BABCOCK & BROWN
ENVIRONMENTAL INVESTMENTS
Babcock & Brown Environmental Investments Limited • ABN 77 074 226 065
Level 23 The Chifley Tower • 2 Chifley Square • Sydney NSW 2000 Australia
T +61 2 9229 1800 • F +61 2 9216 1711 • www.bbeil.com.au

ASX Release

19 March 2007

Update on NFAL Darwin biodiesel plant

Babcock & Brown Environmental Investments Limited (BEI) provides the following update on the commissioning of the Natural Fuels Australia Limited (NFAL) biodiesel plant in Darwin, a 50% joint venture project with Natural Fuel Limited (ASX : NFL).

Construction was completed in late November and the plant entered the commissioning phase. Initial production and testing confirmed that output of both biodiesel and glycerine met the relevant Australian standards. At higher volumes of production during ramp up, small particulates appeared in the finished product as a consequence of unexpected characteristics of the palm oil specified and used.

Under the supervision of technology providers, Lurgi, a number of minor refinements to the process and changes in the filtration unit were implemented. An additional filter has now been installed and is currently being commissioned. This mechanism has been successfully implemented at other Lurgi plants as a successful solution to similar situations.

Whilst the plant is in production and is producing on spec product it is not yet operating continuously at capacity.

NFAL currently has in excess of 2 million litres of on spec biodiesel in storage ready for distribution. Sales of biodiesel have commenced with the first deliveries of on spec biodiesel being delivered direct via the recently installed inline blending facility at the adjacent Vopak Fuel Terminal. Shipments of B100 have also commenced.

Other refinements are also being progressed to enhance the robustness of the plant operation.

These longer term refinements may take a matter of months to implement, but it is expected that the plant will be running at close to capacity over the next few weeks, and at full capacity before the end of the financial year.

Mr Gary Levin, CEO of BEI, said “Short term delays in commissioning of major construction projects are not unusual and whilst challenging now will recede in relevance over the life of the plant which will be well placed to benefit from the increased awareness of and demand for renewable fuels. I have every confidence that the Darwin facility will prove to be a valuable investment now that we are in production."

Long term supply agreements for palm oil feedstock are currently being negotiated at a significant discount to the current spot price.

The Darwin facility has also sold a number of shipments of glycerine as the plant continues to consistently produce high quality glycerine to pharmaceutical grade 99.85% purity.

ENDS

Further Information:

Gary Levin
Chief Executive Officer
Phone: (02) 9229 1800

Elizabeth Hawke
Investor Relations Manager
Phone: (02) 9229 1800

About Babcock & Brown Environmental Investments

Babcock & Brown Environmental Investments (BEI) is an investment vehicle focused on the renewables sector which provides investors with access to a diversified portfolio of high quality environmentally friendly assets.

BEI has a strategic alliance with Babcock & Brown, 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. Babcock & Brown have a long history of experience in the renewable energy field.

BEI is listed on the Australian Securities Exchange and has a market capitalisation of approximately A$130 million.

For further information please visit our website http: www.bbeil.com.au