

Year 2012 Portfolio Endowment Warrants



Issuer: Challenger Equities Limited ABN 45 009 568 503.
Dated 11 October 2001. Expires 8 November 2002.

Fully Covered Portfolio Endowment Warrants are offered over shares in twenty leading Australian companies

Challenger Year 2012 Portfolio Endowment Warrants Underlying Parcel includes shares in:

AMP Limited (AMP)
Australia and New Zealand Banking Group Limited (ANZ)
BHP Billiton Limited (BHP)
Brambles Industries Limited (BIL)
Commonwealth Bank of Australia (CBA)
Coles Myer Ltd (CML)
CSL Limited (CSL)
Foster's Group Limited (FGL)
Macquarie Bank Limited (MBL)
National Australia Bank Limited (NAB)
The News Corporation Limited (NCP)
Rio Tinto Limited (RIO)
St George Bank Limited (SGB)
Telstra Corporation Limited (TLS)
Westpac Banking Corporation (WBC)
Wesfarmers Limited (WES)
WMC Limited (WMC)
Woolworths Limited (WOW)
Woodside Petroleum Limited (WPL)
Westfield Holdings Limited (WSF)

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Important Dates

Date of Offering Circular:	11 October 2001
Offer Opens:	11 October 2001
Expected Commencement of Trading on ASX:	15 October 2001
Offer Closes:	8 November 2002

At Challenger, we believe in giving investors choice. As part of our ongoing commitment to giving investors leverage choice, we bring you a new investment – Challenger Portfolio Endowment Warrants.

Challenger

Portfolio Endowment Warrants

At Challenger, we are proud of our record as a provider of innovative investments. Challenger Portfolio Endowment Warrants continue this tradition.

Challenger Portfolio Endowment Warrants allow you to leverage the value of your investment in the Underlying Parcel of 20 leading Australian shares.

This gives you immediate access to the performance of these shares.

Challenger Portfolio Endowment Warrants give you many advantages over direct share ownership. The biggest advantage is that you are able to increase the size of your Underlying Parcel of Shares for the same initial cash outlay. This is because you only need to outlay about 50% of the current share price to purchase Challenger Portfolio Endowment Warrants.

What is leverage?

Leverage is simply borrowing money to invest.

By borrowing money you are getting a larger investment for the same cash outlay.

Making your money work harder

Over time the sharemarket can provide higher returns than most other forms of investment. By using a leveraged investment in the share market, you can expect potentially greater returns than if you invested only your own money.



Year 2009 Portfolio Endowment Warrant Price versus the ASX All Ordinaries Index

PEWEMG
All Ordinaries



What are the risks with leverage?

The above graph shows the returns on the All Ordinaries Index and the Year 2009 Portfolio Endowment Warrants since the Portfolio Endowment Warrants were issued in October 1998, until 31 August 2001. A \$10,000 investment on 14 October 1998 in Portfolio Endowment Warrants was worth \$15,980 on 31 August 2001. This equates to a return of 17.4%p.a..

Please note that past performance is not a guarantee of future performance. The figures do not take into account taxation.

A leveraged investment multiplies the effect of movements in the underlying shares. This applies whether the share prices are increasing or decreasing. Thus if you have a leveraged investment in an Underlying Parcel of 20 leading Australian shares, for example, and the Underlying Parcel of Shares prices fall, the value of your investment falls more quickly than if you owned the Underlying Parcel of Shares directly.

You should seek advice from your financial adviser as to whether leveraging is an appropriate strategy for your current circumstances.

What is a Portfolio Endowment Warrant?

Challenger Portfolio Endowment

Warrants give you the right

(but not the obligation) to purchase ASX listed shares in two steps

– an initial payment now and the Final Payment on any date you choose before your Warrant expires (which is in around 10 years').

Step

1

Step

2

To buy the Portfolio Endowment Warrant, you make an initial payment which is equal to about 50% of the market value of the underlying shares at the time of purchase.

Your Final Payment is a floating amount, and varies during the life of the Portfolio Endowment Warrant. The amount of the 'loan' balance (known as the Outstanding Amount), is set at the time of issue and is reduced by the cash amount of dividends and other distributions on the shares, and increases with interest.

How does a Portfolio Endowment Warrant work?

How does a Portfolio Endowment Warrant provide leverage?

Although you are paying only around 50% of the underlying share price for a Portfolio Endowment Warrant, you are able to magnify your investment power because you generate capital growth and dividend earnings on more shares – around 100%* more.

A Portfolio Endowment Warrant works much like a margin loan, except the 'loan' is 'built-in' to the Warrant. Unlike a margin loan, you are not required to make any further payments, nor are there any margin calls.

Leverage for DIY Superfunds

Challenger Portfolio Endowment Warrants are one of the few investment alternatives that allow you to gain leveraged exposure in a Superannuation Fund. In the wealth accumulation stage, Portfolio Endowment Warrants allow the fund to gain increased exposure to share price movements.

Year 2012 Portfolio Endowment Warrants?

The Underlying Parcel of Challenger Year 2012 Portfolio Endowment Warrants is in respect of the 20 leading ASX companies determined by market capitalisation. Listed below are the shares that underly the portfolio.

Company	Number of Shares	Share Price (12.9.01)	Total Value of Shares
AMP Limited (AMP)	5	\$17.83	\$89.15
Australia and New Zealand Banking Group Limited (ANZ)	6	\$15.78	\$94.68
BHP Billiton Limited (BHP)	11	\$9.07	\$99.77
Brambles Industries Limited (BIL)	9	\$10.36	\$93.24
Commonwealth Bank of Australia (CBA)	3	\$28.28	\$84.84
Coles Myer Ltd (CML)	14	\$7.00	\$98.00
CSL Limited (CSL)	2	\$45.50	\$91.00
Foster's Group Limited (FGL)	20	\$4.85	\$97.00
Macquarie Bank Limited (MBL)	3	\$32.98	\$98.94
National Australia Bank Limited (NAB)	3	\$28.05	\$84.15
News Corporation Limited (NCP)	7	\$13.55	\$94.85
Rio Tinto Limited (RIO)	3	\$32.60	\$97.80
St George Bank Limited (SGB)	6	\$14.64	\$87.84
Telstra Corporation Limited (TLS)	21	\$4.67	\$98.07
Westpac Banking Corporation (WBC)	7	\$13.57	\$94.99
Wesfarmers Limited (WES)	3	\$27.60	\$82.80
WMC Limited (WMC)	12	\$7.92	\$95.04
Woolworths Limited (WOW)	8	\$11.23	\$89.84
Woodside Petroleum Limited (WPL)	7	\$13.67	\$95.69
Westfield Holdings Limited (WSF)	5	\$16.71	\$83.55
Total Portfolio Value			\$1,851.24

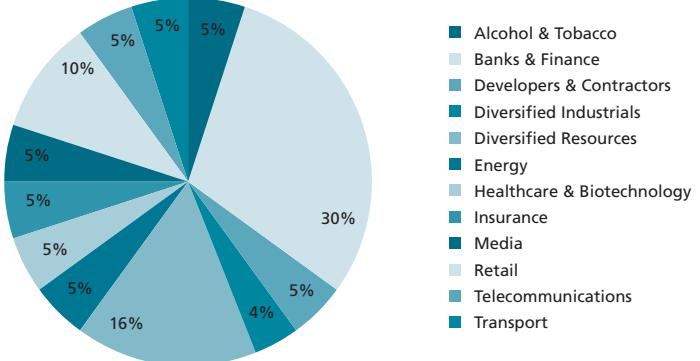
How does diversification help you?

In order to reduce the risks of an investment in the sharemarket, you should diversify your exposure in shares. Challenger Portfolio Endowment Warrants provide the easy, low-cost solution. When you invest in Portfolio Endowment Warrants you are gaining access to an Underlying Parcel of 20 leading Australian shares which is diversified across 12 different sectors of the Australian economy. Risk is reduced because you don't have 'all your eggs in one basket'. This essentially means that if some stocks fall in value, other stocks may rise creating a more stable Underlying Parcel.

The graph below shows the twelve sectors of the economy that are accessed via Portfolio Endowment Warrants at the time the Underlying Parcel was set on 12 September 2001.

How does a longer term investment strategy help you?

The associated risks with an investment in the sharemarket are reduced through a longer term investment strategy. The ten year time horizon of the Challenger Portfolio Endowment Warrants allows you to meet your longer term investment objectives.



What makes Challenger Portfolio Endowment Warrants different?

Dividends reduce the Final Payment

Challenger Portfolio Endowment Warrants are unique in that there is no fixed Final Payment. This is because the Final Payment reduces over time with any dividends earned from the underlying shares. It is possible you could receive your shares without the need for any Final Payment.

No income tax implications

With Portfolio Endowment Warrants, you do not receive dividends (as they are being used to reduce the level of the 'loan' or Final Payment), nor do you make interest payments.

Therefore, if you hold Portfolio Endowment Warrants, there will be no income tax implications for you during the term.

No further payment obligations

Holders of Challenger Portfolio Endowment Warrants have no obligation to make any additional payments once the Portfolio Endowment Warrants have been purchased.

On expiry if the share price is less than the Outstanding Amount your Portfolio Endowment Warrants simply expire with no further payment obligations.

What choices do I have after buying my Challenger Portfolio Endowment Warrant?

You have a number of choices after you purchase Challenger Portfolio Endowment Warrants. These are discussed below.

Can I cash in my Endowment Warrants early?

Yes. We understand you may wish to realise the value of your investment during the term of the Warrant. Challenger Portfolio Endowment Warrants are listed on the ASX which means you can offer them for sale at any time. The Issuer, or one of its related corporations, will act as a market maker, which means we will provide buy and sell quotes on the ASX, and buy-back and re-sell Endowment Warrants which have been issued.

When can I get my shares?

This is totally up to you. You can make the Final Payment at any time before maturity of the Warrant in ten years' time. At that time, you will receive the underlying shares.

Do I have to make the Final Payment?

No. There is no obligation for you to make any further payments once you have purchased your Warrants, you can offer them for sale on the ASX at any time prior to their maturity in 2012.

What are my choices at maturity?

- 1 Do nothing, and you will receive a cash payment equal to the market value of the shares less the Final Payment (if any) and brokerage (provided that the cash payment is at least 5% of the Final Payment).
- 2 Make the Final Payment (if any) and receive the shares.
- 3 Cash in some of your Warrants, and use that cash to make the Final Payment on the remainder of your Warrants.

Notice to Investors

Issuer

This Offering Circular has been prepared by Challenger Equities Limited, the Issuer of the Portfolio Endowment Warrants. Potential investors should note that no person is authorised by the Issuer to give any information to investors or make any representation on behalf of the Issuer not contained in the Offering Circular.

Role of Companies

No Company (as defined in the Terms of Issue) has been a party to the preparation of this Offering Circular or furnished any information specifically to the Issuer for the purpose of its preparation. The Issuer has no affiliation with any Company and has not, for the purposes of preparation of this Offering Circular, sought access to information concerning any Company other than that which is in the public domain. The only information concerning any Company included in this Offering Circular is already publicly available information. It has not been verified by the Issuer.

The Issuer does not accept any liability or responsibility, and makes no representation or warranty, whether express or implied, as to the accuracy, timeliness or completeness of any information concerning any Company included in this Offering Circular. Potential investors should make their own enquiries. Nothing in this Offering Circular can be relied upon as implying that there has been no change in the affairs of any Company since the relevant information included in this Offering Circular was issued or published. Nothing in this Offering Circular is, or may be relied upon as, a representation as to the future performance, assets or dividends of any Company.

References to Companies

References in this Offering Circular to the Companies are included solely for the purpose of identification of the shares to which the Portfolio Endowment Warrants relates, and their Issuers. Such references are not to be construed as an express or implied endorsement by any Company of the Portfolio Endowment Warrants. No Company accepts responsibility for any statement in this Offering Circular. None of the Companies, any subsidiary, and any director or officer of any of them has authorised or caused the issue of any part of this Offering Circular. None of those persons has had any involvement in the preparation of any part of this Offering Circular, none of those persons purports to make any statement in any part of this Offering Circular and none of those persons has consented to being named in this Offering Circular.

Status of Offering Circular

This Offering Circular is not a prospectus lodged under Part 6D.2 of the Corporations Act. The Australian Securities and Investments Commission ("ASIC") has by Class Order 00/1068 granted relief, subject to conditions, from the prospectus provisions of the Corporations Act (Part 6D.2

and sections 726 to 735 (inclusive) and section 737) in respect of offering of Warrants under this Offering Circular. Those conditions include the requirement that the Offering Circular comply with the Business Rules of ASX relating to Warrants (subject to waivers or exemptions from specific Business Rules granted by ASX). Accordingly, a copy of this Offering Circular has not been and will not be lodged with ASIC. ASIC and ASX take no responsibility for the contents of this Offering Circular or for the Warrants.

Investment Decisions

It is impossible in a document of this type to take into account the investment objectives, financial situation and particular needs of each potential investor. Accordingly, nothing in this Offering Circular should be construed as a recommendation by the Issuer or any other person concerning investment in Portfolio Endowment Warrants, Shares or any other security. Potential investors should not rely on this Offering Circular as the sole basis for any investment decision in relation to Portfolio Endowment Warrants, Shares or any other security and should seek independent financial and taxation advice before making a decision whether to invest in Portfolio Endowment Warrants.

Admission to Trading Status on ASX

Permission has been granted for Portfolio Endowment Warrants to be admitted to trading status on ASX. The fact that ASX has admitted the Portfolio Endowment Warrants to trading status is not to be taken in any way as an indication of the merits of the Issuer, the Companies or the Portfolio Endowment Warrants now offered for subscription. Admission to trading status of Portfolio Endowment Warrants pursuant to this Offering Circular will commence as soon as practicable after both successful application and the issue of Portfolio Endowment Warrants to Associates of the Issuer. ASX does not warrant the accuracy or truth of the contents of this Offering Circular including any expert's report which it may contain. In not objecting to the Terms of Issue or by admitting the Portfolio Endowment Warrants to trading status, ASX has not authorised or caused the issue of this Offering Circular and is not in any way a party to or concerned in authorising or causing the issue of this Offering Circular or the making of offers or invitations with respect to the Portfolio Endowment Warrants. ASX takes no responsibility for the contents of this Offering Circular. In particular, ASX has not formed a view as to whether this Offering Circular complies with the "reasonable investor" standard of disclosure contained in Rule 8.7.5 of the ASX Business Rules, this being the responsibility of the Issuer. ASX makes no representation as to whether this Offering Circular and the Terms of Issue comply with the Corporations Act or the ASX Business Rules. To the extent permitted by the Trade Practices Act or any other relevant law, ASX will be under no liability for any claim whatsoever, including for any

financial or consequential loss or damage suffered by Holders or any other person, where that claim arises wholly or substantially out of reliance on any information contained in this Offering Circular or any error in, or omission from, this Offering Circular.

Cover

Challenger Managed Investments Limited will act as Trustee to hold the Underlying Parcel pursuant to the Trust Deed.

This cover arrangement is designed to ensure that the Issuer will perform its obligations under the Portfolio Endowment Warrants by having the property to be delivered upon the exercise of the Portfolio Endowment Warrants held by the Trustee so that it is available for this purpose. While the Trustee holds the Underlying Parcel for the Issuer, the Trust Deed contains an irrevocable direction from the Issuer to the Trustee requiring that the Trustee hold and deal with the Underlying Parcel in accordance with the Terms of Issue of the Portfolio Endowment Warrant. The Trust Deed also contains an undertaking by the Trustee for the benefit of each Holder and the Issuer that the Trustee will act in accordance with that direction and will not deal with the Underlying Parcel in a way which is inconsistent with the Terms of Issue of the Portfolio Endowment Warrant. The Trustee also undertakes for the benefit of each Holder that it will not release the Issuer from its irrevocable direction or allow that irrevocable direction to be varied without the consent of ASX or a court for so long as the Issuer has any obligations in respect of the Portfolio Endowment Warrant. As a further protection for the Holders to ensure that their position will not be adversely affected by any insolvency, administration, receivership or liquidation of the Issuer the Issuer has granted the Deed of Charge in favour of the Security Trustee to hold as security trustee for the benefit of the Holders. Under the Deed of Charge the Issuer charged all its right, title and interest in the Underlying Parcels held by the Trustee pursuant to the Trust Deed. This Deed of Charge has been registered with ASIC against the Issuer as a first charge over the Underlying Parcels.

Jurisdiction

The distribution of this Offering Circular in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this Offering Circular comes should seek advice and observe any such restrictions. Failure to comply with relevant restrictions may violate those laws. This Offering Circular is not an offer or invitation in relation to Portfolio Endowment Warrants in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. Portfolio Endowment Warrants have not and will not be registered under the Securities Act 1933 (United States of America) and may not be offered or sold in the United States of America.

Potential Conflicts of Interests

The rights of Portfolio Endowment Warrant Holders against the Issuer are set out in the Terms of Issue. The Issuer is not a fiduciary to Holders. Any profits earned and losses incurred by the Issuer and its related bodies corporate in their trading activities (in relation to Shares, Portfolio Endowment Warrants or otherwise) will accrue entirely to those parties independently of the Issuer's obligations to Portfolio Endowment Warrant Holders as set out in the Terms of Issue.

Selling Agent

The Issuer has duly authorised Challenger Securities Limited to act as its Selling Agent in respect of the Portfolio Endowment Warrants. Thus, Challenger Securities Limited has the power to offer and sell Portfolio Endowment Warrants on the Issuer's behalf and any contract relating to Portfolio Endowment Warrants entered into by Challenger Securities Limited in its role as Selling Agent, is binding on the Issuer.

Role of Computershare Investor Services Pty Limited

Computershare Investor Services Pty Limited has given its consent to be named as Registrar in this Offering Circular and has not withdrawn its consent prior to the date of the Offering Circular. Computershare Investor Services Pty Limited had no involvement in the preparation of any part of this Offering Circular and its name appears for information purposes only.

