

# PaperlinX

## PaperlinX Step-up Preference Securities

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**Issuer:**

**Permanent Investment Management Limited**

(ABN 45 003 278 831, AFSL 235150) as responsible entity for  
the PaperlinX SPS Trust (ARSN 123 839 814)

**Product Disclosure Statement**

PaperlinX Step-up Preference Securities offer  
to raise up to \$250 million with an ability to  
accept oversubscriptions for up to \$50 million

**Structurer, Lead Manager and Bookrunner:**

Macquarie Equity Capital Markets Limited

**Co-Managers:**

ABN AMRO Morgans Limited  
ANZ Securities Limited  
Grange Securities Limited  
Macquarie Equities Limited  
National OnLine Trading Limited

**PaperlinX SPS Information Line  
1300 738 908**



MACQUARIE

# PaperlinX Step-up Preference Securities ('PaperlinX SPS') Important Information

## Replacement Product Disclosure Statement

This Replacement Product Disclosure Statement is dated 7 March 2007 and was lodged with the Australian Securities and Investments Commission ('ASIC') on that date. The Replacement Product Disclosure Statement replaces the product disclosure statement lodged with ASIC on 22 February 2007 ('Original Product Disclosure Statement'). References to Product Disclosure Statement in this document are references to the Replacement Product Disclosure Statement. The offer contained in this Product Disclosure Statement is for an issue of PaperlinX SPS ('the Offer') by Permanent Investment Management Limited (ABN 45 003 278 831) as responsible entity of the PaperlinX SPS Trust (ARSN 123 839 814) ('Issuer').

You should read this Product Disclosure Statement in its entirety before deciding whether to participate in the Offer, and, in particular, you should consider the risk factors that could affect the performance of the PaperlinX SPS or PaperlinX Limited ('PaperlinX'), some of which are outlined in Section 6.

The information in this Product Disclosure Statement is not financial product advice and does not take into account your individual investment objectives, financial situation or needs. You should carefully consider the whole of this Product Disclosure Statement in light of your particular investment needs, objectives and financial situation (including your financial and taxation situation). If, after reading this Product Disclosure Statement, you have any questions about the Offer, you should contact your stockbroker, solicitor, accountant or other professional adviser. No cooling off rights apply to the issue of PaperlinX SPS. The Issuer will apply to the Australian Securities Exchange ('ASX') for the PaperlinX SPS Trust to be admitted to the Official List of ASX and for the PaperlinX SPS to be quoted on ASX as soon as practicable following the date of this Product Disclosure Statement and in any event within seven days of the date of this Product Disclosure Statement.

ASIC and ASX take no responsibility for the content of this Product Disclosure Statement or for the merits of the investment to which this Product Disclosure Statement relates.

## PaperlinX SPS are not issued by PaperlinX

PaperlinX SPS are not an investment in, or a liability of, PaperlinX or any member of the PaperlinX Group and are subject to investment risk including possible non-payment and loss of income or capital invested. Neither PaperlinX nor any member of the PaperlinX Group in any way guarantees the capital value and/or performance of PaperlinX SPS or the assets of the PaperlinX SPS Trust or any particular rate of return. None of the obligations of the Issuer are guaranteed in any way by PaperlinX or any member of the PaperlinX Group.

## Foreign jurisdictions

The distribution of this Product Disclosure Statement in jurisdictions outside Australia may be restricted by law. If you come into possession of it you should seek advice on such restrictions and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

This Product Disclosure Statement does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify PaperlinX SPS or to otherwise permit a public offering of PaperlinX SPS outside Australia. PaperlinX SPS may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws of that jurisdiction.

PaperlinX SPS have not been, and will not be, registered under the United States Securities Act of 1933 ('Securities Act') and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the Securities Act).

THIS PRODUCT DISCLOSURE STATEMENT MAY NOT BE DISTRIBUTED IN THE UNITED STATES OR TO ANY US PERSON.

## No representations other than in this Product Disclosure Statement

No person is authorised to give any information, or to make any representation, in connection with the Offer described in this Product Disclosure Statement that is not contained in this Product

Disclosure Statement. Any information or representation that is not in this Product Disclosure Statement may not be relied on as having been authorised by the Issuer or any other person in connection with the Offer.

## Future performance

Except as required by law, and only then to the extent so required, neither the Issuer nor any other person warrants or guarantees the future performance of PaperlinX SPS or any return on any investment made pursuant to this Product Disclosure Statement.

## Product Disclosure Statement availability

This Product Disclosure Statement is available to Australian investors in paper form by calling the PaperlinX SPS Information Line on 1300 738 908 (8.30am to 5.00pm AEDT Monday to Friday) and as an electronic Product Disclosure Statement, which may be viewed online at [www.paperlinx.com](http://www.paperlinx.com). Applications for PaperlinX SPS made by Australian investors may only be made on the Application Form attached to or accompanying this Product Disclosure Statement or its online copy form as downloaded in its entirety from [www.paperlinx.com](http://www.paperlinx.com). The Corporations Act prohibits any person from passing onto another person the Application Form unless it is attached to, or accompanied by, the complete and unaltered version of the Product Disclosure Statement. During the Offer Period, any person may obtain a free hard copy of this Product Disclosure Statement by contacting the Registry or the PaperlinX SPS Information Line on 1300 738 908 (8.30am to 5.00pm AEDT Monday to Friday).

Information in this Product Disclosure Statement that is not materially adverse information is subject to change from time to time and may be updated by the Issuer. This information may be updated and made available to you on the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com) or by contacting the PaperlinX SPS Information Line on 1300 738 908. A paper copy of any updated information is available free on request.

## Exposure Period

The Corporations Act prohibits the processing of Applications in the period of seven days after the date of lodgment of the Original Product Disclosure Statement ('Exposure Period'). This period may be extended by ASIC by up to a further seven days. This period is an exposure period to enable the Original Product Disclosure Statement to be examined by market participants prior to the raising of funds. Applications received during the Exposure Period will not be processed until after the expiry of that period. No preference will be conferred on Applications received during the Exposure Period.

## Diagrams

Diagrams used in the Product Disclosure Statement are illustrative only and may not be drawn to scale. Unless otherwise stated, all data contained in charts, graphs and tables is based on information available at the date of this Product Disclosure Statement.

## Defined words and expressions

Some words and expressions used in this Product Disclosure Statement have defined meanings, which are either explained in the Glossary or in clause 20 of the PaperlinX SPS Terms set out in Section 11.

A reference to time in this Product Disclosure Statement is to Australian Eastern Daylight Time (AEDT) unless otherwise stated.

The financial amounts in this Product Disclosure Statement are expressed in Australian currency unless otherwise stated. A reference to \$, A\$, AUD and cents is to Australian currency, unless otherwise stated.

## Enquiries

If you have any questions in relation to the Offer, please contact your stockbroker, solicitor, accountant or other financial adviser. If you have questions in relation to how to complete the Application Form, please call the PaperlinX SPS Information Line on 1300 738 908 (8.30am to 5.00pm AEDT Monday to Friday).

## Privacy

Please read the privacy statement located at Section 3.21 of this Product Disclosure Statement. By submitting the Application Form accompanying this Product Disclosure Statement, you consent to the matters outlined in that statement.

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# Letter from the Chairman – PaperlinX Limited

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22 February 2007

Dear Investor,

On behalf of the Board of PaperlinX Limited ('PaperlinX'), I am pleased to present you with an opportunity to invest in PaperlinX Step-up Preference Securities (PaperlinX SPS).

The PaperlinX SPS are preferred units in the PaperlinX SPS Trust which has been established to raise funds for the PaperlinX Group. Application will be made to list the PaperlinX SPS on the Australian Securities Exchange.

It is important that you read the Product Disclosure Statement carefully and consider particularly the risks in Section 6 before deciding whether to subscribe for PaperlinX SPS. If you have any questions in respect of the Offer, please call the PaperlinX SPS Information Line on 1300 738 908 (8.30am to 5.00pm AEDT Monday to Friday), or consult your stockbroker, solicitor, accountant or other professional adviser.

Yours sincerely



**David E Meiklejohn**  
Chairman



# Key Dates

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Product Disclosure Statement lodged with ASIC	22 February 2007
Bookbuild	6 March 2007
Replacement Product Disclosure Statement lodged with ASIC	7 March 2007
Broker Firm, General and Shareholder Priority Offer Opening Date	7 March 2007
General and Shareholder Priority Offer Closing Date	23 March 2007
Broker Firm Offer Closing Date	27 March 2007
Issue Date	30 March 2007
PaperlinX SPS commence trading on ASX on a deferred settlement basis	2 April 2007
Allotment Statements dispatched	4 April 2007
PaperlinX SPS commence trading on ASX on a normal settlement basis	5 April 2007
First Distribution Payment Date	30 June 2007
First Remarketing Date	30 June 2012

These dates are indicative only and are subject to change. The Issuer has the right to extend the Closing Dates, to close the Offer early without notice or to withdraw the Offer at any time prior to the issue of PaperlinX SPS. Accordingly, investors are encouraged to submit their Application Forms as soon as possible after the Opening Date. If the Closing Dates are extended, the subsequent dates may also be extended.

The Issuer will apply to ASX within seven days after the date of this Product Disclosure Statement for PaperlinX SPS to be quoted on ASX.

# Key Features of PaperlinX SPS

This summary is designed to provide investors with the key features of PaperlinX SPS. More detailed information is set out in Sections 1 and 2 and elsewhere in this Product Disclosure Statement.

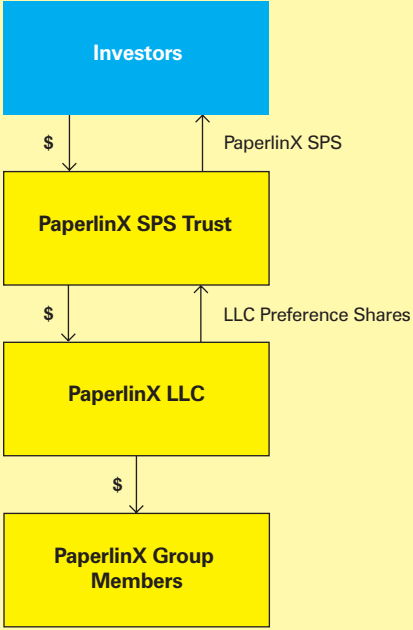
You should read this Product Disclosure Statement in its entirety, including the risks set out in Section 6, before deciding whether to invest in PaperlinX SPS.

<b>Security</b>	PaperlinX SPS are perpetual, preferred units in the PaperlinX SPS Trust.
<b>Face Value</b>	\$100
<b>Distributions</b>	Unfranked, semi-annual, floating rate, discretionary and non-cumulative.
<b>Distribution Rate</b>	180 day Bank Bill Swap Rate + Margin
<b>Initial Margin</b>	2.40% per annum
<b>Dividend Restriction</b>	A Dividend Restriction will apply to PaperlinX if PaperlinX SPS Distributions are not paid.
<b>Remarketing</b>	The Issuer can initiate a process to adjust the Margin and other terms on a Remarketing Date.
<b>First Remarketing Date</b>	30 June 2012
<b>Step-up Margin</b>	Margin plus 2.25%
<b>Realisation</b>	Realisation of PaperlinX SPS may be by any one or more of the following: <ul style="list-style-type: none"> <li>• Redemption (for cash);</li> <li>• Exchange (for PaperlinX Ordinary Shares); or</li> <li>• Resale (for cash).</li> </ul>
<b>Holder Realisation Rights</b>	Holders may request Realisation of PaperlinX SPS following a Change of Control Event, but in no other circumstances.
<b>Holder Preference Share Exchange Right</b>	PaperlinX must exchange the PaperlinX SPS for Preference Shares in PaperlinX if: <ul style="list-style-type: none"> <li>• a PaperlinX Breach of Undertakings Event occurs (including breach of the Dividend Restriction); or</li> <li>• a PaperlinX Winding Up Event occurs.</li> </ul> <p>A PaperlinX Preference Share issued on a PaperlinX Breach of Undertakings Event is immediately redeemable at the option of the Holder.</p>

<b>PaperlinX's Realisation Rights</b>	<p>PaperlinX may cause the Issuer to Realise PaperlinX SPS in the following circumstances:</p> <ul style="list-style-type: none"> <li>• on a Periodic Remarketing Date (irrespective of whether a Remarketing process has taken place);</li> <li>• on any Distribution Payment Date if the Step-up Margin applies;</li> <li>• following an Acquisition Event;</li> <li>• following an RE Removal Event or a Trust Winding Up Event;</li> <li>• following a Tax Event, Regulatory Event or Accounting Event; and</li> <li>• if the aggregate Face Value of PaperlinX SPS on issue is less than \$50 million.</li> </ul>
<b>Credit Rating</b>	<p>Unrated. However, PaperlinX may initiate a Credit Rating Remarketing after obtaining a credit rating. The Remarketing Margin applying after the Credit Rating Remarketing must not be less than the current Margin.</p>
<b>Holder Participation in Takeover Premium</b>	<p>On Realisation following a Change of Control Event or Acquisition Event, Holders will participate in a portion of any bid premium paid for PaperlinX Ordinary Shares.</p>
<b>Ranking</b>	<p>On exchange into PaperlinX Preference Shares, Holders will rank ahead of PaperlinX Ordinary Shareholders but behind all creditors of PaperlinX.</p>
<b>ASX Trading Code</b>	<p>PaperlinX SPS are expected to trade on ASX as PXUPA.</p>
<b>Risks</b>	<p>See Section 1.9 and Section 6.</p>
<b>Not a direct investment in PaperlinX</b>	<p>An investment in PaperlinX SPS is not an investment directly in PaperlinX. PaperlinX does not guarantee the payment of Distributions on PaperlinX SPS or their capital value and/or performance as an investment.</p>

# 1. Description of PaperlinX SPS

The PaperlinX SPS Terms are set out in Section 11.

	Refer to clause in PaperlinX SPS Terms
<p><b>1.1 Description of PaperlinX SPS</b></p> <p>PaperlinX Step-up Preference Securities ('PaperlinX SPS') are units in the PaperlinX SPS Trust. The PaperlinX SPS Trust is a registered managed investment scheme and the responsible entity of the PaperlinX SPS Trust is Permanent Investment Management Limited (the 'Issuer').</p>	Clause 2
<p><b>1.2 Use of Proceeds of Offer</b></p> <p>The PaperlinX SPS Trust will use the proceeds of the Offer to subscribe for shares in a subsidiary of PaperlinX ('PaperlinX LLC'). PaperlinX LLC will in turn invest the proceeds of subscription in members of the PaperlinX Group.</p> <p>The PaperlinX Group will use the net proceeds to retire debt.</p>	 <pre> graph TD     Investors[Investors] -- "\$" --&gt; Trust[PaperlinX SPS Trust]     Trust -- "PaperlinX SPS" --&gt; Investors     Trust -- "\$" --&gt; LLC[PaperlinX LLC]     LLC -- "LLC Preference Shares" --&gt; Trust     LLC -- "\$" --&gt; Members[PaperlinX Group Members]     </pre>
<p><b>1.3 Distributions</b></p> <p>PaperlinX SPS offer unfranked, semi-annual, floating rate, discretionary, non-cumulative Distributions.</p> <p>Distributions are scheduled to be paid on 30 June and 31 December each year with the first Distribution scheduled for 30 June 2007.</p> <p>Distributions will be calculated using the following formula:</p> $\frac{\text{Distribution Rate} \times \$100 \times \text{number of days in the relevant Distribution Period}}{365}$ <p>where the Distribution Rate is the Market Rate determined on the first Business Day of the relevant Distribution Period plus the Margin.</p> <p>The first Distribution Period commences on (and includes) the Issue Date and ends on (and includes) the first Distribution Payment Date.</p>	Clause 3
<p><b>1.4 The Issuer has a discretion not to pay Distributions</b></p> <p>If a Distribution is not paid in full, the Distribution does not accumulate and may never be paid on the PaperlinX SPS. In this circumstance Holders do not have the right to require the Issuer to make the Distribution or to Realise their PaperlinX SPS.</p> <p>However, if a Distribution is not paid in full, PaperlinX will be prohibited from paying dividends or making any other distribution on any class of its share capital or reducing or buying back any share capital. This restriction does not apply in certain circumstances, in particular, if an Optional Distribution is paid to Holders.</p>	<p>Clause 3.4</p> <p>Clause 4</p>

## 1. Description of PaperlinX SPS

	Refer to clause in PaperlinX SPS Terms
<p><b>1.5 Maturity and Realisation</b></p> <p>PaperlinX SPS are perpetual unless redeemed for cash, exchanged into PaperlinX Ordinary Shares or exchanged into PaperlinX Preference Shares. They do not have a maturity date.</p> <p>Holders may request that their PaperlinX SPS be Realised following a Change of Control Event, but in no other circumstances.</p> <p>PaperlinX may cause the Issuer to Realise the PaperlinX SPS in certain circumstances including:</p> <ul style="list-style-type: none"> <li>• on a Periodic Remarketing Date (irrespective of whether a Remarketing process has taken place);</li> <li>• on any Distribution Payment Date, if the Step-up Margin applies;</li> <li>• following an Acquisition Event;</li> <li>• following a Tax Event, Regulatory Event or Accounting Event;</li> <li>• following a RE Removal Event or a Trust Winding Up Event;</li> <li>• if the aggregate Face Value of PaperlinX SPS on issue is less than \$50 million.</li> </ul> <p>PaperlinX elects how PaperlinX SPS are to be Realised – Realisation must be by any one or more of the following:</p> <ul style="list-style-type: none"> <li>• Redemption of the PaperlinX SPS for cash; or</li> <li>• Exchange of the PaperlinX SPS for PaperlinX Ordinary Shares; or</li> <li>• Resale of the PaperlinX SPS to a third party.</li> </ul> <p>The PaperlinX SPS will be exchanged for Preference Shares in PaperlinX if:</p> <ul style="list-style-type: none"> <li>• a PaperlinX Breach of Undertakings Event occurs (including breach of the Dividend Restriction); or</li> <li>• a PaperlinX Winding Up Event occurs.</li> </ul> <p>A PaperlinX Preference Share issued on a PaperlinX Breach of Undertakings Event is immediately redeemable at the option of the Holder.</p>	<p>Clause 7</p> <p>Clause 11</p>
<p><b>1.6 Remarketing</b></p> <p>The Issuer can initiate a process to adjust the Margin and other terms of the PaperlinX SPS on a Remarketing Date.</p> <p>The first scheduled Remarketing Date is 30 June 2012.</p> <p>If the process results in a Successful Remarketing and the Issuer elects to set a Remarketing Margin, the Remarketing Margin will apply to all PaperlinX SPS until the next Remarketing Date. Those Holders who did not agree to the Remarketing Margin will have their PaperlinX SPS Realised.</p> <p>If the process results in an Unsuccessful Remarketing, there is no Remarketing process or the process results in a Successful Remarketing, but the Issuer does not set a Remarketing Margin, the Step-up Margin will apply to any PaperlinX SPS on issue after the Remarketing Date and no other terms will be added or adjusted.</p> <p>The Issuer can initiate a New Credit Rating Remarketing if it obtains a credit rating (it can only do this once). The Remarketing Margin under a New Credit Rating Remarketing must not be less than the then applicable Margin, although the Issuer may propose other new terms to Holders.</p>	<p>Clause 5</p> <p>Clause 6</p>
<p><b>1.7 Voting</b></p> <p>Holders are entitled to attend, speak and vote at meetings of the PaperlinX SPS Trust. However, Holders have no rights to attend, speak or vote at meetings of PaperlinX (except as holders of PaperlinX Ordinary Shares or PaperlinX Preference Shares following an exchange of their PaperlinX SPS).</p>	<p>Clause 18.2</p>

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## 1.8 Role of PaperlinX

All funds raised by the issue of the PaperlinX SPS will be invested by the Issuer in preference shares in PaperlinX LLC ('LLC Preference Shares'), a subsidiary of PaperlinX. The LLC Preference Shares entitle the Issuer to distributions on terms similar to the PaperlinX SPS. In particular, distributions on the LLC Preference Shares are discretionary and non-cumulative.

In order for the Issuer to make Distributions on PaperlinX SPS, the Issuer must have received distributions on its LLC Preference Shares. If PaperlinX LLC elects not to make a distribution, the Issuer will not be in a position to elect to pay a Distribution to Holders. If a Distribution is not paid to Holders in full when scheduled, PaperlinX will be subject to the Dividend Restriction.

If PaperlinX fails to comply with this Dividend Restriction or otherwise fails to comply with its obligations in respect of the PaperlinX SPS, PaperlinX must issue Preference Shares in PaperlinX to Holders in exchange for their PaperlinX SPS. These Preference Shares are immediately redeemable at the option of the Holders.

Further, PaperlinX must also issue Preference Shares if a PaperlinX Winding Up Event occurs.

Accordingly, investors in PaperlinX SPS may become holders of PaperlinX Preference Shares. If for any reason PaperlinX Preference Shares are not issued, Holders will have rights against PaperlinX to put them in the same position as if the PaperlinX Preference Shares had been issued. Holders will have no other rights against the Issuer or any member of the PaperlinX Group.

An investment in PaperlinX SPS is not an investment directly in PaperlinX. PaperlinX does not guarantee the payment of Distributions on PaperlinX SPS or their capital value and/or performance as an investment.

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## 1.9 Risks

The risks associated with investing in PaperlinX SPS include, but are not limited to, the following:

- Distributions are at the discretion of the Issuer and may not be paid;
- if PaperlinX LLC elects not to make a distribution on the LLC Preference Shares, the Issuer will not be in a position to elect to pay a Distribution to Holders. The financial position of the PaperlinX Group may affect whether PaperlinX LLC elects to make a distribution. Some of the risks relating to the PaperlinX Group are set out in Section 6;
- PaperlinX Group may incur further indebtedness without the prior consent of Holders;
- PaperlinX SPS are perpetual and have no maturity date. Holders have no right to require redemption except:
  - for a right to request Realisation on the occurrence of a Change of Control Event; and
  - for a right to receive a PaperlinX Preference Share and have it redeemed if a PaperlinX Breach of Undertakings Event occurs. (However, redemption is subject to PaperlinX having sufficient profits or proceeds from a share issue made for that purpose);
- if a PaperlinX Winding Up Event occurs, PaperlinX SPS will be exchanged for Preference Shares in PaperlinX;
- the Distribution Rate is based on a floating market interest rate and may rise or fall;
- the market price of PaperlinX SPS may fluctuate and may trade below the Issue Price;
- the market liquidity for PaperlinX SPS may be less than the market liquidity for PaperlinX Ordinary Shares. As a result, Holders who wish to sell their PaperlinX SPS may be unable to do so at an acceptable price, if at all;
- elections made by the Issuer in respect of Redemption, Exchange or Resale may not align with the preferences of the Holders;
- on a Successful Remarketing, the Margin may be reduced (except on a New Credit Rating Remarketing) and other important terms of the PaperlinX SPS may be varied;
- changes in tax laws or securities laws or their interpretation or administration, or in accounting treatment, entitle the Issuer to Realise PaperlinX SPS early.

Please refer to Section 6 of this Product Disclosure Statement where risks associated with investing in PaperlinX SPS are set out in greater detail.

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## 1.10 Quotation

Application will be made to ASX within seven days after the date of this Product Disclosure Statement for official quotation of the PaperlinX SPS. It is expected that trading of PaperlinX SPS on ASX will commence on or about 2 April 2007 on a deferred settlement basis and that Allotment Statements will be dispatched by 4 April 2007.

If quotation approval is not granted by ASX, the PaperlinX SPS will not be issued and application moneys will be refunded to Applicants without interest.

# 2. Key Questions and Answers

# The Offer

		Refer to PaperlinX SPS Terms
<b>Who is the Issuer?</b>	<p>Permanent Investment Management Limited (ABN 45 003 278 831) as responsible entity of the PaperlinX SPS Trust. The Issuer is ultimately wholly owned by Trust Company Limited. The Issuer acts as responsible entity for a number of registered managed investment schemes and has substantial expertise and experience in acting as a responsible entity.</p> <p>Permanent Trustee Company Limited ('Permanent') was established in 1887 and is one of Australia's oldest financial services providers. In 2002, Permanent merged with Trust Company Limited, a publicly listed company established in 1885. The merged group, known as Trust Group, is one of the leading financial services organisations in Australia.</p> <p>The Issuer is a member of the Trust Group. The Issuer is not a member of the PaperlinX Group.</p> <p>Permanent Investment Management Limited has been engaged by PaperlinX to be the responsible entity of the PaperlinX SPS Trust. The responsible entity may retire or be replaced in certain circumstances.</p>	Clause 20

## Distributions

		Refer to PaperlinX SPS Terms
<b>What is the Distribution Rate?</b>	The Distribution Rate is the sum of the Market Rate determined on the first Business Day of the relevant Distribution Period and the Margin.	Clause 3
<b>What is the Market Rate?</b>	<p>The Market Rate is initially the 180 day Bank Bill Swap Rate. The 180 day Bank Bill Swap Rate is a benchmark interest rate (expressed as a rate per annum) for bills with a term of 180 days in the Australian money market. It appears on Bloomberg, page AFRS-3.</p> <p>The Issuer may propose an alternative to the 180 day Bank Bill Swap Rate as part of a Remarketing process.</p>	<p>Clause 3</p> <p>Clause 5</p>
<b>What is the Margin?</b>	<p>The Margin is the percentage rate per annum which is added to the Market Rate, to determine the Distribution Rate. The Initial Margin is 2.40% per annum.</p> <p>On the first Periodic Remarketing Date (on 30 June 2012), the Margin will be:</p> <ul style="list-style-type: none"> <li>• adjusted following a Successful Remarketing; or</li> <li>• increased to the 'Step-up Margin'.</li> </ul>	<p>Clauses 3 and 20</p> <p>Clause 5</p>
<b>Who is entitled to a Distribution?</b>	All registered Holders on the Record Date for the Distribution, subject to the Issuer's discretion to not make a Distribution.	Clause 3.1
<b>What is the Dividend Restriction?</b>	<p>If a Distribution has not been paid in full within five Business Days of the relevant Distribution Payment Date, or PaperlinX breaches its obligation to pay the Redemption Amount or issue PaperlinX Ordinary Shares or PaperlinX Preference Shares when it is required to do so, then the Dividend Restriction applies, under which PaperlinX must not:</p> <ul style="list-style-type: none"> <li>• declare or otherwise determine to pay or pay any dividend on any class of its share capital; or</li> <li>• redeem, reduce, cancel, buyback or acquire for any consideration any share capital,</li> </ul> <p>except for pro rata payments to Holders and the holders of any security of PaperlinX which ranks equally with the PaperlinX Preference Shares.</p> <p>This Dividend Restriction ceases to apply where:</p> <ul style="list-style-type: none"> <li>• consecutive scheduled Distributions in respect of a 12 month period have been paid to Holders; or</li> <li>• an amount per PaperlinX SPS equal to unpaid scheduled Distributions for the period of 12 months immediately preceding (but including) the date of payment of that amount ('an Optional Distribution') has been paid to Holders; or</li> <li>• all PaperlinX SPS have been Redeemed or exchanged for PaperlinX Ordinary Shares or PaperlinX Preference Shares; or</li> <li>• a special resolution of the Holders of the PaperlinX SPS has been passed approving a dividend, distribution or return of capital.</li> </ul> <p>If this Dividend Restriction is breached, PaperlinX SPS will be exchanged for Preference Shares in PaperlinX which are redeemable immediately at the option of Holders. Each PaperlinX SPS will be exchanged for one PaperlinX Preference Share.</p>	<p>Clause 4</p> <p>Clause 11</p>

# Realisation

		Refer to PaperlinX SPS Terms
<b>What is Realisation?</b>	Realisation of PaperlinX SPS is one or more of the following (at the election of PaperlinX): <ul style="list-style-type: none"> <li>• Redemption (for cash);</li> <li>• Exchange (for Ordinary Shares in PaperlinX);</li> <li>• Sale to a third party ('Resale').</li> </ul>	Clause 20
<b>When may a Holder request Realisation of their PaperlinX SPS?</b>	<p>Holders may only request that their PaperlinX SPS be Realised if a Change of Control Event occurs. Holders request their PaperlinX SPS be Realised by giving a Holder Realisation Notice.</p> <p>Upon receipt of a Holder Realisation Notice, the Issuer must at its election Redeem, Exchange for PaperlinX Ordinary Shares, or Resell the Holder's PaperlinX SPS.</p>	<p>Clause 7.1</p> <p>Clause 7.3</p>
<b>What is a Change of Control Event?</b>	<p>A Change of Control Event is where:</p> <p>(a) a takeover bid is made to acquire all or some PaperlinX Ordinary Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and:</p> <ul style="list-style-type: none"> <li>(i) the bidder's voting power in PaperlinX increases to more than 50% of the PaperlinX Ordinary Shares on issue; and</li> <li>(ii) PaperlinX issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or</li> </ul> <p>(b) a court orders the holding of a meeting to approve a scheme of arrangement which scheme has been recommended by at least a majority of the directors of PaperlinX eligible to do so and which, when implemented, would result in a person having a relevant interest in more than 50% of the PaperlinX Ordinary Shares that would be on issue if the scheme were implemented and:</p> <ul style="list-style-type: none"> <li>(i) all classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and</li> <li>(ii) all conditions to the implementation of the scheme (other than approval of the scheme by the court) have been satisfied or waived.</li> </ul>	Clause 20
<b>What is Redemption?</b>	Redemption is the cash payment of the Redemption Amount to Holders and the cancellation of the PaperlinX SPS.	Clause 8.1
<b>What is the Redemption Amount?</b>	<p>In all cases except as outlined below, the Redemption Amount is an amount equal to \$100 plus any unpaid amount of scheduled Distributions for a period of 12 months immediately preceding (but including) the date of Realisation, plus an amount equivalent to a Distribution for the period to the date of Realisation.</p> <p>Where the Redemption is a result of a Change of Control Event or an Acquisition Event, the Redemption Amount is an amount equal to (i) the number of PaperlinX Ordinary Shares that would have been issued on Exchange as a result of those events; multiplied by (ii) the average of the volume weighted average sale price on ASX of PaperlinX Ordinary Shares over the 20 Business Days on which trading in PaperlinX Ordinary Shares took place up to (and including) the Business Day before the date of Realisation.</p>	Clause 8.2



# Preference Share Exchange

		Refer to PaperlinX SPS Terms
<p><b>When are PaperlinX SPS exchanged into Preference Shares in PaperlinX?</b></p>	<p>PaperlinX must exchange the PaperlinX SPS for Preference Shares in PaperlinX if a PaperlinX Breach of Undertakings Event occurs or if a PaperlinX Winding Up Event occurs.</p> <p>A Preference Share issued as a result of a PaperlinX Breach of Undertakings Event is redeemable immediately at the option of Holders. A Preference Share issued as a result of a PaperlinX Winding Up Event is not redeemable at the option of the Holders.</p>	Clause 11
<p><b>What is a PaperlinX Breach of Undertakings Event?</b></p>	<p>Under the Constitution, PaperlinX has undertaken with the Issuer for the benefit of Holders to comply with obligations imposed on it under the LLC Preference Share Terms and the PaperlinX SPS Terms.</p> <p>These obligations include:</p> <ul style="list-style-type: none"> <li>• to comply with the Dividend Restriction;</li> <li>• to pay cash, issue PaperlinX Ordinary Shares or Resell PaperlinX SPS as required to Realise PaperlinX SPS if a Change of Control Event occurs or if the Issuer elects to Realise the PaperlinX SPS; and</li> <li>• not to issue any preference share which ranks for payment of a dividend or for a return of capital in a winding up ahead of the PaperlinX Preference Shares.</li> </ul> <p>It will be a PaperlinX Breach of Undertakings Event if the Issuer gives a notice to PaperlinX of a breach and, if the breach is remediable, that breach has not been remedied within 3 Business Days of receipt of the notice.</p>	Clause 20
<p><b>What is a PaperlinX Winding Up Event?</b></p>	<p>It will be a PaperlinX Winding Up Event if:</p> <ul style="list-style-type: none"> <li>• an order is made by a court of competent jurisdiction for the winding up of PaperlinX or PaperlinX LLC (as the case may be) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or</li> <li>• a resolution is duly passed by the members of PaperlinX or PaperlinX LLC for the winding up of PaperlinX or PaperlinX LLC (as the case may be),</li> </ul> <p>in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a Special Resolution of Holders.)</p>	Clause 20

