BABCOCK & BROWN
INFRASTRUCTURE

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ASX Release

17 May 2007

DBCT Asset Analyst Tour – Presentation

Please see the attached presentation to be provided to analysts undertaking a tour of the Dalrymple Bay Coal Terminal on Friday 18 May 2007.

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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 two asset classes:

Energy Transmission and Distribution

- 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 US regulatory approvals).

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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;

- WestNet Rail - a 51% equity interest in a rail infrastructure business based in Western Australia;

- Water Container Transport - a 51% equity interest in a canal based container port in Belgium with an option to acquire the remaining 49% equity interest; and

- Alinta Assets: BBI announced on 30 March 2007 that it had joined the Babcock & Brown (BNB) and Singapore Power International Limited (SPI) consortium whose revised Proposal on 11 May 2007 for the whole of the issued share capital of Alinta Limited (Alinta) has been conditionally recommended as the preferred Offer by the Alinta Board. If the Scheme is approved, BBI would be acquiring the following energy transmission and distribution assets and operations and maintenance (O&M) businesses:

    - Tasmania Gas Pipeline (TGP) - 100% ownership;
    - AlintaGas Networks (AGN) - 74.1% ownership;
    - Multinet Gas (MGN) - 20.1% ownership;
    - Dampier to Bunbury Natural Gas Pipeline (DBNGP) - up to 20% ownership; and
    - Western Australian based O&M business (excluding the Parmelia O&M contract) which services DBNGP, AGN, GGPT and other external contracts - 100% ownership.

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.

BBI is listed on the Australian Stock Exchange and has a market capitalisation of approximately A$3.5 billion.

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

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DBCT Site Tour

DBCT Asset Investor Tour

18 May 2007

Mackay, QLD

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Agenda

1. Asset Overview
2. Coal Supply Chain
3. Operation Overview
4. Regulatory Overview
5. DBCT 7X Expansion

Presenters:

Steven Boulton - Chief Executive Officer

Jeff Pollock - COO Transport

Eric Kolatchew - General Manager : Major Projects

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DBCT - Introduction

Key facts

- Established in 1983 by the Queensland Government
- 99 year lease acquired by BBI (then Prime) in 2001
- DBCT is leased from the Queensland Government for 99 years
- Part of the Goonyella Coal Supply Chain, Australia's premier supplier of high grade, hard coking coal
- Services 15 mines, owned by 8 coal producers
- Handles hard coking coal, thermal coal, and PCI
- Facility can blend different coals together using 2 reclaimers for each outloading conveyor
- DBCT's Operator is DBCT Pty Ltd, is under contract to BBI (DBCT) and owned by six of the coal users
- Terms and conditions (including tariff that can be charged) regulated by the Queensland Competition Authority (QCA)

North Queensland, Australia

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Asset Overview

Operational Update

- DBCT provided an EBITDA contribution of A$44 million for HY07 (before allocation of corporate overheads), reflecting the regulated revenue determination for DBCT
- DBCT shipped 25.8Mt of coal in HY07
- Revenue not affected by actual tonnes shipped

Expansion Update

- DBCT currently undergoing a major expansion from 59Mtpa to 85Mtpa in two phases at a total cost of circa $1.2billion – excluding finance charges (Phase 1 - $0.5billion; Phase 2/3 - $0.7billion)
- Targeted completion date of Phase 1 (expansion to 68Mtpa) is Dec 2007 but under pressure
- Targeted completion date of Phase 2/3 (expansion to 85Mtpa) is Dec 2008

