

## Notice of Annual General Meeting

The fourth Annual General Meeting of PaperlinX Limited ('the Company') will be held in the Grand Ballroom at the Four Seasons Hotel, 199 George Street, Sydney, NSW on Thursday, 23 October 2003 at 11:00 am. Registration will commence at 10:00 am.

### Ordinary Business

#### 1. Financial Statements and Reports

To receive and consider the Financial Statements and the Directors' Declaration and Report for the year ended 30 June 2003, together with the Auditor's Report to the Members of the Company.

#### 2. Election of Directors

To re-elect Directors in accordance with Rule 63.1 of the Company's Constitution:

- (a) Mr D G Abotomey retires and, being eligible, offers himself for re-election.
- (b) Mr A F Guy retires and, being eligible, offers himself for re-election.
- (c) Mr P R Waterworth retires and, being eligible, offers himself for re-election.

### Special Business

#### 3. Approval of Issue of Securities

To consider and, if thought fit, to pass the following resolution as an ordinary resolution:

"That for the purpose of Listing Rules 7.1 and 7.4, approval be given to the issue of securities which has been made by the Company pursuant to the Institutional Placement described in the Explanatory Notes to this Notice of Annual General Meeting."

In accordance with the ASX Listing Rules, the Company will disregard any votes cast on this resolution by a person who participated in the Institutional Placement issue or an associate of such a person. However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides (and the acknowledgement box on the proxy form in relation to this item is marked).

#### 4. Alterations to Constitution

To consider and, if thought fit, pass the following resolutions each of which will be proposed as a special resolution:

##### 4(a) Three year terms for Directors

"That the Constitution of the Company be altered by: deleting from Rule 63.1 the words – "not less than" and substituting in their place the words – "not greater than." "

##### 4(b) Approval of Partial Takeover Bids

"That the Constitution of the Company be altered by reinstating Rule 97 in the following form with immediate effect:

- "97 Approval of partial takeover bids
- 97.1 Where offers have been made under a proportional takeover bid in respect of shares in a class of shares in the Company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under the takeover bid is prohibited unless and until a resolution (in this Rule referred to as an Approving Resolution) to approve the proportional takeover bid is passed in accordance with this Rule.

- 97.2 Where offers have been made under a proportional takeover bid in respect of shares in a class of shares in the Company:
- (a) a person (other than the offeror or an associate of the offeror) who, as at the end of the day on which the first offer under the proportional takeover bid was made, held shares in that class is entitled to vote on an Approving Resolution and, for the purpose of voting, is entitled to one vote for each of the shares held in that class; and
- (b) the offeror or an associate of the offeror is not entitled to vote on an Approving Resolution.
- 97.3 An Approving Resolution is to be voted on at a meeting, convened and conducted by the Company, of the persons entitled to vote on the Approving Resolution.
- 97.4 The provisions of this Constitution that apply in relation to a general meeting of the Company apply, with modifications as the circumstances require, in relation to a meeting that is convened to vote on an Approving Resolution and apply as if the meeting was a general meeting of the Company.
- 97.5 An Approving Resolution that has been voted on in accordance with this Rule is to be taken to have been passed if the proportion that the number of votes in favour of the resolution bears to the total number of votes on the resolution is greater than one-half, and otherwise is to be taken to have been rejected.
- 97.6 This Rule ceases to have effect on the third anniversary of the date of the adoption or last renewal of this Rule. ” ”
- specified in the notice by the Company (being not less than 6 weeks after the date of the Company giving that notice), stating that the shareholder wishes to retain the holding and the shareholder has not increased his or her holding to a marketable parcel.
- 99.2 The Company may only exercise the powers under Rule 99.1 once in any twelve month period.
- 99.3 The power of the Company to sell under Rule 99.1 lapses following the announcement of a takeover bid for the Company. However, the procedure may be started again after the close of the offers made under the takeover.
- 99.4 The Company may sell the shares which make up less than a marketable parcel as soon as practicable at a price which the Directors consider to be the best price reasonably obtainable for the shares at the time they are sold.
- 99.5 The proceeds of the sale will not be sent to the former shareholder until the Company has received any certificate relating to the shares (or is satisfied that the certificate has been lost or destroyed).
- 99.6 In addition to the powers of the Company set out above, the Company may sell the shares of a shareholder if the shares of a particular class held by the shareholder are in a new holding created by a transfer on or after 23 October 2003, of a number of shares that was less than a marketable parcel at the time:
- (i) a proper S.C.H. transfer was initiated; or
- (ii) a paper-based transfer was lodged with the Company.

