

# Sahara Energy Ltd. Provides Information Respecting Change of Business

Calgary, Alberta--(Newsfile Corp. - February 23, 2021) - On January 25, 2021 Sahara Energy Ltd. (TSXV: SAH) (the "**Company**" or "**Sahara**") announced that its Board of Directors had approved a "change of business" pursuant to the policies of the TSX Venture Exchange (the "**TSX-V**"). The Transactions (as defined below) as contemplated by Sahara, will change Sahara's industry sector of operations under the policies of the TSX-V from "oi & gas" to a hybrid of "real estate" and "investment".

## Background

To date, Sahara's business has focused almost entirely on oil and gas exploration, evaluation and development in Western Canada. Over the past number of years the value of Sahara's oil and gas assets has progressively declined and the Company's rigorous attempts to sell its assets and identify new opportunities in the oil and gas sector in Alberta and Saskatchewan have yielded no viable results. Sahara's market capitalization is currently valued at a significant discount to its total asset value and the Company has been in a net loss position for at least the past two years. In addition to the existing oil and gas market failing to generate sufficient positive return for investors, the long-term outlook for the industry, and Sahara should it continue to focus its business on its oil and gas assets, is not ideal. As a result of these issues, Sahara's management team concluded that it was in the best interests of the Company and its shareholders for management to explore a more diverse array of options so as to optimize the deployment of the Company's cash assets.

Given the current expertise and connections of management, management's desire to have Sahara's funds deployed in relatively secure investments while still offering a return on investment for shareholders, as well as management's view of the ongoing opportunities available in Alberta and Saskatchewan, Sahara has determined that it is time to refocus its business in the areas of real estate and investing. In this regard, Sahara has identified the U.S. real estate market, particularly in the areas of student housing and multifamily residential properties, as an ideal area in which it could successfully undertake the first of its investments in the wider refocusing of its business.

## Change of Business Transaction

With respect to the transactions that will result in Sahara's "change of business" (collectively, the "**Transactions**"), Sahara has entered into two joint venture equity investment agreements (the "**Investment Agreements**", and each an "**Investment Agreement**") with certain affiliates of DMG Investments LLC ("**DMG**"), a comprehensive real estate company specializing in finance, development, operations and property management in the United States.

Pursuant to the terms of the Investment Agreements Sahara has agreed, subject to certain conditions, to invest in two of DMG's real estate development projects - the Dakota Albany Project (the "**Dakota Project**") and the Auden Buffalo Project, (the "**Auden Project**", and together with the Dakota Project, the "**Projects**") - in exchange for a preferred equity interest in such Projects. Given the significance of the Transactions and Sahara's related ongoing business plans, pursuant to the rules of the TSX-V, the closing of the Transactions will constitute a "change of business" of Sahara pursuant to TSX-V Policy 5.2 - *Change of Business and Reverse Take-over* (the "**Policy**").

### Dakota Project

Under the terms of the Investment Agreement respecting the Dakota Project, Sahara has agreed to invest an aggregate amount of US\$2,000,000.00 in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 15.56% of the total equity interest in the Dakota Project and approximately 5.34% of the overall Dakota Project costs.

The Dakota Project is a six story multifamily mixed commercial housing project situated at 1211 Western Avenue, Albany, New York, USA 12205. The site covers an area of 0.8 acres with a maximum floor area of 190,968 square feet (103,033 square feet net rentable). The Dakota Project design and development license scheme has been approved. DMG is in the process of obtaining an engineering blueprint and its project plan has been approved by Albany's Department of Planning & Development and submitted to the Department of Buildings & Regulatory Compliance for final permit approval.

DMG has advised Sahara that the total investment to completion cost of the Dakota Project is anticipated to be approximately US\$37.43 million (total land acquisition costs amounting to approximately US\$2.46 million). The total construction cost estimate (approximately US\$34.97 million) is comprised of hard costs of approximately US\$26.71 million, interest reserve costs of approximately US\$726,000 and soft costs of approximately US\$7.53 million. Construction of the Dakota Project is expected to take approximately 16 months from the initial date of Sahara's investment. In addition to the investment being made by Sahara, DMG has indicated that it anticipates that the Dakota Project to be funded through a construction loan of approximately US\$24.58 million and additional equity investments for the remaining amount (anticipated to be approximately US\$12.85 million). DMG will act as developer for the Dakota Project, as an approved affiliated transaction, and will be responsible for the construction, promotion, leasing and operation of such Project.

### Auden Project

Under the terms of the Investment Agreement respecting the Auden Project, Sahara will invest an aggregate amount of US\$3,000,000.00 in a joint venture real estate investment as a non-managing member in exchange for a preferred equity interest representing approximately 21.85% of the total equity interest in the Auden Project and approximately 6.86% of the total Auden Project costs.

