

19 March 2012

WHAT SHAREHOLDERS NEED TO KNOW ABOUT THE PAPERLINX EGM

MESSAGE FROM THE DIRECTORS

Over the last seven months, your new Chairman, Harry Boon, and Board have initiated and led significant and rapid change during a period of difficult trading conditions, especially in our key market, Europe. A restructuring of the Melbourne and Amsterdam corporate offices, as well as the UK operations has been completed. Cash liquidity pressure in Europe will be reduced with the recent sale of Italy, and the proceeds will fund the next phase of restructuring activities. Upon completion of these current actions, PPX is anticipated to save A\$61 million annually and return to profitability.

In this context, the directors believe that the Chairman, Mr Harry Boon, has demonstrated the required international and turnaround experience to lead your Board.

Further, the directors have had extensive discussions with Mr Andrew Price to better understand his ideas and level of expertise as a potential non-executive director.

Concerns have arisen. Specifically he has:

1. virtually no operational experience outside Australia, where the majority of PaperlinX's activities occur;
2. no prior experience of restructuring a large international business operating in 25 countries;
3. failed to disclose concrete plans and intentions for turning the business around;
4. no demonstrated understanding of the complex multi-currency, multi-country financing and capital structure of PaperlinX, and delicate current relationships with key suppliers, credit insurers and lenders;
5. sought a role and authority beyond other non-executive directors, with limited accountability to the Board and remuneration far in excess of current directors' fees;
6. demonstrated limited understanding of the basic elements of good corporate governance in a public company;

Mr Price's actions have threatened the organization's stability at this most critical time. His motion to displace Mr Harry Boon, his stated intention to somehow control the restructuring process, and his expectation of extraordinary authority and remuneration, will put the company's recovery plan at substantial risk.

Accordingly, we renew our recommendation that you vote **AGAINST** Resolution 1 and **AGAINST** Resolution 2 at the Extraordinary General Meeting on March 23, 2012.

For further information, please contact:

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