

BABCOCK & BROWN POWER

Babcock & Brown Power Limited · ABN 67 116 665 608
Babcock & Brown Power Services Limited · ABN 37 118 165 156
As responsible entity for Babcock & Brown Power Trust · ARSN 122 375 562
Level 7 · 50 Pitt Street · Sydney NSW 2000 Australia · T +61 2 9372 2600 · F +61 2 9372 2610
Level 25 Waterfront Place · Eagle Street · Brisbane QLD 4000 Australia · T +61 7 3011 7600 · F +61 7 3011 7610 www.bbpower.com

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Update on Loan Restructuring

On 28 September 2009, Babcock & Brown Power (ASX: BBP) provided an update to the market on the progress of its loan restructuring process. The expectation at that point was for legally binding agreements to have been reached with both of BBP's major financiers by mid-to-late October. Despite the ongoing efforts of all parties, this timeline will not be met.

Documentation of the BBPF Facility Restructure is well underway, however, an understanding of the implications for the business of the outcomes from the arbitration process relating to the North West Shelf gas contract is required prior to conclusion of the restructure. BBP expects that the arbitrator – Mr. Michael McHugh – will provide an interim determination in the near-term. Subsequent to that interim determination, BBP expects to be in a position to finalise the BBPF Facility Restructure and advise the market accordingly. As noted in BBP's Annual Financial Report, released on 30 September 2009, a determination that falls significantly outside of BBP's expectations may have a material impact on its Alinta business and could result in a reassessment of the value of the Alinta business and the going concern assumptions.

An in-principle, but non-binding commercial agreement has been reached with Babcock & Brown International Pty Ltd (BBIPL) and certain of its subsidiaries (BBIPL group), regarding the proposed restructuring of the debt and outstanding fees payable to the BBIPL group. However, as previously advised, in order for a legally binding agreement to be reached, consent of the BBIPL lenders is required. Over the course of the past month, the composition of the BBIPL lending group has changed considerably, resulting in a longer than expected consent process. As set out in BBP's ASX Release published on 15 October 2009, ASIC has granted BBP an extension of time within which it can hold its AGM so as to accommodate the expected securityholder vote on the B&B Group restructuring. Even if the interim NWS determination falls within an acceptable range of BBP's expectations, but the BBIPL lenders' consent is not granted by 4 November 2009, it will not be possible to provide securityholders with the documentation necessary to enable a vote at the AGM on 18 December 2009. The AGM will however proceed on that date and assuming BBIPL lender consent is received to the proposed restructuring, an Extraordinary General Meeting would be expected to be held in early 2010 for securityholders to vote on the proposed BBIPL group restructuring arrangements.

BBP continues to work proactively and closely with both the BBPF Syndicate and the BBIPL group. Whilst BBP remains confident of effecting the restructures, it does note that until the BBIPL group and all members of the BBPF Syndicate enter into legally binding transactions with BBP, there remains a risk that the restructures will not be effected.

ENDS

Further Information:

Ross Rolfe AO
Chief Executive Officer
Ph + 61 2 9372 2627

Peter Brook
Chief Financial Officer
Ph + 61 2 9372 2623

About Babcock & Brown Power

Babcock & Brown Power (ASX: BBP) is a power generation and energy retail business, with assets diversified by geographic location, fuel source, contract type and operating mode.

The portfolio has interests in 12 operating power stations representing approximately 2,800MW¹ of installed generation capacity. BBP also owns the Alinta retail business in WA.

¹ Some assets have minority shareholders.