

Cavalier Corporation Ltd

**Dividend
Reinvestment
Plan Offer
Document**

Cavalier
CORPORATION

Dividend Reinvestment Plan Offer Document

1 INTRODUCTION

This document (Offer Document) contains the terms and conditions of the Cavalier Corporation Limited (Cavalier) Dividend Reinvestment Plan (the Plan). Under the Plan, holders of ordinary shares in Cavalier (Shareholders) may elect to reinvest the net proceeds of cash dividends to be paid or credited on some or all of their ordinary shares held in Cavalier from time to time (Shares) towards acquiring further fully paid up ordinary shares in Cavalier (Additional Shares). This Offer Document has been prepared as at 18 August 2009.

2 THE OFFER

2.1 Offer to All Shareholders

Subject to clauses 2.3 and 2.4, Cavalier offers to all Shareholders the option of participating in the Plan.

2.2 Available Options

Shareholders may opt to participate in the Plan by exercising one of the following:

(a) Full Participation

If you opt for full participation, participation in the Plan will apply to all Shares registered in your name from time to time.

(b) Partial Participation

If you opt for partial participation, only the number of Shares nominated by you will participate in the Plan. If you hold less than the nominated number of Shares, then the Plan will apply to such lesser number of Shares.

Non-Participation

If you do not wish to participate and you wish to receive dividends in cash, you are not required to do anything.

2.3 Ability to Exclude Overseas Shareholders

(a) Overseas Shareholders

Cavalier may, in its absolute discretion, elect not to offer participation under the Plan to Shareholders whose address is outside New Zealand or Australia if Cavalier considers that to do so would risk breaching the laws of countries outside New Zealand or Australia.

(b) Warranty

Any person residing outside New Zealand and Australia who participates in the Plan through a New Zealand or Australian resident nominee will be deemed to represent and warrant to Cavalier that they can lawfully participate through their nominee. Cavalier accepts no responsibility for determining whether a Shareholder is able to participate in the Plan under laws applicable outside of New Zealand or Australia.

2.4 Exclusion where Liens or Charges over Shares

Any Shares over which Cavalier has a lien or charge in accordance with Cavalier's Constitution or other requirements of law will not be eligible to participate in the Plan.

3 METHOD OF PARTICIPATION

3.1 Participation Notice

To participate in the Plan a Shareholder must:

- (a) complete the participation notice which accompanies this Offer Document (the Participation Notice) in accordance with the instructions on that notice; and
- (b) forward the completed Participation Notice to Cavalier Corporation Limited Share Registrar at:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
North Shore City
Private Bag 92119
Auckland 1142
New Zealand.

Shareholders who subsequently decide that they would like to participate in the Plan can request a Participation Notice from Cavalier's Share Registrar at the address above.

If the Participation Notice does not indicate the extent of participation, it will be deemed to be an application for full participation if it is otherwise correctly completed and signed.

3.2 Participation Effective on First Record Date

The record date for determining entitlements under the Plan is 5.00pm New Zealand time on the date fixed by Cavalier for determining entitlements to a dividend (Record Date). Participation will be effective as to net proceeds of cash dividends payable or credited on the first and subsequent Record Dates after receipt by Cavalier of a properly completed Participation Notice.

4 ADDITIONAL SHARE ENTITLEMENT

4.1 Formula for Calculation of Additional Shares

The number of Additional Shares to be issued to a Shareholder who has elected to participate in the Plan (a Participant) in lieu of a cash dividend will be calculated in accordance with the following formula:

$$N = (PS \times D) / P$$

Where:

N is the number of Additional Shares which the Participant will receive (with fractional entitlements to be rounded to the nearest whole number and the fraction of a half rounded up to the next whole number);

PS is the number of Shares in respect of which an election to participate in the Plan has been made by the Participant at the Record Date (Participating Shares);

D is the net proceeds per Share from Cavalier (expressed in cents and fractions of cents, including any supplementary dividends in respect of Participating Shares payable to non-resident Shareholders but excluding any tax credits and after deducting any resident and non-resident withholding (or other) taxes, if any) of cash dividends paid or credited on that Share and which are to be reinvested under the Plan;

P is the volume weighted average sale price in New Zealand dollars (expressed in cents and fractions of cents) for a Share calculated on all price setting trades of Shares which took place through the NZX over a period of 5 trading days immediately following the Record Date. If no sales of Shares occur during those 5 trading days, then the sale price for a Share on the first sale on the NZX which took place after those 5 trading days will be deemed to be the volume weighted average sale price.