DBCT, Australia

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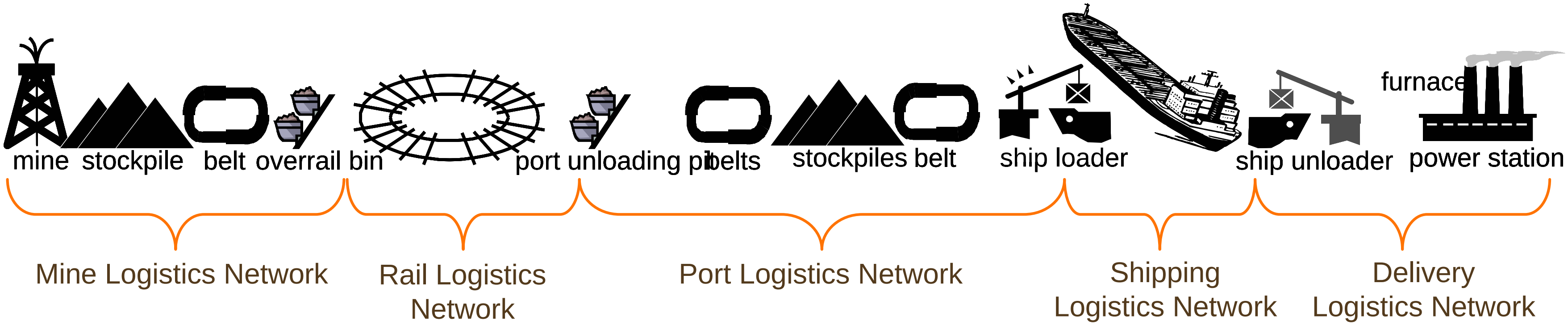
Goonyella Coal Supply Chain



Mine	Coal is sold on a "Free on Board" basis and mined across the Bowen Basin in a combination of underground and open cut operations
Rail	Coal is loaded from the mine into 122 wagon (2km) trains that run on a dedicated rail line owned and operated by Queensland Rail
Port (DBCT)	Coal is unloaded from rail wagons at two automated rail receival transfer stations and conveyed to stockpiles or direct loaded into ships
Ship	The coal is conveyed from the stockpiles to DBCT's offshore shipping berths and loaded into ships that vary in size from 20,000 – 200,000 deadweight tonnes
Coal Buyers	Queensland's Bowen Basin is the world's largest source and supply of metallurgical coal with exports destined to Asia, Europe and South America

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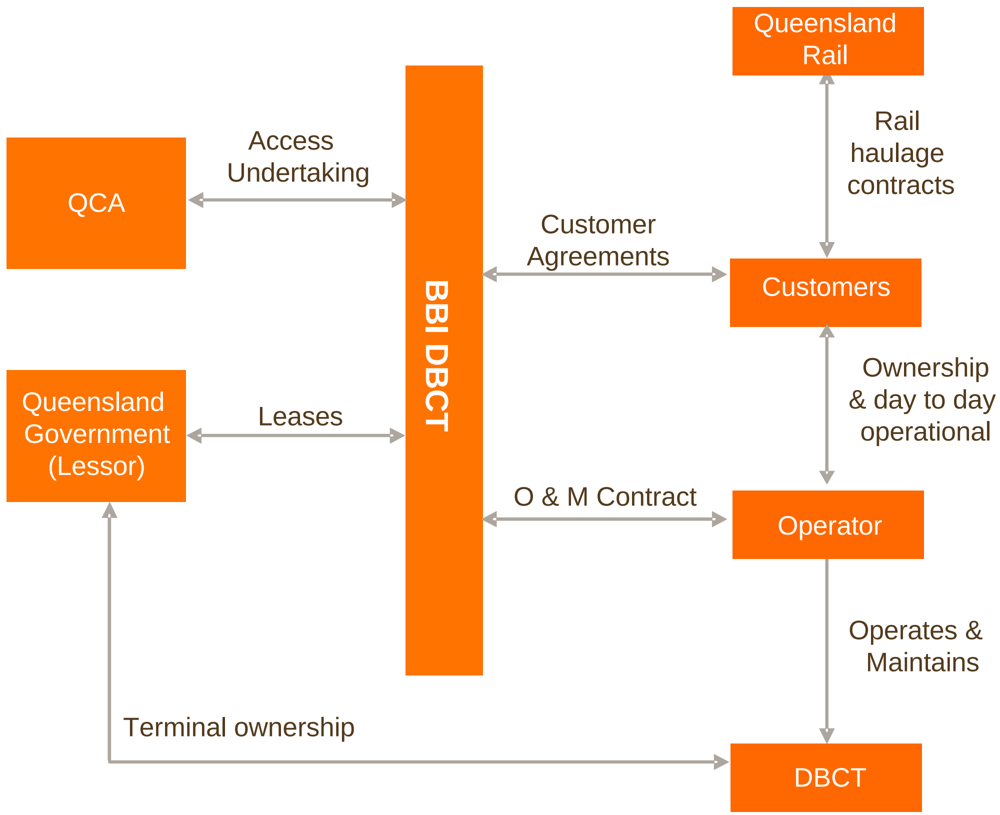
Coal Supply Chain (Cont)

