

MARKET RELEASE

INEXUS CONNECTION SALES UPDATE AND PRESENTATION

4 December 2006, Sydney – Challenger Infrastructure Fund (ASX: CIF) has today announced an update of gas and electricity connection sales by Inexus, in which it owns an 80.3% interest.

Both gas and electricity connection sales have continued to perform ahead of expectations, with results for the 10 months to 30 October exceeding budget forecasts for the 2006 calendar year. The performance of the electricity connections business, which Inexus commenced in 2005, has been particularly strong, with the dual offering of gas and electricity connections providing Inexus with a strong competitive advantage in bidding for new contracts.

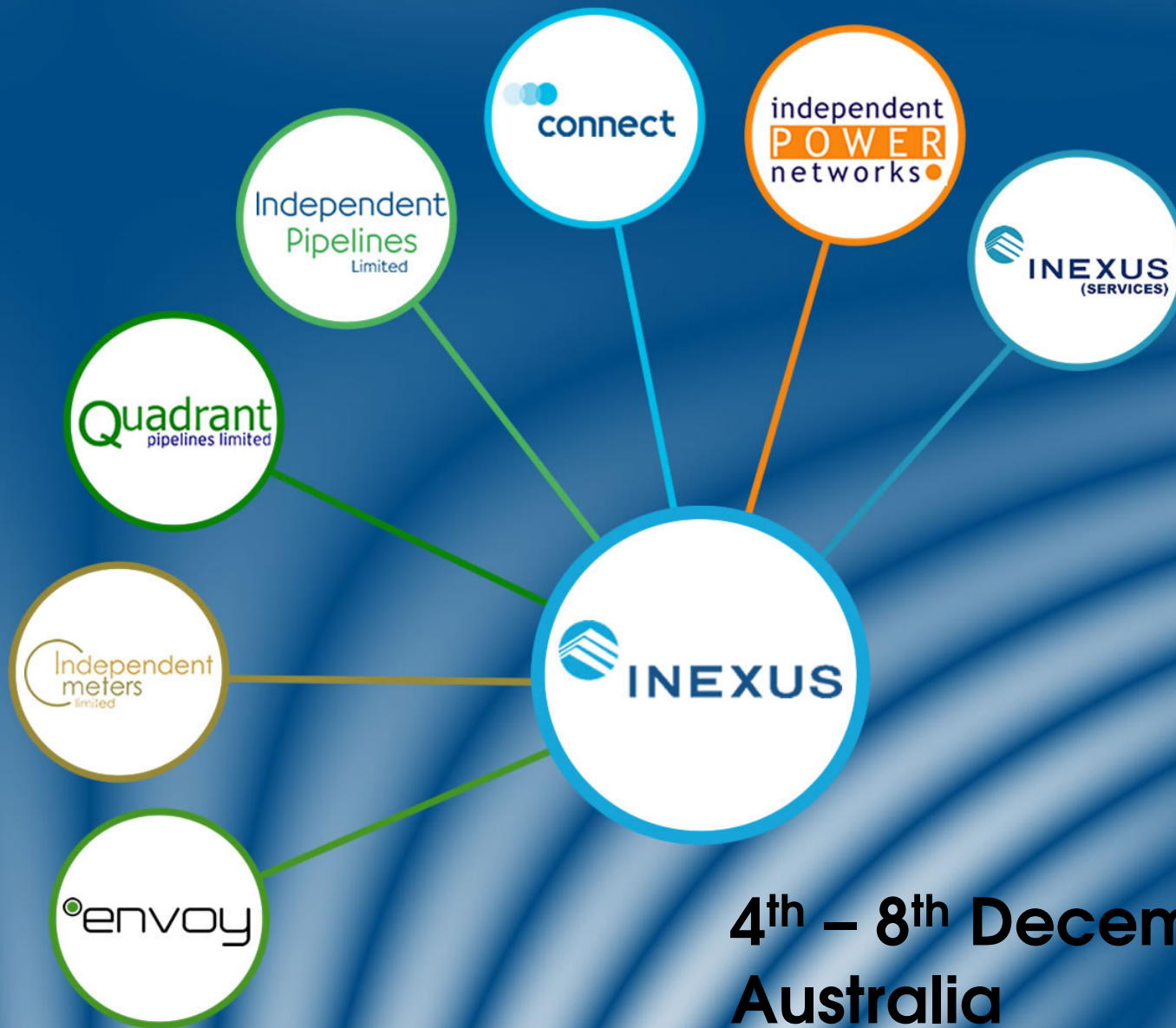
Inexus gas and electricity connection sales

