

PRESS RELEASE

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PAPERLINX TO UPGRADE MARYVALE KRAFT PULP CAPACITY

The PaperlinX Board today approved the installation of a new ECF bleaching plant and upgrade of kraft pulping at Australian Paper's Maryvale Mill in Victoria. This project, expected to be completed in 2008, will result in Maryvale Mill becoming self sufficient in terms of its pulp requirements at a substantially lower cost of pulp. The capital cost is \$192 million (plus capitalised interest of \$11 million). In addition, the Board have approved ancillary capital works totalling \$55 million (\$18.2 million per year for three years) which will be carried out concurrently with the pulp project.

The project will:

- Improve long term returns, increase the profitability of Australian Paper, and underpin the strategic value of the Maryvale Mill,
- Earnings per share accretive from project completion,
- Comfortably exceed the company's 12% return on funds employed target for manufacturing on completion of the three year investment plan (completed in 2008),
- Improve the quality of all paper and packaging products produced at Maryvale, while moving the mill into a position of pulp self sufficiency,
- Enhance environmental performance,
- Lower production costs for both pulp and paper production, enhance productivity, improve competitiveness and improve labour flexibility.

The ancillary concurrent works have been approved to achieve maximum construction efficiency to optimise the construction period and would normally fit within the regular capital expenditure plans of the mill over the three year period of the project.

Approval for the project is contingent on the construction unions signing the industrial project agreement as has been negotiated with them within 7 days of the Board approval.

Commenting on today's announcement, Managing Director of PaperlinX, Mr Tom Park, "This is an important development for PaperlinX and Maryvale Mill. It will provide significant product enhancements for the benefit of our customers in Australia and New Zealand, and achieves above target financial returns combined with major improvements in environmental performance from a world class ECF process. PaperlinX will fund the cost of the project from current facilities and free cash flow over the next three years."

"As a prerequisite of proceeding with this project we have commitments with a number of key external parties, including for the development of hardwood plantations that will ultimately provide the total hardwood fibre supply for production of our communication papers. All of our softwood supply is already from plantations. The project will provide a catalyst for significant, and critical, work place reforms at Maryvale Mill, with productivity gains enhancing the attractiveness of the project, while securing the ongoing contribution Maryvale Mill makes to the local economy and community."

"The Board and management of PaperlinX would also like to acknowledge the constructive part played by the Victorian Government in enabling us to bring this project to fruition. Their support in key areas of resource provision and infrastructure upgrading are fundamental."

In summary, Mr Park said, "The approval of this project is the culmination of extensive analysis and work by Australian Paper. This is a complex project that will require a great deal of focus and dedication not only by those specifically responsible for the project, but also many others across Australian Paper. This is an exciting step for Maryvale Mill, it adds value to a sustainable resource, and we look forward to the many additional benefits that will accrue from this investment over coming years."

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Forward looking Statements:

Certain statements in this release relate to the future, including forward looking statements relating to PaperlinX's financial position and strategy. These forward looking statements involve known and unknown risks, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of PaperlinX to be materially different from future results, performance or achievements expressed or implied by such statements. Neither PaperlinX nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward looking statements in this document will actually occur and you are cautioned not to place undue reliance on such forward looking statements.

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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, and a major Australian producer of high performance packaging and industrial papers.

Additional Background Information

Australian Paper is the paper manufacturing arm of PaperlinX. Maryvale Mill is Australian Paper's largest manufacturing site and annually produces around 280,000 tonnes of high quality communications paper and 340,000 tonnes of packaging papers.

The rebuild involves the three existing pulp mills at Maryvale, construction of a new 210,000 tonne ECF bleach plant, and a rebuild of associated facilities for power production and chemical recovery.

Following completion of the rebuild Maryvale will produce 175,000 tonnes per year of bleached hardwood pulp, 40,000 tonnes per year of bleached softwood, 180,000 tonnes of unbleached softwood pulp, 100,000 tonnes per year of NSSC pulp and have the capacity to handle 100,000 tonnes of waste paper. Bleached pulp capacity increases by 80,000 tonnes, the amount of pulp currently imported for this facility.

Web Cast of Management Presentation

A presentation on this project will be web cast live following the full year results presentation which commences at 9.30am AEST on Thursday 25 August. Both presentations will also be available on archive shortly after their conclusions. Both the live web cast and archives will be available on www.paperlinx.com.