

Acquisition of Neville James Holdings Limited

Australian Stock Exchange

1/1/2002

The Directors of Challenger International are pleased to announce that agreement has been reached in the UK with the shareholders of Neville James Holdings Limited ("Neville James") for the purchase of all the ordinary shares in the company for a price of £6.7m (A\$16.6m). The acquisition is to be funded by the issue of 3,906,862 shares in Challenger International and cash of £0.44 million. The agreement is subject to due diligence and certain other conditions which are expected to be finalised within the next few weeks.

The purchase of Neville James provides an important base for Challenger International in the UK as it has strong management, an operational base and a strong distribution focus especially with independent financial advisers ("IFA's").

The acquisition acts as a building block towards Challenger's previously stated intention to establish a new market entry point for its annuity business in the U.K.

Neville James, which was established in 1992, manages a fund of £110 million (A\$270 million) investing in traded life insurance endowment policies and is an active trader in these policies. A traded endowment policy is a conventional with profits endowment policy which the original policyholder has sold prior to maturity. The secondary market is estimated at approximately £400 million (A\$990 million) per annum.