Experts Interests

Mallesons Stephen Jaques and its associates may have interests in Shares or rights to subscribe for Shares or interests in shares in the Issuer or its related corporations. However, Mallesons Stephen Jaques has advised the Issuer that each such interest is not a substantial shareholding within the meaning of section 9 of the Corporations Act nor material in the sense that a reasonable person would consider that it would be likely to influence any advice or report provided to the Issuer for the purposes of inclusion in or preparation of this Offering Circular. Mallesons Stephen Jaques does not have the right to subscribe for or receive Portfolio Endowment Warrants.

Application Form

Applications for Portfolio Endowment Warrants offered under this Offering Circular will only be accepted on the Application Form included in this Offering Circular. Financial Information concerning Information about the Issuer appears in section 7.

Defined Terms

Section 6 and section 8 of this Offering Circular contain definitions of certain capitalised terms contained in this document.

Section 1

General Features

The features of the Portfolio Endowment Warrants are set out in detail in the following sections of this Offering Circular, including the Terms of Issue. This section is not a full description of the rights and obligations of a Holder, which are governed by the Terms of Issue and the general law. Offerees should read the whole Offering Circular before making an investment decision. If there is any conflict between this section and any other section of this Offering Circular (including the Terms of Issue), the latter prevails.

What is a Portfolio Endowment Warrant?

A Portfolio Endowment Warrant is a security which gives the Holder the right to purchase a basket of Australian listed company Shares. The Holder purchases the basket of Shares by paying two instalments.

The first instalment (the issue price of the Portfolio Endowment Warrant or "Deposit") is paid by the first Holder on application for an Portfolio Endowment Warrant. The Deposit is similar to a part payment and is not a bank or similar deposit. The Deposit is not refundable except in some limited circumstances.

The second instalment (the "Final Payment"), which could be as low as \$0.01 per Portfolio Endowment Warrant, is payable on completion of the Portfolio Endowment Warrant.

The maximum term to completion of the Portfolio Endowment Warrants is approximately 10 years from the date of issue. The Holder receives the Shares on payment of the Final Payment.

Whether the Final Payment is \$0.01 or a greater amount, and whether the Portfolio Endowment Warrant runs the maximum term or expires earlier, depends on a number of factors which exist during the term of the Portfolio Endowment Warrant. These factors include principally the level of dividends paid by the relevant Companies, and the level of interest rates.

The name "Portfolio Endowment Warrant" is used for descriptive purposes only and the word "Endowment" is not used in any technical sense. The Holder is not obliged to require the Portfolio Endowment Warrant to be completed and thereby to pay the Final Payment, however if the Holder

does not pay the Final Payment the Deposit is forfeited (subject to the right of the Holder to receive a refund of all or part of the Deposit in some circumstances) and the Underlying Parcel of Shares will not be transferred to the Holder.

Offer and Applications

Any person wishing to subscribe for Portfolio Endowment Warrants must complete an Application on the form attached.

Commissions

Challenger may pay a commission to sales agents for applications introduced by that sales agent of up to 3.3% of the Warrant issue price. Sales agents may also be entitled to receive up to 306 options in respect of Challenger International Limited shares per \$100,000 of Warrant sales through the Challenger Intermediary Loyalty Program. The exercise price will be pre-determined by Challenger International Limited and will apply to each option. For the year to 31 December 2001, the exercise price for each option is \$3.19.

Admission to Trading Status on ASX

Permission has been granted for Portfolio Endowment Warrants offered under this Offering Circular to be admitted to trading status on ASX's stock market. It will be possible, subject to market conditions, to purchase Portfolio Endowment Warrants on that stock market. Holders will also be able to sell Portfolio Endowment Warrants (provided that there are buyers at the relevant price) prior to the Completion Date.

Risks

Investing in Portfolio Endowment Warrants involves a significant degree of risk, including the risk that the entire Deposit will be lost. Since Portfolio Endowment Warrants provide geared exposure to Shares, the risks of investing in Portfolio Endowment Warrants are greater than the risks of investing a similar amount directly in Shares of the same class.

Some of the risks involved in investing in Portfolio Endowment Warrants are more fully described in section 3. Potential investors should ensure they fully understand the risks involved before making any investment decision, and consult with relevant advisers.

Taxation

Purchasing and holding Portfolio Endowment Warrants will have taxation consequences for investors. These consequences will depend on the particular circumstances of each Holder. A summary of some of the important taxation issues prepared by Mallesons Stephen Jaques appears in section 5. Potential investors should not rely on this advice, but should seek and rely on independent advice referable to their own circumstances prior to making any investment decision.

Specified Number

The Specified Number of Portfolio Endowment Warrants for exercise is 1,000. Holders must hold at least 1,000 Portfolio Endowment Warrants to give a Completion Notice and may only complete the Portfolio Endowment Warrants in multiples of 1,000 Portfolio Endowment Warrants.

Section 2 Description of the Portfolio Endowment Warrants

This section is a summary of the main features of Portfolio Endowment Warrants. Potential investors should read the whole Offering Circular before making an investment decision. The rights and obligations of Holders are determined by the Terms of Issue and the general law. If there is any conflict between this summary and the Terms of Issue, the Terms of Issue prevail.

Issuer

The Issuer is Challenger Equities Limited. More information about the Issuer appears in section 7.

Issue Description

On exercise of the Specified Number of Portfolio Endowment Warrants the Holder is entitled, on completion, to the Underlying Parcel which initially comprises one-thousandth of a basket of Shares consisting of the following numbers of ordinary shares in each of the companies listed below:

AMP Limited	5
Australia and New Zealand	
Banking Group Limited	6
BHP Billiton Limited	11
Brambles Industries Limited	9
Coles Myer Ltd	14
Commonwealth Bank of Australia	3
CSL Limited	2
Foster's Group Limited	20
Macquarie Bank Limited	3
National Australia Bank Limited	3
The News Corporation Limited	7
Rio Tinto Limited	3
St George Bank Limited	6
Telstra Corporation Limited	21
Wesfarmers Limited	3
Westfield Holdings Limited	5
Westpac Banking Corporation	7
WMC Limited	12
Woodside Petroleum Limited	7
Woolworths Limited	8

Maximum Issue Size

50,000,000 Portfolio Endowment Warrants. The issuer reserves the right to increase the issue size with the consent of the ASX.

Underlying Parcel

Each Portfolio Endowment Warrant relates to Shares comprising the Portfolio. The Specified Number of Warrants for exercise is 1,000 (see the paragraph "Specified Number" in this section). The composition of the Portfolio may be adjusted in certain circumstances in accordance with the Terms of Issue. See "Adjustments to Underlying Parcel" later in this section.

The Aggregate Portfolio

The composition of an Underlying Parcel may be adjusted in certain circumstances in accordance with the Terms of Issue. See "Adjustments to Underlying Parcel" later in this section. The number of Shares to which a Holder would be entitled, on completion of the Specified Number of Portfolio Endowment Warrants is shown in the table opposite subject to adjustment in accordance with the Terms of Issue.

Minimum Application

The minimum application is \$2,000.

Trustee

The Portfolio Endowment Warrants are fully covered warrants for the purposes of the ASX's Business Rules. Challenger Managed Investments Limited has been appointed as Trustee to hold the Underlying Parcels under the Trust Deed and to act as Security Trustee under the Deed of Charge.

Minimum Subscription and Underwriting

There is no minimum number of Portfolio Endowment Warrants which must be issued for the offer to proceed. The offer is not underwritten.

Offer Period

The offer of Portfolio Endowment Warrants under this Offering Circular is open from 9:00am (Sydney time) on the date of this Offering Circular and will close at the earlier of:

- a) the subscription of all the Portfolio Endowment Warrants that are offered under this Offering Circular; and

b) the date 13 months after the date of this Offering Circular, subject to the rights of the Issuer to withhold offering the Portfolio Endowment Warrants at any time and for any period of time and to close the offer of Portfolio Endowment Warrants on an earlier date without prior notice. No Portfolio Endowment Warrants will be issued on the basis of this Offering Circular later than 13 months after the date of this Offering Circular.

The Issuer reserves the right and currently intends to continue to issue Portfolio Endowment Warrants after the commencement of trading of Portfolio Endowment Warrants on the stock market conducted by ASX.

Application Procedure

Applications may only be made on the Application Form attached to this Offering Circular.

Applicants must, before the close of the Offer Period, lodge with the Issuer the completed Application Form and the Application Amount. Payment of the Application Amount must be by cheque in Australian Dollars. The minimum Application Amount is \$2,000.

The Issuer will determine the number of Warrants to be issued for the Application Amount. Factors such as the current price of the underlying Shares, current Outstanding Amount and current volatility of the portfolio of Shares will determine the issue price per Warrant and hence the number of Warrants issued for the Application Amount.

The number of Warrants will be rounded up, if necessary, to the nearest whole number.

Successful applicants will receive confirmation of the number of Warrants issued to them within 12 Business Days of receipt of the Application Form.

The Issuer reserves the right to accept or reject any application in its absolute discretion and to vary the application procedure. The Issuer will not accept applications prior to the date of this Offering Circular.

If an application is rejected, wholly or in part, the respective application monies will be returned to the applicant without the payment of interest.

All telephone conversations between potential applicants or Holders and the Issuer or any related company may be recorded.

Issue Price

This Offering Circular does not specify the price at which Portfolio Endowment Warrants will be issued. The Issue Price (which is the "Deposit"

referred to in the Terms of Issue) will depend on the price of the Shares and other market variables at the time that an application is processed and will therefore vary from time to time during the offer period.

Specified Number:

Holders may only exercise Portfolio Endowment Warrants in whole multiples of the Specified Number (being 1,000 Portfolio Endowment Warrants). If a Completion Notice is given for a number of Portfolio Endowment Warrants which is not a whole multiple of the Specified Number, the number of Portfolio Endowment Warrants exercised under the notice will be rounded down to the closest whole multiple of the Specified Number and any excess exercise money will be refunded to the Holder and an Assessed Value Payment will be made for the Portfolio Endowment Warrants which are not exercised (see clauses 5.5 and 5.13 of the Terms of Issue).

Trading

Permission has been granted by the ASX for the Portfolio Endowment Warrants offered by this Offering Circular to be admitted to trading status on the stock market conducted by ASX.

Treatment of Dividends and Rights

A Portfolio Endowment Warrant does not confer on the Holder an entitlement to any dividends or other distributions nor to any rights (including voting rights) in respect of the relevant Shares except as a result of Completion. Dividends and other distributions will be relevant in calculating the Outstanding Amount and in determining the composition of the Underlying Parcel.

Voting of Shares

From time to time the Issuer (or other members of the Challenger International Limited group of companies) may hold Shares in, or Warrants or other securities relating to Shares in the Companies. Holders of Portfolio Endowment Warrants have no power, directly or indirectly, to vote or control how the Issuer (or the Trustee or relevant company) votes those Shares or other securities. The Issuer (or relevant company) may vote or not vote those Shares or other securities at its sole discretion and having regard solely to its own interests.

Shares held by the Trustee pursuant to the Trust Deed may be voted as directed by the Issuer but the Issuer has undertaken to the Trustee in the

Trust Deed not to give a direction which is inconsistent with the Terms of Issue.

Outstanding Amount

The Outstanding Amount is a reference amount which is used to determine the Final Payment at the Completion Date of the Portfolio Endowment Warrants. It is calculated daily in accordance with the formula set out in clause 4.5 of the Terms of Issue.

The Outstanding Amount for Portfolio Endowment Warrants as at the date of this Offering Circular is \$1.11 per warrant which is \$1,110 for each Specified Number (1,000) of Portfolio Endowment Warrants held.

The Outstanding Amount for Portfolio Endowment Warrants increases daily at the Base Rate plus the Margin of 2.5% per annum.

The Base Rate is 4.32 % per annum until and including 2 January 2002 and thereafter a floating rate set by the Issuer on the first Business Day of each calendar quarter. The Base Rate will be set by the Issuer to the 90 day bank bill swap average bid rate on 2 January 2002 and thereafter reset by the Issuer on the first Business Day of each calendar quarter (see Terms of Issue for more detail on determination of the Base Rate).

Reduction Amount

The Outstanding Amount reduces each day by any relevant Reduction Amount for that day. Reduction Amounts include cash amounts such as dividends and cash returns of capital, and the value (determined in accordance with the Terms of Issue) of rights (and other distributions of property which the Issuer in its discretion nominates) distributed to the holder of any of the Shares in that capacity after the date that the offer opens. Dividends will not be grossed up to take account of franking credits. The Issuer will determine the Reduction Amounts and its calculations will be conclusive.

Notice of Outstanding Amount

The Issuer will notify Holders and ASX during the term of the Portfolio Endowment Warrants of the level of the Outstanding Amount as at 30 June of each year, not later than 30 August in each year. In addition, the Issuer will notify ASX of the level of the Outstanding Amount whenever there is a Reduction Amount within seven days thereafter.

The Issuer will inform applicants and Holders

of the level of the Outstanding Amount on any Business Day on request made by telephone to the Issuer's Sydney office.

Completion Date

Subject to the possibility of a Lapse Date, the Completion Date will be 30 Business Days after the earliest of the Expiry Date (specified below), the date of receipt of an Early Completion Notice and the first date the Outstanding Amount becomes less than zero by at least the Transfer Tax Amount (defined in the Terms of Issue). This last date cannot be determined now and will depend to a large extent on the level of dividends paid by the Companies, and the level of interest rates. Holders will receive between 20 and 30 Business Days notice of the Completion Date. Under clause 8 of the Terms of Issue, notice is validly given by the Issuer if it is sent to the Holder's address shown in the Register. Holders must ensure that the address is correct. Holders will then need to follow the Completion procedure summarised below.

Expiry Date

The Expiry Date for Portfolio Endowment Warrants is 16 April 2012.

Early Completion Notice

The Holder may at any time prior to the Expiry Date by written notice to the Issuer ("Early Completion Notice") require completion of a Portfolio Endowment Warrant. The number of Portfolio Endowment Warrants to be completed must be a minimum of 1,000 and thereafter multiples of 1,000.

Termination

Portfolio Endowment Warrants will terminate if a valid Completion Notice together with cleared funds for the Final Payment is not received by the Issuer by 6:00pm on the Completion Date. In certain circumstances Holders may be entitled to receive an amount by way of a full or partial refund of the Deposit following the termination of a Portfolio Endowment Warrant. See "Assessed Value Termination Payment" later in this section.

Lapse Date

In some circumstances a Portfolio Endowment Warrant will lapse. The circumstances which give rise to a Lapse Date are summarised later in this section under the heading "Extraordinary Events (Early Notification Events)". In certain circumstances Holders may be entitled to receive an amount

by way of a full or partial refund of the Deposit following the lapse of a Portfolio Endowment Warrant. See "Assessed Value Lapse Payment" later in this section.

Final Payment

If the Outstanding Amount on the Determination Date is less than zero by at least the Transfer Tax Amount, the Final Payment will be one cent (\$0.01). The Issuer waives the right to receive Final Payment where the Final Payment is only \$0.01. The Underlying Parcel will include an additional cash amount equal to the amount by which the Outstanding Amount was reduced below zero, less the Transfer Tax Amount.

In other cases, the Final Payment will be the sum of the following:

- i) the Outstanding Amount on the Determination Date;
- ii) the Transfer Tax Amount; and
- iii) interest to allow for the time elapsed from the Determination Date until the Completion Date.

Cash Adjustment

Following completion of a Portfolio Endowment Warrant, the Holder will be entitled to a further amount equal to all Reduction Amounts that are paid or distributed to the holder of any of the Shares in that capacity after the Determination Date, which have not been deducted from the Final Payment, and to which the Holder is not otherwise entitled by virtue of delivery of the Underlying Parcel.

Assessed Value Termination Payment

If a Portfolio Endowment Warrant terminates under clause 2.3 of the Terms of Issue and the weighted average sale price of an Underlying Parcel during the last two hours of Normal Trading on the Completion Date is greater than the Final Payment on the Completion Date (in each case calculated in accordance with the Terms of Issue) by a margin of more than 5% of the Final Payment the Holder may be entitled to receive an assessed value termination payment. See clause 5.12 of the Terms of Issue for further information regarding assessed value termination payments.

Completion Procedure

Holders will be given between 20 and 30 Business Days' notice of the Completion Date other than where a Holder gives an Early Completion Notice. Except in the case of a Holder giving an Early Completion Notice, Holders wishing to complete Portfolio Endowment Warrants must lodge a valid

Completion Notice with the Issuer, together with cleared funds (made payable to the Issuer) for the Final Payment if the Final Payment is greater than one cent (\$0.01), prior to 6:00pm on the Completion Date.

Where a Holder gives an Early Completion Notice the Issuer must not later than 10 Business Days prior to the Completion Date advise the Holder of the amount of the Final Payment and any Transfer Tax payable on the Completion Date and the Holder must pay the Final Payment and any Transfer Tax to the Issuer in cleared funds prior to 6:00pm on the Completion Date. If the Holder defaults in making the payment by the required time, the Early Completion Notice shall be deemed to be of no effect and completion will not occur on the Completion Date.

If a Holder does not pay the Final Payment in respect of all the Portfolio Endowment Warrants which the Holder holds, the Holder may choose Partial Completion on the Completion Date. This will cause the Issuer to determine the number of Portfolio Endowment Warrants held by the Holder which need to lapse to produce a sufficient amount by way of Assessed Value Termination Payments to pay the Final Payment on the balance of the Holding. The balance of Portfolio Endowment Warrants to be completed must be a number that is a multiple of 1,000. If you elect partial completion you will receive a lesser number of shares than if you had made the Final Payment and Completed all the Portfolio Endowment Warrants.

Following effective completion of a Portfolio Endowment Warrant the Issuer will process the transfer of the Underlying Parcel to the Holder and arrange for any Transfer Tax (stamp duty) to be paid (at no further cost to the Holder).