Any volume weighted average sale price so determined may be reasonably adjusted by Cavalier to allow for any bonus issue or dividend or other distribution expectation. If, in the opinion of the Board, any exceptional or unusual circumstances have artificially affected the volume weighted average sale price so determined, Cavalier may make such adjustment to that sale price as it considers reasonable. The determination of the price of the Additional Shares by the Board, or by some other person nominated by the Board, will be binding on all Shareholders with Participating Shares.

The Board also has the discretion, pursuant to clause 8.1 (e), to apply a discount to the volume weighted average sale price determined under this clause.

4.2 Share Price Information Publicly Available

Cavalier will ensure that at the time the price for the Additional Shares is set under clause 4.1, it will have no information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of the Shares if that information was publicly available.

4.3 Compliance with Laws, Listing Rules and Constitution

- (a) The Plan will not operate in relation to a dividend to the extent that the allotment or issue of Additional Shares under the Plan would breach any applicable law, the NZSX Listing Rules or any provision of Cavalier's Constitution.
- (b) If, and to the extent that, the Plan does not operate for such reason in respect of a Participant's Participating Shares, the relevant dividend on the Participating Shares will, until such time as the issue is resolved, be paid or distributed in the same manner as to those Shareholders not participating in the Plan.

5 OPERATION OF THE PLAN

5.1 Issue of Additional Shares

Cavalier will, on the day that a Participant would otherwise have been paid or credited a dividend, issue the Additional Shares to that Participant in accordance with clause 4.

5.2 Terms of Issue and Ranking of Additional Shares

Additional Shares issued to Participants under the Plan will be issued on the terms set out in this Plan, and, subject to the rights of termination, suspension and modification set out in clause 8, will not be issued on any other terms and will all be subject to the same rights as each other. The Additional Shares issued to Participants under the Plan will, from the date of issue, rank equally in all

respects with each other and with all other Shares of Cavalier on issue as at that date.

6 SOURCE OF ADDITIONAL SHARES

Additional Shares to be acquired by Participants under the Plan may, at the Board's discretion, be:

- (a) new Shares issued by Cavalier;
- (b) existing Shares acquired by Cavalier or a nominee or agent of Cavalier; or
- (c) any combination of (a) and (b) above.

7 STATEMENT TO PARTICIPANTS

Subject to clauses 2.3 and 2.4, Cavalier will send to each Participant on each dividend payment date, a statement detailing in respect of that Participant:

- (a) the number of the Participating Shares of the Participant as at the Record Date;
- (b) the amount of the cash dividend reinvested in respect of the Participating Shares, and the amount paid in respect of Shares not nominated for participation in the Plan (if applicable);
- (c) the amount of any tax deductions or withholding tax in respect of the cash dividend;
- (d) the issue price and number of Additional Shares issued under the Plan;
- (e) the amount of any imputation or other taxation credit in respect of the cash dividend; and
- (f) such other matters required by law with respect to dividends and/or the reinvestment of dividends.

8 TERMINATION, SUSPENSION AND MODIFICATION

8.1 The Board's discretion

The Board of Cavalier may, in its sole discretion, at any time:

- (a) terminate, suspend or modify the Plan. If the Plan is modified, then a Participation Notice will be deemed to be a Participation Notice under the Plan as modified unless such Participation Notice is subsequently changed or withdrawn by the Participant in accordance with clause 8.3; or
- (b) resolve that participation will not apply to the whole or part of any dividend and that the applicable part will be paid or credited in cash; or
- (c) resolve that in the event of the subdivision, consolidation or reclassification of the Shares into one or more new classes of shares, that a Participation Notice will be deemed to be a Participation Notice in respect of the shares as subdivided, consolidated or reclassified unless such Participation Notice is subsequently changed or withdrawn by the Participant in accordance with clause 8.3; or
- (d) resolve that a Participation Notice will cease to have any effect; or
- (e) determine that Additional Shares may be issued at a discount to the market price of Shares.

