

**BABCOCK & BROWN
CAPITAL LIMITED**

Babcock & Brown Capital Limited · ABN 31 112 119 203 · www.babcockbrowncapital.com
Level 23 The Chifley Tower · 2 Chifley Square · Sydney NSW 2000 Australia · T +61 2 9229 1800 · F +61 2 9231 5619
Level 51 South Tower · 525 Collins Street · Melbourne VIC 3000 Australia · T +61 3 9627 2800 · F +61 3 9629 8040



ASX Release

4 December 2007

SHAREHOLDER LETTER

Please find attached a letter being mailed to Shareholders today.

ENDS

Further Information:

Erica Borgelt
Investor Relations
Babcock & Brown
+61 2 9229 1800

About Babcock & Brown Capital Limited

Babcock & Brown Capital is an Australian-based investment company that focuses on a concentrated portfolio with a flexible investment horizon. The Company's mandate allows it to build positions in domestic and overseas companies and both listed and private entities. Babcock & Brown Capital concentrates on growing the value of its investments over time. Investments are held while they continue to meet the Company's investment objectives. Babcock & Brown Capital listed on the Australian Stock Exchange in February 2005.

eircom

BCM holds a 57.1% interest in eircom representing an investment of approximately \$448 million. Associates of Babcock & Brown hold an additional 7.9% and existing and former employees hold the remaining 35% through their share ownership trust, the ESOT.

eircom owns Ireland's copper and fibre backbone telecommunications network. It is the largest provider of fixed line wholesale and retail telecommunication services in Ireland and has 70% of the fast growing broadband market. eircom's mobile business has a rapidly growing 18.5% share of the mobile market.

Golden Pages

BCM acquired Golden Pages in July 2007. Golden Pages is the leading Israeli directories business with portfolio of complementary directory and search businesses operating across four distribution platforms.

Golden Pages was acquired for an enterprise value of A\$248 million, requiring an equity investment of A\$152 million.

For further information please see our website: www.babcockbrowncapital.com

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Dear Shareholder,

As you may be aware Babcock & Brown Capital Limited ("BCM") received a facsimile requisition from PendVest LLP ("PendVest"), a U.K. based hedge fund on 28 November 2007.

In summary, PendVest is seeking a meeting of BCM Shareholders to consider resolutions requiring a return of capital as well as amendment to the exercise of the powers of BCM's directors under BCM's constitution and renegotiation of Babcock & Brown's preferred advisor agreement. In addition, shareholders will be asked to consider that BCM investigate the sale, IPO or spin-off to members of its investments in eircom and Golden Pages and/or a wind up of BCM. Attached is a copy of the BCM announcement lodged with the Australian Securities Exchange on 29 November 2007, acknowledging receipt of the request.

BCM welcomes the opportunity to discuss with shareholders its investment mandate and the previously acknowledged gap between BCM's share price and the medium-term underlying value of its investments. Whilst the original requisition has not yet been received, BCM will call a meeting to be held during January 2008. The shareholders' meeting will consider the matters raised by PendVest, and the Board's response to them, to the extent they are appropriate for consideration in that forum.

In order to ensure that the matters raised by PendVest are appropriately addressed, the BCM Board has established a sub-committee comprising the independent directors. The sub-committee has appointed independent legal advisors and may also appoint independent financial advisors.

BCM will keep shareholders fully informed. We anticipate that the next communication you receive will be the notice of meeting which will attach PendVest's "Statement" outlining its rationale for requisitioning that meeting and BCM's response to that "Statement". In the mean time, BCM will continue to manage its business in the ordinary course in the best interests of all shareholders and in line with the mandate to build and realise value for BCM shareholders over the medium to long term.

Should you have any questions please call Erica Borgelt on +612 9229 1800. All updates to the market will be available on our website www.babcockbrowncapital.com.

Yours sincerely

Kerry Roxburgh
Chairman