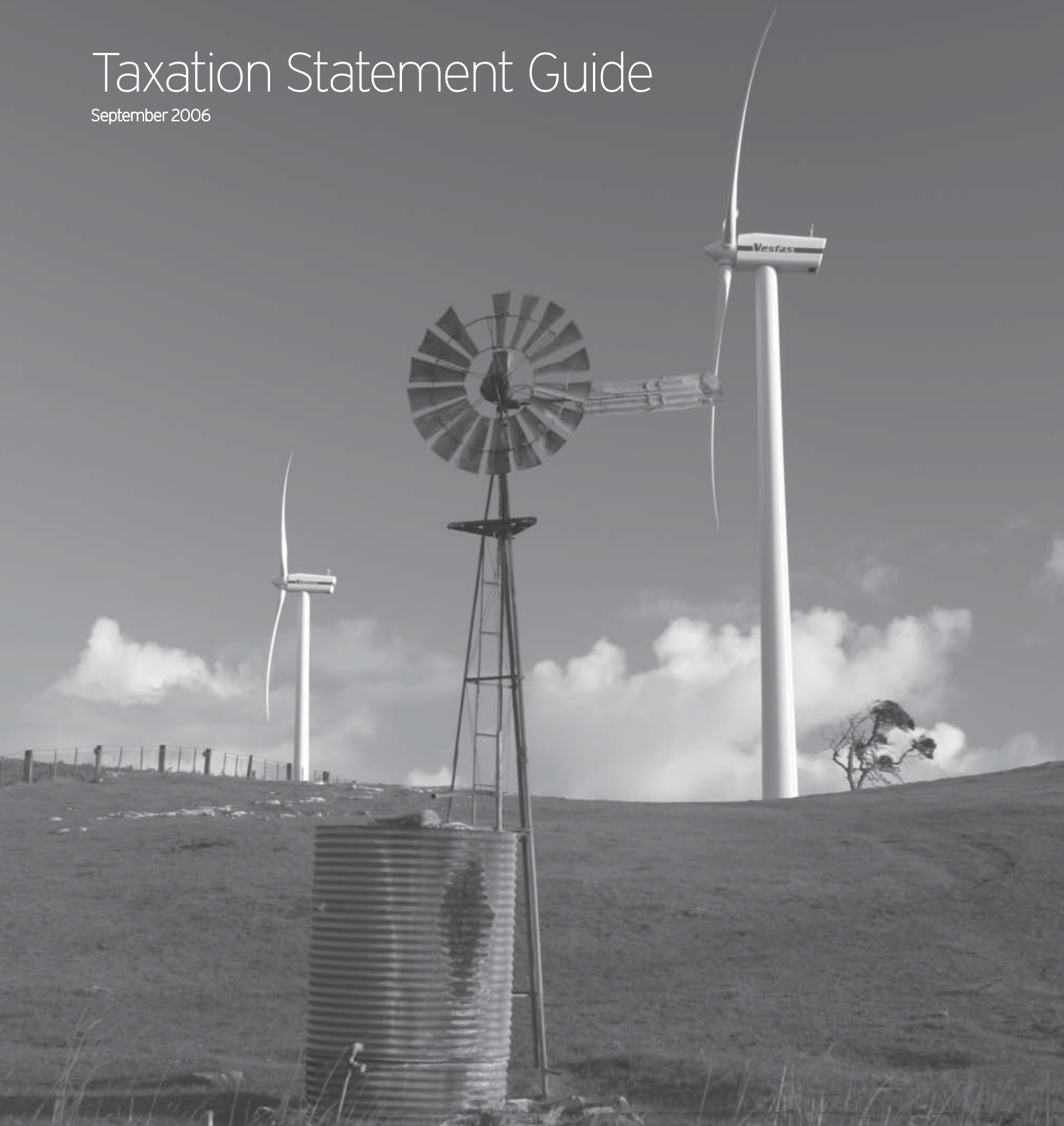
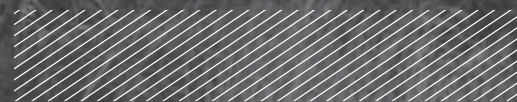