- DBCT currently services 15 mines from three rail legs
- Various distances from the terminal (furthest 380kms)
- Thermal, Coking and PCI coal
- Total of 55 registered coal types blended from stockpiles
- Terminal Operator owned by DBCT Users
- Dedicated rail (servicing DBCT and HPS)

Contractual Overview



- BBI DBCT has contractual relationships with:
  - Queensland Government Entities (DBCT Leases)
  - The DBCT Users (Standard Access Agreements – 100% take or pay)
  - The Operator (O&M Agreement – 100% pass through of O&M costs)
- BBI DBCT does not have contractual relationships with:
  - Queensland Rail (neither above rail nor below rail)
  - Shipping Lines
  - Final Coal Customers

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Distribution of Global Demand

- DBCT supplied 21.5% of global metallurgical coal demand
- East Asia takes over half of DBCT metallurgical coal
- Japan is DBCT’s largest receiver of metallurgical coal (32.7%) followed by India (14.4%), Korea (13%), Taiwan (7.2%) and Brazil (5%)
- China is the 7th largest receiver (3.2%) – expected to fall
- India & Brazil are expanding markets

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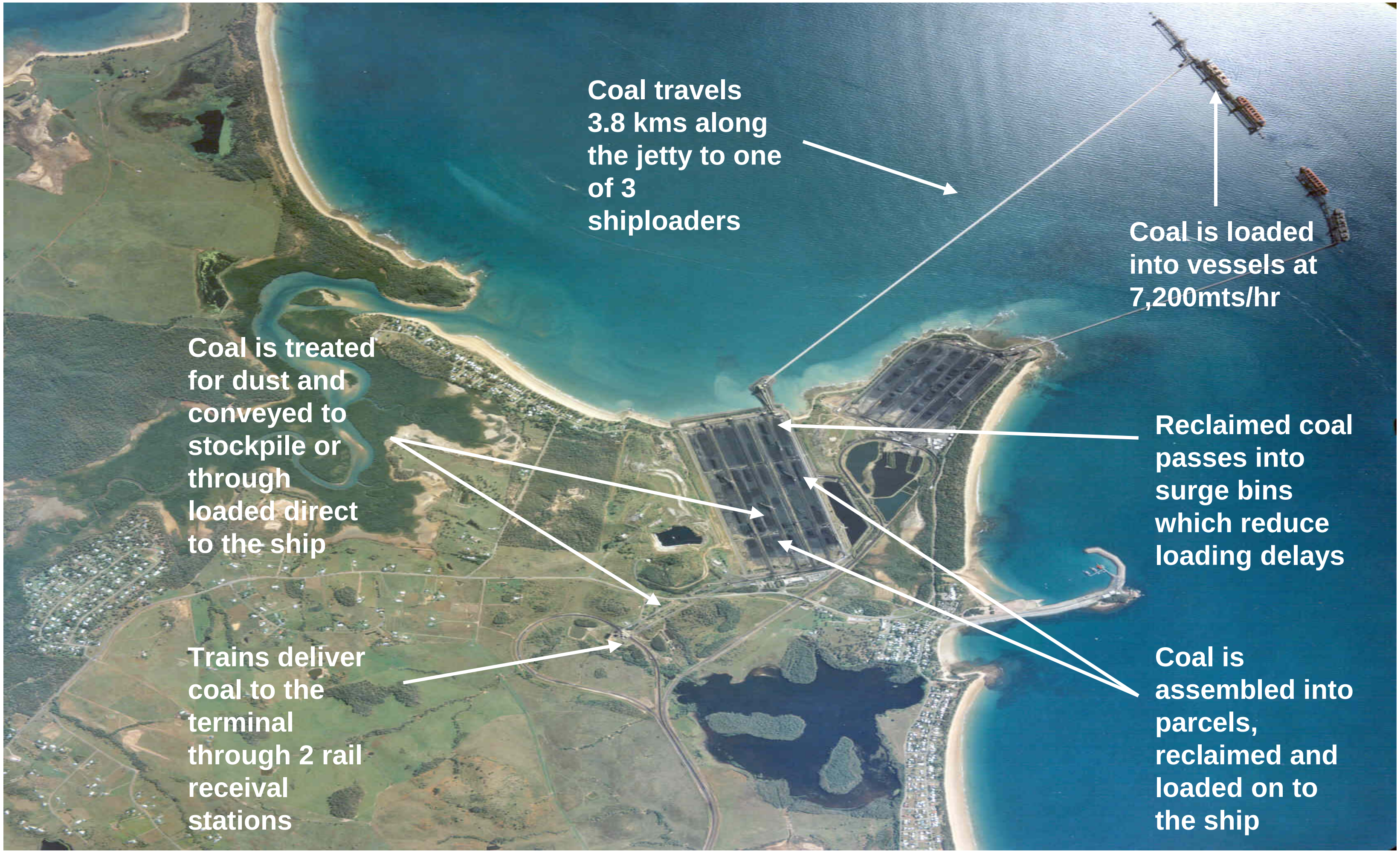
Terminal Operation



