



ASX Announcement

17 January 2023

DGR ENTERS INTO FIRST FUNDING AGREEMENT IN CONNECTION WITH PROPOSED DEEDS OF COMPANY ARRANGEMENT IN RESPECT OF ARMOUR ENERGY LTD GROUP

The Directors of DGR Global Ltd (**DGR or Company**) are pleased to advise that DGR has entered into a Facility Agreement (**Agreement**) with Choice Investments (Dubbo) Pty Ltd ACN 112 796 237 (**Choice**), as part of several intended finance arrangements to fund DGR's Deed of Company Arrangement (**DOCA**) proposals for Armour Energy

Under the **Agreement** Choice has agreed to provide funding in 2 tranches with the initial tranche (**Tranche 1**) being \$10M and potentially a further maximum \$5M under a second tranche (**Tranche 2**) which can be provided by Choice and/or Co-Lenders.

The primary purpose of the Choice facility is to enable DGR to provide funds which DGR has offered to make available by way of loan to the Receivers and/or Administrators of Armour Energy Ltd for the purposes of financing the ongoing trading and operations during the receivership and/or administration of Armour Energy and its subsidiaries.

KEY TERMS OF THE CHOICE FACILITY:

- The interest rate is 20% per annum which will be capitalised and payable on the maturity date.
- The loan is repayable on 30 November 2024. DGR may repay at the earliest on 14 February 2024 upon payment of an early repayment fee of 50% of the interest attributable to the remaining term.
- The loan is secured against DGR assets.
- The loan is guaranteed by DGR subsidiaries: DGR Energy Pty Ltd (ACN 152 604 521); Coolgarra Minerals Pty Ltd (ACN 151 731 010); Hartz Rare Earths Pty Ltd (ACN 147 226 622); Tinco Australia Pty Ltd (ACN 147 181 271) and DGR Bolivia Pty Ltd (ACN 626 131 360).

FEES:

DGR has agreed to pay the following facility fees:

- A 2 % establishment fee on the Tranche 1 amount and 2 % on any amount drawn down under Tranche 2. DGR may elect that the Tranche 2 establishment fee be paid by being capitalised in arrears and added to, and be deemed to be part of, the Tranche 2 amount.
- A back-end fee only payable if, on any date during the life of the facility, the 30 Day VWAP is not greater than or equal to A\$0.10 per share, Lender a fee equal to 5.00% of the aggregate amount of all loans drawn under Tranche. The back-end fee must, if payable, be paid on the maturity date.

DGR OPTIONS

DGR has also agreed to grant an initial 160 million options in respect of Tranche 1 to Choice each exercisable at \$0.03 on or before 3 years from issue as follows:

- Tranche 1 Options - 30,000,000 Options.
- Tranche 2 Options - 120,000,000 Options.
- Tranche 3 Options - 30,000,000 Options

DGR has also agreed to a further grant of options (Tranche 4 Options) on the same terms in respect of Tranche 2, being:

- 1 option for every \$1.00 of the Tranche 2 amount made available to DGR, plus
- 15 options for every \$1.00 requested under Tranche 2 and for which the Company receives funds.

The grant of the Tranche 3 and Tranche 4 Options is subject to shareholder approval which DGR proposes to seek shortly.

If for any reason shareholder approval is not obtained by 28 February 2024 then DGR has agreed to pay to Choice, and if applicable to each co-Lender, in immediately available funds an amount equal to:

$$A = (B - C) \times D$$

Where:

- **A** = The amount to be paid by DGR provided that if the number is negative then there is to be no payment.
- **B** = The aggregate after tax net tangible asset value of DGR and its subsidiaries calculated in accordance with accounting standards, imposed by the Corporations Act, divided by the number of Shares on issue as at 28 February 2024.
- **C** = Exercise Price of the Tranche 3 Options and Tranche 4 Options as at the relevant date, and
- **D** = The number of Tranche 3 Options and Tranche 4 Options that would have been issued to Choice or the relevant co-Lender, as applicable, had shareholder approval for the grant of the options been approved.

Further details of the proposed terms of the Tranche 1,2,3 and 4 Options (Option Terms) are set out in the Schedule below.

ARMOUR GROUP DOCA PROPOSALS

DGR is pleased to advise that it has put forward nine interdependent Deed Proposals (**Group DOCAs**) with a view to acquiring Armour Energy Ltd (AEL) and all nine companies within the Armour Energy Ltd Group (Armour **Group**)

The total Purchase Price payable by DGR pursuant to the Group **DOCAs** to acquire the Armour Group will be a cash amount of \$54.8 million comprising the following amounts:

- a) \$21.7M for the benefit of the Armour Group's unsecured unrelated trade creditors.
 - Including \$600,000 to provide for retention bonuses to employees; and
 - \$600,000 to payout unrelated convertible note holders

- b) \$5M to be paid to AEL to finance the Armour Group's ongoing working capital requirements.
- c) \$900,000 to be paid to the Administrators as a contribution to the net deficiency expected to be incurred by them in continuing to trade the Group's business pending completion of the Group **DOCAs**.
- d) \$500,000 to be paid to the Administrators on account of their remuneration, disbursements, and liabilities, and
- e) \$26.7M to be paid to the secured creditor to discharge their secured debts.