## Issuer's Realisation Rights

		Refer to PaperlinX SPS Terms
<b>When can the Issuer Realise your PaperlinX SPS?</b>	<p>The Issuer may Realise your PaperlinX SPS on a Periodic Remarketing Date (irrespective of whether Remarketing has taken place) or on any Distribution Payment Date if the Step-up Margin applies.</p> <p>In addition the Issuer may Realise your PaperlinX SPS if any of the following events occur:</p> <ul style="list-style-type: none"> <li>• an Acquisition Event;</li> <li>• an RE Removal Event;</li> <li>• a Trust Winding Up Event;</li> <li>• a Tax Event;</li> <li>• a Regulatory Event; or</li> <li>• an Accounting Event.</li> </ul>	Clause 7.4 and 20
<b>What is an Acquisition Event?</b>	<p>An Acquisition Event is where:</p> <ul style="list-style-type: none"> <li>• a takeover bid is made to acquire all or some PaperlinX Ordinary Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and either: <ul style="list-style-type: none"> <li>– the bidder's voting power in PaperlinX increases to more than 50%; or</li> <li>– PaperlinX issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or</li> </ul> </li> <li>• a court orders the holding of a meeting to approve a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50% of the PaperlinX Ordinary Shares that would be on issue if the scheme were implemented and all classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme.</li> </ul>	Clause 20
<b>What is an RE Removal Event?</b>	<p>An RE Removal Event occurs where Holders pass a resolution to remove the Issuer as responsible entity of the PaperlinX SPS Trust and the replacement responsible entity is not a member of the PaperlinX Group or a person approved by PaperlinX.</p>	Clauses 7.4 and 20
<b>What is a Trust Winding Up Event?</b>	<p>A Trust Winding Up Event occurs if a meeting is called to consider a resolution directing the Issuer as responsible entity of the PaperlinX SPS Trust to wind up that trust.</p>	Clauses 7.4 and 20
<b>What is a Tax Event?</b>	<p>Broadly, a Tax Event is where the PaperlinX directors determine that a Change in Law or Administrative Action after the Issue Date has resulted or may result in a more than negligible increase in taxes or costs or denial of a deduction or other tax benefit for a member of the PaperlinX Group, the Issuer or the PaperlinX SPS Trust.</p> <p>A Tax Event may occur if there is a change in tax law or interpretation of tax law in Australia, the United States of America, the United Kingdom or any jurisdiction in which a member of the PaperlinX Group is resident or carries on business if that member has been funded by PaperlinX LLC, if that change increases costs or denies deductions or tax benefits as described above.</p>	Clauses 7.4 and 20

## Issuer's Realisation Rights continued

		Refer to PaperlinX SPS Terms
<b>What is a Regulatory Event?</b>	A Regulatory Event is (broadly) where the PaperlinX directors determine that as a result of a change in law or regulation or interpretation relating to securities or the ASX Listing Rules any member of the PaperlinX Group or the PaperlinX SPS Trust has been or will be exposed to the imposition of additional requirements which the PaperlinX directors determine to be unacceptable.	Clauses 7.4 and 20
<b>What is an Accounting Event?</b>	An Accounting Event is where the PaperlinX directors determine that a change in Australian Accounting Standards or their interpretation or implementation has had or may have the effect that: <ul style="list-style-type: none"><li>• the PaperlinX SPS would be treated in PaperlinX's consolidated financial statements or in the stand-alone accounts of the PaperlinX SPS Trust, other than as equity; or</li><li>• the LLC Preference Shares would be treated in the stand-alone accounts of PaperlinX LLC (if such accounts were prepared) other than as equity.</li></ul>	Clauses 7.4 and 20

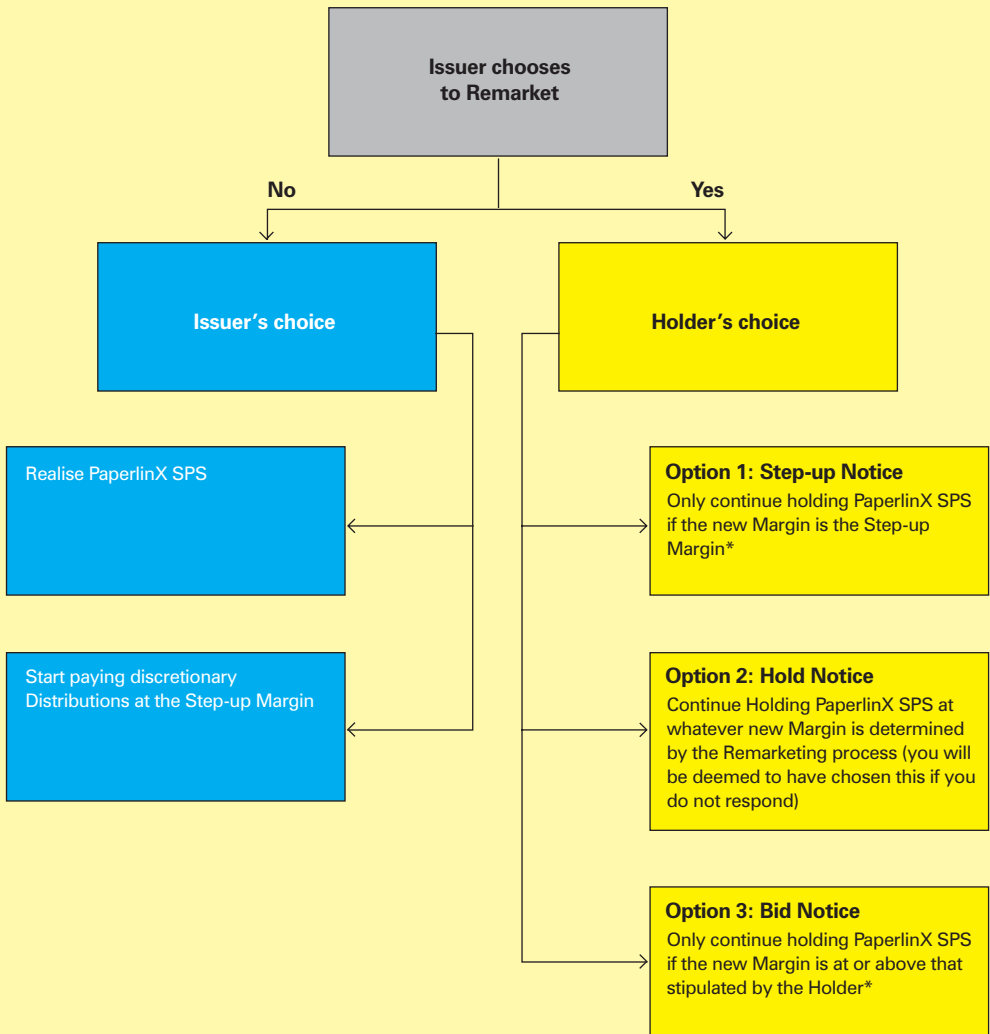
## Remarketing

		Refer to PaperlinX SPS Terms
<b>What is Remarketing?</b>	<p>Remarketing is a process initiated by the Issuer to adjust the Margin and add or adjust other terms of the PaperlinX SPS on a Remarketing Date. Holders may participate in this process by responding to a Remarketing Invitation. The first Periodic Remarketing Date is 30 June 2012.</p> <p>The Issuer may also initiate a Remarketing process if PaperlinX obtains a credit rating. New Credit Rating Remarketing is explained below under 'New Credit Rating Remarketing'.</p>	Clause 5
<b>When are Remarketing Dates?</b>	<p>The first Periodic Remarketing Date is 30 June 2012. Subsequent Periodic Remarketing Dates may be set as part of a Remarketing process.</p> <p>If a Remarketing is unsuccessful and the Step-up Margin applies, each subsequent Distribution Payment Date will be a Periodic Remarketing Date until a different Remarketing Date is set under a Successful Remarketing process.</p>	Clauses 5.1 and 20
<b>What are the Issuer's options on a Periodic Remarketing Date?</b>	<p>In connection with a Remarketing Date other than a New Credit Rating Remarketing Date, the Issuer may choose to:</p> <ul style="list-style-type: none"> <li>• conduct a Remarketing process to establish a new Margin and add or adjust such other terms of the PaperlinX SPS as it may request, to apply until the next Remarketing Date;</li> <li>• Realise PaperlinX SPS; or</li> <li>• begin paying Distributions at the Step-up Margin on the PaperlinX SPS.</li> </ul>	Clause 5.3
<b>How does a Remarketing commence?</b>	<p>If a Remarketing is to be conducted, the Issuer will notify Holders by delivering a Remarketing Invitation that will offer Holders a Margin range and specify any other terms proposed to be added or adjusted from the Remarketing Date.</p>	Clause 5.1
<b>How may a Holder participate in a Remarketing?</b>	<p>Holders may respond to a Remarketing Invitation by submitting one of the following Notices:</p> <ul style="list-style-type: none"> <li>• 'Step-up Notice': Holders send this Notice if they do not wish to continue holding their PaperlinX SPS unless the Step-up Margin applies;</li> <li>• 'Bid Notice': Holders send this Notice if they do not wish to continue to hold their PaperlinX SPS unless the Remarketing Margin is at least equal to the rate which they bid, which rate must be within the range proposed by the Issuer; or</li> <li>• 'Hold Notice': Holders send this Notice if they wish to continue to hold the PaperlinX SPS at whatever Margin applies from the Remarketing Date.</li> </ul> <p>A Holder who does not respond within the time required is deemed to have given a Hold Notice.</p>	Clause 5.2
<b>What are the possible outcomes of a Remarketing?</b>	<p>A Remarketing will either be 'successful' or 'unsuccessful'.</p> <p>Irrespective of the outcome of a Remarketing, the Issuer may elect to Realise PaperlinX SPS on the relevant Remarketing Date.</p>	Clauses 5.3 and 7

## Remarketing continued

		Refer to PaperlinX SPS Terms
<b>What is a Successful Remarketing?</b>	The Issuer may only set a new Margin if Holders give a Hold Notice (excluding a deemed Hold Notice) or a Bid Notice specifying a Margin equal to or less than the Remarketing Margin in respect of at least 25% of the PaperlinX SPS on issue. Receiving this level of Hold Notices and Bid Notices is called Successful Remarketing.	Clause 5.3(b)
<b>What happens after a Successful Remarketing?</b>	If there is a Successful Remarketing and the Remarketing Margin is applied, any Holders that submitted a Step-up Notice or a Bid Notice with a margin higher than the Remarketing Margin will have their PaperlinX SPS Realised.	Clause 5.3(a)(i)(B)
<b>What happens after an Unsuccessful Remarketing?</b>	If the Issuer does not set a Remarketing Margin after delivering a Remarketing Invitation in respect of a Remarketing Date, it may Realise the PaperlinX SPS on that Remarketing Date. If the Issuer does not elect to Realise the PaperlinX SPS, it must apply the Step-up Margin to Distributions.	Clauses 7.4(b) and 5.5
<b>What happens if there is no Remarketing?</b>	If there is no Remarketing in relation to a Remarketing Date, the Issuer may Realise the PaperlinX SPS on that Remarketing Date. The Step-up Margin will apply to any PaperlinX SPS which are not Realised by the Issuer.	Clause 5.5
<b>What is the Step-up Margin?</b>	<p>The Step-up Margin is the sum of the Margin which applies immediately before the relevant Remarketing Date and 2.25%. The Step-up Margin is only applicable to PaperlinX SPS if:</p> <ul style="list-style-type: none"> <li>• there is no Remarketing process; or</li> <li>• there is a successful Remarketing process but the Issuer elects not to set a Remarketing Margin; or</li> <li>• there is an unsuccessful Remarketing process, and the Issuer has not Redeemed or Exchanged all PaperlinX SPS.</li> </ul> <p>The Step-up Margin applicable at the next Remarketing Date is one of the terms of the PaperlinX SPS that may change as a result of a Successful Remarketing process.</p> <p>The Step-up Margin applies only once.</p>	Clauses 5.5 and 20

# Remarketing Summarised



\* The Issuer will assess Holder responses. The Issuer may set a new Margin based on elections received if Holders of at least 25% of the total PaperlinX SPS on issue have chosen option 2 or 3 (excluding those deemed to have chosen option 2) for that new Margin. If a new Margin is set, those Holders who elected option 1 or who elected option 3 but specified a higher rate than the new Margin will have their PaperlinX SPS Realised by such method or combination of methods as PaperlinX may elect.

## New Credit Rating Remarketing

		Refer to PaperlinX SPS Terms
<b>What happens if PaperlinX gets a credit rating?</b>	<p>In the event that PaperlinX receives a credit rating from a recognised international credit rating agency (including Fitch, Moody's or Standard &amp; Poor's) the Issuer may set a New Credit Rating Remarketing Date to coincide with a Distribution Payment Date.</p> <p>The Issuer may only set a New Credit Rating Remarketing Date once.</p> <p>The Issuer may choose to conduct a New Credit Rating Remarketing process to establish a new Margin (which must not be less than the Margin applying immediately preceding the New Credit Rating Remarketing Date) and add or adjust other terms of the PaperlinX SPS, to apply until the next Remarketing Date.</p> <p>In order to be a Successful New Credit Rating Remarketing process:</p> <ul style="list-style-type: none"> <li>• a Hold Notice (excluding a Deemed Hold Notice) or a Bid Notice specifying a Margin equal to or less than the Remarketing Margin proposed by the Issuer must be given by Holders in respect of at least 25% of PaperlinX SPS on issue; and</li> <li>• the Issuer must have procured the Resale of the PaperlinX SPS of all Holders who have given a Bid Notice which does not include a Margin less than or equal to the Remarketing Margin.</li> </ul> <p>If the New Credit Remarketing process is unsuccessful or the Issuer elects not to set new terms for the PaperlinX SPS, then the PaperlinX SPS will remain on issue on the same terms that applied immediately preceding the New Credit Rating Remarketing Date.</p>	<p>Clauses 6 and 20</p> <p>Clause 6.2</p> <p>Clause 6.1</p> <p>Clause 6.4</p>
<b>Why would PaperlinX initiate a New Credit Rating Remarketing?</b>	<p>Although the Issuer may not set a lower Margin under a New Credit Rating Remarketing, PaperlinX may require the Issuer to seek to adjust other terms in order to obtain favourable credit rating treatment of the PaperlinX SPS.</p>	

## Other

		Refer to PaperlinX SPS Terms
<b>Will there be any brokerage or stamp duty?</b>	<p>No brokerage or stamp duty is payable by investors on the issue of the PaperlinX SPS. However, brokerage (but not stamp duty while the PaperlinX SPS are quoted on ASX) may be payable on any subsequent transfer of PaperlinX SPS.</p>	

# 3. How to Apply

### 3.1 Who may apply

You may apply for PaperlinX SPS if you are:

- an Australian resident who is an existing PaperlinX Ordinary Shareholder ('Eligible Shareholder') – through the Shareholder Priority Offer;
- an Australian resident retail investor – through the General Offer;
- an Australian resident retail client of the Lead Manager, a Co-Manager or a broker who is participating in the Broker Firm Offer (each a 'Participating Broker') – through the Broker Firm Offer; or
- an institution in Australia and other selected jurisdictions – through the Institutional Offer via the Lead Manager.

No action has been, or will be, taken to register or qualify the PaperlinX SPS or otherwise permit a public offering of PaperlinX SPS in any jurisdiction outside Australia. PaperlinX SPS may be offered in a jurisdiction outside Australia where such an offer is made in accordance with the laws in that jurisdiction.

PaperlinX SPS have not been, and will not be, registered under the United States Securities Act of 1933 ('Securities Act') and may not be offered or sold in the United States or to, or for the account or benefit of, a US Person (as defined in Regulation S under the Securities Act).

The Offer constituted by this Product Disclosure Statement in electronic form is available only to persons receiving this Product Disclosure Statement in electronic form in Australia.

### 3.2 How to apply

To apply for PaperlinX SPS, you must complete an Application Form during the Offer Period, which will begin at 9.00am (AEDT) on 7 March 2007. The Shareholder Priority Offer and the General Offer are expected to close at 5.00pm (AEDT) on 23 March 2007 and the Broker Firm Offer is expected to close at 5.00pm (AEDT) on 27 March 2007.

Application Forms will only be available after the offer opens on 7 March 2007.

Application Forms and the instructions for completing and returning your Application Form vary depending on whether you are making an Application:

- as an Eligible Shareholder (see Section 3.4); or
- as a member of the general public (see Section 3.5); or
- through a Participating Broker for a Broker Firm Allocation ('Broker Firm Applicant') (see Section 3.6).

You should follow the instructions in this Section and on the Application Form carefully as your Application may be rejected if you complete it incorrectly.

Persons who receive the electronic version of the Product Disclosure Statement should ensure that they download and read the Product Disclosure Statement in its entirety prior to completing an Application Form.

### 3.3 When to apply

The PaperlinX Shareholder Priority Offer and the General Offer are expected to open at 9.00am (AEDT) on 7 March 2007. The Shareholder Priority Offer and General Offer are expected to close at 5.00pm (AEDT) on 23 March 2007. The Broker Firm Offer is expected to open at 9.00am (AEDT) on 7 March 2007 and is expected to close at 5.00pm (AEDT) on 27 March 2007. Applications made under the Shareholder Priority Offer and the General Offer must be received by the PaperlinX SPS Trust's Registry no later than 5.00pm (AEDT) on 23 March 2007. (See Section 3.7 for where to send your Application Form).

Applicants who have received a Broker Firm Allocation should not return their Application to the Registry but instead return it to their Participating Broker in accordance with the Participating Broker's instructions. (See Section 3.6).

The Issuer may close the Offer early, extend the Closing Dates or withdraw the Offer without notice. Accordingly, Applicants are encouraged to submit their Application Form and Application Monies as soon as possible after the Opening Date. If the Closing Dates are varied, subsequent dates may also be varied accordingly.

### 3.4 Applying as an Eligible Shareholder

If you are an Eligible Shareholder and wish to apply for PaperlinX SPS, you should complete the Application Form accompanying the Product Disclosure Statement or available at [www.paperlinx.com](http://www.paperlinx.com) from 9.00am (AEDT) on 7 March 2007. You must tick the relevant box on the Application Form to indicate that you are an Eligible Shareholder.

If there is excess demand, Eligible Shareholders will receive preferential allocations over other Applicants who have applied under the General Offer.

### 3.5 Applying as a member of the general public

If you are a member of the general public and wish to apply for PaperlinX SPS, you should complete the Application Form accompanying the Product Disclosure Statement or available from the PaperlinX website at [www.paperlinx.com](http://www.paperlinx.com) from 9.00am (AEDT) on 7 March 2007.

### 3.6 Applying as a Broker Firm Applicant

If you are a Broker Firm Applicant, you should contact your Participating Broker for information about how to submit an Application Form and payment instructions. Your Participating Broker will be your agent. The process of applying for PaperlinX SPS for Broker Firm Applicants differs in two important respects from the process described for Applicants applying as Eligible Shareholders or the general public:

- the Application Monies must be made payable to the Participating Broker (not to 'PaperlinX SPS Offer'); and
- the completed Application Form and Application Monies must be delivered to the Participating Broker directly in accordance with their instructions (not to the Registry).

These differences and any other requirements can be explained to Broker Firm Applicants in further detail by their Participating Broker.

### 3.7 Where to send your completed Application Forms

If you are not applying online, and are applying as an Eligible Shareholder or as a member of the general public, your completed Application Form and Application Monies should be returned:

**By mail**

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 8060

**OR By hand delivery**

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

so that it is received by no later than 5.00pm (AEDT) on 23 March 2007. Application Forms and Application Monies from Applicants applying under the General Offer or the Shareholder Priority Offer will not be accepted at any other address (including PaperlinX's registered office or any other PaperlinX office) or by any other means.

If you are applying online, your Application Form will be submitted electronically upon payment being made by BPay® (see Section 3.9).

Broker Firm Applicants should return completed Application Forms and Application Monies directly to their Participating Broker.

### 3.8 Payment

Application Forms from Eligible Shareholders and members of the general public, duly completed, must be accompanied by a cheque(s) in Australian dollars drawn on an Australian branch of a financial institution. Cheques should be crossed 'not negotiable' and made payable to 'PaperlinX SPS Offer'. Broker Firm Applicants should refer to their broker for settlement instructions. No interest will be paid on funds received.

### 3.9 Online Payment by BPay®

Applicants that apply online must pay by BPay® and follow the instructions set out on the online Application Form. It is very important that you enter the Biller Code and Customer Reference Number ('CRN') number correctly. Please note that you should contact your bank, credit union or any building society to make a payment. Your bank, credit union or building society may impose a limit on the amount which you can transact on BPay® that may vary between bank, credit union or building society. For more information please see: [www.bpay.com.au](http://www.bpay.com.au).

### **3.10 Minimum Applications**

The minimum Application under the Offer is 50 PaperlinX SPS at \$100 each (\$5,000). Applications for more than 50 PaperlinX SPS must be in multiples of 10 PaperlinX SPS (\$1,000). There is no maximum number of PaperlinX SPS that may be applied for under the Offer. Please see Section 3.17 regarding allocation (you may receive fewer PaperlinX SPS than you applied for).

### **3.11 Acceptance of Applications**

The Issuer may at its discretion reject any Application, including where the Application Form is not properly completed or where a remittance submitted with an Application is dishonoured.

The Issuer may, at its discretion accept any Application in part only and allocate to the relevant Applicant fewer PaperlinX SPS than applied for. This may include scaling back to below the stated minimum Application of 50 PaperlinX SPS.

### **3.12 Refunds**

Until PaperlinX SPS are allotted, the Issuer will hold the Application Monies on trust for Applicants.

If you are not allocated any PaperlinX SPS or you are allocated fewer PaperlinX SPS than the number you applied for, you will receive a refund cheque as soon as practicable after the conclusion of the Offer. No interest will be payable on Application Monies. In addition, if the Offer does not proceed for any reason at all, Applicants will have their Application Monies refunded to them (without interest) as soon as practicable. Any interest earned will become an asset of PaperlinX Limited.

### **3.13 Brokerage, stamp duty and Tax File Number**

No brokerage or stamp duty is payable by Applicants in relation to the Application for PaperlinX SPS.

You do not have to provide your Tax File Number ('TFN') or Australian Business Number ('ABN'). If you do not do so, your Application will not be affected. However, the Issuer may be required to withhold Australian tax at the maximum marginal tax rate (currently 46.5% including the Medicare levy) on the amount of any Distribution in respect of your PaperlinX SPS, if you do not provide one of your:

- TFN;
- ABN (if the PaperlinX SPS are held in the course of an enterprise you carry on); or
- proof of some other exemption (as appropriate).

The Registry will provide you with a form on which to provide the above details when Allotment Statements are mailed.

### **3.14 Withdrawal and early close of the Offer**

The Issuer may close the Offer early or withdraw the Offer without notice. You are encouraged to submit your Application Forms and Application Monies as soon as possible after the Opening Date. If the Closing Dates are varied, subsequent dates may also be varied accordingly.

### **3.15 CHESS and provision of holding statements**

The Issuer will apply for PaperlinX SPS to participate in CHESS. Each Holder will be provided with a statement of holding which sets out the number of PaperlinX SPS held ('Allotment Statement').

Allotment Statements for the PaperlinX SPS issued pursuant to this Product Disclosure Statement are expected to be dispatched on or about 4 April 2007. On admission to CHESS, PaperlinX SPS must be held in either the CHESS subregister under sponsorship of a broker or on the issuer-sponsored subregister. These two subregisters will make up the register.

It is the responsibility of each Applicant to confirm their allocation of PaperlinX SPS before trading in PaperlinX SPS. Any person who sells PaperlinX SPS before receiving confirmation of their allocation in the form of their Allotment Statement will do so at their own risk. The Issuer, Registry, PaperlinX and the Lead Manager disclaim all liability, in negligence or otherwise, to any person who trades PaperlinX SPS before receiving their Allotment Statement, whether on the basis of a confirmation of allocation provided by any of them, the PaperlinX SPS Information Line or otherwise.

### 3.16 Allotment

The Issuer intends to issue up to 2.5 million PaperlinX SPS at an Issue Price of \$100 each, to raise \$250 million. The Issuer may accept oversubscriptions for up to an additional 500,000 PaperlinX SPS to raise a further \$50 million.

Allotment will not commence until all proceeds from accepted Applications have been received by the Issuer and ASX has granted permission for PaperlinX SPS to be quoted on ASX. The Issuer expects that PaperlinX SPS will be allotted to successful Applicants on 30 March 2007. The Issuer may change the Closing Dates and the Issue Date or may withdraw the Offer at any time before Allotment.

The Issuer reserves the right to issue less than \$250 million of PaperlinX SPS.

### 3.17 Allocation policy

The allocation policy for Institutional Investors and Participating Brokers will be determined during the Bookbuild.

The allocation policy for Eligible Shareholders and members of the general public will be determined after the Shareholder Priority Offer and General Offer Closing Date when all Applications have been received.

The Issuer reserves the right in the event of excess demand to allocate under the Shareholder Priority Offer and the General Offer fewer PaperlinX SPS than Eligible Shareholders and members of the general public have applied for – possibly fewer than the minimum Application of 50 PaperlinX SPS or even no PaperlinX SPS. No assurance is given that any Applicant under either the Shareholder Priority Offer or the General Offer will receive an allocation.

If there is excess demand, Applications from Eligible Shareholders will receive preferential allocations over other Applicants who have applied under the General Offer. In order to be eligible for such allocation, Eligible Shareholders must tick the relevant box on the Application Form to indicate that they are an Eligible Shareholder.

### 3.18 Bookbuild

In the period after lodgement of the Original Product Disclosure Statement and before the Opening Date, the Lead Manager conducted a Bookbuild. As part of the Bookbuild, certain Institutional Investors and Participating Brokers were invited to lodge bids for a maximum number of PaperlinX SPS within an indicative range to establish the Initial Margin. On the basis of those bids, the Initial Margin and the firm allocations of the PaperlinX SPS to Institutional Investors and Participating Brokers were determined. The PaperlinX SPS allocated during the Bookbuild will be issued pursuant to this Product Disclosure Statement.

Application and settlement procedures for the Bookbuild will be notified to Institutional Investors and Participating Brokers by the Lead Manager.

### 3.19 Broker Firm allocations

The distribution of each broker firm allocation to Broker Firm Applicants by a Participating Broker will be at the discretion of that Participating Broker. That distribution will be subject to the terms and conditions of the Bookbuild and the offer made to that Participating Broker by the Lead Manager.

### 3.20 Cooling off rights

No cooling off rights apply to an investment in PaperlinX SPS.

## 3.21 Acknowledgment and privacy statement

The Application Form requires you to provide personal information to PaperlinX, the Issuer and the Registry and these entities may collect other personal information about you in dealing with you as an Applicant or as a Holder. PaperlinX, the Issuer and the Registry collect, hold and use personal information to assess your Application for PaperlinX SPS, service your needs as a Holder, provide facilities and services that you request, provide you with marketing materials, carry out appropriate administration in relation to your PaperlinX SPS holding and to comply with legislative and regulatory requirements, including crime prevention and investigation.

PaperlinX may also use your personal information to tell you about other products and services offered by PaperlinX or other members of the PaperlinX Group and in order to do that we may disclose your personal information to other member companies in the PaperlinX Group or to their third party service providers. Please contact the Registry on the number below if you do not consent to the use and disclosure of your personal information in these ways.

By submitting an Application Form, you agree that PaperlinX, the Issuer and the Registry may use the information provided by you on the Application Form for the purposes set out in this privacy statement and may disclose your personal information for those purposes to the Lead Manager (or your broker), the Registry, PaperlinX's related entities, agents, contractors and third party service providers (including mail houses and professional advisers), the ASX, other regulatory authorities and in any case, where disclosure is required or allowed by law or where you have consented. If you do not provide the information required on the Application Form, the Issuer may not be able to accept or process your Application.

If you become a Holder, the Corporations Act requires the Issuer to include information about Holders (including name, address and details of the securities held) in its public register ('Register'). The information contained in the Register must be retained, even if you cease to be a Holder. Information contained in the Register is also used to facilitate payments including Distributions and corporate communications (including PaperlinX's financial results, annual reports and other information that PaperlinX wishes to communicate to Holders) and to ensure compliance by the Issuer and PaperlinX with legal and regulatory requirements.

Under the Privacy Act, you may request access to your personal information held by (or on behalf of) the Issuer, PaperlinX or the Registry, subject to certain exemptions under law. A fee may be charged for access. You can request access to your personal information or obtain further information about PaperlinX or the Issuer's privacy management practices by telephoning or writing to PaperlinX through the Registry as follows:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 8060  
Telephone: 1300 738 908

The Issuer, PaperlinX and the Registry aim to ensure that the personal information they retain about you is accurate, complete and up-to-date. To assist them with this, please contact the Registry if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information held about you, steps will be taken to correct it.

## 3.22 Enquiries and further information

This Product Disclosure Statement is important and requires your immediate attention. It should be read in its entirety. If you are unclear in relation to any matter or are uncertain if the PaperlinX SPS are a suitable investment, you should consult your stockbroker, solicitor, accountant and/or other professional adviser. If you are a Broker Firm Applicant and you are in any doubt what action you should take, you should immediately contact your Participating Broker.

If you require assistance to complete the Application Form or additional copies of this Product Disclosure Statement, or you have administrative questions relating to the Offer, you should call the PaperlinX SPS Information Line on 1300 738 908 (8.30am to 5.00pm AEDT Monday to Friday).

# 4. The PaperlinX Business

## 4.1 Overview

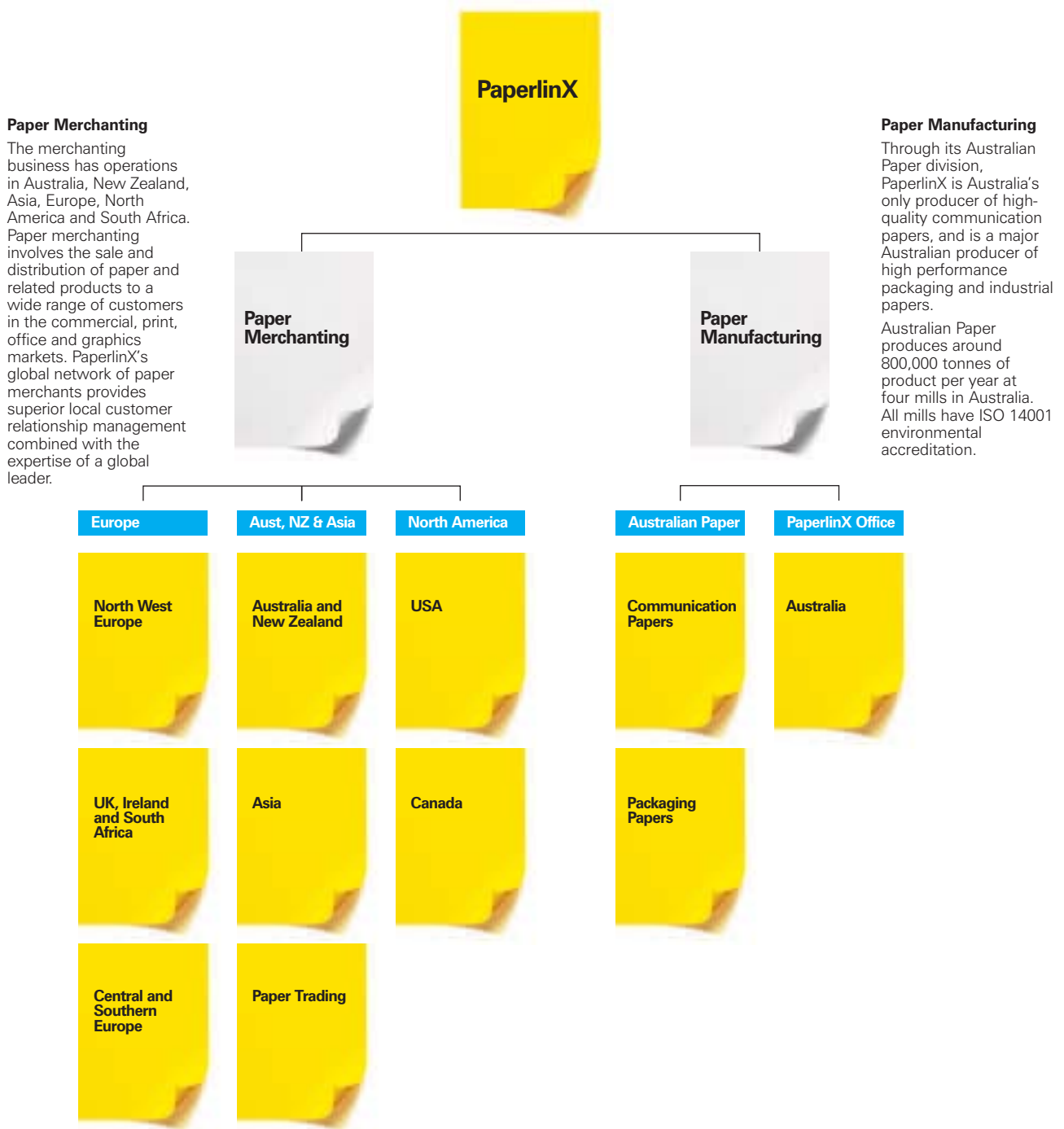
PaperlinX is a leading international fine paper merchant and Australia’s principal manufacturer of quality communication and packaging paper, selling over four million tonnes of paper and packaging materials worldwide every year. The Company’s head office is located in Melbourne, Victoria and its shares are listed on the Australian Securities Exchange (‘ASX’) under ASX code ‘PPX’.