	Actual 10 months to Oct 2006	Budget Jan – Dec 2006	Actual Jan – Dec 2005
Gas	67,596	65,000	70,991
Electricity	25,076	20,000	10,057
Total	92,672	85,000	81,048

In commenting on this strong result, CIF's Fund Manager, Mr Steve Bickerton, said: "This better than budgeted performance illustrates the underlying strength of the Inexus business model. The strong performance of the electricity connection business highlights Inexus' ability to successfully expand into new connections markets."

The announcement of this connection sales update coincides with the visit to Australia of Inexus' Chief Executive, Mr Phil Gibb. During his visit Mr Gibb will be meeting with Australian investors and analysts. A copy of Mr Gibb's presentation is attached.

ENDS



4th – 8th December 2006

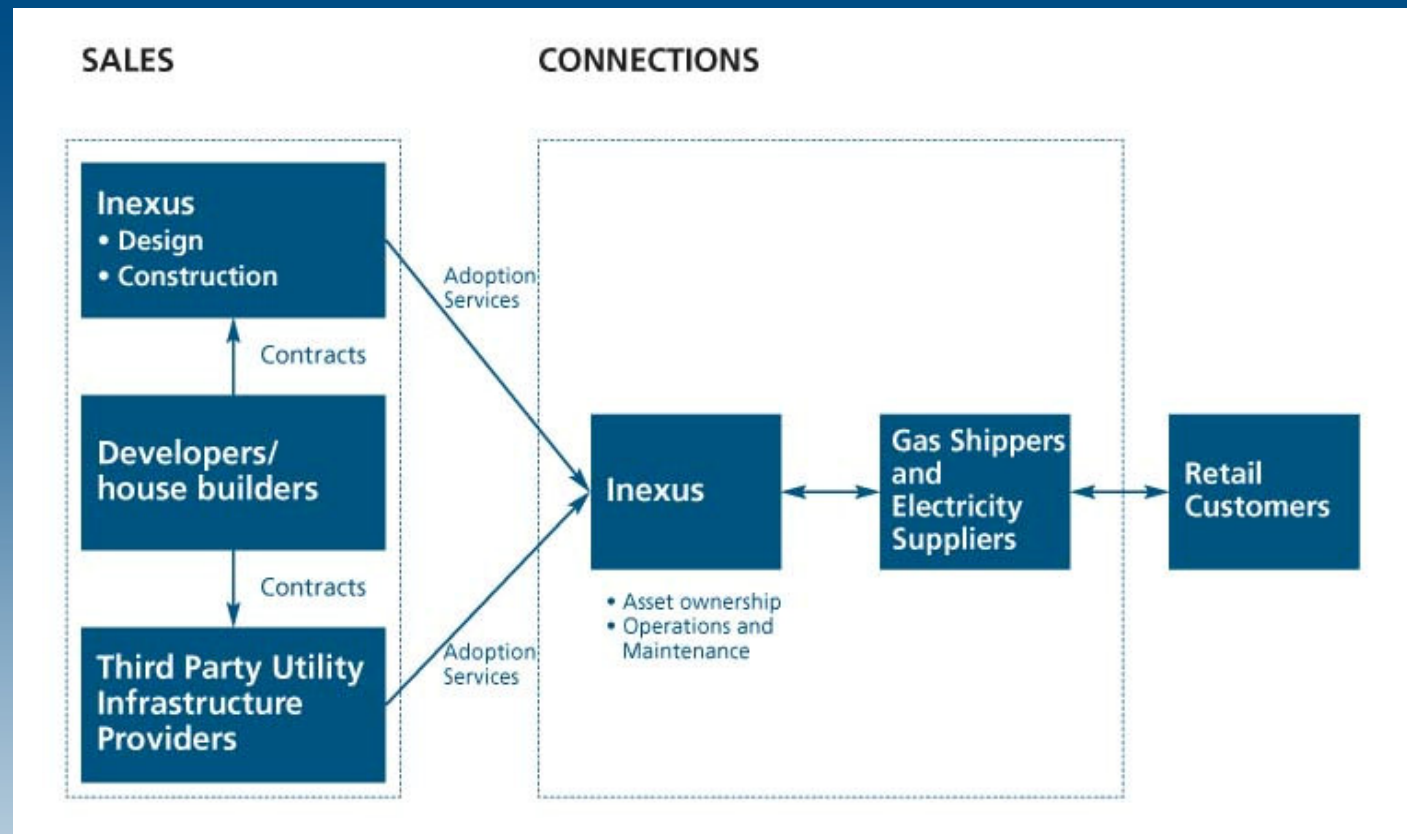
Australia

Phil Gibb

CEO, Inexus

Business Model

Inexus is the leading independent last mile gas and electricity owner and builder in the UK



Overview

Long term predictable income streams indexed against inflation

- **Revenue**
