

NZ RegCo

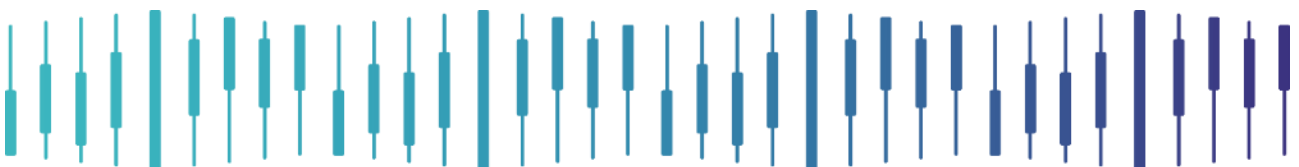
NZ'S LISTED
MARKET REGULATOR

05.08.2021

NZ RegCo Decision

Cavalier Corporation Limited (CAV)

Application for waiver from NZX Listing Rule 4.6.1(c)



Background

1. The information on which this decision is based on is set out in Appendix One to this decision. This waiver will not apply if that information is not, or ceases to be, full and accurate in all material respects.
2. The NZX Listing Rules ("**Rules**") to which this decision relates are set out in Appendix Two.
3. Capitalised terms that are not defined in these decisions have the meanings given to them in the Rules.

Waiver from Listing Rule 4.6.1(c)

Decision

4. Subject to the conditions set out in paragraph 6 below, and on the basis that the information provided by Cavalier Corporation Limited ("**CAV**") is complete and accurate in all material respects, NZ RegCo grants CAV a waiver from Rule 4.6.1, to the extent that this Rule prohibits CAV from issuing Equity Securities to Greg Smith as a consequence of Performance Rights which were previously issued to Paul Alston and lapsed upon his resignation ("**Performance Rights**") ("**Proposal**").
5. The waiver shall have the effect that the Equity Securities issued to Greg Smith "replace" the Performance Rights issued to Paul Alston for the purposes of calculating the 3% threshold in accordance with Rule 4.6.1(c) ("**Replacement Securities**"). That is, the Performance Rights issued to Paul Alston will not be counted when calculating the Equity Securities that CAV will be able to issue pursuant to Rule 4.6.1 to Greg Smith ahead of 24 December 2021.
6. The waiver in paragraphs 4 and 5 above is provided on the conditions that:
 - a. The Performance Rights held by Paul Alston have lapsed and will not, in any case, convert to ordinary shares issued by CAV;
 - b. The Equity Securities that are issued to Greg Smith in accordance with the Proposal do not result in CAV exceeding the 3% threshold in the Rule (within the relevant 12-month period);
 - c. The issue of Replacement Securities will not be backdated to 24 December 2020, but will instead have a separate issue date from which CAV is required to calculate the relevant 3% cap set by Rule 4.6.1(c).

Reasons

7. In coming to the decision to provide the waiver set out in paragraph 4 above, NZ RegCo has considered that:
 - a. the policy underlying Rule 4.6.1, in combination with Rule 4.1.1, is to
 - i) recognise the valuable benefit to Issuers and their Equity Security Holders that Employee share schemes provide, by providing an exception to Rule 4.1.1; and
 - ii) to limit the dilution of existing Equity Security holders as a result of issues made pursuant to share schemes, by placing a limit on the percentage of Equity Securities that may be issued to Employees within a period of a year; and
 - b. The grant of this waiver is consistent with the policy grounds behind Rule 4.6.1;

Confidentiality

8. CAV has requested that this application and any decision be kept confidential until the Board of CAV has resolved to adopt the Proposal.
9. In accordance with Rule 9.7.2(a) NZ RegCo grants this request.

Appendix One

1. CAV is a Listed Issuer with Securities Quoted on the NZX Main Board.
2. On 24 December 2020, CAV announced the adoption of a new long-term incentive scheme whereby performance rights (convertible into ordinary shares of CAV) were issued to selected executive employees ("**Performance Rights**").
3. Paul Alston, the Chief Executive of CAV, was issued 42.2% of the Performance Rights (entitling him to circa 1.14% of CAV's share capital). On 22 April 2021, CAV announced the resignation of Paul Alston. As a consequence of Mr Alston's resignation, the Performance Rights which had been issued to him have lapsed.
4. On 23 June 2021, CAV announced the appointment of Greg Smith as the new CEO (effective on 26 July 2021). The Board of CAV now wishes to issue Equity Securities to Mr Smith to align his incentives with shareholders ("**Proposal**").

Appendix Two

Rule 4.6.1

An issuer may issue Equity Securities if:

...

- (c) the number to be issued, together with all other Equity Securities of the same Class issued under this Rule 4.6.1 over the shorter of the previous 12 months or the period since the Issuer was Listed, will not exceed 3% of the aggregate of:
 - i. the total number of Equity Securities of that Class on issue at the commencement of that Period, and
 - ii. the total number of Equity Securities of that Class issued during that period under Rules 4.2.1, 4.3, 4.5.1, 4.8 and 4.9

provided that for the purposes of this Rule 4.6.1:

- (d) Financial Products which may Convert to Quoted Equity Securities are deemed to correspond in number to, and be deemed to be of the same Class as, the Quoted Equity Securities into which they may Convert.

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