The Auden Project is a student housing project situated at 2915-2949 North Forest Road, Amherst, New York, USA 14068. The site covers an area of approximately 5.39 acres, inclusive of certain undevelopable areas, in the vicinity of the University at Buffalo campus. The Auden Project is planned to consist of 154 residential units and 481 beds, and a lower-level parking area having 283 parking spaces, together with ancillary amenities and improvements, in a four story building containing approximately 213,438 square feet. All required approvals and building permits from the City of Amherst have been obtained for construction of the Auden Project and work on the Project has commenced.

DMG has advised Sahara that the total investment to completion cost of the Auden Project is anticipated to be approximately US\$43.73 million (total land acquisition cost amounting to approximately US\$2.67 million). The total construction cost estimate (approximately US\$39.16 million), is comprised of hard costs of approximately \$34.22 million and soft costs of approximately US\$4.94 million. Construction of the Auden Project is expected to take approximately 16 months from the initial date of Sahara's investment. In addition to the investment being made by Sahara, DMG has indicated that it anticipates that the Auden Project to be funded through a construction loan of approximately US\$30.00 million and additional equity investments for the remaining amount (anticipated to be approximately US\$13.73 million). DMG will act as developer, as an approved affiliated transaction, for the Auden Project and will be responsible for the construction, promotion, leasing and operation of such Project.

### General Terms and Conditions

The investments to be made by Sahara in the Projects are each subject to, among others, the following terms and conditions:

- Sahara will be guaranteed a 10% preferred return on its investment within 12 months of its initial investment, with the payment of return amounts being made at the end of the first quarter following its initial investment and at the end of the fourth quarter following initial investment;
- in the event that a material event of default by DMG occurs, Sahara will be entitled to a 15% return on its investment;

- during the period of the investment there will be no dilution of Sahara's preferred equity position;
- Sahara will retain voting rights in relation to material actions proposed by DMG;
- Sahara will retain an unconditional option to require the cash payment of its guaranteed return and the cash repurchase of all or part of its equity interest after an initial 12 month period or, in lieu of full repayment, upon Sahara giving three months prior notice to DMG, Sahara will continue to hold its position;
- the 10% return and repurchase option granted to Sahara in connection with its investment will be guaranteed by DMG Investments LLC; and
- Sahara will be granted certain exit options in the event of a material default in the Project.

The Projects will each be owned and operated by a Delaware limited liability company to be incorporated prior to closing. DMG's investment in each of the Auden Project and Dakota Project will amount to approximately 8% and between approximately 7% and 9.5%, respectively, of the overall Auden Project costs and Dakota Project costs, respectively. To date, DMG has invested approximately US\$4.5 million in the Auden Project and US\$3 million in the Dakota Project.

While DMG has advised the Company that it expects to raise the additional capital necessary for the completion of the Projects through construction loans and additional equity partners and, should the necessary additional capital not be raised from such sources, DMG has agreed that it will represent and warrant to Sahara that it has the ability to and will fund, in a timely manner, the remaining amounts necessary to complete each Project itself.

## DMG

DMG is a real estate investment management and development firm headquartered in New York, NY. As a professional fiduciary, it is involved in sourcing, selecting, underwriting, acquiring, developing, and managing real estate properties which, since its inception in 2013, have varied in size from \$20 million to over \$500 million. DMG's business is focused primarily on student housing, condominium and multifamily properties and it typically acts as the general partner of its selected projects. DMG currently manages real estate investments of approximately \$700 million in assets under management across projects in New York, New Jersey, Texas, Tennessee, Wisconsin, and South Carolina.

In addition to its other investments, since 2014, DMG has successfully undertaken the following real estate projects, each having a development plan and investment structure similar to that of the Projects. Each of the following projects have stabilized or entered the sale phase and the construction of each of the following projects was delivered on time and on budget.

Location	Property Type	Building Type	Square Feet	Units	Total Project Cost	DMG Role**
Albany, NY	Student Housing	Ground Up Development	203,000	106	USD\$45,000,000	GP
Ithaca, NY	Student Housing	Value Add	90,000	94	USD\$24,700,000	GP
Houston, TX	Student Housing	Value Add	160,000	162	USD\$25,000,000	GP
Spartanburg, SC	Student Housing	Ground Up Development	221,000	170	USD\$26,700,000	GP
Houston, TX	Condo	Ground Up Development	500,778	99	USD\$155,000,000	LP
Cliffside, NJ	Condo	Ground Up Development	347,000	204	USD\$165,000,000	100% owned
Milwaukee, WI	Multifamily	Ground Up Development	150,000	100	USD\$17,000,000	GP

\*\*\*'GP' denotes "General Partner" who is responsible for project ownership, management, development, operation, improvement, financing and construction. "LP" denotes "Limited Partner" who is solely a passive equity investor in the project.

