DGSE COMPANIES INC
Form 424B5
April 26, 2007

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PROSPECTUS

Dear DGSE Companies, Inc. and Superior Galleries, Inc. Stockholders:

We are pleased to report that the boards of directors of DGSE Companies, Inc., which we refer to as DGSE, and Superior Galleries, Inc., which we refer to as Superior, have each unanimously approved the Amended and Restated Agreement and Plan of Merger and Reorganization, which we refer to as the merger agreement, providing for a merger and reorganization involving our two companies, which we refer to in this joint proxy statement/prospectus as the combination. Before we can complete the combination, we must obtain the approval of the stockholders of each of our companies. We are sending you this joint proxy statement/prospectus to ask you to vote in favor of the merger agreement and various related matters.

Pursuant to the combination, Superior will merge with a wholly-owned subsidiary of DGSE, which we refer to as the merger, and DGSE will acquire all of the outstanding shares of Superior. Superior stockholders will be entitled to receive 0.2731 shares of DGSE common stock for every share of Superior common stock they own at the effective time of the merger, which we refer to in this joint proxy statement/prospectus as the exchange ratio. **The value of the merger consideration will fluctuate with changes in the price of DGSE s common stock. If the price of DGSE s common stock increases, the value of the merger consideration increases, however, if the price of DGSE s common stock decreases, the value of the merger consideration decreases. There can be no assurance as to the market price of DGSE common stock at any time prior to the completion of the proposed merger or at any time thereafter.** Fractional shares will be rounded up to the nearest whole number of DGSE shares. Fifteen percent of the number of shares of DGSE common stock to be issued at the closing of the merger, less 33,648 shares to which DGSE is entitled as an indemnity under the merger agreement, will be deposited in an escrow account as security for the payment of indemnification claims under the merger agreement in the event Superior s representations and warranties concerning its capitalization are inaccurate. As a result of the exchange, Superior stockholders will become DGSE stockholders and Superior will become a wholly-owned subsidiary of DGSE. Each outstanding share of DGSE common stock will remain unchanged in the combination.

Both DGSE and Superior have scheduled a special meeting of their respective stockholders to vote on the combination and related proposals. The dates, times and details of these meetings are described in this joint proxy statement/prospectus.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend your meeting, please take the time to vote by completing, signing, dating and returning the enclosed proxy card to DGSE or Superior, as applicable. **We encourage you to read this entire joint proxy statement/prospectus carefully and we especially encourage you to read the section entitled Risk Factors beginning on page 22.** This document provides you with detailed information about the merger and reorganization and the other related proposals of DGSE and Superior and the meetings of DGSE and Superior. As described in the next few pages, you can also find more information about DGSE and Superior from publicly available documents on file with the Securities and Exchange Commission. DGSE s common stock trades on the Nasdaq Capital Market under the symbol DGSE. Following the combination, DGSE may change its listing to the American Stock Exchange. On April 25, 2007, the closing price of DGSE common stock, as reported by the Nasdaq

Capital Market, was $2.43 per share. The warrants will not be listed on any securities exchange.

We enthusiastically support the merger and reorganization, and we join with the members of our boards of directors in recommending that you vote FOR the merger agreement, the combination and the other proposals.

Dr. L.S. Smith

Chairman of the Board and Chief Executive Officer
DGSE Companies, Inc.

William H. Oyster

Chief Executive Officer
Superior Galleries, Inc.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the DGSE Companies, Inc. common stock to be issued pursuant to the terms set forth in this joint proxy statement/prospectus or passed upon the adequacy or accuracy of this joint proxy statement/prospectus. Any representation to the contrary is a criminal offense.

This joint proxy statement/prospectus is dated April 26, 2007 and is first being mailed to DGSE and Superior stockholders on or about April 30, 2007.

ADDITIONAL INFORMATION

As used in this joint proxy statement/prospectus, DGSE refers to DGSE Companies, Inc., formerly known as Dallas Gold & Silver Exchange, Inc., and its consolidated subsidiaries, and Superior refers to Superior Galleries, Inc., formerly known as Tangible Asset Galleries, Inc., and its consolidated subsidiaries, in each case, except where the context otherwise requires or as otherwise indicated.

This joint proxy statement/prospectus:

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Incorporates important business and financial information about DGSE and Superior from documents filed with the Securities and Exchange Commission that is not included in or delivered with this document but is available online at http://www.sec.gov/, as well as from other sources; and

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Does not include some information included in the registration statement on Form S-4 filed with the Securities and Exchange Commission by DGSE, of which this joint proxy statement/prospectus forms a part, or information included in the exhibits to the registration statement.

The information described above is available to you without charge upon your written or oral request. You can obtain any of the information described above regarding DGSE by requesting it in writing or by telephone from DGSE at the following address and telephone number:

DGSE Companies, Inc.
2817 Forest Lane
Dallas, Texas 75234
Attention: Investor Relations
(972) 484-3662

You can obtain any of the information described above regarding Superior by requesting it in writing or by telephone from Superior at the following address and telephone number:

Superior Galleries, Inc.
9478 West Olympic Blvd.
Beverly Hills, California 90212
Attention: Investor Relations
(800) 421-0754

In order for you to receive timely delivery of the documents in advance of the meetings, DGSE or Superior should receive your request no later than May 15, 2007, which is five business days before the date of each company's special meeting.

Please also see the section entitled "Where You Can Find More Information" beginning on page 156.

If you have any questions about the combination or the meetings of DGSE and Superior, including the procedures for voting your shares, or if you need additional copies of this joint proxy statement/prospectus or the enclosed proxy, please contact:

For DGSE stockholders:

DGSE Companies, Inc.
2817 Forest Lane
Dallas, Texas 75234
Attention: Investor Relations
(972) 484-3662

For Superior stockholders:

Superior Galleries, Inc.
9478 West Olympic Blvd.
Beverly Hills, California 90212
Attention: Investor Relations
(800) 421-0754

DGSE COMPANIES, INC.
2817 Forest Lane
Dallas, Texas 75234

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held May 22, 2007

To the Stockholders of DGSE Companies, Inc.:

Notice is hereby given that a special meeting of stockholders of DGSE Companies, Inc., a Nevada corporation, will be held at DGSE s executive offices at 2817 Forest Lane, Dallas, Texas 75234, on Tuesday, May 22, 2007, at 10:00 AM Central Time, for the purpose of considering and voting upon the following matters:

1.

Reorganization. To adopt and approve the Amended and Restated Agreement and Plan of Merger and Reorganization, which we refer to as the merger agreement, entered into as of January 6, 2007, by and among DGSE, DGSE Merger Corp., a Delaware corporation and wholly-owned subsidiary of DGSE, Superior Galleries, Inc., a Delaware corporation, and Stanford International Bank Ltd., as stockholder agent, and to approve the merger and reorganization contemplated thereby, including the issuance of shares, and options and warrants to acquire shares, of DGSE common stock pursuant to the merger agreement.

2.

Amendment to the Articles of Incorporation. To approve an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000 shares.

3.

Adjournment. To adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposals.

While proposals 1 and 2 are being voted on separately, both must be approved for either to be implemented. These proposals are more fully described in the accompanying joint proxy statement/prospectus, which we urge you to read very carefully. A copy of the merger agreement, along with various related agreements and the amendment to DGSE s articles of incorporation, are attached as Annexes A J to the joint proxy statement/prospectus.

Only DGSE stockholders of record at the close of business on April 6, 2007, the record date, are entitled to notice of and to vote at the special meeting or any adjournment or postponement of the special meeting. A list of stockholders eligible to vote at the special meeting will be available for your review during DGSE s regular business hours at its principal place of business in Dallas, Texas for at least ten days prior to the special meeting for any purpose germane to the special meeting.

The board of directors of DGSE unanimously recommends you vote FOR Proposal No. 1 for the merger agreement and the issuance of shares of DGSE common stock pursuant to the merger agreement, FOR Proposal No. 2 for the amendment to the DGSE articles of incorporation to increase the number of authorized shares of common stock to 30,000,000 shares, and FOR Proposal No. 3 to adjourn the special meeting, if necessary to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

Whether or not you plan to attend the special meeting in person, to ensure that your shares are represented at the special meeting, we encourage you to submit your proxy by mail in the enclosed postage-paid envelope. Returning your proxy does not deprive you of your right to attend the special meeting and to vote your shares in person. You may revoke your proxy in the manner described in the joint proxy statement/prospectus at any time before it has been voted at the special meeting.

By Order of the Board of Directors,

Dated: April 26, 2007

/s/ Dr. L.S. Smith, Ph.D.
Dr. L.S. Smith, Ph.D.
Chairman of the Board and Secretary

SUPERIOR GALLERIES, INC.
9478 West Olympic Blvd.
Beverly Hills, California 90212

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS
To Be Held May 22, 2007

To the Stockholders of Superior Galleries, Inc.:

Notice is hereby given that a special meeting of stockholders of Superior Galleries, Inc., a Delaware corporation, will be held at Superior s principal offices at 2817 Forest Lane, Dallas, Texas 75234, on Tuesday, May 22, 2007, at 11:30 AM Central Time, for the purpose of considering and voting upon the following matters:

1.

Merger. To adopt and approve the Amended and Restated Agreement and Plan of Merger and Reorganization, which we refer to as the merger agreement, entered into as of January 6, 2007, by and among DGSE Companies, Inc., which we refer to as DGSE, DGSE Merger Corp., a wholly owned subsidiary of DGSE, Superior, and Stanford International Bank Ltd., which we refer to as SIBL, as stockholder agent, whom together with any successors in that capacity we refer to as the stockholder agent, and to approve the merger and reorganization contemplated thereby.

2.

Approval of the Stockholder Agent. To irrevocably appoint SIBL, the largest Superior stockholder and Superior s primary lender, including its successors as stockholder agent, as the exclusive agent, attorney-in-fact and representative of Superior stockholders under the merger agreement and related escrow agreement.

3.

Adjournment. To adjourn the special meeting, if necessary, to solicit additional proxies if there are not sufficient votes in favor of the proposals.

These proposals are more fully described in the accompanying joint proxy statement/prospectus, which we urge you to read very carefully. A copy of the merger agreement and various related agreements are attached as Annexes A G to the joint proxy statement/prospectus.

Only Superior stockholders of record at the close of business on April 6, 2007, the record date, are entitled to notice of and to vote at the special meeting or any adjournment or postponement of the special meeting. A list of stockholders eligible to vote at the special meeting will be available for your review during Superior s regular business hours at its principal place of business in Beverly Hills, California for at least ten days prior to the special meeting for any purpose germane to the special meeting.

The board of directors of Superior unanimously recommends that you vote FOR Proposal No. 1 for the merger agreement and the merger, FOR Proposal No. 2 to irrevocably appoint SIBL and its successors as the stockholder agent under the merger agreement and related escrow agreement, and FOR Proposal No. 3 to adjourn the special meeting, if necessary to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

Whether or not you plan to attend the special meeting in person, to ensure that your shares are represented at the special meeting, we encourage you to submit your proxy by mail in the enclosed postage-paid envelope. Returning your proxy does not deprive you of your right to attend the special meeting and to vote your shares in person. You may revoke your proxy in the manner described in the joint proxy statement/prospectus at any time before it has been voted at the special meeting.

You should not submit any stock certificates with your proxy. A transmittal form with instructions for the surrender of stock certificates for Superior stock will be mailed to you as soon as practicable after completion of the combination.

By Order of the Board of Directors,

Dated: April 26, 2007

/s/ William H. Oyster
William H. Oyster
Chief Executive Officer

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This joint proxy statement/prospectus is based on information provided by DGSE, Superior and other sources that DGSE and Superior believe to be reliable. This joint proxy statement/prospectus summarizes certain documents filed as exhibits hereto. For more information on how you can obtain copies of these documents, see Where You Can Find More Information on page 156.

SUMMARY

QUESTIONS AND ANSWERS ABOUT THIS PROXY SOLICITATION, THE DGSE SPECIAL MEETING, THE SUPERIOR SPECIAL MEETING, THE COMPANIES AND THE COMBINATION

The following questions and answers provide brief responses to some frequently asked questions regarding this proxy solicitation, the DGSE and Superior special meetings, the companies and the reorganization. These questions and answers may not address all of the information that may be important to you. Please refer to the more detailed information contained elsewhere in this joint proxy statement/prospectus and in the documents referred to or incorporated by reference in this joint proxy statement/prospectus.

Q:

What is the combination?

A:

DGSE, DGSE Merger Corp., a Delaware corporation and wholly-owned subsidiary of DGSE, which we refer to as merger sub, and Superior entered into an Amended and Restated Agreement and Plan of Merger and Reorganization as of January 6, 2007, which, as the same may be amended from time to time, we refer to in this joint proxy statement/prospectus as the merger agreement. The merger agreement contains the terms and conditions of the proposed business combination of DGSE and Superior, which we refer to in this joint proxy statement/prospectus as the combination. Under the merger agreement, Superior will merge with and into merger sub, which we refer to in this joint proxy statement/prospectus as the merger, and Superior will survive the merger as a wholly-owned subsidiary of DGSE.

For more information, see The Merger Agreement Conversion of Superior Common Stock beginning on page 62.

Q:

What will Superior stockholders receive in the combination?

A:

Superior stockholders will be entitled to receive 0.2731 shares of DGSE common stock for every share of Superior common stock they own at the effective time of the merger, which we refer to in this joint proxy statement/prospectus as the exchange ratio. Fractional shares will be rounded up to the nearest whole number of DGSE shares. Fifteen percent of the number of shares of DGSE common stock to be issued at the closing of the merger, less 33,648 shares to which DGSE is entitled as an indemnity under the merger agreement due to the fact that Superior s estimated stockholders equity as of December 31, 2006 was inaccurate, will be deposited in an escrow account as security for the payment of indemnification claims made under the merger agreement in the event Superior s representations and warranties concerning its capitalization are inaccurate. As a result of the exchange, Superior stockholders will become DGSE stockholders and Superior will become a wholly-owned subsidiary of DGSE. Each outstanding share of DGSE common stock will remain unchanged in the combination.

