

**CROSS RELEASE PXUPA**

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**TRADING AND STRATEGIC REVIEW UPDATE****TRADING**

Since the Company's AGM, trading and general economic conditions have continued to deteriorate, particularly in our key European markets.

Following further disappointing trading volumes, PaperlinX now expects to report a statutory loss after tax for the first half of the 2012 financial year of approximately \$26M at current exchange rates. This excludes a non-cash impairment charge which is expected to be made against the carrying value of goodwill in the European business. The size of this charge will be determined in conjunction with half year accounts. After adjusting for the foreign currency option, discontinued operations and restructuring charges, the underlying loss after tax is expected to be approximately \$23M.

The Company is continuing its business restructuring program to remove costs, but benefits flowing through are not sufficient to offset the weakened market conditions.

The Company has various financing arrangements in place on a regional basis and remains in compliance with all covenants. Compliance at 31 December 2011 and subsequently will depend on the size of the expected European impairment charge, future trading performance in each region and ongoing credit insurance.

**STRATEGIC REVIEW**

Following the previously announced Strategic Review, the Company has received an incomplete, indicative, conditional and non-binding proposal ("whole of Company proposal") from a private equity firm to acquire all of the issued capital of PaperlinX and the Step-up Preference Securities ("SPS"). The Company has also received a number of separate proposals to acquire parts of its business. These proposals are currently being assessed.

The whole of Company proposal currently suggests a cash price for PaperlinX ordinary shares of approximately \$0.09 per share and \$21.85 for each SPS. It proposes an inter conditional structure whereby the ordinary shares would be acquired via a scheme of arrangement and the SPS would be acquired via a Trust Scheme.

The whole of Company proposal is also conditional on various matters including completion of extensive due diligence. There is no certainty that the Company will receive a complete proposal at the suggested price or at all, or that any proposal will be put to shareholders and holders of SPS securities or, if a proposal were to be put, that it would be approved by shareholders and holders of SPS securities, or that any transaction would eventuate.

The Board of PaperlinX has not yet formed a view with respect to any of the proposals, and the Company will provide an update in due course. Meanwhile, the Board makes no recommendation to PaperlinX shareholders other than they do not need to do anything in relation to the whole of Company proposal.

PaperlinX has appointed UBS as its adviser in relation to these matters.

***For further information, please contact:***

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