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DBCT performance versus system performance

- DBCT currently has a capacity of 59Mtpa
  - Post Short Gain pre 7X Project
- We believe the upstream supply chain has the capacity to deliver 54-55 Mtpa and has managed 50-51 Mtpa to date
- In each month of the financial year to date DBCT has exhibited spare capacity
- BBI has no contractual relationship with upstream service providers
- BBI’s contracts are with mining companies and are 100% Take or Pay contracts - revenue is not impacted by actual throughput

Queue Management System

- The Queue Management System (QMS) was developed by the DBCT Users to control demurrage
- The QMS controls demurrage by limiting coal sales to the capacity of the system by allocating monthly entitlement based on system capacity
- An efficient working queue (15 - 20 ships) is targeted
- If actual system performance is less than QMS system estimates a larger queue will form
- BBI does not control the QMS and has no control over ship arrivals
- BBI is not financially exposed to ship queues

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QCA Act, Access Undertaking and User Agreements

QCA Act

- Coal Handling Services at the Dalrymple Bay Coal Terminal (DBCT) are a declared service under the QCA Act
- Terms and conditions of access to DBCT services (including tariffs that can be charged) are regulated by the Queensland Competition Authority (QCA)

Access Undertaking

- The QCA Approved the DBCT Access Undertaking (AU) in June 2006
- The AU sets out access terms and conditions (including tariff to apply) through to 31 December 2009
- A pro-forma Standard Access Agreement (SAA), reflecting the terms and conditions outlined in the AU forms part of the AU

Existing User Agreements

- Existing User Agreements (EUAs) were grandfathered against the regulatory process but contained a re-pricing clause (with new tariffs to apply from 1 July 2004)
- All Users (except one) have executed SAA's which replace their EUAs
- The remaining User has informed BBI DBCT that it will execute a SAA to replace its EUA

Financial Outcomes and Risk Allocation

Summary Financial

- Annual Revenue Requirement (ARR) of $88.58m for FY2006/07 (expected to increase to $90.78m on approval of Short Gain - SG)
- Corresponds to a Revenue Cap of $87.11m ($89.27m with SG)
- ARR based on WACC of 9.02% and Regulatory Asset Base (DORC) of $850 million (excluding SG)

Summary – Risk Allocation

- AU and SAA reflect a Revenue Cap approach. BBI DBCT not exposed to short/medium term volume risk. SAAs are 100% take or pay
- Cost of expansion capacity included in the DORC if “prudent”
- Once expansion costs are accepted into the DORC they WILL NOT be optimised out at a later date

Expansion Costs – QCA Process

- Expansion costs prudent if
  - Scope consistent with current Master Plan
  - Standard and specifications of works is appropriate
  - 60% of expansion capacity contracted; and 60% of non expanding Users do not oppose
  - Works undertaken in accordance with an approved Tender and Contract Management Process
  - Works undertaken outside a TCMP will be approved ex-post

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Development Strategy

- Major expansion to 85Mtpa over two phases by end of 2008
- Modifications/enhancements required to all major terminal elements
- A brown-field project, designed to ensure minimum interruptions to terminal throughput during construction
- EPCM delivery strategy to best balance Owner influence/control, and risk allocation
- Project management structure captures best use of capability/experience
- Owners Team provides oversight of EPCM Contractor and operations integration