Extraordinary Events

(Early Notification Events)

Where an Early Notification Event arises, the Issuer can, with the consent of the ASX, nominate an Early Notification Event. If such a nomination is made the Portfolio Endowment Warrant will lapse and a payment will be made by the Issuer to the Holder in accordance with clause 5.13 of the Terms of Issue.

The Issuer may at any time, in its absolute discretion and with the consent of ASX, nominate any of a number of events as Early Notification Events. These events are described in the Terms of Issue and are summarised below:

Delisting and Suspension: The actual or proposed delisting, withdrawal of admission to trading status or suspension of the Shares or the Portfolio Endowment Warrants except, in the case of the Portfolio Endowment Warrants, where that delisting, withdrawal or suspension is caused by the Issuer.

Assessed Value Lapse Payment

If a Portfolio Endowment Warrant lapses and the value of an Underlying Parcel on the Lapse Date is greater than the Outstanding Amount on the Lapse Date (in each case calculated in accordance with the Terms of Issue) by a margin of more than 5% of the Outstanding Amount the Holder may be entitled to receive an assessed value lapse payment. See clause 5.13 of the Terms of Issue for further information regarding assessed value lapse payments.

Material Change

The Issuer determining that the initial property comprised in a Portfolio has changed in a material manner, provided that the Portfolio will only be considered to have changed materially if the change is in respect of not less than 50% of the Portfolio by value at the Lapse Date.

Adjustments to Underlying Parcel

Several events may occur in relation to the Companies or the Shares which will result in adjustments being made to the composition of an Underlying Parcel. These events are set out in clause 6 of the Terms of Issue.

Some events and the corresponding adjustments (if any) are summarised below.

Bonus Issue: The Portfolio will be adjusted to include the bonus securities.

Rights Issue: No adjustment will be made to the Portfolio (however, a rights issue may give rise to an adjustment to the Outstanding Amount).

Cash Return of Capital: If a pro rata cash return of capital involves the cancellation or repurchase of any Shares, the Underlying Parcel will be adjusted to exclude the cancelled or repurchased securities. (A cash return of capital may also give rise to an adjustment to the Outstanding Amount).

Reconstructions of Capital: The Underlying Parcel will include the new securities issued in substitution for the old securities which constituted, in part, the Portfolio before reconstruction.

Takeover or Scheme of Arrangement:

If a takeover offer is made to purchase Shares which proceeds to compulsory acquisition or any other procedure is adopted which would, subject only to the intervention of a court, necessarily result in the compulsory acquisition or cancellation of Shares, the Shares of that class cease to form part of the Portfolio and the value of the takeover consideration shall be determined in accordance with the Terms of Issue. Where the takeover consideration is a cash amount it will be included in the Reduction Amount for the day in which it would be received. Non-cash consideration will be dealt with in accordance with the Terms of Issue (refer clause 4.2)

Surplus Cash: The Underlying Parcel will include an additional cash amount equal to the amount by which the Outstanding Amount is less than zero, less the Transfer Tax Amount.

CHESS

The Issuer has applied to have the Portfolio Endowment Warrants admitted to CHESS. When the Portfolio Endowment Warrants become "CHESS Approved Securities", holdings will be registered on one of two subregisters: an electronic CHESS subregister or an Issuer sponsored subregister. Portfolio Endowment Warrants held by a Holder who is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS subregister. All other Portfolio Endowment Warrant Holdings will be registered on the Issuer sponsored subregister.

Under the CHESS system, Holders will be provided with a holding statement by ASX on initial purchase and whenever there is a change in holding, rather than with a certificate. The holding statement will be similar to a bank statement and will record the number of Portfolio Endowment Warrants held and the particulars of the Holder, including the Holder's Holder Identification Number in the case of a CHESS Holder or a Shareholder Reference Number in the case of an issuer sponsored Holder.

Holders who hold Portfolio Endowment Warrants with more than one sponsoring participant will receive separate holding statements for each holding from ASX.

Register

The Portfolio Endowment Warrants will be noted in registers of Portfolio Endowment Warrants maintained by Computershare Investor Services Pty Limited.

Stamp Duty

The issue of Portfolio Endowment Warrants is not currently liable to stamp duty in any Australian jurisdiction.

The transfer of the Portfolio Endowment Warrant is not currently liable to stamp duty in any Australian jurisdiction.

No stamp duty will be payable by the Holder on giving a Completion Notice or Early Completion Notice.

Risk Factors

Investment in Portfolio Endowment Warrants involves a degree of risk. The risks are described in more detail in section 3.

An investment in Portfolio Endowment Warrants is considered by the Issuer to be suitable only for investors who fully understand the risks involved and are prepared to sustain a loss of up to the full amount paid for the Portfolio Endowment Warrant.

The Issuer recommends that potential investors obtain independent financial and taxation advice before acquiring Portfolio Endowment Warrants.

Buy-back

The Issuer currently intends that either the Issuer or a related corporation of the Issuer will make a market (that is, provide buy and sell quotes) in Portfolio Endowment Warrants on the stock market conducted by ASX and therefore to buy and re-sell in the course of so doing Portfolio Endowment Warrants which have been issued.

Associations Arising as a Result of Portfolio Endowment Warrant Trading:**Takeovers and Disclosure**

The acquisition and exercise of a Portfolio Endowment Warrant may have implications for Holders under Chapters 6, 6A, 6B, 6C and 6D of the Corporations Act 2001 (Commonwealth). The precise implications depend upon the Holder's particular circumstances. Holders should obtain their own legal advice on this issue.

However, Holders should note that ASIC has issued Class Order 00/451 which disregards any

Relevant Interest in, or voting power in relation to, a security which a Holder may have solely as the result of holding a Call Warrant. ASIC has also issued Class Order 00/452 which disregards any relevant interest in, or voting power in relation to, a security which the Issuer holds as cover for its obligations under the terms of the Call Warrant and also disregards certain associations between the Issuer and a Holder. These Class Orders shall apply to the Portfolio Endowment Warrants.

Regulatory Restrictions

The acquisition or Completion of Portfolio Endowment Warrants could have implications for investors under State and Commonwealth legislation including the Foreign Acquisitions and Takeovers Act 1975 (Commonwealth) and the Financial Sector (Shareholdings) Act 1998 (Commonwealth).

Each applicant should obtain his or her own advice in this regard.

Section 3 Risk Factors Relating to the Portfolio Endowment Warrants

An investment in Portfolio Endowment Warrants involves a number of risks, including the risk of losing the entire investment. The leverage provided by Portfolio Endowment Warrants means that the risk is greater than in the case of an investment of the same amount in Shares. Applicants should ensure that they fully understand the risks involved prior to making any investment decision. If necessary independent financial advice should be obtained.

Performance by the Issuer

The value of Portfolio Endowment Warrants depends upon, among other things, the ability of the Issuer to perform its obligations in accordance with the Terms of Issue by procuring the transfer of Shares to Holders or, in certain circumstances, by making the payments referred to in clauses 5.9, 5.12 or 5.13 of the Terms of Issue. The Cover Arrangement is designed to remove this risk so that the financial position of the Issuer will not affect its ability to meet such obligations.

The performance by the Issuer of its obligations under the Portfolio Endowment Warrants is not guaranteed by ASX, the National Guarantee Fund or the Options Clearing House.

Section 7 includes information about the Issuer and the Trustee.

National Guarantee Fund – Not a Guarantor in all Cases

Claims against the National Guarantee Fund may only be made in respect of secondary trading in Portfolio Endowment Warrants between brokers on the stock market conducted by ASX. Claims can in no way relate to the Issuer's obligations in respect of the primary issue of the Portfolio Endowment Warrants, an off-market transfer of the Portfolio Endowment Warrants or the settlement obligations of the Issuer arising from the completion or lapse of a Portfolio Endowment Warrant.

Variable Completion Date

Portfolio Endowment Warrants do not have a fixed completion date. Although the Completion Date will not be later than the date specified in the Terms of Issue it may be an earlier date depending on the level of dividends and other cash amounts or property paid or distributed to or received by the holder of any of the Shares in that capacity after the date of this Offering Circular and the level of interest rates. The Holder may also elect to complete early by giving an Early Completion Notice. A Portfolio Endowment Warrant will terminate if a Completion Notice and cleared funds for the Final Payment are not received by the Issuer before 6:00pm on the Completion Date except where the Completion Date arises because of an Early Completion Notice. In such circumstances, the Holder may in certain circumstances be entitled to receive a cash payment by way of full or partial refund of the Deposit if the value of the Underlying Parcel is more than the Final Payment. See "Outstanding Amount", "Completion Date" and "Assessed Value Termination Payment" in section 2.

Early Notification Events

The Issuer has a discretion to nominate certain events as Early Notification Events. The nomination of an Early Notification Event may cause the Portfolio Endowment Warrants to lapse, with the consent of ASX. In such circumstances, the Holder may be entitled to receive a cash payment by way of full or partial refund of the Deposit if the value of the Underlying Parcel is more than the Outstanding Amount by a margin of more than 5% of the Outstanding Amount at that time. See "Outstanding Amount", "Extraordinary Events" and "Assessed Value Lapse Payment" in section 2.

Variable Final Payment

The Final Payment is not fixed at the date of issue. It is variable depending on factors including the level of dividends and other cash amounts and property paid or distributed to or received by the holder of any of the Shares in that capacity, and the level of interest rates. See also "Outstanding Amount" and "Final Payment" in section 2.

Takeover of a Company and Schemes of Arrangement

A takeover offer or scheme of arrangement in respect of any of the Shares may cause the composition of the Underlying Parcel to be adjusted (see section 2 of this Offering Circular and clauses 4.8 and 6.6 of the Terms of Issue) subject to any rights which the Holder has under the Terms of Issue.

Forfeiture of Deposit

The Holder has no right to recover the Deposit. In particular, if a Portfolio Endowment Warrant lapses the Deposit will be forfeited by the Holder to the Issuer, subject to any rights the Holder has to a refund of the Deposit under the Terms of Issue.

Completion and Registration Procedures

The only person who may give a valid Completion Notice is the Holder or a person who becomes the Holder within 7 Business Days after the Completion Date. If more than one otherwise valid Completion Notice is received by the Issuer in respect of the same Portfolio Endowment Warrant, the only Completion Notice which is effective is the one given by the last person who became entitled to be registered as the Holder prior to 6:00pm on the Completion Date. The number of Portfolio Endowment Warrants to be completed must be a minimum of 1,000 and thereafter multiples of 1,000.

Factors Affecting Portfolio Endowment Warrant Value

A number of factors are likely to affect the value of Portfolio Endowment Warrants. The principal factors are likely to be:

- a) the market price of the underlying Shares which comprise the Underlying Parcel;
- b) the level of dividends paid on the underlying Shares which comprise the Underlying Parcel; and
- c) the level of market interest rates.

Share Price: The market price of the underlying Shares is expected to affect the value of the Portfolio Endowment Warrant because the Portfolio Endowment Warrant gives the Holder the right, subject to certain conditions, to acquire the underlying Shares. If the market price of the underlying Shares increases then, all other things being equal, the value of the Portfolio Endowment

Warrant is also expected to rise. If the market price of the underlying Shares decreases then, all other things being equal, the value of the Portfolio Endowment Warrant is also expected to decrease. Since Portfolio Endowment Warrants are a geared investment, the percentage fall in the Portfolio Endowment Warrant price is likely to be greater than the corresponding percentage fall in the Share prices.

Dividends: The level of dividends and the level of interest rates are likely to affect the level of the Outstanding Amount, and thereby indirectly affect the value of the Portfolio Endowment Warrant. If dividends are higher than expected then, all other things being equal, it is likely that the Outstanding Amount will decrease more quickly than expected and therefore likely that the value of the Portfolio Endowment Warrant will increase. If dividends are lower than expected then, all other things being equal, it is likely that the Outstanding Amount will decrease more slowly than expected or will increase, and therefore likely that the value of the Portfolio Endowment Warrant will decrease.

Interest Rates: If interest rates are higher than expected then, all other things being equal, it is likely that the Outstanding Amount will decrease less quickly than expected or will increase, and therefore it is likely that the value of the Portfolio Endowment Warrant will decrease. If interest rates are lower than expected then, all other things being equal, it is likely that the Outstanding Amount will decrease more quickly than expected, and therefore it is likely that the value of the Portfolio Endowment Warrant will increase.

Combinations of Factors: Note that it is unrealistic to treat factors which are likely to affect Portfolio Endowment Warrant value in isolation, and that in reality many factors are likely to combine to influence the value of Portfolio Endowment Warrants. For example, higher than expected dividends paid on the underlying Shares, coupled with a corresponding decrease in the market price of the underlying Shares, is unlikely to cause the value of the Portfolio Endowment Warrant to increase.

Other Factors: Apart from the factors identified above, many other factors are likely to affect the value of the Portfolio Endowment Warrants. These may include the volatility of the price of the underlying Shares, market sentiment,

movements in international and local capital markets, prevailing and anticipated economic conditions, political developments, and other complex and interrelated factors which affect the performance of markets generally and the share market specifically.

In addition, any factor which affects the market price of the underlying Shares or financial performance of the Companies that issue the underlying Shares in the Portfolio is likely indirectly to affect the value of the Portfolio Endowment Warrants. The Issuer makes no representation or warranty about the likely price of the underlying Shares or financial performance of any Company.

Relationship between Value and Trading Price:

The factors described and identified above are those which, in theory, are likely to affect the value of Portfolio Endowment Warrants. Potential investors should note that it is possible that the value at which Portfolio Endowment Warrants trade in the secondary market may deviate significantly and for long periods from the value or changes in value which would be expected based on those factors.

Possible Illiquidity of Trading Market

Investors should be aware that there is no proper indication as to the extent to which the Portfolio Endowment Warrants will trade in the secondary market. Nor is there sufficient evidence as to whether that market will be liquid or illiquid. The Issuer will arrange for a market to be made (that is provide buy and sell quotes) on the ASX to provide a level of liquidity.

Trading by Issuer

The Issuer and its related corporations may trade in Shares and Portfolio Endowment Warrants. This trading may impact positively or negatively on the price at which Shares or Portfolio Endowment Warrants trade on ASX, and may therefore affect the market value of Portfolio Endowment Warrants.

General Market Risks

General movements in local and international stock markets, prevailing and anticipated economic conditions, political developments, investor sentiment and interest rates could all affect the market price of Portfolio Endowment Warrants. These risks are generally applicable to any investment on ASX or any other stock market.

Exercise of Discretion by the Issuer

Applicants should note that some provisions of the Terms of Issue confer discretions on the Issuer. These discretions include the discretion to nominate events as Early Notification Events and the discretion to nominate that certain distributions of property become Reduction Amounts or alternatively are included in the Underlying Parcel. The exercise or non-exercise of these discretions could adversely affect the value of the Portfolio Endowment Warrants.

Holders do not have the power to direct the Issuer concerning the exercise of any discretion, although the Issuer may only exercise certain discretions with the consent of ASX. The discretions are set out in the Terms of Issue.

Change to Terms of Issue

The Issuer may in certain circumstances make changes to the Terms of Issue.

These circumstances include:

- a) where the terms of the Change are authorised by a resolution of Holders;
- b) with the consent of ASX where the Change is necessary or desirable in the reasonable opinion of the Issuer to comply with any statutory or other legal requirement or any requirements of ASX; or
- c) with the consent of ASX where the Issuer determines that certain provisions of the Terms of Issue are inappropriate in a general way.

Schedule 4 of the Terms of Issue provides that a resolution of Holders is validly passed only where:

- a) the Issuer notifies every Holder of the proposed Change;
- b) the Issuer supplies the Holder with a document setting out the reasons for, and any advantages and disadvantages of the proposed Change;
- c) the Issuer supplies the Holder with a ballot paper allowing the Holder to vote for or against the proposed change either by way of a postal ballot or at a meeting of Holders (at the discretion of the Issuer); and
- d) not less than three times as many votes are validly cast in favour of the Change as are validly cast against it.

Suspension, Discontinuance or Modification of the Shares

Subject to the event constituting an Early Notification Event (see description in Section 2), the suspension of the Shares from official quotation on the stock market conducted by ASX will not of itself affect the validity of a Portfolio Endowment Warrant or in any way detract from the obligations of the Issuer under a Portfolio Endowment Warrant.

The cancellation of any Shares or the modification of their rights may, in certain circumstances, lead to a change in the Underlying Parcel or an adjustment to the Outstanding Amount. Otherwise, except where the Issuer nominates it as an Early Notification Event, the cancellation of any of the Shares or the modification of their rights will not affect the validity of a Portfolio Endowment Warrant or in any way detract from the obligations of the Issuer.

Suspension of Portfolio Endowment Warrant Trading

Trading of Portfolio Endowment Warrants on the stock market conducted by ASX may be halted or suspended by ASX. This may occur whenever ASX deems such action appropriate in the interests of maintaining a fair and orderly market in Portfolio Endowment Warrants or in Shares or otherwise deems such action advisable in the public interest or to protect investors.

Matters that may also be considered include circumstances where ASX has been advised that a Company is about to make an important announcement affecting its Shares, any unusual conditions or circumstances are present or the Issuer becomes unable or unwilling or fails to comply with the ASX's Business Rules or if ASX in its absolute discretion thinks fit.

Delisting of a Company

Subject to the event constituting an Early Notification Event, the removal of a Company from the official list of ASX will not affect the validity of a Portfolio Endowment Warrant or in any way detract from the obligations of the Issuer under a Portfolio Endowment Warrant. However, the Portfolio Endowment Warrants themselves may have trading status withdrawn by ASX in such circumstances. If any of the Shares become worthless or a Company is wound up or ceases

to exist, it is likely that the Portfolio Endowment Warrant will fall in value.

Marketable Parcels

The rules applicable to the Securities Clearing House set requirements in relation to a "marketable parcel" of shares. In summary, a participating organisation of ASX may not transfer a parcel of shares if the resultant holding of the transferee would be less than a marketable parcel. However a participating organisation of ASX may transfer as little as one share (a tradable unit) if the resultant holding of the transferee will be at least a marketable parcel.

