

CROSS RELEASE PXUPA**ASX RELEASE**

7 December 2009

PAPERLINX STEP-UP PREFERENCE SECURITY DISTRIBUTION

PaperlinX Limited advises that, following discussions with its Lenders as a part of the process needed for the exit from its Tasmanian paper manufacturing operations; the PaperlinX Step-up Preference Security (SPS) distribution scheduled for 31 December will not be paid at this time.

As previously advised, PaperlinX's Lenders have the right to approve, or not, distributions on both the ordinary shares and the SPS. This right will remain until such time as either the facility matures, is repaid or the Lenders waive the right.

As outlined in the PaperlinX SPS Product Disclosure Statement, this will continue to mean that PaperlinX cannot pay dividends on its Ordinary shares until two consecutive SPS distributions have been paid. The SPS distributions are non-cumulative but can be made up through an optional payment at a future date.

PaperlinX is continuing to make good progress on new regional asset based borrowing facilities that will provide the Company with a lower cost and more flexible funding structure. To date since 1st of July 2009, PaperlinX has secured a US\$40 million facility in the US, a NZ\$35 million facility in New Zealand, and is in the process of finalising a C\$50 million facility in Canada and a A\$80 million facility in Australia. Discussions are also underway on a new facility in Europe and additional facilities in North America.

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