## **Arm's Length Transaction and Sponsorship**

DMG is an independent third party without any involvement of any related party to Sahara (including no involvement of a director, officer (or proposed officer), controlling shareholder or other "insider" or any entity owned or controlled by them or with which they are involved). The proposed Transactions are "Arm's Length Transactions", do not involve "Non-Arm's Length" parties, are not "related party transactions" and, to Sahara's knowledge, no other circumstances exist which would otherwise require shareholder approval or that may compromise the independence of the Company or other interested parties (in particular, the Company's directors and senior officers) with respect to the proposed Transactions. As such, shareholder approval of the Transactions is not required under the express terms of the Policy.

No shares of Sahara are contemplated to be issued and no additional financing is expected to be obtained by Sahara in connection with the Transactions.

No "New Listing" as such term is defined in the policies of the TSX-V is being made in connection with such Transactions and, as a result, no sponsorship will be required or obtained in respect of the Company's proposed "change of business".

## **Principals and Insiders**

Given their existing experience and expertise, each of the existing Sahara directors and officers will remain principals and insiders of Sahara following the Transactions. In addition, Sahara will engage Ms. Fiona Wang to act as Sahara's Vice President of Operations and Mr. John Liang to act as Investment Advisor to the Company.

Ms. Wang is a partner and co-founder of Qianxing Capital, a venture capital firm focused on early stage start-up investments, Vice President of CMA Real Estate LLC, a US based real estate development firm, and has a number of years of experience in financial analysis, real estate investment and venture capital. She has extensive knowledge of capital markets, particularly in investor relations, raising capital and lending. Ms. Wang has a bachelor's of science in accounting from Purdue University.

Ms. Wang is currently a contracting consultant to Sahara, providing Sahara with assistance in its identification, analysis and execution of potential investment and real estate opportunities. Other than as a result of and through her position with Sahara, Ms. Wang does not have any prior relationship with DMG.

As Vice President of Operations, Ms. Wang will handle all day to day operations of the Sahara's U.S. operations including raising capital, overseeing the purchase and sale of real estate properties, managing all departments, and assisting in driving Company growth.

John Liang is a real estate professional with over 20 years of experience across the full real estate value chain, including finance, acquisitions, asset/portfolio management, entitlements and development, with in-depth knowledge of the U.S. real estate market. Over the course of his career, among other things, as President of U.S. Operations of a Shanghai-based conglomerate, Mr. Liang facilitated international U.S. real estate investments of over \$1 billion, acted as the Senior Director of Real Estate for a U.S. national retail chain with over \$10 billion in annual sales revenue, acted as Head of Acquisitions & Finance for a U.S. regional developer operating and developing retail properties in the Northeast, Mid-Atlantic and Mid-West areas of the U.S., and acted as Senior Asset Manager for a major commercial REIT in the U.S. Mr. Liang is U.S. Licensed Architect. He earned a Bachelor's of Architecture degree from the University of Arkansas and a Master of Business Administration (Dual Major in Finance & Real Estate) from The Wharton School of the University of Pennsylvania.

Mr. Liang does not have any prior employment or contractor relationship with the Company nor does he have any prior relationship with DMG.

As Investment Advisor to Sahara, Mr. Liang will provide advice in respect of the Company's on-going investment strategy and portfolio and help the Company evaluate existing and proposed capital structures and identify the appropriate capital structures for its investments.

Other than the individuals noted above and Sahara's two major shareholders, JK Investment (Hong Kong) Co., Limited and China Great United Petroleum Investment Co. Limited, Sahara is not aware of any other persons that will be principals or insiders (in each case as defined by the TSX-V) of the Company following the closing of the Transactions.

### **Conditions**

Pursuant to the rules of the TSX-V, given the size and nature of the Transactions, completion of the proposed Transactions as contemplated would constitute a "change of business" of the Company from its current business of "oil and gas" to a hybrid of "real estate" and "investment". As such, the Transactions are subject to TSX-V acceptance and approval and there can be no guarantee whatsoever that such approval will be obtained or on what conditions such approval may be obtained.

In addition, under the terms of the Investment Agreements, each of the proposed Transactions will be subject to a number of conditions including, but not limited to:

- DMG shall have cooperated, without any obligation to incur any out-of-pocket cost, in the preparation of Sahara's public disclosure documentation to the extent such cooperation reasonably requested by Sahara and is required to be disclosed by Sahara pursuant to applicable laws and the rules of the Canadian securities regulators and the TSX V;
- Sahara shall have received all necessary approvals of and as required by the TSX-V;
- no guarantee of any type whatsoever in connection with the owners of the Projects or the Projects themselves, including but not limited to corporate, personal, limited, contingent, or otherwise, shall be required of Sahara, or any officer or stakeholder affiliated with Sahara, or any individual affiliated with Sahara in their individual capacity, whether requested by DMG, any party involved with the Project, any potential lender (secured or unsecured) to the Project, or any third party;
- there has been no emergency lockdown, emergency shutdown, mandatory quarantine, or mandatory suspension of private enterprise issued by any governmental agency having jurisdiction over the Project, due to COVID-19, then in effect, which would prevent DMG from constructing the Project;
- the representations and warranties of each of the parties in the Investment Agreements remain true and correct; and
- except as permitted under the applicable operating agreement, there shall have been no sale, transfer, assignment, or hypothecation of any membership interest in the entity through which Sahara and DMG will hold their interest in the Project, DMG or the Project owner.

