PaperlinX

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NEWS RELEASE

ASX RELEASE

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PAPERLINX EXTENDS ONE YEAR TRANCHE OF DEBT FACILITY

PaperlinX today announced that it has successfully extended the maturity date of the one year tranche of its syndicated multi-currency debt facility. The facility of US$589 million was established in February 2008, and consists of a US$251 million one year tranche, a US$263 million three year tranche and a US$75 million five year tranche. The one year tranche's maturity is now in December 2009, with review dates for the other tranches unchanged.

As part of the extension, PaperlinX has committed to a reduction in the total facility by A$150 million by May 2009, the inclusion of a net debt to EBITDA (earnings before interest, tax, depreciation and amortisation) covenant and an incremental tightening in certain covenant thresholds at June 2010. PaperlinX has assessed the impact of these changes and is confident they can be accommodated.

PaperlinX Managing Director, Tom Park said, "We are pleased to be able to extend the short term tranche of this facility given the broader credit market issues. We will see some increase in the margin, but this is largely offset by other internal debt management initiatives, so that net interest costs including capitalised interest in 2009 are expected to be at a similar level to 2008."

To meet its commitment to a reduction in the total facility of A$150 million by May 2009, PaperlinX will continue to implement its current programme of asset sales and is also considering a potential equity raising.

In relation to asset sales, as previously announced, PaperlinX is currently seeking investors for some or all of its Australian manufacturing business, Australian Paper. While this process continues to progress, no decision has been made to sell at this time. Any decision to sell some or all of Australian Paper will be assessed in light of the overall value of any offer, the value to PaperlinX from retaining Australian Paper and PaperlinX's alternative uses of funds in the near and medium term if a sale proceeds.

Accordingly, PaperlinX considers it is prudent to examine alternative strategies to meet its obligations under the refinanced debt facility, including consideration of a potential equity raising via a pro-rata entitlement offer. Any such equity raising would strengthen PaperlinX's financial position, support the continuation of the merchanting strategy and provide the flexibility to ensure optimal value is realised for shareholders from the Australian Paper review.

For further information, please contact:

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Editors Note:
PaperlinX is the world's leading fine paper merchant, with businesses in Australia, New Zealand, Asia, North America and Europe. Through its Australian Paper division, it is also the only Australasian producer of high quality communication papers including Reflex, Australia's leading copy paper, and a major Australian producer of high performance packaging and industrial papers.

PaperlinX has not made a decision to proceed with an equity raising at this time. If a decision were made, any offer would be made under a disclosure document (as required) to eligible shareholders, who would need to consider that document and complete any application form accompanying that document.