 - Derived from billing energy suppliers an availability charge to enable them access to their retail customers
 - Fully linked to inflation
 - Long term regulatory certainty in gas provides long term transparency and predictability around income
- Focus market is new build domestic housing estates
 - Strong sales relationships with major developers
- Experienced Senior Management team
 - Management worked with the regulator to develop the independent distribution network business model

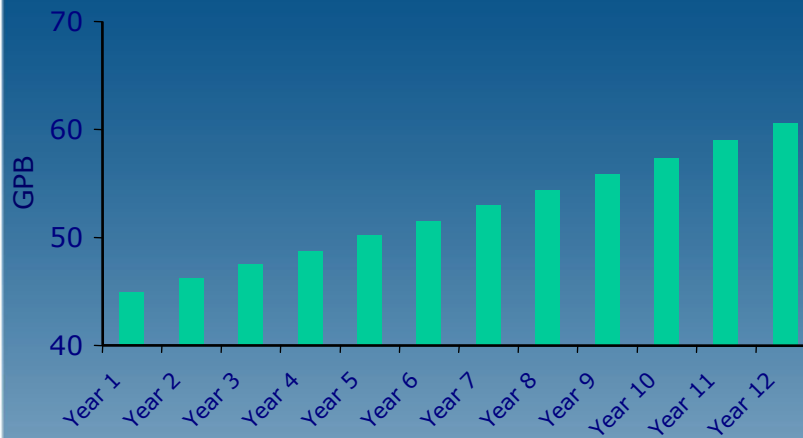
Market Leader

	Marketing of Gas	Marketing of Electricity	Direct sales force/ Build own connections	Connection growth without 3 rd party UIP's	Business focus is new build market	Unrestricted Geographic Reach	Direct Construction Model
Inexus (CIF)	✓	✓	✓	✓	✓	✓	✓
IEG/ GTC (BBI)	✓	✗	✓	✓	✓	✓	✗
ESP (ABN)	✓	✗	✗	✗	✗	✓	✗
Nationalgrid Transco	✓	✗	✗	✓	✗	✗	✗
Regional Distributor	✓	✗	✓	✓	✗	✗	✗

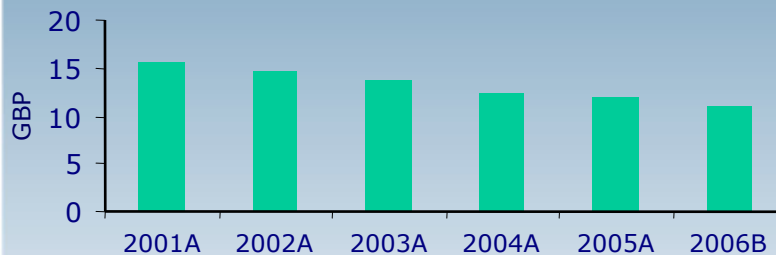
Inexus has a Competitive Pricing Advantage

The continually growing connections base reduces the unit operating cost, providing Inexus a pricing advantage when bidding against its competitors