Taxation Statement Guide

September 2006



Babcock & Brown Wind Partners comprises the following:
Babcock & Brown Wind Partners Limited (ABN 39 105 051 616)
Babcock & Brown Wind Partners (Bermuda) Limited (ARBN 116 360 715)
Babcock & Brown Wind Partners Trust (ARSN 116 244 118),
whose Responsible Entity is Babcock & Brown Wind Partners Services Limited
(ABN 61 113 813 997) (AFSL No 290 710)



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IMPORTANT INFORMATION

Babcock & Brown Wind Partners (BBW) comprises Babcock & Brown Wind Partners Limited (BBWPL), Babcock & Brown Wind Partners (Bermuda) Limited (BBWPB) and Babcock & Brown Wind Partners Trust (BBWPT). Babcock & Brown Wind Partners Services Limited is the Responsible Entity for BBWPT. An investment in BBW is an investment in a stapled security comprising a share in BBWPL, a share in BBWPB and a unit in BBWPT.

The purpose of this Taxation Statement Guide (the 'Guide') is to provide you, as a security holder in BBW, with general information regarding the tax implications arising from the receipt of your 2006 interim and final distributions from BBWPT. The 2006 interim and final distributions represent 'tax deferred' amounts. As such, for the majority of security holders, the information on your 2006 interim and final distribution statements should not need to be disclosed on your 2006 income tax return. The information on your 2006 interim and final distribution statements will be relevant if and when you dispose of any of your securities in BBW.

This Guide has been prepared on the basis of taxation laws prevailing at the date of this Guide. This Guide is intended to assist security holders in meeting their Australian income tax compliance obligations. Security holders are not entitled to rely on this information in relation to managing their specific tax affairs. Security holders should obtain their own tax advice in relation to the taxation implications associated with their investment in BBW.

This Guide uses technical tax terms in describing both the character of security holders and the nature of their investment in BBW that are important in determining the taxation consequences of receiving distributions from BBW and the taxation consequences of disposing of their investment in BBW. These terms are set out in Appendix 1 with a brief explanation as to their meaning. In some instances it may be difficult to determine how these terms apply to you and your investment. If this is the case, you should seek professional advice from your accountant or taxation adviser.

1.0 2006 DISTRIBUTIONS

The 2006 interim and final distributions are distributions from BBWPT (ie. they are distributions from a trust, not dividends paid by a company). Neither BBWPL nor BBWPB has declared or paid a dividend in respect of the period from listing on the Australian Stock Exchange (28 October 2005) to 30 June 2006.

Both the 2006 interim and final distributions from BBW are 'tax deferred' distributions.

1.1 Tax Deferred Distributions

The 2006 interim and final distributions both represent tax deferred distributions, being the return of capital of BBWPT. BBWPT has received the funds for the 2006 interim and final distributions from principal repayments on loans made by BBWPT to BBWPL.

2.0 IMPLICATIONS OF RECEIVING A TAX DEFERRED DISTRIBUTION

The taxation implications associated with receipt of a tax deferred distribution from BBWPT will vary depending on whether you are an Australian Tax Resident or a Non-Tax Resident and whether you hold your investment on revenue or capital account. Appendix 1 contains a brief description of factors that may assist you in determining whether you are an Australian Tax Resident and whether you hold your investment on revenue or capital account.

2.1 Australian Tax Resident Security Holders

2.1.1 Capital Account

The receipt of tax deferred distributions will reduce the capital gains tax (CGT) cost base, or CGT reduced cost base, of your units in BBWPT, by the amount of the tax deferred distribution. Any such reduction is generally triggered at the end of the income year in which the distribution is received.

For example, for security holders that acquired their investment through the IPO, the CGT cost base of a unit in BBWPT, excluding the impact of any distributions received, is calculated based upon the initial investment in BBW of \$1.40, allocated between the three securities on the basis of \$1.38 to BBWPT, \$0.01 to BBWPL and \$0.01 to BBWPB.