Refer project Execution structure chart following

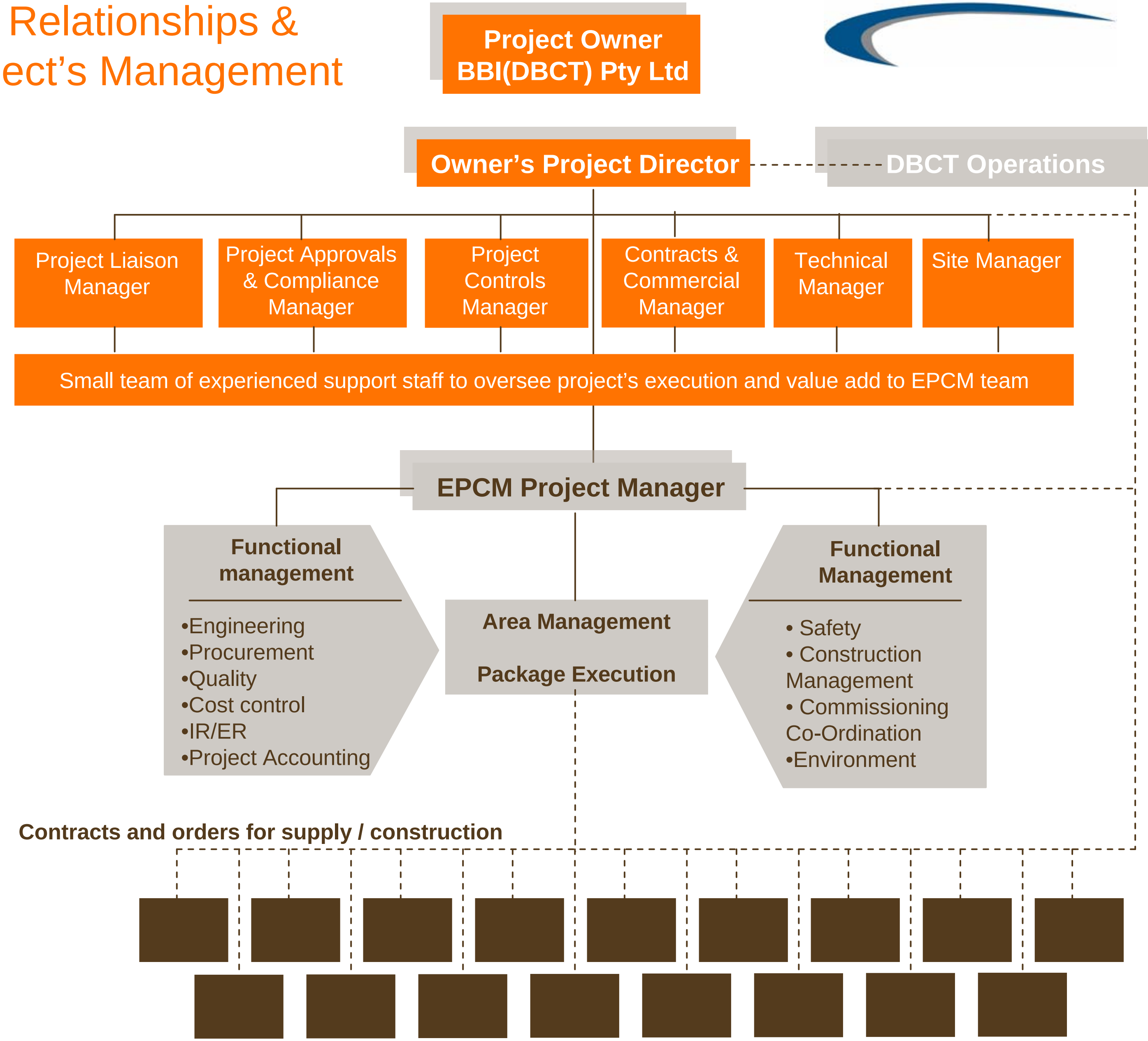
Structural Elements, Relationships & Features of The Project's Management

