



PaperlinX Limited ACN: 005 146 350
Share Registry: Computershare
Registry Services Pty Ltd
Yarra Falls
452 Johnston Street
Abbotsford Victoria 3067 Australia
GPO Box 4768
Melbourne Victoria 3001 Australia
Tel: 1800 232 867 or +61 3 9415 4000
Fax: +61 3 9473 2555
www.computershare.com.au

NOTICE OF ANNUAL GENERAL MEETING

THE FIFTH ANNUAL GENERAL MEETING OF PAPERLINX LIMITED ('THE COMPANY') WILL BE HELD IN THE JOHN BATMAN THEATRE, MELBOURNE CONVENTION CENTRE, SPENCER STREET, MELBOURNE, VICTORIA ON TUESDAY, 26 OCTOBER 2004 AT 11.00AM. REGISTRATION WILL COMMENCE AT 10.00AM.

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 2004, together with the Auditor's Report to the Members of the Company.

2. Election of Directors

To elect and re-elect Directors in accordance with the Company's Constitution:

- (a) Mr D E Meiklejohn retires and, being eligible, offers himself for re-election.
- (b) Mr T P Park, having been appointed since the last Annual General Meeting, retires and, being eligible, offers himself for election.
- (c) Dr N L Scheinkestel retires and, being eligible, offers herself for re-election.

SPECIAL BUSINESS

3. Approval of Issues of Securities

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

Issue of options to Executive Directors

'That the Company approves the issue, under a long-term incentive plan, to the Managing Director, Mr T P Park, of up to 300,000 options and the issue to the Chief Financial Officer, Mr D G Abotomey, of up to 150,000 options to subscribe for ordinary shares in the capital of the Company subject to achievement of performance conditions and on the other terms as set out in the Explanatory Notes accompanying this Notice of Meeting.'

For the purposes of voting at the meeting, the Directors have determined that all shares of the Company that are quoted securities at 7.00pm on Sunday, 24th October 2004 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 the Chairman is appointed proxy, he will vote in accordance with the member's directions as specified on the Proxy Form or, in the absence of a direction, in favour of the resolutions contained in the Notice of Meeting.

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 per cent each. Fractions of votes are to be disregarded. The Proxy Form must be received by the PaperlinX Share Registry at Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067 or by facsimile to (03) 9473 2500 in Australia or (613) 9473 2500 if you are overseas, by 11.00am, Sunday, 24th October 2004.

Members are invited to submit questions to the Company for consideration which may be answered at the meeting.

By order of the Board

Richard Hobson
Company Secretary

Melbourne
21 September 2004

EXPLANATORY NOTES

Item 1 – FINANCIAL STATEMENTS AND REPORTS

The Financial Statements of the Company and its controlled entities for the year ended 30 June 2004 and the Declaration and Report of the Directors and the Auditor's Report are set out in the PaperlinX Full Year Financial Report 2004. There is no need for a vote to be taken on these. The Company's Auditor will attend the meeting and will be available to answer questions relating to the Auditor's Report.

Item 2 – ELECTION OF DIRECTORS

Up to one-third of the Directors of the Company are required to retire by rotation every year but are eligible to be re-elected. Mr David Meiklejohn and Dr Nora Scheinkestel are the Directors to retire by rotation and, being eligible, offer themselves for re-election.

Mr Thomas Park has been appointed a Director of the Company since the last Annual General Meeting and, in accordance with the Company's Constitution, retires and offers himself for election.

Summary biographical details of each of the Directors who offer themselves for re-election or election are set out below:



D E (David) Meiklejohn

BCom, DipEd, FCPA, FAIM, FAICD (Chairman), Age 62

Mr Meiklejohn was appointed a Director and Chairman in December 1999. Currently he is Chairman of SPC Ardmona Limited, and a Director of OneSteel Limited and WMC Resources Limited. Previous roles include: an Executive Director and Chief Financial Officer of Amcor Limited; Chairman of Kimberly-Clark Australia Limited; Director and Deputy Chairman of GasNet Australia Limited; and a Director of Colonial Group and Treasury Corporation of Victoria.

Chairman of the Nomination & Governance Committee.

Member of the Audit Committee.

Member of the Remuneration & Human Resources Committee. Member of the Safety & Environment Committee.



T P (Thomas) Park

BSc, MBA, MAICD (Managing Director), Age 57

Mr Park was appointed Managing Director and Chief Executive Officer of PaperlinX Limited in February 2004. Previous roles include: Chief Executive Officer of Goodman Fielder Limited; and Managing Director and Chief Executive Officer of Southcorp Limited. Broad business experience in Australia, Asia, North America and Europe.