PaperlinX’s main focus is on:

- manufacturing and distributing high-quality fine paper used as office paper, and specialty paper used in brochures, magazines and other business applications; and
- manufacturing high quality packaging papers for converting into corrugated cartons, paper bags and other packaging materials.

## 4.2 Group Structure

The PaperlinX Group is divided into merchandising and manufacturing arms.



# We know paper!

PaperlinX, a leading international paper merchant and a unique Australian manufacturer of packaging paper and high performance communication paper, has an unparalleled offering – providing superior local customer relationship management whilst leveraging its global expertise.



Hello™ has become the number one brand of coated woodfree paper in Europe by getting closer to printers than any other brand.



On™ is one of Europe's leading brands of uncoated paper. It's ready for business by providing a corporate identity solution.



9Lives™ is 'born again paper' for the environmentally aware who want a top quality printed result. As a top seller in the UK, we are bringing this paper to new markets in Australasia.



Pacesetter™ is a high bulk coated sheet paper that offers versatility and runnability for printers in the North American market. Matching digital products are now available and we can custom sheet orders.

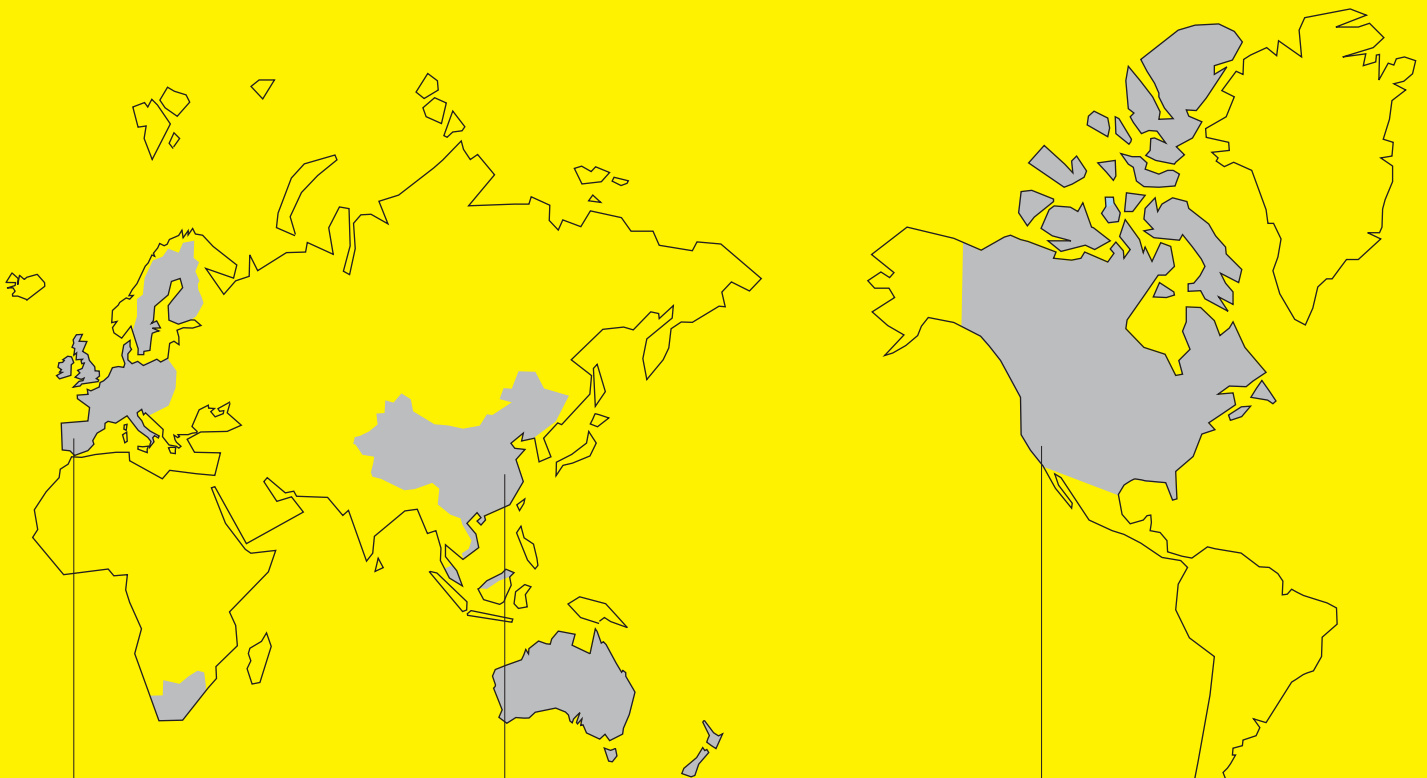


Reflex™ has been Australia's most popular office paper since 1984 and is the only Australian-made FSC accredited office paper.



Our packaging products, which include semi-extensible sack kraft, kraft liner boards, envelope and bag papers, are used by Australia's leading companies.

# PaperlinX global platform



### Europe

- Adria Papir
- Alpe papir
- Axelium
- Bratislavská spoločnosť
- Budapest Papir
- BühmannUbbens
- Caledonia
- CC&CO Group
- ContactHorne Paper
- Deutsche Papier
- DM Paper
- DRiem Papier
- Epacar
- Finwood Papers
- Howard Smith Paper Group
- Mercator Papier
- Ospap
- Paper Products Marketing
- PaperNet
- PaperNet Austria
- PaperNet Denmark
- Polyedra
- Proost en Brandt
- Robert Horne Group
- The M6 Paper Group
- The Paper Company
- Udesen
- Union Papelera

### Australia, NZ and Asia

- Australian Paper
- Dalton Fine Paper
- Dalton Web Papers
- Paper Products Marketing
- PaperlinX Office
- Spicers Paper
- Winpac Paper

### North America

- Coast Paper
- Kelly Paper Company
- Paper Products Marketing
- Papier Coast
- Spicers Canada
- Spicers Paper Inc

### 4.3 Company Strategy

Since 2000, PaperlinX has moved strategically to build its current position as a leading paper merchant while remaining focused on the key strategic advantages of its Australian manufacturing base. PaperlinX is aggressively pursuing a range of strategic initiatives, using its Core Operating Principles to guide prioritisation and decision-making.

PaperlinX's Core Operating Principles are:

- Strengthen then build off existing business platforms;
- Productivity to provide funds to improve sustainability and growth;
- Simplification;
- Actively prioritise activities based on value creation for customers, suppliers and for PaperlinX;
- Fully leverage our global opportunities;
- Invest in people and their skills;
- Compliance is mandatory; and
- Results oriented teamwork/success as a team.

### 4.4 Business and financial overview

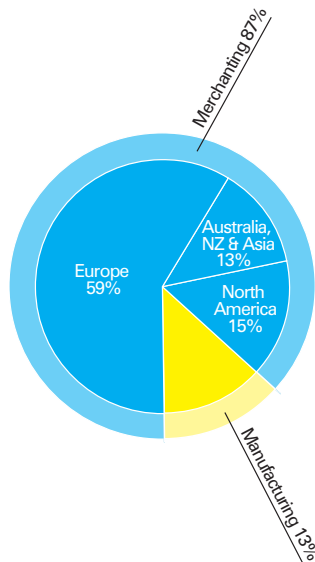
PaperlinX's operations are based on a solid knowledge of paper. Some of the companies in the PaperlinX group have been making paper in Australia since 1939 and have distributed paper in Europe since the 17th century.

PaperlinX operates 47 businesses across 29 countries, providing a strategic global footprint.

PaperlinX distributes and manufactures high-quality fine paper used in offices as well as specialty papers used in brochures, magazines, annual reports and other business applications. It also manufactures packaging papers for conversion into corrugated cartons, paper bags and other packaging materials. The group is expanding its offerings in sign and display, industrial packaging and graphics.

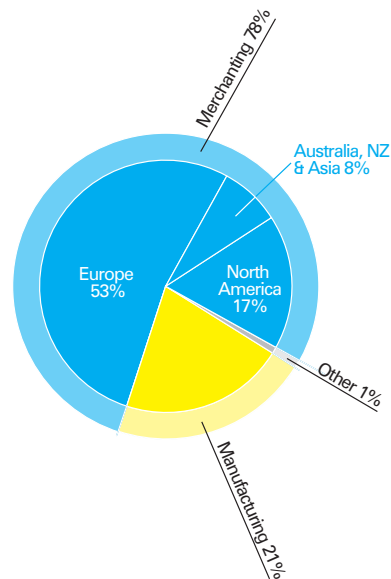
#### Revenue

Total 2006 Revenue (June 2006) \$7,372 million



#### Our People

Employees (June 2006) 9,672



Percentages calculated before intercompany sales elimination.

#### Financial Profile (June 2006)

Earnings before interest and tax (A\$m)	152.4
Sales volume (before commission sales) ('000 tonnes)	4,248

#### Operations (June 2006)

Countries	29
Sites	401
Manufacturing sites	4

## 4.5 Segmental Breakdown

	Sales Revenue (\$m)			
	Year ended 30 June 2005	Half year ended 31 Dec 2005	Year ended 30 June 2006	Half year ended 31 Dec 2006
<b>Industry Segments: Paper Merchancing</b>				
Australia, NZ and Asia	1,101	537	1,030	511
Europe	4,867	2,221	4,528	2,388
North America	890	466	1,134	719
Total Paper Merchancing	6,858	3,224	6,692	3,618
<b>Industry Segments: Paper Manufacturing</b>				
Communication Papers	834	402	779	383
Packaging Papers	243	123	242	127
Total Australian Paper	1,077	525	1,021	510
Inter-segment sales	(361)	(175)	(341)	(179)
Total	7,574	3,574	7,372	3,949

*Notes:*

Revenue includes sales of goods (net of trade and settlement discounts) only.  
Reported historical results adjusted to reflect formation of PaperlinX Office.

	EBIT (\$m)			
	Year ended 30 June 2005	Half year ended 31 Dec 2005	Year ended 30 June 2006	Half year ended 31 Dec 2006
<b>Industry Segments: Paper Merchancing</b>				
Australia, NZ and Asia	29.4	13.1	25.5	6.3
Europe	133.7	62.5	123.5	66.2
North America	29.2	15.7	39.9	26.6
Total Paper Merchancing	192.3	91.3	188.9	99.1
<b>Industry Segments: Paper Manufacturing</b>				
Communication Papers	6.4	1.3	(8.6)	0.1
Packaging Papers	10.0	2.8	5.3	2.9
Total Australian Paper	16.4	4.1	(3.3)	3.0
Corporate and Other	(28.6)	(16.2)	(33.2)	(15.0)
Operating earnings before interest and income tax (EBIT)	180.1	79.2	152.4	87.1
Underlying operating earnings <sup>1</sup>	190.0	77.7	156.6	96.0

*Notes:*

Reported historical results adjusted to reflect formation of PaperlinX Office.

<sup>1</sup> Underlying operating earnings equals EBIT before the costs of the strategic initiatives (refer Section 5.3) and profit on sale of non-core assets.

## 4.6 PaperlinX Board of Directors



**D E (David) 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).



**T P (Tom) Park**  
BSEE, MBA  
(Managing Director) Age 59

Appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. Broad business experience in Australia, Asia, North America and Europe. Previous roles include: Managing Director and Chief Executive Officer of Goodman Fielder Limited, Chief Executive Officer of Southcorp Limited and a director of the National Australia Bank and the Business Council of Australia.



**A F (Andrew) Guy**  
LLB, MBA, FAICD  
(Non-executive Director) Age 59

Appointed a director in March 2001. Experienced commercial lawyer and former Director of Spicers Paper Limited. Currently a director of Djerrivarrh Investments Limited (from December 1989), Aviva Australia Holdings Limited (from June 2003) and Anglicare Victoria (from August 1997). A former managing partner in the law firm Arthur Robinson and Hedderwicks.



**B J (Barry) 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), CSR Limited (from April 2003), 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.



**N L (Nora) Scheinkestel**  
LLB (Hons) PhD, FAICD  
(Non-executive Director) Age 46

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 Newcrest Mining Limited (from August 2000), AMP Limited (from September 2003), AMP Capital Group (from September 2003) and Orica Ltd (from August 2006). Previously Chairman of South East Water (July 2002–August 2005), Director of Mayne Group Ltd (July 2005–November 2005) and Mayne Pharma Ltd (November 2005–February 2007).

## 4. The PaperlinX Business



**D A (David) Walsh**  
LLB, MAICD  
(Non-executive Director) Age 67

Appointed a director in July 2000. Experienced company director with a wide background in corporate and commercial law, including in relation to the paper industry. Currently Chairman of Templeton Global Growth Fund Ltd (from August 1998) and a director of Macquarie Infrastructure Investment Management Limited (which is the responsible entity of Macquarie Infrastructure Group) (from March 2004) and Dyno Nobel Ltd (from February 2006). Previous roles include: a director of Asia Pacific Specialty Chemicals Limited (1994–2002) and a former partner in the law firm, Mallesons Stephen Jaques.



**L J (Lindsay) Yelland**  
BSc, FAICD, MACS  
(Non-executive Director) Age 60

Appointed a director in February 2000. Extensive experience in the IT industry. Currently Chairman of Argus Solutions Limited (from March 2003) and Ideas International Limited (from November 2000). Previous roles include: Chairman of Legion Interactive Pty Limited (2002–2005); a Group Managing Director of Telstra Corporation; Vice President Asia-Pacific of Data General Corp; and Vice President of Apollo Computer Corporation.



**J K (James) Orr**  
Company Secretary & General Counsel

Appointed Company Secretary & General Counsel of PaperlinX Limited in March 2006. Previous roles include: Company Secretary & General Counsel of Sigma Company Limited; Corporate Lawyer with Newcrest Mining Limited; Company Secretary and Legal Manager of Westar Pty Limited; Company Secretary and Legal Counsel of AUSI Limited; Senior Lawyer at Japan Australia LNG (MIMI) PL.

### 4.7 PaperlinX Senior Management



**T P (Tom) Park**  
Managing Director and Chief Executive Officer

Tom Park's details are set out above within the PaperlinX Board overview.



**Chris Creighton**  
President, PaperlinX North America

Chris was appointed President, PaperlinX North America in March 2001 and has responsibility for the operations in the United States and Canada. Chris has an extensive background in merchanting and has held various senior positions in Australia and North America.



**Eduard de Voogd**  
Chief Executive Officer, PaperlinX Europe

Eduard was appointed Chief Executive Officer, PaperlinX Europe in November 2003 and has responsibility for the growth and strategic direction of the Merchanting businesses in Europe. Eduard has held a number of senior marketing and management positions in PaperlinX's European operating companies.



**Martin Fothergill**

**Group General Manager, Merchanting Australasia**

Martin was appointed Group General Manager, Merchanting Australasia in November 2005. He was previously Regional President – UK & Ireland and joined the PaperlinX Group in 2002 as Managing Director of Bunzl Fine Paper in the United Kingdom, later renamed The Paper Company. Martin has over 30 years of experience in paper merchandising.



**Jim Henneberry**

**Executive General Manager, Australian Paper**

Jim joined PaperlinX in July 2006 and has responsibility for the Australian Paper manufacturing operations. Jim was previously with International Paper/Carter Holt Harvey in the United States and New Zealand. Prior to this he has held various operational, capital and strategic roles during his 28 years of experience in the international pulp and paper industry.



**David Lamont**

**Chief Financial Officer**

David joined PaperlinX as Chief Financial Officer in February 2006 and has worldwide responsibility for finance, taxation, commercial, legal, audit and business systems. David was previously Chief Financial Officer of BHP Billiton's Carbon Steel Materials business and has held a number of senior finance roles in the mining, chemical and agricultural industries.



**Ross O'Brien**

**Executive General Manager, Human Resources**

Ross joined PaperlinX in March 2003 and is responsible for developing the Company's worldwide human resources and environment, safety and health policy and strategy. Ross has held various senior executive level roles in human resources and operational areas in Australia, the United States and Europe.



**David Shirer**

**Executive General Manager, Corporate Affairs**

David was appointed Executive General Manager, Corporate Affairs in May 2004 and has responsibility for investor relations, external communication including media relations, and internal communication. David joined PaperlinX in 2000 as Executive General Manager, Corporate and Investor Relations and has broad experience in investor relations and the finance industry.

# 5. Financial Information

## 5.1 Overview

This section contains a summary of relevant historical and pro-forma historical financial information for PaperlinX ('Financial Information') comprising:

- Historical Income Statements of PaperlinX for the two years ended 30 June 2005 and 30 June 2006, the two half years ended 31 December 2005 and 31 December 2006 and calendar year ended 31 December 2006;
- Historical Statements of Cash Flows of PaperlinX for the two years ended 30 June 2005 and 30 June 2006 and the two half years ended 31 December 2005 and 31 December 2006; and
- Historical Balance Sheets of PaperlinX as at 30 June 2005, 31 December 2005, 30 June 2006, 31 December 2006 and Pro Forma Historical Balance Sheet as at 31 December 2006.

The historical financial information presented is that of the PaperlinX Group on a consolidated basis. No historical or pro-forma financial information has been provided in respect of the PaperlinX SPS Trust as it is a newly established entity for this Issue. Furthermore, as noted in Section 6.2, funding for the Distributions is sourced from the PaperlinX Group.

The financial information has been presented in an abbreviated form. It does not include all the disclosures usually provided in an annual report prepared in accordance with the Corporations Act.

This section should be read in conjunction with the risk factors as set out in Section 6, when considering the financial information and assessing the future performance of PaperlinX.

## 5.2 Basis of preparation

The financial information has been extracted from the audited consolidated financial statements of PaperlinX for the year ended 30 June 2006, and reviewed consolidated interim financial statements of PaperlinX for the two half years ended 31 December 2005 and 31 December 2006.

The financial information in Section 5 should be read in conjunction with the significant accounting policies outlined in the audited consolidated financial statements and reviewed consolidated interim financial statements of PaperlinX which specifies the basis of preparation. A copy of these financial statements can be downloaded from PaperlinX's website [www.paperlinx.com](http://www.paperlinx.com).

The pro-forma financial information has been prepared as if the pro-forma transactions set out in Section 5.6 had occurred on the applicable dates.

## 5.3 Commentary on Half Year ended 31 December 2006

For the first half of fiscal 2007, PaperlinX has reported operating earnings (EBIT) of \$87.1 million and after tax earnings of \$32.7 million.

- Sales revenue grew 10% to \$3.93 billion from \$3.57 billion.
- These results reflect a 10% increase in reported EBIT and a 24% increase in underlying EBIT based on the benefits that are beginning to flow from a range of strategic initiatives generated within the company, rather than reflecting any easing of the challenging market conditions seen over recent years. Some of these strategic initiatives and their status are as follows:

### Completed

- Cascades Resources (now Spicers Canada) acquisition
- PaperlinX Office consolidation
- Upgrade of the number 1 paper machine at Maryvale Mill
- Closure of Shoalhaven number 1 and 2 paper machines and transfer of production to Maryvale

### Underway

- Upgrade to Maryvale kraft pulp capacity and bleach plant
- Maryvale wood yard outsourcing
- Establishment and roll-out of The Delivery Co in the UK
- Roll-out of common European IT systems
- Netherlands integration
- Strategic sourcing alignments

### New

- Acquisition in Italy and divestment in France (subject to regulatory approvals and completion of negotiations)
- Global Customer Solutions structure developed

These strategic initiatives are expected to contribute over \$100 million of sustainable incremental operating earnings in financial year 2009 and over \$23 million to operating earnings in financial year 2007. Achievement of these benefits is subject to the risks as described in Section 6.

## 5. Financial Information

- The after tax profit of \$32.7 million compares with \$35.3 million for the prior corresponding period, with a high effective tax rate of 35.5% as a result of lower earnings, higher interest and one-off costs in Australia. Despite average debt increasing only 2%, net interest expense increased 10.6% reflecting an increase in floating interest rates and a change in the domicile of debt to align with business geographic mix.
- Reported profit includes net one-off costs of \$10 million after tax.
- PaperlinX overall return on average funds employed was 6.6%, below targeted levels, but improved on prior despite market conditions. The merchanting businesses improved to 11.4% return on average funds employed, above the PaperlinX Group's cost of capital.
- Cash generated from operations excluding working capital was \$102 million. Operating cash flow was \$(142.0) million largely as a result of higher working capital.
- Working capital to annualised sales of 18.7% was down on the prior corresponding period, but the period end level was up as a result of the combined impacts of seasonal factors, increased sales revenue and an adverse movement in creditors.
- The interim dividend of 5.0 cents per share represents a payout ratio of approximately 70%.

### 5.4 PaperlinX historical Income Statements

Set out below is a summary of PaperlinX's consolidated historical Income Statements for the two years ended 30 June 2005 and 30 June 2006, and the two half years ended 31 December 2005 and 31 December 2006 and the calendar year ended 31 December 2006.

Consolidated (\$m)	Year ended 30 June 2005	Half year ended 31 Dec 2005	Year ended 30 June 2006	Half year ended 31 Dec 2006	Calendar year ended 31 Dec 2006
Revenue <sup>1</sup>	7,582.9	3,576.2	7,351.2	3,925.8	7,700.8
Other income	4.6	9.6	27.3	6.5	24.2
Total revenue and other income	7,587.5	3,585.8	7,378.5	3,932.3	7,725.0
Expenses	(7,405.1)	(3,506.8)	(7,226.5)	(3,842.0)	(7,561.7)
<b>Result from operating activities</b>	<b>182.4</b>	<b>79.0</b>	<b>152.0</b>	<b>90.3</b>	<b>163.3</b>
Net financing costs	(70.8)	(32.7)	(65.8)	(40.1)	(73.2)
<b>Profit before tax</b>	<b>111.6</b>	<b>46.3</b>	<b>86.2</b>	<b>50.2</b>	<b>90.1</b>
Tax benefit/(expense)	(21.9) <sup>2</sup>	(11.0)	(21.5)	(17.8)	(28.3)
<b>Profit after tax expense but before profit from discontinued operations</b>	<b>89.7</b> <sup>2</sup>	<b>35.3</b>	<b>64.7</b>	<b>32.4</b>	<b>61.8</b>
Profit from discontinuing operation, net of tax	–	–	0.7	0.3	1.0
<b>Profit for the period</b>	<b>89.7</b> <sup>2</sup>	<b>35.3</b>	<b>65.4</b>	<b>32.7</b>	<b>62.8</b>
Attributable to:					
Equity holders of PaperlinX Limited	89.6	35.3	65.4	32.7	62.8
Minority interest	0.1	–	–	–	–
<b>EBITDA</b>	<b>293.0</b>	<b>129.4</b>	<b>257.1</b>	<b>137.8</b>	<b>265.5</b>
<b>EBIT</b>	<b>180.1</b>	<b>79.2</b>	<b>152.4</b>	<b>87.1</b>	<b>160.3</b>
<b>Net interest expense</b>	<b>(68.5)</b>	<b>(32.9)</b>	<b>(65.1)</b>	<b>(36.4)</b>	<b>(68.6)</b>

Notes:

1. Revenue includes sale of goods, rendering of services and excludes discontinuing operations.

2. Excludes benefits of entering Australian Tax Consolidation regime of \$77 million.

## 5.5 PaperlinX historical Statements of Cash Flows

Set out below is a summary of PaperlinX's consolidated Statements of Cash Flows for the two years ended 30 June 2005 and 30 June 2006, and the two half years ended 31 December 2005 and 31 December 2006.

Consolidated (\$m)	Year ended 30 June 2005	Half year ended 31 Dec 2005	Year ended 30 June 2006	Half year ended 31 Dec 2006
<b>Cash flows from operating activities</b>				
Receipts from customers	7,641.6	3,559.5	7,431.7	3,840.1
Payments to suppliers and employees	(7,271.8)	(3,557.5)	(7,113.9)	(3,950.3)
Dividends received	0.3	0.8	0.8	0.4
Interest received	4.4	2.5	5.7	3.2
Interest paid	(74.3)	(36.3)	(69.6)	(36.9)
Income taxes paid	(36.9)	(6.3)	(6.1)	(6.6)
Other income received	10.1	4.9	11.2	8.1
<b>Net cash from/(used in) operating activities</b>	<b>273.4</b>	<b>(32.4)</b>	<b>259.8</b>	<b>(142.0)</b>
<b>Cash flows from investing activities</b>				
Loans (advanced to)/repaid by other persons	0.9	(0.4)	(0.9)	0.1
Acquisition of:				
Controlled entities and businesses (net of cash and bank overdraft acquired)	(44.6)	(0.8)	(100.9)	(11.1)
Property, plant and equipment and intangibles	(86.3)	(45.7)	(101.4)	(63.5)
Partial refund of the purchase price in relation to an acquisition in a prior period	–	–	–	8.7
Proceeds on disposal of controlled entities and businesses	–	–	–	16.4
Proceeds on disposal of property, plant and equipment	29.5	18.9	51.1	12.2
<b>Net cash used in investing activities</b>	<b>(100.5)</b>	<b>(28.0)</b>	<b>(152.1)</b>	<b>(37.2)</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(122.3)	(53.4)	(77.8)	(14.4)
Proceeds from issue of shares	–	–	0.4	0.7
Proceeds from employee share plan loans	–	0.1	–	0.1
Loans (repaid to)/received from other persons	(3.1)	–	0.2	–
Proceeds from borrowings	669.2	478.0	1,156.0	1,078.6
Repayment of borrowings	(711.3)	(498.1)	(1,171.3)	(1,145.0)
Principal lease repayments	(0.1)	–	–	(0.1)
<b>Net cash used in financing activities</b>	<b>(167.2)</b>	<b>(73.4)</b>	<b>(92.9)</b>	<b>(80.1)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5.7</b>	<b>(133.8)</b>	<b>14.8</b>	<b>(259.3)</b>
Cash and cash equivalents at the beginning of the period	445.0	427.8	427.8	453.9
Effect of exchange rate changes on translation of foreign currency cash flows and cash balances	(22.9)	(6.7)	11.3	2.9
Cash and cash equivalents at the end of the period	427.8	287.3	453.9	197.5

## 5.6 PaperlinX historical and pro-forma historical Balance Sheet

Set out below is a summary of PaperlinX's consolidated historical Balance Sheet as at 30 June 2005, 31 December 2005, 30 June 2006 and 31 December 2006. A pro-forma historical Balance Sheet at 31 December 2006 has also been provided illustrating the effect of the Offer.

Consolidated (\$m)	30 June 2005 Historical	31 Dec 2005 Historical	30 June 2006 Historical	31 Dec 2006 Historical	31 Dec 2006 Pro-forma Historical
<b>Current assets:</b>					
Cash and cash equivalents	429.1	289.0	455.1	197.9	197.9
Trade and other receivables	1,433.2	1,489.8	1,541.8	1,610.9	1,610.9
Inventories	811.7	814.9	864.1	890.0	890.0
Assets classified as held for sale	–	–	19.6	–	–
<b>Total current assets</b>	<b>2,674.0</b>	<b>2,593.7</b>	<b>2,880.6</b>	<b>2,698.8</b>	<b>2,698.8</b>
<b>Non-current assets:</b>					
Receivables	5.4	5.1	8.9	8.6	8.6
Investments	13.3	13.5	14.1	13.8	13.8
Property, plant and equipment	985.2	977.0	990.8	994.7	994.7
Intangible assets	403.7	405.7	421.6	413.2	413.2
Deferred tax assets	85.2	83.4	74.4	64.2	64.2
<b>Total non-current assets</b>	<b>1,492.8</b>	<b>1,484.7</b>	<b>1,509.8</b>	<b>1,494.5</b>	<b>1,494.5</b>
<b>Total assets</b>	<b>4,166.8</b>	<b>4,078.4</b>	<b>4,390.4</b>	<b>4,193.3</b>	<b>4,193.3</b>
<b>Current liabilities:</b>					
Trade and other payables	1,041.9	958.8	1,172.9	1,054.4	1,054.4
Loans and borrowings	266.6	266.2	221.7	225.2	225.2
Income tax payable	3.8	6.4	9.6	12.9	12.9
Employee benefits	40.9	42.6	41.4	50.3	50.3
Provisions	19.8	17.3	13.8	12.4	12.4
Liabilities classified as held for sale	–	–	0.9	–	–
<b>Total current liabilities</b>	<b>1,373.0</b>	<b>1,291.3</b>	<b>1,460.3</b>	<b>1,355.2</b>	<b>1,355.2</b>
<b>Non-current liabilities:</b>					
Payables	119.6	120.0	93.1	83.9	83.9
Loans and borrowings	1,036.0	1,039.9	1,136.7	1,039.8	797.8
Deferred tax liabilities	33.4	19.4	43.4	44.1	44.1
Employee benefits	38.9	39.2	37.3	37.2	37.2
Provisions	3.2	4.5	10.9	11.5	11.5
<b>Total non-current liabilities</b>	<b>1,231.1</b>	<b>1,223.0</b>	<b>1,321.4</b>	<b>1,216.5</b>	<b>974.5</b>
<b>Total liabilities</b>	<b>2,604.1</b>	<b>2,514.3</b>	<b>2,781.7</b>	<b>2,571.7</b>	<b>2,329.7</b>
<b>Net assets</b>	<b>1,562.7</b>	<b>1,564.1</b>	<b>1,608.7</b>	<b>1,621.6</b>	<b>1,863.6</b>
<b>Equity:</b>					
Issued capital	1,691.5	1,691.7	1,691.9	1,698.3	1,698.3
Reserves	(71.7)	(66.9)	(45.0)	(56.8)	(56.8)
Retained profits	(58.1)	(60.8)	(38.2)	(20.0)	(20.0)
<b>Total equity attributable to Equity holders of PaperlinX:</b>	<b>1,561.7</b>	<b>1,564.0</b>	<b>1,608.7</b>	<b>1,621.5</b>	<b>1,621.5</b>
Minority interest	1.0	0.1	–	0.1	242.1
<b>Total equity</b>	<b>1,562.7</b>	<b>1,564.1</b>	<b>1,608.7</b>	<b>1,621.6</b>	<b>1,863.6</b>
<b>Net debt</b>	<b>874</b>	<b>1,017</b>	<b>904</b>	<b>1,067</b>	<b>825</b>

### 5.6.1 Description of pro-forma adjustments to historical Balance Sheet

The pro-forma adjustments reflect the impact of the issuance of PaperlinX SPS. For the purpose of the pro-forma historical balance sheet, it is assumed this issuance occurs effective 31 December 2006.

#### Issue of PaperlinX SPS

It is assumed that \$250 million of PaperlinX SPS are issued for cash, less issue expenses of \$8 million, giving net cash proceeds of \$242 million. No pro-forma adjustment has been made for oversubscriptions.

#### Repayment of debt

It has been assumed that the net proceeds from the issue of the PaperlinX SPS of \$242 million will be used to retire debt drawn under PaperlinX bank facilities.

## 5.7 Selected financial ratios

	Year ended 30 June 2006	Calendar year ended 31 Dec 2006 Historical	Calendar year ended 31 Dec 2006 Pro-forma Historical
Gearing (net debt/(net debt + equity))	36.0%	39.7%	30.7%
EBITDA (\$m)	257.1	265.5	265.5
Net Debt/EBITDA	3.5x	4.0x	3.1x
<b>Interest coverage</b> (EBITDA/net interest expense)	3.9x	3.9x	5.2x
<b>Interest + Distribution coverage</b> (EBITDA/(net interest expense + Distribution Payment))	N/A	N/A	3.7x
<b>Distribution coverage</b> (EBITDA – net interest expense)/Distribution Payment	N/A	N/A	9.9x

#### Notes:

1. Refer to Section 5.6.1 for description of the pro-forma adjustments made to the 31 December 2006 historical financial information

### 5.7.1 Description of Pro-forma adjustments to selected financial ratios

The above pro-forma historical financial information for the calendar year ended 31 December 2006 assumes the issuance of the PaperlinX SPS takes place effective 1 January 2006. The PaperlinX SPS will result in an amount equal to the proceeds of the issue (net of costs of the issue) being added to equity in the PaperlinX Group accounts under AIFRS. In addition the following is assumed:

#### Net interest expense

The interest expense (see Section 5.4) associated with the debt assumed to be repaid via the issue of PaperlinX SPS in the calendar year ended 31 December 2006 was approximately \$17.6 million. This interest expense has been deducted from the actual interest expense for the calendar year ended 31 December 2006 in determining the pro-forma interest expense.

#### Distribution coverage

It has been assumed that the Distribution Rate is 8.69% on the \$250 million PaperlinX SPS issued in the pro-forma historical ratios, resulting in a Distribution Payment of \$21.7 million. The actual Distribution Rate of the PaperlinX SPS issued will be determined in a Bookbuild process, and may differ from these assumptions.