DGR also proposes its debt of \$25M be deferred under the **DOCAs** to enable funding of the majority of the cash component of the proposed purchase price of \$54.8M for the Group **DOCAs**. DGR is progressing a number of loan facilities with a reputable credit investor on standard commercial terms in the aggregate amount of approximately \$55M (**Further Loans**).

THE FURTHER LOANS ARE PROPOSED TO INCLUDE:

- a) An initial facility of \$24.5M to provide funds to AEL towards repayment of the secured creditor of the Armour Group; and
- b) A further facility of \$25M to fund the balance of the Group **DOCA** consideration and the Armour Group's ongoing working capital requirements.

DGR expects to have a signed binding facility **Agreement** for the Further Loans by 25 January 2024 such that funds will be available to be drawn down by 09 February 2024.

The second creditors meeting for the Armour Group is scheduled for 19 January 2024 and DGR has requested the Administrators adjourn that meeting.

DGR **DOCA** proposals are the only current proposal to deal with or account to all of the Group creditors on a 100c/\$ basis.

DGR will update the market on progress as soon as it is able to.

SCHEDULE – OPTION TERMS

A. EXERCISE PRICE

The exercise price of each Option (**Exercise Price**) is the lower of:

- (i) \$0.03; and
- (ii) If, while any amounts owing under the **Agreement** remain outstanding the Company makes an issue of Equity Securities (other than the Tranche 1,2,3 and 4 Options and any Equity Securities issued pursuant to an ESOP capped at 5% of the issued Shares of the Company as at the date of this document) and the issue price of the Equity Security (or in the case of options or convertible securities the price at which Shares would be issued under the Equity Security) is less than \$0.03 and the diluted percentage of those Equity Securities exceeds 15% of the number of Shares on issue as at the date of this document:
 - a) The Adjusted Price; or
 - b) In the case of a series of issuances, the volume weighted Adjusted Price in relation to those issuances.

SCHEDULE – OPTION TERMS (Continued)

For the purposes of determining the Exercise Price:

Adjusted Price means the price calculated in accordance with the following formula:

(A + B) / C, where:

- **A** = Market capitalisation of the Company on the Trading Day immediately prior to the issue of the Equity Securities.
- **B** = The number of Equity Securities the subject of the issue, multiplied by their issue price, and
- **C** = The number of Shares on issue immediately prior to the issue of Equity Securities plus the fully diluted number of the issued Equity Securities. Paragraph (ii) above may apply on more than one occasion and in respect of any set of consecutive issuances (in which case the lowest value will apply).

B. EXERCISE PERIOD

- (i) The Options may be exercised during the period (**Exercise Period**) commencing on the date of the Option issuance and expiring on the date that is 3 years after the date funds are first drawn under the **Agreement (Expiry Date)**
- (ii) Any Options not exercised by the Expiry Date will automatically lapse.

C. ENTITLEMENT

Each Option entitles the holder to subscribe for one fully paid Share upon exercise of the Option and payment of the Exercise Price prior to the Expiry Date.

D. TERMS OF EXERCISE

The Options may be exercised in whole or in part. The minimum number of Options that can be exercised is an amount equal to \$250,000 divided by the applicable Exercise Price for the Options unless the Option holder holds a number of Options that can be exercised is an amount less than \$250,000 divided by the applicable Exercise Price for the Options in which case all Options must be exercised at one time.

Options may be exercised by giving written notice to the Company, together with payment of an amount equal to the Exercise Price multiplied by the number of Options being exercised, at any time during the Exercise Period.

E. ISSUE OF SHARES

- (i) The Company must within 5 Business Days of receiving a valid notice of exercise and payment of the Exercise Price issue the Shares to the Option holder.
- (ii) Shares issued pursuant to the exercise of Options will rank equally in all respects with all other Shares on issue.
- (iii) On the date of issuance of Shares pursuant to the valid exercise of Options the Company must:
 - a) Give to ASX a Cleansing Notice and an Appendix 3B with respect to those Shares, and
 - b) Apply to ASX for official quotation of those Shares.