Mr Park chaired the Business Council of Australia's Competition Policy Task Force and Industry Policy Task Force, was a founding member and previous Vice Chairman of the Australian Food Council and is a founding Director of the Australian Food Industry Science Corporation. He was a Director of the National Australia Bank from 1996 to 2000 and of the Business Council of Australia from 1999 to 2000.



N L (Nora) Scheinkestel

LLB (Hons) PhD, FAICD (Non-Executive Director), Age 44

Appointed a Director in February 2000. Dr Scheinkestel is an Associate Professor at the Melbourne Business School and is currently Chairman of South East Water Limited and a Director of Newcrest Mining Limited, AMP Limited and AMP Capital Investors Limited. Previous roles include: Chairman and Director of a number of utilities across the gas, water and electricity sectors. Other prior directorships include North Ltd, MBF Health Fund, Docklands Authority and IOOF Funds Management. Formerly senior banking executive in international and project financing.

Chairman of the Audit Committee.

Member of the Nomination & Governance Committee.

Member of the Safety & Environment Committee.

Item 3 – ISSUES OF OPTIONS TO EXECUTIVE DIRECTORS

Background

Shareholders are asked to approve for all purposes (including ASX Listing Rule 10.14) the issue of options to the Managing Director, Mr T P Park, and the Chief Financial Officer, Mr D G Abotomey, under the PaperlinX Employee Share/Option Plan.

Pursuant to ASX Listing Rule 10.14, shareholders are required to approve the acquisition of securities under an employee incentive scheme by Directors. The ASX Listing Rules permit shareholders to grant this approval for up to three years.

PaperlinX established an Employee Share/Option Plan at the time of the de-merger from Amcor Limited and, pursuant to that Plan, shares and options have been issued to employees over the past four years.

With the changing international nature of PaperlinX, a thorough review of the long-term incentive programmes for senior executives, taking account of current market practices and the needs of PaperlinX, has been conducted and a number of changes to enhance those programmes have been introduced.

As a consequence of those changes, the long-term incentive programme for the top 20 senior executives in PaperlinX worldwide is now comprised of performance share rights (PSRs) plus performance options. The vesting/allocation of PSRs and performance options is dependent on the performance criteria, set out below, being met. The shares relating to the PSRs are purchased on market and held in trust for distribution to participants if the performance criteria are satisfied.

PSRs comprise the majority of the entitlements and are supplemented by a relatively modest number of performance options.

Performance hurdles apply to the award of both PSRs and options. Full details of the performance criteria are provided below.

Purpose

The top 20 executives of PaperlinX worldwide (including Executive Directors, subject to shareholders' approval) will have the opportunity to earn PSRs and performance options based on a rolling three year measurement period. This will provide enhanced incentives for them to improve the share price and shareholder value in the medium term.

The issue of PSRs and options subject to performance hurdles will provide the Senior Executive Incentive Plan with significant leverage, but will only deliver rewards to executives if shareholders have also gained.

Performance measures and hurdles

The performance hurdles used by PaperlinX for its long-term incentives are Relative Total Shareholder Return (TSR), and Earnings per Share (EPS) growth. Each hurdle applies to 50 per cent of the grant to each executive.

The first criterion of Relative Total Shareholder Return is measured over a three year period against the performance of ASX 200 companies. The TSR performance condition relates to the 'total shareholder return' of PaperlinX relative to the total shareholder return of all stocks which have been included in the ASX's S&P/ASX200 for the whole of the measurement period (Comparators).

Both PaperlinX's TSR and the Comparators' TSRs will be based on ASX share price movements plus dividends paid on the shares (on a pre-tax basis) notionally reinvested to purchase additional shares at the market price prevailing on the date the shares begin trading ex the relevant dividend. As far as possible, this will be determined in the same way as changes in the ASX Accumulation Indexes are determined.

If PaperlinX performs in the bottom 50 per cent of the ASX 200 group, executives are not able to exercise any awards (i.e. PSRs or options) in respect of this criterion. PaperlinX needs to perform in the top 20 per cent for executives to obtain the maximum benefit. Pro-rata arrangements apply for a ranking between the 50th and 80th percentiles.

The second criterion relates to growth in earnings per share. For executives to obtain the maximum benefit of this criterion, earnings per share growth over three years must equal or exceed the aggregate growth in the Consumer Price Index over the three years plus 5 per cent. No benefit accrues if the earnings per share growth over the period is 50 per cent or less of the aggregate growth in CPI plus 5 per cent. Pro-rata arrangements apply for performances between the 50 per cent and 100 per cent results.

As these criteria are to be used as performance hurdles for all PaperlinX's new long-term incentive plans, a positive vote in relation to this resolution will be regarded as an endorsement of this measurement approach.

