



DGR Global Limited (ASX: DGR)

ASX Announcement | 6 July 2022

DGR GLOBAL FURTHER ADDS TO STRATEGIC INVESTMENT IN ARMOUR ENERGY

The Directors of DGR Global Ltd (DGR or the 'company') are pleased to announce that DGR has reached agreement with Armour Energy Ltd (ASX Code 'AJQ' or 'Armour') to provide a \$4.5M finance facility to Armour Energy Ltd (ASX Code 'AJQ' or 'Armour').

Armour is currently undertaking a strategic overview and executing several initiatives to maximise the value of its substantial asset base against a broader context of surging domestic gas prices. DGR is currently the major shareholder of Armour with a current holding equating to 18.37% of the issued capital of Armour. In addition, DGR holds \$2.5M (face value) or 10% of Armour's bonds on issue and has a further \$2m invested in MacArthur Oil and Gas (MOG) redeemable exchangeable notes.

The facility being provided by DGR is able to be drawn by Armour over the next three months and the funding is to be provided by way of a placement of redeemable exchangeable notes to be issued by Armour's subsidiary, McArthur Oil and Gas Ltd (MOG), at an issue price per note of \$1.00 and otherwise on the terms and conditions set out in the Redeemable Exchangeable Note Trust Deed (including those terms as extracted in Annexure A) (MOG Notes). MOG and Armour intend to obtain all necessary approvals and consents to allow for the exchange of the MOG Notes being subscribed for by DGR and the existing MOG Notes already on issue (together with any accrued and unpaid interest) into Armour Convertible Notes on the terms and conditions summarised in Annexure B (Armour Convertible Notes).

Investment Rationale

DGR has long held the view that the East Coast Australian Gas market exhibits compelling long-term fundamentals.

Armour Energy Ltd is well placed over the long term to take advantage of these fundamentals with the company's fully integrated reservoir to grid infrastructure centred on and around the Kincora gas processing facility south of Roma in Queensland's prolific Surat Basin.

Armour has a substantial asset base including the Kincora gas processing facility, a substantial upstream gathering system delivering gas to Kincora and a nameplate processing capacity of up to 30 terajoules (Tj) of gas per day plus condensate and LPG by products, a substantial resource and series of prospective production leases and authorities to prospect in proximity to the Kincora facility to grow both resource inventory and ultimately production.

Additionally, Armour holds the Newstead gas storage facility which ultimately could provide Armour with the capacity to deliver peak period gas into the East Coast market at its discretion and is an asset of significant strategic value.

Beyond its substantial reservoir to grid infrastructure and assets, Armour has a significant suite of assets with considerable value including its substantial acreage position in the highly prospective McArthur and South Nicholson basins with a collective acreage position of 96,000 km.

Armour also holds significant acreage positions in the Cooper Basin in South Australia and the Otway Basin in Victoria where Armour holds a 51% interest in PEP 169 just 3 kms north of Beach Energy Ltd (ASX Code BPT) exciting 160 PJ gas find which recently flow tested at 61 Million Standard Cubic Feet per day (MMCFD).

DGR Global

DGR will be utilising existing cash reserves to meet its obligations to Armour under this financing facility.

DGR remains with a robust balance sheet with over \$140M in liquid listed equity holdings and cash reserves.

DGR remains adequately provisioned post this transaction and as has previously announced its preference to fund the company's ongoing activities from its balance sheet as opposed to diluting shareholder equity via placement of equity.

For further information please refer to Armour Energy Ltd ASX announcement dated 5 July 2022 and Annexures A and B below.

DGR Chairman, Mr Peter Wright commented,

"Armour has a portfolio with exceptional long-term potential, set against a broader context of challenging domestic gas supply. Armour has articulated a compelling strategy (Refer Armour announcement 6 July 2022) for the coming period and beyond which we support and believe will accelerate Armour realising this value for all stakeholders.

DGR is a long term and committed investor in not only Armour but all its long-term investments".