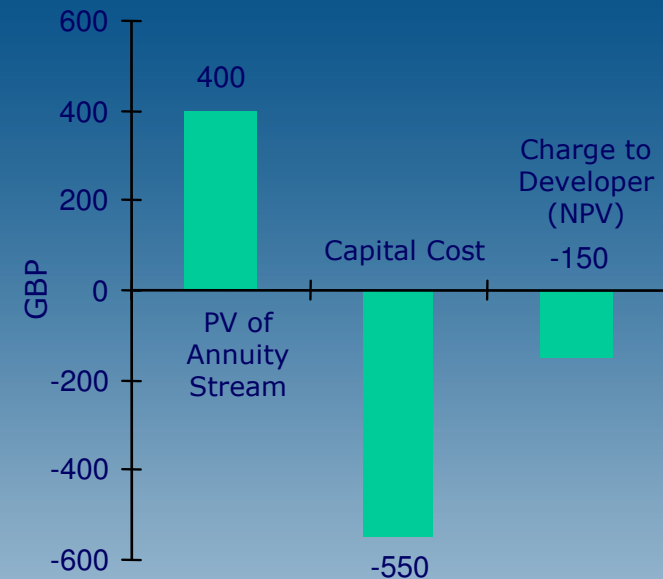
1 Annuity Stream per Connection



2 Operating Expenditure per Connection



3 Value creation per Connection



Gas Regulatory Regime – Stable

Two basic pricing regimes:

- **Legacy Pricing:**
 - Applies to connections before Jan 2004
 - 86% of connections under legacy pricing regime
 - Fixed real price escalates at RPI until 2018
 - After 2018 migrates to RPC regime (below)
- **Relative Price Control (“RPC”) Regime:**
 - Applies to connections post Jan 2004
 - Price essentially follows Transco equivalent (RPI-X)
 - Earliest regulatory review 2014
 - Price protected by floor and ceiling (expected to remain in place until 2024)

Electricity Regulatory Regime - Evolving

- BA1 (equivalent to local DNO) is current pricing approach
- Ofgem has consulted on BA1 replacement. RPC like options identified
- Both BA1 and RPC rely on all-the-way price comparisons
- Sticking point is pricing to boundary
- Inexus refusing to agree RPC until boundary pricing resolved
- DNOs now starting to crack. New regime H1 2007

Gas and Electricity Sales Update

Progress to Date

	Sales for 10 months to Oct 06	Sales Budget (Jan – Dec 06)
Gas	67,596	65,00
Electricity	25,076	20,000
Total	92,672	85,000

Gas Connections Update

Progress to Date

- Continue to maintain leading market share position

	Connections in Ground	Outstanding Order Book	Total Connections
Sept '05	323k	143k	466k
Dec '05	340k	142k	482k
June '06	365k	149k	513k
Oct '06	382k	164k	546k

Electricity Connections Update

Progress to Date

- Better than expected launch of electricity business
- Seeing advantage of dual offering in contract win rates

	Connections in Ground	Outstanding Order Book	Total Connections
Sept '05	-	7k	7k
Dec '05	-	10k	10k
June '06	1k	20k	21k
Oct '06	1k	34k	35k

Economics of Electricity vs Gas

Electricity connections subject to less competition pressures than gas connections as indicated by developer contribution

- Construction of electricity connections by an independent provider is a newly developing market

Hypothetical pricing example of a project for 500 houses located in Y

	Electricity	Gas
Revenue per connection	£43	£40
Meter Income	£0	£14
Capital Expenditure	£219	£265
Developer Contribution	£269	£10
Investment Threshold	Z%	Z+40%

Electricity Market

Total New Build	170,000 – 180,000
*Economy 7 Market	40,000 – 50,000
Available Market	130,000
Inexus 2005 Sales	10,057
Inexus 2006 Sales (10 months to 30 Oct 06)	25,076
Inexus 2007 Sales	30,000 (budget)

*A proportion of the new build market comprises electricity-heated apartments. Special tariffs are available where use of system charges are very low. DNOs have refused to introduce appropriate off-peak tariffs where an Inexus company performs last mile distribution. Currently this market is not available.