Performance options for Managing Director and Chief Financial Officer

As mentioned above, performance options have already been introduced for the senior management group (other than Executive Directors). The Board considers it appropriate that the incentives for the Managing Director and Chief Financial Officer be aligned with the Group. The provision of options to Executive Directors, however, requires shareholders' approval.

If approved by shareholders, the value of options earned by the Managing Director and Chief Financial Officer will be reflected in their remuneration as disclosed in the Company's Annual Report. The value of shares and options to which executives are, or may become, entitled for remuneration purposes is already included in the remuneration table in the Directors' Report and Financial Statements.

It is proposed that 300,000 performance options be granted to the Managing Director, Mr T P Park, and 150,000 performance options be granted to the Chief Financial Officer, Mr D G Abotomey on 15 November 2004. These will be divided into three tranches of equal amounts representing measurement periods commencing 30 June 2004, 2005 and 2006 respectively. Exercise of any of these tranches is dependent upon the relevant performance criteria, as described above, being met.

Each option will carry the right, upon exercise and payment of the exercise price, to the issue of one fully paid ordinary share in PaperlinX.

The table below summarises details of the proposal:

	Maximum potential number of options	Benchmark date	Measurement period – 3 years ending	Exercise price
T P Park				
2004 tranche	100,000	30 June 2004	30 June 2007	\$4.84 (VWAP for June 2004)
2005 tranche	100,000	30 June 2005	30 June 2008	VWAP for June 2005
2006 tranche	<u>100,000</u>	30 June 2006	30 June 2009	VWAP for June 2006
	300,000			
D G Abotomey				
2004 tranche	50,000	30 June 2004	30 June 2007	\$4.84 (VWAP for June 2004)
2005 tranche	50,000	30 June 2005	30 June 2008	VWAP for June 2005
2006 tranche	<u>50,000</u>	30 June 2006	30 June 2009	VWAP for June 2006
	150,000			

VWAP = volume weighted average price of PaperlinX Limited ordinary shares on ASX for the relevant month.

The options granted will be forfeited to the extent that the performance criteria are not met for each tranche at the end of the relevant rolling three year period. For example, if only 60 per cent of the performance criteria have been achieved by the end of the measurement period in 2007, then, in the case of Mr Park, 40,000 options would be forfeited, leaving 60,000 which would be exercisable by him.

No amount is payable on the grant of the options. The exercise price for each tranche of options will be the volume weighted average price for PaperlinX ordinary shares on the ASX in June of the calendar year relating to that tranche (see table above). Details of the annual allocation of PSRs and options allocated/vested to Messrs Park and Abotomey in future will be published in the Company's Annual Report.

Information Required by Listing Rules

The following additional information is provided as required by Listing Rule 10.15A.

The period during which underlying shares may be issued as a result of the exercise of the options is 15 November 2007 to 15 November 2014.

Mr Abotomey has received options (prior to his appointment as a director of the Company) and shares in the Company as part of the Company's long-term incentives programme as set out below:

Options:	Number	Exercise price	Date of grant
D G Abotomey	200,000	\$3.13	14/4/00
	35,000	\$3.32	20/11/00
Shares:	Number	Acquisition price	Date received
D G Abotomey	33,250	\$4.16	6/9/01
	24,033	\$5.44	8/9/03

Both Mr Park and Mr Abotomey have a contingent entitlement to receive other shares under the Company's long-term incentives programme. Details of these have been provided in the Company's Annual Report.

Details of any securities issued to Executive Directors under the Employee Share/Option Plan will be published in each Annual Report relating to the period in which the securities have been issued, together with a statement that approval for the issue has been obtained under ASX Listing Rule 10.14. If any additional Executive Directors become entitled to participate in the Employee Share/Option Plan after this Annual General Meeting, shareholder approval under ASX Listing Rule 10.14 will, if required, be obtained before they are able to participate.

Recommendation

The Board considers it both reasonable and appropriate to issue options to the Managing Director and Chief Financial Officer as an incentive that is linked to the enhancement of shareholder value via the performance hurdles referred to. Approval is therefore sought from shareholders for the issue, under a long-term incentive plan, to the Managing Director, Mr T P Park, of up to 300,000 options and the issue to the Chief Financial Officer, Mr D G Abotomey, of up to 150,000 options over ordinary shares in the capital of the Company subject to achievement of performance conditions and on the other terms as set out above.

The Company will disregard any votes cast on this resolution by:

- Mr T P Park;
- Mr D G Abotomey;
- any other Director who is eligible to participate in any PaperlinX employee incentive scheme; and
- any of their respective associates,

unless the vote is cast as proxy for a person who is entitled to vote, in accordance with the direction on the Proxy Form, or unless the vote is cast by a 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.

The Directors, excluding Messrs Park and Abotomey, recommend that shareholders vote in favour of all the foregoing resolutions.