This ASX Announcement was authorised by the Board of Directors

Geoff Walker | Company Secretary

Electronic copies & more information are available on our website:

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ANNEXURE A
SUMMARY TERMS OF ISSUE OF MOG NOTES
McArthur Oil & Gas Ltd
Redeemable Exchangeable Note Term Sheet

Issuer	McArthur NT Pty Ltd ACN 649 856 315
Parent Company	McArthur Oil & Gas Ltd (MOG or Parent Company) (or such other company that holds all the shares issued in the capital of the Issuer) which intends to undertake an IPO raising and apply for quotation on ASX.
Offering	Redeemable Exchangeable Notes (Notes) to be issued by the Issuer pursuant to the Note Trust Deed and which will be exchangeable into shares in the Parent Company (subject to the Condition Precedent for Exchange).
Issue size	Up to 32,000,000 Notes (\$32,000,000). The Notes may be issued in two or more tranches.
Purpose	Funds raised by the issue of the Notes will finance a security deposit to Armour Energy Limited (Armour) for the acquisition of all of the Northern Basin Assets of Armour, exploration work programs, costs of progressing the Parent Company towards an IPO, general working capital and costs of the issue.
Issue Price	Face Value of \$1.00 per Note
Maturity Date	31 October 2022.
Security / Ranking	<p>Unsecured Subordinated.</p> <p>The Notes will constitute direct and unsecured obligations of the Issuer and will rank subordinated and be junior to the secured amortising notes issued by Armour Energy Limited (Secured Amortising Notes).</p> <p>Subject to the subordination to the Secured Amortizing Notes, each Note otherwise ranks for payment in a winding up of the Issuer:</p> <p>(1) equally and proportionally with each Note; and</p> <p>(2) ahead of all subordinated debts of the Issuer and ordinary shareholders.</p>
Status	The Notes are direct and unsecured debt obligations of the Issuer.
Coupon Rate	15% per annum coupon rate accrued and capitalised monthly from the Issue Date.
Interest Payment Dates	The coupon on the Notes will be capitalised to Exchange, the Maturity Date or Redemption Date.
Exchange	Each Note (and any accrued and unpaid interest due and capitalized) will, subject to satisfaction of the Condition Precedent below, exchange into fully paid ordinary shares of the Parent Company contemporaneous with the issue of the IPO shares such that the shares received in exchange for the Notes will be shares offered under an 'Exchange Offer' pursuant to the IPO prospectus.

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	The Exchange price upon automatic exchange will be a 20% discount to the IPO price per share.
Condition Precedent for Exchange	The Exchange of the Notes for Parent Company Shares is subject to and conditional upon Armour obtaining any necessary shareholder approvals for the purposes of ASX Listing Rule 11.4.1 (b).
Noteholder Redemption	Repayment of Face Value and any unpaid interest at the Maturity Date or in the event an Exit Event occurs, or the Issuer commits an Event of Default.
Early Redemption Event	<p>The Company may give a Redemption Notice in the event of an Exit Event.</p> <p>Exit Event means that if at any time on or before the Maturity Date, an off-market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of ordinary shares to purchase or otherwise acquire ordinary shares and the bid, scheme or offer becomes unconditional, and the offeror has at least 50% of the voting power (as defined by the Corporations Act) in Armour.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give an Exchange Notice (which may be expressed to be subject to Exit Event completing) in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Exchange Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date. In the event of an Exchange Notice being given in relation to an Exit Event, the Exchange Price will be equivalent of a 25% discount to the average price per ordinary share being paid for Ordinary Shares under the Exit Event calculated on a fully diluted basis.</p>
Transaction Documents	<p>The parties have entered into the following definitive agreements to document the Note issuance outlined in this Term Sheet (Transaction Documents):</p> <ul style="list-style-type: none"> • Redeemable and Exchangeable Note Deed; and • Note Trust Deed.
Events of Default	Customary events of default are to be incorporated in the Transaction Documents for a transaction of this nature, including but not limited to payment, redemption or Exchange breaches, covenant breaches cross defaults, and insolvency events.
Covenants	Customary covenants are to be incorporated in the Transaction Documents applicable to the Issuer and the Parent Company for a transaction of this nature.
No Dividends	No dividends may be declared or paid whilst the Notes are on issue.
ASX Listing	The Parent Company will undertake to use reasonable endeavours to undertake an IPO and ASX listing or other liquidity event for Noteholders and will provide updates to Noteholders on progress in this regard every 6 months.