# 6. Risk Factors

## 6.1 Introduction

This Section identifies the areas that are believed to be the major risks associated with an investment in PaperlinX SPS. Prospective investors should note that this list of risks is not exhaustive.

Some risks are specific to both an investment in PaperlinX SPS and PaperlinX itself whilst other risks are general investment risks, which may materially and adversely affect the performance of PaperlinX SPS and the value of PaperlinX SPS. Many of these risks are outside the control of the Issuer, PaperlinX and their respective directors.

An investment in PaperlinX SPS should be considered in light of these risks, both general and specific. Each of the risks set out below could, if they eventuate, have a materially adverse impact on PaperlinX SPS.

Prior to making an investment decision, prospective investors should read the entire Product Disclosure Statement and carefully consider the following risk factors. Investors should have regard to their own investment objectives and financial circumstances and should seek professional guidance from their stockbroker, solicitor, accountant or other professional adviser before deciding whether to invest.

## 6.2 PaperlinX SPS specific risks

The risks associated with investment in PaperlinX SPS include, but are not limited to:

### 6.2.1 Distributions

PaperlinX SPS are not debt instruments and Distributions are not the same as interest payments. Holders are not entitled to a Distribution if the Issuer uses its discretion not to pay a Distribution.

The PaperlinX SPS Trust is reliant upon receipt of distributions from PaperlinX LLC to have the funds to pay Distributions. Accordingly, if PaperlinX LLC elects not to make a distribution, the Issuer will not be in a position to elect to pay a Distribution to Holders. The financial position of the PaperlinX Group may affect whether distributions are paid by PaperlinX LLC.

Distributions are non-cumulative, and therefore if a Distribution or part of a Distribution is not paid in any period, it need not be made up in any subsequent periods.

### 6.2.2 No limit on PaperlinX Group indebtedness

The PaperlinX Group may incur further indebtedness without the prior consent of Holders, including indebtedness which may rank ahead, equally or behind Holders in a winding up of PaperlinX. The level of indebtedness may affect the ability of PaperlinX LLC to make distributions to the PaperlinX SPS Trust and accordingly may affect whether Distributions are paid on the PaperlinX SPS.

### 6.2.3 Limited right for Holders to require Realisation

PaperlinX SPS are perpetual and have no maturity date.

Holders have no right to require Redemption, Exchange or Resale of a PaperlinX SPS, except:

- a Holder may request that the Issuer Realise the Holder's PaperlinX SPS following a Change of Control Event; and
- a Holder has a right to receive a PaperlinX Preference Share and have it redeemed if a PaperlinX Breach of Undertakings Event occurs. (However, redemption is subject to PaperlinX having sufficient profits or proceeds from a share issue made for that purpose.)

On receipt of a request for Realisation, the Issuer must elect to do one or more of Redeem, Exchange or Resell the PaperlinX SPS. The decision as to which one of Redemption, Exchange or Resale (or what combination is chosen) lies with PaperlinX and PaperlinX LLC. The timing or occurrence of Redemption, Exchange or Resale may not accord with the preference of individual Holders and may be disadvantageous in light of market conditions or individual circumstances. As a result of a Realisation, investors may become holders of Ordinary Shares in PaperlinX.

Otherwise, PaperlinX SPS can only be disposed of by sale. Holders who wish to sell their PaperlinX SPS may be unable to do so at a price at or above the amount they have paid for them, or at all, if insufficient liquidity exists in the market for PaperlinX SPS.

### 6.2.4 Rights of Holders in a winding up of PaperlinX

If a winding up of PaperlinX occurs, or the appointment of a receiver, administrator, provisional liquidator or similar insolvency occurs in respect of PaperlinX, Holders are entitled to be issued a fully paid Preference Share in PaperlinX (with the right in a winding up to receive a Liquidation Amount in redemption of their PaperlinX SPS).

The right to be paid the Liquidation Amount ranks in a winding up of PaperlinX behind all other creditors, but ahead of Ordinary Shareholders in PaperlinX.

In the event of a shortfall of funds on a winding up of PaperlinX, there is a risk that Holders will not receive a full or any return of the Liquidation Amount.

## 6. Risk Factors

### 6.2.5 Distribution Rate

The Distribution Rate payable on PaperlinX SPS is calculated for each Distribution Period by reference to the Market Rate plus the Margin.

The Market Rate is floating and influenced by a number of factors. The Distribution Rate will fluctuate and may increase or decrease over time in line with movements in the Market Rate. There is a risk that the Market Rate will fall significantly, impacting the Distribution Rate adversely.

### 6.2.6 Issuer ability to vary terms

Under the Remarketing process, the Issuer could determine a lower Margin (except on a New Credit Rating Remarketing) or amend other terms of the PaperlinX SPS if there has been a Successful Remarketing process. These changes may be considered less attractive to Holders. If the Issuer sets a new Margin following a Successful Remarketing process, any Holder who requested a margin higher than the new Margin or who requested the Step-up Margin, will have their PaperlinX SPS Realised by such method as determined by the Issuer.

### 6.2.7 Accounting classification of PaperlinX SPS, Tax and Regulatory Events

The Issuer has the right to Realise your PaperlinX SPS if certain events occur relating to changes in the accounting treatment of the PaperlinX SPS or LLC Preference Shares.

The Issuer also has the right to Realise your PaperlinX SPS if there is a Tax Event. A Tax Event may occur where there is a change in tax treatment (including loss of tax deductibility) of payments or receipts by any member of the PaperlinX Group or the PaperlinX SPS Trust in connection with the PaperlinX SPS or in connection with funding received from PaperlinX LLC or investment by PaperlinX LLC in the PaperlinX Group in a relevant tax jurisdiction. Relevant tax jurisdictions are Australia, the United States of America, the United Kingdom and other jurisdictions in which a member of the PaperlinX Group is resident or carries on business if that member has been funded by PaperlinX LLC. Failure to obtain a satisfactory ruling from the Australian Taxation Office on the matters referred to in the Taxation Implications Section (Section 8), will be a Tax Event.

In addition, the Issuer has the right to Realise your PaperlinX SPS if a change in law or administration relating to securities or a change in ASX Listing Rules imposes additional requirements which PaperlinX directors determine to be unacceptable. In any of these circumstances, the Issuer, would be entitled to Realise your PaperlinX SPS.

The method and date by which the Issuer elects to Realise PaperlinX SPS may not accord with the preference of individual Holders. This may be disadvantageous in light of market conditions or your individual circumstances.

### 6.2.8 General taxation considerations

A general outline of the taxation consequences in Australia of investing in PaperlinX SPS is set out in Section 8. It is not intended to provide specific advice in relation to the circumstances of any particular investor. Accordingly, investors should seek independent advice in relation to their own individual taxation position.

Investors should be aware that any future changes in Australian tax law, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may affect the taxation treatment of the acquisition, holding and disposal of PaperlinX SPS.

## 6.3 PaperlinX business specific risks

Set out below are examples of risks associated with investing in a security, the return on which ultimately depends upon the PaperlinX Group.

### 6.3.1 Key PaperlinX risks

PaperlinX's financial performance will be dependent upon conditions in the global economy. Such conditions are largely influenced by levels of demand and prices in world commodity markets. Specific risks include:

- PaperlinX is exposed to fluctuations in currency exchange rates in several ways:
  - PaperlinX's Australian Paper Division competes against imported paper products, the selling price in Australia of which may be influenced by the strength of the Australian dollar against the currency in the country of manufacture;
  - PaperlinX imports paper products (which are sold by PaperlinX's paper merchants) and pulp which is used by PaperlinX's paper manufacturing business. The purchase price of these paper products and pulp may be influenced by the strength of the Australian dollar against the currency in the country of manufacture; and
  - certain of PaperlinX's revenue and expenses are denominated in currencies other than Australian dollars, including sales by PaperlinX's international trading business and purchases of pulp;
- the prices PaperlinX achieves for its communication papers are significantly influenced by the pricing of imports, which in turn is predominantly linked to the global prices for communication papers which are subject to fluctuation;
- global paper prices have historically been cyclical and may fluctuate widely. Increases and decreases in global paper prices and demand may have an effect on PaperlinX's financial performance in the future;
- fluctuations in international commodity prices which impact input costs in the following ways:
  - PaperlinX is exposed to movements in the pulp price which impact the profitability of the Group if higher pulp prices cannot be passed on via higher paper selling prices; and
  - PaperlinX Group is exposed to movements in the oil price.
- an adverse change occurring in the existing relationship with PaperlinX's suppliers and major customers. For example, PaperlinX's take or pay contract with Amcor for the supply of linerboard is due for renewal in 2010.
- PaperlinX's operations are subject to environmental laws and regulations and specific operating licences in each of the jurisdictions in which it operates. Adverse environmental issues, laws or regulations, including with respect to packaging, may affect the PaperlinX Group;
- adverse movements in interest rates can impact demand for PaperlinX's products by influencing the level of business activity. PaperlinX is also exposed to movements in interests rates through the effect on interest expense on its borrowings;
- possible adverse changes in taxation laws or tax rates in countries in which PaperlinX operates;
- economic downturn as a result of macroeconomic factors such as government policy and spending, the level of household disposable income and commodity markets;
- adverse climatic conditions or exposure to other natural events (for example flood, drought, pestilence and fire) reducing output and supply of relevant raw materials;
- competition from other paper manufacturers or merchants which may adversely affect PaperlinX's market share or margins;
- subsidies are given to foreign producers, which may affect the competitive position of Australian outputs;
- advances in technology relating to the use of paper or competitive products, including the continuing increase in electronic communication and storage of information, could impact on PaperlinX's financial performance in the future; and
- increases in transport and shipping costs and delays in obtaining shipping.

### 6.3.2 Other PaperlinX risks

Other risks that may arise in relation to PaperlinX include, but are not limited to:

- unforeseen capital expenditure requirements that would increase PaperlinX funding costs;
- unforeseen trade regulations that may adversely impact PaperlinX exports markets;
- PaperlinX Group expenses being greater or revenues being less than anticipated; and
- audit of PaperlinX Group tax returns, amended assessments and adjustments thereon.

There is also a risk that a member of the PaperlinX Group may breach an obligation under other funding facilities, which may result in the acceleration of the scheduled time for payment under those facilities. Creditors under those facilities will rank for payment in a winding up of PaperlinX ahead of Holders of PaperlinX Ordinary Shares or PaperlinX Preference Shares.

### 6.4 General risks

#### 6.4.1 Financial market conditions

The market price of PaperlinX SPS will fluctuate due to various factors, including general movements in Australian and international equity markets, investor sentiment, world-wide and regional economic conditions, movements in interest rates, movements in the market price of PaperlinX Ordinary Shares, and factors which may affect PaperlinX's financial position and earnings.

The market price of PaperlinX SPS may be more sensitive than PaperlinX Ordinary Shares to changes in interest rates. Increases in relevant interest rates may adversely affect the market value of PaperlinX SPS and PaperlinX SPS could trade on ASX at a price below the Issue Price.

PaperlinX SPS market performance could be adversely affected by any such market fluctuations or factors. None of the Issuer, PaperlinX, or its directors or any other person guarantees PaperlinX SPS market performance.

#### 6.4.2 Liquidity and realisation risk

There may be relatively few, or many potential buyers or sellers of PaperlinX SPS on ASX at any time. This may affect the volatility of the market price of the PaperlinX SPS. It may also affect the prevailing market price at which Holders are able to sell their PaperlinX SPS. This may result in Holders receiving a market price for their PaperlinX SPS that is less or more than the price that Holders paid. The market for PaperlinX SPS may be less liquid than the market for PaperlinX Ordinary Shares.

#### 6.4.3 Changes in economic, legal and regulatory environment

PaperlinX's operating and financial performance is influenced by a variety of general economic and business conditions including the level of inflation, interest rates and exchange rates and government fiscal, monetary and regulatory policies. A prolonged deterioration in general economic conditions, including an increase in interest rates or a decrease in consumer and business demand, could potentially have an adverse impact on PaperlinX's earnings and financial performance and therefore the attractiveness of an investment in PaperlinX SPS.

Changes to laws and regulations or accounting standards, which apply to PaperlinX from time to time, could also materially adversely impact the operating and financial performance of the PaperlinX Group with a potential consequent change to the attractiveness of investing in PaperlinX SPS.

### 6.5 Other risks

The above risks are not exhaustive of the risks faced by potential investors in the PaperlinX SPS. The risks outlined above and other risks may materially affect the future value and performance of the PaperlinX SPS. Accordingly, no assurances or guarantees of future performance, profitability, Distributions or return of capital are given by the Issuer or PaperlinX in respect of the PaperlinX SPS.

# 7

## Fees and Other Costs

### CONSUMER ADVISORY WARNING

#### Did you know?

Small differences in both investment performance and fees and costs can have a substantial impact on your long-term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### To find out more

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

## 7. Fees and Other Costs

### 7.1 Fees and other costs

This section shows the fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

Taxes and insurance costs are set out in another part of this document.

You should read all the information about fees and costs, because it is important to understand their impact on your investment.

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Fees when your money moves in or out of the PaperlinX SPS Trust</b>		
<i>Establishment fee:</i> The fee to open your investment.	Nil	Not applicable
<i>Contribution fee:</i> The fee on each amount contributed to your investment.	Nil	Not applicable
<i>Withdrawal fee:</i> The fee on each amount you take out of your investment.	Nil	Not applicable
<i>Termination fee:</i> The fee to close your investment.	Nil	Not applicable
<b>Management costs</b>		
The fees and costs for managing your investment		Details on how and when management costs are paid are set out below in relation to the individual components of management costs.
<i>Management fee:</i> The fees for managing your investment	The Issuer is entitled to an annual management fee of \$92,250 plus 0.05125% of the amount by which the gross asset value of the PaperlinX SPS Trust exceeds \$300 million. The fee will be subject to an annual upward adjustment for increases in the consumer price index. By way of estimate only and based on a total offer of \$300 million, this equals 0.03075% in the first year of your investment.	The annual management fee accrues daily and is calculated at the end of each month. Fees are due on receipt of invoice.  <b>The annual management fee will not reduce the Distribution Rate on the PaperlinX SPS.</b>

Type of fee or cost	Amount <sup>1</sup>	How and when paid
<b>Management costs</b> continued		
<i>Ongoing costs and expenses:</i> The ongoing costs and expenses of operating the PaperlinX SPS Trust.	The Issuer is indemnified against and is entitled to be reimbursed out of or have paid from the assets of the PaperlinX SPS Trust all the ongoing costs and expenses incurred in the proper performance of the Issuer's duties in connection with the PaperlinX SPS Trust. This includes the engagement of professional advisers and agents such as the Custodian as well as regulatory and listing fees. These are estimated to be in the order of \$330,000 per year. By way of estimate only and based on a total offer of \$300 million, this equals 0.11% in the first year of your investment.	As incurred.  <b>The ongoing costs and expenses of operating the PaperlinX SPS Trust will not reduce the Distribution Rate on the PaperlinX SPS.</b>
<b>Service fees</b>		
<i>Investment switching fee:</i> The fee for changing investment options.	Nil	Not applicable

<sup>1</sup> The costs and expenses disclosed in the table are inclusive of GST and net of any input tax credits available.

## 7.2 Example of annual fees and costs

This table gives an example of how the fees and costs in relation to the PaperlinX SPS Trust can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

Type of fee or cost	Amount	How and when paid
Contribution fees	Nil	For every \$50,000 you have invested in the PaperlinX SPS Trust you will be charged \$0.00 each year.
<b>PLUS</b> Management fee	0.14075% pa	For every \$50,000 you have invested in the PaperlinX SPS Trust you will be charged \$70.35 each year.
EQUALS Cost of PaperlinX SPS Trust (Management fee plus contribution costs)	0.14075% pa	If you had an investment of \$50,000 at the beginning of the year, you would be charged a total fee of \$70.35*.

\* Additional fees may apply:  
• establishment fee – Nil  
• withdrawal fee – Nil.

**Note:** As stated above, management fees and costs of the Issuer will not reduce the Distribution Rate on the PaperlinX SPS.

### 7.3 Additional explanation of fees and costs

If you seek the advice of a financial adviser in connection with applying for PaperlinX SPS, your financial adviser may charge you a fee. The adviser's remuneration will be the amount you negotiate with your adviser.

For more information on taxation implications, see Section 8.

For more information on the costs of the Offer, which are being paid by PaperlinX, see Section 9.9.

#### 7.3.1 Offer and establishment costs

The Issuer is entitled to an establishment fee of \$27,500 (GST inclusive). PaperlinX Group will pay this establishment fee.

The Offer costs (including fees and commissions to the Lead Manager, legal, accounting, printing and other costs) are expected to be approximately \$8.95 million (GST inclusive). PaperlinX Group will pay the Offer costs.

By way of estimate only and based on a total issue size of \$300 million, the establishment fee and Offer costs equals 3% in the first year of your investment.

The establishment fee was payable on acceptance by PaperlinX of the Issuer's letter of offer. Most of the Offer costs will be paid by the PaperlinX Group on completion of the Offer. However some Offer costs may be payable by PaperlinX during the course of the Offer.

#### 7.3.2 Administration costs

Payment of the Issuer's fees and costs (including without limitation, any amounts payable to any delegate, attorney, agent or Custodian) incurred in performance of its duties or the exercise of its powers, in relation to the administration or management of the PaperlinX SPS Trust (as detailed in the table) will be effected through a loan from PaperlinX to the Issuer. The Issuer may be reimbursed from the assets of the PaperlinX SPS Trust for its repayment of the loan.

The Issuer proposes to engage the Custodian to provide custody services to the Issuer and hold PaperlinX SPS Trust assets on the Issuer's behalf. The annual fee (GST inclusive) payable for the custody services will be \$16,500 plus 0.011% of the amount by which the gross asset value of the PaperlinX SPS Trust exceeds \$300 million. The fee will be subject to an annual upward adjustment for increases in the Consumer Price Index.

If the Issuer is replaced as the responsible entity of the PaperlinX SPS Trust within three years of appointment PaperlinX must pay the Issuer a termination fee of \$220,000 (GST inclusive).

#### 7.3.3 Trailing fees

Trailing commissions will not be paid and fee rebates will not be offered to financial advisers by the Issuer in connection with the PaperlinX SPS Trust.

#### 7.3.4 GST

If the Issuer is required to pay GST on the supply of any goods or services made in connection with the PaperlinX SPS Trust or in relation to its fees, it may recover an amount equal to the GST from the assets of the PaperlinX SPS Trust to the extent allowable under the Constitution.

#### 7.3.5 Working capital

The PaperlinX SPS Trust is a sole-purpose vehicle for investing in LLC Preference Shares. Provided that dividends are declared and paid on the LLC Preference Shares, the PaperlinX SPS Trust will have sufficient working capital to meet its objectives and to make scheduled Distributions on the PaperlinX SPS (subject to the Issuer determining to make those Distributions) and to cover on-going fees and costs associated with the management of the PaperlinX SPS Trust.

# 8

## Taxation Implications



## 8. Taxation Implications

This tax summary provides guidance on the Australian income tax, GST and stamp duty implications for investors acquiring, holding and disposing on capital account of PaperlinX SPS to be acquired under this Product Disclosure Statement. The income tax implications can vary depending on the nature and characteristics of each particular investor and their specific circumstances.

Each prospective investor should consult his or her own tax adviser as to the taxation implications of investing in PaperlinX SPS. This summary is intended as a guide only and is not intended to be an authoritative or exhaustive statement of the legislation applicable to all investors. Ernst & Young disclaim all liability to any Holder arising from or in connection with any reliance by the Holder on the contents of this tax summary. This summary should not be relied on by prospective investors as a substitute for obtaining detailed advice in relation to the investor's specific circumstances. The views expressed in this summary are open to challenge by the Commissioner of Taxation.

The information contained in this section does not apply to Holders that:

- hold PaperlinX SPS as trading stock in the course of the carrying on of a business;
- hold PaperlinX SPS for the purpose of resale at a profit; or
- are non-residents of Australia for income tax purposes and hold PaperlinX SPS through an Australian branch or permanent establishment.

### 8.1 Taxation of the PaperlinX SPS Trust

The PaperlinX SPS Trust will be established as a unit trust. Although a unit trust may be taxed in a similar manner to a company if the unit trust is a 'public trading trust', the PaperlinX SPS Trust should not be a public trading trust.

A ruling is currently being sought from the Australian Taxation Office to confirm that the PaperlinX SPS Trust is not a 'public trading trust'.

The PaperlinX SPS Trust will only invest in LLC Preference Shares issued by PaperlinX LLC, a United States Limited Liability Company that is treated as a partnership for Australian income tax purposes. PaperlinX LLC will invest the proceeds of subscription in other members of the PaperlinX Group resident outside Australia. Accordingly, the PaperlinX SPS Trust should only derive income comprising non-Australian sourced partnership profits from its investment in PaperlinX LLC.

If the Issuer exercises its discretion to distribute the PaperlinX SPS Trust income to Holders in the income year in which it is derived, the PaperlinX SPS Trust should be treated as a 'flow through' entity for taxation purposes. The Holders should in this instance be considered presently entitled to their relevant proportion of the income (if any) of the PaperlinX SPS Trust for each income year. Accordingly, it should be the Holders (with the possible exception of non-resident Holders, as noted below) and not the Issuer as trustee of the PaperlinX SPS Trust that are assessed for tax on their respective share of the taxable net income of the PaperlinX SPS Trust.

### 8.2 Taxation of Australian resident Holders

#### 8.2.1 Trust income – PaperlinX SPS Trust Distributions

Resident Holders will be required to include in their assessable income their share of the taxable net income of the PaperlinX SPS Trust for each income year. Where the Holder is an individual, tax will be levied at the individual's prevailing marginal tax rate. Companies and complying superannuation funds will be taxed at the rates appropriate to each entity, which are currently 30% and 15% respectively.

#### 8.2.2 Trust income – Disposal of PaperlinX LLC Preference Shares by PaperlinX SPS Trust

In certain circumstances, the PaperlinX SPS Trust is required to dispose of the PaperlinX LLC Preference Shares to PaperlinX. It is expected that all PaperlinX SPS would be redeemed or exchanged in such circumstances.

As PaperlinX LLC is treated as a partnership for Australian tax purposes, the disposal of the PaperlinX LLC Preference Shares should be regarded as a disposal of the PaperlinX SPS Trust's underlying interests in securities issued by other members of the PaperlinX Group.

To the extent that the value of the consideration received by the PaperlinX SPS Trust from PaperlinX exceeds the cost of the securities issued by other members of the PaperlinX Group, the PaperlinX SPS Trust may realise an assessable gain either on revenue account pursuant to the traditional securities provisions or on capital account depending on the nature of the underlying security. Any such gain would form part of the taxable net income of the PaperlinX SPS Trust. To the extent that all PaperlinX SPS have been redeemed prior to the end of the income year in which the above occurs (which is expected), Holders should not have any tax liability in respect of any assessable gain arising from the disposal by the PaperlinX SPS Trust of the PaperlinX LLC Preference Shares.

### **8.2.3 Holders – Disposal or Redemption for cash of PaperlinX SPS**

The PaperlinX SPS may be disposed of by Holders or redeemed for cash by the PaperlinX SPS Trust in certain circumstances. The disposal or redemption will give rise to a Capital Gains Tax ('CGT') event. The redemption proceeds may comprise a capital component and an income component. The income component should be treated as assessable income of Holders in accordance with 8.2.1 above. Whether there is a capital gain or loss requires the Holder to compare their capital proceeds with their cost base. The cost base to Holders will be the amount subscribed under the Product Disclosure Statement. Incidental costs of acquisition and disposal may also be included in the cost base. PaperlinX SPS purchased on the secondary market will have a cost base which includes the cost of acquisition and appropriate incidental costs.

Where the capital proceeds on disposal or redemption exceed the cost base of the PaperlinX SPS, a capital gain will arise for the difference. The capital gain is included in the Holder's assessable income subject to application of any relevant CGT discounts, and after applying any current or prior year capital losses.

Depending on whether the Holder is an individual, a trust or a complying superannuation fund, a CGT discount may be available where PaperlinX SPS are held for at least 12 months. The discount is applied to reduce the capital gain by 50% for individuals and trusts, and 33% for complying superannuation funds. Companies are not eligible to receive the CGT discount.

Where the capital proceeds on disposal or redemption are less than the cost base of the PaperlinX SPS, a capital loss will arise. The capital loss can be used to offset any other capital gains derived by the Holder in the current income year, or alternatively may be carried forward and applied against future capital gains.

### **8.2.4 Holders – Redemption of PaperlinX SPS in exchange for PaperlinX Ordinary Shares or PaperlinX Preference Shares**

The PaperlinX SPS may be redeemed in exchange for PaperlinX Ordinary Shares in certain circumstances or alternatively, for PaperlinX Preference Shares in other circumstances.

As the PaperlinX SPS should be 'convertible interests' for CGT purposes, the CGT consequences for Holders arising from the exchange of PaperlinX SPS for PaperlinX Ordinary Shares or PaperlinX Preference Shares should be as follows:

- the proceeds may comprise a capital component and an income component. The income component should be treated as assessable income of Holders in accordance with 8.2.1 above;
- any capital gain or capital loss resulting from the exchange for PaperlinX Ordinary Shares or PaperlinX Preference Shares should be disregarded;
- the cost base of the PaperlinX Ordinary Shares or PaperlinX Preference Shares should be equal to the cost base of the PaperlinX SPS at the time of the exchange; and
- the time of acquisition of the PaperlinX Ordinary Shares or PaperlinX Preference Shares is when the exchange occurs.

The CGT consequences arising on a subsequent disposal of the PaperlinX Ordinary Shares or PaperlinX Preference Shares is discussed at 8.2.6 below.

### **8.2.5 Dividends on PaperlinX Ordinary Shares or PaperlinX Preference Shares received upon exchange**

If the PaperlinX SPS are exchanged for PaperlinX Ordinary Shares or PaperlinX Preference Shares, any dividends on the PaperlinX Ordinary Shares or PaperlinX Preference Shares will either be franked (either fully or in part) or unfranked. PaperlinX will be able to frank dividends where it has available franking credits. Generally, franking credits are created through the payment of Australian corporate tax and the receipt of franked dividends. A notice will be provided by PaperlinX advising Holders of the franked and unfranked components of any dividends paid.

For Holders, the taxation treatment of a dividend received from PaperlinX will vary depending on the type of Holder. Set out below is a summary of how different types of Australian tax resident Holders should, subject to certain holding period rules described below, treat a dividend received from PaperlinX.

#### **8.2.5.1 Individual Holders**

Dividends received by individuals should be included in their assessable income, together with the amount of any franking credit attached to the dividend. A franking credit will be 'attached' to the dividend to the extent that the dividend received is franked. The franking credit attached to the dividend will generally be allowed as a credit against the tax payable on the individual's total taxable income (i.e. tax offset). Excess tax offsets may result in a tax refund being payable to the individual.

#### **8.2.5.2 Company Holders**

Dividends received by companies should be included in assessable income, together with the amount of any franking credit attached to the dividend. However, the tax offset generated from any franking credits received cannot give rise to a refund. In certain circumstances the amount of the franking offset in excess of the tax payable by the company may be carried forward into future income years as a revenue loss. The amount of the revenue loss is calculated by dividing the excess franking offset by the corporate tax rate.

## 8. Taxation Implications

### 8.2.5.3 Trust Holders

The general comments below relate to trusts with Australian tax resident beneficiaries who have present entitlement to all the income of the trust and are not under legal disability. Other types of trusts and beneficiaries should seek independent professional taxation advice.

Dividends received by a trust should be included in the calculation of the taxable net income of the trust, together with the amount of any franking credit attached to the dividend. The tax treatment of the dividend and franking credits (if any) ultimately received by the beneficiaries of the trust holders then depends on the legal identity of each beneficiary as an individual, a company or a trust.

If the trust has a net loss or does not have net income, the tax offset for any franking credits attached to dividends received is effectively lost. However, if the trust has at least \$1 of net income, all of the tax offset (even if it exceeds the net income amount) should be able to be utilised by the beneficiaries presently entitled to the net income of the trust.

### 8.2.5.4 Superannuation fund holders

Dividends received by superannuation funds should be included in assessable income, together with the amount of any franking credit attached to the dividend. Superannuation funds should receive full tax offsets from any franking credits attached to dividends paid to the fund. Excess tax offsets should be refundable to complying superannuation fund holders.

### 8.2.5.5 Holding Period Rule

In certain circumstances, a Holder's entitlement to the franking credit tax offset, as discussed above, may be denied where specific 'holding period' rules relating to the Ordinary Shares or Preference Shares in PaperlinX are not satisfied. The holding period rules broadly require the shares on which a dividend has been paid to be held 'at risk' for a minimum period of 45 days (Ordinary Shares) or 90 days (Preference Shares) beginning on the day after the day on which the shares are acquired and ending on the day before the Holder disposes of the shares.

The application of these rules will depend on each specific Holder's circumstances and is beyond the scope of this report. However, these rules should generally not apply to individual Holders whose total entitlement to franking credits does not exceed \$5,000 in relation to a year of income.

### 8.2.6 Disposal of PaperlinX Ordinary or Preference Shares received upon exchange

The following general comments relate to Holders who hold the PaperlinX Ordinary Shares or Preference Shares acquired upon exchange on capital account. The disposal of the shares will give rise to a CGT event. Calculating a capital gain or loss requires the Holder to compare their capital proceeds with their cost base. The calculation and treatment of capital gains or losses are as outlined in 8.2.3 above. The cost base of the PaperlinX Ordinary Shares or Preference Shares acquired upon exchange should be as discussed in 8.2.4 above.

## 8.3 Taxation of non-resident Holders

### 8.3.1 Trust Income – PaperlinX SPS Trust Distributions

Generally, non-residents are only subject to Australian taxation upon income that has an Australian source. The PaperlinX SPS Trust Distributions should comprise foreign sourced partnership profits.

In relation to non-resident Holders who are tax resident in a country with which Australia has concluded a Double Tax Agreement certain deeming provisions may apply to treat the partnership profits as Australian source. Whilst not entirely free from doubt, the better view is that these provisions should not apply. The Australian Taxation Office may however take the view that there is an Australian tax liability pursuant to these provisions. A ruling is currently being sought from the Australian Taxation Office regarding this matter. In the event that an Australian tax liability exists, the Issuer as the trustee of the PaperlinX SPS Trust will be assessed and liable to pay tax on the non-resident's share of income. Accordingly in this event the Distribution to the non-resident Holder will be reduced by the tax due by the Trustee.

As discussed in 8.2.2 above, all PaperlinX SPS should be redeemed in the event that the PaperlinX SPS Trust is required to dispose of its PaperlinX LLC Preference Shares. Accordingly, non-resident Holders should also not be subject to Australian tax on any taxable net income of the PaperlinX SPS Trust arising from this disposal.

### 8.3.2 Holders – disposal, redemption or exchange of PaperlinX SPS

Pursuant to recent changes in Australian tax legislation, capital gains or losses arising to non-residents from CGT events that do not relate to 'taxable Australian property' are disregarded. The PaperlinX SPS should not be taxable Australian property. Accordingly, there should be no Australian tax liability for non-resident Holders in respect of the capital component received on the disposal, redemption or exchange of PaperlinX SPS. The taxation treatment of any income component will be as discussed in 8.3.1 above.

### **8.3.3 Dividends on PaperlinX Ordinary Shares or Preference Shares acquired upon exchange**

Non-resident Holders who receive dividends from PaperlinX should not be subject to Australian dividend withholding tax to the extent that the dividends are franked (see 8.2.5).

Unfranked dividends should be subject to dividend withholding tax at the lower of 30% or the rate applicable to non-residents who are tax resident in countries that have concluded Double Tax Agreements with Australia.

### **8.3.4 Disposal of PaperlinX Ordinary Shares or Preference Shares acquired upon exchange**

The PaperlinX Ordinary Shares or Preference Shares should not be taxable Australian property. Accordingly, there should be no Australian tax liability for non-resident Holders on disposal of the PaperlinX Ordinary or Preference Shares acquired upon exchange.

## **8.4 Withholding obligations**

Holders are not obliged to quote their Tax File Number ('TFN') or Australian Business Number ('ABN') to the Issuer, as responsible entity of the PaperlinX SPS Trust. An ABN may only be quoted by a Holder if the investment is made in the course or furtherance of an enterprise. However, if a Holder does not quote their ABN, TFN or claim an exemption, the Issuer may be obliged to withhold tax from amounts distributed at the highest individual marginal rate (currently 45%) plus the Medicare Levy.

## **8.5 Goods and Services Tax ('GST') implications**

The acquisition of PaperlinX SPS and subsequent disposal or redemption of PaperlinX SPS should not be subject to GST, regardless of whether Holders are resident of Australia or registered for GST. Similarly, the exchange of PaperlinX SPS for PaperlinX Ordinary Shares or Preference Shares in PaperlinX and any subsequent disposal of the PaperlinX Ordinary Shares or Preference Shares should not be subject to GST regardless of whether Holders are resident of Australia or registered for GST. In the instance Holders are registered for GST, these transactions should be considered input taxed financial supplies, except to the extent they are considered GST-free 'exports'.