This allocation gives rise to a cost base in the security holder's BBWPT units of at least \$1.38 per unit, a cost base in the security holder's shares in BBWPL of at least \$0.01 per share and a cost base in the security holder's shares in BBWPB of at least \$0.01 per share. The combined cost bases of one unit in BBWPT, one share in BBWPL and one share in BBWPB will equate to, at least, the cost of the initial subscription in BBW ie. \$1.40. Please note that there may be other costs you have incurred which also form part of the cost base of the relevant securities.

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Taking into account the 2006 final distribution, the tax deferred distributions paid in respect of stapled securities issued in the IPO are as follows:

Distribution	Record Date	Payment Date	Distribution Amount
2006 Interim Distribution	31 December 2005	23 March 2006	\$0.051 per unit
2006 Final Distribution	30 June 2006	29 September 2006	\$0.051 per unit
Total Distributions			\$0.102 per unit

Therefore, given the tax deferred nature of the 2006 interim and final distributions, a security holder who has held their investment in BBW since the IPO would reduce their original CGT cost base by \$0.102 per unit held in BBWPT, being the aggregate amount of distributions received to date.

Accordingly, for these IPO security holders, upon receipt of the 2006 final distribution, the CGT cost base of their units in BBWPT will be at least \$1.278 per unit (ie. \$1.38 less \$0.102).

As there have been no dividends or capital returns declared by BBWPL or by BBWPB for the period ended 30 June 2006, the CGT cost base for these IPO security holders in the shares in BBWPL and the shares in BBWPB should each remain at least \$0.01 per share.

For security holders who did not acquire their investment through the IPO, additional information regarding the determination of the relative cost bases of shares in BBWPL, shares in BBWPB and units in BBWPT is provided on the BBW website (www.bbwindpartners.com).

Where the quantum of any given tax deferred distribution received by a security holder exceeds the security holder's CGT cost base of the units in BBWPT at the time of the distribution, a capital gain will arise to the extent that the sum of the tax deferred distributions exceeds the security holder's CGT cost base in the units in BBWPT at that time.

The CGT implications for security holders, and how the capital gain or capital loss arising from an investment in BBW may be calculated, are set out further below. However, if you are an individual, a complying superannuation fund or a trust that holds BBW securities and you have held your investment in BBW for more than 12 months prior to selling, you may be eligible for the CGT discount. This reduces any net capital gain that is subject to taxation by 50% (for individuals either directly or through a trust) or 33⅓% (for superannuation funds).

2.1.2 Revenue Account

Security holders that hold their investment in BBW on revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of tax deferred distributions.

Whether or not you hold your investment on revenue account, you will need to undertake the above noted CGT calculations (with the exception of security holders whose BBW securities are trading stock when the distribution is received).

2.2 Non-Tax Resident Security Holders

2.2.1 Capital Account

If you are not an Australian Tax Resident and you and your associates (which is defined broadly for tax purposes and includes spouses, children, controlled entities, etc.) did not own 10% or more of the value of the shares in BBWPL, the shares in BBWPB and the units in BBWPT at any time during the 5 years before the tax deferred distribution is paid, then you should not be subject to Australian CGT in respect of the receipt of 'tax deferred' distributions. You will need to consider the taxation laws in your country of tax residence to determine the taxation implications of receiving the 2006 interim and final distributions.

If you are not an Australian Tax Resident and you and your associates beneficially owned 10% or more of the value of shares in BBWPL and BBWPB and the units in BBWPT at any time during the 5 years before the tax deferred distribution is paid, the taxation treatment referred to above in respect to Australian Tax Resident security holders should apply equally to you. The impact of any Tax Treaty entered into between Australia and your country of tax residence may also need to be considered. If this situation applies to you, you should consult your tax adviser to obtain advice in this regard.