#### **4(c) Sale of Non-Marketable Parcels of Shares**

”That the Constitution of the Company be altered by the addition of the following new Rule 99:

”99 Sale of non-marketable parcels of shares

- 99.1 Subject to the Act, the ASX Listing Rules and the S.C.H. Business Rules the Company may sell the shares of a shareholder if:
- (a) the total number of shares of a particular class held by that shareholder on the date on which notice is given under this Rule is less than a marketable parcel;
- (b) the Company gives to that shareholder notice in writing stating that the shares are liable to be sold or disposed of by the Company; and
- (c) the shareholder does not give notice in writing to the Company by the date
- The Company may give a shareholder referred to in this Rule 99.6 notice in writing stating that the Company intends to sell or dispose of the shares, and that the proceeds of the sale, less the costs of the sale, will be sent to the holder after the sale has been effected.
- 99.7 The exercise by the Company of its powers under Rule 99 extinguishes all interests in the shares of the former shareholder, and all claims against the Company in respect of those shares by that shareholder including all dividends (whether final or interim) determined to be paid in respect of those shares and not actually paid or accrued.
- 99.8 The Secretary may take any action on behalf of a shareholder to give effect to this Rule as the Secretary considers necessary.

- 99.9 The Company may register a transfer of shares whether or not any certificate for the shares has been delivered to the Company.
- 99.10 The Company bears the costs of sale of the transferor of shares sold under this Rule (but is not liable for tax on income or capital gains of the former shareholder).
- 99.11 If the shares of two or more shareholders to whom this Rule applies are sold to one purchaser, the transfer may be effected by one transfer.
- 99.12 All money payable to former shareholders under this Rule which is unclaimed for one year after payment may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed or otherwise disposed of according to law. No money payable under this Rule by the Company to former shareholders bears interest as against the Company.
- 99.13 A certificate signed by the Secretary stating that shares sold under this Rule have been properly sold discharges the purchaser of those shares from all liability in respect of the purchase of those shares.
- 99.14 When a purchaser of shares is registered as the shareholder of the shares, the purchaser:
- (i) is not bound to see to the regularity of the actions and proceedings of the Company under this Rule or to the application of the proceeds of sale; and
  - (ii) has title to the shares which is not affected by any irregularity or invalidity in the actions and proceedings of the Company.
- 99.15 Any remedy of any shareholder to whom this rule applies in respect of the sale of the shareholder's shares is limited to a right of action in damages against the Company to the exclusion of any other right, remedy or relief against any other person." "

For the purposes of voting at the meeting, the Directors have determined that all shares of the Company that are quoted securities at 7:00 pm on Tuesday, 21st October 2003 are taken to be held by the persons who are registered as holding them at that time. The entitlement of members to vote at the meeting will be determined by reference to that time.

A Proxy Form accompanies this Notice of Annual General Meeting.

A member entitled to attend and vote is entitled to appoint not more than two proxies. A proxy need not be a member.

Where a member wishes to appoint two proxies, an additional proxy form may be obtained by contacting the PaperlinX Limited Share Registry. A member appointing two proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a member appoints two proxies and does not specify each proxy's percentage of voting rights, the rights are deemed to be 50% each. Fractions of votes are to be disregarded.

The proxy form must be received by the PaperlinX Share Registry at Level 12, 565 Bourke Street, Melbourne, Victoria or by facsimile to **(03) 9473 2555** in Australia or **(613) 9473 2555** if you are overseas, by 11:00 am, Tuesday, 21st October 2003.

By order of the Board



Richard Hobson  
Company Secretary  
Melbourne  
22 September 2003

## Explanatory Notes

### Item 1 – Financial Statements and Reports

The financial statements of the Company and its controlled entities for the year ended 30 June 2003 and the Declaration and Report of the Directors and the Auditor's Report are set out in the PaperlinX Full Year Financial Report 2003. There is no need for a vote to be taken on these.

### Item 2 – Election of Directors

One-third of the Directors of the Company are required to retire by rotation every year but are eligible to be re-elected. Accordingly, the following Directors submit themselves for re-election at this Annual General Meeting of the Company. Summary biographical data of each of the Directors who offer themselves for re-election is set out below:



**D G (Darryl) Abotomey, BCom, FCPA, MAICD**  
**(Executive Director) Age 47**

Mr Abotomey was appointed Chief Financial Officer of PaperlinX Limited in April 2000 and an Executive Director in March 2001. He joined the Amcor Group in 1979 and held various senior management positions in Australia and the United States including Group General Manager, Commercial and Trading from 1997 to 2000, Regional General Manager – Amcor Fibre Packaging from 1996 to 1997 and Chief Financial Officer – Sunclipse Inc. USA from 1989 to 1994.