Furthermore, the receipt of PaperlinX SPS Trust Distributions, and the receipt of dividends on PaperlinX Ordinary Shares or Preference Shares in PaperlinX acquired upon exchange, should not give rise to any GST consequences as such amounts are considered to be outside the scope of GST.

Any GST included in costs associated with the above transactions may become a cost to a Holder. This is because GST included in costs that relate to the making of input taxed financial supplies is not generally available as an input tax credit. However, any impact will be dependent upon the level of costs incurred by the Holder that are associated with the transaction and the individual Holder's own GST status. Further, special rules exist which may allow partial input tax credits in certain circumstances.

It is recommended that each Holder should obtain their own independent GST advice.

## **8.6 Australian stamp duty implications**

PaperlinX SPS will be quoted on ASX. In certain circumstances, PaperlinX SPS may be redeemed, disposed of or exchanged for PaperlinX Ordinary Shares or PaperlinX Preference Shares.

The issue of PaperlinX SPS should not give rise to any Australian stamp duty consequences. Provided that the PaperlinX SPS are quoted on ASX at all relevant times, the redemption, disposal or exchange of PaperlinX SPS should not give rise to any marketable securities duty in Australia. As the PaperlinX SPS Trust should not have any entitlement to property with a nexus to Australia, no other Australian stamp duty implications should arise.

The acquisition of PaperlinX Ordinary Shares or PaperlinX Preference Shares should not give rise to any Australian stamp duty consequences.

9

# Additional Information



You should be aware of a number of other matters that have not been addressed in detail elsewhere in this Product Disclosure Statement. These include:

- Section 9.1 – Disclosure and availability of information in relation to the PaperlinX SPS Trust;
- Section 9.2 – PaperlinX SPS Trust and related instruments;
- Section 9.3 – Description of LLC Preference Shares;
- Section 9.4 – Summary of rights attaching to the PaperlinX Preference Shares;
- Section 9.5 – Summary of important documents;
- Section 9.6 – ASIC and ASX relief;
- Section 9.7 – Consents and disclaimers;
- Section 9.8 – Complaints handling procedure;
- Section 9.9 – Costs of the Offer and interests of experts and other advisers;
- Section 9.10 – Interests;
- Section 9.11 – Investment considerations;
- Section 9.12 – Directors' consent to lodgement.
- Section 9.13 – Updates to Original Product Disclosure Statement.

## **9.1 Disclosure and availability of information in relation to the PaperlinX SPS Trust**

### **9.1.1 Availability of PaperlinX SPS Trust information**

Following the issue of PaperlinX SPS, the PaperlinX SPS Trust will be a disclosing entity for the purposes of the Corporations Act and will be subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

These obligations require that ASX be continuously notified of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Issuer will have an obligation under the Listing Rules (subject to certain limited exceptions) to notify ASX immediately of any information concerning the PaperlinX SPS Trust of which it becomes aware and which a reasonable person would expect to have a material effect on the price or value of PaperlinX SPS.

The Issuer will also be required to lodge with ASIC both yearly and half-yearly financial statements accompanied by a directors' statement and report, and an audit or review report.

### **9.1.2 Accessing information about PaperlinX and the PaperlinX SPS Trust**

The Issuer will provide, or cause to be provided, a copy of any of the following documents free of charge to any person who requests a copy during the Offer Period in relation to this Product Disclosure Statement:

- The financial statements of PaperlinX for the six months ended 31 December 2006 (being the most recent interim financial report lodged with ASIC before the lodgement of this Product Disclosure Statement);
- Any document or financial statement lodged for the PaperlinX SPS Trust or by PaperlinX with ASIC or ASX under the continuous disclosure reporting requirements in the period after the lodgement of the interim financial report and before the Closing Date;
- The PaperlinX Constitution;
- The Constitution.

Copies of the above documents may be obtained in person or by writing to the Registry at:

Computershare Investor Services Pty Limited  
GPO Box 52  
Melbourne VIC 8060

Copies of documents lodged with ASIC in relation to the PaperlinX SPS Trust and PaperlinX may also be obtained from, or inspected at, an office of ASIC.

### 9.2 PaperlinX SPS Trust and related instruments

#### 9.2.1 Related information

Rights attaching to PaperlinX SPS are contained in the:

- PaperlinX SPS Trust Constitution – a summary of which is set out in Section 9.2.2;
- PaperlinX SPS Terms (included as Schedule 1 to the Constitution, set out in full in Section 11 and summarised in Sections 1 and 2 of this Product Disclosure Statement); and
- the Corporations Act, the Listing Rules and the general law relating to trusts.

Some of the rights attaching to PaperlinX SPS are linked with rights arising under other documents, for example:

- PaperlinX SPS may be Exchanged into PaperlinX Ordinary Shares in certain circumstances. The rights attaching to PaperlinX Ordinary Shares are set out in PaperlinX's constitution;
- PaperlinX SPS will automatically exchange into Preference Shares in PaperlinX on a Preference Share Exchange Date. For a summary of important rights attaching to the PaperlinX Preference Shares – see Section 9.4;
- the gross proceeds raised through the issue of PaperlinX SPS are invested in LLC Preference Shares which are issued by PaperlinX LLC. For a summary of important rights attaching to the LLC Preference Shares – see Section 9.3; and
- PaperlinX is a party to the Constitution and has given certain undertakings to the Issuer in relation to the PaperlinX SPS. For a summary of these undertakings – see Section 9.2.2.22.

#### 9.2.2 PaperlinX SPS Trust

The Issuer holds the assets of the PaperlinX SPS Trust on trust for Holders and the Ordinary Unitholder ('Unitholders').

##### 9.2.2.1 Beneficial interest in the PaperlinX SPS Trust

The beneficial interest in the PaperlinX SPS Trust is divided into units. There are two classes of units, PaperlinX SPS and the Ordinary Unit. PaperlinX will own the Ordinary Unit.

The main rights attaching to PaperlinX SPS under the PaperlinX SPS Terms are summarised in Sections 1 and 2. The Ordinary Unit carries a voting right, limited rights to a distribution and rights on a winding up of the PaperlinX SPS Trust that rank behind the PaperlinX SPS. The Ordinary Unit confers no right of exchange or redemption, while the PaperlinX SPS are on issue.

##### 9.2.2.2 Nature of interest

A PaperlinX SPS or Ordinary Unit confers no interest in any particular asset of the PaperlinX SPS Trust, and no Unitholder is entitled to require the transfer to them of any of the assets of the PaperlinX SPS Trust. Unitholders must not interfere with the rights or powers of the Issuer under the Constitution.

##### 9.2.2.3 Transfers

Subject to the ASX Listing Rules and the Corporations Act, while PaperlinX SPS are officially quoted, the Issuer may refuse to register a transfer or request ASTC or the Registry, as the case may be, to apply a holding lock to prevent a transfer of PaperlinX SPS for any reason. However, the Listing Rules substantially restrict when the Issuer may refuse to register a transfer.

##### 9.2.2.4 Meetings

Unitholders are entitled to attend and vote at meetings in person or in proxy. In certain circumstances governed by the Corporations Act, Unitholders can call a meeting. A resolution passed at a meeting of Unitholders binds all Unitholders whether or not they are present.

##### 9.2.2.5 Termination

The PaperlinX SPS Trust terminates on the earlier of:

- the date specified by the holder of the Ordinary Unit as the date of termination of the PaperlinX SPS Trust in a notice given to the Issuer, which notice the holder of the Ordinary Unit may only give if it is the sole holder of units in the PaperlinX SPS Trust; and
- the date on which the PaperlinX SPS Trust terminates by law.

##### 9.2.2.6 Winding up

On winding up of the PaperlinX SPS Trust, the net proceeds of realisation after making allowance for all liabilities of the PaperlinX SPS Trust (including income entitlements of unitholders and meeting the expenses of the termination), must be distributed:

- first to Holders, for each PaperlinX SPS held as at termination an amount equal to the Liquidation Amount (being the amount the Issuer is liable to distribute in respect of each PaperlinX SPS under clause 19 of the PaperlinX SPS Terms); and
- second, the balance (if any) to the Ordinary Unitholder.

#### **9.2.2.7 Annual accounts**

Every unitholder has a right to receive copies of the PaperlinX SPS Trust's annual accounts and accompanying reports.

#### **9.2.2.8 Unitholder liability**

The Constitution contains provisions designed to limit the liability of a unitholder to the application price of their units. While it is generally considered that such provisions will be effective, this has not been definitively determined by the courts. In certain circumstances, the Issuer is entitled to be indemnified by a unitholder to the extent the Issuer incurs a liability for taxation in connection with their units. Joint holders of units are jointly and severally liable in respect of all payments.

#### **9.2.2.9 Powers**

The Issuer has all the powers in respect of the PaperlinX SPS Trust it is possible to confer on a trustee and as though it were the absolute owner of the assets and acting in its personal capacity.

#### **9.2.2.10 Investments**

The Issuer, in its capacity as responsible entity of the PaperlinX SPS Trust, must not acquire any interest in any asset other than the LLC Preference Shares, interests in bank accounts in which income or capital of the PaperlinX SPS Trust is invested, cash, rights and benefits under the transaction documents, and income or other rights arising in connection with those assets.

#### **9.2.2.11 Complaints**

The Issuer must handle complaints made by unitholders under Australian standards, the Constitution and its AFSL conditions. The Issuer is a member of an independent complaints resolution body – see Section 9.8.

#### **9.2.2.12 Liability of the Responsible Entity**

Subject to the Corporations Act, the Issuer is not liable to unitholders for any loss suffered in any way relating to the PaperlinX SPS Trust. Subject to the Corporations Act, the liability of the Issuer to any person other than unitholders is limited to the Issuer's ability to be indemnified from the assets of the PaperlinX SPS Trust.

#### **9.2.2.13 Indemnity**

The Issuer is entitled to be indemnified out of the assets of the PaperlinX SPS Trust for any liability incurred by it in properly performing its powers and duties in relation to the PaperlinX SPS Trust. To the extent permitted by the Corporations Act, this indemnity extends to any liability incurred as a result of an act or omission by a delegate or agent of the Issuer, and continues to apply after the Issuer retires or is removed.

The Issuer is entitled to exercise its rights of indemnification or reimbursement from the PaperlinX SPS Trust assets to satisfy a liability to any creditor of the Issuer (as trustee of the PaperlinX SPS Trust) notwithstanding that the PaperlinX SPS Trust may have suffered a loss or may have diminished in value as a consequence of any unrelated act, omission or breach of trust by the Issuer or its agent or delegate.

#### **9.2.2.14 Issuer fees**

In consideration of the Issuer performing its role as responsible entity of the PaperlinX SPS Trust, the Issuer is entitled to be paid the fees set out in Section 7.

#### **9.2.2.15 Retirement of the Issuer**

The Issuer may retire where permitted by law, and must retire when required by law.

#### **9.2.2.16 Amendments to the Constitution**

Subject to the Corporations Act, the Issuer may amend the Constitution by resolution passed by a 75% majority of unitholders or by deed executed by the Issuer. The rights attaching to a class of units may only be amended or varied by Special Resolution of members of that class.

#### **9.2.2.17 How to transfer PaperlinX SPS**

All PaperlinX SPS are transferable through CHESS. Electronic transfers must be made under the ASTC Settlement Rules.

#### **9.2.2.18 Listing Rules**

It is intended that the PaperlinX SPS Trust will be listed on ASX and if and when this occurs, the Listing Rules will apply to the PaperlinX SPS Trust (subject to the Listing Rule waivers set out in Section 9.6.2).

#### **9.2.2.19 Persons bound**

The Constitution and the PaperlinX SPS Terms bind the Issuer and each present and future Holder and any person claiming through any of them.

## 9. Additional Information

### 9.2.2.20 PaperlinX bound

The Constitution also binds PaperlinX in respect of its undertakings to the Issuer – see Section 9.2.2.22.

### 9.2.2.21 Rights of the Issuer

The Issuer and its associates may hold units in the PaperlinX SPS Trust in any capacity. Subject to the Corporations Act, nothing in the Constitution restricts the Issuer (or its associates) from dealing with itself (as responsible entity of the PaperlinX SPS Trust or in another capacity), an associate, any member of the PaperlinX Group or with any unitholder and may derive and retain for itself any benefits from these dealings. The Issuer may act as trustee or responsible entity for other managed investment schemes.

### 9.2.2.22 PaperlinX undertakings

PaperlinX has executed the Constitution and has made the following undertakings to the Issuer, who holds the benefit of the undertakings on trust for Holders:

- to comply with any obligations expressed to be imposed on PaperlinX under the LLC Preference Share Terms and the PaperlinX SPS Terms; and
- if it fails to comply with any such obligations, the Issuer may give PaperlinX a breach notice. Such notice once given is irrevocable and has the effect provided in the LLC Preference Share Terms and the PaperlinX SPS Terms.

These obligations include:

- to comply with the Dividend Restriction;
- to pay cash, issue PaperlinX Ordinary Shares or Resell PaperlinX SPS as required to Realise PaperlinX SPS if a Change of Control Event occurs or if the Issuer elects to Realise the PaperlinX SPS; and
- not to issue any preference share or other instrument which converts into a preference share which ranks (or would upon conversion rank) for payment of a dividend or for a return of capital in a winding up ahead of the PaperlinX Preference Shares.

These obligations cease to apply if there are no PaperlinX SPS on issue.

PaperlinX and the Issuer agree that the consequences of a breach by PaperlinX of its undertakings, or of a PaperlinX breach notice are limited to the claims and remedies expressly set out in the LLC Agreement, the LLC Preference Share Terms and the PaperlinX SPS Terms.

The sole remedy of the Issuer and any Holder against PaperlinX for breach or failure to perform or observe these obligations is to require PaperlinX to issue to the Holder in redemption of their PaperlinX SPS, one PaperlinX Preference Share in exchange for each PaperlinX SPS.

If for any reason PaperlinX fails to issue a PaperlinX Preference Share, the Issuer has a claim on PaperlinX:

- for an order for specific performance that the PaperlinX Preference Share be issued; or
- for such monetary claim that it would have in respect of the PaperlinX Preference Share, had it been issued (so as to correspond to the amount of the Holder's claim in respect of each PaperlinX SPS). The claim is subordinated in the winding up of PaperlinX to all creditors of PaperlinX other than those expressed to rank equally or subordinate to the claim, so that the claimant receives an amount equal to the amount it would have received if PaperlinX Preference Shares had been issued.

## 9.3 Description of LLC Preference Shares

LLC Preference Shares are preferred shares in PaperlinX LLC, a subsidiary of PaperlinX.

They entitle the PaperlinX SPS Trust to semi-annual floating rate discretionary non-cumulative distributions.

LLC Preference Shares have a face value and will be issued for \$100 each. The distribution rate is calculated on the face value at the 180 day Bank Bill Swap Rate plus a margin. The margin is greater than the margin applicable to the PaperlinX SPS: the difference between distribution rates will be applied in meeting the responsible entity fees and other costs of the Issuer.

The terms of the LLC Preference Shares require the Issuer as holder to:

- remarket the PaperlinX SPS if the LLC Preference Shares are remarketed on the basis of making corresponding variations to margins and other terms;
- realise the PaperlinX SPS if an Assignment Event occurs (see below).

The Assignment Events correspond to the events which may give rise to the Issuer having a right to Realise the PaperlinX SPS, including where holders of PaperlinX SPS have requested Realisation on the occurrence of a Change of Control Event. If an Assignment Event occurs, the Issuer will be obliged to Realise the PaperlinX SPS in the manner elected by PaperlinX.

It is also an Assignment Event if a PaperlinX Winding Up Event or PaperlinX Breach of Undertakings Event occurs. If either of these events occurs, the Issuer must exchange the PaperlinX SPS for PaperlinX Preference Shares.

Where an Assignment Event occurs, LLC Preference Shares will be automatically transferred to PaperlinX and PaperlinX is obliged to pay cash or issue PaperlinX Ordinary Shares to the holders of PaperlinX SPS as required to Realise those PaperlinX SPS or issue PaperlinX Preference Shares in exchange for PaperlinX SPS.

LLC Preference Shares confer on the holder no right to wind up PaperlinX LLC and confer no rights to the assets of PaperlinX LLC.

Except for a transfer to PaperlinX upon an Assignment Event, or a transfer to a replacement responsible entity or custodian, LLC Preference Shares may not be transferred.

## 9.4 Summary of rights attaching to PaperlinX Preference Shares

PaperlinX Preference Shares are redeemable preference shares in the capital of PaperlinX.

PaperlinX Preference Shares entitle the holders to a discretionary non-cumulative dividend at the same rate as that which applies to Distributions on PaperlinX SPS at the date the PaperlinX Preference Shares are issued. The distribution rate steps up to a rate corresponding to the step up on the Distribution on the PaperlinX SPS on and from the date which would have been the Remarketing Date of the PaperlinX SPS next scheduled to occur after the Issue Date. This dividend is payable in priority to the payment of a dividend on PaperlinX Ordinary Shares.

If a PaperlinX Preference Share has been issued as a result of a PaperlinX Breach of Undertakings Event, it will be redeemable at any time at the option of the holder. It is also redeemable at the option of PaperlinX on any Dividend Payment Date or earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment. If a PaperlinX Preference Share has been issued as a result of a PaperlinX Winding Up Event, it will be redeemable on any Distribution Payment Date (and earlier if there is an Acquisition Event, or certain adverse changes in tax law, securities regulation or accounting treatment) in respect of the Preference Share but only at PaperlinX's option. The amount payable upon redemption of a PaperlinX Preference Share is \$100 plus an amount equal to the unpaid amount (if any) of the scheduled PaperlinX SPS Distribution for a period of 12 months preceding (but including) the issue date.

In a winding up of PaperlinX, the holder of a PaperlinX Preference Share will be entitled to be paid out of any surplus remaining after payment of all amounts due to creditors of an amount equal to the amount payable on redemption of the PaperlinX Preference Share.

PaperlinX Preference Shares entitle the holders to attend all meetings of PaperlinX but only entitle holders to vote in the following circumstances:

- during a period during which a dividend (or part of a dividend) in respect of the PaperlinX Preference Share is in arrears;
- on a proposal to reduce PaperlinX's share capital (other than in respect of the PaperlinX Preference Shares);
- on a resolution to approve the terms of a buyback agreement (other than a resolution to approve a buyback of the PaperlinX Preference Shares);
- on a proposal that affects rights attached to the PaperlinX Preference Shares;
- on a proposal to wind up PaperlinX;
- on a proposal for the disposal of the whole of PaperlinX's property, business and undertaking;
- during the winding up of PaperlinX.

Each PaperlinX Preference Share entitles the holder to one vote.

PaperlinX may only issue a preference share which ranks senior to the PaperlinX Preference Shares with the approval of holders of the PaperlinX Preference Shares, but may issue equal ranking or junior ranking preference shares without that approval.

### 9.5 Summary of important documents

#### 9.5.1 Services and Indemnity Agreements

The Issuer and PaperlinX have entered into two services and indemnity agreements – the PaperlinX Services and Indemnity Agreement and the Responsible Entity Services and Indemnity Agreement (collectively, the ‘Services and Indemnity Agreements’), which are dated 21 February 2007. The following is a summary of the principal provisions of the Services and Indemnity Agreements.

##### Services:

- the Responsible Entity Services and Indemnity Agreement provides for the appointment of the Issuer as the trustee and responsible entity of the PaperlinX SPS Trust and sets out the responsible entity services that the Issuer is to provide in respect of the PaperlinX SPS Trust.
- the PaperlinX Services and Indemnity Agreement sets out the services that PaperlinX is required to provide to the Issuer.

**PaperlinX indemnity:** PaperlinX indemnifies the Issuer against costs and losses which the Issuer may incur in connection with a range of matters, including:

- any false, misleading or deceptive statement in this Product Disclosure Statement made by or in respect of the PaperlinX Group taxation or taxation matters; and
- any omission from this Product Disclosure Statement of any information in respect of the PaperlinX Group that is required to be included under the Corporations Act; and
- PaperlinX’s provision of the services to the Issuer, or failure to provide such services, and any other costs properly payable by the Issuer under the Constitution (to the extent the Issuer is not entitled to be indemnified in respect of such costs from the assets of the PaperlinX SPS Trust),

except to the extent that the cost or loss is directly attributable to the fraud, negligence or wilful misconduct of the Issuer or any of its agents.

Issuer not properly performing or exercising its powers or duties in relation to the PaperlinX SPS Trust.

**Retirement of the Issuer:** the Issuer must provide PaperlinX with at least 3 months prior notice if it proposes to retire as responsible entity. The Issuer is required to retire upon a request from PaperlinX if the Issuer reasonably considers that the retirement and the appointment of PaperlinX’s proposed replacement is consistent with the Corporations Act and its duties as responsible entity. PaperlinX is obliged to nominate an appropriate replacement.

**Fees and expenses:** PaperlinX agrees to provide loans to the Trust to facilitate the payment of certain management costs set out in Section 7 in certain circumstances.

**Termination:** The Services and Indemnity Agreements will automatically terminate on the date the Issuer retires or is removed as responsible entity of the PaperlinX SPS Trust in accordance with the procedures set out in the Corporations Act.

#### 9.5.2 Custody Deed

The Custodian is appointed by the Issuer to hold such assets and title documents of the PaperlinX SPS Trust as the Issuer may direct. The Issuer and the Custodian have entered into a custody deed that sets out the Custodian’s role in detail including its rights and obligations and a clause limiting its liability.

#### 9.5.3 Offer Management Agreement (‘OMA’)

The Issuer and PaperlinX have entered into an OMA with Macquarie Equity Capital Markets Limited as bookrunner and Lead Manager. Under the OMA, the Lead Manager has agreed to conduct a Bookbuild for the purpose, amongst other things, of establishing the Initial Margin and determining the allocation of the PaperlinX SPS.

The following is a summary of the principal provisions of the OMA.

**Fees:** The fees payable to the Lead Manager are set out in Section 9.9. The fees must be paid in cleared funds on or before the Allotment Date.

**Representations, warranties and undertakings:** Under the OMA, PaperlinX and the Issuer make various representations and warranties in relation to this Product Disclosure Statement, compliance with the Corporations Act, conduct of the Offer in accordance with this Product Disclosure Statement, the constitutions of PaperlinX and the PaperlinX SPS Trust (as applicable), the OMA and the Corporations Act. The Issuer also warrants that it has the power (including under the constitution of the PaperlinX SPS Trust) to enter into and perform transactions and agreements in connection with the OMA and the Offer.

PaperlinX has undertaken not to make any further issues of any PaperlinX shares, convertible or exchangeable securities, or that represent a right to receive PaperlinX shares, for a period of 120 days after the Allotment Date without the consent of the Lead Manager other than pursuant to the Offer, the OMA or a dividend reinvestment plan or employee incentive scheme in operation at the date of the OMA.

**Termination Events:** The Lead Manager may terminate the OMA after the happening of any one or more of the following events (non-exhaustive list):

- the S&P/ASX 200 Index falls by 15% or more below its level at the date of the OMA and remains below that level for a period of three consecutive Business Days or until the end of the Closing Dates; or
- unconditional approval (or conditional approval, provided such condition would not, in a reasonable opinion of the Lead Manager, have a material adverse affect) for official quotation of the PaperlinX SPS or admission of the PaperlinX SPS Trust to the Official List is refused, or is not granted by the listing approval date, or is withdrawn; or
- ASIC issues a stop order or similar proceeding in relation to this Product Disclosure Statement; or
- the Issuer withdraws this Product Disclosure Statement or the Offer; or
- the index indicator rate for bonds issued by the Commonwealth which have a tenure of either three or 10 years, is 1.5% or more above its levels at the Business Day immediately before the date of the OMA and remains at or above that level for three consecutive Business Days or until the end of the Closing Date; or
- a change in law is introduced which is likely to prohibit or materially adversely regulate the Offer, capital issues or stock markets or materially adversely affect the tax treatment of the PaperlinX SPS.

In addition, the Lead Manager may terminate the OMA after the happening of any one or more of the following events (non-exhaustive list) where in the reasonable opinion of the Lead Manager this event has or is likely to have a materially adverse effect on the outcome of the Offer or give rise to a material liability of the Lead Manager under any law or regulation:

- hostilities commence in certain countries or a major terrorist act occurs in one of those countries; or
- a change in senior management or the board of directors of the Issuer or PaperlinX other than the appointment of a director to the PaperlinX board; or
- contravention by the Issuer, PaperlinX or the PaperlinX SPS Trust of the Corporations Act, its constitution, or any of the Listing Rules; or
- an adverse change in the assets, liabilities, financial position or performance, profits, losses or prospects of the Issuer or the PaperlinX Group; or
- a director of the Issuer or PaperlinX is charged with an indictable offence; or
- the Product Disclosure Statement does not comply with the Corporations Act, the ASX Listing Rules or any other applicable law or regulation; or
- trading in securities quoted or listed on ASX, the London Stock Exchange or the New York Stock Exchange is suspended or limited in a material respect for more than one day or there is a material disruption in commercial banking or security settlement or clearance services in any of Australia, the United States or the United Kingdom; or
- a warranty contained in the OMA is not true or correct.

**Indemnity:** PaperlinX indemnifies the Lead Manager and its related bodies corporate and each of their officers, employees and advisers against liabilities in connection with its appointment under the OMA except to the extent that those liabilities arise from the fraud, recklessness, wilful misconduct or negligence of those parties, or their breach of the OMA.

#### **9.5.4 Compliance Plan**

The Compliance Plan for the PaperlinX SPS Trust describes the procedures that the Issuer applies, as responsible entity of the PaperlinX SPS Trust, to ensure compliance with the Corporations Act and the Constitution.

The Board of the Issuer will oversee the Issuer's procedures for complying with the Compliance Plan, the Constitution and the Corporations Act.

Copies of the Compliance Plan and Constitution are available free of charge and can be obtained by contacting the Issuer on 1800 622 812.

### 9.6 ASIC and ASX relief

#### 9.6.1 ASIC relief

Applications for declarations, modifications and exemptions from the application of provisions of the Corporations Act have been obtained by the Issuer from ASIC in relation to the following matters:

- an exception under Section 1020F(1)(a) of the Corporations Act in respect of the Replacement Product Disclosure Statement such that the exposure period requirements do not apply to the Replacement Product Disclosure Statement;
- an exemption under Section 601QA(1)(a) of the Corporations Act to permit the unequal treatment of Holders in circumstances where PaperlinX SPS held by a foreign Holder are to be exchanged and the laws in force in the foreign Holder's place of residence may not permit the issue of PaperlinX Ordinary Shares and PaperlinX Preference Shares in which case, PaperlinX may in its discretion issue PaperlinX Ordinary Shares or PaperlinX Preference Shares to a nominee, who will sell those shares and pay the proceeds net of its costs to the foreign Holder;
- an exemption under Section 741(1) of the Corporations Act to enable persons to on-sell PaperlinX Ordinary Shares and PaperlinX Preference Shares without an Australian disclosure document where they have received the PaperlinX Ordinary Shares or Preference Shares on exchange of PaperlinX SPS; and
- an exemption under Section 601QA(1)(a) of the Corporations Act to enable the Issuer to amend, repeal or replace the Constitution with the consent of the sole member without having to hold a meeting under Section 601GC(1)(a) where the Ordinary Unitholder is the sole member of the PaperlinX SPS Trust.

#### 9.6.2 ASX relief

ASX has given 'in-principle' approval to the following waivers from, and confirmations in relation to, the Listing Rules (LR):

- LR 1.1, Condition 1: a confirmation that the structure and operations of the PaperlinX SPS Trust are appropriate for the purposes of listing rule 1.1 condition 1;
- LR 1.1, Condition 5: a waiver from listing rule 1.1 condition 5 to the extent necessary to permit the PaperlinX SPS Trust to issue PaperlinX SPS with the exchange and Redemption rights that are set out in the PaperlinX SPS Terms on certain conditions;
- LR 1.1, Condition 6: a confirmation that PaperlinX SPS are treated as the PaperlinX SPS Trust's main class of securities;
- LR 1.3.5(a): a confirmation that the PaperlinX SPS Trust does not have to provide accounts for the last three years;
- LR 6.1: a confirmation that PaperlinX SPS Terms and the Preference Share Terms are appropriate and equitable;
- LR 6.3.2A: a waiver from listing rule 6.3.2A to the extent necessary to permit Preference Share holders to vote on a resolution to approve the terms of a buy-back agreement other than a resolution to approve a Redemption;
- LR 6.10: a confirmation that listing rule 6.10 does not apply to the PaperlinX SPS Terms which provide for changes to the Distribution Rate;
- LR 6.12: a confirmation that listing rule 6.12 does not apply to exchange or Redemption or Resale of the PaperlinX SPS;
- LR 10.1: a waiver from listing rule 10.1 to allow exchanges and Redemptions of the PaperlinX SPS to occur on the basis set out in this PDS;
- LR 11.1.2 and LR 11.1.3: a confirmation that listing rules 11.1.2 and 11.1.3 do not apply if the PaperlinX SPS Trust makes a significant change, either directly or indirectly, to the nature or scale of its activities by reason of the exchange or Redemption mechanism set out in this PDS;
- LR 11.2: a waiver from listing rule 11.2 to the extent necessary to permit the PaperlinX SPS Trust to dispose of its main undertaking by exchanging or Redeeming PaperlinX SPS without the prior approval of Holders in general meeting, on condition that the exchange and Redemption arrangements are fully disclosed to any person who may subscribe for PaperlinX SPS under this PDS;
- investment entity: a confirmation that the PaperlinX SPS Trust is not an 'investment entity' for the purposes of the listing rules; and
- deferred settlement trading: approval to allow PaperlinX SPS, for a short time following the Issue Date and quotation of PaperlinX SPS on ASX, to trade on a deferred settlement basis.

#### Confirmation for PaperlinX

- ASX has given PaperlinX confirmation that LR 7.1 will apply to the Exchange of PaperlinX SPS into PaperlinX Ordinary Shares but not to the issue of PaperlinX SPS.

## 9.7 Consents and disclaimers

### 9.7.1 Consent to be named

The following parties have given and have not, before the lodgement of this Product Disclosure Statement with ASIC, withdrawn their written consents to be named in this Product Disclosure Statement in the forms and context in which they are named:

- Permanent Investment Management Limited, as the Issuer of the PaperlinX SPS;
- PaperlinX, as the person who established the PaperlinX SPS Trust;
- Mallesons Stephen Jaques, as legal adviser in relation to the Offer;
- KPMG as auditor of PaperlinX and who has provided financial due diligence services in respect of the historical and pro forma historical financial information and accounting advice to PaperlinX in relation to the issue;
- Ernst & Young as the Taxation adviser;
- Macquarie Equity Capital Markets Limited as Lead Manager to the Offer;
- ABN AMRO Morgans Limited, ANZ Securities Limited, Grange Securities Limited, Macquarie Equities Limited and National OnLine Trading Limited as Co-Managers to the Offer;
- Trust Company, as the custodian of the assets of the PaperlinX SPS Trust; and
- Computershare Investor Services Pty Limited as Registry to the Offer.

### 9.7.2 Consent to the inclusion of statements

Ernst & Young has given, and has not withdrawn before the lodgement of this Product Disclosure Statement with ASIC, their consent to the inclusion of the taxation summary in this Product Disclosure Statement, in the form and context in which it appears in Section 8.

PaperlinX has given, and has not withdrawn before lodgement of this Product Disclosure Statement with ASIC, their consent to the statements attributed to it in this Product Disclosure Statement.

### 9.7.3 Disclaimer

Each person referred to in Section 9.7.2

- does not make, or purport to make, any statement in this Product Disclosure Statement other than those statements referred to above in Section 9.7.2 next to that person's name, as consented to by that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Product Disclosure Statement other than as described in Section 9.7.2 with that person's consent.

Computershare has had no involvement in the preparation of any part of this Product Disclosure Statement other than being named as Registry to the Offer. Computershare has not authorised or caused the issue of any part of this Product Disclosure Statement.

Trust Company was not involved in the preparation of the Product Disclosure Statement (other than being named as Custodian of the PaperlinX SPS Trust). Trust Company has not authorised or caused the issue of any part of this Product Disclosure Statement.

National OnLine Trading Limited is a wholly-owned subsidiary of National Australia Bank Limited, but National Australia Bank Limited does not guarantee the obligations or performance of its subsidiary or the services it offers.

## 9.8 Complaints handling procedures

If Holders have a complaint about the Issuer in connection with the PaperlinX SPS Trust then they can refer the matter in writing to:

The Complaints Handling Officer  
Permanent Investment Management Limited  
GPO Box 4270  
Sydney NSW 2001

A Holder may lodge any complaints by writing to the Issuer at the address above. The Issuer will always acknowledge any complaint in writing and respond within 30 business days.