If the combination (including the exchange by SIBL of Superior debt for common stock) had been completed as of April 25, 2007, DGSE would have issued approximately 3,702,713 shares of its common stock to the Superior stockholders (including the 96,971 shares to be issued to Mr. DiGenova pursuant to his warrant), with 33,648 of those shares paid back to DGSE as an indemnity and 521,759 of those shares placed in the escrow account, and options to acquire approximately 95,380 shares of its common stock to the Superior option holders. Accordingly, Superior

stockholders would have beneficially owned approximately 43.6% of the outstanding shares of common stock of the combined company (31.2% on a fully diluted basis). Based upon that assumption, the DGSE stock issued to Superior stockholders would have represented a 5% discount to the closing price of Superior stock on the trading day preceding the announcement of the revised terms of the proposed combination. For a more complete description of the combination, see the section entitled The Combination beginning on page 39.

Q:

How will the merger affect my stock options to acquire Superior common stock?

A:

At the effective time of the merger, each outstanding option to purchase shares of Superior common stock will be assumed by DGSE and converted into options to purchase shares of DGSE common stock. Each assumed option will be exercisable for a number of shares of DGSE common stock equal to the number of Superior shares covered by the Superior option multiplied by the exchange ratio, rounded to the nearest whole number of shares (with no cash being payable for any fractional share eliminated by such rounding), and with an exercise price equal to the exercise price of the Superior option divided by the exchange ratio. After adjusting the assumed options to

reflect the application of the exchange ratio and the substitution of DGSE and DGSE common stock for Superior and Superior common stock, all other terms of the assumed options will remain the same. Superior option holders will need to surrender their option agreement to DGSE to receive the substitute option.

For more information, see The Merger Agreement Superior Options and Warrants beginning on page 62.

Q:

Why are DGSE and Superior combining?

A:

Both DGSE and Superior believe that combining the two companies will expand and better serve the rare coin and precious metals markets and result in greater long-term growth opportunities than either company has operating alone. DGSE and Superior expect completion of the combination will enable the combined company to:

- expand the product offerings in Superior s Beverly Hills, California retail outlet;
- strengthen each company s Internet and auction businesses;
- have a broader sales and channel coverage than either company independently;
- take advantage of financial and regulatory synergies;
- have the scale to better compete in the marketplace;
- be led by an experienced management team; and
- expand the rare coin auction business.

For more information, see the subsections entitled DGSE Reasons for the Combination , Superior Reasons for the Combination , Other Factors Considered by the DGSE Board and Other Factors Considered by the Superior Board beginning on pages 42, 43, 44 and 46, respectively.

Q:

What were the factors considered by the DGSE board of directors in deciding to recommend the combination?

A:

The DGSE board considered many benefits of the combination, including: a greater penetration of the rare coin and precious metals businesses due to an expanded customer base, auction outlets and an improved supply network; a stronger financial position, including credit facilities, and reduced costs; enhanced trading liquidity and better market focus; operational synergies from combined expertise; substantially enhanced growth opportunities; the acquisition of a new retail location to expand DGSE s jewelry, fine watch, diamond and precious metals businesses; more efficient utilization of DGSE s staff and expertise in jewelry and watch repair; and the capped dilution of DGSE stockholders due to the fixed range of exchange ratio limits used to calculate the merger consideration. For more information, see the section entitled The Combination DGSE s Reasons for the Combination beginning on page 42.

The DGSE board also considered numerous other factors and risks in evaluating the proposed combination. For more information, see the section entitled The Combination Other Factors Considered by the DGSE Board beginning on page 44.

Q:

What were the factors considered by the Superior board of directors in deciding to recommend the combination?

A:

The Superior board considered many benefits of and other reasons for the combination, including: SIBL s unwillingness to continue to finance Superior s operations with its current operational and management structure and limited market for its securities; inadequate capitalization; small margins and high regulatory compliance costs; high levels of debt; lack of diversification in its businesses; reliance on a few key employees; continued substantial losses; and difficulties in retaining employees. For more information see the sections entitled The Combination Superior s Reasons for the Combination and The Combination Other Factors Considered by the Superior Board , beginning on pages 43 and 46, respectively.

Q:

Are there risks involved in undertaking the combination?

A:

Yes. The combination (including the possibility that the combination may not be consummated) poses a number of risks. For example, each Superior stockholder will receive 0.2731 shares of DGSE common stock for

each share of Superior common stock owned by the stockholder, regardless of the market price of either DGSE common stock or Superior common stock at the effective time of the merger. The market value of DGSE common stock is likely to fluctuate, and no one can accurately predict what the market value will be either at the effective time of the merger or after the merger. In addition, both DGSE and Superior are subject to various risks associated with their respective businesses and industries, certain of which may be heightened by the proposed combination. These risks are discussed in greater detail under the caption Risk Factors beginning on page 22. We encourage you to read and consider all of these risks carefully.

Q:

What are the interests of DGSE officers and directors in the combination?

A:

Certain of the directors and officers of DGSE have interests in the approval of the combination that are different from, or in addition to, the general interests of the other stockholders of DGSE. The DGSE board of directors was aware of these interests to the extent they existed at the time and considered them, among other matters, in approving and recommending the reorganization, the merger agreement and the transactions contemplated by the merger agreement. These other interests include the following, among others:

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Each of Dr. Smith, William H. Oyster, the president and chief operating officer of DGSE, and John Benson, the chief financial officer of DGSE, is expected to enter into a new employment agreement with DGSE contingent upon the effectiveness of the combination.

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Each of Dr. Smith and Mr. Oyster is entitled to be nominated as a director of DGSE pursuant to a corporate governance agreement expected to be executed in connection with the combination. The corporate governance agreement is attached to this joint proxy statement/prospectus as Annex G.

For more information, see the sections entitled DGSE Proposal No. 1 and Superior Proposal No. 1 Interests of Certain DGSE Persons in the Combination beginning on page 52, and Post-Combination Employment Agreements beginning on page 76.

Q:

What are the interests of Superior officers, directors and controlling stockholders in the combination?

A:

Certain of the directors and officers of Superior have interests in the combination that are different from, or in addition to, the general interests of the other stockholders of Superior. The Superior board of directors was aware of these interests to the extent they existed at the time and considered them, among other matters, in approving and recommending the merger, the merger agreement and the transactions contemplated by the merger agreement. These other interests include the following, among others:

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Silvano DiGenova, the former chairman, president and chief executive officer of Superior and the then beneficial owner of approximately 38.5% of outstanding Superior common stock, had an outstanding subordinated loan made to Superior with an outstanding principal amount of approximately $400,000 repaid in connection with the signing of the merger agreement.

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In connection with entering into the merger agreement, Superior entered into an independent contractor arrangement with Mr. DiGenova.

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In connection with entering into the merger agreement, Superior entered into a consulting agreement with Paul Biberkraut. The agreement has an initial term of three months and is renewable by Superior. Pursuant to the agreement, Superior will pay Mr. Biberkraut $4,000 per month for consulting services leading up to the merger.

-

Stanford Financial Group Company, which we refer to in this joint proxy statement/prospectus as SFG, an affiliate of Superior s largest stockholder and principal lender, Stanford International Bank Ltd., which we refer to in this joint proxy statement/prospectus as SIBL, will enter into an amended and restated loan and security agreement with Superior in connection with the combination. For more information about this credit facility, see the section entitled Post-Combination Stanford Credit Facility beginning on page 76.

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SIBL is expected to exchange approximately $8.4 million of secured notes issued by Superior into approximately 5 million shares of Superior common stock immediately preceding the combination, at the rate of $1.70 per share.

- In connection with the above-referenced exchange and the above-referenced amended and restated loan and security agreement, DGSE will issue warrants to SIBL and its assignees, each of which can be exercised for a period of seven years after the merger date. The first set of warrants grant the right to purchase 845,634 shares of DGSE common at an exercise price of $1.89 per share, and the second set of warrants grant the right to purchase 863,000 shares of DGSE common stock at an exercise price equal to $0.01 per share.

- Subject to the approval by the Superior stockholders as provided in this joint proxy statement/prospectus, SIBL, which currently beneficially owns approximately 50.5% of Superior common stock and, after the exchange of its debt as described above, is expected to beneficially own approximately 70.4% of Superior common stock, is expected to act as the stockholder agent under the merger agreement and related escrow agreement.

- SIBL, DGSE and Dr. L.S. Smith, the chairman and chief executive officer of DGSE, are expected to enter into a corporate governance agreement in connection with the combination, pursuant to which SIBL and Dr. Smith will each have the right to nominate two independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) to DGSE s seven-member board of directors, and each of Dr. Smith and William H. Oyster, the president and chief operating officer of DGSE and the interim chief executive officer of Superior, will have the right to be nominated to the DGSE board as long as he is an executive officer of DGSE. The corporate governance agreement is attached to this joint proxy statement/prospectus as Annex G.

- Directors and officers of Superior will have rights to indemnification against specified liabilities that must be maintained by DGSE and DGSE may be required to maintain directors and officers liability insurance for Superior directors and officers for four years following the combination.

For more information, see the sections entitled DGSE Proposal No. 1 and Superior Proposal No. 1 Interests of Certain Superior Persons in the Combination beginning on page 53, and The Combination Stockholder Agent beginning on page 71.

Q:

Did any financial advisor provide an opinion to the DGSE board?

A:

DGSE did not engage a financial advisor in connection with the proposed combination.

Q:

Did any financial advisor provide an opinion to the Superior board?

A:

Stenton Leigh Valuation Group, Inc., which we refer to as Stenton Leigh, has rendered its written opinion on December 21, 2006 to the Superior board of directors that, as of such date, and based upon and subject to certain

matters stated in its opinion, the merger consideration to be paid by DGSE in the merger was fair, from a financial point of view, to the minority stockholders. The full text of Stenton Leigh s written opinion, dated December 21, 2006, is attached as Annex K to this joint proxy statement/prospectus. Stenton Leigh provided its opinion for the use and benefit of the Superior board of directors in connection with its consideration of the merger. The opinion was not intended to be and did not constitute a recommendation to any stockholder of DGSE or Superior as to how such stockholder should vote with respect to the combination-related proposals.

Q:

What are the material federal income tax consequences of the combination to me?

A:

The merger has been structured to qualify as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended. Assuming the merger qualifies as a reorganization, Superior stockholders will not recognize gain or loss for United States federal income tax purposes upon the exchange of shares of Superior common stock for shares of DGSE common stock. Tax matters are very complicated, and the tax consequences of the merger to a particular stockholder will depend in part on such stockholder s circumstances. Accordingly, we urge you to consult your own tax advisor for a full understanding of the tax consequences of the merger to you, including the applicability and effect of federal, state, local and foreign income and other tax laws. For more information, see the section entitled The Combination Material United States Federal Income Tax Considerations beginning on page 55.

Q:

What is the anticipated accounting treatment for the combination?

A:

The combination will be accounted for as a purchase transaction by DGSE for financial reporting and accounting purposes under United States generally accepted accounting principles. After the combination, the results of operations of Superior will be included in the consolidated financial statements of DGSE. The purchase price, which is equal to the aggregate merger consideration, will be allocated based on the fair values of the Superior assets acquired and the Superior liabilities assumed. These allocations will be made based upon valuations and other studies that have not yet been finalized.

Q:

How may the merger agreement be terminated?

A:

The DGSE and Superior boards of directors may jointly agree to terminate the merger agreement without completing the combination. In addition, either DGSE or Superior (acting through its independent committee) may terminate the merger agreement if any of the following events occurs, provided in most cases that the terminating company is not in material breach of the merger agreement and is not responsible for the occurrence of the event which permits the termination:

- SIBL declares an event of default under the credit facility with Superior, demands payment of the note, or seizes any collateral, or the forbearance period expires and is not renewed upon request;
- a governmental entity has issued a final, nonappealable order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the combination or other related transaction;
- the Superior stockholders do not adopt the merger agreement or appoint the stockholder agent; or
- the company cannot satisfy one of its closing conditions.

DGSE, Superior or SIBL may also terminate the merger agreement if the combination has not occurred on or before August 26, 2007.

For more information regarding termination of the merger agreement, see the section entitled The Merger Agreement Termination of the Merger Agreement on page 73.

Q:

Who is paying the fees and expenses of the combination?

A:

All fees and expenses incurred in connection with the merger agreement and the combination will be paid by the company incurring the fee or expense. However, all of the following third party charges and expenses related to the combination are being shared equally between Superior and DGSE:

- legal and accounting fees and expenses;
- all filing fees and related expenses, such as SEC registration statement filing fees, blue sky filing fees, Nasdaq listing and other stock exchange filing fees;
- due diligence expenses payable to third parties;
- legal expenses related to separate representation of DGSE or Superior officers who are selected to continue as executive officers of DGSE after completion of the combination in connection with new employment agreements to be entered into or review of other agreements related to the combination; and
- travel expenses incurred by their respective staff.

Superior will also pay Stenton Leigh Valuation Group, Inc. a fee of $139,500 as consideration for the financial advisory services provided to Superior in connection with the merger.

For more information regarding termination of the merger agreement, see the section entitled The Merger Agreement Fees and Expenses on page 74.

Q:

Are the companies allowed to consider other potential business combination transactions?

A:

Yes. However, DGSE and Superior have agreed to notify each other of inquiries, proposals or offers that constitute alternative transaction proposals. If either party receives an unsolicited alternative transaction proposal

that is superior to the combination, that party may engage in negotiations with respect to the superior alternative transaction proposal.

Q:

Should I send in my Superior stock certificates now?

A:

No. After the merger is completed, you will receive written instructions from DGSE or the exchange agent explaining how to exchange your shares of Superior common stock for the merger consideration. You will need to return a completed letter of transmittal, in which you will need to provide, among other items of information, your taxpayer identification number (in the case of individuals, your social security number), together with a completed attached substitute Form W-9. You will also need to send your certificate(s) for your Superior common stock along with the letter.

Q:

When do you expect the combination to be completed?

A:

DGSE and Superior are working to consummate the combination during the first quarter of 2007, promptly following the approval of the merger and reorganization by the stockholders of Superior and DGSE. However, the combination is subject to various closing conditions that could affect the timing of the combination.

Q:

Am I entitled to appraisal or dissenters rights?