Escrow	In the event of an IPO and ASX listing, the Noteholder will agree to enter into such ASX restriction agreements or voluntary escrow deeds as ASX or the lead managers to the ASX IPO require, provided the restriction period does not exceed three months following quotation (for voluntary escrow) or as is otherwise required by ASX.
Parent Company Interposition	<p>The Issuer and the Parent Company are currently wholly owned direct subsidiaries of Armour. The Issuer has been formed to hold all the Northern Territory and North Queensland assets of Armour outlined in the Armour Energy ASX release of 3 March 2021 and the transfer of these assets has been applied for and is pending approval of this transfer with the Northern Territory and the Queensland Governments.</p> <p>Following the approval and completion of the transfer (and in the case of pending permit applications, the grant of the exploration permit and the Parent Company is interposed) to the Issuer of the assets, Armour will transfer all of the outstanding shares in the Issuer to the Parent Company such that the Issuer becomes a wholly owned subsidiary of the Parent Company.</p> <p>Until such time as these transfers of the currently granted exploration permits in the Northern Territory and interposition is completed, the Parent Company must remain dormant so that no stamp duty is incurred either on the transfer of the assets to the Issuer or upon the IPO of the Parent Company.</p>
Voting Rights	Until Exchange, the Notes do not give a Noteholder voting rights or dividend rights.
Investor Eligibility	The Notes are being offered to 'sophisticated investors', 'professional investors' (under the Corporations Act) and investors who are exempt to disclosure requirements.
Note Trustee	Centec Securities Pty Ltd

ANNEXURE B

PROPOSED TERMS OF ISSUE OF ARMOUR ENERGY LTD CONVERTIBLE NOTES

Subject to receipt of all necessary approvals and consents, it is intended for the MOG Notes (those already on issue and those subscribed for by DGR Global Ltd) to be exchanged for Armour Energy Convertible Notes.

The key proposed terms of the Convertible Notes are:

- Three (3) year maturity
- Initially unsecured but upon completion of the proposed FIIG Bond repayment to have first ranking security (subject to any required tenement level security requirements to support Gas Sale Agreements and prepayments).
- Non-amortising (principal repayable at maturity)
- Convertible at any time by the holders at the higher of 0.9c per share or a 50% premium to the issue price of any equity capital raising undertaken prior to 30 September 2022.
- 10% coupon, payable half yearly in arrears in cash or shares at Armour election, at a 10% discount to the trailing 30-day VWAP
- Terms otherwise customary for this type of instrument.

Further Terms of Issue of the Convertible Notes are set out below:

Issuer	Armour Energy Limited ACN 141 198 414
Offering	Convertible Notes (Notes) to be issued by the Issuer pursuant to the Note Trust Deed and which will be convertible into shares in the Issuer (subject to the Condition Precedent for Exchange).
Issue size	Up to 32,000,000 Notes (\$32,000,000). The Notes may be issued in two or more tranches.
Purpose	Funds raised by the issue of the Notes will be to meet payments due on the secured amortising notes issued by Armour Energy (FIIG Secured Amortising Notes) including their refinance, exploration work programs, payment of outstanding creditors, general working capital and costs of the issue.
Issue Price	Face Value of \$1.00 per Note
Term	3 years
Maturity Date	31 July 2025
Security / Ranking / Status	<p>Initially the Notes will constitute direct and unsecured obligations of the Issuer and will rank subordinated and be junior to the secured amortising notes issued by Armour Energy.</p> <p>It is the intention for the FIIG Secured Amortising Notes to be repaid and upon repayment, the Notes will be senior secured obligations of the Issuer (subject to any required tenement level security requirements to support Gas Sale Agreements and prepayments).</p> <p>Subject to the initial subordination to the FIIG Secured Amortizing Notes, each Note otherwise ranks for payment in a winding up of the Issuer:</p>