**A F (Andrew) Guy, LLB, MBA, FAICD**  
**(Non-Executive Director) Age 55**

Mr Guy was appointed a Director in March 2001. Formerly a partner in the law firm Arthur Robinson & Hedderwicks. He is currently a Director of Djerriwarrh Investments Limited, Aviva Australia Holdings Limited and Datafast Telecommunications Limited.

Member of the Human Resources Committee.



**P R (Peter) Waterworth, MAICD**  
**(Executive Director) Age 58**

Mr Waterworth was appointed an Executive Director and Chief Operating Officer Merchenting and Paper Trading in March 2001. Mr Waterworth has over 40 years experience in the paper industry. His previous roles include Managing Director of Spicers Paper Limited, Executive General Manager, Group Paper Distribution for Spicers, General Manager of Spicers Paper Australia and General Manager of Edwards Dunlop Paper.

### Item 3 – Issue of Securities

In June 2003, the Company undertook an institutional placement of ordinary shares (the *Institutional Placement*) and in July 2003 established a share purchase plan under which ordinary shares would be offered for issue to eligible existing shareholders (the *Share Purchase Plan*). Ordinary shares were issued under the Share Purchase Plan in late August 2003. The proceeds of those issues of shares are to be used to help fund the Company's acquisition of Buhmann Paper Merchenting Division, Europe's leading paper merchant.

Under ASX Listing Rule 7.1, subject to certain exceptions, a company may not issue shares equivalent in number to more than 15% of its share capital in any rolling 12 month period without the prior approval of its shareholders. The shares issued pursuant to the Institutional Placement represented approximately 15% of the Company's share capital at that time. The issue of shares pursuant to the Share Purchase Plan was undertaken by the Company in accordance with a waiver of Listing Rule 7.1 granted by ASX.

Securities which are issued with shareholder approval do not count towards the 15% limit. Listing Rule 7.4 provides that an issue of securities made without shareholder approval under Listing Rule 7.1 will be treated as having been made with shareholder approval for the purpose of Listing Rule 7.1 if shareholders subsequently approve the issue.

Accordingly, the approval of shareholders is sought in respect of the issue of shares under the Institutional Placement so that that issue of securities will not count towards the 15% limit under Listing Rule 7.1 for the next 12 months. Approval of the resolution will have the effect of refreshing the Company's ability to issue further shares during the next 12 months without the need to obtain further shareholder approval.

### Item 3 – Issue of Securities (continued)

While the resolution has been proposed to give the Company added fundraising flexibility for future opportunities, the Company does not, at present, intend to issue any further shares, other than under the existing Employee Share and Option Plan or as a result of the exercise of options currently on issue under that plan.

Details of the securities that were issued under the Institutional Placement are as follows:

	Number of securities issued	Price at which securities issued	Terms of the securities	Categories of Allottees
Institutional Placement	53,600,000	\$4.46	Ordinary shares ranking equally with existing shares	Domestic and international institutions and sophisticated investors pursuant to a private placement arranged by Deutsche Bank AG and and JB Were Limited involving an institutional bookbuild.

### Item 4 – Alterations to Constitution

These are special resolutions (requiring the approval of a 75% majority of the votes cast on the resolution) proposing alterations to the Company's Constitution. The specific reasons for the proposed alterations are set out below. A copy of the Constitution incorporating the proposed alterations is available for inspection at the Company's registered office.

#### Item 4(a) Three year terms for Directors

Concerns proposed amendments to Rule 63 of the Constitution in relation to the retirement of Directors at each Annual General Meeting.

Under ASX Listing Rule 14.4, Directors (other than an exempt Managing Director) must not hold office for more than three years before they are re-elected. Rule 63 of the Company's Constitution currently provides that at every annual general meeting one third of the Directors (other than an exempt Managing Director) must retire from office, or if their number is not a multiple of three, then the number nearest to but not less than one third must retire. This has resulted in some non-executive Directors being required to stand for re-election after only two years.

The proposed amendment will bring the Constitution into line with the ASX Listing Rules and enable, as far as possible while still ensuring a retirement by rotation system, all non-executive Directors to serve full three year terms.

#### Item 4(b) Approval of Partial Takeover Bids

Concerns the proposed renewal of the proportional takeover approval rule for a further three years.

Rule 97 of the Company's Constitution as adopted on 14 February 2000 set out the procedures for dealing with a proportional takeover bid made for PaperlinX shares in accordance with the Corporations Act 2001. The provision was introduced to assist shareholders to receive proper value for their shares if a proportional takeover bid was made for the Company.