Given the significance of the conditions noted above, and the issues that may arise outside of the control of Sahara and DMG, there can be no certainty that all or any of the foregoing conditions will be satisfied and, as a result, the Transactions may not proceed in a timely fashion or at all.

### **Trading Halt**

In accordance with the Policy, the Company's shares were halted from trading on January 25, 2021 and will remain halted until such time as determined by the TSX-V, which, depending upon the policies of the TSX-V, may not be until the completion of the proposed Transaction. The Company will provide further

details in respect of the proposed Transaction in due course by way of news release.

**For further information, please contact:**

Sahara Energy Ltd.  
Panwen (Michelle) Gao  
Chief Executive Officer  
Or Quanli (Samuel) Wang, Vice President  
(403) 232-1359  
[Samuel@saharaenergy.ca](mailto:Samuel@saharaenergy.ca)

**Forward Looking Information Advisory**

*The matters discussed in this news release include forward-looking information. Forward-looking information includes, without limitation, any statement that may predict, forecast, indicate or imply future results, performance or achievements. Forward-looking information may be identified, without limitation, by the use of such words as "anticipates", "estimates", "expects", "intends", "plans", "predicts", "projects", "believes", or words or phrases of similar meaning. In addition, any information that may be made concerning future performance, strategies or prospects and possible future corporate action, is also forward-looking information. In particular, this news release includes forward-looking information respecting the completion of the Transactions, the Projects and the anticipated outcome of the "change of business" and impact of the Transactions and such "change of business" on shareholder value and the Company's overall financial position and prospects. Forward-looking information is based on current expectations and projections about future general economic, political and relevant market factors, such as interest rates, foreign exchange rates, costs of goods and services, equity and capital markets, and the general business and social environment, in each case assuming no changes to applicable tax or other laws or government regulation. Expectations and projections about future events are inherently subject to, among other things, risks and uncertainties, some of which may be unforeseeable. Accordingly, assumptions concerning future economic and other factors may prove to be incorrect at a future date. Forward-looking information is not a guarantee of future performance, and actual events could differ materially from those expressed or implied in any forward-looking statements made by the Company. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, changes in costs of goods and services, global equity and capital markets, business competition, technological change, changes in government relations, industry conditions, unexpected judicial or regulatory proceedings and catastrophic events. In addition, the COVID-19 pandemic has put significant strain on the global business and economy, including in the North American real estate sector, leading to significant volatility and unpredictability and there can be no assurance as to the overall or further impacts of the pandemic or any recovery therefrom. The Transactions are being made in two real estate development projects. Real estate development projects are subject to their own inherent risks and the success of such projects may be adversely impacted by, among other things: environmental risks and costs; labour costs and shortages; uncertain supply and price fluctuations in raw materials; increases in energy costs; labour disputes and work stoppages; leasing costs and the availability of equipment; heavy equipment demand and availability; contractor and subcontractor performance issues; worksite safety issues; project delays and cost overruns; extreme weather conditions; and social disruptions. As the Transactions are being made in projects being developed by DMG, such Transactions will also be subject to risks relating to investment concentration and reliance on DMG's ability to meet its contractual obligations and develop each of the projects underlying the Transactions in the manner currently contemplated by the Company. Any material adverse change in DMG's financial position or a failure by DMG to successfully operate and finance the projects in the manner currently contemplated, could have a corresponding material adverse change on the Transactions and, by extension, the Company. The Company stresses that the above-mentioned list*

*of important factors is not exhaustive. The Company encourages all readers to consider these and other factors carefully before making any investment decisions and urges readers to avoid placing undue reliance on forward-looking information. The Company disclaims any intention or obligation to update or revise the forward-looking information as a result of new information, future events or otherwise, except as required under applicable securities laws.*

*Completion of the Transactions is subject to a number of conditions, including but not limited to, TSX Venture Exchange acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transactions cannot close until the required shareholder approval is obtained. There can be no assurance that the Transactions will be completed as proposed or at all.*

*Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transactions, any information released or received with respect to the Transactions may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed Transactions and has neither approved nor disapproved the contents of this news release.*

***Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release***

*This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.*

To view the source version of this press release, please visit  
<https://www.newsfilecorp.com/release/75220>