If a Holder remains unhappy, they can contact Financial Industry Complaints Service Limited ('FICS') – which is independent from the Issuer on 1300 780 808.

To be considered by the FICS, the claim involved must be under \$100,000 (unless agreed in writing). If a Holder is investing through a master trust or wrap account then enquiries and complaints should be directed to the operator of that service, and not to the Issuer.

### 9.9 Costs of the Offer and interests of experts and other advisers

The total costs of the Offer to the date of this Product Disclosure Statement are approximately \$8.8 million (including GST), depending on the final size of the Offer. Set out below are the interests of experts and advisers named in this Product Disclosure Statement to the date of this Product Disclosure Statement in relation to the Offer.

The Lead Manager is entitled to receive a base fee of between \$4.9 million and \$5.9 million (excluding GST), depending upon the final Offer size and may receive an incentive fee of 0.30% of the final Offer size. The incentive fee is payable at the discretion of PaperlinX.

Mallesons Stephen Jaques has acted as legal adviser to the Offer. Mallesons Stephen Jaques will be paid approximately \$700,000 (excluding disbursements and GST) for providing such services. Further amounts may be paid to Mallesons Stephen Jaques in accordance with its normal time-based charges.

Ernst & Young have acted as tax adviser in relation to the Offer and have performed work in relation to performing due diligence required on taxation matters and have prepared the taxation summary referred to in Section 8. In respect of this work, PaperlinX estimates that it will pay approximately \$550,000 (excluding disbursements and GST) to Ernst & Young. Further amounts may be paid to Ernst & Young under its normal time-based charges.

KPMG have acted as the auditor for PaperlinX, provided financial due diligence services in respect of the historical and pro forma historical financial information, and provided accounting advice in relation to the Offer. PaperlinX estimates that it will pay approximately \$150,000 (excluding disbursements and GST) to KPMG. Further amounts may be paid to KPMG under its normal time-based charges.

### 9.10 Interests

PaperlinX holds the Ordinary Unit in the Trust but no PaperlinX SPS. No director of the Issuer or of PaperlinX holds PaperlinX SPS.

### 9.11 Investment considerations

The PaperlinX SPS Trust is a sole-purpose vehicle for investing in LLC Preference Shares. Accordingly, the Issuer will not take account of labour standards, or environmental, social or ethical considerations in selecting, retaining or realising investments for the proceeds of the Offer.

### 9.12 Directors' consent to lodgement

Each director of the Issuer has given, and not withdrawn, their consent to the lodgement of this Product Disclosure Statement with ASIC.

### 9.13 Updates to Original Product Disclosure Statement

The material differences between this Product Disclosure Statement and the Original Product Disclosure Statement are:

- the inclusion of the Initial Margin in the Key Features section, Section 2, and the Glossary of Terms in Section 10;
- the inclusion of new Section 7.3.5; and
- the inclusion of the Application Form.

A limited number of other consequential and formatting amendments have been made to this Product Disclosure Statement.

# 10

## **Glossary of Terms**



## 10. Glossary of Terms

For defined terms not listed below, refer to clause 20 of the PaperlinX SPS Terms in section 11.

\$ or dollars	Australian dollars
ABN	Australian Business Number
AEDT	Australian Eastern Daylight Time
AFSL	Australian Financial Services Licence
AIFRS	Australian equivalents of the International Financial Reporting Standards
Allotment	the allotment of PaperlinX SPS to successful Applicants
Allotment Statements	the statements to be issued to successful Applicants following Allotment of their PaperlinX SPS
Applicant	a person who submits a valid Application Form
Application	a valid application made on the conditions set out in the Product Disclosure Statement by using an Application Form to apply for a specified number of PaperlinX SPS
Application Form	each Application Form accompanying this Product Disclosure Statement upon which an application for PaperlinX SPS must be made
Application Monies	the monies payable on Application, being the product of multiplying the number of PaperlinX SPS applied for by the amount of \$100
ASIC	Australian Securities and Investments Commission
ASTC	ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532)
ASTC Settlement Rules	the business rules of ASTC
ASX	Australian Securities Exchange or ASX Limited (ABN 98 008 624 691)
Audit, Risk and Compliance Committee	the Audit, Risk and Compliance Committee appointed by the board of the Issuer
Board	the board of directors of PaperlinX or the Issuer, as the context requires
Bookbuild	the process conducted by PaperlinX or its agents prior to the opening of the Offer, whereby certain investors lodged bids for PaperlinX SPS and, on the basis of those bids PaperlinX determined the Initial Margin
Broker Firm Applicant	an Applicant who applies for PaperlinX SPS through a Broker Firm allocation of a Participating Broker
Broker Firm Offer	the invitation made to Australian resident retail clients of the Participation Brokers to apply for an allocation of PaperlinX SPS from the relevant Participating Broker under the Product Disclosure Statement
Broker Firm Offer Closing Date	27 March 2007
Business Day	has the meaning given in the Listing Rules
CGT	Capital Gains Tax
CHESS	Clearing House Electronic Sub-register System operated by ASTC
Closing Dates	the General Offer Closing Date and Broker Firm Offer Closing Date
CPI	Consumer Price Index
Co-Manager	a co-manager of the Offer appointed by the Lead Manager
Compliance Plan	the compliance plan of the PaperlinX SPS Trust
Company	PaperlinX
Constitution	the constitution of the PaperlinX SPS Trust
Corporations Act	the Corporations Act 2001 (Cth)
Corporations Regulations	the Corporations Regulations 2001 (Cth)
Custodian	Trust Company
Dividend Restriction	the restriction on PaperlinX paying dividends or making a return of share capital set out in clause 4 of the PaperlinX SPS Terms

<b>EBITDA</b>	earnings before interest, tax, depreciation and amortisation
<b>EBITA</b>	earnings before interest, tax and amortisation
<b>EBIT</b>	earnings before interest and tax
<b>Eligible Shareholder</b>	an Australian resident who is an existing PaperlinX Ordinary Shareholder
<b>Face Value</b>	\$100 per PaperlinX SPS
<b>FICS</b>	Financial Industry Complaints Service Limited (ABN 64 068 901 904)
<b>Financial Year</b>	each period of 12 months ending on 30 June
<b>General Offer</b>	the offer of PaperlinX SPS under this Product Disclosure Statement to Australian retail investors
<b>General Offer Closing Date</b>	23 March 2007
<b>GST</b>	means the Goods and Services Tax levied in Australia pursuant to A New Tax System (Goods and Services Tax) Act 1999 (Cth)
<b>HIN</b>	Holder Identification Number
<b>Holder</b>	a person registered as the holder of PaperlinX SPS
<b>IFRS</b>	International Financial Reporting Standards
<b>Initial Margin</b>	the Margin determined by the Bookbuild, being 2.40% per annum.
<b>Institutional Offer</b>	the initiation to certain institutional investors to bid for PaperlinX SPS in the Bookbuild
<b>Institutional Investor</b>	an institutional investor who subscribes for PaperlinX SPS under the Institutional Offer
<b>Issue Date</b>	the date of first issue of PaperlinX SPS, which is expected to be 30 March 2007
<b>Issue Price</b>	\$100 per PaperlinX SPS
<b>Issuer</b>	Permanent Investment Management Limited (ABN 45 003 278 831)
<b>Lead Manager</b>	Macquarie Equity Capital Markets
<b>Listing Rules</b>	the official listing rules of ASX as they apply to the PaperlinX SPS Trust
<b>Macquarie Equity Capital Markets</b>	Macquarie Equity Capital Markets Limited (ACN 001 374 572)
<b>Net Debt</b>	total debt of the PaperlinX Group minus available cash
<b>Offer</b>	the invitation made pursuant to this Product Disclosure Statement for investors to offer to subscribe for PaperlinX SPS
<b>Offer Management Agreement</b>	the offer management agreement between Macquarie Equity Capital Markets, PaperlinX and the Issuer in relation to the Offer as described in Section 9.5.3
<b>Offer Period</b>	the period from (and including) the date and time the Offer opens to (and including) the date and time the Offer closes
<b>Official List</b>	the official list of ASX
<b>Official Quotation</b>	Official quotation by ASX of the PaperlinX SPS, and Officially Quoted has a corresponding meaning
<b>Opening Date</b>	7 March 2007
<b>Ordinary Unit</b>	the ordinary unit in the PaperlinX SPS Trust
<b>Ordinary Unitholder</b>	the holder of the Ordinary Unit
<b>Original Product Disclosure Statement</b>	the product disclosure statement that was lodged with ASIC on 22 February 2007 in relation to the Offer and which is replaced by this Product Disclosure Statement.
<b>PaperlinX</b>	PaperlinX Limited (ABN 70 005 146 350)
<b>PaperlinX Group</b>	PaperlinX and its subsidiaries.
<b>PaperlinX Ordinary Share</b>	a fully paid ordinary share in the capital of PaperlinX
<b>PaperlinX SPS</b>	PaperlinX Step-up Preference Securities
<b>PaperlinX SPS Terms</b>	the terms and conditions on which the PaperlinX SPS are issued, set out in Section 11
<b>PaperlinX SPS Trust</b>	the PaperlinX SPS Trust, established under the Constitution
<b>Participating Broker</b>	the Lead Manager, a Co-Manager or a broker who is participating in the Broker Firm Offer
<b>PIML</b>	Permanent Investment Management Limited (ABN 45 003 278 831)

## 10. Glossary of Terms

Privacy Act	the Privacy Act 1988 (Cth)
Product Disclosure Statement	this Product Disclosure Statement dated 7 March 2007, that replaces the Original Product Disclosure Statement, dated 22 February 2007
Reference Rate	180-day Bank Bill Swap Rate
Register	the public register of the Issuer
Registry	Computershare Investor Services Pty Limited (ABN 48 078 279 277)
Replacement Product Disclosure Statement	this Product Disclosure Statement dated 7 March 2007, that replaces the Original Product Disclosure Statement, dated 22 February 2007
Securities Act	the United States Securities Act of 1933
Shareholder or Shareholders	a registered holder of PaperlinX Ordinary Shares
Shareholder Priority Offer	the offer of PaperlinX SPS under this Product Disclosure Statement to Eligible Shareholders
Special Resolution	a resolution of the Unitholders in the PaperlinX SPS Trust where the required majority is 75%
SRN	Securityholder Reference Number
TFN	Tax File Number
Trust Company	Trust Company Limited (ABN 59 004 027 749)
Unitholders	the Ordinary Unitholder and each Holder

# 11.

## PaperlinX SPS Terms

### 1 Face Value

Each PaperlinX SPS will be issued with a face value of \$100 ('Face Value'). Each PaperlinX SPS must be paid for in full on application.

### 2 Form and ranking

#### 2.1 Form

Each PaperlinX SPS is a unit in the Trust conferring an undivided share in the beneficial interest in the assets of the Trust. A PaperlinX SPS is Redeemable for cash and exchangeable into Ordinary Shares or a Preference Share according to these PaperlinX SPS Terms. PaperlinX SPS do not represent securities of PaperlinX, are not guaranteed by PaperlinX and a Holder has no claim on PaperlinX for payment of any amount of Distribution, Face Value, Redemption Amount or Liquidation Amount in respect of the PaperlinX SPS.

PaperlinX SPS are issued according to the Trust Constitution of which these PaperlinX SPS Terms form part.

#### 2.2 Entries in the Register

PaperlinX SPS are taken to be issued when they are entered in the Register.

#### 2.3 No certificates

No certificates will be issued in respect of any PaperlinX SPS unless the Issuer determines that certificates should be available or they are required by any applicable law.

#### 2.4 Ranking

Subject to the Trust Constitution, each PaperlinX SPS ranks:

- (a) equally with all other PaperlinX SPS in all respects;
- (b) senior to the Ordinary Unit in respect of distributions and payments in a winding up of the Trust; and
- (c) subordinate to all creditors of the Trust in respect of distributions and payments in a winding up of the Trust.

### 3 Distributions

#### 3.1 Distributions

Subject to these PaperlinX SPS Terms, each PaperlinX SPS entitles the Holder on a Record Date to receive on the relevant Distribution Payment Date a distribution of the Trust Income for the Distribution Period ending on that Distribution Payment Date ('Distribution') calculated according to the following formula:

$$\text{Distribution} = \frac{\text{Distribution Rate} \times \$100 \times D}{365}$$

where:

**Distribution Rate** (expressed as a percentage per annum) is calculated according to the following formula:

$$\text{Distribution Rate} = \text{Market Rate} + \text{Margin}$$

where:

**Market Rate** (expressed as a percentage per annum) means, for a Distribution Period, the average mid-rate for bills having a term of 180 days which average rate is displayed on Bloomberg page AFRS 3 (or any page which replaces that page) on the first Business Day of that Distribution Period, or if there is a manifest error in the calculation of that average rate or that average rate is not displayed by 10.30am (Melbourne time) on that date, the rate specified in good faith by PaperlinX at or around that time on that date having regard, to the extent possible, to:

- (a) the rates otherwise bid and offered for bills having a term of 180 days or for funds of that tenor displayed on Bloomberg page AFRS 3 (or any page which replaces that page) at that time on that date; and
- (b) if bid and offer rates for bills having a term of 180 days are not otherwise available, the rates otherwise bid and offered for funds of that tenor at or around that time on that date;

**Margin** (expressed as a percentage per annum) means:

- (a) for a Distribution Period commencing before the First Remarketing Date, the Initial Margin; and
- (b) for a Distribution Period commencing on or after the First Remarketing Date, the Remarketing Margin which applies from the last Remarketing Date occurring on or before the start of the Distribution Period;

**Initial Margin** means the margin determined under the Bookbuild;

**Remarketing Margin** (expressed as a percentage per annum) means the margin determined in accordance with clause 5.3 ('Result of Remarketing'), clause 5.5 ('Step-up Margin to apply') or clause 6.4 ('Result of New Credit Rating Remarketing') (as the case may be); and

D means in respect of:

- (a) the first Distribution Payment Date, the number of days from (and including) the Issue Date to (and including) the first Distribution Payment Date; and
- (b) each subsequent Distribution Payment Date, the number of days from (but excluding) the preceding Distribution Payment Date to (and including) that Distribution Payment Date.

### **3.2 Distribution Payment Dates**

The Distribution Payment Dates are:

- (a) each 30 June and 31 December, commencing on 30 June 2007, which falls before the date on which the PaperlinX SPS are Redeemed or exchanged into Ordinary Shares or Preference Shares in accordance with these PaperlinX SPS Terms (but does not include that date) and;
- (b) the Realisation Date (not being a 30 June or 31 December), where PaperlinX SPS are Exchanged for Ordinary Shares on that date and the Issuer has determined under clause 10 ('Exchange') to pay a Cash Distribution on that date,  
(each a **Distribution Payment Date**).

If a Distribution Payment Date is a day which is not a Business Day, then that day remains the Distribution Payment Date and the Distribution scheduled to be paid on that day will be paid on the next day which is a Business Day without any adjustment of the amount of the Distribution or any other payment in respect of the delay in payment.

### **3.3 Conditions to payment of Distributions**

The payment of a Distribution is subject to:

- (a) the Issuer exercising its discretion to pay that Distribution; and
- (b) the Trust having sufficient Trust Income (after paying or providing for all liabilities of the Trust) during the relevant Distribution Period.

### **3.4 Distributions are non-cumulative**

Distributions are non-cumulative. If all or any part of a Distribution is not paid (an '**Unpaid Distribution**') on the relevant Distribution Payment Date because of the restrictions in clause 3.3 ('Conditions to payment of Distributions'), the Issuer has no liability to pay the Unpaid Distribution and, notwithstanding the ability of the Issuer to make an Optional Distribution in accordance with clause 3.5 ('Optional Distributions') below, no Holder has any claim in respect of such Unpaid Distribution. No interest accrues on any Unpaid Distribution or Optional Distribution and no Holder has any claim or entitlement in respect of interest on any Unpaid Distribution or Optional Distribution.

### **3.5 Optional Distributions**

Without limiting clause 3.3 ('Conditions to payment of Distributions') or clause 3.4 ('Distributions are non-cumulative'):

- (a) the Issuer may, in its absolute discretion, elect at any time to pay to Holders an optional distribution in an amount equal (either alone or in combination with an amount paid under clause 3.5(b) ('Optional Distributions')) to the unpaid amount of the scheduled Distributions for a period of 12 months immediately preceding (but including) the payment date of the optional distribution (an '**Optional Distribution**'); and
- (b) under the terms of the Trust Constitution, PaperlinX may, in its absolute discretion, elect at any time to pay to Holders an amount equal (either alone or in combination with an amount paid under clause 3.5(a) ('Optional Distributions')) to an Optional Distribution.

## **4 Restrictions in the case of non-payment**

If any of the following is the case:

- (a) a Distribution has not been paid in full for any reason within five Business Days of the relevant Distribution Payment Date; or
- (b) on a Realisation Date, for any reason the Redemption Amount has not been paid in full, Ordinary Shares have not been issued or Preference Shares have not been issued, in each case as required in accordance with these PaperlinX SPS Terms,

PaperlinX must not:

- (c) declare or otherwise determine to pay, or pay, a dividend or make any distribution on any class of its share capital; or
- (d) redeem, reduce, cancel, buy-back or acquire for any consideration any share capital of PaperlinX, unless:
  - (i) where a Distribution has not been paid in full within 5 Business Days of a Distribution Payment Date, since that date the Issuer or PaperlinX (or a combination of the Issuer and PaperlinX) has paid to Holders in full:
    - (A) an Optional Distribution (or an amount equal to an Optional Distribution); or
    - (B) consecutive scheduled Distributions in respect of a period of 12 months;

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- (ii) all PaperlinX SPS have been Redeemed or exchanged for Ordinary Shares or Preference Shares in accordance with these PaperlinX SPS Terms; or
- (iii) such action has been approved by a Special Resolution of Holders, provided that nothing in this clause 4 ('Restrictions in the case of non-payment') will be taken to prevent a payment by way of pro rata payments to Holders and the holders of any security of PaperlinX which ranks in respect of dividends (in the case of a dividend) or return of capital in a winding up (in the case of any other payment) equally with the Preference Shares (or would rank equally in the relevant respect with the Preference Shares if those Preference Shares were issued).

## 5 Remarketing provisions

### 5.1 Notification of Remarketing

The Issuer may, no earlier than six months and not later than 55 Business Days prior to the next Remarketing Date, issue an invitation (a '**Remarketing Invitation**') to Holders that will propose:

- (a) a range of possible Margins to apply following a Successful Remarketing; and
- (b) the timing of the next Remarketing Date (which must coincide with a Distribution Payment Date), and will include the other terms of the PaperlinX SPS, if any, that will be adjusted, and any new terms that will be added with effect from the Remarketing Date following a Successful Remarketing. The Issuer may request to adjust any terms of the PaperlinX SPS, including without limitation:

- (a) the Market Rate;
- (b) the Margin;
- (c) the Step-up;
- (d) the Exchange Discount;
- (e) the frequency and timing of Distribution Periods;
- (f) the frequency and timing of Distribution Payment Dates; and
- (g) the notice periods required under these PaperlinX SPS Terms.

### 5.2 Holder participation in Remarketing

Each Holder may, within 20 Business Days of the issue of a Remarketing Invitation or such longer time period (ending not less than 35 Business Days before the Remarketing Date) which the Issuer nominates, give one of the following types of written notice to the Issuer:

- (a) a '**Step-up Notice**' indicating that they do not wish to continue to hold PaperlinX SPS unless the Step-up Margin applies with effect from the Remarketing Date;
- (b) a '**Bid Notice**' indicating that they do not wish to continue to hold PaperlinX SPS unless the Remarketing Margin to apply with effect from a Remarketing Date on a Successful Remarketing is at least equal to a rate specified by the Holder (which must be within the range proposed in the Remarketing Invitation); or
- (c) a '**Hold Notice**' indicating that they wish to continue to hold PaperlinX SPS irrespective of the Margin which applies with effect from the Remarketing Date.

If the Issuer does not receive a response from a Holder within 20 Business Days, or the longer time period nominated by the Issuer, the Holder is deemed to have given a Hold Notice (a '**Deemed Hold Notice**').

### 5.3 Result of Remarketing

- (a) If the Issuer issues a Remarketing Invitation in accordance with clause 5.1 ('Notification of Remarketing'), the Issuer:
  - (i) subject to clause 5.3(b) ('Result of Remarketing'):
    - (A) may set a Remarketing Margin within the range specified in the Remarketing Invitation which, together with the other revised terms referred to in clause 5.1 ('Notification of Remarketing') (if any), will apply with effect from the Remarketing Date; and
    - (B) if it does so, must give an Issuer Realisation Notice in respect of PaperlinX SPS held by Exiting Holders in accordance with clause 7.4(c) ('Realisation by the Issuer'); or
  - (ii) may elect not to set a Remarketing Margin, in which case the Issuer may or may not give an Issuer Realisation Notice to Holders in accordance with clause 7.4(b) ('Realisation by the Issuer').
- (b) The Issuer may only set a Remarketing Margin under this clause 5.3 ('Result of Remarketing') where Holders have given:
  - (i) Hold Notices under clause 5.2(c) ('Holder participation in Remarketing') (and for the purposes of this clause 5.3(b)(i) ('Result of Remarketing'), a Deemed Hold Notice must not be counted); or
  - (ii) Bid Notices under clause 5.2(b) ('Holder participation in Remarketing') containing a margin less than or equal to the Remarketing Margin, and notices under (i) and (ii) were cumulatively in respect of at least 25% of PaperlinX SPS on issue at the time the Remarketing Invitation was issued.

#### **5.4 Remarketing results notices**

The Issuer must make an election to set, or not to set, a Remarketing Margin together with the other terms under clause 5.3(a) ('Result of Remarketing') and notify Holders of that election no later than 25 Business Days before the Remarketing Date.

#### **5.5 Step-up Margin to apply**

If:

- (a) the Issuer does not issue a Remarketing Invitation within the period prescribed by clause 5.1 ('Notification of Remarketing') and the Issuer does not issue an Issuer Realisation Notice within the period prescribed by clause 7.4(a) ('Realisation by the Issuer');
- (b) a Remarketing is an Unsuccessful Remarketing but the Issuer does not issue an Issuer Realisation Notice within the period prescribed by clause 7.4(b) ('Realisation by the Issuer'); or
- (c) a Remarketing is a Successful Remarketing but the Issuer elects not to set a Remarketing Margin, and the Step-up Margin has not already applied by operation of this clause 5.5 ('Step-up Margin to apply'), the Step-up Margin will apply with effect from the Remarketing Date to any PaperlinX SPS which remain on issue and no other terms will be adjusted or added. The Step-up Margin will cease to apply if, following a Successful Remarketing of the PaperlinX SPS which remain on issue, a Remarketing Margin is set unless (and until) this clause 5.5 ('Step-up Margin to apply') next operates.

#### **5.6 Remarketing determined by PaperlinX**

If PaperlinX or PaperlinX LLC resolves to require the Issuer to:

- (a) give a Remarketing Invitation in accordance with clause 5.1 ('Notification of Remarketing');
- (b) propose specific terms for adjustment in a Remarketing Invitation; or
- (c) set, or determine not to set, a Remarketing Margin,

and PaperlinX or PaperlinX LLC:

- (i) notifies the Issuer of that resolution; and
- (ii) has given a notice in corresponding terms to the Issuer under the LLC Preference Share Terms,

then the Issuer must give the Remarketing Invitation in accordance with clause 5.1 ('Notification of Remarketing'), propose the specific terms for adjustment or addition or set, or determine not to set, a Remarketing Margin accordingly.

The Issuer must not otherwise give a Remarketing Invitation or set or determine not to set, a Remarketing Margin and must not give a Remarketing Invitation specifying terms for adjustment or to be added contrary to a notice received in accordance with this clause 5.6 ('Remarketing determined by PaperlinX') in each case except as provided in clause 6 ('New Credit Rating Remarketing provisions').

## **6 New Credit Rating Remarketing provisions**

### **6.1 Notification of New Credit Rating Remarketing**

If a New Credit Rating Event occurs, the Issuer may set a New Credit Rating Remarketing Date in accordance with clause 6.2 ('New Credit Rating Remarketing Dates') and, if it does so, may issue a Remarketing Invitation in accordance with clause 5.1 ('Notification of Remarketing').

A Remarketing Invitation issued in accordance with this clause 6.1 ('Notification of New Credit Rating Remarketing') may propose a range of possible Margins and the timing for the New Credit Rating Remarketing Date and to add new terms and to adjust any terms of the PaperlinX SPS which may be adjusted under clause 5.1 ('Notification of Remarketing'), except that the minimum of any range of possible Margins proposed to apply from the New Credit Rating Remarketing Date must be at least equal to the Margin applying immediately prior to the New Credit Rating Remarketing Date.

### **6.2 New Credit Rating Remarketing Dates**

If a New Credit Rating Event occurs, the Issuer may set a New Credit Rating Remarketing Date by notice to the Holders no earlier than six months and not later than 55 Business Days prior to the New Credit Rating Remarketing Date (which notice, for the avoidance of doubt, may be given together with the notice given under clause 6.1 ('Notification of New Credit Rating Remarketing')).

A New Credit Rating Remarketing Date:

- (a) may only be set so as to occur on a Distribution Payment Date;
- (b) may not be set so as to occur on a date which is a Periodic Remarketing Date; and
- (c) may only be set once.

### **6.3 Holder participation in New Credit Rating Remarketing**

Each Holder may, within 20 Business Days of the issue of a Remarketing Invitation in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing') or such longer time period (ending not less than 35 Business Days before the New Credit Rating Remarketing Date) which the Issuer nominates, give one of the following types of written notice to the Issuer:

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- (a) a 'Bid Notice' indicating that they do not wish to continue to hold PaperlinX SPS unless the Remarketing Margin to apply with effect from a New Credit Rating Remarketing Date on a Successful New Credit Rating Remarketing is at least equal to a rate specified by the Holder (which must be within the range proposed in the Remarketing Invitation); or
- (b) a 'Hold Notice' indicating that they wish to continue to hold PaperlinX SPS irrespective of the Margin which applies with effect from the New Credit Rating Remarketing Date.

If the Issuer does not receive a response from a Holder within 20 Business Days, or the longer time period nominated by the Issuer, the Holder is deemed to have given a Hold Notice (a 'Deemed Hold Notice').

### 6.4 Result of New Credit Rating Remarketing

- (a) If the Issuer issues a Remarketing Invitation in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing'), then the Issuer:
  - (i) subject to clause 6.4(b) ('Result of New Credit Rating Remarketing'):
    - (A) may set a Remarketing Margin within the range specified in the Remarketing Invitation which, together with the other terms referred to in clause 5.1 ('Notification of Remarketing') (if any), will apply with effect from the New Credit Rating Remarketing Date; and
    - (B) if it does so, must give an Issuer Resale Notice in respect of PaperlinX SPS held by Exiting Holders in accordance with clause 6.6 ('Issuer Resale Notice'); or
  - (ii) may elect not to set new terms.
- (b) The Issuer may only elect to set new terms under this clause 6.4 ('Result of New Credit Rating Remarketing') where:
  - (i) Holders have given:
    - (A) Hold Notices under clause 6.3(b) ('Holder participation in New Credit Rating Remarketing') (and for the purposes of this clause 6.4(b)(i)(A) ('Result of New Credit Rating Remarketing'), a Deemed Hold Notice must not be counted); or
    - (B) Bid Notices under clause 6.3(a) ('Holder participation in New Credit Rating Remarketing') containing a margin less than or equal to the Remarketing Margin; and
  - (ii) the Issuer has procured third party purchasers for all PaperlinX SPS held by Exiting Holders in accordance with the Issuer Resale Notice to be given in accordance with clause 6.6 ('Issuer Resale Notice'), and notices under (i)(A) and (i)(B) were cumulatively in respect of at least 25% of PaperlinX SPS on issue at the time the Remarketing Invitation was issued.
- (c) If the Issuer elects not to adjust the terms of the PaperlinX SPS, the Margin applying immediately prior to the New Credit Rating Remarketing Date will continue to apply and no other terms of the PaperlinX SPS will be adjusted.

### 6.5 New Credit Rating Remarketing results notices

The Issuer must make an election to set, or not to set, a Remarketing Margin together with the other terms under clause 6.4(a) ('Result of New Credit Rating Remarketing') and notify Holders of that election no later than 25 Business Days before the New Credit Rating Remarketing Date.

### 6.6 Issuer Resale Notice

Where clause 6.4(a)(i) ('Result of New Credit Rating Remarketing') applies, the Issuer must give a notice (an 'Issuer Resale Notice') which states that it will Resell the PaperlinX SPS held by Exiting Holders in accordance with clause 9 ('Resale') on the New Credit Rating Remarketing Date and remit to the Holder on the New Credit Rating Remarketing Date an amount at least equal to the amount which would have been the Redemption Amount for those PaperlinX SPS (determined as if PaperlinX SPS were being Redeemed on that Realisation Date).

An Issuer Resale Notice is irrevocable.

### 6.7 New Credit Rating Remarketing determined by PaperlinX

If PaperlinX or PaperlinX LLC resolves to require the Issuer to:

- (a) give a Remarketing Invitation in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing');
  - (b) propose specific terms for adjustment in a Remarketing Invitation given in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing');
  - (c) set a New Credit Rating Remarketing Date; or
  - (d) set, or determine not to set, a Remarketing Margin,
- and PaperlinX or PaperlinX LLC:
- (i) notifies the Issuer of that resolution; and
  - (ii) has given a notice in corresponding terms to the Issuer under the LLC Preference Share Terms,
- then the Issuer must give the Remarketing Invitation, propose the specific terms for adjustment or addition, set a New Credit Rating Remarketing Date or set, or determine not to set, a Remarketing Margin accordingly.

The Issuer must not otherwise give a Remarketing Invitation as a result of a New Credit Rating Event in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing'), set a New Credit Rating Remarketing Date or set, or determine not to set, a Remarketing Margin and must not give a Remarketing Invitation as a result of a New Credit Rating Event specifying terms for adjustment or to be added contrary to a notice received in accordance with this clause 6.7 ('New Credit Rating Remarketing determined by PaperlinX').

## 7 Realisation

### 7.1 Realisation by the Holder on Change of Control Event

- (a) The Issuer must notify Holders as soon as practicable after becoming aware of the occurrence of a Change of Control Event (a 'Change of Control Notice').
- (b) A Holder may require the Issuer to Realise all (but not some only) of its PaperlinX SPS by giving to the Issuer a Holder Realisation Notice in accordance with clause 7.2 ('Holder Realisation Notices') within 15 Business Days of a Change of Control Notice being given in accordance with clause 7.1(a) ('Realisation by the Holder on Change of Control Event').
- (c) A Holder may give a Holder Realisation Notice following a Change of Control Event notwithstanding the Issuer's failure to give a Change of Control Notice in accordance with clause 7.1(a) ('Realisation by the Holder on Change of Control Event').

### 7.2 Holder Realisation Notices

A Holder Realisation Notice must:

- (a) specify the PaperlinX SPS to which it relates; and
- (b) be accompanied by evidence of title reasonably satisfactory to the Issuer for the relevant PaperlinX SPS.

A form of Holder Realisation Notice which may be used by Holders must be made available by the Issuer upon request.

Once a Holder has given a Holder Realisation Notice, that Holder must not deal with, transfer, dispose or otherwise encumber the PaperlinX SPS the subject of the Holder Realisation Notice.

A Holder Realisation Notice is irrevocable.

### 7.3 Issuer response to Holder Realisation Notices

The Issuer must promptly upon receipt of a Holder Realisation Notice (and in any event within 10 Business Days) specify by notice to the Holder (a 'Holder Realisation Response'):

- (a) the Realisation Date (which must be the date determined in accordance with clause 7.6 ('Realisation Date'));
- (b) which Realisation Method (or combination of Realisation Methods) will apply to the Realisation of the PaperlinX SPS the subject of the Holder Realisation Notice; and
- (c) where the Realisation Method applicable is Exchange for Ordinary Shares, whether there will be a Cash Distribution on the Realisation Date.

The Realisation Method determined in accordance with clause 7.7 ('Issuer Realisation and Realisation Method determined by PaperlinX').

A Holder Realisation Response is irrevocable.