In respect of shares a marketable parcel is a parcel of shares with a value of not less than \$500.

If a Holder completes their holding of Portfolio Endowment Warrants and the completion would cause the transfer of less than a marketable parcel of one or more Shares, the rules of the Securities Clearing House will prevent the transfer of Shares from the Issuer to the Holder. The Terms provide that where the Issuer is prevented from transferring the Shares by reason of the ASX or Securities Clearing House Rules the Issuer must not transfer the affected Shares.

Where the Issuer is prevented from transferring any Shares, the Holder will receive a cash amount (in respect of the affected Shares only). The cash amount will be determined in accordance with clause 5.18 of the Terms of Issue.

Alternatively, Holders who hold a number of Portfolio Endowment Warrants which relate to Shares which do not satisfy the marketable parcel criteria may consider either not completing the Portfolio Endowment Warrants and receiving the cash amount, if any, which is payable on lapse of the Portfolio Endowment Warrants in accordance with clause 5.12 of the Terms or selling their Portfolio Endowment Warrants prior to the Completion Date. Portfolio Endowment Warrants are traded on ASX and Holders may sell them through any stock broker.

Holders of Portfolio Endowment Warrants should consider these requirements when subscribing for or purchasing Portfolio Endowment Warrants.

Voting Rights

Portfolio Endowment Warrants confer no rights on the Holder to vote any Shares.

Potential Conflicts of Interests

Companies in the Challenger International Limited group may buy and sell Portfolio Endowment Warrants and Shares, warrants, exchange traded options and other securities relating to the Companies, either as principal or agent.

The rights of Portfolio Endowment Warrant Holders against the Issuer are set out in the Terms of Issue. The Issuer is not a fiduciary to Portfolio Endowment Warrant Holders. Any profits earned and any losses incurred by the Issuer and its related bodies corporate in their trading activities (in relation to Shares, Portfolio Endowment Warrants or otherwise) will accrue entirely to those parties, independent of the Issuer's obligations to Portfolio Endowment Warrant Holders.

Investment Decisions

Prior to making any investment decisions, potential investors should ensure they fully understand all risks involved in investing in Portfolio Endowment Warrants. Potential investors should also ensure they are aware of and understand the investment requirements and restrictions, if any, to which they may be subject, including those imposed by their board of directors or any regulatory body.

Section 4 Description of the Underlying Financial Instrument: The Companies

The Companies over which the Portfolio Endowment Warrant is issued are listed on the ASX and are therefore required to disclose market sensitive information to the ASX on a continual disclosing basis.

Historical information relating to the Companies, including dividends paid, share prices and trading volumes are available from Company web sites, ASX, stock brokers, financial advisers and the media.

Neither Challenger Equities Limited, nor any member of the Challenger International group, accepts any liability for or makes any representation or warranty, whether express or implied, as to the affairs on any Company included in this Offering Circular. Potential investors should make their own enquires as to the nature, activities and potential future performance of any Company.

You should seek advice from your financial adviser as to whether an investment in the underlying Companies by using the Portfolio Endowment Warrant is an appropriate strategy for your current circumstances.

Section 5 Tax Considerations

The Issuer has included the following opinion for information purposes only. Nothing in the opinion or this Offering Circular can be relied upon as implying that there has been no change in any law, administrative interpretation or ruling or any other matter which may affect the tax analysis, since the date of this Offering Circular.

1. Purpose of this opinion

- 1.1 This opinion has been prepared for the purpose of inclusion in the Offering Circular to be dated on or about 11 October 2001 to be issued by Challenger Equities Limited (the "Issuer") in relation to the proposed issue of Portfolio Endowment Warrants over shares in the Companies.
- 1.2 This opinion is intended only as a general summary of some of the taxation consequences arising from an investment in Portfolio Endowment Warrants by an Australian resident individual taxpayer or by an Australian resident complying superannuation fund.
- 1.3 The opinion is necessarily general in nature and does not take into account the specific taxation circumstances of each Investor. Potential investors should not rely on this opinion and should obtain specific taxation advice referable to their own circumstances prior to making any investment decision.
- 1.4 The law is current as of 11 October 2001. However, as is discussed below, the law is still in a state of flux due to uncertainties raised by the High Court decision; Federal Commissioner of Taxation v Orica [1998] HCA 33 (12 May 1998) ("Orica"). These uncertainties still exist despite the recent Federal Court decision in Orica v Commissioner of Taxation handed down on 2 February 2001. There is also the possibility that some of the tax reform proposals arising from the Ralph Report, once implemented, may impact the tax treatment of the Portfolio Endowment Warrants notwithstanding that, at the time of writing, no impact seems likely.

- 1.5 The Australian Taxation Office (ATO) has indicated it is examining warrants generally, but it has not given any indication as to when, if ever, it will publicly announce any final views. Investors should monitor any such announcements for themselves.
- 2 Nature of Portfolio Endowment Warrants**
- 2.1 The terms of the Portfolio Endowment Warrants are set out in the Terms of Issue which form section 6 of the Offering Circular.
- 2.2 Capitalised terms used in this opinion have the same meaning as in the Terms of Issue.
- 3 Tax Consequences**
- 3.1 Relevant Taxpayers**
- 3.1.1 This section is confined to the position of an Australian resident individual taxpayer who does not carry on the business of trading or dealing in shares or warrants, or an Australian resident complying superannuation fund (in either case referred to as "the Investor"). However, in deciding to invest in Portfolio Endowment Warrants, the trustee of a complying superannuation fund should be satisfied that it complies with its fiduciary duties and obligations under the Superannuation Industry (Supervision) Act 1993, and that it has given adequate consideration to Superannuation Circular No II.D.7 issued in February 1997 and to the Addenda to that Circular, issued in August 1997, June 1998, September 1998 and October 1998 by the Insurance and Superannuation Commission (as it was then known).
- 3.2 Subscription or Purchase**
- 3.2.1 The subscription for or purchase (whether on the stock market conducted by ASX or otherwise) of a Portfolio Endowment Warrant should not, of itself, have tax consequences for the investor in the year the subscription or purchase takes place.
- 3.2.2 The Deposit or purchase price (as the case may be) of the Portfolio Endowment Warrant will not be a deductible outgoing of the investor when paid, but rather will become relevant for tax purposes either when:
- the Portfolio Endowment Warrant is completed;
 - the underlying shares are sold (if the Portfolio Endowment Warrant is completed); or
 - the Portfolio Endowment Warrant is sold or lapses.
- 3.2.3 These consequences are discussed below.
- 3.2.4 The election of Partial Completion in the Completion Notice (which results in the termination of some Portfolio Endowment Warrants) will not result in any Australian tax implications different from those which occur upon the lapse of an Portfolio Endowment Warrant as discussed in 3.4 below.
- 3.3 Completion and Subsequent Sale of the Shares**
- 3.3.1 *Consequence of Completion*
- 3.3.2 Before the High Court handed down its judgment in Orica, it was generally thought that there were no capital gains tax ("CGT") implications (ie no assessable gain could accrue to the investor) upon the Completion of an Portfolio Endowment Warrant.
- 3.3.3 However, on one view of Orica, the completion of the Portfolio Endowment Contract gives rise to a disposal of a capital asset for CGT purposes. The "asset", constituting the rights of the investor under the Endowment Contract, is disposed of upon performance. This raises the question of whether the disposal creates a capital gain which, in turn, will depend upon the value of the shares which are the subject of the Portfolio Endowment Warrant at the time of Completion.
- 3.3.4 It is not clear from this view of the Orica decision how any gain or loss made upon the performance of obligations under a contract for the purchase of specific property should be calculated.
- 3.3.5 In response to the concerns addressed in paragraphs 3.3.2 to 3.3.4 above, the ATO issued on 23 June 1999 a non-binding discussion paper, in which a preliminary view was stated that the decision on Orica should not apply to executory contracts. A Portfolio Endowment Warrant is an executory contract.

- 3.3.6 In the discussion paper, the ATO acknowledges there are two assets involved in executory contracts: being the underlying property which is the subject of the contract (the Property Asset, in this case the Shares) and the parties' rights to have the contract completed (the Rights Asset). The ATO says when determining the implications of the CGT provisions, it will look through the Rights Asset to the underlying transaction and will only apply the CGT provisions to the Property Asset (being the more relevant transaction). If this view is extrapolated to the Portfolio Endowment Warrant context, then the ATO would only apply the CGT provisions to the Shares received on Completion, and not to the Rights Asset.
- 3.3.7 Whilst we agree with the position adopted by the ATO in relation to executory contracts, it should be noted that the discussion paper only expresses the ATO's preliminary (and not final) views. It therefore does not completely eliminate the possibility that a capital gain may arise on Completion.
- 3.3.8 *Cost Base of Shares*
- 3.3.9 The cost base of the Shares that are acquired on Completion would include both the Deposit (in the case of the first Holder) or purchase price (in the case of a subsequent Holder) of the Portfolio Endowment Warrant and the Final Payment.
- 3.3.10 If there is a payment of cash to the investor on Completion (see clauses 5.7(b) and 6.2 of the Terms of Issue) a question arises as to whether the cash amount is assessable income to the investor or whether it might be argued that it is a non-assessable reduction in the purchase cost of the Shares. The answer to this question is not free from doubt under existing law.
- 3.3.11 *Discount Capital Gains on Sale of the Shares.*
- 3.3.12 A capital gain on disposal of the Shares may be a discount capital gain where the investor has disposed of the Shares twelve months or more after the Portfolio Endowment Warrant was acquired. However, depending on the characterisation of the nature of the Portfolio Endowment Warrants, there is an argument that the investor must hold the Shares for at least twelve months in order for any capital gain on disposal of the Shares to be a discount capital gain.
- 3.3.13 Discount capital gains are only discounted after capital losses and net capital losses have been absorbed. Then, only 50% of the amount of a discount capital gain is included in the assessable income of an investor who is an individual, and 66 2/3% for an Investor who is the trustee of a complying superannuation fund.
- 3.3.14 A discount capital gain will not be available in the following circumstances:
- i) if the Shares were ultimately disposed of at a loss;
 - ii) if the investor were required to treat them as "revenue assets", including trading stock. This is unlikely in the case of an individual taxpayer who does not trade or deal in shares;
 - iii) the agreement to sell the Shares was made within 12 months of acquiring the Portfolio Endowment Warrant; or
 - iv) the investor, together with associates, owns at least 10% of the Shares in the Company immediately before any sale and certain other tests apply.
- 3.3.15 *Other considerations - independent of Orica*
- 3.3.16 We also believe the investor should not be subject to tax liability on an accruals basis during the period in which the Investor holds an Portfolio Endowment Warrant, even though the underlying Shares may increase in value during that time.
- 3.3.17 In connection with every investment it is necessary to consider the possible application of the general anti-avoidance provisions in Part IVA of the Income Tax Assessment Act 1936. Part IVA applies, broadly, where a taxpayer enters into a scheme with the sole or dominant purpose of obtaining a tax benefit (a tax benefit is, broadly, a reduction or deferral of tax payable resulting from a scheme). There appears to us to be no obvious reason why Part IVA should apply in relation to the Portfolio Endowment

Warrants. The application of Part IVA does, however, ultimately depend on the individual circumstances of each taxpayer and Investors should seek advice as to whether Part IVA might apply to an investment in Portfolio Endowment Warrants in their particular circumstances.

3.4 Lapse of Portfolio Endowment Warrants

- 3.4.1 If a Portfolio Endowment Warrant were to lapse or not be completed for any reason, the investor would be regarded as disposing of an asset for tax purposes. The investor would incur a capital loss if no consideration is received as a consequence of the lapse of the Portfolio Endowment Warrant. That loss would be incurred in the year of income in which the Portfolio Endowment Warrant lapses, and the amount of the loss should be equal to the amount of the Deposit or purchase price (with no allowance for indexation).
- 3.4.2 If, as a result of a Portfolio Endowment Warrant lapsing, the investor receives an Assessed Value Termination Payment or an Assessed Value Lapse Payment (see clauses 5.12 and 5.13 of the Terms of Issue), then the investor will make:
- a capital loss to the extent that the issue price or purchase price exceeds the Assessed Value Termination Payment or the Assessed Value Lapse Payment; or
 - a capital gain to the extent that the Assessed Value Termination Payment or the Assessed Value Lapse Payment exceeds the issue price or purchase price; or
 - a discount capital gain if the investor makes a capital gain in circumstances where the investor has held the Portfolio Endowment Warrant for at least 12 months before it lapses.

3.5 Sale of Portfolio Endowment Warrants

- 3.5.1 If an investor were to sell a Portfolio Endowment Warrant before the Expiry Date, this would be treated as a disposal of an asset for tax purposes. The cost base

of the Portfolio Endowment Warrant would be equal to the Deposit or purchase price (as the case may be).

- 3.5.2 An investor will make a capital gain if the sale price exceeds the cost base of the Portfolio Endowment Warrant.
- 3.5.3 The capital gain (if any) on sale of an Portfolio Endowment Warrant will only be a discount capital gain if the investor has held the Portfolio Endowment Warrant for at least 12 months before selling it.
- 3.5.4 Again, discount capital gains are only available where the Portfolio Endowment Warrants are not considered to be revenue assets and the agreement to sell the Portfolio Endowment Warrant was not made within 12 months of its acquisition.

3.6 Franking Credit Issues

- 3.6.1 Broadly, in certain circumstances the franking credit trading provisions will deny to a shareholder the benefit of franking credits connected with receiving a franked dividend on shares held by the shareholder.
- 3.6.2 Investors will not derive dividend income on their investment in a Portfolio Endowment Warrant during the period prior to Completion of the Warrant. Accordingly, the franking credit trading provisions should not affect investors during the period prior to Completion.
- 3.6.3 When a Portfolio Endowment Warrant is completed, the investor will become the owner of the underlying Shares.
- 3.6.4 The fact that a Share is acquired as a result of the Completion of a Portfolio Endowment Warrant should not, of itself, trigger the application of the franking credit trading measures in connection with that Share. Whether the franking credit trading provisions could apply to dividends paid on the acquired Share after Completion will depend upon the individual circumstances of the investor at the time a dividend becomes payable on the Share. For example, a mere passive individual holder of Shares should not be affected. On the other hand, if an investor enters into a risk reduction arrangement (eg a put option), or a dividend swap or

other related payments arrangement, in connection with the Share, then the franking credit trading measures could be capable of applying to deny to the investor the benefit of any franking credits attaching to dividends paid on the Share.

- 3.6.5 Investors should also be aware that they can elect to have franking ceilings apply to them. If they elect for these ceilings to apply, this may make compliance with the franking credit trading provisions easier.
- 3.6.6 Where an investor qualifies for franking credits and the total of their credits exceeds the tax payable by the investor, refunds are available.

3.7 Ralph Report Proposals

- 3.7.1 The effect of the relevant recommendations in the 30 July 1999 Review of Business Taxation ("Ralph Report") is that gains and losses on financial assets such as the Portfolio Endowment Warrants and the Shares would only be recognised for tax purposes when the investor disposes of them, unless the investor chooses for gains and losses on financial assets to be determined at the end of each tax year according to market value.
- 3.7.2 A further recommendation is that certain financial assets be taxed annually on an accruals basis. However, as presently proposed this does not appear to apply to Portfolio Endowment Warrants so that the current income tax treatment is expected to continue.
- 3.7.3 The above recommendations have been given in principle support by the Government, but have not yet been implemented. According to the Government's announcement on 23 March 2001, they are not anticipated to commence before 1 July 2002.

3.8 GST

- 3.8.1 The Issuer believes no GST will be payable by investors on the issue of the Portfolio Endowment Warrants, on any sale of the Portfolio Endowment Warrants, on the transfer to Investors of shares upon Completion or on the sale of those Shares. The basis for this belief is that the

provision, acquisition or disposal of a Share or of a warrant relating to the future supply of a share is a "financial supply" for GST purposes, on which no GST is payable.

4 Concluding comments

- 4.1 This opinion has been prepared for the Issuer for the sole purpose of inclusion in the Offering Circular. Mallesons Stephen Jaques have given, and have not, before the date of lodgement of this Offering Circular with ASX, withdrawn their consent to the inclusion of the opinion in the form and context in which it appears.
- 4.1.1 Mallesons Stephen Jaques have not been involved in the preparation of any other part of the Offering Circular and expressly disclaim any responsibility for any other part of the Offering Circular.
- 4.1.2 The opinion is necessarily general and does not take account of the specific taxation circumstances of any investor. Particularly in the light of the uncertainties created by Orica, potential investors should take and rely on their own specific taxation and other financial advice before making an investment decision.

Section 6

Terms of Issue

1 Definitions and interpretation

1.1 Definitions

In these Terms unless the context otherwise requires:

"Assessed Value Lapse Payment" means the amount calculated pursuant to clause 5.13.

"Assessed Value Termination Payment" means the amount calculated pursuant to clause 5.12.

"ASX" means Australian Stock Exchange Limited or the stock market operated by it as the context requires;

"ASX Business Rules" means the business rules of ASX;

"Base Rate" means 4.32% per annum until and including 2 January 2002, and in respect of each succeeding calendar quarter commencing 2 January 2002, the Floating Rate reset by the Issuer on the first Business Day of that calendar quarter;

"Business Day" means a day on which the stock market conducted by ASX is open for general business and banks are open for general business in both Sydney and Melbourne;

"Calculation Agent" means the Issuer or such other person appointed to replace it as Calculation Agent under clause 1.5;

"Change" means any modification, variation, alteration or deletion of, or addition to, these Terms;

"Company" means each of the following:

AMP Limited

Australia and New Zealand Banking Group Limited

BHP Billiton Limited

Brambles Industries Limited

Coles Myer Ltd

Commonwealth Bank of Australia

CSL Limited

Foster's Group Limited

Macquarie Bank Limited

National Australia Bank Limited

The News Corporation Limited

Rio Tinto Limited

St George Bank Limited

Telstra Corporation Limited

Wesfarmers Limited

Westfield Holdings Limited

Westpac Banking Corporation

WMC Limited

Woodside Petroleum Limited

Woolworths Limited

"Completion Date" means the date determined in accordance with clause 4.7;

"Completion Notice" means a notice substantially in the form, or to the effect, of Schedule 3 and includes an Early Completion Notice;

"Cover Arrangement" means the holding by the Trustee of the Underlying Parcel pursuant to the Trust Deed to ensure that the Issuer can perform its obligations under the Portfolio Endowment Warrant and the holding by the Trustee of the Deed of Charge as security trustee for the Holders.