8.2 Prior Notice

Notice of any modification by Cavalier will be given to all Participants by sending written notification of that modification to Shareholders' addresses as set out in the Cavalier share register.

Notice of any termination or suspension by Cavalier will be made by way of an announcement through the NZX.

8.3 Variation or Termination by a Participant

A Participant may, at any time,:

- (a) increase or decrease the number of Participating Shares by completing and sending a new Participation Notice to Cavalier's Share Registrar; or
- (b) terminate the Participant's participation in the Plan by written notice to that effect to Cavalier's Share Registrar.

Such variation or termination will take effect as at the next Record Date after receipt by Cavalier's Share Registrar of the new Participation Notice or the written termination notice, as the case may be. Written notice of the variation or termination should be sent to Cavalier's Share Registrar at the address set out in clause 3.1 (b).

8.4 Death of Participant

If a Participant dies, participation by that Participant will cease upon receipt by Cavalier's Share Registrar of a notice of death in a form acceptable to Cavalier. Death of one of two or more joint Participants will not automatically terminate participation.

9 REDUCTION, OR TERMINATION, OF PARTICIPATION WHERE NO NOTICE GIVEN

9.1 Dispositions where Partial Participation

Where a Participant in respect of some, but not all, of its Shares, disposes of some of its Shares then, unless the Participant notifies Cavalier otherwise in writing,:

- (a) the Shares disposed of will be the Participant's non-participating Shares; and
- (b) if the number of Shares disposed of is greater than the number of the

Participant's non-participating Shares, the balance will be attributed to the Participating Shares.

9.2 Partial Dispositions where Full Participation

If a Participant with full participation disposes of some of its Shares without giving Cavalier's Share Registrar written notice terminating the Participant's participation in the Plan, the Participant will be deemed to have terminated its participation in the Plan with respect to the Shares disposed of by it from the date Cavalier registers a transfer of those Shares.

9.3 Dispositions of All of Shares

If a Participant disposes of all of its holding of Shares without giving Cavalier's Share Registrar written notice terminating the Participant's participation in the Plan in accordance with clause 8.3(b), the Participant will be deemed to have terminated its participation in the Plan from the date Cavalier registers a transfer of those Shares.

10 TAXATION

For New Zealand tax purposes, shareholders who reinvest the net proceeds of their cash dividends to acquire further Shares via participation in the Plan should be treated in the same way as if they had not participated. This means that Shareholders who participate in the Plan should derive dividend income of the same amount that they would have derived had they not participated.

The taxation summary above is based on New Zealand taxation laws as at the date of this Offer Document and is, of necessity, general. It does not take into account the circumstances of individual Shareholders and the specific tax consequences to them of participation or non-participation in the Plan, which may vary considerably. Shareholders (both New Zealand and non-resident Shareholders) should not rely on this general summary but should seek their own tax advice. Cavalier does

not accept any responsibility for the financial or taxation effects of a Shareholder's participation or non-participation in the Plan.

11 COSTS

There are no charges for participation in, or withdrawal from, the Plan. No brokerage costs will be incurred on the issue of Additional Shares.

12 STOCK EXCHANGE LISTINGS

12.1 Listing of Additional Shares

The Additional Shares issued under the Plan have been accepted for listing by NZX and will be quoted on the completion of allotment procedures. However, NZX accepts no responsibility for any statement in this Offer Document.

12.2 Stock Exchange Rules

The Plan is subject to the NZSX Listing Rules and to any rules for clearing and/or settlement which operate on the NZX from time to time (together the Stock Exchange Rules) and in the event of any inconsistency between the Plan and the Stock Exchange Rules, the Stock Exchange Rules will apply.

13 GOVERNING LAW

This Offer Document, the Plan and its operations will be governed by the laws of New Zealand.

14 OTHER INFORMATION

A copy of Cavalier's most recent Annual Report (which incorporates financial statements that comply with the Financial Reporting Act 1993) is available to Shareholders free of charge by writing to:

The Company Secretary
Cavalier Corporation Limited
P O Box 97040
Manukau City 2241
New Zealand

Alternatively, an electronic copy can be downloaded from Cavalier's website at www.cavcorp.co.nz.

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