A:

Under Delaware law, Superior stockholders will have the right to dissent from the merger and, in lieu of receiving the merger consideration, obtain payment in cash of the fair value of their shares of Superior common stock as determined by the Delaware Chancery Court. To exercise appraisal rights, you must strictly follow the procedures prescribed by Section 262 of the Delaware General Corporation Law. See the section entitled The Combination Appraisal and Dissenters Rights beginning on page 58. In addition, the full text of the applicable provisions of Delaware law is included as Annex L to this proxy statement/prospectus.

Under Nevada law, DGSE stockholders will not be entitled to appraisal or dissenters rights under the applicable provisions of the Nevada Private Corporation Act.

Q:

Will the rights of a Superior stockholder change as a result of the merger?

A:

Yes. Through the date of the combination, the rights of DGSE stockholders will continue to be governed by DGSE s articles of incorporation and bylaws, and the rights of Superior stockholders will continue to be governed by Superior s certificate of incorporation and bylaws. Upon completion of the merger, Superior stockholders will become DGSE

stockholders and their rights will then be governed by DGSE s articles of incorporation and bylaws. Please read carefully the summary of the material differences between the rights of Superior and DGSE stockholders in the section entitled Comparison of Stockholders Rights beginning on page 93.

Q:

Are there any regulatory consents or approvals that are required to complete the combination?

A:

Neither DGSE or Superior is aware of the need to obtain any regulatory approvals in order to complete the combination other than the declaration by the SEC of the effectiveness of the registration statement on Form S-4, of which this joint proxy statement/prospectus is a part, and the registration by coordination or the qualification of the Form S-4 under state securities laws, each of which is expected to be completed successfully.

Q:

Will Superior stockholders be able to trade the DGSE common stock that they receive in the combination?

A:

The shares of DGSE common stock issued in connection with the combination will be freely tradable, unless you are an affiliate of Superior or become an affiliate of DGSE, and are expected to be quoted on the Nasdaq Capital Market under the symbol DGSE . Generally, persons who are deemed to be affiliates (generally directors, officers and 10% or greater stockholders) of Superior must comply with Rule 145 under the Securities Act if they wish to sell or otherwise transfer any of the shares of DGSE common stock they receive in the combination. You will be notified if you are known to be an affiliate of Superior.

DGSE common stock may be delisted from the Nasdaq Capital Market upon the completion of the combination. In that event, DGSE will apply to list its common stock on the American Stock Exchange, although no assurances

can be provided that the application will be approved. For more information, see the section Risk Factors beginning on page 22.

Stockholder Meetings

Q:

What is required to complete the combination?

A:

Both the DGSE and Superior stockholders must approve the combination-related proposals at their respective special meetings. In addition to these stockholder approvals, DGSE and Superior must satisfy or waive numerous other closing conditions set forth in the merger agreement, including the exchange by SIBL of approximately $8.4 million in Superior debt for Superior common stock. Each of the conditions to the combination may be waived by the company entitled to assert the condition except to the extent the condition must be satisfied in order to comply with applicable law or regulatory requirements. For more information on these closing conditions, see the section entitled The Merger Agreement Conditions to Completion of the Combination beginning on page 72.

Q:

What is the impact of the support agreements on the voting?

A:

Concurrently with the execution of the merger agreement, DGSE, Superior and Dr. L.S. Smith, who holds the power to vote approximately 51.7% of the outstanding shares of DGSE common stock, entered into a support agreement, and DGSE, Superior, and SIBL and other Superior stockholders who together hold approximately 75.6% of the outstanding shares of Superior common stock, entered into a support agreement. Pursuant to these support agreements, the stockholders (solely in their capacity as stockholders) agreed to vote all of their shares of DGSE or Superior common stock in favor of the merger and related transactions, and against any proposal or action that could reasonably be expected to delay, impede or interfere with the approval of the merger or any related transaction. The stockholders signing the two support agreements have the power to vote sufficient shares of DGSE and Superior common stock to ensure that each stockholder proposal of DGSE and Superior contained in this joint proxy statement/prospectus will be approved, other than Superior s proposal no. 2. For more information, see the section entitled The Merger Agreement Support Agreements beginning on page 69.

Q:

Are there any DGSE or Superior officers, directors or stockholders already contractually committed to voting in favor of the merger and reorganization?

A:

Yes. Please see the preceding answer.

Q:

Why am I receiving this joint proxy statement/prospectus?

A:

You are receiving this joint proxy statement/prospectus because you have been identified as a stockholder of either DGSE or Superior, and thus you may be entitled to vote at the upcoming special meeting of stockholders of either DGSE or Superior, as applicable. This document serves as both a joint proxy statement of DGSE and Superior, used to solicit proxies for the meetings, and as a prospectus of DGSE, used to offer shares of DGSE common stock to the Superior stockholders pursuant to the terms of the merger agreement. This document contains important information about the combination, the stockholder proposals of DGSE and Superior and the meetings of DGSE and Superior, and you should read it carefully.

Q:

What do I need to do now?

A:

We urge you to read this joint proxy statement/prospectus carefully and then vote your proxy for the relevant proposals. You may vote in person at the DGSE or Superior special meeting or vote by proxy using the applicable enclosed proxy card.

-

To vote in person, attend the special meeting of your company, and you will be provided a ballot when you arrive.

-

To vote by proxy, simply complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. If you return your signed proxy card before the meeting, your shares will be voted as you direct.

Please also see the instructions included with the enclosed proxy card. Regardless of whether you return your proxy card, you may attend the applicable meeting and vote your shares in person. Please note, however, that if your

shares are held of record by a broker, bank or other nominee and you wish to vote at the applicable special meeting, you must obtain from the record holder a proxy issued in your name or you must bring an account statement or other acceptable evidence of ownership of DGSE common stock or Superior common stock, as applicable, as of the close of business on April 6, 2007, the record date for voting.

Q:

May I change my vote after I have submitted my proxy?

A:

Yes. You may revoke your proxy at any time before your proxy is voted at the applicable meeting (unless you have signed a support agreement with DGSE and Superior to support the merger). You can do this in any of three ways:

•

First, you can deliver a written, dated notice to the Secretary of DGSE or Superior, as applicable, prior to the date of the applicable special meeting, stating that you would like to revoke your proxy.

•

Second, you can complete, date and prior to the date of the applicable special meeting submit to the Secretary of DGSE or Superior, as applicable, a new, later-dated proxy.

•

Third, you can attend the applicable special meeting and vote in person. Your attendance alone will not revoke your proxy.

If your shares are held in street name, please see the next question and answer.

Q:

If my shares of common stock are held in street name by my broker, will my broker vote my shares for me?

A:

If your shares of DGSE or Superior common stock are held in street name (that is, through a bank, broker or other nominee), your broker will vote your shares for you only if you provide instructions to your broker on how to vote your shares. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Your broker cannot vote your shares on these proposals without specific instructions from you. If you hold shares in street name and would like to attend the special meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of DGSE or Superior common stock, as applicable, as of the close of business on April 6, 2007, the record date for voting. Alternatively, in order to vote, you may contact the person in whose name your shares are registered, obtain a proxy from that person and bring it to the special meeting.

Q:

Who is paying for this proxy solicitation?

A:

DGSE and Superior are jointly conducting this proxy solicitation and will share the cost of soliciting proxies, including the assembly, printing and mailing of this joint proxy statement/prospectus, the proxy cards and any additional information furnished to their respective stockholders.

Q:

Who can help answer my questions?

A:

If you have any questions about the combination, the proposals of DGSE or Superior or the special meetings of DGSE or Superior, including the procedures for voting your shares, or if you need additional copies of the joint proxy statement/prospectus or an enclosed proxy, please contact:

If you are a DGSE stockholder:	If you are a Superior stockholder:
DGSE Companies, Inc. 2817 Forest Lane Dallas, Texas 75234 (972) 484-3662 Attn: Investor Relations	Superior Galleries, Inc. 9478 West Olympic Blvd. Beverly Hills, California 90212 (800) 421-0754 Attn: Investor Relations

You may also obtain additional information about DGSE and Superior from the documents each company files with the Securities and Exchange Commission or by following the instructions in the section entitled Where You Can Find More Information on page 156.

DGSE Special Meeting

Q:

What is required of DGSE stockholders to complete the combination?

A.

To complete the combination, DGSE stockholders may need to adopt and approve the merger agreement and approve the reorganization, including the issuance of shares of DGSE common stock in connection with the combination, and will need to approve an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares to 30,000,000 total shares.

Q:

How many votes do DGSE stockholders have?

A:

Each holder of record of DGSE common stock on April 6, 2007, the record date for the DGSE special meeting, will be entitled to one vote for each share of DGSE common stock held of record on that date.

Q:

How does DGSE s board of directors recommend that DGSE stockholders vote?

A:

After careful consideration, DGSE s board of directors unanimously recommends that DGSE stockholders vote FOR Proposal No. 1, to adopt and approve the merger agreement, and to approve the reorganization contemplated thereby, including the issuance of shares of DGSE common stock to Superior stockholders, and the issuance of options and warrants to acquire DGSE common stock, pursuant to the merger agreement; FOR Proposal No. 2, to approve an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000; and FOR Proposal No. 3, to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals. For a description of the reasons underlying the unanimous recommendations of DGSE s board, see the sections entitled The Combination DGSE s Reasons for the Combination and The Combination Other Factors Considered by the DGSE Board , beginning on pages 42 and 44, respectively, the section entitled DGSE Proposal No. 1 on beginning page 39 and the section entitled DGSE Proposal No. 2 beginning on page 82.

Q:

What DGSE stockholder approvals are required to approve the DGSE proposals?

A:

Proposal No. 1. If the shares of DGSE common stock continue to be listed on the Nasdaq Capital Market at the time of the closing of the combination, pursuant to the Nasdaq Marketplace Rules, the affirmative vote of a majority of the shares of DGSE common stock voting on the proposal will be required to adopt and approve the merger agreement and approve the reorganization, including the issuance of the shares of DGSE common stock to be issued to Superior stockholders, and the issuance of options and warrants to acquire DGSE common stock, pursuant to the merger

agreement. If the shares of DGSE common stock are not listed on the Nasdaq Capital Market or another applicable national securities exchange at the time of the closing of the combination, no applicable law or regulation will require DGSE stockholder approval for the adoption and approval of the merger agreement or approval of the reorganization or the issuance of the shares of DGSE common stock to be issued to Superior stockholders in connection with the combination. Nevertheless, in that case, the board of directors of DGSE would still seek stockholder approval of Proposal No. 1 as a matter of good corporate governance, and if the number of votes present in person or represented by proxy cast in favor of Proposal No. 1 does not exceed the number of votes present in person or represented by proxy cast in opposition to Proposal No. 1, the DGSE board of directors would reconsider its decision to approve the merger agreement and the reorganization, including the issuance and reservation for issuance of shares of DGSE common stock in connection with the combination. In either case, abstentions and broker non-votes will be counted towards a quorum, but are not counted for any purpose in determining whether Proposal No. 1 has been approved.

Proposal No. 2. The affirmative vote of a majority of the outstanding shares of DGSE common stock is required to approve the amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000 shares. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 2.

Proposal No. 3. The affirmative vote of holders of a majority of the shares of DGSE common stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 and 2. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 3.

In addition, for action to be taken on Proposal No. 1 or Proposal No. 2, a quorum of no less than a majority of outstanding shares of DGSE common stock must be present in person or represented by proxy at the special meeting.

As of the record date for the special meeting, approximately 54.9 percent of the outstanding shares of DGSE common stock were owned by directors and executive officers of DGSE and their affiliates.

Dr. Smith, who has the power to vote 51.7% of the outstanding shares of DGSE common stock, which constitutes sufficient shares to approve all of the DGSE stockholder proposals contained in this joint proxy statement/prospectus, has entered into a support agreement with Superior agreeing to vote all of those shares in favor of those proposals. For more information on this support agreement, see the section entitled The Merger Agreement Support Agreements beginning on page 69.

Q:

What happens if I do not vote?

A:

The failure of a DGSE stockholder to vote in person or by proxy will have the effect of voting AGAINST Proposal No. 2 and, if present at the meeting, will have the same effect of voting AGAINST Proposal No. 3. The failure of a DGSE stockholder to vote in person or by proxy will not affect the outcome of DGSE Proposal No. 1 (provided sufficient shares are present in person or represented by proxy to establish quorum) but will reduce the number of votes required to approve that proposal. While Proposals No. 1 and No. 2 are being voted upon separately, each of Proposals No. 1 and 2 may have to be approved in order for either of them to be implemented.

Superior Special Meeting

Q:

What is required of Superior stockholders to complete the combination?

A.

To complete the combination, Superior stockholders must adopt and approve the merger agreement, approve the merger and irrevocably appoint and constitute Stanford International Bank Ltd. and its successors as the stockholder agent to act as the Superior stockholders exclusive agent, attorney-in-fact and representative under the merger agreement and related escrow agreement.

Q:

How many votes do Superior stockholders have?

A:

Each holder of record of Superior common stock on April 6, 2007, the record date for the Superior special meeting, will be entitled to one vote for each share of Superior common stock held of record on that date.

Q:

How does Superior s board of directors recommend that Superior stockholders vote?

A.

After careful consideration, Superior s board of directors unanimously recommends that Superior stockholders vote FOR Proposal No. 1, to adopt and approve the merger agreement and to approve the merger contemplated thereby; FOR Proposal No. 2, to approve the irrevocable appointment and constitution of Stanford International Bank Ltd., the largest Superior stockholder and Superior s primary lender, as the stockholder agent under the merger agreement and the related escrow agreement; and FOR Proposal No. 3, to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals. For a description of the reasons underlying the unanimous recommendations of Superior s board, see the sections entitled The Combination Superior s Reasons for the Combination and The Combination Other Factors Considered by the Superior Board , beginning on pages 43 and 46, respectively, the section entitled Superior Proposal No. 1 beginning on page 39 and the section entitled Superior Proposal No. 2 beginning on page 85.

Q:

What Superior stockholder approvals are required to approve the Superior proposals?

A:

Proposal No. 1. The affirmative vote of a majority of the outstanding shares of Superior voting stock is required to adopt and approve the merger agreement and approve the merger. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 1.