Recent amendments have been made to the CGT rules which provide for an exception to CGT Event E4. As discussed above, CGT event E4 provides for a reduction in CGT cost base on the receipt of the tax deferred distributions. One of the recent amendments is that CGT Event E4 does not apply to a payment made to a Non-Tax Resident to the extent that it is reasonably attributable to income that is not Australian sourced. The 2006 interim and final distributions have not been funded to any extent from income derived by BBWPT that does not have an Australian source. Accordingly, this exception will not have any application to the 2006 interim and final distributions.

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We note for completeness that legislation has recently been introduced into Parliament to change the application of the Australian CGT rules to Non-Tax Residents. Under the proposed new rules, Non-Tax Residents will be exempt from Australian tax on any capital gains from CGT events in respect of CGT assets unless, broadly, the relevant CGT asset is taxable Australian real property, membership interests of 10% or more in an entity which has taxable Australian real property as its principal assets or business assets of an Australian permanent establishment.

The relevant assets held by Non-Tax Residents are the units in BBWPT. Accordingly, the assets themselves are not taxable Australian real property. As far as BBW is aware, each Non-Tax Resident security holder (together with its associates) is likely to hold less than 10% of the units in BBWPT. Furthermore, holding units in BBWPT does not of itself constitute carrying on business in Australia through a permanent establishment.

On this basis, if the proposed new rules are legislated, Non-Tax Resident security holders should not be subject to Australian CGT upon the receipt of tax deferred distributions. If you are a Non-Tax Resident and, together with your associates, hold 10% or more of BBWPT you should consult your tax adviser in relation to this matter.

These amendments will apply in relation to CGT events that happen on or after the date of Royal Assent of the legislation. As discussed above, CGT Event E4 generally occurs just before the end of the income year in which the Responsible Entity makes the payment. The interim distribution was paid in the year ended 30 June 2006 and the final distribution will be paid in the year ended 30 June 2007. Accordingly, CGT Event E4 should generally occur on 30 June 2006 in relation to the 2006 interim distribution and on 30 June 2007 in relation to the 2006 final distribution.

However, if some other type of CGT event happens to your interest in BBWPT after the payment of the interim or final distributions but before the end of the income year (eg. a sale of your BBW securities), the time of CGT Event E4 is just before that other event.

As such, the proposed new rules should generally not be applicable to the 2006 interim distribution but may be applicable to the final distribution (depending upon the timing of the CGT event and when the rules are enacted by Parliament and given Royal Assent). We strongly recommend you consult your tax adviser in relation to the status of the above proposed legislation at the time of completing future income tax returns.

2.2.2 Revenue Account

Security holders that are Non-Tax Residents of Australia and who hold their investment in BBW on revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the receipt of tax deferred distributions.

2.3 BBW Distribution Reinvestment Plan

The BBW Distribution Reinvestment Plan ('DRP') gives rise to two separate transactions for income tax purposes; firstly, the receipt of a distribution (tax deferred in this case) and secondly, a subscription for new stapled securities. The tax implications associated with the distribution as set out above are relevant in respect of the first transaction. With respect to the issue of new securities, the participants in the DRP are taken to have acquired their securities on the date of their issue. The amount paid for the acquisition of the securities (which is essentially the cost base of the securities for tax purposes) is taken to be the amount of the distribution that would otherwise have been paid to a security holder.

2.4 Withholding Tax

2.4.1 Failure to Quote Tax File Number

While security holders are not obliged to quote a Tax File Number (TFN) to BBW or its security registry, if you are an Australian Tax Resident and have not quoted a TFN or declared a permitted exemption from quoting a TFN, the Responsible Entity may be obliged to withhold 46.5% of any distribution that represents assessable income and to forward the tax withheld to the Australian Taxation Office.

Distributions of 'tax deferred' amounts should not be subject to any such withholding tax. Accordingly, whether or not you have quoted a TFN or declared a permitted exemption, no taxes will be withheld by the Responsible Entity from the 2006 final distribution.