"Deed of Charge" means the deed granted by the Issuer in favour of the Trustee as security trustee for the Holders creating a first fixed charge over the Underlying Parcels held by the Trustee pursuant to the Trust Deed to secure the performance by the Issuer of its obligations in relation to certain warrants including the Portfolio Endowment Warrants or the Issuer's liability for damages should it fail to perform those obligations.

"Default Rate" means at any time the Base Rate plus 2% per annum;

"Deposit" means, in relation to each Portfolio Endowment Warrant, the deposit paid as contemplated by clause 2.1 in respect of that Portfolio Endowment Warrant;

"Determination Date" means the day 30 Business Days before the Completion Date;

"Early Completion Notice" means a Completion Notice given by a Holder to the Issuer requiring completion prior to the Expiry Date;

"Early Notification Event" means an event nominated by the Issuer as such under clause 4.8.

"Expiry Date" means 16 April 2012.

"Final Payment" means an amount determined in accordance with clause 4.10;

"Floating Rate" means:

- a) the rate per cent per annum which is the average of the bid rates as calculated by the Australian Financial Markets Association and currently shown on the page designated "BBSY" on IRESS (an information service of Bridge DFS

Australia) at or about 10.15am on the relevant date for a bank accepted bill having a tenor of 90 days; or	“Terms” means these Terms of Issue of the Portfolio Endowment Warrants;
b) if the Floating Rate cannot be determined in accordance with paragraph (a) above, the rate reasonably determined by the Issuer to be the appropriate equivalent rate, having regard to comparable indices then available;	“Transfer Tax” means any stamp duty or equivalent governmental tax, Goods and Services Tax, impost or duty, payable on or likely to be payable on, as a consequence of, or in connection with, the completion of an Portfolio Endowment Warrant;
“Holder” means the person whose name is for the time being entered in the Register as the holder of a Portfolio Endowment Warrant;	“Transfer Tax Amount” means the Issuer’s reasonable estimate of the amount of Transfer Tax that would be payable with respect to the transfer of one Underlying Parcel to the Holder on the Completion Date if such a transfer was to occur;
“Holding” means the number of Portfolio Endowment Warrants held by a Holder.	“Transferee” means the person who gives the only effective Completion Notice in respect of an Portfolio Endowment Warrant;
“Issuer” means Challenger Equities Limited.	“Trustee” means Challenger Managed Investments Limited;
“Issuer’s Office” means the principal office of the Issuer in Sydney or another office of which the Issuer has given notice to the Holder;	“Trust Deed” means the Deed of Trust between the Issuer and the Trustee dated 14 August 2001 as amended from time to time with the approval of ASX; and
“Margin” means 2.5% per annum;	“Underlying Parcel” means the proportionate interest in Shares that relate to a Portfolio Endowment Warrant determined in accordance with the following formula:
“Opening Date” means 11 October 2001.	UP = AP/1000 where UP – the Underlying Parcel AP – the aggregate portfolio of Shares specified in the table below, subject to any change in the property which constitutes the Portfolio under clauses 4.2 and 6.
“Outstanding Amount” means on any day the amount calculated for that day in accordance with clause 4.6;	
“Partial Completion” means the event nominated by a Holder in the Completion Notice and detailed in clause 5.18.	
“Portfolio Endowment Warrant” means a deferred settlement sale and purchase agreement entered into on these Terms in respect of one Underlying Parcel;	
“Reckoning Day” has the meaning given in clause 4.1;	
“Reduction Amount” means the amount calculated in accordance with clause 4.1;	
“Register” means the register kept and maintained under clause 3.1;	
“SCH” means the securities clearing house for “CHESS Approved Securities” or any clearing house or other entity which is substituted for it;	
“SCH Business Rules” means the business rules of SCH;	
“Share” means an ordinary share in the capital of a Company.	
“Specified Number” means 1,000 Portfolio Endowment Warrants.	
“Surrender Notice” means a notice substantially in the form or to the effect of Schedule 5;	

Company	Number of Shares in the Aggregate Portfolio
AMP Limited	5
Australia and New Zealand Banking Group Limited	6
BHP Billiton Limited	11
Brambles Industries Limited	9
Coles Myer Ltd	14
Commonwealth Bank of Australia	3
CSL Limited	2
Foster's Group Limited	20
Macquarie Bank Limited	3

National Australia Bank Limited	3
The News Corporation Limited	7
Rio Tinto Limited	3
St George Bank Limited	6
Telstra Corporation Limited	21
Wesfarmers Limited	3
Westfield Holdings Limited	5
Westpac Banking Corporation	7
WMC Limited	12
Woodside Petroleum Limited	7
Woolworths Limited	8

1.2 General

In these Terms unless the context otherwise requires:

- a) a reference to any legislation or legislative provision includes any statutory modification or re-enactment of, or legislative provision substituted for, and any subordinate legislation issued under, that legislation or legislative provision;
- b) the singular includes the plural and vice versa;
- c) a reference to an individual or person includes a corporation, partnership, joint venture association, authority, trust, government and governmental authority and vice versa;
- d) a reference to a gender includes all genders;
- e) a reference to a clause or Schedule is to a clause or schedule of these Terms;
- f) a reference to any agreement or document (including, without limitation, these Terms and the ASX Business Rules) is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, supplemented or replaced from time to time;
- g) a reference to “\$” or “dollars” is an amount in Australian currency;
- h) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;
- i) a reference to a date or time is to a date or time in Sydney;
- j) expressions defined or given a meaning in the Corporations Act 2001 (Cth.) have the same meaning; and
- k) a reference to a month is a reference to a calendar month.

1.3 Headings

In these Terms, headings are for convenience only and do not affect interpretation.

1.4 Business Rules

All provisions of these Terms are subject to any contrary requirement from time to time of the ASX Business Rules and the SCH Business Rules unless ASX or SCH gives or has given a waiver or consent in respect of the Portfolio Endowment Warrants of any or all of those rules. In particular, subject to such waivers as ASX may have granted or may grant from time to time:

- a) notwithstanding anything contained in these Terms, if the ASX or SCH Business Rules prohibit an act being done, the act shall not be done;
- b) nothing contained in these Terms prevents an act being done that the ASX or SCH Business Rules require to be done; and
- c) if the ASX or SCH Business Rules require an act to be done or not to be done, authority is given to the Issuer for that act to be done or not to be done, as the case may be.

1.5 Change of Calculation Agent

The Issuer may at any time with the consent of ASX:

- a) resign as Calculation Agent or accept the resignation of the Calculation Agent or give notice to the Calculation Agent notifying it that it is no longer the Calculation Agent; and
- b) at the same time, appoint another suitably qualified person as Calculation Agent.

1.6 Appointment of Agent

The Issuer may authorise any related body corporate to exercise any of its rights and perform any of its obligations under these Terms on its behalf.

2 The Portfolio Endowment Warrant

2.1 Terms of Portfolio Endowment Warrant

Subject to clause 4.9, upon and in consideration of the payment of the Deposit to the Issuer, the Issuer issues a Portfolio Endowment Warrant under which the Issuer agrees to sell and the Holder agrees to purchase one Underlying Parcel on these Terms.

2.2 Nature of Portfolio Endowment Warrant

Each Portfolio Endowment Warrant is, on issue of the Portfolio Endowment Warrant, an agreement for the sale and purchase of one Underlying Parcel the completion of which is conditional and which:

- a) subject to clauses 2.3 and 4.9, confers on the Holder the right to give the Issuer a Completion Notice which, once given, is irrevocable;
- b) on exercise of the right conferred by clause 2.2(a) in accordance with these Terms, becomes unconditional, so that the Issuer and the Holder must then unconditionally complete the sale and purchase of one Underlying Parcel in accordance with these Terms; and
- c) confers no right or interest in respect of the Underlying Parcel or any Shares except as provided in the Trust Deed unless and until completion occurs in accordance with clause 5.7.

2.3 Termination of Portfolio Endowment Warrant

- a) Subject to clause 5.16, the Portfolio Endowment Warrant automatically terminates and, subject to clauses 5.9 and 5.12, the Deposit is forfeited to the Issuer where a valid Completion Notice (including a Completion Notice under clause 5.2) for it is not received by 6:00pm on the Completion Date.
- b) Portfolio Endowment Warrants, the subject of a Partial Completion election specified in the Completion Notice under clause 5.18, determined by the Issuer not to have been completed will automatically terminate and, subject to clauses 5.9 and 5.12, the Deposit relating to those terminated Portfolio Endowment Warrants is forfeited to the Issuer.

3 Register of Holders, Certificates and Transfers

3.1 Register

The Issuer must keep and maintain (at its cost) a Register of the Holders in accordance with the provisions of Schedule 1 and in accordance with the requirements of the ASX Business Rules and the SCH Business Rules.

3.2 No Certificates

The Issuer need not issue a certificate evidencing the title of the Holder to the Portfolio Endowment Warrant but must comply with the ASX Business Rules concerning the issue of notices relating to Portfolio Endowment Warrants and the SCH Business Rules.

3.3 Transfer

A Portfolio Endowment Warrant may be transferred if the transfer is in the manner prescribed by the ASX Business Rules and the SCH Business Rules or, if permitted, in accordance with the provisions of Schedule 2.

3.4 Registration of Transfer

The Issuer:

- a) must deal with, certify and register a transfer of a Portfolio Endowment Warrant which complies with clause 3.3 in accordance with the ASX Business Rules and the SCH Business Rules; and
- b) may refuse to register such a transfer where to do so is permitted by, and in accordance with any procedures prescribed by, the ASX Business Rules and the SCH Business Rules.

3.5 Holder Entitled to Copy of Terms

Where the Holder gives notice to the Issuer requesting a copy of these Terms accompanied by payment of a fee of \$10, the Issuer must, within 10 Business Days of receipt of that notice and payment, supply a current copy of these Terms to the Holder.

3.6 Inspection of Documents

The Issuer must keep available for inspection at the Issuer's Office and must also give to ASX:

- a) a current copy of these Terms; and
- b) a copy of all calculations audited by the Calculation Agent,

and the Holder and any member of the public has the same right to inspect the above documents as it has to inspect the Register.

4 Completion Particulars

4.1 Reduction Amount

The Reduction Amount in respect of each Underlying Parcel on a day (the "Reckoning Day") on or after the Opening Date is the aggregate of:

- a) each dividend paid in cash in respect of any Shares in the Underlying Parcel and received on the Reckoning Day;

- b) each other cash amount including, without limitation, a cash distribution in respect of a pro rata return of capital in respect of any Shares in the Underlying Parcel received on the Reckoning Day;
- c) the value, calculated in accordance with clause 4.3, of every pro rata right or pro rata entitlement to acquire for consideration shares or other securities conferred in respect of Shares in the Underlying Parcel which is received on the Reckoning Day;
- d) each cash amount paid in respect of a takeover or compulsory acquisition in respect of any Shares in the Underlying Parcel on the Reckoning Day;
- e) where:
 - i) there is a pro rata distribution of property in respect of any Shares in the Underlying Parcel;
 - ii) the distribution is not dealt with under clause 4.1(a), (b), (c) or (d); and
 - iii) the Issuer nominates that this clause is to apply to that distribution,

the value, calculated in accordance with clause 4.3, of the property distributed in respect of the Shares in the Underlying Parcel which is received on the Reckoning Day.

4.2 Takeover, scheme etc involving non-cash consideration

Where any takeover, scheme of arrangement, reorganisation, restructuring or other event occurs in relation to any Shares comprised in the Underlying Parcel which would result in the delivery of non-cash consideration to the direct holders of the relevant shares the Issuer at its discretion may, with the consent of ASX;

- a) include the non-cash consideration in the Underlying Parcel; or
- b) calculate the value of the non-cash consideration in accordance with clause 4.3 and apply the proceeds:
 - i) as a Reduction Amount in accordance with clause 4.1; or
 - ii) to acquire further Shares in the Company and add them to the Underlying Parcel.

4.3 Value of Rights and Other Property

The value of a right or entitlement under clause 4.1(c) or any property under clause 4.1(e) or the

value of any non-cash consideration under clause 4.2 is to be calculated:

- a) in the case where the rights, entitlements or other property trades on ASX on the ex-rights or ex-entitlements date, by taking the weighted average price of the rights, entitlements, or other property (excluding special sales, overseas sales and option exercises) on the ex-rights or ex- entitlement date; and
- b) in any other case by the Issuer, with the consent of the ASX.

4.4 Discretion of Issuer

Where the Issuer determines that any of the provisions of clauses 4.1, 4.2 or 4.3 are inappropriate in any particular circumstance or that any event which is not dealt with by clauses 4.1, 4.2 or 4.3 should have been dealt with, the Issuer may, with the consent of ASX, change the application of the relevant provision in any way that it considers to be appropriate.

4.5 Outstanding Amount

The Outstanding Amount (which may be more or less than zero) on any day is given by the following formula:

$$\text{OA} = \text{OP} \times (1 + \frac{\text{R}}{365}) - \text{NA}$$

Where:

- OA = the Outstanding Amount on that day;
- OP = on the Opening Date, the amount of \$1.11 and thereafter the value of the Outstanding Amount on the previous day;
- NA = the sum of all Reduction Amounts in respect of which that day is the Reckoning Day; and
- R = the Base Rate plus the Margin, expressed as a decimal.

4.6 Notification of Outstanding Amount

The Issuer must give notice to the Holder and ASX not later than 30 August in each year stating the Outstanding Amount in respect of both a Specified Number of Portfolio Endowment Warrants and each Portfolio Endowment Warrant as at 30 June in that year. Whenever there is a Reduction Amount the Issuer must give notice to ASX stating the Outstanding Amount in respect of both a Specified Number of Portfolio Endowment Warrants and each Portfolio Endowment Warrant within seven days after

the Reckoning Day in relation to that Reduction Amount. The Issuer must advise any Holder of the Outstanding Amount on any Business Day on request made by telephone to the Issuer's Office.

4.7 Completion Date

The Completion Date is the date 30 Business Days after the earliest of:

- a) the first date on which the Outstanding Amount is less than zero by the Transfer Tax Amount or more;
- b) the date upon which the Issuer receives an Early Completion Notice from Holder; and
- c) the Expiry Date.

4.8 Early Notification Events

The Issuer may, at any time, in its absolute discretion and with the consent of ASX, nominate any of the following events as an Early Notification Event:

- a) the actual or proposed delisting, withdrawal of admission to trading status or suspension of the Portfolio Endowment Warrants except where that delisting, withdrawal or suspension is caused by the Issuer;
- b) the Issuer determining that the initial property comprised in an Underlying Parcel has changed in a material manner, provided that the Underlying Parcel will only be considered to have changed materially if the change is in respect of not less than 50% of the Underlying Parcel by value as at that date.

4.9 Lapse Date

- a) Where the Issuer nominates an Early Notification Event in accordance with clause 4.8, the Portfolio Endowment Warrant automatically lapses on that date ("Lapse Date").
- b) The Issuer must within twenty (20) Business Days of the Lapse Date give notice to the Holder accompanied by a cheque in the amount determined in accordance with clause 5.13 (if any).

4.10 Final Payment

The Final Payment in respect of a Portfolio Endowment Warrant is the greater of:

- a) the sum of:
 - i) the Outstanding Amount on the Determination Date;

ii) where the amount referred in clause 4.10(a)(i) is greater than zero, an amount equal to the interest calculated at the Base Rate plus the Margin which would accrue on that amount from the Determination Date until the Completion Date; and

- iii) the Transfer Tax Amount; and

- b) \$0.01

4.11 Completion Notifications

The Issuer must give notice to each Holder (containing all matters required by the ASX Business Rules) with a copy of the text to ASX;

- (a) specifying a Completion Date, not less than 20 Business Days nor more than 30 Business Days before that Completion Date; and
- (b) not less than 10 Business Days after the Issuer withdraws a nomination under clause 4.8(b), a nomination of an Early Notification Event giving reasonable particulars of that withdrawal.

5 Completion Procedure

5.1 Completion Notice

- a) The Holder may require completion of the Portfolio Endowment Warrant by giving the Issuer a Completion Notice (other than an Early Completion Notice) in respect of that Portfolio Endowment Warrant not later than 6:00pm on the Completion Date accompanied by cleared funds for the Final Payment and, subject to clauses 2, 4.9, 5.2, 5.3, 5.4 and 5.16, the notice becomes effective immediately on being so given and may not be revoked by the Holder;
- b) The Holder may at any time prior to the Expiry Date give to the Issuer an Early Completion Notice. Where a Holder gives an Early Completion Notice the Issuer must not later than 10 Business Days prior to the Completion Date advise the Holder of the amount of the Final Payment and any Transfer Tax payable on the Completion Date and the Holder must pay the Final Payment and any Transfer Tax to the Holder in cleared funds prior to 6.00pm on the Completion Date. If the Holder defaults in making the payment by the required time, the Early Completion Notice

shall be deemed to be of no effect and completion will not occur on the Completion Date.

