

**BABCOCK & BROWN
CAPITAL LIMITED**

Babcock & Brown Capital Limited · ABN 31 112 119 203 · www.babcockbrowncapital.com
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ASX Release

10 December 2007

**BABCOCK & BROWN CAPITAL LIMITED (“BCM”) - SHAREHOLDER
LETTER**

Please find attached a letter being distributed to shareholders of BCM.

ENDS

Further Information:

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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

I would like to take this opportunity to provide Shareholders with an outline of developments in relation to a recent requisition received by Babcock & Brown Capital Limited ("BCM") from PendVest LLP ("PendVest"), a U.K. hedge fund to consider a number of resolutions with respect to BCM's ordinary course of business.

The BCM Board welcomed the opportunity to discuss these resolutions with PendVest. In order to ensure that the matters raised were appropriately addressed with respect to all shareholders, the BCM Board established a sub-committee comprising the independent directors.

On 5 December 2007 PendVest confirmed that it no longer required BCM to convene a Shareholder meeting to consider these resolutions. PendVest acknowledged the value of BCM's investments and their fit within the company's investment mandate as well as the objectives described in the Company's prospectus.

BCM would also like to take this opportunity to advise that the cash and marketable securities balance of approximately A\$445 million held by the company has now been formally allocated to pursue specific identified investments. Further details will be released in due course.

We recognise the desire of Shareholders to gain a better understanding of the performance of BCM's investments in terms of their current operations, value recognition and realisation triggers and possible returns to Shareholders. In order to help with that understanding, we have committed to provide Shareholders with an update on BCM's investments by the end of the first quarter of 2008. This being in addition to the financial update to be provided at the time the interim results are released to the market in February 2008.

As part of that market update BCM will also provide further disclosure on all fees paid to Babcock & Brown by BCM. That disclosure will include comparisons to fees paid through similar market transactions.

BCM and its Directors acknowledge that the company's shares are trading at a significant discount to the underlying value of its assets and we confirm our desire to focus on closing that gap. We believe that the update in the first quarter of 2008 will be a step along the way in that regard.

Should you have any questions or require a copy of the announcements please call the shareholder information line on 1800 704 855 within Australia or +61 2 8280 7783 outside Australia.

Kerry Roxburgh
Independent Chairman