

## MARKET RELEASE

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### EXERCISE OF ISSUED OPTIONS

11 October 2011 Sydney – Challenger Limited (ASX:CGF) announced that CPH Investments Management Pty Ltd (CPH) has provided notice to exercise its option to acquire new shares. Under the terms of the option, upon receipt of the exercise proceeds of \$195 million, Challenger will issue 60 million ordinary shares. The transaction is expected to complete on Monday 17 October 2011 and will not require further shareholder approval as this was obtained in 2003.

Concurrently, Challenger has effected the unwind of the derivative transaction between an investment bank and CPH. As a result, the investment bank has confirmed that it has no outstanding derivative agreements in relation to the CPH option.

Challenger initiated this arrangement to improve transparency and control over its own capital management activities. The arrangement enhances the company's financial flexibility, supporting investment opportunities driven by current market dislocation and providing ongoing growth initiatives given the strong demand for retirement income products.

*Ends*