BBI (DBCT) MANAGEMENT PTY LTD

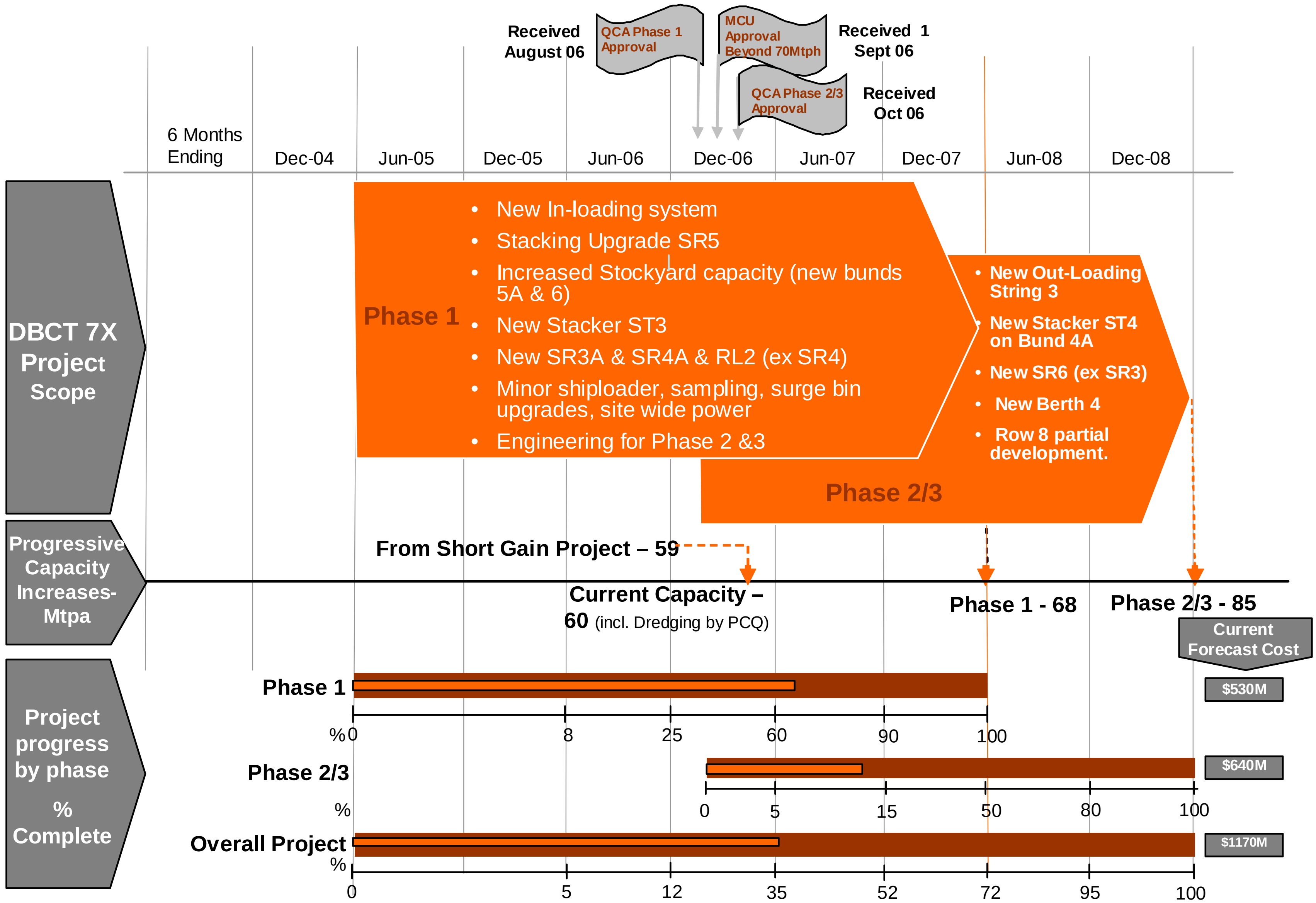
Owner's Team
Experienced major project practitioners. Extensive knowledge of Terminal Operations throughout all successive upgrades from Stages 1-6

EPCM Team
Connell Hatch JV comprises:
•Connell Wagner Design involvement in all previous upgrades.
•Hatch
• Major international project Manager

Contractors and Suppliers
Emphasis on lump sum, competitively bid contracts.
Contractors selected to match size, complexity and capability required in each package.



Expansion Scope, Capacity, Progress & Cost Forecast



Implementation Highlights

- Zero Lost Time Injury Frequency rate – 1.4 million hours worked
- All development approvals in place
- Despite extreme market pressures, schedule targets and cost forecasts remain on track

Phase 1	98% of contracts committed. Only 1 package (site dams) left to award
Phase 2/3	60% of contracts committed. Will be 90% by end June prior to funding. Only 4 major packages left to award over next 2 months (all out to tender, or tenders received)
Major Risk	Performance of contractors in current overheated market

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Regulatory Process Objectives, Compliance Requirements and Status