Proposal No. 2. No applicable law or regulation requires separate Superior stockholder approval for the proposal to appoint and constitute Stanford International Bank Ltd., or SIBL, as the stockholder agent under the merger agreement and related escrow agreement. However, the affirmative vote of holders of a majority of the

outstanding shares of Superior common stock, exclusive of the shares held by SIBL and its affiliates, in favor of the proposal may reduce the exposure of Superior directors to liability for approving SIBL acting as stockholder agent under the terms of the merger agreement and related escrow agreement, and of SIBL to liability for acting as stockholder agent. If the proposal does not obtain sufficient votes, SIBL would consider resigning as stockholder agent. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 2.

Proposal No. 3. The affirmative vote of holders of a majority of the shares of Superior voting stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 and 2. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 3.

In addition, for action to be taken on Proposal No. 1 or Proposal No. 2, a quorum of no less than a majority of outstanding shares of Superior common stock must be present in person or represented by proxy at the special meeting.

As of the record date for the special meeting, approximately 5.2 percent of the outstanding Superior voting power was owned by directors and executive officers of Superior and their affiliates (including DGSE) and approximately an additional 50.5 percent of the outstanding Superior voting power was beneficially owned by SIBL.

Superior stockholders who have the power to vote 75.6% of the outstanding shares of Superior common stock, which constitutes sufficient shares to approve Superior stockholder proposals nos. 1 and 2, have entered into a support agreement with DGSE agreeing to vote all of those shares in favor of those proposals. For more information on this support agreement, see the section entitled The Merger Agreement Support Agreements beginning on page 69.

Q:

What happens if I do not vote?

A:

The failure of a Superior stockholder to vote in person or by proxy will have the effect of voting AGAINST Proposals No. 1 and 2 and, if present at the meeting, will have the same effect as voting AGAINST Proposal No. 3.

The Companies

Q:

What is the general business of DGSE?

A:

DGSE (formerly Dallas Gold and Silver Exchange, Inc.) sells jewelry and bullion products to both retail and wholesale customers throughout the United States and makes uncollateralized and collateralized loans to individuals. DGSE s products are marketed through its facilities in Dallas and Carrollton, Texas, Albuquerque, New Mexico, and Mt. Pleasant, South Carolina and through its four internet websites. Through www.DGSE.com, DGSE operates a virtual store and a real-time auction of its jewelry products. Customers and DGSE buy and sell items of jewelry and are free to set their own prices in an interactive market. DGSE also offers customers the ability to buy and sell precious metal assets. Customers have access to DGSE s two-way markets in all of the most popularly traded precious metal products as well as current quotations for precious metals prices on DGSE s other internet website www.USBullionExchange.com. www.FairchildWatches.com (Fairchild International) provides wholesale customers a virtual catalog of DGSE s fine watch inventory. www.CGDEInc.com (Charleston Gold & Diamond Exchange)

provides information about the DGSE subsidiary and inventory available to purchase, including find watches, diamonds, rare coins and bullion, and jewelry. Over 7,500 items are available for sale on DGSE s internet sites, including $10,000,000 in diamonds, consisting of both inventory and consignments.

DGSE s wholly-owned subsidiary, National Jewelry Exchange, Inc., operates a pawn shop in Carrollton, Texas. DGSE has focused the subsidiary s operations on sales and pawn loans of jewelry products.

In January 2005, DGSE began offering unsecured payday loans through its wholly-owned subsidiary American Pay Day Centers, Inc.

In July 2004, DGSE sold the goodwill and trade name of Silverman Consultants, Inc.

DGSE s principal website can be accessed at http://www.DGSE.com/. None of the information on any of DGSE s websites forms a part of this joint proxy statement/prospectus. DGSE s principal executive office is located at 2817 Forest Lane, Dallas, Texas 75234, and its telephone number is (972) 484-3662.

Q:

What is the market for DGSE s common stock?

A:

The common stock of DGSE is traded on the Nasdaq Capital Market under the ticker symbol DGSE . On January 8, 2007, the last full trading day prior to the public announcement of the terms of the proposed combination, the last reported sale price of DGSE's common stock on the Nasdaq Capital Market was $2.68 per share. On April 25, 2007, the last reported sale price of DGSE's common stock on the Nasdaq Capital Market was $2.43 per share.

Q:

What is the general business of Superior?

A:

Superior (formerly Tangible Asset Galleries, Inc.) sells rare coins on a retail, wholesale and auction basis. Superior s retail and wholesale operations are conducted in virtually every state in the United States. Superior also provides auction services for customers seeking to sell their own coins. Superior markets its services nationwide through broadcasting and print media and independent sales agents, as well as on the internet through third party websites such as eBay and through its own website at www.SBGH.com. Superior s headquarters is in Beverly Hills, California.

Superior s website can be accessed at http://www.SBGH.com/. None of the information on the website forms a part of this joint proxy statement/prospectus. Superior s principal executive office is located at 9478 West Olympic Boulevard, Beverly Hills, California 90212, and its telephone number is (310) 203-9855.

Q:

What is the market for Superior s common stock?

A:

The common stock of Superior is traded on the OTC Bulletin Board, which we refer to as the OTCBB, under the ticker symbol SPGR.OB . On January 8, 2007, the last full trading day prior to the public announcement of the terms of the proposed merger, the last reported sale price of Superior s common stock on the OTCBB was $0.75 per share. On April 25, 2007, the last reported sale price of Superior s common stock on the OTCBB was $0.48 per share.

SUMMARY SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF DGSE

The following selected financial information should be read in conjunction with, and is qualified in its entirety by reference to the financial statements of DGSE and accompanying notes included elsewhere in this joint proxy statement/prospectus.

The selected operating data for the fiscal years ended December 31, 2004, 2005 and 2006, and the selected balance sheet data at December 31, 2005 and 2006, that are set forth below are derived from DGSE s audited consolidated financial statements included in this joint proxy statement/prospectus beginning on page F-2. The selected operating data for the fiscal years ended December 31, 2002 and 2003, and the selected balance sheet data at December 31, 2002, 2003, and 2004, are derived from DGSE s audited consolidated financial statements that are on file with the SEC but have not been included in this joint proxy statement/prospectus. The following data should be read in conjunction with DGSE s financial statements and related notes thereto and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations of DGSE beginning on page 106.

	Years Ended December 31,				
	2002	2003	2004	2005	2006
	(amounts in thousands, except per share figures)				
Operating Data:					
Sales	$ 21,083	$ 25,244	$ 28,386	$ 35,319	$ 43,669
Consumer loan service charges	156	182	256	320	414
Total revenues	21,239	25,426	28,642	35,639	44,083
Cost of goods sold	16,239	20,050	22,743	29,118	36,848
Gross profit	5,000	5,376	5,899	6,521	7,235
Selling, general & administrative expenses	3,948	4,054	4,724	5,349	5,773
Depreciation & amortization	158	160	123	145	139
	4,106	4,214	4,847	5,494	5,912
Operating Income	894	1,162	1,052	1,027	1,323
Other income (expense):					
Other income	402	(1,635)	24	18	16
Interest expense	(263)	(268)	(248)	(291)	(408)
Total other income (expense)	139	(1,903)	(244)	(273)	(392)
Income (loss) before income taxes	1,033	(741)	828	755	931
Income tax expense (benefit)	327	(334)	228	270	320
Income (loss from continuing Operations)	706	(407)	600	485	611
Loss from discontinued operations,					
Net of income taxes	(277)	(117)	(249)		
Net income (loss)	429	(524)	351	485	611
Earnings (loss) per common share					
Basic					
From continuing operating	$ .14	$ (.09)	$ .12	$ .10	$ .12
From discontinued operations	$ (.05)	$ (.02)	$ (.05)	$	$

	$ .09	$ (.11)	$ .07	$ .10	$ .12
Diluted					
From continuing operating	$ .14	$ (.09)	$ .12	$ .10	$ .12
From discontinued operations	$ (.05)	$ (.02)	$ (.05)	$	$
	$ .09	$ (.11)	$ .07	$ .10	$ .12
Weighted average number of common shares:					
Basic	4,914	4,913	4,913	4,913	4,913
Diluted	4,917	4,913	5,135	5,037	5,007

	Years Ended December 31,				
	2002	**2003**	**2004**	**2005**	**2006**
Balance Sheet Data:	(amounts in thousands, except per share figures)				
Inventory	$ 6,336	$ 6,674	$ 6,791	$ 7,570	$ 7,796
Working Capital	5,055	5,570	6,234	7,073	8,178
Long-term debt	3,067	2,719	2,749	3,315	4,304
Shareholders equity	4,752	5,362	5,591	6,071	6,680

The following data present unaudited quarterly financial information for each of the eight fiscal quarters beginning with the quarter ended March 31, 2005 and ending with the quarter ended December 31, 2006. The information has been derived from DGSE s unaudited quarterly financial statements, which have been prepared by DGSE on a basis consistent with its audited financial statements appearing elsewhere in this joint proxy statement/prospectus. The financial information set forth below includes all necessary adjustments, consisting only of normal recurring adjustments, that management considers necessary for a fair presentation of the unaudited quarterly results. The following data should be read in conjunction with DGSE s financial statements and related notes thereto and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations of DGSE beginning on page 106.

STATEMENTS OF OPERATIONS DATA

	Fiscal Quarter Ended				Year Ended December 31,
	Mar. 31, 2006	**June 30, 2006**	**Sep. 30, 2006**	**Dec. 31, 2006**	**2006**
	(amounts in thousands, except per share data)				
Total revenue	$ 9,721	$ 12,546	$ 9,609	$ 12,207	$ 44,083
Cost of revenue	8,168	10,760	8,086	9,834	36,848
Gross profit	1,553	1,786	1,523	2,373	7,235
Selling, general and administrative expenses	1,212	1,262	1,251	2,047	5,772
Depreciation and amortization	39	40	30	30	139
Operating income (loss)	302	484	242	295	1,323
Other income (expense)	(77)	(74)	(79)	(162)	(392)
Income (loss) from continuing operations before income tax provision	225	410	164	133	931
Income tax provision (benefit)	77	139	56	48	320
Net income (loss)	$ 148	$ 271	$ 108	$ 84	$ 611
Net income (loss) per common share:					
from net income (loss), basic	$ 0.03	$ 0.05	$ 0.02	$ 0.02	$ 0.12
from net income (loss), fully diluted	$ 0.03	$ 0.05	$ 0.02	$ 0.02	$ 0.12

Weighted average shares outstanding:					
Basic	4,913	4,913	4,913	4,913	4,913
Fully diluted	4,913	5,045	5,056	5,007	5,007

STATEMENTS OF OPERATIONS DATA

	Fiscal Quarter Ended				Year Ended
	Mar. 31, 2005	June 30, 2005	Sep. 30, 2005	Dec. 31, 2005	December 31, 2005
	(amounts in thousands, except per share data)				
Total revenue	$ 6,717	$ 6,800	$ 7,215	$ 14,906	$ 35,639
Cost of revenue	5,317	5,454	5,838	12,509	29,118
Gross profit	1,400	1,347	1,377	2,397	6,521
Selling, general and administrative expenses	1,059	1,105	1,124	2,060	5,349
Depreciation and amortization	43	49	46	7	145
Operating income (loss)	299	192	206	330	1,027
Other income (expense)	(71)	(72)	(68)	62	(273)
Income (loss) from continuing operations before income tax provision	228	120	139	268	754
Income tax provision (benefit)	78	41	47	104	269
Net income (loss)	$ 151	$ 79	$ 92	$ 164	$ 485
Net income (loss) per common share:					
from net income (loss), basic	$ 0.03	$ 0.02	$ 0.02	$ 0.03	$ 0.10
from net income (loss), fully diluted	$ 0.03	$ 0.02	$ 0.02	$ 0.03	$ 0.10
Weighted average shares outstanding:					
Basic	4,913	4,913	4,913	4,913	4,913
Fully diluted	5,089	5,069	5,040	5,037	5,037

SUMMARY SELECTED HISTORICAL FINANCIAL DATA OF SUPERIOR

The following selected financial information should be read in conjunction with, and is qualified in its entirety by reference to the financial statements of Superior and accompanying notes included elsewhere in this joint proxy statement/prospectus.

The selected operating data for the fiscal years ended June 30, 2004, 2005 and 2006, and the selected balance sheet data at June 30, 2005 and 2006, that are set forth below are derived from Superior s audited financial statements included in this joint proxy statement/prospectus beginning on page F-37. The selected operating data for the fiscal years ended June 30, 2002 and 2003, and the selected balance sheet data at June 30, 2002, 2003 and 2004, are derived from Superior s audited consolidated financial statements that are on file with the SEC but have not been included in this joint proxy statement/prospectus. The following data should be read in conjunction with Superior s financial statements and related notes thereto and the section entitled Management s Discussion and Analysis of Financial Condition and Results of Operations of Superior beginning on page 134.

