

Example Mechanics of the 'Option Kicker'

PXUPA Investor Group Supporters
<http://paperlinxpiqs.wordpress.com>



Key Variables: (1) Conversion Ratio, (2) Acceptance Ratio, (3) Exercise Price Discount

Options Discount vs. AJP	20%	Negotiable
Conversion Ratio	250	Negotiable
% PXUPA Acceptance	50%	Unascertainable
PXUPA on Issue	2,850,000	Fixed
PPX on Issue	609,280,761	Fixed

Exercise Prices (AJP Options)	Exercise Prices (Options for Others)	Issued to Existing Ordinary Shareholders	Issued to Accepting Hybrid Holders	Total New Options on Issue	Capital Raised on 100% Exercise of Options	250:1 - Implied Price of non-accepting PXUPA at "Exercise Prices for Others"
\$0.10	\$0.080	609,280,761	356,250,000	965,530,761	\$77,242,461	\$20.00
\$0.15	\$0.120	609,280,761	356,250,000	965,530,761	\$115,863,691	\$30.00
\$0.20	\$0.160	609,280,761	356,250,000	965,530,761	\$154,484,922	\$40.00
\$0.30	\$0.240	609,280,761	356,250,000	965,530,761	\$231,727,383	\$60.00
\$0.40	\$0.320	609,280,761	356,250,000	965,530,761	\$308,969,844	\$80.00
\$0.50	\$0.400	609,280,761	356,250,000	965,530,761	\$386,212,304	\$100.00

\$100 is the face value of each hybrid, and conveniently coincides with the most optimistic and far-dated (5 year) exercise price for Andrew Price.

At a 20¢ "Exercise Price for AJP", the "Exercise Price for Others" gives an implied price of \$40 per hybrid (\$0.16 x 250). This equates to a ROI of 42% pa; ie \$14 to \$40 in three years assuming no distributions. Given the foregone 5 recent distributions totalling \$18.77 per hybrid, which have kept PaperlinX solvent, this seems fair and equitable.