

BABCOCK & BROWN

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25 September 2008

Ms Marta Kielich

Adviser, Issuers (Sydney)
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

By email to: marta.kielich@asx.com.au

Dear Ms Kielich,

Babcock & Brown Limited – Response to Price Query

We refer to your letter dated 25 September 2008 requesting a response to certain questions. We respond to each of the questions as follows.

- 1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company? Please comment on the rumour of a \$2.50 per share bid for the Company by a European interest.**

No, the Company is not aware of any such information nor is the company aware of any basis for such a rumour.

- 2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?**

see answer to question 1.

- 3. Is there any other explanation that the Company may have for the price change in the securities of the Company?**

We note the interim measures taken by ASIC and the ASX on Monday this week with regard to the shorting of stocks in the Australian market and the potential impact this may have had on trading in shares this week.

Sydney
Melbourne
Brisbane
Auckland
Vancouver
San Francisco
San Diego
Dallas
Houston
Toronto
New York
Greenwich
Dublin
Madrid
London
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Luxembourg
Milan
Munich
Rome
Vienna
Tel Aviv
Johannesburg
Mumbai
Dubai
Kuala Lumpur
Singapore
Hong Kong
Perth
Tokyo

We hold discussions with a lot of parties about a wide range of things all the time. As noted at our interim result a number of parties have expressed interest in discussing various ideas with us as we work through our strategic review. We are in the process of discussing a number of possibilities with some of these parties and will update the market on any material proposal should any eventuate.

4. **Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.**

We confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Yours sincerely

A handwritten signature in black ink, appearing to be 'S. J. C.', written on a light blue background.

Company Secretary



ASX Markets Supervision Pty Ltd
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
PO Box H224
Australia Square
NSW 1215

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Facsimile 61 2 9241 7620
www.asx.com.au

25 September 2008

Sue Glenton
Group Company Secretary
Babcock & Brown Limited
The Chifley Tower
2 Chifley Square Sydney NSW

By email only

Dear Sue

Babcock & Brown Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from a close of \$1.70 on 24 September 2008 to an intra-day high of \$2.74 at the time of writing today.

In light of the price change, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?
Please comment on the rumour of a \$2.50 per share bid for the Company by a European interest.
2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).
3. Is there any other explanation that the Company may have for the price change in the securities of the Company?
4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than 2.00 p.m. E.S.T. today, 25 September 2008.

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the entity's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

(Sent electronically without signature)

Marta Kielich

Adviser, Issuers (Sydney)