STATEMENTS OF OPERATIONS DATA

	Years Ended June 30,				
	2002	**2003**	**2004**	**2005**	**2006**
	(amounts in thousands, except per share data)				
Total revenue	$ 18,797	$ 20,355	$ 29,997	$ 39,535	$ 46,317
Cost of sales	16,092	15,952	23,382	32,027	38,393
Gross profit	2,705	4,403	6,615	7,508	7,924
Selling, general and administrative expenses	6,406	6,676	5,959	7,708	9,792
Impairment of goodwill		591			
Operating income (loss)	(3,701)	(2,864)	656	(200)	(1,868)
Other income (expense)	(1,174)	(614)	(92)	(415)	(669)
Extraordinary gain from extinguished debt					50
Income (loss from continuing operations before income tax provision	(4,875)	(3,478)	564	(615)	(2,487)
Income tax provision (benefit)	(8)	13	12	1	2
Income (loss) from continuing operations	(4,867)	(3,491)	552	(616)	(2,489)
Income (loss) from discontinued operations	(3,038)				
Net income (loss)	$ (7,905)	$ (3,491)	$ 552	$ (616)	$ (2,489)
Calculation of net income (loss) per share					
Net income (loss)	$ (7,905)	$ (3,491)	$ 552	$ (616)	$ (2,489)
Preferred stock accretion	(44)	(67)	(50)		
Preferred stock dividends	(62)	(429)	(37)		

Net income (loss) applicable to common shares	$ (8,011)	$ (3,987)	$ 465	$ (616)	$ (2,489)
Net income (loss) per common share:(1)					
from continuing operations	$ (2.50)	$ (1.75)	$ 0.11	$ (0.13)	$ (0.52)
from discontinued operations	(1.53)				
from net income (loss), basic	$ (4.03)	$ (1.75)	$ 0.11	$ (0.13)	$ (0.52)
from net income (loss), fully diluted	$ (4.03)	$ (1.75)	$ 0.06	$ (0.13)	$ (0.52)
Weighted average shares outstanding:					
Basic	1,988	2,278	4,370	4,627	4,817
Fully diluted	1,988	2,278	8,098	4,627	4,817

(1)

Per share data and weighted average shares outstanding have been retroactively adjusted for a twenty-for-one reverse stock split, which was effectuated on June 30, 2003

BALANCE SHEET DATA

	June 30,				
	2002	**2003**	**2004**	**2005**	**2006**
	(amounts in thousands)				
Cash and cash equivalents	$ 33	$ 689	$ 447	$ 417	$ 4,770
Current assets	5,918	9,597	16,719	19,395	19,410
Total assets	$ 7,221	$ 9,827	$ 16,865	$ 19,615	$ 19,794
Current liabilities	$ 5,528	$ 9,955	$ 17,004	$ 17,879	$ 20,319
Long-term liabilities	1,007	807	944	400	300
Shareholders equity (deficit)	(585)	(1,572)	(1,083)	1,336	(825)
Total liabilities and shareholders equity (deficit)	$ 7,221	$ 9,827	$ 16,865	$ 19,615	$ 19,794

The following data present unaudited quarterly financial information for each of the ten quarters beginning with September 30, 2004 and ending on December 31, 2006. The information has been derived from Superior s unaudited quarterly financial statements, which have been prepared by Superior on a basis consistent with its audited financial statements appearing elsewhere in this joint proxy statement/prospectus. The financial information set forth below includes all necessary adjustments, consisting only of normal recurring adjustments, that management considers necessary for a fair presentation of the unaudited quarterly results. The following data should be read in conjunction with Superior s financial statements and related notes thereto and Management s Discussion and Analysis of Financial Condition and Results of Operations of Superior beginning on page 134.

STATEMENTS OF OPERATIONS DATA

	Fiscal Quarter Ended	
	Sept. 30, 2006	**Dec. 31, 2006**
Total revenue	$ 11,653	$ 5,805
Cost of revenue	9,342	4,609
Gross profit	2,311	1,196
Selling, general and administrative expenses	2,301	2,505
Operating income (loss)	10	(1,309)
Other income (expense)	(114)	
Income (loss) from continuing operations before income tax provision	(104)	(182)
Income tax provision (benefit)	1	1
Extraordinary Gain		
Net income (loss)	$ (105)	$ (1,492)
Net income (loss) per common share:		
from net income (loss), basic	$ 0.02	$ (0.31)
from net income (loss), fully diluted	$ 0.02	$ (0.31)

Weighted average shares outstanding:		
Basic	4,820	4,808
Fully diluted	4,820	4,808

STATEMENTS OF OPERATIONS DATA

	Fiscal Quarter Ended				Year Ended
	Sept. 30, 2005	Dec. 31, 2005	March 31, 2006	June 30, 2006	June 30, 2006
	(amounts in thousands, except per share data)				
Total revenue	$ 11,653	$ 9,626	$ 15,067	$ 9,972	$ 46,317
Cost of revenue	9,342	8,440	12,085	8,527	38,393
Gross profit	2,311	1,186	2,982	1,445	7,924
Selling, general and administrative expenses	2,301	2,166	2,404	2,921	9,792
Operating income (loss)	10	(980)	578	(1,476)	(1,868)
Other income (expense)	(114)	(137)	(177)	(240)	(669)
Income (loss) from continuing operations before income tax provision	(104)	(1,117)	401	(1,716)	(2,537)
Income tax provision (benefit)	1			1	2
Extraordinary Gain			50		
Net income (loss)	$ (105)	$ (1,117)	$ 451	$ (1,717)	$ (2,489)
Net income (loss) per common share:					
from net income (loss), basic	$ 0.02	$ (0.23)	$ 0.09	$ (0.36)	$ (0.52)
from net income (loss), fully diluted	$ 0.02	$ (0.23)	$ 0.05	$ (0.36)	$ (0.52)
Weighted average shares outstanding:					
Basic	4,820	4,820	4,820	4,808	4,817
Fully diluted	4,820	4,820	8,977	4,808	4,817

STATEMENTS OF OPERATIONS DATA

	Fiscal Quarter Ended				Year Ended
	Sept. 30, 2004	Dec. 31, 2004	March 31, 2005	June 30, 2005	June 30, 2005
	(amounts in thousands, except per share data)				
Total revenue	$ 9,269	$ 8,403	$ 11,658	$ 10,205	$ 39,535
Cost of sales	7,215	6,787	9,661	8,364	32,027

Gross profit	2,054	1,616	1,997	1,841	7,508
Selling, general and administrative expenses	1,854	1,642	2,098	2,114	7,708
Operating income (loss)	200	(26)	(101)	(273)	(200)
Other income (expense)	(74)	(104)	(102)	(135)	(415)
Income (loss) from continuing operations before income tax provision	126	(130)	(203)	(408)	(615)
Income tax provision (benefit)	1				1
Net income (loss)	$ 125	$ (130)	$ (203)	$ (408)	$ (616)
Net income (loss) per common share:					
from net income (loss), basic	$ 0.03	$ (0.03)	$ (0.04)	$ (0.09)	$ (0.13)
from net income (loss), fully diluted	$ 0.02	$ (0.03)	$ (0.04)	$ (0.09)	$ (0.13)
Weighted average shares outstanding:					
Basic	4,497	4,510	4,685	4,743	4,627
Fully diluted	8,170	4,510	4,685	4,743	4,627

SUMMARY SELECTED UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

The following table shows information about DGSE s financial condition and results of operations, including per share data and financial ratios, on a *pro forma* basis after giving effect to a January 1, 2006 business combination of DGSE and Superior and related transactions. This information is called the *pro forma* financial information in this document. The table sets forth the information as if the combination and related transactions had become effective on December 31, 2006 (using currently available fair value information), with respect to balance sheet data, and January 1, 2006, with respect to statement of operations data. This unaudited *pro forma* financial information assumes that the combination will be accounted for using the purchase method of accounting and represents a current estimate based on available information of the combined company s results of operations. The unaudited *pro forma* financial information includes adjustments to record the assets and liabilities of Superior at their estimated fair values and is subject to further adjustment as additional information becomes available and as additional analyses are performed.

The merger agreement was announced on January 9, 2007. Pursuant to the combination, Superior will merge with a wholly-owned subsidiary of DGSE and DGSE will acquire all of the outstanding shares of Superior. Superior stockholders will be entitled to receive 0.2731 shares of DGSE common stock for every share of Superior common stock they own at the effective time of the combination, subject to an escrow arrangement described herein.

This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of DGSE and Superior included in this joint proxy statement/prospectus beginning on page F-1, and the more detailed unaudited *pro forma* condensed combined financial information, including the notes thereto, appearing in the section entitled Unaudited *Pro Forma* Condensed Combined Financial Information beginning on page 89.

The unaudited *pro forma* financial information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, does not reflect the impact of possible revenue enhancements, expense efficiencies, asset dispositions and share repurchases, among other factors that may result as a consequence of the combination and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had the companies been combined during these periods.

Pro Forma *Balance Sheet Data*

	As of December 31, 2006
	(in thousands)
Total Assets	$ 30,211
Total Liabilities	$ 9,566
Shareholders Equity	$ 20,645

Pro Forma Statement of Operations Data

	Quarter Ended December 31, 2006	Year Ended December 31, 2006
	(in thousands, except per share data)	

Revenues	$	18,012	$	83,487
Net (loss) income	$	(1,040)	$	(1,534)
Net (loss) income Per Share:				
Basic	$	(0.12)	$	(.18)
Diluted	$	(0.12)	$	(.18)

Comparative Per Share Data

The following table sets forth certain historical per share data of DGSE and Superior and per share data on an unaudited *pro forma* combined basis after giving effect to the combination. This table should be read together with, and is qualified in its entirety by, the historical financial statements, including the notes thereto, of DGSE and Superior included in this joint proxy statement/prospectus beginning on page F-1, and the more detailed unaudited

pro forma condensed combined financial information, including the notes thereto, appearing in the section entitled Unaudited *Pro Forma* Condensed Combined Financial Information beginning on page 89.

	Quarter Ended December 31, 2006	Year Ended December 31, 2006
DGSE Historical Per Share Data:		
Net Income (in thousands)	$ 84	$ 611
Basic(a)	0.02	0.12
Diluted(b)	0.02	0.12
Book value(c)	1.33	1.33
Superior Historical Per Share Data:		
Net (Loss) Income (in thousands)	$ (1,492)	$ (3,746)
Basic(a)	(0.31)	(0.78)
Diluted(b)	(0.31)	(0.78)
Book value(c)	(0.68)	(0.68)
***Pro Forma* Combined Company Per Share Data:**		
Net (Loss) Income (in thousands)	$ (1,040)	$ (1,534)
Basic(d)	(0.12)	(0.18)
Diluted(d)	(0.12)	(0.18)
Book value(e)	2.10	2.10

(a)

Based on weighted average number of shares of common stock outstanding for DGSE and Superior for such period, respectively.

(b)

Based on the weighted average number of shares of common stock outstanding plus the potential dilution that would occur if interests in securities (options and other convertible securities) were exercised and converted into common stock of DGSE or Superior for such period.

(c)

Computed by dividing shareholders equity by the weighted average number of shares of common stock at the end of such period plus the weighted average dilutive effect of interests in securities (options and other convertible securities).

(d)

Based on the *pro forma* combined net income presented in the section entitled Unaudited *Pro Forma* Condensed Combined Financial Information beginning on page 89 of this joint proxy statement/prospectus which gives effect to the combination under the purchase method of accounting.

(e)

Computed by dividing shareholders equity by the weighted average number of outstanding shares of DGSE common stock at the end of such period, adjusted to include the estimated number of shares of DGSE common stock to be issued in the combination plus the weighted average dilutive effect of interests in securities (options and other convertible securities) at the end of such period.

SUMMARY COMPARATIVE PER SHARE MARKET PRICE DATA

DGSE common stock is traded on the Nasdaq Capital Market under the ticker symbol DGSE . Superior common stock is traded is traded on the OTC Bulletin Board under the ticker symbol SPGR.OB .

The table below sets forth the high and low sales prices per share of DGSE common stock as reported on the Nasdaq Capital Market on January 8, 2006, the last completed trading day prior to the announcement of the combination, and on April 25, 2007, the last full trading day for which high and low sales prices were available as of the date of this joint proxy statement/prospectus. These equivalent high and low sales prices per share of Superior reflect the fluctuating value of DGSE common stock that Superior stockholders would receive in the combination in exchange for each share of Superior common stock if the combination had been completed on either of those dates, applying the exchange ratio.

	DGSE Common Stock		Superior Equivalent Price Per Share	
	High	Low	High	Low
January 8, 2007	$ 2.65	$ 2.71	$ 0.72	$ 0.74
April 25, 2007	$ 2.47	$ 2.43	$ 0.48	$ 0.48

The above table shows only historical comparisons. These comparisons may not provide meaningful information to DGSE and Superior stockholders in determining whether to approve the combination-related proposals described within this joint proxy statement/prospectus. DGSE and Superior stockholders are urged to obtain current market quotations for DGSE common stock and to review carefully the other information contained in this joint proxy statement/prospectus or incorporated by reference into this joint proxy statement/prospectus. See the section entitled Where You Can Find More Information beginning on page 156.

Dividend Information (DGSE and Superior)

Neither DGSE nor Superior has ever declared or paid any cash dividends on its capital stock. Both DGSE and Superior currently intend to retain any earnings for use in their respective businesses and neither anticipates paying any cash dividends in the foreseeable future.

RISK FACTORS

The combination involves a high degree of risk. By voting in favor of the merger, Superior stockholders will be choosing to invest in DGSE common stock. In addition to the risks described in DGSE s reports on Forms 10-K and 10-Q filed with the SEC, you should carefully consider the risks described below relating to the combination and the risks to the combined company s business after the combination. You should also consider the other information contained in, or incorporated by reference into, this joint proxy statement/prospectus. Please refer to the section of the joint proxy statement/prospectus entitled Where You Can Find More Information beginning on page 156. If any of these risks materializes, the business, financial condition or results of operations of DGSE may be seriously harmed. In such case, the market price of DGSE common stock may decline, and you may lose all or part of your investment.

Risks Related to the Combination

If DGSE and Superior fail to effectively integrate their operations, the combined company may not realize the potential benefits of the combination.

The integration of DGSE and Superior will be a time-consuming and expensive process and may disrupt the combined company s operations if it is not completed in a timely and efficient manner. If this integration effort is not successful, the combined company s results of operations could be harmed, employee morale could decline, key employees could leave, customers could choose not to place new orders and the combined company could have difficulty complying with regulatory requirements. In addition, the combined company may not achieve anticipated synergies or other benefits of the combination. Following the combination, DGSE and Superior must operate as a combined organization utilizing common information and communication systems, operating procedures, financial controls and human resources practices. The combined company may encounter the following difficulties, costs and delays involved in integrating their operations:

failure to manage relationships with customers and other important constituents successfully;

failure of customers to accept new services or to continue using the products and services of the combined company;

difficulties in successfully integrating the management teams and employees of DGSE and Superior;

challenges encountered in managing larger, more geographically dispersed operations;

the loss of key employees;

diversion of the attention of management from other ongoing business concerns;

potential incompatibilities of technologies and systems;

potential difficulties integrating and harmonizing financial reporting systems; and

potential incompatibility of business cultures.

If the combined company s operations after the combination do not meet the expectations of existing customers of DGSE or Superior, then these customers may cease doing business with the combined company altogether, which would harm the results of operations and financial condition of the combined company.

