

**CROSS RELEASE PXUPA
ASX RELEASE**

Monday, 7 December 2009

PaperlinX Limited
ABN 70 005 146 350
307 Ferntree Gully Road
Mt Waverley Victoria 3149
Australia
Tel: +61 3 8540 2211
Fax: +61 3 8540 2255

PAPERLINX TO EXIT TASMANIAN MANUFACTURING OPERATIONS

PaperlinX Ltd (the Company) has today announced that, following a comprehensive ten month review of the opportunities for its Tasmanian paper manufacturing operations, it has decided to close its Wesley Vale operation and part of the operations at Burnie, but is continuing to explore a sale of the remaining operations at Burnie as an alternative to its complete closure. All approvals needed for this decision have been granted.

On completion of this exit, PaperlinX will be solely a merchanting company, with businesses distributing paper, sign and display and graphics materials and industrial packaging to a wide range of customers in Australia, New Zealand and Asia, Europe and North America.

The exit will occur in two stages, with the first expected to be completed by the end of March 2010, and the second expected to be completed by the end of June 2010. In the event that both sites are ultimately closed in full, the overall net cash cost is expected to be around \$(10-20) million. The total cash closure costs before recovery of working capital and the sale of assets would be around A\$(120) million including redundancies and environmental remediation costs over the full course of the exit. It is expected that the 2010 result for PaperlinX will include after tax significant items of around A\$(170) million including non-cash accounting items as a result of the closure. Tas Paper results will be reported under "Discontinued Operations" for the 2010 financial year.

Key points of today's announcement are:

- Stage 1 will involve the closure of the number 4 paper machine at Burnie (B4) and the number 11 and 12 machines at Wesley Vale (WV11 and WV12) by the end of March 2010. The Conversion Department of the Wesley Vale Mill will remain operational until all work in progress is converted (expected to take 4-6 weeks post closure of WV12). Actual closure dates will be determined following discussions with relevant stakeholders including customers.
- Stage 2 will involve either the sale of the balance of the Burnie Mill, including the number 10 paper machine (B10) and converting operations, or closure, which is expected to complete by the end of June 2010. PaperlinX continues to explore the potential for a sale with discussions ongoing.

- Assuming both sites are closed in full, as noted previously, significant items of around A\$(170) million after tax will be booked in the 2010 financial year including redundancies, site remediation, working capital impairment, contract break costs and tax related balances. Pre tax significant items will be around A\$(140) million. Cash costs will relate to the payment of employee entitlements as operations are closed plus environmental remediation costs over the course of the agreed remediation plan. Balancing this will be cash receipts coming from the sale of finished goods and other working capital and from the sale of plant, buildings and land. Timing of each of these items will vary.

Commenting on this decision, PaperlinX Managing Director, Tom Park said, “While this was a difficult decision to make, it provides greater certainty for all of our stakeholders and removes one of the key uncertainties that has been overhanging the Company and its employees. To reach this point has been a complex exercise and we will now work to conclude this process expeditiously in the interests of all parties.”

“Throughout this process we have received strong support from our Tasmanian employees, even in the face of this great uncertainty. I would like to thank them for their efforts whilst we have pursued the full range of options for these operations. Thank you also to our customers, suppliers and all levels of Government who have worked closely with our team throughout the review process.”

“From a PaperlinX perspective, we are pleased to have been able to significantly reduce the net cost of our exit from Tasmania from the initial estimates,” added Mr Park. “It is unfortunate that it was not possible to create a scenario where the Tas Paper business could be sustainable over the long term, but a more positive outcome for the Burnie Mill will depend upon the outcome of current discussions with a potential purchaser and the level of support any new owner receives from the wider community.”

“The operations at Burnie and Wesley Vale are together currently substantially loss making and this level of loss, exacerbated by the current high Australian exchange rate and business configuration, is unsustainable.”

As a result of the closures approximately 252 Tas Paper jobs will be lost at the Wesley Vale and Burnie mills over coming months; while approximately 170 Tas Paper jobs will be maintained at Burnie pending the outcome of the sale discussions. All Tas Paper employees who lose their jobs as a result of these closures will receive their full entitlements as per their Enterprise Agreement or contract arrangements along with outplacement services.

While paper production will be phased out, customers will continue to receive the same high quality service as has historically been the case from Tas Paper and PaperlinX Merchants as replacement products are phased in over time.

Group Funding

The immediate cash costs for the closure of Tasmania will in part be met from a gain made on the closing of a cross currency swap (CCS) the company had in place to manage potential currency volatility on an intercompany loan between the UK and Australia. Given the substantial move in the GBP/AUD exchange rate this CCS generates a significant cash surplus.

PaperlinX has replaced the CCS with an option to cover future potential currency exposure over the life of this loan, thereby releasing a net \$56 million in cash after deducting the \$18 million cost of entering the option. The funds released will be used to cover early cash outflows associated with the exit from Tasmania whilst preserving current funding levels across its wider business. As working capital is released from the Tasmanian business through the exit process, this will then be available to support other Group activities.

Commenting on the CCS, Mark Hooper, PaperlinX Chief Financial Officer said, "Currency movements over recent months have provided a unique opportunity which we are taking advantage of at this time. Replacing the CCS with an option allows us to lock in the benefit of having such a large gain on the CCS whilst appropriately mitigating the foreign exchange risk that remained post the closure of the CCS arrangement."

"For reporting purposes the option is treated differently than the CCS, so any annual variations in the time portion of its mark to market valuation will be included in reported profit (non cash) potentially creating additional volatility in earnings. This will be reported as a separate item to ensure transparency of both gains and losses."

Commenting on future funding, Mr Hooper said, "The closure of the cross currency swap has provided additional liquidity to the Group and enhances our financial flexibility. Additionally, we are continuing to make good progress on the new regional asset based borrowing facilities that will provide the Company with a lower cost and more flexible funding structure."

For further information, please contact:

Mr David Shirer
Executive General Manager Corporate Affairs
PaperlinX Limited

Ph: +61 (3) 8540 2302

For Financial media contact:

Mr Angus Urquhart
Ph: +61 (3) 9600 1979

For Tasmanian media contact

Mr David Quinn
Ph: 0418 123 282