5.2 Completion by Unregistered Person

Where a person claims to be entitled to be registered as the Holder of a Portfolio Endowment Warrant, that person may require completion of that Portfolio Endowment Warrant by giving the Issuer a Completion Notice in respect of that Portfolio Endowment Warrant in accordance with clause 5.1, specifying that the person claims to be so entitled and in those circumstances, if the person giving the Completion Notice becomes the Holder of the Portfolio Endowment Warrant within 7 Business Days after the Completion Date, the Completion Notice is to be treated as having been properly given and, subject to clauses 2, 4.9, 5.3, 5.4 and 5.16, becomes effective immediately on that person becoming so registered, and may not be revoked after being given.

5.3 Multiple Completion Notices

If more than one valid Completion Notice is given under either or both clause 5.1 and clause 5.2 in respect of a Portfolio Endowment Warrant, the only Completion Notice in respect of that Portfolio Endowment Warrant which is to be treated as being effective is that given by the person who, to the knowledge, or in the reasonable opinion, of the Issuer, was the last of those persons who, prior to 6:00pm on the Completion Date, became entitled to be the Holder of that Portfolio Endowment Warrant and every other Completion Notice given in respect of that Portfolio Endowment Warrant notwithstanding clauses 5.1 and 5.2 is of no force or effect. If a Completion Notice is not effective the Issuer must give the Holder a notice to that effect accompanied by the Completion Notice and all documents which accompanied it together with a cheque for all monies which accompanied it.

5.4 Validity of Completion Notices

Subject to clause 5.16 a Completion Notice (other than an Early Completion Notice) given under clause 5.1 or clause 5.2 is valid if and only if it is accompanied by cleared funds for the Final Payment.

5.5 Number of Warrants

If a Completion Notice is given which specifies a number of Portfolio Endowment Warrants which is not a multiple of the Specified Number ("Completion Number") then the Completion

Notice is to be treated for all purposes as specifying that number of Portfolio Endowment Warrants (the "Reduced Number") which is the Completion Number rounded down to the nearest whole multiple of the Specified Number. For the purposes of Clause 5.12(c), the Holder is treated as not having given a Completion Notice for the Portfolio Endowment Warrants in excess of the Reduced Number ("Excess Number").

5.6 Obligation to Procure Delivery

Subject to clause 5.18, upon and by virtue of a Completion Notice becoming effective:

- a) the obligations of the Transferee to purchase and the Issuer to sell one Underlying Parcel become unconditional;
- b) the Issuer must as soon as practicable after the Completion Date procure performance of all acts required of a transferor of marketable securities under the SCH Business Rules to enable one Underlying Parcel to be transferred to the Transferee for the Final Payment free from any security or third party interest or restriction on transfer;
- c) the Transferee irrevocably authorises the Issuer, at its option, to act as the agent of the Transferee in entering into (or instructing a broker to enter into) at no cost to the Transferee (save only for payment of the Final Payment) a contract for the purchase by the Transferee of the Underlying Parcel (other than any cash component) on behalf of the Transferee;
- d) the Transferee irrevocably authorises the registrar to act as its agent to do all things that it is required to do including, but not limited to, supplying its Holder Identification Number to effect the delivery of the Shares to it; and
- e) the Portfolio Endowment Warrant is cancelled and ceases to be of effect.

5.7 Completion

Subject to clause 1.4 and clause 5.8, completion is:

- a) the transfer and registration, if appropriate, of that part of the Underlying Parcel that comprises securities or other property to the Transferee; and
- b) payment of that part of the Underlying Parcel that comprises cash (if any) to the Transferee,

in satisfaction of the obligations of the Issuer under the Portfolio Endowment Warrant.

5.8 Delay by Transferee

If the Transferee has not, before 6:00pm on the Completion Date, supplied any information required by the Issuer to effect completion as contemplated by clause 5.7:

- a) the Issuer must give a notice to the Transferee stating that if the Transferee does not provide such information within 7 Business Days of the Completion Date, clause 5.8(b) will have effect in relation to the Transferee; and
- b) if the required information is not supplied within 7 Business Days of the Completion Date, the Issuer may without further notice sell the Underlying Parcel on the stock market conducted by ASX at the prevailing market price and as soon as practicable dispatch a cheque to the Transferee for the price realised by the sale less reasonable costs including Transfer Tax and brokerage.

5.9 Failure of Issuer to Perform

If the Issuer has received the Final Payment and the Transferee is not otherwise in breach of the Terms and the Issuer fails to perform any of its obligations under clause 5.6 within 20 Business Days of the Completion Date and the Transferee gives to the Issuer a notice stating that it requires that the provisions of this clause 5.9 apply:

- a) The grant of agency by the Transferee under clause 5.6(c) lapses; and
- b) The Issuer must, within 10 Business Days after the date on which it receives the notice, cause the Trustee to sell the Underlying Parcel on the ASX to the extent that it consists of property tradable on the ASX and pay or cause the Trustee to pay to the Transferee by cheque an amount for each Portfolio Endowment Warrant calculated in accordance with the following formula:

$$A = 1.1 \times S$$

where:

A = the amount; and

S = the value of an Underlying Parcel calculated in accordance with clause 5.14.

The amount is to be satisfied, without affecting the total amount payable, to the extent possible by full or partial refund of the Deposit.

5.10 Interest

If the Issuer does not pay or cause the Trustee to pay the amount calculated in accordance with clause 5.9 by the time specified in that clause, interest accrues on that amount at the Default Rate calculated on a daily basis from the date on which payment was required until the date payment is made.

5.11 Acknowledgment

The Transferee and the Issuer acknowledge to each other that the amounts calculated under clauses 5.9 and 5.10 are a genuine pre-estimate of the loss that the Transferee would suffer from the failure of the Issuer to perform its obligations under clause 5.6, and that on the Transferee giving notice under clause 5.9 to the Issuer, the Issuer is relieved of its obligations under clauses 5.6 and 5.7 and its only obligation is to make the payments required by clauses 5.9 and 5.10.

5.12 Assessed Value Termination Payment on termination under clause 2.3

If:

- a) the Portfolio Endowment Warrant terminates under clause 2.3(a) and S – E is equal to or greater than 5% of the Final Payment; or
- b) the Portfolio Endowment Warrant terminates under clause 2.3(b) and S is greater than E; or
- c) the provisions of clause 5.5 apply in respect of any Excess Number of Portfolio Endowment Warrants,

the Issuer must, within 20 Business Days after the Completion Date, cause the Trustee to sell the Underlying Parcel on the ASX to the extent that it consists of property tradable on the ASX and pay or cause the Trustee to pay the Holder by cheque in favour of the Holder an amount for each Portfolio Endowment Warrant calculated in accordance with the following formula:

$$A = V-E$$

where, throughout this clause

A = the amount to be paid under this clause 5.12;

E = the Final Payment on the Completion Date plus the Issuer's or Trustee's reasonable costs (including Transfer Tax, if any, and brokerage) of disposing of an Underlying Parcel;

- V = the value of an Underlying Parcel calculated in accordance with clause 5.14 for the period immediately following the Completion Date; and
- S = the price of the Underlying Parcel as determined by the weighted average sale price of an Underlying Parcel on ASX as determined by dividing the total of the sales values of identical items of property reported to ASX under the ASX Business Rules during the last two hours of Normal Trading (as that term is defined in the ASX Business Rules) or such other period prescribed by ASX on the Expiry Date or earlier date determined under Clause 2.3 (excluding sales reported as special crossings, New Zealand Stock Exchange purchases or sales, Recognised Overseas Stock Exchange purchases or sales or option exercises on those days under the ASX Business Rules) by the number of those items the subject of sales during those hours.

unless the ASX Business Rules require a higher payment in which case the Issuer will pay the higher amount.

The amount is to be satisfied, without affecting the total amount payable, to the extent possible by full or partial refund of the Deposit.

5.13 Assessed Value Lapse Payment on lapse of the Portfolio Endowment Warrant under clause 4.9

If:

- a) the Portfolio Endowment Warrant lapses under clause 4.9; and
- b) $S - E$ is greater than 5% of the Final Payment,

the Issuer must, within 20 Business Days after the Lapse Date, pay the Holder by cheque in favour of the Holder an amount for each Endowment Warrant calculated in accordance with the following formula:

$$A = 0.95 \times (V-E)$$

where, throughout this clause

A = the amount to be paid under this clause 5.13;

E = the Outstanding Amount on the Lapse Date plus the Issuer's reasonable costs (including Transfer Tax and brokerage) of disposing of an Underlying Parcel;

- S = the notional value of the Underlying Parcel as determined by the weighted average sale price of Shares on ASX as calculated by dividing the total of the sales values of identical items of property reported to ASX under the ASX Business Rules during the last two hours of Normal Trading (as that term is defined in the ASX Business Rules) or such other period prescribed by ASX Business Rules) or such other period prescribed by ASX on the Lapse Date (excluding sales reported as special crossings, New Zealand Stock Exchange purchases or sales, Recognised Overseas Stock Exchange purchases or sales or option exercises on those days under the ASX Business Rules) by the number of those items the subject of sales during those hours; and

- V = the value of an Underlying Parcel calculated in accordance with clause 5.14 for the period immediately following the Lapse Date,

unless the ASX Business Rules require a higher payment in which case the Issuer will pay the higher amount.

The amount is to be satisfied, without affecting the total amount payable, to the extent possible by full or partial refund of the Deposit.

5.14 Value of Underlying Parcel

For the purposes of clauses 5.9, 5.12 and 5.13 the value of an Underlying Parcel is the net proceeds received by the Trustee from the sale of the Underlying Parcel including any cash held by the Trustee as part of the Underlying Parcel.

5.15 Sale by Trustee

If the Issuer is required to cause the Trustee to sell the Underlying Parcel in accordance with clauses 5.9, 5.12 or 5.13 and the Underling Parcel includes any property which is not tradable on the ASX, the Issuer must cause the Trustee to realise such property at the best price reasonably obtainable within the relevant time period.

5.16 Number of Warrants

If a Completion Notice is given requiring the completion of more than the Specified Number and the cleared funds accompanying that Completion Notice (the "Received Completion Money") is an amount less than the total of the Final Payment for all the Portfolio Endowment

Warrants specified as being the subject of completion under that Completion Notice:

- a) the Completion Notice is to be treated for all purposes as specifying as the number of Portfolio Endowment Warrants requiring completion (the "Reduced Number") the number (ignoring fractions) determined by dividing the Received Completion Money by the Final Payment on the Completion Date; and
- b) the Issuer must give a notice to the Holder accompanied by a cheque for the difference between the Received Completion Money and the total of the Final Payment for the Reduced Number of Portfolio Endowment Warrants.

5.17 Surplus Receipts

Where:

- a) after the Determination Date there is a Reduction Amount;
- b) the Reduction Amount has not been deducted from the Final Payment; and
- c) the Underlying Parcel is delivered to the Transferee on Completion on terms which exclude the right to the distribution representing the Reduction Amount,

the Issuer must pay or cause the Trustee to pay the Reduction Amount to the Transferee as soon as practicable after the Reduction Amount accrues.

5.18 Partial Completion

Where a Holder elects Partial Completion in the Completion Notice, the Issuer will determine (the "Determination") the number of Portfolio Endowment Warrants which will not be completed (and therefore will terminate) ("Terminated Portfolio Endowment Warrants") and the number of warrants which will be completed which must be a number of warrants which is a multiple of 1000 Portfolio Endowment Warrants ("Completed Portfolio Endowment Warrants"). The Issuer will make this determination so that the Assessed Value Termination Payment in respect of the Terminated Portfolio Endowment Warrants will be sufficient to satisfy the Final Payment of the Completed Portfolio Endowment Warrants. The Issuer's liability to pay the Assessed Value Termination Payment in respect of the Terminated Portfolio Endowment Warrants only arises at the time of the Determination. The Holder authorises

and directs the Issuer to apply the Assessed Value Termination Payment of the Terminated Portfolio Endowment Warrants towards the Final Payment due on the Completed Portfolio Endowment Warrants to the extent of the Final Payment. Any part of the Assessed Value Termination Payment which is not applied to the satisfaction of the Final Payment must be paid by the Issuer to the Holder in accordance with clause 5.13.

The Issuer is not obliged to act on the Partial Completion election contained in the Completion Notice if the number of Portfolio Endowment Warrants to be completed is less than 1000, or in respect of a number of Portfolio Endowment Warrants that exceed a multiple of 1000, or if the aggregate Assessed Value Termination Payment in respect of the uncompleted Portfolio Endowment Warrants is less than the aggregate Final Payment for the Portfolio Endowment Warrants to be Completed. In which event, the Completion Notice will be deemed not to have been given.

A Holder who elects Partial Completion is not required to attach a cheque for Final Payment with their Completion Notice.

6 Variation of Underlying Parcel

6.1 Automatic Variation

If an event specified in clauses 6.2 to 6.5 occurs in respect of any property comprising the Underlying Parcel before the day on which the Issuer fulfils its obligations under clause 5.7, the property which constitutes the Underlying Parcel is automatically and immediately varied in accordance with this clause 6.

6.2 Surplus Cash

Where the Outstanding Amount on the Determination Date is less than zero by more than the Transfer Tax Amount, if any, the Underlying Parcel on the Completion Date includes an amount of cash equal to the difference between the Transfer Tax Amount and the amount by which the Outstanding Amount is less than zero.

6.3 Reconstructions

If any Shares are divided into a greater number of securities or consolidated into a lesser number of securities or are subject to a similar reconstruction or are changed in any way

- a) the description of the relevant Shares becomes that of the securities substituted

- by reason of the change or reconstruction; and
- b) the Underlying Parcel becomes the number of the new securities on issue arising from the Shares of the Company which constituted a section of the Underlying Parcel before reconstruction.

6.4 Cash Return of Capital

If there is a pro rata cash distribution in respect of any Shares by way of a return of capital or other action which involves the cancellation or repurchase of Shares, the number of Shares of that Company in the Underlying Parcel is proportionately reduced by the number of Shares which are cancelled or repurchased in relation to that Company.

6.5 Bonus Issue

If there is a pro rata issue or distribution of securities or other property to the Holders of Shares of a Company in that capacity at no cost to those holders by way of a bonus issue or capitalisation of any account or by way of any other distribution in specie and which does not comprise or form part of a Reduction Amount, the Underlying Parcel includes the securities or property issued or distributed in respect of the Shares of the Company comprising an Underlying Parcel which participate in the issue or distribution.

6.6 Discretion of Issuer

Where the Issuer determines that any of the provisions of clauses 6.2 to 6.5 is not appropriate in any particular circumstance or that an event which is not dealt with by clauses 6.2 to 6.5 should have been dealt with, it may, with the consent of ASX, make any alterations to the effect of the relevant provision that it considers to be appropriate.

6.7 Notifications

Where the Issuer exercises a discretion conferred on it by clause 6.6, it must, if so requested by ASX, give notice of that exercise of discretion to all Holders.

6.8 Calculations and Shares

In clauses 4, 5 and 6:

- a) subject to paragraph (b) all calculations will be done to not less than three decimal places;
- b) no rounding of numbers will occur until a valid Completion Notice is given and

at that time the entitlement attaching to all Portfolio Endowment Warrants of the Holder the subject of completion will be aggregated and that aggregate will be rounded so that all money amounts are rounded down to the nearest whole cent and all numbers of Shares are rounded down to the nearest whole number;

- c) where, following an application of this clause 6, the Underlying Parcel comprises property of different kinds, each of those kinds of property is to be treated as the Shares and as if it were an Underlying Parcel in its own right, and each adjustment required by this clause 6 is to be made to each kind of property separately;
- d) all adjustments, calculations and payments must be reviewed by the Calculation Agent (except that calculations referred to in clause 4.5 are only to be reviewed by the Calculation Agent on each date that there is a Reduction Amount and on the Determination Date); and
- e) in the event of a dispute between the Issuer and the Calculation Agent the matter in dispute shall be determined by the Issuer with the consent of ASX.

6.9 Relationship with Outstanding Amount

The provisions of this clause 6 are intended to make an adjustment to the Underlying Parcel only in relation to distributions which do not reduce the Outstanding Amount under clause 4.5, and are to be applied and interpreted accordingly.

7 Ranking and No Rights to Shares

7.1 Ranking

The obligations of the Issuer in respect of the Portfolio Endowment Warrants are secured by the Deed of Charge which creates a first fixed charged over the Underlying Parcels which charge is held by the Trustee as security trustee for the Holders of the Portfolio Endowment Warrants.

The Portfolio Endowment Warrants, accordingly, rank ahead of general unsecured creditors of the Issuer.

7.2 Obligations to Shareholders

The Portfolio Endowment Warrants rank ahead of the Issuer's obligations to its shareholders as such.

7.3 No Rights to Participate in Issues or Distribution

The Portfolio Endowment Warrants carry no right to participate in issues or distributions of securities or other benefits made available to holders of ordinary shares of the Issuer.

7.4 No Rights

For the avoidance of doubt each Holder acknowledges and agrees that, if at any time one or more of the Issuer and any of its related bodies corporate other than the Trustee (each a "Group Member") or the Trustee holds or has any right or interest in Shares or securities issued by any of the Companies or any options or contractual arrangements over, or which are referable to any of them (the "shares or securities"):

- a) the Holders individually or together have no power to vote or power to exercise (direct or indirect) or to control the exercise (direct or indirect) of the right to vote attributed to the shares or securities;
- b) the Holders individually or together have no power to dispose of those shares or securities or power to exercise (direct or indirect) control over the disposal of those shares or securities;
- c) the Holders individually or together have no right or interest in and no entitlement to any of the shares or securities;
- d) the Holder does not expect that any of the shares or securities are to be used in any way to meet the obligations of any Group Member except as provided in the Trust Deed and the Deed of Charge; and
- e) each Group Member holds the shares or securities entirely for itself and not for any Holder but the Trustee holds the Shares for the Issuer in accordance with the Trust Deed and the Deed of Charge for the benefit of the Holders.