3.0 DIVIDENDS RECEIVED FROM BBWPL OR BBWPB

No interim or final dividend has been declared by BBWPL or BBWPB for the period ended 30 June 2006.

4.0 IMPLICATIONS OF DISPOSAL OF YOUR INVESTMENT IN BBW

4.1 Nature of Stapled Securities

For Australian CGT purposes, each stapled security is considered to comprise three separate assets, being a share in BBWPL, a share in BBWPB and a unit in BBWPT. If you dispose of any part of your investment in BBW you will technically need to do three separate CGT calculations for each of your respective investments in BBWPL, BBWPB and BBWPT.

This means that technically you will need to split your acquisition cost and your sales proceeds between the shares in BBWPL, the shares in BBWPB and the units in BBWPT. However, in most cases the aggregate of the three calculations will produce the same net result as if the disposal were treated as the disposal of a single security.

4.2 Australian Tax Resident Security Holders

4.2.1 Capital Account

If you dispose of any part of your investment in BBW, a CGT calculation needs to be performed. One of the components of that CGT calculation is the cost base of your investment. In addition to your acquisition cost, you should include other items of expenditure in your cost base. For example, it is possible to increase the cost base of your investment by including such things as stamp duty and brokerage fees. It should also be noted that your cost base will be reduced by any tax deferred distributions that you have received (as discussed above).

A capital gain will arise where your sale proceeds exceed your cost base. A capital loss will arise where your sale proceeds are less than your 'reduced cost base'. Your reduced cost base is the same as your cost base with the exception of interest payments for which you have not claimed deductions (which will be a rare event in practice).

If you are an individual, a complying superannuation fund or a trust that holds BBW securities and you have held your investment in BBW for at least 12 months, any net capital gain that you make may be reduced by 50% (for individuals either directly or through a trust) or $33\frac{1}{3}\%$ (for superannuation funds). You should seek professional advice to determine your eligibility for this reduction.

4.2.2 Revenue Account

If your investment in BBW is held on revenue account and you dispose of any part of that investment, you will need to undertake an income tax calculation.

Security holders that hold their investment on revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the disposal of their investment.

Whether or not you hold your investment on revenue account, you will need to undertake the above noted CGT calculation (with the exception of security holders whose BBW securities are trading stock at the time of disposal).

4.3 Non-Tax Resident Security Holders

4.3.1 Capital Account

If you and your associates did not own 10% or more of the value of the shares in BBWPL, the shares in BBWPB and the units in BBWPT at any time during the 5 years before the disposal, then you should not be subject to Australian CGT on disposal of those assets. You will need to consider the taxation laws in your country of tax residence to determine the taxation implications of disposing of your investments.

If you are not an Australian Tax Resident and you and your associates beneficially own at least 10% of the value of the shares in BBWPL, the shares in BBWPB and the units in BBWPT at any time during the 5 years before the disposal, the taxation treatment referred to above in respect to Australian Tax Residents should apply equally to you. The impact of any Tax Treaty entered into between Australia and your country of tax residence may also need to be considered. If this situation applies to you, you should consult your tax adviser to obtain advice in this regard.

As discussed above, an exception regarding CGT Event E4 has been introduced such that CGT Event E4 does not apply to foreign sourced income distributed to Non-Tax Residents. However, as the 2006 interim and final distributions have not been funded to any extent from income derived by BBWPT that does not have an Australian source, this exception will have no impact on the tax treatment as outlined above.

As outlined above, legislation has recently been introduced into Parliament to change the application of the Australian CGT rules to Non-Tax Residents. Under the proposed new rules, Non-Tax Residents will be exempt from Australian tax on any capital gains from CGT events in respect of CGT assets unless, broadly, the relevant CGT

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asset is taxable Australian real property, membership interests of 10% or more in an entity which has taxable Australian real property as its principal assets or business assets of an Australian permanent establishment.

