



ASX Release

21 August 2006

QCA Approves DBCT Capacity Expansion

On 28 July 2006, BBI (DBCT) Management Pty Ltd (BBI-DBCT), a wholly owned subsidiary of Babcock and Brown Infrastructure Limited (BBI), submitted a capacity expansion application relating to Phase 1 of the Project 7X expansion (Phase 1) of the Dalrymple Bay Coal Terminal (DBCT) to the Queensland Competition Authority (QCA).

Phase 1 of the DBCT 7X project is already well under way and is expected to increase terminal capacity by 8Mtpa to 68Mtpa, at a cost of approximately \$530 million (including contingency, excluding financing costs). Phase 1 is targeted for completion by the end of calendar year 2007.

On 18 August 2006, the QCA announced that it had approved the scope of the proposed works for Phase 1, confirmed that the 60/60 Requirement has been complied with and approved the Phase 1 Tender and Contract Management Process (TCMP).

BBI Chief Executive Officer, Steve Boulton, said of the QCA decision: "This is an important milestone for BBI in ensuring that the Phase 1 capital expenditure is accepted by the QCA as prudent and included in the regulated asset base on which BBI-DBCT makes its regulated return. BBI has been working closely with each of the key stakeholders in the supply chain to deliver improved throughput in a sector which is critical for the national economy."

The QCA when considering the capacity expansion application had:

- Approved the scope of the Phase 1 expansion works on the basis that the proposed works are consistent with the DBCT Master Plan 2005 and the related addendum of February 2006. The QCA has noted that it will progressively review the expansion contract packages to ensure ongoing consistency with the approved Master Plan for DBCT as well as being of an appropriate standard and specification;
- Confirmed that BBI-DBCT has met the 60/60 Requirement in that:
 - BBI has secured firm contracts of at least 10 years duration from access seekers for at least 60% of the proposed terminal capacity increment provided by the Phase 1 expansion (in fact BBI-DBCT has secured firm take or pay contracts of at least 10 years duration for 100% of the proposed terminal capacity increment provided by the Phase 1 expansion); and
 - No (other) existing access holder opposed the capacity expansion; and
- Approved the TCMP as submitted by BBI-DBCT.

A full copy of the QCA's announcement, in the form of a letter to BBI, is attached.

Under the DBCT Access Undertaking, the QCA will accept that capital expenditure is prudent and will include it into the regulated asset base if it is satisfied that:

- the scope of the proposed works is consistent with the current Master Plan (and any variations to the Master Plan approved by DBCT Holdings);
- the standard and specifications of the works is appropriate;
- the 60/60 Requirement has been complied with; and
- the capital works were undertaken in accordance with the approved TCMP or were otherwise reasonable.

BBI's Project Director, Eric Kolatchew, stated today: "The QCA's decision is timely. We expect to have spent over \$270 million on Phase 1 by the end of December 2006 and construction work on Phase 2/3 is anticipated to commence shortly."

BBI-DBCT now intends to submit a capacity expansion application in relation to Phase 2/3 of the Project 7X expansion to the QCA. Phase 2/3 is expected to increase terminal capacity to 85Mtpa, at an estimated further cost of approximately \$640 million (including contingency, excluding financing costs). Phase 2/3 is targeted for completion by the end of calendar year 2008.

BBI-DBCT has already secured 100% take or pay contracts of at least 10 years duration covering 100% of the incremental capacity provided by the Phase 2/3 expansion. These contracts are conditional on the expansion going ahead.

ENDS

Further Enquiries

Steven Boulton
Chief Executive Officer
Babcock & Brown Infrastructure
+61 2 9229 1800

Helen Liossis
Investor Relations Manager
Babcock & Brown Infrastructure
+61 2 9229 1800

Jeff Pollock
Chief Operating Officer Transport
Infrastructure
Babcock & Brown Infrastructure
+61 7 3229 1200

About Babcock & Brown Infrastructure

Babcock & Brown Infrastructure (ASX: BBI) is a specialist infrastructure entity which provides investors access to a globally 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 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, syndication and management of asset and cash flow-based investments, particularly infrastructure investments.

BABCOCK & BROWN
INFRASTRUCTURE

BBI is listed on the Australian Stock Exchange and has a market capitalisation of approximately A\$2.3 billion.