7.5 Group Members' Interests in Shares

Each Holder acknowledges and agrees that:

- a) except as required under the terms of the Trust Deed the Issuer is not under any obligation to acquire any shares or securities to meet any of its obligations under these Terms;
- b) a Group Member may at any time in its discretion hold any interest in any shares or securities;

- c) the decision by a Group Member as to whether or not or how it might hedge its obligations (whether or not under these Terms) from time to time will be a matter for it in its discretion;
- d) subject to the terms of the Trust Deed if a Group Member receives any distribution or entitlement on shares or securities held by it from time to time, the Holders will have no right or interest in that distribution or entitlement; and
- e) no Group Member has any understanding with any Holder as to any matter concerning the possible acquisition or disposition of any interest in shares or securities or the voting of any shares or securities.

7.6 Cover Arrangement

The Issuer and the Trustee are parties to a Trust Deed dated 14 August 2001 under which the Trustee is to hold the Shares and any other property comprising the Underlying Parcel for the Issuer. While the Trustee holds the Underlying Parcel for the Issuer the Trust Deed contains an irrevocable direction from the Issuer to the Trustee requiring that the Trustee hold and deal with the Underlying Parcel in accordance with the Terms of Issue of the Portfolio Endowment Warrant. The Trust Deed also contains an undertaking by the Trustee for the benefit of each Holder and the Issuer that the Trustee will act in accordance with that direction and will not deal with the Underlying Parcel in a way which is inconsistent with the Terms of Issue of the Portfolio Endowment Warrant. The Trustee also undertakes for the benefit of each Holder that it will not release the Issuer from its irrevocable direction or allow that irrevocable direction to be varied without the consent of ASX or a court for so long as the Issuer has any obligations in respect of the Portfolio Endowment Warrant. This cover arrangement is designed to ensure that the Underlying Parcel is available for delivery to the Holder upon the exercise of the Portfolio Endowment Warrant regardless of the financial position or affairs of the Issuer. The terms of the Trust Deed preclude the Issuer and any other person from exercising control over the transfer or disposal of the Underlying Parcel other than:

- a) for the purpose of complying with the Issuer's obligations in respect of the Portfolio Endowment Warrants;

- b) upon fulfilment of the Issuer's obligations in respect of the Portfolio Endowment Warrants, for any purpose which the Issuer directs; or
- c) for the purpose of complying with a direction of a court.

The Trust Deed prevents the Issuer creating any charge or security interest in the Underlying Parcel which may prevent or restrict the ability of the Issuer to perform its obligations under the Portfolio Endowment Warrant. The Issuer has executed the Deed of Charge in favour of the Trustee as security trustee for the Holders creating a first fixed charge over the Underlying Parcels to secure for the benefit of the Holders the performance by the Issuer of its obligations under the Portfolio Endowment Warrants or damages arising from the Issuer's failure to perform these obligations. A copy of the Trust Deed and the Deed of Charge is available for inspection at the office of the Issuer.

8 Notices

8.1 Method of Giving Notices by Issuer

Except where otherwise provided by these Terms, all notices required or permitted to be given by the Issuer to the Holder pursuant to these Terms must be in writing and will be treated as duly given if:

- a) left at that person's address; or
- b) sent by pre-paid mail to that person's address (which must be air mail if that address is not within Australia).

8.2 Time of Receipt

A notice given by the Issuer in accordance with clause 8.1 is treated as having been duly given and received:

- a) when delivered (in the case of it being left at that person's address); and
- b) on the third Business Day after posting (in the case of it being sent by pre-paid mail).

8.3 Address for Notices

For the purposes of this clause 8:

- a) the address of the Holder is the address of the Holder shown in the Register; and
- (b) if more than one person is entered in the Register as the Holder of any Portfolio Endowment Warrant, a notice given to any of those persons is effective as notice to all of those persons.

8.4 Notices by Holder

All notices required or permitted to be given by the Holder to the Issuer pursuant to these Terms or otherwise in respect of the Portfolio Endowment Warrant must be in writing and are treated as being duly given upon and only if they are actually received by the Issuer at the Issuer's Office or such other address as the Issuer may by notice to the Holder specify. The Holder may also give to the Trustee at its address in the Directory a copy of any notice to the Issuer. The Issuer must promptly following receipt of a notice from a Holder give a copy to the Trustee.

9 General

9.1 Amendments

The Issuer may from time to time by notice sent to the Holder make any Change to these Terms where either:

- a) the terms of that Change are authorised by a resolution of the Holders passed in accordance with the provisions of Schedule 4;
- b) the Change is necessary or desirable in the reasonable opinion of the Issuer and with the consent of ASX to comply with any statutory or other requirement of law or any requirement of ASX;
- c) with the consent of ASX, the Change relates to Schedule 2 and permits the transfer of an Portfolio Endowment Warrant by another method;
- d) with the consent of ASX, the Change relates to clauses 4.1 or 4.3, and deals with a matter where the Issuer determines that any of the provisions of those clauses is inappropriate in a general way (having regard to the matters set out in clause 4.4(a), (b), (c) and (d)); or
- e) with the consent of ASX, the Change relates to clauses 6.2 to 6.5 (inclusive) and deals with a matter where the Issuer determines that any of the provisions of those clauses is inappropriate in a general way.

9.2 Notification of Change to ASX

Any Change to these Terms or any nomination by the Issuer under clause 4.1(d) by the Issuer must be notified to ASX.

9.3 No Requisition by Holders

Nothing in these Terms authorises or entitles a Holder (alone or together with other Holders) to requisition the consideration of any resolution.

9.4 Waiver

The failure, delay, relaxation or indulgence on the part of the Issuer in exercising any power or right conferred upon the Issuer by these Terms does not operate as a waiver of that power or right nor does any single exercise of any power or right preclude any other or further exercise of it or the exercise of any other power or right under these Terms.

9.5 Telephone Recording

The Holder agrees to:

- a) the recording by the Issuer of any telephone conversations concerning an Portfolio Endowment Warrant;
- b) the retention of any recording so made; and
- c) the use of any recording so made as evidence of the content of the conversation.

9.6 Discretions

The Holder may not (whether before or after the Expiry Date) give any direction to the Issuer concerning the exercise by the Issuer of any discretion or any other power or otherwise control the exercise of such discretion or power.

9.7 Governing Law and Jurisdiction

The Portfolio Endowment Warrant is governed by and construed in accordance with the law of New South Wales and the parties submit to the non-exclusive jurisdiction of the Courts of New South Wales and any Court hearing appeals from those courts.

9.8 Goods and Services Tax

If any supply that the Issuer makes pursuant to this Terms of Issue is a taxable supply, then the Issuer can increase the consideration payable or to be provided in connection with the supply, or, where relevant, reduce the quantity of the things supplied, as determined by the Issuer, to take into account the GST payable on the supply. In this clause, GST has the same meaning as in the A New Business Tax System (Goods and Services Tax) Act 1999 (Cth).

Schedule 1 (Clause 3.1)

The Register

1. The Issuer must establish and maintain or cause to be established and maintained a Register of Holders at the Issuer's Office or any other place considered appropriate by the Issuer ("the principal part of the Register") and may also establish and, if it so establishes, must maintain any number of other registers of Holders at such other places as the Issuer may determine (which will form part of the Register).
2. The Issuer must enter, or cause to be entered, in the Register the name and address of each Holder, the number of Portfolio Endowment Warrants held by that Holder and the date of grant of each of those Portfolio Endowment Warrants and any other particulars which it thinks proper.
3. Where there is more than one part of the Register, Holders may elect by notice to the Issuer as to the part of the Register on which their Portfolio Endowment Warrants must, for the time being, be registered.
4. If no election under paragraph 3 of this Schedule is made on the grant of the Portfolio Endowment Warrant, the Portfolio Endowment Warrant will be registered on the principal part of the Register.
5. If there are any further issues or transfers of Portfolio Endowment Warrants and no election is made as to the part of the Register on which those Portfolio Endowment Warrants are to be registered, a Portfolio Endowment Warrant will be registered on the principal part of the Register or such other part of the Register as the Issuer may decide.
6. The Register must, except when duly closed, be open at all reasonable times during business hours on each Business Day to the inspection of any Holder, any person authorised in writing by the Holder or any officer or member of the Company.
7. Where there is more than one part of the Register, a Portfolio Endowment Warrant will be transferred by the Issuer from one part of the Register to another part of the Register without fee on the written request of the Holder, subject to any payment by the Holder of any stamp duty involved.

8. The Issuer, subject to the SCH Business Rules, may from time to time close the Register for any period or periods not exceeding 20 Business Days in any year or any longer period that ASX may allow.
9. Except as required by law, no notice of any trust (express, implied, resulting or constructive) will be entered in the Register.
10. Where required by the ASX Business Rules the Register will be examined by an auditor appointed by the Issuer at regular intervals of not more than 3 months and the ASX will be notified of the results.
11. The property in the Portfolio Endowment Warrant is, for all purposes, situated at the place where the part of the Register on which the Portfolio Endowment Warrant is for the time being registered is situated and not elsewhere.
12. Except as otherwise provided in these Terms, the Issuer must recognise the Holder as the absolute owner of the Portfolio Endowment Warrant and all persons may act accordingly.
13. Except as otherwise provided in these Terms or as ordered by a court of competent jurisdiction or as required by law, the Issuer is not bound to take notice of any trust or equity affecting the ownership of the Portfolio Endowment Warrant or the rights incidental to the Portfolio Endowment Warrant and the receipt of the Holder in respect of the Portfolio Endowment Warrant and any monies payable in respect of the Portfolio Endowment Warrant is a good discharge to the Issuer.
14. There must not be more than three joint holders of the Portfolio Endowment Warrant except in the case of the legal personal representatives of a deceased Holder.
15. If there are joint holders of any Portfolio Endowment Warrant and one of those joint holders dies, the survivor will be the only person recognised by the Issuer as having any title or interest in the Portfolio Endowment Warrant.
16. The legal personal representative of a deceased Holder (not being one of several joint holders) is the only other person recognised by the Issuer as having any title to the Holder's Portfolio Endowment Warrants.
17. Any person becoming entitled to a Portfolio Endowment Warrant in consequence of the death, unsoundness of mind or bankruptcy of any Holder, upon producing such evidence as the Issuer may reasonably require that he holds the office in respect of which he proposes to act or his title as successor to the Holder, may transfer the Portfolio Endowment Warrant.
18. When the Portfolio Endowment Warrants become "CHESS Approved Securities", holdings will be registered on an electronic CHESS or Issuer Sponsored Subregister. Portfolio Endowment Warrants held by a Holder that is a participant in CHESS or a person sponsored by a participant in CHESS will be registered on the CHESS Subregister. All other Portfolio Endowment Warrant holdings will be registered on the Issuer Sponsored Subregister.

Schedule 2 (Clause 3.3)**Transfer of Portfolio Endowment Warrant**

1. No fee will be charged for the registration of a transfer.
2. A transfer of Portfolio Endowment Warrants must be in accordance with applicable ASX Business Rules and the SCH Business Rules.
3. The transferor of the Portfolio Endowment Warrant is regarded as remaining the owner of the Portfolio Endowment Warrant the subject of the transfer until the name of the Transferee is entered in the Register in respect of the Portfolio Endowment Warrant.
4. On registration of the transfer of the Portfolio Endowment Warrant, the Transferee will be recognised as entitled to the Portfolio Endowment Warrant free from any equity, set off or cross-claim of the Issuer against the transferor.

Schedule 3 (Clause 5.1)

Completion Notice

Important Note. Please read the following before giving a completion notice

Holders may only exercise Portfolio Endowment Warrants in whole multiples of the Specified Number (being 1,000 Portfolio Endowment Warrants). If a Completion Notice is given for a number of Portfolio Endowment Warrants which is not a whole multiple of the Specified Number, the number of Portfolio Endowment Warrants exercised under the notice will be rounded down to the closest whole multiple of the Specified Number and any excess exercise money will be refunded to the Holder and an Assessed Value Payment made for the Portfolio Endowment Warrants which are not exercised

To: The Manager
Challenger Equities Limited
PO Box 3698
Sydney NSW 2000

Dear Sir/Madam

This is to notify you that I/we, being [the Holder(s)/entitled to be registered as the Holder(s)] of the number of Portfolio Endowment Warrants as specified below and issued on the terms specified in section 6 of the Offering Circular issued by Challenger Equities Limited and dated 11 October 2001 (the "Terms"), hereby give notice under clause [5.1/5.2] of the Terms that I/we require Completion of the Portfolio Endowment Warrants.

This notice is, as required by clause 5 of the Terms, accompanied by a cheque in favour of Challenger Equities Limited for the Final Payment (as defined in the Terms).

This notice is irrevocable and irrevocably appoints you to act as my/our agent on the terms set out in clause 5.6(c) of the Terms.

(Please tick the relevant box and supply the relevant details)

Completion

I/we hereby give notice under clause [5.1/5.2] of the Terms that I/we require completion of the below mentioned Portfolio Endowment Warrants.

This notice is, as required by clause 5 of the Terms, accompanied by a cheque in favour of Challenger Equities Limited for the Final Payment (as defined in the Terms).

Partial Completion

{This alternative allows you to elect to terminate a certain portion of your holding of Portfolio Endowment Warrants and use the Assessed Value Termination Payment (see section 5.13 of the Terms of Issue) that would have been due to you in respect of those terminated warrants to pay the Final Payment on the balance of your holding.

You DO NOT HAVE TO ATTACH a cheque for the Final Payment if you select this alternative, but you will receive a lesser number of shares.}

I/we hereby give notice under clause 5.18 of the Terms that I/we require Partial Completion of my/our below mentioned Portfolio Endowment Warrants. I/we irrevocably appoint the Issuer as my/our agent to determine what part of my holding shall be allowed to terminate and what part of my/our holding is to be completed. I/we acknowledge that those warrants not completed will terminate under clause 2.3 of the Terms of Issue and I/we may be entitled to an Assessed Value Payment. I/we acknowledge that the Issuer will make the determinations referred to above so that the Assessed Value Termination Payment due to be paid to me/us in respect of the warrants that terminate will be sufficient to satisfy the Final Payment in respect of the warrants that are completed and any amount that exceeds the amount necessary to make the Final Payment will be returned to me/us. I/we authorise the Issuer to apply the Assessed Value Termination Payment to the payment of the Final Payment as described above in full satisfaction of the Issuers' obligation to make that payment to me/us under clause 5.13. The Issuer will treat the amount of the Assessed Value Termination Payment as cleared funds for the purpose of clause 5.4 of the Terms of Issue.

This notice is irrevocable and irrevocably appoints you to act as my/our agent on the terms set out in clause 5.6(c) of the Terms.

Investor Details

Name of Warrant Holder/s

Address of Warrant Holder/s	
Daytime Telephone Contact Number	()

Registration Details

No of Warrants Held

Warrant Code of Warrants to be Completed (eg PEWEEA):	
My/our Holder Identification Number (HIN) is:	
My/our Participant Identifier (PID) is:	

Dated the day of 20

Signed by Holder/s:

/

Company Section

(companies must execute under common seal)

Name of Company
(if applicable)

Early Completion Notice

Important Note. Please read the following before giving a completion notice

Holders may only exercise Portfolio Endowment Warrants in whole multiples of the Specified Number (being 1,000 Portfolio Endowment Warrants). If a Completion Notice is given for a number of Portfolio Endowment Warrants which is not a whole multiple of the Specified Number, the number of Portfolio Endowment Warrants exercised under the notice will be rounded down to the closest whole multiple of the Specified Number and any excess exercise money will be refunded to the Holder and an Assessed Value Payment made for the Portfolio Endowment Warrants which are not exercised

To: The Manager
Challenger Equities Limited
PO Box 3698
Sydney NSW 2000

Dear Sir/Madam

This is to notify you that I/we, being [the Holder(s)/entitled to be registered as the Holder(s)] of the number of Portfolio Endowment Warrants as specified below and issued on the terms specified in section 6 of the Offering Circular issued by Challenger Equities Limited and dated 11 October 2001 (the "Terms"), hereby give notice under clause 5.1(b)/5.2 of the Terms that I/we require Early Completion of the Portfolio Endowment Warrants.

I/we acknowledge that I/we will within 30 Business Days of your receipt of this notice provide a cheque in favour of Challenger Equities Limited for the Final Payment (as defined in the Terms) as notified by you to me/us.

This notice is irrevocable and irrevocably appoints you to act as my/our agent on the terms set out in clause 5.6(c) of the Terms.

Investor Details

Name of Warrant Holder/s

Address of Warrant Holder/s

Daytime Telephone
Contact Number

 ()

Registration Details

No of Warrants Held

Warrant Code of Warrants to
be Completed (eg PEWEEA):

My/our Holder Identification
Number (HIN) is:

My/our Participant
Identifier (PID) is:

Dated the

day of

20

Signed by Holder/s:

 /

Company Section

(companies must execute under common seal)
or under Section 127 Corporation Act 2001

Name of Company
(if applicable)

Schedule 4 (Clause 9.1)

Resolution of Holders

A resolution of the Holders is duly passed if and only if:

1. the Issuer dispatches by notice to every Holder a document setting out the terms of the proposed Change together with a ballot paper enabling the Holder to vote either in favour of or against the Change either by way of a postal ballot or at a meeting of Holders (at the discretion of the Issuer), a document setting out the reasons for and any advantages or disadvantages of the Change and a document summarising the provisions of this Schedule 4;
2. the Issuer retains all ballot papers which are returned to it on the voting date or within the voting period (which must, in any event, be not less than 20 Business Days after the date of dispatch of the last of the notices referred to in paragraph 1 of this Schedule 4);
3. the Issuer's auditor (after consultation with the Issuer's solicitors, if desired by either the auditor or the Issuer) determines the validity of all ballot papers returned on the voting date or during the voting period;
4. the Issuer's auditor adds together all of the votes cast on valid ballot papers during the voting period (calculated on the basis of one vote for each Portfolio Endowment Warrant held by the person casting the vote) in favour of the Change and all of the votes cast on valid ballot papers during the voting period (calculated on the same basis) against the Change; and
5. the number of votes validly cast in favour of the Change (as determined by the previous paragraph) is not less than three times greater than the number of votes validly cast against the Change (as so determined).