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	<p>(1) equally and proportionally with each Note; and</p> <p>(2) ahead of all subordinated debts of the Issuer and ordinary shareholders.</p>
Coupon Rate	<p>10% per annum coupon rate, accrued from the Issue Date.</p> <p>Interest is payable either in cash or, at Armour's election, by the issue to the Noteholder of Armour ordinary shares, issued at a 10% discount to the 30-day volume weighted average price (VWAP) of Armour shares traded on the ASX up to the Interest Payment Date.</p>
Interest Payment Dates	<p>The coupon on the Notes will be payable half yearly for the half year periods to 30 June and 31 December on the following dates:</p> <ul style="list-style-type: none"> - 15 January 2023; - 15 July 2023; - 15 January 2024; - 15 July 2024; - 15 January 2025; - 15 July 2025; <p>and will be payable for the period from the last Interest Payment Date to the Maturity Date or Redemption Date.</p>
Conversion	<p>Each Note (and any accrued and unpaid interest due and capitalized) will, subject to satisfaction of the Condition Precedent below, be convertible at the holder's election into fully paid ordinary shares of the Issuer at the higher of a price of 0.9 cents per share or a 50% premium to the issue price of any equity capital raising undertaken by the Issuer prior to 30 September 2022.</p> <p>A Noteholder may exercise conversion rights in relation to some, or all, of their Notes at any time (subject to satisfaction of the Condition Precedent for Conversion).</p>
Conversion Protections	<p>Notes will be subject to standard anti-dilution adjustments including share consolidations, share splits, rights issues, bonus issues and reorganisations.</p>
Condition Precedent for Conversion	<p>The Conversion of the Notes for Armour Energy Shares is subject to and conditional upon Armour obtaining any necessary shareholder approvals for the purposes of ASX Listing Rules.</p>
Noteholder Redemption	<p>Repayment of Face Value and any unpaid interest at the Maturity Date or in the event an Exit Event occurs, or the Issuer commits an Event of Default.</p>
Early Redemption Event	<p>The Company may give a Redemption Notice in the event of an Exit Event.</p> <p>Exit Event means that if at any time on or before the Maturity Date, an off-market bid, a market bid, scheme of arrangement, or offer or invitation is made to all holders of ordinary shares to purchase or otherwise acquire ordinary shares and the bid, scheme or offer becomes unconditional, and the offeror has at least 50% of the voting power (as defined by the Corporations Act) in Armour.</p> <p>Notwithstanding the issue of a Redemption Notice, a Holder may give an Exchange Notice (which may be expressed to be subject to Exit Event</p>

	<p>completing) in respect of any of its Notes which are the subject of the Redemption Notice up to the before the relevant Redemption Date (or such later time as the Company may agree with the relevant Holder), and only Notes for which Exchange Notices have not been so given or are treated as having not been given will be Redeemed on the specified Redemption Date. In the event of an Exchange Notice being given in relation to an Exit Event, the Exchange Price will be equivalent of a 25% discount to the average price per ordinary share being paid for Ordinary Shares under the Exit Event calculated on a fully diluted basis.</p>
Transaction Documents	<p>The parties have entered into the following definitive agreements to document the Note issuance outlined in this Term Sheet (Transaction Documents):</p> <ul style="list-style-type: none"> • Convertible Note Deed; and • Security Trust Deed.
Events of Default	<p>Customary events of default are to be incorporated in the Transaction Documents for a transaction of this nature, including but not limited to payment, redemption or Conversion breaches, covenant breaches cross defaults, and insolvency events.</p>
Covenants	<p>Customary covenants are to be incorporated in the Transaction Documents applicable to the Issuer and the Parent Company for a transaction of this nature.</p>
No Dividends	<p>No dividends may be declared or paid whilst the Notes are on issue.</p>
Voting Rights	<p>Until Conversion, the Notes do not give a Noteholder voting rights or dividend rights.</p>
Investor Eligibility	<p>The Notes are being offered to 'sophisticated investors', 'professional investors' (under the Corporations Act) and investors who are exempt to disclosure requirements.</p>
Note Trustee	<p>Centec Securities Pty Ltd</p>