If the anticipated benefits of the combination are not realized or do not meet the expectations of financial or industry analysts, the market price of DGSE common stock may decline after the combination. The market price of DGSE common stock may decline as a result of the combination if:

the integration of DGSE and Superior is unsuccessful;

the combined company does not achieve the expected benefits of the combination as quickly as anticipated or the costs of or operational difficulties arising from the combination are greater than anticipated;

the combined company s financial results after the combination are not consistent with the expectations of financial or industry analysts;

the anticipated operating and product synergies of the combination are not realized; or

the combined company experiences the loss of significant customers or employees as a result of the combination.

Failure to complete the combination could adversely affect the future business and operations of DGSE and Superior as well as the market price of DGSE and Superior common stock.

The combination is subject to the satisfaction or waiver of numerous closing conditions, including the approval of the merger and reorganization by both Superior and DGSE stockholders, and may not be successfully completed.

In the event that the combination is not completed, Superior may be subject to a number of risks, including:

SIBL may foreclose on its loans to Superior, which could force Superior into bankruptcy and could result in SIBL owning all of the assets of Superior.

Superior could have difficulty attracting new customers or maintaining current customers because of its difficult financial situation.

Superior could lose its current management team, which is being provided by DGSE pursuant to the management agreement.

In the event that the combination is not completed, both DGSE and Superior may be subject to a number of risks, including:

The price of DGSE s and Superior s common stock may decline to the extent that the current market price of the respective companies common stock reflects a market assumption that the combination will be completed.

DGSE and Superior could suffer the loss of customers, revenues and employees due to uncertainties resulting from the uncompleted combination.

DGSE s and Superior s costs related to the proposed combination, such as legal, accounting and advisory fees, must be paid even if the combination is not completed, and these costs would reduce each company s reported earnings or increase reported loss, for the period when it was determined that the combination would not be consummated.

Completion of the combination may result in DGSE being delisted from the Nasdaq Capital Market.

The completion of the combination may result in DGSE being delisted from the Nasdaq Capital Market. Under Nasdaq Marketplace Rule 4340(a), an issuer must apply for initial inclusion following a transaction in which the issuer combines with a non-Nasdaq entity if the combination results in a change of control of the issuer and potentially allows the non-Nasdaq entity to obtain a Nasdaq listing. Superior is a non-Nasdaq entity and DGSE does not currently, and may not at the time of the combination, satisfy the initial listing requirements of the Nasdaq Capital Market. Accordingly, if Nasdaq determines that the combination will result in a change of control of DGSE for purposes of its Rule 4340(a), Nasdaq may initiate proceedings to delist DGSE from the Nasdaq Capital Market. In this case, DGSE may seek to be listed on the American Stock Exchange, though it does not currently, and there can be no assurances that it will at the time of the combination, satisfy the initial listing requirements of the American Stock Exchange.

Completion of the combination may result in dilution of future earnings per share to the stockholders of DGSE.

The completion of the combination may not result in improved earnings per share of DGSE or a financial condition superior to that which would have been achieved by either DGSE or Superior on a stand-alone basis. The combination could fail to produce the benefits that the companies anticipate, or could have other adverse effects that the companies currently do not foresee. In addition, some of the assumptions that either company has made, such as the achievement of operating synergies, may not be realized. In this event, the combination could result in a reduction of earnings per share of DGSE as compared to the earnings per share that would have been achieved by DGSE or Superior if the combination had not occurred.

The costs associated with the combination are difficult to estimate, may be higher than expected and may harm the financial results of the combined company.

DGSE and Superior estimate that they will incur aggregate direct transaction costs of approximately $400,000 each associated with the combination, and additional costs associated with consolidation and integration of operations, which cannot be estimated accurately at this time. If the total costs of the combination exceed estimates or the benefits of the combination do not exceed the total costs of the combination, the financial results of the combined company could be adversely affected.

The businesses of DGSE and Superior could suffer due to the announcement and closing of the combination.

The announcement and closing of the combination may have a negative impact on DGSE s or Superior s ability to sell their respective products and services, attract and retain key management, technical, sales or other personnel, maintain and attract new customers and maintain strategic relationships with third parties. For example, DGSE and Superior may experience deferral, cancellations or a decline in the size or rate of orders for their respective products or services or a deterioration in their respective customer or business partner relationships. Any such events could harm the operating results and financial condition of the combined company following the combination.

DGSE executive officers and directors have interests that are different from, or in addition to, those of DGSE stockholders generally.

The executive officers and directors of DGSE in some cases have interests in the combination that are different from, or are in addition to, those of DGSE stockholders generally. The receipt of compensation or other benefits in connection with the combination, including employment agreements, may influence these officers and directors in making their recommendation that you vote in favor of the adoption of the merger agreement. You should be aware of these interests when you consider the DGSE board s recommendation that you vote in favor of adoption of the merger agreement. See the sections entitled Proposal No. 1 Interests of Certain DGSE Persons in the Combination beginning on page 52 and Post-Combination Employment Agreements beginning on page 76.

Superior executive officers and directors have interests that are different from, or in addition to, those of Superior stockholders generally.

The executive officers and directors of Superior in some cases have interests in the combination that are different from, or are in addition to, those of Superior stockholders generally. The receipt of compensation or other benefits in the combination, including independent contractor agreements, and the provision and continuation of indemnification and insurance arrangements for current directors of Superior following completion of the combination may influence these directors in making their recommendation that you vote in favor of the adoption of the merger agreement. You should be aware of these interests when you consider the Superior board s recommendation that you vote in favor of adoption of the merger agreement. See the section entitled The Combination Interests of Certain Superior Persons in the Combination below beginning on page 53.

Risks Related to the Combined Company After the Combination

To facilitate a reading of the risks that we believe will apply to DGSE and Superior as a combined company following completion of the combination, in referring to we , us and other first person declarations in these risk factors, we are referring to the combined company as it would exist following the combination.

Changes in customer demand for our products and services could result in a significant decrease in revenues.

Although our customer base commonly uses our products and services, our failure to meet changing demands of our customers could result in a significant decrease in our revenues.

Changes in governmental rules and regulations applicable to the specialty financial services industry could have a negative impact on our lending activities.

Our lending is subject to extensive regulation, supervision and licensing requirements under various federal, state and local laws, ordinances and regulations. New laws and regulations could be enacted that could have a negative impact on our lending activities.

Fluctuations in our inventory turnover and sales.

We regularly experience fluctuations in our inventory balances, inventory turnover and sales margins, yields on loan portfolios and pawn redemption rates. Changes in any of these factors could materially and adversely affect our profitability and ability to achieve our planned results.

Changes in our liquidity and capital requirements could limit our ability to achieve our plans.

We require continued access to capital, and a significant reduction in cash flows from operations or the availability of credit could materially and adversely affect our ability to achieve our planned growth and operating results. Similarly, if actual costs to build new stores significantly exceeds planned costs, our ability to build new stores or to operate new stores profitably could be materially restricted. The DGSE credit agreement also limits the allowable amount of capital expenditures in any given fiscal year, which could limit our ability to build new stores.

Changes in competition from various sources could have a material adverse impact on our ability to achieve our plans.

We encounter significant competition in connection with our retail and lending operations from other pawnshops, cash advance companies and other forms of financial institutions and other retailers, many of which have significantly greater financial resources than us. Significant increases in these competitive influences could adversely affect our operations through a decrease in the number or quality of payday loans and pawn loans or our ability to liquidate forfeited collateral at acceptable margins.

In the coins and other collectibles business, we will compete with a number of comparably sized and smaller firms, as well as a number of larger firms throughout the United States. Our primary competitors are Heritage Auction Galleries, a large scale coin dealer and auctioneer, and American Numismatic Rarities, a comparably-sized coin auctioneer. Many of our competitors have the ability to attract customers as a result of their reputation and the quality collectibles they obtain through their industry connections. Additionally, other reputable companies that sell or auction rare coins and other collectibles may decide to enter our markets to compete with us. These companies have greater name recognition and have greater financial and marketing resources than we do. If these auction companies are successful in entering the specialized market for premium collectibles in which we participate or if dealers and sellers participate less in our auctions, we may attract fewer buyers and our revenue could decrease.

Our earnings could be negatively impacted by an unfavorable outcome of litigation, regulatory actions, or labor and employment matters.

A failure in our information systems could prevent us from effectively managing and controlling our business or serving our customers.

We rely on our information systems to manage and operate our stores and business. Each store is part of an information network that permits us to maintain adequate cash inventory, reconcile cash balances daily and report revenues and expenses timely. Any disruption in the availability of our information systems could adversely affect our operation, the ability to serve our customers and our results of operations.

A failure of our internal controls and disclosure controls and procedures, or our inability to comply with the requirements of section 404 of the Sarbanes-Oxley Act in a timely fashion could have a material adverse impact on us and our investors confidence in our reported financial information.

Effective internal controls and disclosure controls and processes are necessary for us to provide reliable financial reports and to detect and prevent fraud. We are currently performing the system and process evaluation required to comply with the management certification and auditor attestation requirements of Section 404 of the Sarbanes-Oxley

Act. This evaluation may conclude that enhancements, modifications or changes to our controls are necessary. Completing this evaluation, performing testing and implementing any required remedial changes will require significant expenditures and management attention. We cannot be certain as to the timing of completion of our evaluation, testing and remediation actions or the impact of these on our operations. We cannot be certain that significant deficiencies or material weaknesses will not be identified, or that remediation efforts will be timely to allow us to comply with the requirements of Section 404 of the Sarbanes-Oxley Act. If we are unable to comply

with the requirements of Section 404 of the Sarbanes-Oxley Act, investors could lose confidence in our reported financial information.

Changes in general economic conditions could negatively affect loan performance and demand for our products and services.

A sustained deterioration in the economic environment could adversely affect our operations by reducing consumer demand for the products we sell.

Interest rate fluctuations could increase our interest expense.

Although the U.S. Federal Reserve halted a sustained period of regular interest rate hikes in August 2006, interest rates could continue to rise which would, in turn, increase our cost of borrowing.

Our success depends on our ability to attract, retain and motivate management and other skilled employees.

Our future success and growth depend on the continued services of our key management and employees. The loss of the services of any of these individuals or any other key employee or contractor could materially affect our business. Our future success also depends on our ability to identify, attract and retain additional qualified personnel. Competition for employees in our industry is intense and we may not be successful in attracting or retaining them. There are a limited number of people with knowledge of, and experience in, our industry. We do not have employment agreements with many of our key employees. We do not maintain life insurance polices on many of our employees. Our loss of key personnel, especially without advance notice, or our inability to hire or retain qualified personnel, could have a material adverse effect on sales and our ability to maintain our technological edge. We cannot guarantee that we will continue to retain our key management and skilled personnel, or that we will be able to attract, assimilate and retain other highly qualified personnel in the future.

Superior has a history of losses and may incur future losses.

Superior recorded a net loss of $2,489,000 for its fiscal year ended June 30, 2006 and a net loss of $616,000 for its fiscal year ended June 30, 2005. Superior recorded net income of $552,000 for its fiscal year ended June 30, 2004 and has incurred losses in prior fiscal years since July 1999. We cannot be certain that following the combination, Superior will become profitable as a subsidiary of DGSE. If Superior does not become profitable and sustain profitability, the market price of our common stock may decline.

The voting power in our company is substantially controlled by a small number of stockholders, which may, among other things, delay or frustrate the removal of incumbent directors or a takeover attempt, even if such events may be beneficial to our stockholders.

Stanford International Bank Ltd. and Dr. L.S. Smith will collectively have the power to vote approximately 58% of our voting securities, and beneficially own approximately 57% of our voting securities on a fully-diluted basis, upon consummation of the combination. Consequently, these two stockholders may have sufficient voting power to control the outcome of virtually all corporate matters submitted to the vote of our common stockholders. Those matters could include the election of directors, changes in the size and composition of the board of directors, mergers and other business combinations involving DGSE, or the liquidation of DGSE. In addition, SIBL and Dr. Smith are expected to enter into a corporate governance agreement with DGSE in connection with the combination, which entitles SIBL and Dr. Smith to each nominate two independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) to the DGSE board and entitles Dr. Smith, our chairman and chief executive officer, and William H. Oyster, our president and chief operating officer, to be nominated to the DGSE board for so long as he remains an executive officer of DGSE. Through this control of company nominations to the board of directors and through their voting power, SIBL and Dr. Smith are able to exercise substantial control over certain

decisions, including decisions regarding the qualification and appointment of officers, dividend policy, access to capital (including borrowing from third-party lenders and the issuance of additional equity securities), and our acquisition or disposition of assets. Also, the concentration of voting power in the hands of SIBL and Dr. Smith could have the effect of delaying or preventing a change in control of our company, even if the change in control would benefit our other stockholders, and may adversely affect the market price of our common stock.

We could be subject to sales taxes, interest and penalties on interstate sales for which we have not collected taxes.

Superior has not collected California sales tax on mail-order sales to out-of-state customers, nor has it collected use tax on its interstate mail order sales. We believe that our sales to interstate customers are generally tax-exempt due to varying state exemptions relative to the definitions of being engaged in business in particular states and the lack of current Internet taxation. While we have not been contacted by any state authorities seeking to enforce sales or use tax regulations, we cannot assure you that we will not be contacted by authorities in the future with inquiries concerning our compliance with current statutes, nor can we assure you that future statutes will not be enacted that affect the sales and use tax aspects of our business.

We may incur losses as a result of accumulating inventory.

In addition to auctioning rare coins on consignment, a substantial portion of the rare coins that Superior sells comes from its own inventory. Superior purchases these rare coins from dealers and collectors and assumes the inventory and price risks of these items until they are sold. If Superior is unable to resell the rare coins that it purchases when it wants or needs to, or at prices sufficient to generate a profit from their resale, or if the market value of the inventory of purchased rare coins were to decline, our revenue would likely decline.

If we experience an increase in the rescission of sales, our revenue and profitability could decrease.

Our operating results could suffer if we experience a significant increase in the number of sales that are rescinded due to questions about title, provenance or authenticity of an item. Superior warrants the title, provenance and authenticity of each item that it sells at auction. A buyer who believes that any of these characteristics is in doubt must notify Superior in writing within a certain number of days after the date of sale of the property. If Superior cannot substantiate the questioned characteristics, the buyer may rescind the purchase and Superior will refund the price paid at auction to the buyer. When a purchase is rescinded, the seller is required to refund the item s sale price less sellers commissions and other sellers fees.