Approvals Status

- DBCT is regulated by Queensland Competition Authority (QCA)
- Access Undertaking approved in June 2006
- Sets out process of project approval, and expenditure approval
- Capacity Expansion Applications for Phase 1 and Phase 2 have been approved. This means QCA has:
  - Approved the scope of works as consistent with the Master Plan
  - Approved the Tender and Contract Management Process
  - satisfied itself that the 60/60 requirement met
- Contract packages are approved progressively

Regulatory Process Objectives, Compliance Requirements and Status (Cont)

Expenditure Approval

- Expenditure approval deals with two categories of cost:
  - Miscellaneous expenditure – Referred to as “Other Costs”.
  - Contract related – Governed by Tender & Contract Management Process (TCMP)
- Under TCMP, contract commitments are automatically approved if TCMP complied with
- Variations to contracts are progressively assessed, and considered for approval at end of contract
- “Other Costs” are assessed for approval at end of project
- “Other Costs” and variations represent about 15-20% of total project expenditure
- QCA requires two consultants to oversee expenditure approval:
  - Flagstaff Consulting Group, to assess scope, standards, contract conditions, and prudence of actions
  - Concorde Corporation, as the Independent External Auditor, to assess compliance with the TCMP

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Regulatory Process Objectives, Compliance Requirements and Status (Cont)

Overall Project Objective

- To ensure all costs incurred are approved for addition to the Regulated Asset Base (RAB)

Objective being achieved by:

- Regular consultation regarding acceptability of Contracting Strategies
- Demonstrating adherence to Scope/Standards
- Monitoring, management and benchmarking “Other Costs”
- Demonstrating prudence in dealing with impacts of cost increases/delays resulting from current overheated market
- Maintaining good working relationships with QCA’s Auditor/Consultant

Regulatory Process Objectives, Compliance Requirements and Status (cont)

Status of Contract Approvals/Audits

- $160m of contracts have satisfied all requirements of QCA to allow acceptance into RAB
- This will increase to greater than $400m by June 2007
- This will includes $270m for Phase 2/3

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Minimisation of Disruption to Terminal Throughput

- A “given” that expansion is occurring at time when operational demands are high
- Close integration of all coal chain shutdowns (terminal, QR, Ergon) minimises impact on throughput
- All shutdowns closely co-ordinated and meticulously planned
- It is a clear objective of BBI DBCT to minimise disruptions to throughput during construction

Expansion Completion - Financial Impact

On commissioning of an expansion phase and assuming:

- Cost of expansion is accepted by the QCA into the RAB;
- A WACC of 9.02% applies;
- Gearing of 60% debt and 40% equity is adopted;
- Expansion assets are depreciated over a weighted average life of 40 years

BBI's ARR and EBITDA would increase by circa $950,000 per annum for every $10 million invested in the expansion

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Questions?

Appendix

Key facts

MARKET POSITION	KEY DRIVERS	ECONOMIC REGULATION	CAPACITY	STEP CHANGE GROWTH
• Third largest coal terminal in the world • 15 mines contracted • Major customers (Xstrata, Rio Tinto, BHP etc) account for approx 82% of tonnage	• International coal demand • Long life assets • Existing facility average life ~ 30 years • New asset (7X Project) average life will be > 40 years	• Regulated by QCA • Revenue “cap and collar” based on WACC of 9.02% • At 60% gearing and regulatory cost of debt: = 11.84% ROE • Little or no medium term volume risk	• DBCT capacity is currently 59 Mtpa • Historically ~ 90% utilisation however actual volume shipped does not impact on cashflows	• Three phase expansion up to 85Mtpa with approx cost of $1.2B (before financing costs) • Ex-ante regulatory approval process available for majority of costs

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DBCT Expansion Summary

- The short gain expansion, increasing DBCT's capacity to 59Mtpa, was substantially completed in early August 2006
- The 7X expansion project will be completed over two phases, with Phase 2 and 3 progressing concurrently
- Phase 1 of the 7X project is expected to increase DBCT's capacity to 68Mtpa at a cost of approximately A$530 million (including contingency, excluding financing costs) and is targeted for completion by the end of calendar year 2007
- Phase 2/3 of the 7X project is expected to increase DBCT's capacity to 85Mtpa at a cost of approximately A$640 million (including contingency, excluding financing costs) and is targeted for completion by the end of calendar year 2008
- BBI had spent A$355m on the 7X project as at 30 April 2007
- BBI has secured 100% take or pay contracts of at least 10 year duration covering 100% of the incremental capacity provided by the 7X project