this Notice, the legislation had not been enacted and certain aspects of the new rules had not been clarified. The proposed grants of PSRs to Mr T P Park are based on the current rules for employee share plans. Once the legislation is enacted and the rules have been clarified, it may be necessary to review the terms of the proposed grants to Mr T P Park.

Share Registry

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