Our planned expansion and enhancement of our website and Internet operations may not result in increased profitability.

The satisfactory performance, reliability and availability of our website and network infrastructure are and will be critical to our reputation and our ability to attract and retain customers and technical personnel and to maintain adequate customer service levels. Any system interruptions or reduced performance of our website could materially adversely affect our reputation and our ability to attract new customers and technical personnel. We are in the process of development and/or enhancement of several portions of our websites that will offer content and auctions for rare coins that may have a lower average selling price than many of the rare coins in the markets we currently serve, and in the future we plan to integrate various of our websites. Continued development of our websites will require significant resources and expense. If the planned expansion of our websites does not result in increased revenue, we may experience decreased profitability.

Our website may be vulnerable to security breaches and similar threats which could result in our liability for damages and harm to our reputation.

Despite the implementation of network security measures, our websites are vulnerable to computer viruses, break-ins and similar disruptive problems caused by Internet users. These occurrences could result in our liability for damages, and our reputation could suffer. The circumvention of our security measures may result in the misappropriation of customer or other confidential information. Any such security breach could lead to interruptions and delays and the cessation of service to our customers and could result in a decline in revenue and income.

Changes to financial accounting standards and new exchange rules could make it more expensive to issue stock options to employees, which would increase compensation costs and may cause us to change our business practices.

We prepare our financial statements to conform with generally accepted accounting principles, or GAAP, in the United States. These accounting principles are subject to interpretation by the Public Company Accounting Oversight Board, the SEC and various other bodies. A change in those policies could have a significant effect on our reported results and may affect our reporting of transactions completed before a change is announced.

For example, we have used stock options and other long-term equity incentives as a fundamental component of our employee compensation packages. We believe that stock options and other long-term equity incentives directly motivate our employees to maximize long-term stockholder value and, through the use of vesting, encourage employees to remain with our company. Several regulatory agencies and entities are considering regulatory changes that could make it more difficult or expensive for us to grant stock options to employees. For example, the Financial Accounting Standards Board has issued SFAS 123R that will require us to record a charge to earnings for employee stock option grants. As a result of these changes, we may incur increased compensation costs, change our equity compensation strategy or find it difficult to attract, retain and motivate employees, each of which could materially and adversely affect our business, operating results and financial condition.

We are subject to new corporate governance and internal control reporting requirements, and our costs related to compliance with, or our failure to comply with existing and future requirements could adversely affect our business.

We face new corporate governance requirements under the Sarbanes-Oxley Act of 2002, as well as new rules and regulations subsequently adopted by the SEC, the Public Company Accounting Oversight Board and the Nasdaq Capital Market. These laws, rules and regulations continue to evolve and may become increasingly stringent in the future. In particular, we will be required to include management and independent registered public accounting firm reports on internal controls as part of our annual report for the year ending December 31, 2007 pursuant to Section 404 of the Sarbanes-Oxley Act. We are in the process of evaluating our control structure to help ensure that we will be able to comply with Section 404 of the Sarbanes-Oxley Act. We cannot assure you that we will be able to fully comply with these laws, rules and regulations that address corporate governance, internal control reporting and similar matters. Failure to comply with these laws, rules and regulations could materially adversely affect our reputation, financial condition and the value and liquidity of our securities.

In addition, DGSE is currently eligible (and has elected) to be a controlled company for purposes of the corporate governance provisions of the Nasdaq Marketplace Rules. As a result, DGSE does not currently have a nominating or compensation committee of its board of directors, or any committee performing similar functions. Upon the consummation of the combination, DGSE may no longer be eligible to be a controlled company under applicable rules, and, if not, will need to phase in independent nomination and compensation committees.

The revolving credit facilities with Stanford International Bank Ltd. and Texas Capital Bank, N.A. is each collateralized by a general security interest in Superior s and DGSE s assets, respectively. If either company were to default under the terms of its credit facility, the lender would have the right to foreclose on our assets.

In December 2005, DGSE entered into a revolving credit facility with Texas Capital Bank, N.A., which currently permits borrowings up to a maximum principal amount of $4 million. Borrowings under the revolving credit facility are collateralized by a general security interest in substantially all of DGSE s assets. As of December 31, 2006, $3.785 million was outstanding under the revolving credit facility. If DGSE were to default under the terms and conditions of the revolving credit facility, Texas Capital Bank would have the right to accelerate any indebtedness outstanding and foreclose on our assets in order to satisfy our indebtedness. Such a foreclosure could have a material adverse effect on our business, liquidity, results of operations and financial position.

In October 2003, Superior entered into a revolving credit facility with Stanford Financial Group Company, which we refer to as SFG, which has assigned the facility to SIBL. The facility currently permits borrowings up to a maximum principal amount of $19.89 million, and will be reduced to $11.5 million in connection with the closing of the combination (after the exchange of approximately $8.4 million of outstanding debt into shares of Superior common stock). Borrowings under the revolving credit facility are collateralized by a general security interest in substantially all of Superior s assets. As of December 31, 2006, $10.85 million was outstanding under the revolving credit facility; however, in connection with the combination, it is expected that $8.4 million of that debt will be exchanged for Superior common stock and up to $6 million of the credit facility will be made available to DGSE. If Superior were to

default under the terms and conditions of the revolving credit facility, SIBL would have the right to accelerate any indebtedness outstanding and foreclose on Superior s assets, and, subject to intercreditor arrangements with Texas Capital Bank, DGSE s assets, in order to satisfy Superior s indebtedness. Such a foreclosure could have a material adverse effect on our business, liquidity, results of operations and financial position.

DGSE has not paid dividends on its common stock in the past and does not anticipate paying dividends on its common stock in the foreseeable future.

DGSE has not paid common stock dividends since its inception and does not anticipate paying dividends in the foreseeable future. Our current business plan provides for the reinvestment of earnings in an effort to complete development of our technologies and products, with the goal of increasing sales and long-term profitability and value. In addition, our revolving credit facility with Texas Capital Bank currently restricts, and any other credit or borrowing arrangements that we may enter into may in the future restrict or limit, our ability to pay dividends to our stockholders.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The SEC encourages companies to disclose forward-looking information so that investors can better understand a company s future prospects and make informed investment decisions. This joint proxy statement/prospectus contains such forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934.

Words such as anticipate, believe, estimate, expect, intend, may, plan, project, seek, will and wor similar substance used in connection with any discussion of future operating or financial performance, or expected strategic benefits, advantages and other effects of the combination or any statements about Superior s business or operating results identify forward-looking statements. In particular, statements that involve risks and uncertainties regarding the expected strategic benefits, objectives, advantages, expectations and intentions and other effects of the combination described in sections such as The Combination DGSE Reasons for the Combination , The Combination Superior Reasons for the Combination , The Combination Other Factors Considered by the DGSE Board and The Combination Other Factors Considered by the Superior Board , on pages 42, 43, 44 and 46, respectively, and elsewhere in this joint proxy statement/prospectus are forward-looking statements. In addition, some statements concerning DGSE s or Superior s business, revenues, revenue mix, gross margin, operating expense levels, financial outlook, commitments under existing leases, sales and marketing initiatives and competition, such as the following, are forward-looking statements:

projections of revenues, synergies and other financial items;

statements of strategies and objectives for future operations;

expectations regarding the completion of the combination;

statements regarding integration plans;

statements concerning proposed products or services;

statements regarding future economic conditions, performance or business prospects;

statements regarding competitors or competitive actions; and

statements of assumptions underlying any of the foregoing.

All forward-looking statements are present expectations of future events and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The risks related to the combination and to the combined businesses after the combination discussed in the section entitled Risk Factors beginning on page 22 of this joint proxy statement/prospectus, among others, could cause actual results to differ materially from those described in the forward-looking statements. Such risks include, among others: the competitive environment and competitive responses to the combination; whether the combined company can successfully develop new products and the degree to which these products will gain market acceptance; whether anticipated cost and product synergies can be achieved; whether the integration of DGSE and Superior will be more difficult and costly than expected; uncertainties as to the timing of the combination; approval of the proposals described herein by the respective stockholders of DGSE and Superior; and the satisfaction of other closing conditions to the combination. Neither DGSE nor Superior makes any representation as to whether any projected or estimated information or results contained in any forward-looking statements will be obtained or achieved. Stockholders are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this joint proxy statement/prospectus or the date of the documents incorporated by reference in

this joint proxy statement/prospectus. Neither DGSE nor Superior is under any obligation, and each expressly disclaims any obligation, to update or alter any forward-looking statements after the date of this joint proxy statement/prospectus, whether as a result of new information, future events or otherwise.

For additional information about factors that could cause actual results to differ materially from those described in the forward-looking statements, please see the section entitled Risk Factors , beginning on page 22, and the annual reports on Form 10-K and the quarterly reports on Form 10-Q that DGSE and Superior have filed with the SEC.

Please see the section entitled Where You Can Find More Information on page 156.

SPECIAL MEETING OF DGSE STOCKHOLDERS

DGSE is furnishing this joint proxy statement/prospectus to you in order to provide you with important information regarding the matters to be considered at the special meeting of DGSE stockholders and at any adjournment or postponement of the special meeting. DGSE first mailed this joint proxy statement/prospectus and the accompanying form of proxy to its stockholders on or about April 30, 2007.

Date, Time and Place of the Special Meeting

DGSE will hold a special meeting of its stockholders at DGSE s executive offices at 2817 Forest Lane, Dallas, Texas 75234, on Tuesday, May 22, 2007, at 10:00 AM Central Time.

Matters to be Considered at the Special Meeting

At the special meeting, stockholders of DGSE will be asked to consider and vote upon the following proposals:

1.

Proposal No. 1. To adopt and approve the Amended and Restated Agreement and Plan of Merger and Reorganization, which we refer to in this joint proxy statement/prospectus as the merger agreement, made and entered into as of January 6, 2007, by and among DGSE, DGSE Merger Corp., a Delaware corporation and wholly owned subsidiary of DGSE, Superior Galleries, Inc., a Delaware corporation, and Stanford International Bank Ltd., as stockholder agent, and to approve the reorganization contemplated thereby, including the issuance of shares of DGSE common stock to Superior stockholders, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement.

2.

Proposal No. 2. To approve an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000 shares.

3.

Proposal No. 3. To adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

While these proposals are being voted upon separately, both of the first two proposals may have to be approved in order for either of them to be implemented.

Record Date; Stockholders Entitled to Vote

The record date for determining the DGSE stockholders entitled to vote at the special meeting is April 6, 2007. Only holders of record of DGSE common stock at the close of business on that date are entitled to vote at the special meeting. On the record date, 4,913,290 shares of DGSE common stock were issued and outstanding.

As of the record date, the directors and executive officers of DGSE and their affiliates beneficially owned 4,214,280 shares of DGSE common stock representing 67.9% of the outstanding shares of DGSE common stock.

A list of stockholders eligible to vote at the special meeting will be available for your review during DGSE s regular business hours at its principal place of business in Dallas, Texas for at least ten days prior to the special meeting for any purpose germane to the special meeting.

Voting and Revocation of Proxies

The proxy card accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of DGSE for use at the special meeting.

General. Shares represented by a properly signed and dated proxy will be voted at the special meeting in accordance with the instructions indicated on the proxy. Proxies that are properly signed and dated but that do not contain voting instructions will be voted as follows: FOR Proposal No. 1, to adopt and approve the merger agreement, and to approve the reorganization contemplated thereby, including the issuance of shares of DGSE common stock to Superior stockholders, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement; FOR Proposal No. 2, to approve an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000; and FOR Proposal No. 3. to adjourn the special meeting, if necessary, whether or not a quorum

is present, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

Abstentions. DGSE will count a properly executed proxy marked ABSTAIN with respect to a particular proposal as present for purposes of determining whether a quorum is present, but the shares represented by that proxy will not be voted at the special meeting with respect to that proposal. Because approval of Proposal No. 2 requires the affirmative vote of a majority of the voting power of the DGSE shares outstanding and approval of Proposal No. 3 requires the affirmative vote of a majority of the voting power of the DGSE shares present in person or by proxy, abstentions on either proposal will have the same effect as a vote AGAINST the proposal. Abstentions will have no direct effect on the outcome of Proposal No. 1. However, while Proposals Nos. 1 and 2 are being voted upon separately, both Proposal No. 1 and 2 may have to be approved in order for either of them to be implemented.

Broker Non-Votes. If your shares are held by your broker, your broker will vote your shares for you if you instruct your broker how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Broker non-votes are shares held by a broker or other nominee that are represented at the special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of the shares to vote on the particular proposal and the broker does not have discretionary voting power on the proposal. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum but will not be counted for purposes of determining the number of shares represented and voting with respect to a proposal. Failure to instruct your broker on how to vote your shares on Proposal No. 2 or 3 will have the effect of voting AGAINST the proposal. Failure to instruct your broker on how to vote your shares on Proposal No. 1 will have no effect on the outcome of that proposal, assuming that a quorum is present at the special meeting, but will reduce the number of votes required to approve that proposal. While Proposals No. 1 and No. 2 are being voted upon separately, both Proposal No. 1 and 2 may have to be approved in order for either of them to be implemented.

Voting Shares in Person that are Held Through Brokers. If your shares are held of record by your broker, bank or another nominee and you wish to vote those shares in person at the special meeting, you must obtain from the nominee holding your shares a properly executed legal proxy identifying you as a DGSE stockholder on the record date for the special meeting, authorizing you to act on behalf of the nominee at the DGSE special meeting and identifying the number of shares with respect to which the authorization is granted.

Revocation of Proxies. If you submit a proxy, unless you have entered into a support agreement to support the combination, you may revoke it at any time before it is voted in three ways:

First, you can deliver a written, dated notice to the Secretary of DGSE prior to the date of the special meeting, stating that you would like to revoke your proxy.

Second, you can complete, date and, prior to the date of the special meeting, submit a new, later-dated proxy to the Secretary of DGSE.

Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy.

Notices to the Secretary of DGSE should be sent to 2817 Forest Lane, Dallas, Texas 75234, Attention: Corporate Secretary.

If you have instructed your broker to vote your shares, you must follow directions received from your broker to change those instructions.

