



ASX Release

28 July 2006

DBCT UPDATE

Babcock and Brown Infrastructure (BBI) provides the following information in relation to Dalrymple Bay Coal Terminal (DBCT) and in clarification of information in an article in yesterday's Herald Sun newspaper.

1. Expansion Update for DBCT

BBI continues to undertake a major expansion of DBCT. There are three expansion phases:

- The 'short gain expansion' which is currently being commissioned and will be handed over to the Terminal Operator, Dalrymple Bay Coal Terminal Pty Ltd, in the very near future. The 'short gain expansion' will lift DBCT's capacity to 59 million tonnes per annum (Mtpa) at a cost of approximately \$30 million.
- Phase 1 of the Project 7X expansion, which is currently under construction and is expected to lift DBCT's capacity to 68 Mtpa, at a cost of approximately \$530 million (at a p90 contingency, excluding financing costs). Phase 1 is currently targeted for completion towards the end of 2007.
- Phase 2 of the Project 7X expansion, which BBI expects to formally commit to on approval of the expansion by the Queensland Competition Authority. The Phase 2 expansion is expected to increase DBCT's capacity to 85 Mtpa at a cost of approximately \$639 million (at a p90 contingency, excluding financing costs). Phase 2 is currently targeted for completion towards the end of 2008.

BBI is committed to the DBCT expansion programme, which was necessitated by a resources boom in Australia unforeseen by industry participants, and to delivering capacity at DBCT as quickly and as cost effectively as possible. BBI is working constructively with all stakeholders to achieve this outcome.

2. DBCT Queue Management System

Recent press articles have reported claims by Macarthur Coal that Australia is missing out on millions of tonnes of coal exports due to inflexible operations at the Dalrymple Bay Coal Terminal (DBCT) facility and in particular that the Queue Management System (QMS) in place at DBCT is not allowing the terminal to run at full capacity.

Whilst the DBCT facility is leased by BBI on a long-term lease arrangement, the facility is operated by an independent Terminal Operator, Dalrymple Bay Coal Terminal Pty Ltd, under a long term operations and maintenance contract. The Terminal Operator is NOT owned by BBI but rather a number of DBCT's mining company customers and all DBCT customers are given the opportunity to take an ownership interest, an opportunity that Macarthur Coal declined.

The Terminal Operator instituted the QMS at the DBCT facility at the initiative of the DBCT customers to control increasing demurrage costs resulting from the large shipping queue which was then being experienced. Importantly the QMS was only instituted after agreement to its introduction was reached with all customers, including Macarthur Coal, and after consultation with the ACCC.

The QMS does not preclude DBCT customers from trading all or part of their respective contracted coal handling capacity with each other such that if a customer does not expect to use its capacity, this can be traded with customers who expect a requirement for additional capacity. Many DBCT customers have taken advantage of this flexibility. BBI cannot force a customer to trade capacity it is legally entitled to but not using.

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About Babcock & Brown Infrastructure

Babcock & Brown Infrastructure (ASX: BBI) is a specialist infrastructure entity which provides investors access to a diversified portfolio of quality infrastructure assets.

BBI's investment strategy focuses on acquiring, managing and operating quality infrastructure assets in Australia and internationally. BBI's portfolio is diversified across three asset classes:

Energy Distribution and Transmission

- Powerco – the second largest electricity and gas distribution business in New Zealand;
- IEG – a natural gas and LPG distribution and supply business in the United Kingdom, Channel Islands, Isle of Man and Portugal;
- Cross Sound Cable - a HVDC transmission cable which links the electricity grids of Long Island and Connecticut in the United States; and
- NorthWestern Energy Corporation – an electricity and gas transmission and distribution utility with operations in Montana, South Dakota and Nebraska (completion is subject to shareholder and regulatory approvals).

Transport Infrastructure

- Dalrymple Bay Coal Terminal - one of the worlds largest coal export facilities, located in Queensland, Australia;
- PD Ports – a major British ports operator and owner of the second largest port in the United Kingdom; and
- WestNet Rail – a 51% equity interest in a rail infrastructure business based in Western Australia.

Power Generation

- Ecogen – a 50% equity stake in gas-fired electricity generation plants in Victoria, Australia;
- Redbank – a 50% equity stake in a coal tailings-fired electricity generation plant in New South Wales, Australia; and
- B&B Wind Partners – an 8.9% equity stake in a portfolio of 23 wind energy farms in the United States, Spain, Germany, France and Australia.

BBI is managed by Babcock & Brown Infrastructure Management Pty Limited (BBIM), a subsidiary of Babcock & Brown Limited (ASX: BNB), a global investment and advisory firm with longstanding capabilities in structured finance and the creation,

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syndication and management of asset and cash flow-based investments, particularly infrastructure investments.

BBI is listed on the Australian Stock Exchange and has a market capitalisation of approximately A\$2.4 billion.

For further information please visit our website: **www.bbinfrastructure.com**