Under the Corporations Act 2001, the provision ceases to have effect at the end of 3 years unless renewed. The current provision has now automatically expired. If re-instated, the provision will remain in exactly the same terms as the previous Rule 97.

#### *Effect of renewal of partial takeover approval Rule*

The effect of the Rule is that if a takeover offer is received for a proportion only of a class of shares in the Company, the Directors are required to convene a meeting of shareholders to vote on a resolution to approve the proportional offer. That meeting must be held, and the resolution voted on, before a specified time, being the 14th day before the last day of the bid period.

If no resolution is voted on before the applicable deadline, such a resolution is deemed to have been approved.

If the resolution is rejected, the registration of any transfer of shares resulting from that proportional offer will be prohibited and, under the Corporations Act, the offer will be ineffective.

If the resolution is approved, the relevant transfers of shares will be registered provided they comply with the other provisions of the Constitution and the Corporations Act.

The Rule does not apply to full takeover offers.

If the Rule is reinstated, it will expire after 3 years unless renewed by further special resolution.

#### **Item 4(b) Approval of Partial Takeover Bids (continued)**

##### *Reasons for proposing the resolution*

The Directors consider that shareholders should have the opportunity to vote on a proposed proportional takeover bid. A proportional takeover bid for the Company may enable control of the Company to be acquired by a person holding less than a majority interest and without shareholders having the opportunity to dispose of all of their shares. This could mean that shareholders could be at risk of being left as part of the minority interest in the Company. Rule 97 enables shareholders to decide whether a proportional bid should be permitted to proceed.

##### *Present acquisition proposals*

As at the date of this Notice, no Directors are aware of a proposal by any person to acquire, or increase the extent of, a substantial interest in the Company.

##### *Review of the advantages and disadvantages of the proportional takeover approval Rule during the period it has been in effect*

The potential advantages and disadvantages of the Rule for the Directors and shareholders are set out below.

The Directors have not been aware of any proportional takeover proposal during the period the Rule has been in effect which would have brought the Rule into operation.

##### *Potential advantages and disadvantages for the Directors and shareholders of the Company*

The main advantage of a proportional takeover approval provision is that it gives all shareholders the opportunity to study such a proposal, and, if they believe that control should not be permitted to pass under the bid, as for example where it does not offer a satisfactory control premium, to vote against it to prevent it from proceeding. As a consequence, the terms of any proportional takeover bid are likely to be structured to be attractive to a majority of shareholders.

The main disadvantage of a proportional takeover provision is that it may discourage a proportional takeover bid proposal, which may reduce the opportunities which shareholders have to sell some of their shares at an attractive price to persons seeking control of the Company, and may reduce any "takeover speculation" element in the Company's share price. The provision could also be considered to constitute an additional restriction on the ability of shareholders to deal freely with their shares.

The Directors consider that the renewal of Rule 97 has no potential advantages or disadvantages for the Directors, as they remain free to make a recommendation to shareholders on whether a proportional takeover bid should be approved.

#### **Item 4(c) Sale of Non-Marketable Parcels of Shares**

Concerns the proposed addition to the Constitution of a new rule, Rule 99 to permit the company in certain

circumstances to sell unmarketable parcels of shares held by shareholders. A marketable parcel is a parcel with a value of at least \$500.

Depending on the Company's share price, the Company has, at times, had over 10,000 small shareholders with a holding of less than a marketable parcel. The cost to the Company of maintaining these holdings is unduly high, and the holders themselves are often precluded from disposing of their holdings by disproportionately high transaction costs.

The Company is therefore proposing to introduce provisions into its Constitution to enable it to sell non-marketable parcels of shares in accordance with the Listing Rules of the Australian Stock Exchange.

The new Rule which is proposed to be inserted in the Constitution contains the safeguards set out in the Listing Rules, in particular that an existing shareholder (ie. a shareholder other than one who acquires an unmarketable parcel after the introduction of the new Rule) to whom a notice is sent may elect to retain the shares by responding in writing to that effect to the Company. The costs of the sale will be paid by the Company. The proceeds of the sale will be sent to the shareholder.

The proposed amendment will also give the Company the power to sell a non-marketable parcel of shares where the parcel was created by a new transfer of shares after this amendment to the Constitution is approved. This will complement the power under existing Rule 27 which allows the Board to refuse to register any transfer of securities which would by itself create a non-marketable parcel of shares.

**The Directors recommend that shareholders vote in favour of all the foregoing resolutions.**

#### **Share Registry:**

Computershare Investor Services Pty Limited  
Level 12, 565 Bourke Street  
Melbourne Victoria 3000  
Australia

GPO Box 4768  
Melbourne Victoria 3001  
Australia

**Telephone (within Australia) 1800 232 867**

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