### 7.4 Realisation by the Issuer

The Issuer may elect to Realise PaperlinX SPS (and, where clause 7.4(c) applies, must Realise PaperlinX SPS) by giving an Issuer Realisation Notice to Holders in accordance with clause 7.5 ('Issuer Realisation Notices'):

- (a) in respect of all (but not some only) PaperlinX SPS, no earlier than six months and not later than 25 Business Days before a Periodic Remarketing Date;
- (b) in respect of all (but not some only) PaperlinX SPS, no later than 25 Business Days before the Periodic Remarketing Date to which an Unsuccessful Remarketing relates;
- (c) in respect of that number of PaperlinX SPS held by Exiting Holders, no later than 25 Business Days before the Periodic Remarketing Date to which a Successful Remarketing relates;
- (d) in respect of all (but not some only) PaperlinX SPS, no later than 25 Business Days before a Distribution Payment Date if the Step-up Margin applies;
- (e) in respect of all (but not some only) PaperlinX SPS, no later than 20 Business Days after the occurrence of an Acquisition Event;
- (f) in respect of all (but not some only) PaperlinX SPS, no later than 20 Business Days after the occurrence of a RE Removal Event or a Trust Winding Up Event;
- (g) in respect of all (but not some only) PaperlinX SPS, at any time after the occurrence of a Tax Event, a Regulatory Event or an Accounting Event; or
- (h) in respect of all (but not some only) PaperlinX SPS, at any time if the aggregate Face Value of PaperlinX SPS on issue is less than A\$50 million.

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### 7.5 Issuer Realisation Notices

An Issuer Realisation Notice must specify:

- (a) the Realisation Date (which must be the date determined in accordance with clause 7.6 ('Realisation Date')); and
- (b) which Realisation Method (or combination of methods) will apply to the Realisation of the PaperlinX SPS the subject of the Issuer Realisation Notice; and
- (c) where the Realisation Method applicable is Exchange for Ordinary Shares, whether the Issuer or PaperlinX will pay a Cash Distribution on the Realisation Date and the amount of that Cash Distribution.

The Realisation Method (or combination of methods) is to be determined in accordance with clause 7.7 ('Issuer Realisation and Realisation Method determined by PaperlinX').

An Issuer Realisation Notice is irrevocable. If an Issuer Realisation Notice specifies that a combination of Realisation Methods applies, the Issuer must apply the combination of methods to the PaperlinX SPS of each Holder on an approximately proportionate basis but may adjust to take account of the effect on marketable parcels and other logistical considerations.

### 7.6 Realisation Date

The Realisation Date is, for Redemption in accordance with clause 8 ('Redemption'), Resale in accordance with clause 9 ('Resale') and Exchange in accordance with clause 10 ('Exchange'):

- (a) in connection with a Holder Realisation Notice given in accordance with clause 7.2 ('Holder Realisation Notices'), 50 Business Days after the date of the Change of Control Notice;
- (b) in connection with an Issuer Realisation Notice given in accordance with clause 7.4(a) ('Realisation by the Issuer'), clause 7.4(b) ('Realisation by the Issuer'), clause 7.4(c) ('Realisation by the Issuer') or clause 7.4(d) ('Realisation by the Issuer'), the next Distribution Payment Date immediately following the date of the Issuer Realisation Notice; or
- (c) otherwise, 25 Business Days after the date of the Issuer Realisation Notice.

### 7.7 Issuer Realisation and Realisation Method determined by PaperlinX

If PaperlinX or PaperlinX LLC resolves to require the Issuer to:

- (a) give an Issuer Realisation Notice following one or more of the events specified in clause 7.4 ('Realisation by the Issuer') specifying a Realisation Method (or combination of those methods); or
- (b) specify in a Holder Realisation Response a Realisation Method (or combination of Realisation Methods), and PaperlinX or PaperlinX LLC:
  - (i) notifies the Issuer of that resolution; and
  - (ii) has given a notice in corresponding terms to the Issuer under the LLC Preference Share Terms,

then the Issuer must give the Issuer Realisation Notice or Holder Realisation Response accordingly.

The Issuer must not give an Issuer Realisation Notice or a Holder Realisation Response contrary to or inconsistent with a notice received in accordance with this clause 7.7 ('Issuer Realisation and Realisation Method determined by PaperlinX') and must not otherwise give an Issuer Realisation Notice or a Holder Redemption Response.

### 7.8 Multiple Realisation notices

The Issuer is not prevented from giving an Issuer Realisation Notice merely because a Holder has given a Holder Realisation Notice. The Issuer Realisation Notice will prevail to the extent of any inconsistency between an Issuer Realisation Notice and a Holder Realisation Notice.

## 8 Redemption

### 8.1 Meaning of Redemption

If PaperlinX SPS are to be redeemed, on the Realisation Date the Issuer must pay to the Holder the Redemption Amount in respect of each PaperlinX SPS which is to be redeemed ('Redemption').

### 8.2 Redemption Amount

The Redemption Amount for a PaperlinX SPS is:

- (a) if the PaperlinX SPS are being Redeemed under this clause 8 ('Redemption') as a result of a Change of Control Event or an Acquisition Event, the Exchange Number determined in accordance with clause 10.4 ('Number of Ordinary Shares on change of control') multiplied by the VWAP determined in accordance with clause 10.3 ('Number of Ordinary Shares'); or
- (b) otherwise, the aggregate of:
  - (i) the Face Value; and
  - (ii) an amount equal to the unpaid amount (if any) of the scheduled Distributions for a period of 12 months immediately preceding (but including) the Realisation Date; and
  - (iii) an amount determined by applying the formula in clause 3.1 ('Distributions') together with associated definitions as if the Realisation Date were a Distribution Payment Date, (the 'Base Redemption Amount').

### 8.3 Failure to Pay Redemption Amount

If on a Realisation Date, the Redemption Amount is not paid in respect of a PaperlinX SPS when required to be paid in accordance with the PaperlinX SPS Terms, the PaperlinX SPS remain on issue until the PaperlinX SPS is Redeemed or exchanged for a Preference Share in accordance with these PaperlinX SPS Terms and clause 4 ('Restrictions in the case of non-payment') applies.

### 8.4 Holder deemed to agree to Redemption

Each Holder, by subscription for or acquisition of PaperlinX SPS is taken to have agreed to the Redemption of the PaperlinX SPS in accordance with these PaperlinX SPS Terms notwithstanding that the Holder has not requested Redemption.

## 9 Resale

### 9.1 Meaning of Resale

If PaperlinX SPS are to be resold, the Issuer must sell or procure the sale of PaperlinX SPS to be resold on that Realisation Date to a third party for an amount which, when taken together with any amount the Issuer or PaperlinX pays to the Holder on that date is at least equal to the amount which would have been the Redemption Amount for those PaperlinX SPS (determined as if PaperlinX SPS were being Redeemed on that Realisation Date) and remit that amount to the Holder on that Realisation Date ('Resale').

### 9.2 Failure to Resell

If the Issuer elects to Resell and, having used its best endeavours to Resell, all relevant PaperlinX SPS are not Resold on or before the Realisation Date, the remaining PaperlinX SPS must be Redeemed in accordance with clause 8 ('Redemption') or, subject to clause 9.3 ('Deferral of Realisation Date'), at the Issuer's election, Exchanged for Ordinary Shares in accordance with clause 10 ('Exchange') on the Realisation Date. In this case, the Holder Realisation Response or the Issuer Realisation Notice (as the case may be) will be taken to be such a notice stating the Issuer will Redeem in accordance with clause 8 ('Redemption') or Exchange for Ordinary Shares in accordance with clause 10 ('Exchange') (as the case may be) on the Realisation Date.

### 9.3 Deferral of Realisation Date

If the Issuer elects to Exchange PaperlinX SPS for Ordinary Shares in accordance with clause 9.2 ('Failure to Resell'):

- (a) the Realisation Date for that Exchange will be the date falling 25 Business Days after the date which would have been the Realisation Date if the PaperlinX SPS had been Resold; and
- (b) the Issuer must notify Holders of that election no later than 25 Business Days before the Realisation Date for that Exchange.

### 9.4 Holder agreement to Resale

If the Issuer elects to procure Resale under this clause 9 ('Resale'), each Holder whose PaperlinX SPS are being Resold is irrevocably taken to offer to sell the relevant PaperlinX SPS to the relevant third party.

### 9.5 Power of attorney

Each Holder irrevocably appoints the Issuer, PaperlinX and each of their Authorised Officers (each an 'Appointed Person') severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things including signing all documents or transfers as may in the opinion of the Appointed Person be necessary or desirable to be done in order to record or perfect the transfer of the PaperlinX SPS held by the Holder when required according to this clause 9 ('Resale').

## 10 Exchange

### 10.1 Meaning of Exchange

Exchange means that the Issuer redeems the PaperlinX SPS upon:

- (a) PaperlinX, at the direction of the Issuer, issuing the Exchange Number of Ordinary Shares to the Holder on the Realisation Date; and
- (b) if the Issuer or PaperlinX (in its discretion) determines to pay an amount by way of cash distribution on the Realisation Date (which amount in respect of a PaperlinX SPS must not exceed the difference between the Base Redemption Amount of the PaperlinX SPS and its Face Value) ('Cash Distribution'), the Issuer or PaperlinX paying the Cash Distribution.

### 10.2 Issue Price of Ordinary Shares

Each Ordinary Share issued under this clause 10 ('Exchange') will be issued fully paid at an issue price equal to the Ordinary Share Issue Price determined in accordance with clause 10.3 ('Number of Ordinary Shares') or, where clause 10.4 ('Number of Ordinary Shares on change of control') applies, in accordance with that clause.

## 11. PaperlinX SPS Terms

### 10.3 Number of Ordinary Shares

On the Realisation Date in respect of each PaperlinX SPS which is Exchanged for Ordinary Shares under this clause 10 ('Exchange'), the number of Ordinary Shares to be issued for each such PaperlinX SPS ('Exchange Number') is, subject to clause 10.4 ('Number of Ordinary Shares on change of control') below, calculated according to the following formula:

$$\text{Exchange Number} = \frac{\text{Base Redemption Amount} - \text{Cash Distribution}}{\text{Ordinary Share Issue Price}}$$

where:

**Base Redemption Amount** has the meaning given in clause 8.2(b) ('Redemption Amount') (calculated as if the PaperlinX SPS were being Redeemed on the Realisation Date);

**Cash Distribution** means the amount paid in cash to the Holder as a result of a determination in accordance with clause 10.1(b) ('Meaning of Exchange').

**Ordinary Share Issue Price** =  $\text{VWAP} \times (1 - \text{Exchange Discount})$

**VWAP** (expressed as a dollar value) means VWAP during the VWAP Period;

**Exchange Discount** means 0.025; and

**VWAP Period** means the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but excluding) the relevant Realisation Date.

### 10.4 Number of Ordinary Shares on change of control

If the PaperlinX SPS are being Exchanged for Ordinary Shares under this clause 10 ('Exchange') as a result of a Change of Control Event or an Acquisition Event, the Exchange Number is calculated according to the following formula:

$$\text{Exchange Number} = \frac{\text{Base Redemption Amount} - \text{Cash Distribution}}{\text{Ordinary Share Issue Price}}$$

where:

**Base Redemption Amount** has the meaning given in clause 10.3 ('Number of Ordinary Shares'); and

**Cash Distribution** has the meaning given in clause 10.3 ('Number of Ordinary Shares').

**Ordinary Share Issue Price** means the lower of:

(a) VWAP (expressed as a dollar value) for the VWAP Period, plus 50% of the amount calculated by subtracting that VWAP from the offer price under the takeover bid or the consideration under the scheme of arrangement including any variation to that offer price or consideration made prior to the Realisation Date, where:

**VWAP Period** means the period of 20 Business Days on which trading in Ordinary Shares took place immediately preceding (but excluding) the public announcement of the takeover bid or the scheme of arrangement (as the case may be); and

(b) 97.5% of the offer price per Ordinary Share in respect of the takeover bid or the consideration per Ordinary Share in respect of the scheme of arrangement (as the case may be).

In the case of non-cash consideration, the calculations to be performed under this clause 10.4 ('Number of Ordinary Shares on change of control') will be performed using the value of the offer price or the consideration as reasonably determined by PaperlinX. PaperlinX may rely on the advice of an investment bank, accounting firm or other professional adviser in determining the value of the offer price or the consideration.

### 10.5 Fractions of Ordinary Shares to be disregarded

If the total number of Ordinary Shares to be issued to a Holder on a Realisation Date in respect of their aggregate holding of PaperlinX SPS being Exchanged under this clause 10 ('Exchange') includes a fraction of an Ordinary Share, that fraction will be disregarded.

### 10.6 Adjustments to VWAP

For the purposes of calculating VWAP under clause 10.3 ('Number of Ordinary Shares') or clause 10.4 ('Number of Ordinary Shares on change of control'):

- (a) where, on some or all of the Business Days in the relevant VWAP Period, Ordinary Shares have been quoted on ASX as cum dividend or cum any other distribution or entitlement and the issue of Ordinary Shares will occur after that date and those Ordinary Shares no longer carry that dividend or other distribution or entitlement, then the VWAP on the Business Days on which those Ordinary Shares have been quoted cum dividend or cum any other distribution or entitlement shall be reduced by an amount ('Cum Value') equal to:
- (i) (in the case of a dividend or other distribution), the amount of that dividend or other distribution including, if the dividend or other distribution is franked, the amount that would be included in the assessable income of the recipient of the dividend or other distribution who is a natural person resident in Australia;
  - (ii) (in the case of any other entitlement which is traded on ASX on any of those Business Days), the volume weighted average sale price of all such entitlements sold on ASX during the VWAP Period on the Business Days on which those entitlements were traded; or

- (iii) (in the case of an entitlement not traded on ASX during the VWAP Period), the value of the entitlement as reasonably determined by the Directors;
- (b) where on some or all of the Business Days in the VWAP Period, Ordinary Shares have been quoted on ASX as ex dividend or ex any other distribution or entitlement, and Ordinary Shares which are to be issued would be entitled to receive the relevant dividend or other distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted ex dividend or ex any other distribution or entitlement shall be increased by the Cum Value; and
- (c) where the Ordinary Shares are reconstructed, consolidated, divided or reclassified into a lesser or greater number of securities during the VWAP Period, the VWAP shall be adjusted by the Directors as they consider appropriate and these PaperlinX SPS Terms will be construed accordingly.

Any such adjustment will promptly be notified to PaperlinX SPS Holders.

### **10.7 Ranking of Ordinary Shares**

Each Ordinary Share issued on Exchange ranks equally with all other Ordinary Shares.

### **10.8 Failure to Exchange for Ordinary Shares**

If on a Realisation Date, Ordinary Shares are not issued in respect of a PaperlinX SPS when required to be issued in accordance with these PaperlinX SPS Terms (including because a PaperlinX Winding Up Event has occurred), that PaperlinX SPS remains on issue until the PaperlinX SPS is exchanged for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms or Redeemed and clause 4 ('Restrictions in the case of non-payment') applies. This clause 10.8 ('Failure to Exchange for Ordinary Shares') does not affect the obligation of PaperlinX to issue the Ordinary Shares.

## **11 Preference Share Exchange**

### **11.1 Meaning of Preference Share Exchange**

Preference Share Exchange means that the Issuer redeems the PaperlinX SPS upon PaperlinX, at the direction of the Issuer, issuing a Preference Share to the Holder on the Preference Share Exchange Date.

### **11.2 Preference Share Exchange**

A Preference Share Exchange will occur when the first of the following events occurs:

- (a) a PaperlinX Breach of Undertakings Event; or
- (b) a PaperlinX Winding Up Event.

### **11.3 Preference Share Exchange Notice**

The Issuer must give Holders a Preference Share Exchange Notice ('Preference Share Exchange Notice') stating the Preference Share Exchange Date in accordance with clause 11.4 ('Preference Share Exchange Dates') as soon as practicable after the occurrence of the PaperlinX Breach of Undertakings Event or PaperlinX Winding Up Event.

A Preference Share Exchange Notice is irrevocable once given. Failure to give a Preference Share Exchange Notice when required by this clause 11.3 ('Preference Share Exchange Notice') does not affect the obligation of PaperlinX to exchange the PaperlinX SPS for Preference Shares when required in accordance with these PaperlinX SPS Terms.

### **11.4 Preference Share Exchange Dates**

The Preference Share Exchange Date will be, if the Preference Share Exchange Date occurs under:

- (a) clause 11.2(a) ('Preference Share Exchange'), three Business Days after the date of the PaperlinX Breach of Undertakings Event; and
- (b) clause 11.2(b) ('Preference Share Exchange'), the date of the PaperlinX Winding Up Event.

### **11.5 Failure to exchange for Preference Shares**

If on a Preference Share Exchange Date, a Preference Share is not issued or delivered in respect of a PaperlinX SPS, that PaperlinX SPS remains on issue until the Preference Share is issued to the Holder or the PaperlinX SPS is Redeemed and clause 4 ('Restrictions in the case of non-payment') applies. This clause 11.5 ('Failure to exchange for Preference Shares') does not affect the obligation of PaperlinX to issue the Preference Share when required in accordance with these PaperlinX SPS Terms.

# 12 Redemption and exchange common provisions

## 12.1 Effect of Redemption or Exchange

Upon Redemption or exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms and payment of any amount due and payable on the Realisation Date or Preference Share Exchange Date (as the case may be) in respect of that PaperlinX SPS, all other rights conferred, or restrictions imposed, by that PaperlinX SPS will no longer have effect and that PaperlinX SPS will be cancelled.

## 12.2 Holder acknowledgements

Each Holder irrevocably:

- (a) upon an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms, consents to becoming a member of PaperlinX and agrees to be bound by the PaperlinX Constitution and, in the case of a Preference Share Exchange, the Preference Share Terms;
- (b) acknowledges and agrees it is obliged to accept Ordinary Shares or a Preference Share (as the case may be) upon an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms notwithstanding anything which might otherwise affect an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share including:
  - (i) any change in the financial position of PaperlinX since the Issue Date;
  - (ii) any disruption to the market or potential market for the Ordinary Shares or the Preference Shares (as the case may be) or to capital markets generally;
  - (iii) any breach by PaperlinX of any obligation in connection with the PaperlinX SPS, the Trust Constitution or the LLC Preference Shares; or
  - (iv) it being impossible or impracticable to sell or otherwise dispose of Ordinary Shares or Preference Shares (as the case may be) or, in the case of an Exchange for Ordinary Shares, to list those Ordinary Shares;
- (c) agrees to provide to the Issuer any information the Issuer considers necessary or desirable to give effect to a Redemption or an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms; and
- (d) appoints the Issuer as its agent and attorney with power in the name and on behalf of the Holder to do all things necessary to give effect to a Redemption or an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms, including:
  - (i) completing and executing such instruments for and on the Holder's behalf as the Issuer considers necessary or desirable to give effect to a Redemption or an exchange of a PaperlinX SPS for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms; and
  - (ii) appointing in turn its own agent or delegate.

# 13 Payments to Holders

## 13.1 Calculation of payments

All calculations of payments will be rounded to four decimal places. For the purposes of making any payment in respect of a Holder's aggregate holding of PaperlinX SPS, any fraction of a cent will be disregarded.

## 13.2 Deductions

- (a) The Issuer may deduct from any payment payable to a Holder the amount of any withholding or other tax, duty or levy required by law to be deducted in respect of such payment.
- (b) If any deduction is required, the Issuer must pay the full amount required to be deducted to the relevant revenue authority within the time allowed for such payment without incurring penalty under the applicable law.
- (c) If:
  - (i) a deduction is made; and
  - (ii) the amount of the deduction is accounted for by the Issuer to the relevant revenue authority; and
  - (iii) the balance of the amount payable has been paid to the Holder,then the Issuer's obligation to make the payment to the Holder is taken to have been satisfied in full by the Issuer.

## 13.3 No set-off

The Holder has no right to set-off any amounts owing by it to the Issuer or PaperlinX against any claims owing by the Issuer or PaperlinX.

## 13.4 Time limit for claims

A claim against the Issuer for payment according to these PaperlinX SPS Terms is void unless made within five years of the due date for payment.

### **13.5 Manner of payment to Holders**

Monies payable by the Issuer to a Holder may be paid in any manner the Issuer decides, including:

- (a) by any method of direct credit determined by the Issuer to the Holder or Holders shown on the Register or to such person or place directed by them;
- (b) by cheque sent through the post directed to the physical or postal address of the Holder as shown in the Register or, in the case of joint Holders, to the physical or postal address notified to the Registrar for receipt of such monies (and in default of notification, to the physical or postal address shown in the Register as the address of the joint Holder first named in that Register); or
- (c) by cheque sent through the post directed to such other physical or postal address as the Holder or joint Holders in writing direct.

### **13.6 Unpresented cheques**

Cheques issued by the Issuer that are not presented within six months of being issued or such lesser period as determined by the Issuer may be cancelled. Where a cheque which is cancelled was drawn in favour of a Holder, the moneys are to be held by the Issuer for the Holder as a non-interest bearing deposit until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

### **13.7 Unsuccessful attempts to pay**

Subject to applicable law, where the Issuer:

- (a) decides that an amount is to be paid to a Holder by a method of direct credit and the Holder has not given a direction as to where amounts are to be paid by that method;
  - (b) attempts to pay an amount to a Holder by direct credit, electronic transfer of funds or any other means and the transfer is unsuccessful; or
  - (c) has made reasonable efforts to locate a Holder but is unable to do so,
- the amount is to be held by the Issuer for the Holder in a non-interest bearing deposit with a bank selected by the Issuer until the Holder or any legal personal representative of the Holder claims the amount or the amount is paid by the Issuer according to the legislation relating to unclaimed moneys.

### **13.8 Payment to joint Holders**

A payment to any one of joint Holders will discharge the Issuer's liability in respect of the payment.

## **14 Title and transfer of PaperlinX SPS**

### **14.1 Title**

Title to a PaperlinX SPS passes when details of the transfer are entered in the Register.

### **14.2 Effect of entries in Register**

Each entry in the Register for a PaperlinX SPS constitutes an entitlement to the benefits given to the Holder under these PaperlinX SPS Terms and the Trust Constitution in respect of the PaperlinX SPS.

### **14.3 Register conclusive as to ownership**

Entries in the Register in relation to a PaperlinX SPS constitute conclusive evidence that the person so entered is the absolute owner of the PaperlinX SPS subject to correction for fraud or error.

### **14.4 Non-recognition of interests**

Except as required by law, the Issuer and the Registrar must treat the person whose name is entered in the Register as the Holder as the absolute owner of that PaperlinX SPS.

No notice of any trust or other interest in, or claim to, any PaperlinX SPS will be entered in the Register. Neither the Issuer nor the Registrar need take notice of any trust or other interest in, or claim to, any PaperlinX SPS, except as ordered by a court of competent jurisdiction or required by law.

This clause 14.4 ('Non-recognition of interests') applies whether or not a payment has been made when scheduled on a PaperlinX SPS and despite any notice of ownership, trust or interest in the PaperlinX SPS.

### **14.5 Joint holders**

Where two or more persons are entered in the Register as the joint Holders then they are taken to hold the PaperlinX SPS as joint tenants, but the Registrar is not bound to register more than three persons as joint holders of a PaperlinX SPS.

### **14.6 Transfers in whole**

PaperlinX SPS may be transferred in whole but not in part in accordance with these PaperlinX SPS Terms and the Trust Constitution.

## 11. PaperlinX SPS Terms

### 14.7 Transfer

A Holder may, subject to this clause 14 ('Title and transfer of PaperlinX SPS'), transfer any PaperlinX SPS:

- (a) by a proper ASTC transfer according to the ASTC operating rules;
- (b) by a proper transfer under any other computerised or electronic system recognised by the Corporations Act;
- (c) under any other method of transfer which operates in relation to the trading of securities on any securities exchange outside Australia on which PaperlinX SPS are quoted; or
- (d) by any proper or sufficient instrument of transfer of marketable securities under applicable law.

The Issuer must not charge any fee on the transfer of a PaperlinX SPS.

### 14.8 Market obligations

The Issuer must comply with Applicable Regulation and any other relevant obligations imposed on it in relation to the transfer of a PaperlinX SPS.

### 14.9 Issuer may request holding lock or refuse to register transfer

If PaperlinX SPS are Officially Quoted, and if permitted to do so by the ASX Listing Rules and the Corporations Act, the Issuer may:

- (a) request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of PaperlinX SPS approved by and registered on the CS Facility's electronic subregister or PaperlinX SPS registered on an issuer-sponsored subregister, as the case may be; or
- (b) refuse to register a transfer of PaperlinX SPS.

### 14.10 Issuer must request holding lock or refuse to register transfer

- (a) The Issuer must request the CS Facility Operator or the Registrar, as the case may be, to apply a holding lock to prevent a transfer of PaperlinX SPS approved by and registered on the CS Facility's electronic subregister or PaperlinX SPS registered on an issuer-sponsored subregister, as the case may be, if the Corporations Act, the Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (b) The Issuer must refuse to register any transfer of PaperlinX SPS if the Corporations Act, the ASX Listing Rules or the terms of a Restriction Agreement require the Issuer to do so.
- (c) During a breach of the ASX Listing Rules relating to Restricted Securities, or a breach of a Restriction Agreement, the Holder of the Restricted Securities is not entitled to any distribution or voting rights in respect of the Restricted Securities.

### 14.11 Notice of holding locks and refusal to register transfer

If, in the exercise of its rights under clause 14.9 ('Issuer may request holding lock or refuse to register transfer') and 14.10 ('Issuer must request holding lock or refuse to register transfer'), the Issuer requests application of a holding lock to prevent a transfer of PaperlinX SPS or refuses to register a transfer of PaperlinX SPS, it must, within two months after the date on which the transfer was lodged with it, give written notice of the request or refusal to the Holder, to the transferee and the broker lodging the transfer, if any. Failure to give such notice does not, however, invalidate the decision of the Issuer.

### 14.12 Delivery of instrument

If an instrument is used to transfer PaperlinX SPS according to clause 14.7 ('Transfer'), it must be delivered to the Registrar, together with such evidence (if any) as the Registrar reasonably requires to prove the title of the transferor to, or right of the transferor to transfer, the PaperlinX SPS.

### 14.13 Refusal to register

The Issuer may only refuse to register a transfer of any PaperlinX SPS if such registration would contravene or is forbidden by Applicable Regulation or the PaperlinX SPS Terms.

If the Issuer refuses to register a transfer, the Issuer must give the lodging party notice of the refusal and the reasons for it within five Business Days after the date on which the transfer was delivered to the Registrar.

### 14.14 Transferor to remain Holder until registration

A transferor of a PaperlinX SPS remains the Holder in respect of that PaperlinX SPS until the transfer is registered and the name of the transferee is entered in the Register.

### 14.15 Effect of transfer

Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under these PaperlinX SPS Terms and the Trust Constitution in respect of the transferred PaperlinX SPS and the transferee becomes so entitled in accordance with clause 14.2 ('Effect of entries in Register').

### 14.16 Estates

A person becoming entitled to a PaperlinX SPS as a consequence of the death or bankruptcy of a Holder or of a vesting order or a person administering the estate of a Holder may, upon producing such evidence as to that entitlement or status as the Registrar considers sufficient, transfer the PaperlinX SPS or, if so entitled, become registered as the holder of the PaperlinX SPS.

#### **14.17 Unincorporated associations**

A transfer to an unincorporated association is not permitted.

#### **14.18 Transfer of unidentified PaperlinX SPS**

Where the transferor executes a transfer of less than all PaperlinX SPS registered in its name, and the specific PaperlinX SPS to be transferred are not identified, the Registrar may (subject to the limit on minimum holdings) register the transfer in respect of such of the PaperlinX SPS registered in the name of the transferor as the Registrar thinks fit, provided the aggregate Liquidation Amount of the PaperlinX SPS registered as having been transferred equals the aggregate Liquidation Amount of the PaperlinX SPS expressed to be transferred in the transfer.

## **15 Notices**

#### **15.1 Form of notices to Holders**

All notices, certificates, consents, approvals, waivers and other communications to Holders ('Communications') in connection with the PaperlinX SPS must be given in writing, signed by or on behalf of the sender and sent by prepaid post or left at the address of the relevant Holder shown in the Register.

#### **15.2 When effective**

Communications take effect from earlier of the time they are received or are taken to be received unless a later time is specified in them.

#### **15.3 Receipt – postal**

If sent by post, Communications are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).

#### **15.4 Non-receipt of notice by a Holder**

The non-receipt of a notice by a Holder or an accidental omission to give notice to a Holder will not invalidate the giving of that notice either in respect of that Holder or generally.

#### **15.5 Notices to the Issuer**

A notice required under the PaperlinX SPS Terms to be given to the Issuer must be given in writing (which includes a fax), to the address and number specified below:

Permanent Investment Management Limited  
Attention: Manager, Responsible Entity Services  
Level 4, 35 Clarence Street, Sydney, NSW 2001  
Fax: (02) 8295 8659

or in such other manner as the Issuer determines and notifies to the Holders.

#### **15.6 When notice effective**

The notice is effective only at the time of receipt.

#### **15.6 Signing of notices**

The notice must bear the actual, facsimile or (if acceptable to the Issuer) electronic signature of the Holder or a duly authorised officer or representative of the Holder unless the Issuer dispenses with this requirement.

## **16 Quotation and Foreign Holders**

#### **16.1 Quotation on ASX**

The Issuer must use all reasonable endeavours and furnish all such documents, information and undertakings as may be reasonably necessary in order to procure quotation of PaperlinX SPS on ASX.

#### **16.2 Foreign Holders**

Where PaperlinX SPS held by a Foreign Holder are to be exchanged for Ordinary Shares or a Preference Share in accordance with these PaperlinX SPS Terms, unless PaperlinX is satisfied that the laws of the Foreign Holder's country of residence (as shown in the Register) permit the issue of Ordinary Shares or Preference Shares (as the case may be) to the Foreign Holder (but as to which PaperlinX is not bound to enquire), either unconditionally or after compliance with conditions which PaperlinX in its absolute discretion regards as acceptable and not unduly onerous, the Ordinary Shares or Preference Shares (as the case may be) which the Foreign Holder is obliged to accept will be issued to a nominee who will sell those Ordinary Shares (as the case may be) and pay a cash amount equal to the net proceeds received, after deducting any applicable brokerage, stamp duty and other taxes and charges, to that Foreign Holder.

# 17 Amendment of these PaperlinX SPS Terms

## 17.1 Amendment without consent

Subject to complying with the Corporations Act and all other applicable laws, the Issuer may amend these PaperlinX SPS Terms:

- (a) if the Issuer is of the opinion that the amendment is:
  - (i) of a formal, minor or technical nature;
  - (ii) made to cure any ambiguity or correct any manifest error;
  - (iii) expedient for the purpose of enabling the PaperlinX SPS to be listed for quotation or to retain listing on any stock exchange, to be cleared or settled through any clearing system or to retain clearance and settlement through any clearing system or to be offered for, or subscription for, sale under the laws for the time being in force in any place and it is otherwise not reasonably considered by the Issuer to adversely affect the rights of Holders;
  - (iv) necessary to comply with the provisions of any statute or the requirements of any statutory authority;
  - (v) to evidence the succession of another person to the Issuer and the assumption by any such successor of the undertakings and obligations of the Issuer under these PaperlinX SPS Terms; or
  - (vi) done according to the Issuer's rights in clause 5 ('Remarketing provisions'), clause 6 ('New Credit Rating Remarketing provisions') or clause 10.6 ('Adjustments to VWAP'); or
- (b) generally in any case where such amendment is reasonably considered by the Issuer not to adversely affect the interests of Holders.

## 17.2 Amendment with consent

Without limiting clause 17.1 ('Amendment without consent'), the Issuer may amend these PaperlinX SPS Terms if the amendment has been approved by a Special Resolution.

## 17.3 Meanings

In this clause 17 ('Amendment of these PaperlinX SPS Terms'), 'amend' includes modify, cancel, alter, adjust or add to and 'amendment' has a corresponding meaning.

## 17.4 Notice of amendments

Any amendment of these PaperlinX SPS Terms made in accordance with this clause 17 ('Amendment of these PaperlinX SPS Terms') must be promptly notified to Holders.

## 17.5 Amendments determined by PaperlinX

If PaperlinX or PaperlinX LLC resolves to require the Issuer to:

- (a) amend these PaperlinX SPS Terms in accordance with clause 17.1 ('Amendment without consent'); or
- (b) convene a meeting of Holders in accordance with the Trust Constitution to consider an amendment in accordance with clause 17.2 ('Amendment with consent'),

and PaperlinX or PaperlinX LLC:

- (i) notifies the Issuer of that resolution; and
- (ii) has given a notice in corresponding terms to the Issuer under the LLC Preference Share Terms,

then the Issuer must, subject to the Corporations Act, amend these PaperlinX SPS terms or the Issuer must convene that meeting accordingly.

Subject to the Corporations Act and all other applicable laws, the Issuer must not otherwise amend these PaperlinX SPS Terms or convene a meeting to consider an amendment to these PaperlinX SPS Terms and must not propose terms for amendment contrary to a notice received in accordance with this clause 17.5 ('Amendments determined by PaperlinX').

# 18 General provisions

## 18.1 Issues of PaperlinX shares

Except as set out in these PaperlinX SPS Terms, the PaperlinX SPS carry no right to participate in any offering of securities by PaperlinX or other member of the PaperlinX Group.

## 18.2 Voting

The Trust Constitution contains provisions for convening meetings of the Holders to consider any matter affecting their interests, including any variation of these PaperlinX SPS Terms which requires the consent of Holders.