F. RIGHTS TO PARTICIPATE

Holders of Options do not have any right to participate in new issues of securities in the Company made to Shareholders generally during the currency of the Options without exercising the Option. However, the Company will ensure that for the purposes of determining entitlements to any such issue the record date will be as set forth under the ASX Listing Rules after the issue is announced giving the holders of Options the opportunity to exercise the Options prior to the date for determining entitlements to participate in any such issue.

G. QUOTATION

The Options will not be quoted. The Company shall apply for listing of the resultant shares of the Company issued upon exercise of any Option.

H. TRANSFER

Holders of Options may transfer the Options to a Related Party or nominate a Related Party to receive Shares issued upon exercise of Options. The Options may not otherwise be transferred during the term of the Facility **Agreement**.

I. CAPITAL REORGANISATION

If, at any time, the issued capital of the Company is reconstructed (including consolidation, sub-division, reduction or return) all rights of holders of Options will be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

J. BONUS ISSUES

If the Company makes a bonus issue to Shareholders, and no Share has been issued in respect of any Options before the record date for determining entitlements to the bonus issue, then the number of Shares over which that Option is exercisable will be increased in the manner permitted by the ASX Listing Rules applying at the time of the bonus issue.

K. PRO RATA ISSUES

If the Company makes a pro rata issue (other than a bonus issue) to existing Shareholders, and no Share has been issued in respect of any Options before the record date for determining entitlements to the pro rata issue, then the Exercise Price will be changed in the manner permitted by the ASX Listing Rules applying at the time of the pro rata issue.

L. CHANGE OF OPTION TERMS

The terms of the Options shall only be changed, if agreed between the Company and all holders of Options, if Shareholders (whose votes are not to be disregarded) approve of such a change. However, the Exercise Price, increase the number of Options or change any period for exercise of the Options must not be changed other than in accordance with the ASX Listing Rules and these terms and conditions.

This ASX Announcement was authorised by the DGR Board of Directors

Geoff Walker | **Company Secretary**

ABOUT DGR GLOBAL LIMITED

DGR Global's business involves the creation of resource exploration development and mining companies. The business uses the skills of a core team of talented geoscientists to identify resource projects capable of yielding world class discoveries of attractive commodities.

This is achieved through:

- The identification of commodities with a favourable 20-year price outlook.
- Geological terranes with:
 - A demonstrated strong endowment for that commodity.
 - An under-explored history.
 - Opportunity for the application of recently developed exploration techniques.
 - Jurisdictions with improving socio-economic and regulatory frameworks.
 - Extensive available tenures.

DGR provides initial seed funding and management support to secure assets in subsidiaries and develop these assets to more advanced funding stages. DGR has a pipeline of projects in group companies at various stages of emergence, and in 2015 crystallised a significant return through the sale of its 15% holding in Orbis Gold for \$26million. Further development of its holdings in LSE and TSX-listed SolGold Plc and AIM and ASX listed Atlantic Lithium Ltd, ASX-listed Clara Resources, NewPeak Metals and Armour Energy Ltd and unlisted Auburn Resources Ltd, are expected during Q3 & Q4 2023.

Get Regular News from DGR Global on Social Media

As a valued shareholder, you can now stay up to date of forces influencing the value of your investment in DGR Global by following us on Twitter. We regularly post information about the operations of us and the DGR companies as well as what is happening in our sectors around Australia and around the world – with links to documents in the media, brokers, and other authoritative sources so you can stay up to date. As well, our posts on Twitter will alert you to our latest ASX announcements. Join the hundreds who follow us on Twitter @DGRGlobal. We've also added to our website a corporate newsroom with monthly news flow concerning DGR and the DGR sponsored companies. Located under News Bank in the investor section of the DGR website: www.dgrglobal.com.au

For further information contact | **E** info@dgrglobal.com.au | **W** www.dgrglobal.com.au

Peter Wright

Chairman
E: pwright@dgrglobal.com.au

Nicholas Mather

Managing Director
E: nmather@dgrglobal.com.au

Geoff Walker

CFO & Company Secretary
E: gwalker@dgrglobal.com.au

FORWARD LOOKING STATEMENT Statements & material contained in this ASX Release, particularly those regarding possible or assumed future performance, production levels or rates, commodity prices, resources or potential growth of DGR, industry growth or other trend projections are, or may be, forward looking statements. Such statements relate to future events & expectations and, as such, involve known and unknown risks & uncertainties. Although reasonable care has been taken to ensure facts stated in this Release are accurate and/or that the opinions expressed are fair & reasonable, no reliance can be placed for any purpose whatsoever on the information contained in this document or on its completeness. Actual results & developments may differ materially from those expressed or implied by these forward-looking statements depending on a variety of factors. Nothing in this Release should be construed as either an offer to sell or a solicitation of an offer to buy or sell shares in any jurisdiction.