The relevant CGT assets held by Non-Tax Residents are the shares in BBWPL, the shares in BBWPB and the units in BBWPT. Accordingly, the assets themselves are not taxable Australian real property. As far as BBW is aware, each Non-Tax Resident security holder (together with its associates) is likely to hold less than 10% of the shares in BBWPL, the shares in BBWPB and the units in BBWPT. Furthermore, holding shares in BBWPL, shares in BBWPB and units in BBWPT does not of itself constitute carrying on business in Australia through a permanent establishment.

On this basis, if the proposed new CGT rules are enacted, Non-Tax Resident security holders should generally not be subject to Australian CGT upon the disposal of shares in BBWPL, shares in BBWPB and units in BBWPT if that disposal occurs after the date of Royal Assent of the proposed new rules. If you are a Non-Tax Resident and, together with your associates, hold 10% or more of the shares in BBWPL, the shares in BBWPB and the units in BBWPT you should consult your tax adviser in relation to this matter.

Any capital gain on disposal of your shares in BBWPL, shares in BBWPB and units in BBWPT will occur at the time the contract of disposal is entered into. Furthermore, as outlined above, such a disposal may impact the timing of CGT Event E4 in relation to any tax deferred distribution you have received. Accordingly, we recommend you consult your tax adviser in relation to the status of the above legislation at the time of completing future income tax returns.

4.3.2 Revenue Account

If your investment in BBW is held on revenue account and you dispose of that investment, you will need to undertake an income tax calculation.

Security holders that hold their investment on revenue account should consult their tax adviser in relation to the implications associated with their investment, including those associated with the disposal of their investment.

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AUSTRALIAN TAX RESIDENT AND NON-TAX RESIDENT

'AUSTRALIAN TAX RESIDENT'

If you are an **individual** you will be considered to be an Australian Tax Resident if you satisfy any one of the following tests:

- you reside in Australia under ordinary concepts. This will include a general examination of your facts to consider whether you can be considered to dwell permanently or at least for a considerable period of time in Australia; or
- you are an Australian citizen and have no permanent place of abode outside Australia; or
- you have been in Australia for more than half of the income year (ie. greater than 183 days in the period 1 July to 30 June) and your usual abode is not outside Australia; or
- you are a member of a Commonwealth Superannuation Scheme (broadly, if you work for the Australian Public Service).

A **corporate entity** will be considered to be an Australian Tax Resident if any of the following tests are satisfied:

- it is incorporated in Australia; or
- it carries on business in Australia and its central management and control is in Australia; or
- it carries on business in Australia and has its voting power controlled by Australian resident shareholders.

A **trust or superannuation** fund will be considered an Australian Tax Resident if its trustee is a resident of Australia according to the above tests.

'NON-TAX RESIDENT' OF AUSTRALIA

You will be considered a non-resident of Australia for Australian tax purposes if you do not fall within one of the tax residency tests referred to above.

You should note that Tax Treaties between Australia and other countries may alter your residency status and in some circumstances you may be considered a dual resident. You should seek professional advice to determine your tax residence if you consider that a relevant Tax Treaty entered into between Australia and your country of residence may apply to you.

You should also note that your tax residency status can change and is tested each financial year.

CAPITAL ACCOUNT AND REVENUE ACCOUNT

'CAPITAL'

Broadly, an investment will be held on 'capital account' where the intention is to hold the investment so as to benefit from both distributions from the investment and the capital growth of the investment. An intention to hold an investment for an extended period of time is generally indicative of an investment held on capital account.

It is expected that the majority of security holders will hold their investments in BBW on capital account.

'REVENUE'

Generally, an investment is held on 'revenue account' if it was acquired with the intention of making a profit on resale, or if the investment forms part of or is incidental to a business carried on by the security holder. An intention **not** to hold the investment for a long period of time would be indicative of an investment held on revenue account. Share traders usually hold their investments on revenue account.

This is a highly complex area of taxation law. If you are not able to accurately determine whether you hold your investment on capital or revenue account, we recommend that you seek professional assistance in determining the taxation implications associated with your investment in BBW.