Holders will have no voting rights in respect of PaperlinX or any other member of the PaperlinX Group.

## 18.3 Provision of information

Subject to applicable law, Holders are not entitled to be provided with copies of:

- (a) any notices of general meeting of PaperlinX; or
- (b) other documents (including annual reports and financial statements) sent by PaperlinX to holders of ordinary shares in PaperlinX.

## 19 Rights on winding up

In the winding up or dissolution of the Trust, a Holder is entitled, subject to the terms of the Trust Constitution, to claim for payment in cash of an amount equal to the Liquidation Amount, but no further or other right to participate in the assets of the Trust.

## 20 Interpretation and Definitions

### 20.1 Interpretation

Unless otherwise specified or the contrary intention appears:

- (a) a reference to a clause or paragraph is a reference to a clause or paragraph of these PaperlinX SPS Terms;
- (b) if a calculation is required under these PaperlinX SPS Terms, unless the contrary intention is expressed, the calculation will be rounded to four decimal places;
- (c) headings and boldings are for convenience only and do not affect the interpretation of these PaperlinX SPS Terms;
- (d) the singular includes the plural and vice versa;
- (e) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (f) if an event under these PaperlinX SPS Terms must occur on a stipulated day which is not a Business Day, then the stipulated day will be taken to be the next Business Day;
- (g) a reference to Australian Dollars, dollars, A\$, \$ or cents is a reference to the lawful currency of Australia;
- (h) a reference to a time of day is a reference to Melbourne time;
- (i) a reference to a term of these PaperlinX SPS Terms is a reference to that term subject to any Remarketing Adjustment;
- (j) calculations, elections and determinations made by the Issuer, PaperlinX or PaperlinX directors under these PaperlinX SPS Terms are binding on Holders in the absence of manifest error;
- (k) the terms 'holding company', 'wholly-owned subsidiary' and 'subsidiary', 'takeover bid', when used in these PaperlinX SPS Terms have the meaning given in the Corporations Act;
- (l) a reference to a party to an agreement or deed includes a reference to a replacement or substitute of the party according to that agreement or deed;
- (m) a reference to an agreement or deed includes a reference to that agreement or deed as amended, added to or restated from time to time; and
- (n) the words 'includes' or 'including', 'for example' or 'such as' do not exclude a reference to other items, whether of the same class or genus or not.

### 20.2 Definitions

The following words have these meanings in these PaperlinX SPS Terms unless the contrary intention appears:

**Accounting Event** means a determination is made by the Directors following receipt of advice from a reputable accountant experienced in such matters that any change in Australian accounting standards, their interpretation or their implementation has had or may have the effect that:

- (a) the PaperlinX SPS would be treated in PaperlinX's consolidated financial statements or in the stand alone accounts of the Trust other than as equity; or
- (b) the LLC Preference Shares would be treated in the stand alone accounts of PaperlinX LLC (if such accounts were prepared) other than as equity.

**Acquisition Event** means:

- (a) a takeover bid is made to acquire all or some Ordinary Shares, the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and either:
  - (i) the bidder's voting power in PaperlinX increases to more than 50%; or
  - (ii) PaperlinX issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or
- (b) a court orders the holding of a meeting to approve a scheme of arrangement which, when implemented, would result in a person having a relevant interest in more than 50% of the Ordinary Shares that would be on issue if the scheme were implemented and all classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme.

**Administrative Action** means any judicial decision, official administrative pronouncement, published or private ruling, regulatory procedure, notice or announcement (including any notice or announcement of intent to adopt such procedures or regulations or any refusal or failure to give a requested ruling).

**Applicable Regulation** means such provisions of the ASX Listing Rules, the ASTC Operating Rules, the Corporations Act and any regulations or rules passed under or pursuant to any such provisions, as may be applicable to the transfer.

**Appointed Person** has the meaning given in clause 9.5 ('Power of attorney').

## 11. PaperlinX SPS Terms

**ASTC** means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

**ASTC Operating Rules** means the operating rules of ASTC.

**ASX** means ASX Limited (ABN 98 008 624 691).

**ASX Listing Rules** means the listing rules of ASX with any modifications or waivers in their application to the Issuer or PaperlinX which ASX may grant.

**ASX Market Rules** means the market rules of ASX.

**Authorised Officer** means a person appointed by the party to act as an Authorised Officer for the purposes of these PaperlinX SPS Terms.

**Base Redemption Amount** has the meaning given in clause 8.2(b) ('Redemption Amount').

**Bid Notice** has the meaning given in clause 5.2(b) ('Holder participation in Remarketing') and clause 6.3(a) ('Holder participation in New Credit Rating Remarketing'), as applicable.

**Bookbuild** means the process conducted by PaperlinX or its agents prior to the opening of the Offer, whereby certain investors lodge bids for PaperlinX SPS and, on the basis of those bids, PaperlinX determines the Initial Margin and announces its determination prior to the opening of the Offer.

**Business Day** has the meaning given in the ASX Listing Rules.

**Cash Distribution** has the meaning given in clause 10.1(b) ('Meaning of Exchange').

**Change in Law** means an introduction of, an amendment or clarification to or change in (or announcement of a prospective introduction of, amendment or clarification to or change in) a law or regulation of any relevant jurisdiction or any directive, order, standard, requirement, guideline or statement of any relevant Government Agency.

**Change of Control Event** means:

- (a) a takeover bid is made to acquire all or some Ordinary Shares and the offer is freed from all conditions (other than any conditions referred to in section 652C(1) or (2) of the Corporations Act) and:
  - (i) the bidder's voting power in PaperlinX increases to more than 50% of the Ordinary Shares on issue; and
  - (ii) PaperlinX issues a statement that at least a majority of its directors who are eligible to do so have recommended acceptance of the offer; or
- (b) a court orders the holding of a meeting to approve a scheme of arrangement which scheme has been recommended by at least a majority of the directors of PaperlinX eligible to do so and which, when implemented, would result in a person having a relevant interest in more than 50% of the Ordinary Shares that would be on issue if the scheme were implemented and:
  - (i) all classes of members of PaperlinX pass all resolutions required to approve the scheme by the majorities required under the Corporations Act to approve the scheme; and
  - (ii) all conditions to the implementation of the scheme (other than approval of the scheme by the court) have been satisfied or waived.

**Change of Control Notice** has the meaning given in clause 7.1 ('Realisation by the Holder on Change of Control Event').

**Communications** has the meaning given in clause 15.1 ('Form of Notices to Holders').

**Corporations Act** means the Corporations Act 2001 (Cwlth).

**CS Facility** has the same meaning as 'prescribed CS facility' in the Corporations Act.

**CS Facility Operator** means the operator of a CS Facility.

**Cum Value** has the meaning given in clause 10.6(a) ('Adjustments to VWAP').

**D** has the meaning given in clause 3.1 ('Distributions').

**Deemed Hold Notice** has the meaning given in clause 5.2 ('Holder participation in Remarketing') and clause 6.3 ('Holder participation in New Credit Rating Remarketing').

**Directors** means the directors of PaperlinX acting as a board (or a duly authorised committee thereof).

**Distribution** has the meaning given in clause 3.1 ('Distributions').

**Distribution Payment Date** has the meaning given in clause 3.2 ('Distribution Payment Dates').

**Distribution Period** means, in respect of a PaperlinX SPS:

- (a) for the first Distribution Period, the period from (and including) the Issue Date to (and including) the first Distribution Payment Date; and
- (b) each subsequent period from (but excluding) a Distribution Payment Date to (and including) the next Distribution Payment Date.

**Distribution Rate** has the meaning given in clause 3.1 ('Distributions').

**Eligible Asset** means any notes, bonds, securities or shares issued by, or any loan to or investment in, any member of the PaperlinX Group.

**Exchange** has the meaning given in clause 10.1 ('Meaning of Exchange') and 'Exchange', 'Exchangeable' and 'Exchanged' have corresponding meanings.

**Exchange Discount** has the meaning given in clause 10.3 ('Number of Ordinary Shares').

**Exchange Number** has the meaning given in clause 10.3 ('Number of Ordinary Shares').

**Exiting Holder** means, for a Successful Remarketing or a Successful New Credit Rating Remarketing when the Issuer sets a Remarketing Margin in accordance with clause 5.3 ('Result of Remarketing') or clause 6.4 ('Result of New Credit Rating Remarketing') (as the case may be), a Holder who gives either:

- (a) a Step-up Notice; or
- (b) a Bid Notice which specifies a margin which is higher than the Remarketing Margin which applies from (but excluding) the Remarketing Date.

**Face Value** has the meaning given in clause 1 ('Face Value').

**First Remarketing Date** means 30 June 2012 or, if earlier, the date on which the New Credit Rating Remarketing Date occurs.

**Foreign Holder** means a Holder whose address in the Register is a place outside Australia or who PaperlinX otherwise believes may be a Foreign Holder.

**Government Agency** means any government or governmental, semi-governmental, administrative, fiscal or judicial body, department, commission, authority, bureau, tribunal, agency or entity in any part of the world.

**Hold Notice** has the meaning given in clause 5.2(c) ('Holder participation in Remarketing') and clause 6.3(b) ('Holder Participation in New Credit Rating Remarketing') as applicable.

**Holder** means a person Registered as the holder of a PaperlinX SPS.

**Holder Realisation Notice** means a notice given in accordance with clause 7.2 ('Holder Realisation Notices').

**Holder Realisation Response** has the meaning given in clause 7.3 ('Issuer response to Holder Realisation Notices').

**Initial Margin** has the meaning given in clause 3.1 ('Distributions').

**Issue Date** means the date on which the PaperlinX SPS are issued.

**Issuer** means Permanent Investment Management Limited (ACN 003 278 831) as responsible entity of the Trust under the Corporations Act.

**Issuer Realisation Notice** means a notice given in accordance with clause 7.5 ('Issuer Realisation Notices').

**Issuer Resale Notice** means a notice given in accordance with clause 6.6 ('Issuer Resale Notice').

**LLC Agreement** means the limited liability company agreement of PaperlinX LLC.

**LLC Preference Shares** means the limited liability company interests in PaperlinX LLC issued by PaperlinX LLC on the LLC Preference Share Terms.

**LLC Preference Share Terms** means the terms of the LLC Preference Shares set out in Annex A to the LLC Agreement.

**Liquidation Amount** means the aggregate of:

- (a) the Face Value; and
- (b) an amount equal to the unpaid amount (if any) of the scheduled Distributions for the period of 12 months immediately preceding (but including) the date of the commencement of the winding up.

**Margin** has the meaning given in clause 3.1 ('Distributions').

**Market Rate** has the meaning given in clause 3.1 ('Distributions').

**New Credit Rating Event** means that PaperlinX obtains a credit rating from a Rating Agency.

## 11. PaperlinX SPS Terms

**New Credit Rating Remarketing** means the process initiated by giving a Remarketing Invitation in accordance with clause 6.1 ('Notification of New Credit Rating Remarketing').

**New Credit Rating Remarketing Date** means the date set by the Issuer in accordance with clause 6.2 ('New Credit Rating Remarketing Dates').

**Offer** means the invitation made pursuant to the PDS for investors to subscribe for PaperlinX SPS.

**Officially Quoted** means a quotation on the official list of the ASX, including when quotation is suspended for a continuous period of not more than 60 days.

**Optional Distribution** has the meaning given in clause 3.5 ('Optional Distributions').

**Ordinary Share** means an ordinary share in the capital of PaperlinX.

**Ordinary Share Issue Price** has the meaning given in clause 10.3 ('Number of Ordinary Shares') or clause 10.4 ('Number of Ordinary Shares on change of control') (as the case may be).

**Ordinary Unit** has the meaning given in the Trust Constitution.

**PaperlinX** means PaperlinX Limited, a company incorporated under the laws of Australia (ABN 70 005 146 350).

**PaperlinX Breach of Undertakings Event** means that the Issuer duly gives a PaperlinX Breach Notice to PaperlinX in accordance with the Trust Constitution and, if the breach the subject of the PaperlinX Breach of Undertakings Event is remediable, that breach has not been remedied to the satisfaction of the Issuer within three Business Days.

**PaperlinX Breach Notice** means a notice given by the Issuer to PaperlinX under clause 1.1 of Schedule 3 to the Trust Constitution following a failure by PaperlinX to comply with any of its undertakings in accordance with that clause.

**PaperlinX Constitution** means the constitution of PaperlinX as amended from time to time.

**PaperlinX Group** means PaperlinX and its subsidiaries.

**PaperlinX LLC** means PaperlinX SPS LLC, a limited liability company established under the laws of Delaware, United States of America.

**PaperlinX SPS** means the floating rate units in the Trust and issued by the Issuer according to the Trust Constitution including these PaperlinX SPS Terms.

**PaperlinX SPS Terms** means these terms and conditions.

**PaperlinX Winding Up Event** means:

(a) an order is made by a court of competent jurisdiction for the winding up of PaperlinX or PaperlinX LLC (as the case may be) and 30 days have elapsed without that order having been successfully appealed, stayed or revoked; or

(b) a resolution is duly passed by the members of PaperlinX or PaperlinX LLC for the winding up of PaperlinX or PaperlinX LLC (as the case may be),

in each case other than for the purposes of a consolidation, amalgamation, merger or reconstruction (the terms of which have been approved by a Special Resolution of Holders).

**PDS** means the product disclosure statement issued by the Issuer in accordance with Part 7.9 of the Corporations Act for the Offer.

**Periodic Remarketing Date** means:

(a) the First Remarketing Date (unless such date is a New Credit Rating Remarketing Date);

(b) each subsequent Remarketing Date set through a Remarketing; and

(c) each Distribution Payment Date for so long as the Step Up Margin applies.

**Preference Share** means a fully paid preference share in the capital of PaperlinX issued on a Preference Share Exchange Date on the Preference Share Terms.

**Preference Share Exchange** has the meaning given in clause 11.1 ('Meaning of Preference Share Exchange').

**Preference Share Exchange Date** means the date determined in accordance with clause 11.4 ('Preference Share Exchange Dates').

**Preference Share Exchange Notice** has the meaning given in clause 11.3 ('Preference Share Exchange Notice').

**Preference Share Terms** means the terms of issue of the Preference Shares approved by the Directors, the material terms of which are summarised in the PDS.

**Rating Agency** means:

- (a) Standard & Poor's (Australia) Pty Limited;
- (b) Moody's Investors Service; or
- (c) Fitch Australia Pty Ltd,

or, in any case, any successor thereto, and includes any other recognised credit rating agency of international standing notified by the Issuer to the Holders to be a Rating Agency for the purposes of these PaperlinX SPS Terms.

**Realisation Date** means the date specified according to clause 7.6 ('Realisation Date') or, if PaperlinX SPS are not Realised on that day, the date on which the PaperlinX SPS are Realised.

**Realisation Method** means the method of Realisation, being one of Redemption, Exchange for Ordinary Shares or Resale.

**Realise** means Redeem, Exchange for Ordinary Shares or Resell and '**Realised**' and '**Realisation**' have the corresponding meanings.

**Record Date** means:

- (a) in respect of a Distribution, the date which is seven calendar days before the Distribution Payment Date for that Distribution; or
  - (b) in respect of any Optional Distribution, the number of Business Days prior to the date of payment of the Optional Distribution that is determined by the Issuer,
- or in either case such other date as may be required by ASX.

**Redemption** has the meaning given in clause 8.1 ('Meaning of Redemption') and '**Redeem**', '**Redeemable**' and '**Redeemed**' have the corresponding meaning.

**Redemption Amount** has the meaning given in clause 8.2 ('Redemption Amount').

**Register** means the register, including any branch register, of holders of PaperlinX SPS established and maintained by, or on behalf of, the Issuer.

**Registered** means recorded in the Register.

**Registrar** means Computershare Investor Services Pty Limited (ABN 48 078 279 277) or any other person appointed by the Issuer to maintain the Register.

**Regulatory Event** means the Directors, having received advice from reputable counsel experienced in such matters in the relevant jurisdiction, make a determination that there is a more than insubstantial risk that a member of the PaperlinX Group or the Trust has been or will be exposed to the imposition of additional requirements which the Directors determine to be unacceptable, as a result of the occurrence of either of the following on or after the Issue Date:

- (a) the introduction, enactment, amendment, change, repeal, replacement or revocation of any law, regulation or ruling affecting securities, any amendment or change to the ASX Listing Rules or any other Administrative Action, or the announcement of any of the foregoing by a Government Agency or ASX; or
- (b) any pronouncement, action or decision of a court, a Government Agency or ASX interpreting or applying any such law, regulation or ASX Listing Rule.

**Remarketing** means the process initiated by giving a Remarketing Invitation in accordance with clause 5.1 ('Notification of Remarketing').

**Remarketing Adjustment** means at any time for any term of the PaperlinX SPS, the term as adjusted or specified in the last Successful Remarketing or Successful New Credit Rating Remarketing (as the case may be).

**Remarketing Date** means a Periodic Remarketing Date or a New Credit Rating Remarketing Date, as the case may be.

**Remarketing Invitation** has the meaning given in clause 5.1 ('Notification of Remarketing').

**Remarketing Margin** has the meaning given in clause 3.1 ('Distributions').

**RE Removal Event** means the Holders pass a resolution in accordance with section 601FM of the Corporations Act to remove the Issuer as the responsible entity of the Trust and the replacement responsible entity is not PaperlinX, a member of the PaperlinX Group or a person approved by PaperlinX to act as responsible entity of the Trust.

**Resale** has the meaning given in clause 9.1 ('Meaning of Resale') and '**Resell**' and '**Resold**' have corresponding meanings.

**Resale Date** has the meaning given in clause 6.6 ('Issuer Resale Notice').

**Restriction Agreement** means an agreement which is required to be concluded under Chapter 9 of the Listing Rules or is voluntarily concluded between the Issuer and one or more Holders.

## 11. PaperlinX SPS Terms

**Restricted Securities** has the same meaning as in the ASX Listing Rules and extends to PaperlinX SPS which are subject to voluntary restrictions by agreement between the Issuer and one or more Holders.

**Special Resolution** has the meaning given in the Trust Constitution.

**Step-up** means 2.25% per annum.

**Step-up Margin** means the margin which prevailed immediately before the relevant Remarketing Date plus the Step-up.

**Step-up Notice** has the meaning given in clause 5.2(a) ('Holder participation in Remarketing').

**Successful New Credit Rating Remarketing** means a New Credit Rating Remarketing in respect of which the conditions in clause 6.4(b) ('Result of New Credit Rating Remarketing') are satisfied.

**Successful Remarketing** means a Remarketing in respect of which the conditions in clause 5.3(b) ('Result of Remarketing') are satisfied.

**Tax Event** means a determination is made by the Directors, having received advice from reputable counsel experienced in such matters in the relevant jurisdiction, that a Change in Law or an Administrative Action has occurred or is announced, in each case in any relevant jurisdiction and at any time after the Issue Date, and that Change in Law or Administrative Action has resulted or may result in more than a negligible increase in taxes or costs or a denial of a deduction or other tax benefit for a member of the PaperlinX Group in relation to the PaperlinX SPS or any Eligible Assets held by PaperlinX LLC or for the Issuer or for the Trust.

**Trust** means PaperlinX SPS Trust, established under the Trust Constitution.

**Trust Constitution** means the trust deed declared by the Issuer to be the constitution of the Trust dated 7 February 2007 of which these PaperlinX SPS Terms form part.

**Trust Income** has the meaning given in the Trust Constitution.

**Trust Winding Up Event** means a meeting is called to consider a resolution directing the Issuer as responsible entity of the Trust to wind up the Trust.

**VWAP** means, in relation to a period or on a day, subject to any adjustments under clause 10.6 ('Adjustments to VWAP'), the average of the daily volume weighted average sale prices (rounded to the nearest full cent) of Ordinary Shares sold on ASX during the relevant period or on the relevant days but does not include any 'crossing' transacted outside the 'Open Session State' or any 'special crossing' transacted at any time, each as defined in the ASX Market Rules or any overseas trades or trades pursuant to the exercise of options over Ordinary Shares.

**VWAP Period** has the meaning given in clause 10.3 ('Number of Ordinary Shares') or clause 10.4 ('Number of Ordinary Shares on change of control') (as the case may be).

**Unpaid Distribution** has the meaning given in clause 3.4 ('Distributions are non-cumulative').

**Unsuccessful Remarketing** means a Remarketing in respect of which the conditions in clause 5.3(b) ('Result of Remarketing') are not satisfied.

Pin  
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This Application Form is available to persons receiving the Application Form within Australia. The PDS contains information relevant to a decision to invest in PaperlinX SPS and you should read the entire PDS carefully before applying for PaperlinX SPS. Any person who gives another person access to this Application Form must at the same time and by the same means give the other person access to the PDS and any supplementary or replacement PDS.

Permanent Investment Management Limited (ABN 45 003 278 831) (AFSL 235150)  
as the responsible entity for the PaperlinX SPS Trust (ARSN 123 839 814)

## PaperlinX SPS APPLICATION FORM

This Application Form is for PaperlinX SPS offered under the Product Disclosure Statement ('PDS') dated 7 March 2007. If you are in doubt as to how to deal with it, please contact your stockbroker, accountant or professional adviser without delay. Capitalised terms have the meanings given to them in the PDS. Any supplementary or replacement PDS that Permanent Investment Management Limited issues during the period of the Offer (if any), will be available at www.paperlinx.com. PaperlinX SPS will only be issued on receipt of an Application Form issued together with the PDS. By returning this Application Form with your payment, you make the declarations set out in this Application Form.

Registry Use Only

Broker stamp

Broker Code

Adviser Code

**A** Are you an existing PaperlinX Limited Ordinary Shareholder?  (tick)

**B** Number of PaperlinX SPS applied for (minimum of 50 PaperlinX SPS)  
, ,

Issue Price per PaperlinX SPS at A\$100 **C** A\$ , ,  I/We lodge full Application monies of:

**D** Individual/Joint applications - refer to naming standards overleaf for correct registrable title(s)

Surname/company name

Title

First name

Middle name

Joint Applicant #2

Surname

Title

First name

Middle name

Designated account e.g. <Super Fund> (or joint Applicant #3)

POSTAL ADDRESS

PO Box/RMB/Locked Bag/Care of (c-)/Property name/Building name (if applicable)

**E**

Unit number/level

Street number

Street name

Suburb/city or town

State

Postcode

Contact Details (Phone number or other contact details during business hours)

**F**

Email address (if applicable)

CHESSE PARTICIPANT (If you want to add this holding to a specific CHESSE holder, please provide your CHESSE HIN in the box below.)

Holder Identification Number (HIN)

**G**

*Please note: that if you supply a CHESSE HIN but the name and address details on your Application Form do not correspond exactly with the registration details held at CHESSE, your Application will be deemed to be made without the CHESSE HIN and any securities issued as a result of the Offer will be held on the issuer sponsored sub-register.*

**H** Application payment - Cheques or money orders should be made payable to "PaperlinX SPS Offer" in Australian currency drawn on an Australian branch of a financial institution and cheques should be crossed "not negotiable". Cash payment will not be accepted.

Cheque or money order number

BSB

Account number

The Shareholder Priority Offer and the General Offer are expected to close on 23 March 2007 and the Broker Firm Offer is expected to close on 27 March 2007. Permanent Investment Management Limited reserves the right to vary the closing dates.

## Declarations and acknowledgements

By returning this Application Form and Application monies, I/we:

- represent and warrant that I/we have read and understood the PDS to which this Application Form relates;
- agree to be bound by the Constitution of PaperlinX SPS Trust, the Terms of PaperlinX SPS and the terms and conditions of the Offer (including representations, warranties and agreements contained in the PDS) and I/we hereby apply for such number of PaperlinX SPS as may be calculated in accordance with the terms of the PDS and agree to take such number of PaperlinX SPS equal to or less than the number of PaperlinX SPS indicated in Box B;
- authorise Permanent Investment Management Limited, PaperlinX and the Lead Manager and their respective officers or agents, to do anything on my/our behalf necessary for PaperlinX SPS to be issued to me/us, including to act on instructions received by the Registry upon using the contact details in sections E or F;
- declare that I/we am/are not a US Person or am/are not acting for the account or benefit of any US Person;
- declare that the Applicant(s) if a natural person, is over 18 years of age;
- acknowledge that once the Issuer receives the Application Form, I/we may not withdraw it;
- acknowledge that PaperlinX SPS are not shares or other securities of PaperlinX;
- acknowledge that Distributions are discretionary and may not be paid;
- acknowledge that the information contained in the PDS (or any supplementary or replacement document) is not investment advice or a recommendation that PaperlinX SPS are suitable for me/us, given my/our investment objectives, financial situation or particular needs;
- acknowledge that an investment in PaperlinX SPS does not represent a deposit or liability of PaperlinX; and

- acknowledge that investments can be subject to investment risk, including possible delays in repayment and loss of income and principal invested. PaperlinX and the Issuer do not in any way guarantee or stand behind the capital value or performance of PaperlinX SPS.

### Important Notice

The Corporations Act 2001 prohibits any person from passing onto another person an Application Form in relation to the offer of PaperlinX SPS, unless the Application Form is attached to or accompanies a complete and unaltered copy of the PDS. A person who gives another person access to the Application Form must at the same time and by the same means give the person access to the PDS, and any supplementary or replacement PDS. A paper copy of the PDS, any supplementary or replacement PDS and the Application Form will be provided to you, at no charge, upon request by telephoning the PaperlinX SPS Information Line on 1300 738 908.

Applications for PaperlinX SPS will only be accepted if made on an Application Form that is attached to or accompanies the PDS.

### Lodgement of Application Form

Application Forms must be received at the Melbourne office of Computershare Investor Services Pty Limited no later than 5.00pm (AEST) on 23 March 2007 (Subject to change without notice). Return the Application Form with cheque(s) attached to:

Computershare Investor Services Pty Limited  
GPO Box 52  
MELBOURNE VIC 8060 OR

Computershare Investor Services Pty Limited  
Yarra Falls, 452 Johnston Street  
Abbotsford VIC 3067

### Broker Firm Offer

Broker Firm applicants should refer to section 3.6 of the PDS for lodgement instructions. You should be aware that the sponsoring broker will settle your Application on a delivery versus payment basis through CHESSE and this transaction will not have the benefit of coverage by the National Guarantee Fund.

### Privacy Statement

Once you become a PaperlinX SPS Holder, Chapter 2C of the Corporations Act requires information about you as a security holder (including your name, address and details of the securities you hold) to be included in the public register of the entity in which you hold securities. Information is collected to administer your security holding, to provide facilities and services that you request and provide you with marketing materials. If some or all of the information is not collected then it might not be possible to administer your security holding. Your personal information may be disclosed to the entity in which you hold securities, to the PaperlinX Group, third party service providers, the Lead Manager and the Registry. You can obtain access to your personal information by contacting the Registry on 1300 738 908.

### Correct forms of registrable title(s)

Note that ONLY natural persons and legal entities are allowed to hold PaperlinX SPS. Applications must be made in the name(s) of natural persons, companies or other legal entities in accordance with the Corporations Act 2001. At least one full given name and the surname is required for each natural person. The name of the beneficial owner or any other registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable title(s) below.

**If you have any enquiries concerning your application, please contact the PaperlinX SPS Information Line on 1300 738 908.**

## How to complete this form

**A**

### Eligible Shareholders

Tick the box provided if you are an Australian resident existing PaperlinX Limited Ordinary Shareholder.

**B**

### Number of PaperlinX SPS applied for

Enter the number of PaperlinX SPS you wish to apply for. The application must be for a minimum of 50 PaperlinX SPS.

**C**

### Application monies

Enter the amount of Application monies. The Issue Price is A\$100 per PaperlinX SPS payable on Application. To calculate the amount payable on application, multiply the number of PaperlinX SPS applied for by A\$100 per PaperlinX SPS.

**D**

### Applicant name(s)

Enter the full name you wish to appear on the statement of PaperlinX SPS holding. This must be either your name or the name of a company or other type of holder as per the table below. Up to three Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. CHESSE participants should compete their name identically to that presently registered in the CHESSE system.

**E**

### Postal address

Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

**F**

### Contact details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

**G**

### CHESSE

Permanent Investment Management Limited will apply to ASX to participate in CHESSE, operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of Australian Stock Exchange Limited. In CHESSE, Permanent Investment Management Limited will operate an electronic CHESSE Subregister of security holdings and an electronic Issuer Sponsored Subregister of security holdings. Together, the two Subregisters will make up PaperlinX SPS Trust's principal register of securities. Permanent Investment Management Limited will not be issuing certificates to applicants in respect of PaperlinX SPS allotted. If you are a CHESSE participant (or are sponsored by a CHESSE participant) and you wish to hold PaperlinX SPS allotted to you under this Application on the CHESSE Subregister, enter your CHESSE HIN. Otherwise, leave this section blank and on allotment, you will be sponsored by Permanent Investment Management Limited and allocated a Securityholder Reference Number (SRN).

**H**

### Payment

Make your cheque or money order payable to "PaperlinX SPS Offer" in Australian currency and cross it "not negotiable". Your cheque must be drawn on an Australian branch of a financial institution. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box C. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Application being rejected. Pin (do not staple) your cheque(s) to the Application Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded. Cheques must not be post-dated.

YOU DO NOT NEED TO SIGN THIS APPLICATION FORM

TYPE OF INVESTOR	CORRECT FORM OF REGISTRATION	INCORRECT FORM OF REGISTRATION
<b>Individual</b> - Use given name(s) in full, not initials	Mr John Alfred Smith	J.A Smith
<b>Joint</b> - Use given name(s) in full, not initials	Mr John Alfred Smith & Mrs Janet Marie Smith	John Alfred & Janet Marie Smith
<b>Company</b> - Use company title, not abbreviations	ABC Pty Ltd	ABC P/L ABC Co
<b>Trusts</b> - Use trustee(s) personal name(s) - Do not use the name of the trust	Ms Penny Smith <Penny Smith Family A/C>	Penny Smith Family Trust
<b>Deceased Estates</b> - Use the executor(s) personal name(s) - Do not use the name of the deceased	Mr Michael Smith <Est John Smith A/C>	Estate of Late John Smith
<b>Minor (a person under the age of 18 years)</b> - Use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Peter Smith
<b>Partnerships</b> - Use partners personal name(s) - Do not use name of the partnership	Mr John Smith & Mr Michael Smith <John Smith & Son A/C>	John Smith & Son
<b>Clubs/Unincorporated Bodies/Business Names</b> - Use office bearer(s) personal name(s) - Do not use the name of the club etc.	Mrs Janet Smith <ABC Tennis Association>	ABC Tennis Association
<b>Superannuation Funds</b> - Use the name of the trustee of the fund - Do not use the name of the fund	John Smith Pty Ltd <Super Fund A/C>	John Smith Pty Ltd Superannuation Fund

Put the name(s) of any joint Applicant(s) and/or account description using < > as indicated above in designated spaces at section D on the Application.

# Corporate directory

## Registered Office and Head Office

PaperlinX Limited  
307 Ferntree Gully Road  
Mount Waverley  
VIC 3149  
AUSTRALIA  
Tel: +61 3 8540 2211  
Fax: +61 3 8540 2280  
Internet: [www.paperlinx.com](http://www.paperlinx.com)  
Email: [contact@paperlinx.com](mailto:contact@paperlinx.com)

## Issuer

Permanent Investment Management Limited  
as responsible entity for the PaperlinX SPS Trust  
35 Clarence Street  
Sydney  
NSW 2001  
AUSTRALIA

## Australian Legal Adviser

Mallesons Stephen Jaques  
Level 50, Bourke Place  
600 Bourke Street  
Melbourne  
VIC 3000  
AUSTRALIA

## Registry

Computershare Investor Services Pty Limited  
Yarra Falls  
452 Johnston Street  
Abbotsford  
VIC 3067  
AUSTRALIA

## Auditors

KPMG  
147 Collins Street  
Melbourne  
VIC 3000  
AUSTRALIA

## Taxation Adviser

Ernst & Young  
Ernst & Young Building  
8 Exhibition Street  
Melbourne  
VIC 3000  
AUSTRALIA

## Lead Manager

Macquarie Equity Capital Markets  
Level 25  
101 Collins Street  
Melbourne  
VIC 3000  
AUSTRALIA

## Co-Managers

ABN AMRO Morgans Limited  
Level 29, Riverside Centre  
123 Eagle Street  
Brisbane  
QLD 4000  
AUSTRALIA

## ANZ Securities Limited

Level 12  
530 Collins Street  
Melbourne  
VIC 3000  
AUSTRALIA

## Grange Securities Limited

Level 33  
264 George Street  
Sydney  
NSW 2000  
AUSTRALIA

## Macquarie Equities Limited

Level 19  
20 Bond Street  
Sydney  
NSW 2000  
AUSTRALIA

## National OnLine Trading Limited

Level 26  
255 George Street  
Sydney  
NSW 2000  
AUSTRALIA

# PaperlinX

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