New Developments

PRODUCT	REMARKS
Water / Waste Water	<ul style="list-style-type: none">• Licence application December 2006.• Expressions of Interest on 19K• 2007 launch
Telecoms	<ul style="list-style-type: none">• No licence required• GPON networks.• 2007 launch
Metropolitan	<ul style="list-style-type: none">• Infrastructure wrapper.• To include all of above plus roads etc.• Income from infrastructure charge on properties.

New Developments - Market Size

New products are more valuable with less competition

	No.of Connections	Income / Annum/ Connection
Gas Only	100 – 120k	£35
Electricity	130k	£38
Water	100k	£40
Waste Water	100k	£40
Telecoms	180k	£80

Summary

Progress since Challenger Acquisition

	September 2005	October 2006
Connections	322,455	382,962
Order Book	148,072	197,653
Total Portfolio	470,527	580,615

Summary

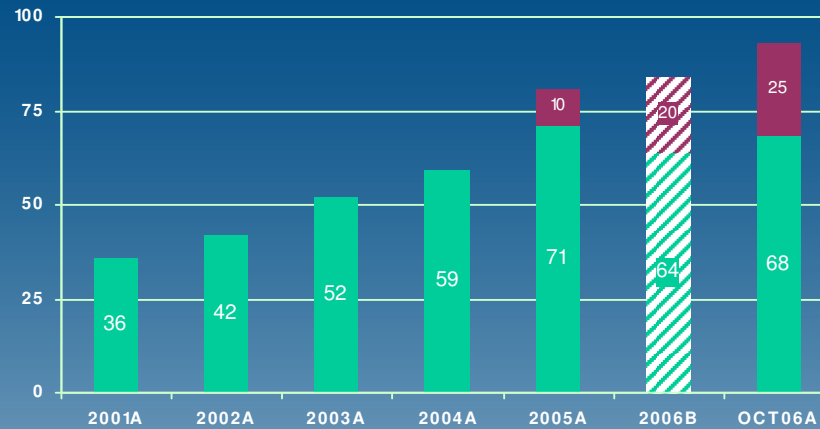
Progress since Challenger Acquisition

	2005	2007
Product Offering	Gas Electricity	Gas Electricity Water
Continued development of future product offerings		Waste Water Telecoms Metropolitan Others

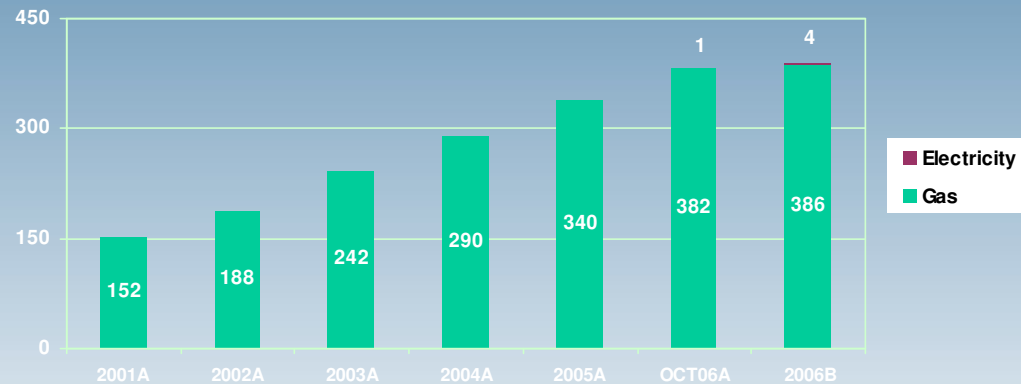
Summary

Consistently strong performance

Sales of connections up by 26% CAGR (000s)



Built connections up by 25% CAGR (000s)



Glossary

BA1	Current electricity regulation regime which caps the independent distribution network operator's prices by the level of the incumbent distribution network operator's prices
DNO	Distribution Network Operator (electricity)
GPON	Gigabite-Capable Passive Optical Networks
GTC	The Gas Transportation Company Limited (owned by IEG)
IDNO	Independent Distribution Network Operator (electricity)
IGT	A licensed independent gas transporter, being a gas transporter not ever having been part of NGT
NGT	National Grid Transco plc
Ofgem	The UK Office of Gas and Electricity Network Markets
RPC	Relative price control (regulatory regime effective 1 Jan 2004)
RPI	Retail price index (equivalent to Australian CPI)