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

Our Ref: Paul Bilyk
Direct Line: 3222 0506
File Ref: 8-17-19/ 152477_7

17 August 2006

Mr Jeff Pollock
Chief Operating Officer - Transport Infrastructure
BBI (DBCT) Management Pty Ltd
Level 25, 1 Eagle St
Brisbane Qld 4000

Dear Mr Pollock

Capacity Expansion Application for the Dalrymple Bay Coal Terminal

On 28 July 2006, Babcock and Brown Infrastructure (BBI) submitted a capacity expansion application for the expansion of the Dalrymple Bay Coal Terminal (DBCT) pursuant to Clause 12.5(a) of the approved DBCT access undertaking.

The Authority considered the application at its meeting on 10 August 2006. The Authority's decision and a summary of its reasons are outlined below. The Authority's decision was based on the information included in BBI's application of 28 July 2006, independent technical advice and on the basis of the Authority's own analysis.

Tender Contract and Management Process

In accordance with clause 12.5(i) of the DBCT access undertaking, the Authority approved the Tender and Contract Management Process (TCMP) as submitted, on the basis that it:

- is in accordance with good industry practice — noting that the TCMP contains detailed processes consistent with ISO 9001;
- should generate an efficient and competitive outcome — including the flexibility to select a contractor and form of contract best suited to each specific contract package;
- adequately addresses the issue of conflicts of interest or collusion amongst tenderers — by explicitly containing provisions requiring bidders to state that they have no conflict of interest and clarifying that conflicts of interest and collusion constitute a breach of any contract awarded;
- is appropriate in the circumstances of the DBCT capacity expansion project — by ensuring that there is sufficient flexibility in contracting strategy to match the market circumstances and to ensure that there is sufficient independent scrutiny of the tender selection and contract management process;
- should avoid unreasonable exposure to contract variation claims — including through the creation of pro-formas and a requirement to formally minute pre-award discussions with contractors to ensure the standard and specifications issued to tenderers are clear.

In accordance with clause 12.5(l) of the DBCT access undertaking, the Authority has approved the appointment of Concorde Corporation as the Independent External Auditor to audit the compliance of DBCT Management's tender and contract management processes in accordance with the approved TCMP.

Scope of the Proposed Works

In accordance with clause 12.5(f)(1) of the DBCT access undertaking, the Authority approved the scope of the phase 1 expansion works, including:

- a new third in-loading system based on a 5,500 tph loading rate and an associated loading conveyor to the stockyard;
- increased stockyard capacity — new bunds 5A and 6; new yard conveyors S7 and R7 and extension to conveyor L1/L2; modification to sampling plant; new stockpile row 8 for storage of recovered coal; upgrades to stacking machines SR2/R3 and SR5 to 5,500 tph; and relocation and upgrade of stacker/reclaimer SR4 to become reclaimer RL2 on Bund 6;
- new stockyard machines — new stacker ST3 and new stacker/reclaimers SR3A and SR4A;
- increased outloading capacity — upgrade SB1 feeders and BF5 and BF 7 drives; upgrade shiploader SL1 & SL2; increase speed of out-loading conveyors L1, L2, L3 & L4 to accommodate higher reclaim rates from new reclaimers and berth pocket dredging; and
- engineering and construction facilities services — upgrade of site-wide high voltage power supply; control and automation software; upgrade of storage dams and stockyard dust suppression and construction services facilities for phase 1,

on the basis that the proposed works are consistent with the DBCT Master Plan 2005 and the related addendum of February 2006.

In making this decision, the Authority noted that it will progressively review the expansion contract packages to ensure ongoing consistency with the approved Master Plan for DBCT as well as being of an appropriate standard and specification.

60/60 Requirement

In accordance with clause 12.5(h)(4) of the DBCT access undertaking, the Authority confirms the sufficiency of the evidence provided by BBI that it has met the 60/60 requirements of clauses 12.5(h)(1) and (2) of the DBCT access undertaking for the phase 1 expansion, on the basis that:

- BBI has secured from access seekers firm contracts of at least 10 years duration for at least 60% of the proposed terminal capacity increment (limb 1); and
- no (other) existing access holder opposed the capacity expansion (limb 2).

The Authority also confirmed that BBI provided access holders with the relevant material outlined in Clause 12.5(h)(2) of the DBCT access undertaking for the purposes of enabling access holders to determine whether or not to oppose the capacity expansion.

Yours sincerely,



EJ Hall
Chief Executive