If the Issuer or a person associated with the Issuer (within the meaning of Part 1.2 Division 2 of the Corporations Act (other than sections 13 and 14)) returns a ballot paper it is to be treated as not being valid unless the person holds the relevant Portfolio Endowment Warrants as trustee or nominee for another person that is not so associated with the Issuer.

Section 7

Description of the Issuer and its Commercial Activities

Issuer

The issuer of these Portfolio Endowment Warrants is Challenger Equities Limited.

The Issuer is a wholly owned subsidiary of Challenger International Limited ("Challenger"). Challenger was listed on the ASX in 1987. It has grown to become a major innovative force in financial services, specialising in managed investments, innovative investments, retirement income and financial services. As at the date of this Offering Circular Challenger was ranked in the top 100 companies listed on the ASX by market capitalisation. The Challenger International Group has in excess of \$7 billion in assets under management. Challenger has offices in Sydney, Melbourne, Hobart, Brisbane, Adelaide, Perth, Auckland and London. The principal activities of the consolidated entity of Challenger International consist of:

- Investment banking business including warrant products and capital markets;
- Life insurance business including annuity, superannuation and pension products;
- Managed investments including the Howard Mortgage Trust;
- Property acquisition and syndication and
- Financial Products distribution.

Trustee

Challenger Managed Investments Limited ("Trustee") is the Trustee in relation to the Portfolio Endowment Warrants. The Underlying Parcels for the Portfolio Endowment Warrants are held by the Trustee under a "Cover Arrangement". Under the Cover Arrangement the Underlying Parcels that relate to Portfolio Endowment Warrants will be held by the Trustee for the Issuer with an irrevocable direction from the Issuer to deal with the Underlying Parcels in the manner required to meet the Issuer's obligations under the Terms of Issue of the Portfolio Endowment Warrants. The Trustee

also holds the Deed of Charge as security trustee for the Holders.

The Trustee holds a dealers licence (issued by ASIC) that enables it to operate as a Trustee and responsible entity for a number of managed investment schemes. The Trustee provides a range of managed investments including: cash, fixed interest and mortgage trusts; Australian equity funds; and socially responsive investment funds. The Trustee is a wholly owned subsidiary of Challenger through Challenger Life Limited.

Auditors

The auditors of the Challenger Group are PricewaterhouseCoopers of 201 Sussex Street, Sydney Australia.

Annual Report

A copy of the current annual report of the Challenger Group and controlled entities is available at the addresses on the back cover of this document.

Names, Addresses and Curriculum Vitae of Directors of Issuer

William EB Ireland

Managing Director and Chairman of Challenger International Ltd since 6 October 1987
Mr Ireland has gained expertise in stock and option broking. He has many years experience in project development and financing and marketing new business ventures

Roger I Bacon B.Comm (NSW) A.S.I.A.

Executive Director
Mr Bacon has been involved in investment banking activities for 30 years. He has extensive experience in all aspects of investment management both in Australia and overseas. He has also been involved in money market dealing and general corporate advice.

Gilbert MJ Hoskins B.Sc FIA

Non Executive Director
Mr Hoskins was formerly Group Managing Director of the National Mutual Group. He has over 30 years experience in the actuarial and investment areas.

Section 8

Interpretation

Definitions

In this Offering Circular, unless the context otherwise requires:

- a) words given a meaning in the Terms of Issue and not separately defined in this section 8 have the same meaning in the rest of this Offering Circular;
- b) a reference to "\$" or "dollars" is to an amount in Australian currency;
- c) a reference to a date or time is to a date or time in Sydney;

"**ASIC**" means the Australian Securities and Investments Commission;

"**ASX**" means Australian Stock Exchange Limited or the stock market operated by it as the context requires;

"**Company**" means each of AMP Limited (AMP), Australia and New Zealand Banking Group Limited (ANZ), BHP Billiton Limited (BHP), Brambles Industries Limited (BIL), Commonwealth Bank of Australia (CBA), Coles Myer Ltd (CML), CSL Limited (CSL), Foster's Group Limited (FGL), Macquarie Bank Limited (MBL), National Australia Bank Limited (NAB), The News Corporation Limited (NCP), Rio Tinto Limited (RIO), St George Bank Limited (SGB), Telstra Corporation Limited (TLS), Westpac Banking Corporation (WBC), Wesfarmers Limited (WES), WMC Limited (WMC) Woolworths Limited (WOW), Woodside Petroleum Limited (WPL), Westfield Holdings Limited (WSF);

"**Cover Arrangement**" means the holding by the Trustee of the Underlying Parcel pursuant to the Trust Deed to ensure that the Issuer can perform its obligation under the Portfolio Endowment Warrant and the holding by the Trustee as security trustee of the Deed of Charge.

"**Deed of Charge**" means the deed granted by the Issuer in favour of the Trustee as security trustee for the Holders creating a first fixed charge over the Underlying Parcels held by the Trustee pursuant to the Trust Deed to secure the performance by the Issuer of its obligations in relation to the Portfolio Endowment Warrants or the Issuer's liability for damages should it fail to perform those obligations.

"**Holder**" means the person whose name is for the time being entered in the Register as the holder of an Portfolio Endowment Warrant;

"**Issuer**" means Challenger Equities Limited;

"**Offering Circular**" means this document;

"**Portfolio Endowment Warrant**" means a deferred settlement sale and purchase agreement entered into on the terms of this Offering Circular in respect of one Underlying Parcel;

"**Share**" means one fully paid ordinary Share in the capital of a Company as varied, if at all, by clause 6 of the Terms of Issue;

"**Specified Number**" means 1,000 Portfolio Endowment Warrants.

"**Terms of Issue**" means, in relation to Portfolio Endowment Warrants, the Terms of Issue of the Portfolio Endowment Warrants being the Terms of Issue contained in section 6 on the basis that:

- a) the "Company" referred to and defined in clause 1.1 of the terms of issue is the particular company whose shares are the subject of Portfolio Endowment Warrants; and

- b) the base amount in the formula for the Outstanding Amount in clause 4.5 of the Terms of Issue is the relevant base amount referred to in the "Outstanding Amount" in section 2;

"**Trustee**" means Challenger Managed Investments Limited.

"**Trust Deed**" means the Deed of Trust between the Issuer and the Trustee dated 14 August 2001 as amended from time to time with the approval of ASX.

[Defined in Terms of Issue]

ASX Business Rules Terminology

Certain terms are used in sections of the ASX Business Rules in relation to warrants generally. Some of these terms correspond approximately to terms or concepts used in this Offering Circular (including the Terms of Issue) in relation to Portfolio Endowment Warrants. The following table sets out some of the terms in section 8 of the ASX Business Rules and the approximately corresponding terms or concepts in this Offering Circular.

ASX Business Rules Term	Offering Circular Term or Concept
"exercise price"	Final Payment
"exercise notice"	Completion Notice
"exercise"	giving a valid Completion Notice

Section 9

Personal Information

The Issuer and the Selling Agent will need to collect personal information from you in order to process your application, administer your investment and provide services to you. The Issuer and the Selling Agent may also need to disclose your personal information collected to their agents, contractors or third party service providers in order to carry out these activities.

If you use a financial adviser then details of your investment may be provided to your current financial adviser.

The Issuer and the Selling Agent will also use your information for the purpose of planning, product development, research and marketing products issued by them, Challenger Managed Investments Limited, Challenger Life Limited or another member of the Challenger International Group.

The Issuer and the Selling Agent aim to ensure that the personal information they retain about you is accurate, complete and up-to-date.

To assist the Issuer and the Selling Agent with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information they have about you, they will take steps to correct it.

Please contact our Client Services Team on **13 35 66** if you:

- do not want us to disclose information to your financial adviser;
- do not want to receive any marketing information; or
- want to change or correct your personal details.

It is important that you contact us because until you do so we will assume that by investing in the Portfolio Endowment Warrants you have consented to our using your personal information for the purpose of marketing and providing information to your financial adviser.

This Offering Circular was executed by Challenger Equities Limited pursuant to Section 127 of the Corporations Act 2001 in the presence of William EW Ireland and Rodger I Bacon in their capacity as directors.

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Application Form for Challenger Equities Limited Portfolio Endowment Warrants

This Application Form must not be handed on unless accompanied by the Offering Circular dated 11 October 2001.

APPLICATIONS SHOULD BE SENT TO:

Challenger Equities Limited
Level 41
88 Phillip Street
Sydney NSW 2000
Attention: Manager Portfolio Endowment Warrants

Adviser's Stamp (please use black ink only)

Investor Details

Title	Given Names	Date of Birth	/	/
Surname/Company Name & ABN				
Joint Applicant's Title/Given Names (if applicable)				
Joint Applicant's Surname (if applicable)				
Account Designation (if applicable)				

Contact Details

Postal Address	Unit	Street Number	PO Box
Street Name			Suburb/Town
State		Postcode	Country
Other Details	Contact Name (if different from above)		
Work Phone	()	Home Phone	()
Fax Number	()	Email Address	
If you are an overseas investor, what is your country of residence for tax purposes?			
Chess Details – PID (if applicable)		Chess Details – HIN (if applicable)	
Tax File Number Applicant 1 (not compulsory)		Tax File Number Applicant 2 (not compulsory)	

You are not obliged to provide your tax file number – see over page for details.

Declaration

I/We, whose full name(s) and address(es) appear above, hereby apply for the number of Portfolio Endowment Warrants on this Application Form shown in respect of this Application to be issued in accordance with the terms of the Offering Circular issued by Challenger Equities Limited to which this Form is attached. I/We agree to accept the Portfolio Endowment Warrants on the conditions set out in the Offering Circular to which this Form is attached. If this Application is signed by an attorney, a certificate of non-revocation in the Form set out in the Instructions on the back of this Application must be submitted with this Application.

I/We:

- acknowledge that I/We have read the pages of the Offering Circular containing the information under the heading 'Personal Information'. I am/We are aware that until I/We inform Challenger Equities Limited or Challenger Securities Limited otherwise I/We will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading.
- understand that if I/We fail to provide any information requested in this application form or do not agree to any of the possible exchanges or uses detailed above, my application may not be accepted by Challenger Equities Limited.

Investor 1/	Investor Signature/ Company Common Seal (please sign)	Date	/	/
Investor 2		Date	/	/

Please Complete your Portfolio Endowment Warrant Application below

ASX Warrant Code	Amount \$ (Min. \$2,000)	Number of Portfolio Endowment Warrants	Price per Portfolio Endowment Warrant	Transaction Number	Client ID	Broker ID
PEWEEA						

Instructions to Applicants

- Application Forms must not be handed on unless attached to the Offering Circular.
- The minimum number of Portfolio Endowment Warrants that may be subscribed for must not be less than \$2,000.
- The Application Form must be signed by the applicant personally, or by his or her attorney(s). If signed by an attorney, the relevant power of attorney and a certificate of non-revocation in the form set out below must be submitted with this Application Form.
- Joint Applications must be signed by all applicants.
- An application by a company must be under seal or signed by its authorised attorney(s).
- Applications for Warrants offered under this Offering Circular must be made on the Application Form and lodged, together with the Deposit, at Level 41, 88 Phillip Street, Sydney, Australia.
- **Cheques should be made payable to CMIL Warrant Trust Account and crossed "Not Negotiable".**
- Applications will not be effective until the proceeds of all cheques have been cleared.
- Applications may be lodged at any time after the date of the Offering Circular until thirteen months from the date of this Offering Circular subject to the right of Challenger Securities Limited to close the Offer at an earlier date without prior notice.
- Challenger Equities Limited reserves the right to refuse any Application.
- You are not obliged to quote your Australian Business Number (ABN) or your Tax File Number (TFN). If you receive shares in a Company on the completion date and have not supplied the relevant TFN or ABN to the Company, the Company may be required to deduct tax at the highest marginal rate of tax (including Medicare levy) from any dividends it pays to you.

If signed under power of attorney, a certificate of non-revocation in the form below must be forwarded to Challenger Equities Limited with the Application Form.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I,

Full name of attorney

of

Address of attorney

hereby certify:

1. I am the attorney of [name of grantor of attorney] under and by virtue of a power of attorney dated [date of power of attorney] given to me by the above named.

2. I have executed the Application Form as attorney pursuant to the powers thereby conferred to me.

3. At the date hereof I have not received any notice or information of the revocation of the power of attorney by death or otherwise.

SIGNED at

this

day of

Application Form for Challenger Equities Limited Portfolio Endowment Warrants

This Application Form must not be handed on unless accompanied by the Offering Circular dated 11 October 2001.

APPLICATIONS SHOULD BE SENT TO:

Challenger Equities Limited
Level 41
88 Phillip Street
Sydney NSW 2000
Attention: Manager Portfolio Endowment Warrants

Adviser's Stamp (please use black ink only)

Investor Details

Title	Given Names	Date of Birth	/	/
Surname/Company Name & ABN				
Joint Applicant's Title/Given Names (if applicable)				
Joint Applicant's Surname (if applicable)				
Account Designation (if applicable)				

Contact Details

Postal Address	Unit	Street Number	PO Box
Street Name			Suburb/Town
State		Postcode	Country
Other Details	Contact Name (if different from above)		
Work Phone	()	Home Phone	()
Fax Number	()	Email Address	
If you are an overseas investor, what is your country of residence for tax purposes?			
Chess Details – PID (if applicable)		Chess Details – HIN (if applicable)	
Tax File Number Applicant 1 (not compulsory)		Tax File Number Applicant 2 (not compulsory)	

You are not obliged to provide your tax file number – see over page for details.

Declaration

I/We, whose full name(s) and address(es) appear above, hereby apply for the number of Portfolio Endowment Warrants on this Application Form shown in respect of this Application to be issued in accordance with the terms of the Offering Circular issued by Challenger Equities Limited to which this Form is attached. I/We agree to accept the Portfolio Endowment Warrants on the conditions set out in the Offering Circular to which this Form is attached. If this Application is signed by an attorney, a certificate of non-revocation in the Form set out in the Instructions on the back of this Application must be submitted with this Application.

I/We:

- acknowledge that I/We have read the pages of the Offering Circular containing the information under the heading 'Personal Information'. I am/We are aware that until I/We inform Challenger Equities Limited or Challenger Securities Limited otherwise I/We will be taken to have consented to all the uses of my/our personal information (including marketing) contained under that heading.
- understand that if I/We fail to provide any information requested in this application form or do not agree to any of the possible exchanges or uses detailed above, my application may not be accepted by Challenger Equities Limited.

Investor 1/	Investor Signature/ Company Common Seal (please sign)	Date	/	/
Investor 2		Date	/	/

Please Complete your Portfolio Endowment Warrant Application below

ASX Warrant Code	Amount \$ (Min. \$2,000)	Number of Portfolio Endowment Warrants	Price per Portfolio Endowment Warrant	Transaction Number	Client ID	Broker ID
PEWEEA						

Instructions to Applicants

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- The minimum number of Portfolio Endowment Warrants that may be subscribed for must not be less than \$2,000.
- The Application Form must be signed by the applicant personally, or by his or her attorney(s). If signed by an attorney, the relevant power of attorney and a certificate of non-revocation in the form set out below must be submitted with this Application Form.
- Joint Applications must be signed by all applicants.
- An application by a company must be under seal or signed by its authorised attorney(s).
- Applications for Warrants offered under this Offering Circular must be made on the Application Form and lodged, together with the Deposit, at Level 41, 88 Phillip Street, Sydney, Australia.
- **Cheques should be made payable to CMIL Warrant Trust Account and crossed "Not Negotiable".**
- Applications will not be effective until the proceeds of all cheques have been cleared.
- Applications may be lodged at any time after the date of the Offering Circular until thirteen months from the date of this Offering Circular subject to the right of Challenger Securities Limited to close the Offer at an earlier date without prior notice.
- Challenger Equities Limited reserves the right to refuse any Application.
- You are not obliged to quote your Australian Business Number (ABN) or your Tax File Number (TFN). If you receive shares in a Company on the completion date and have not supplied the relevant TFN or ABN to the Company, the Company may be required to deduct tax at the highest marginal rate of tax (including Medicare levy) from any dividends it pays to you.

If signed under power of attorney, a certificate of non-revocation in the form below must be forwarded to Challenger Equities Limited with the Application Form.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

I,

Full name of attorney

of

Address of attorney

hereby certify:

1. I am the attorney of [name of grantor of attorney] under and by virtue of a power of attorney dated [date of power of attorney] given to me by the above named.

2. I have executed the Application Form as attorney pursuant to the powers thereby conferred to me.

3. At the date hereof I have not received any notice or information of the revocation of the power of attorney by death or otherwise.

SIGNED at

this

day of

Directory

Issuer

Challenger Equities Limited
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000

Selling Agent

Challenger Securities Limited
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000

Trustee

Challenger Managed Investments Limited
Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000

Registrar

Computershare Investor Services Pty Limited
Level 3.
60 Carrington Street
Sydney NSW 2000

Solicitors to the Issuer

Mallesons Stephen Jaques
Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Innovative Investments

Offering Circular



Office Addresses

Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000
Tel: 02 9994 7000
Fax: 02 9994 7777

Level 41, 101 Collins Street
Melbourne VIC 3000
Tel: 03 9654 7744
Fax: 03 9654 1212

Level 34, Central Plaza One
345 Queen Street
Brisbane QLD 4000
Tel: 07 3218 8000
Fax: 07 3220 3132

Level 2, 141 St Georges Terrace
Perth WA 6000
Tel: 08 9480 2800
Fax: 08 9322 9289

Level 9, T & G Building
82 King William Street
Adelaide SA 5000
Tel: 08 8211 7777
Fax: 08 8212 1661

Level 15, ASB Bank Centre
Cnr Albert and Wellesley Streets
Auckland New Zealand
Tel: 649 309 0474
Fax: 649 355 7359

No. 1 Cornhill
London EC3V 3ND
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