Support Agreement. Dr. L.S. Smith, who holds the power to vote approximately 51.7% of the outstanding shares of DGSE common stock, has entered into a support agreement with DGSE and Superior solely in his capacity as a stockholder of DGSE. Pursuant to that agreement, Dr. Smith agreed to vote all of his shares of DGSE common stock in favor of the reorganization and related transactions, and against any proposal or action that could reasonably be expected to delay, impede or interfere with the approval of the reorganization or any related transaction. This constitutes sufficient votes for both Proposals No. 1 and 2 to be approved. For more information, see the section entitled The Merger Agreement Support Agreements beginning on page 69.

Required Stockholder Vote

In order to conduct business at the DGSE special meeting, a quorum must be present. The holders of a majority of the votes entitled to be cast by holders of common stock at the special meeting, present in person or represented by proxy, constitutes a quorum under DGSE s bylaws. DGSE will treat shares of DGSE common stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at the DGSE special meeting for the purposes of determining the presence of a quorum. If a quorum is not present, it is expected that the special meeting will be adjourned to solicit additional proxies.

With respect to any matter submitted to a vote of the DGSE stockholders at the special meeting, each holder of DGSE common stock will be entitled to one vote, in person or by proxy, for each share of DGSE common stock held in his, her or its name on the books of DGSE on the record date.

Proposal No. 1. If the shares of DGSE common stock continue to be listed on the Nasdaq Capital Market at the time of the closing of the combination, pursuant to the Nasdaq Marketplace Rules, the affirmative vote of a majority of the shares of DGSE common stock voting on the proposal will be required to adopt and approve the merger agreement and approve the reorganization, including the issuance of shares of DGSE common stock to be issued to Superior stockholders, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement. If the shares of DGSE common stock are not listed on the Nasdaq Capital Market or another applicable national securities exchange which has a similar rule at the time of the closing of the combination, no applicable law or regulation will require DGSE stockholder approval for the adoption and approval of the merger agreement or approval of the reorganization, including the issuance of the shares of DGSE common stock to be issued to Superior stockholders in connection with the combination. Nevertheless, in that case, the board of directors of DGSE would still seek stockholder approval of Proposal No. 1 as a matter of good corporate governance, and if the number of votes present in person or represented by proxy cast in favor of Proposal No. 1 does not exceed the number of votes present in person or represented by proxy cast in opposition to Proposal No. 1, the DGSE board of directors would, subject to its obligations in the merger agreement, reconsider its decision to approve the merger agreement and the reorganization, including the proposal to issue and reserve for issuance shares of DGSE common stock, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement. In either case, abstentions and broker non-votes will be counted towards a quorum, but are not counted for any purpose in determining whether Proposal No. 1 has been approved.

Proposal No. 2. The affirmative vote of a majority of the outstanding shares of DGSE common stock is required to approve the amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock by 20,000,000 shares, to a total of 30,000,000 shares. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 2.

Proposal No. 3. The affirmative vote of holders of a majority of the outstanding shares of DGSE common stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting, if necessary, whether or not a quorum is present, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 and 2. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 3.

While Proposals No. 1 and No. 2 are being voted upon separately, both of the proposals may have to be approved in order for either of them to be implemented.

DGSE s bylaws authorize the shares present at the meeting in person or by proxy to adjourn the special meeting if a quorum is not then in attendance.

The inspector of elections for the DGSE special meeting will tabulate the votes.

Unanimous Recommendations by the Board of Directors

After careful consideration, the board of directors of DGSE has unanimously determined that the reorganization and merger agreement are advisable and in the best interests of DGSE and its stockholders. ***The board of directors of DGSE unanimously recommends that you vote FOR Proposal No. 1 for the merger agreement and the reorganization, including the issuance of the shares of DGSE common stock to be issued to Superior stockholders, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the terms of the merger agreement.***

The DGSE board of directors has also determined that the increase in the number of authorized capital stock of DGSE is necessary for the completion of the combination and advisable and in the best interests of DGSE and its stockholders. ***The board of directors of DGSE unanimously recommends that you vote FOR Proposal No. 2 for the amendment to the DGSE articles of incorporation to increase the number of authorized shares of common stock from 10,000,000 shares of common stock to 30,000,000 shares of common stock.***

The DGSE board of directors has further determined that approving a proposal to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies is advisable and in the best interests of DGSE and its stockholders. ***The board of directors of DGSE unanimously recommends that you vote FOR Proposal No. 3 to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.***

Solicitation of Proxies

DGSE and Superior are conducting this proxy solicitation and will share the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this joint proxy statement/prospectus, the proxy card and any additional information furnished to stockholders. DGSE will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to their principals and will reimburse them for their reasonable expenses in so doing. To the extent necessary in order to assure sufficient representation at the DGSE special meeting, officers and regular employees of DGSE may solicit the return of proxies from DGSE stockholders by mail, telephone, telegram and personal interview. No compensation in addition to regular salary and benefits will be paid to any such officer or regular employee for such solicitation. The total estimated cost of the solicitation of DGSE proxies is $75,000.

Security Ownership of Principal Stockholders, Directors and Executive Officers

For information regarding the security ownership of DGSE common stock by principal stockholders, directors and executive officers of DGSE, see the section entitled Ownership of DGSE Capital Stock beginning on page 115.

Stockholder Proposals and Nominations

Requirements for Stockholder Proposals to be Brought Before an Annual Meeting. For stockholder nominations to the board of directors or other proposals to be considered at an annual meeting of DGSE stockholders, the stockholder must have given DGSE timely notice of the proposal or nomination in writing to its Secretary pursuant to Rule 14a-4 (c) under the Exchange Act. To be timely for the 2007 annual meeting, a stockholder s notice must be delivered to or mailed and received by DGSE s Secretary at DGSE s principal executive offices not later than March 26, 2007.

Requirements for Stockholder Proposals to be Considered for Inclusion in DGSE s Proxy Materials. Stockholder proposals submitted pursuant to Rule 14a-8(e) under the Exchange Act for inclusion in DGSE s proxy materials and intended to be presented at DGSE s 2007 annual meeting must be received by DGSE s Secretary in writing not later than January 10, 2007 to be considered for inclusion in DGSE s proxy materials for that meeting. The proposal also must meet the other requirements of the rules of the SEC relating to stockholder proposals.

The matters to be considered at the special meeting are of great importance to the stockholders of DGSE. Accordingly, you are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to submit your proxy by mail in the enclosed postage-paid envelope.

SPECIAL MEETING OF SUPERIOR STOCKHOLDERS

Superior Galleries, Inc. is furnishing this joint proxy statement/prospectus to you in order to provide you with important information regarding the matters to be considered at the special meeting of the Superior stockholders and at any adjournment or postponement of the special meeting. Superior first mailed this joint proxy statement/prospectus and the accompanying form of proxy to its stockholders on or about April 30, 2007.

Date, Time and Place of the Special Meeting

Superior will hold its special meeting of its stockholders at Superior s principal offices at 2817 Forest Lane, Dallas, Texas 75234, on Tuesday, May 22, 2007 at 11:30 AM Central Time.

Matters to be Considered at the Special Meeting

At the special meeting, stockholders of Superior will be asked to consider and vote upon the following proposals:

1.

Proposal No. 1. To adopt and approve the Amended and Restated Agreement and Plan of Merger and Reorganization, which we refer to in this joint proxy statement/prospectus as the merger agreement, made and entered into as of January 6, 2007, by and among DGSE Companies, Inc., a Nevada corporation, which we refer to as DGSE, DGSE Merger Corp., a Delaware corporation and wholly owned subsidiary of DGSE, Superior, and Stanford International Bank Ltd., which we refer to as SIBL, as stockholder agent, whom together with any successors in that capacity we refer to in this joint proxy statement/prospectus as the stockholder agent, and to approve the merger contemplated thereby.

2.

Proposal No. 2. To approve the irrevocable appointment and constitution of SIBL, Superior s largest stockholder and its primary lender, including its successors as stockholder agent, as the exclusive agent, attorney-in-fact and representative of the Superior stockholders under the merger agreement and the related escrow agreement.

3.

Proposal No. 3. To adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

Record Date; Stockholders Entitled to Vote

The record date for determining the Superior stockholders entitled to vote at the special meeting is April 6, 2007. Only holders of record of Superior voting stock at the close of business on that date are entitled to vote at the special meeting. On the record date, 4,818,280 shares of Superior common stock and no shares of Superior preferred stock were issued and outstanding.

As of the record date, the directors and executive officers of Superior and their affiliates (including DGSE) held 380,000 shares of Superior common stock representing approximately 4.4% of the outstanding shares of Superior common stock.

A list of stockholders eligible to vote at the special meeting will be available for your review during Superior s regular business hours at its principal place of business in Beverly Hills, California for at least ten days prior to the special meeting for any purpose germane to the special meeting.

Voting and Revocation of Proxies

The proxy card accompanying this joint proxy statement/prospectus is solicited on behalf of the board of directors of Superior for use at the special meeting.

General. Shares represented by a properly signed and dated proxy will be voted at the special meeting in accordance with the instructions indicated on the proxy. Proxies that are properly signed and dated but that do not contain voting instructions will be voted as follows: FOR Proposal No. 1 for the merger agreement and the merger; FOR Proposal No. 2 to approve the irrevocable appointment and constitution of SIBL and its successors as the stockholder agent under the merger agreement and the related escrow agreement; and FOR Proposal No. 3 to adjourn the special meeting, if necessary, whether or not a quorum is present, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

Abstentions. Superior will count a properly executed proxy marked ABSTAIN with respect to a particular proposal as present for purposes of determining whether a quorum is present, but the shares represented by that proxy will not be voted at the special meeting with respect to such proposal. Because approval of Proposal No. 1 requires the affirmative vote of a majority of the voting power of Superior shares outstanding, approval of Proposal No. 2 requires the affirmative vote of a majority of the voting power of Superior shares (other than shares held by SIBL or its affiliates) outstanding, and approval of Proposal No. 3 requires the affirmative vote of a majority of the voting power of the Superior shares present in person or by proxy, abstentions on any proposal will have the same effect as a vote AGAINST the proposal.

Broker Non-Votes. If your shares are held by your broker, your broker will vote your shares for you if you instruct your broker how to vote. You should follow the directions provided by your broker regarding how to instruct your broker to vote your shares. Broker non-votes are shares held by a broker or other nominee that are represented at the special meeting, but with respect to which the broker or nominee is not instructed by the beneficial owner of the shares to vote on the particular proposal and the broker does not have discretionary voting power on the proposal. Broker non-votes will be counted for purposes of determining the presence or absence of a quorum but will not be counted for purposes of determining the number of shares represented and voting with respect to a proposal. Failure to instruct your broker on how to vote your shares on Proposal No. 1 or 3 will have the effect of voting AGAINST the proposal. Failure to instruct your broker on how to vote your shares on Proposal No. 2 will have no effect on the outcome of that proposal, assuming that a quorum is present at the special meeting, but will reduce the number of votes required to approve that proposal.

Voting Shares in Person that are Held Through Brokers. If your shares are held of record by your broker, bank or another nominee and you wish to vote those shares in person at the special meeting, you must obtain from the nominee holding your shares a properly executed legal proxy identifying you as a Superior stockholder on the record date of the special meeting, authorizing you to act on behalf of the nominee at the Superior special meeting and identifying the number of shares with respect to which the authorization is granted.

Revocation of Proxies. If you submit a proxy, unless you have entered into a support agreement to support the merger, you may revoke it at any time before it is voted in three ways:

First, you can deliver a written, dated notice to the Secretary of Superior prior to the date of the special meeting, stating that you would like to revoke your proxy.

Second, you can complete, date and, prior to the date of the special meeting, submit a new, later-dated proxy to the Secretary of Superior.

Third, you can attend the special meeting and vote in person. Your attendance alone will not revoke your proxy.

Notices to the Secretary of Superior should be sent to 9478 West Olympic Blvd., Beverly Hills, California 90212, Attention: Corporate Secretary.

If you have instructed your broker to vote your shares, you must follow directions received from your broker to change those instructions.

Support Agreement. SIBL and other Superior stockholders who together hold approximately 75.6% of the outstanding shares of Superior common stock have entered into a support agreement with Superior and DGSE pursuant to which the stockholders agreed to vote all of their shares of Superior common stock in favor of the merger and related transactions, and against any proposal or action that could reasonably be expected to delay, impede or interfere with the approval of the merger or any related transaction. This constitutes sufficient votes for both Proposals Nos. 1 and 3 to be approved. For more information, see the section entitled The Merger Agreement Support Agreements beginning on page 69.

Required Stockholder Vote

In order to conduct business at the Superior special meeting, a quorum must be present. The holders of a majority of the votes entitled to be cast by holders of Superior voting stock at the special meeting, present in person or represented by proxy, constitutes a quorum under Superior s bylaws. Superior will treat shares of Superior voting stock represented by a properly signed and returned proxy, including abstentions and broker non-votes, as present at

the Superior special meeting for the purposes of determining the existence of a quorum. If a quorum is not present, it is expected that the special meeting will be adjourned to solicit additional proxies.

With respect to any matter submitted to a vote of the Superior stockholders at the special meeting, each holder of Superior common stock will be entitled to one vote, in person or by proxy, for each share of Superior common stock held in his, her or its name on the books of Superior on the record date. No Superior preferred stock is presently outstanding.

Proposal No. 1. The affirmative vote of shares representing a majority of the voting power of outstanding Superior voting stock is required to adopt and approve the merger agreement and approve the merger. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 1.

Proposal No. 2. No applicable law or regulation requires separate Superior stockholder approval for the proposal to appoint and constitute Stanford International Bank Ltd., or SIBL, as the stockholder agent under the merger agreement and related escrow agreement. However, the affirmative vote of holders of a majority of the outstanding shares of Superior common stock, exclusive of the shares held by SIBL and its affiliates, in favor of the proposal may reduce the exposure of Superior directors to liability for approving SIBL acting as stockholder agent under the terms of the merger agreement and related escrow agreement, and of SIBL to liability for acting as stockholder agent. If the proposal does not obtain sufficient votes, SIBL would consider resigning as stockholder agent. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 2.

Proposal No. 3. The affirmative vote of holders of shares representing a majority of the voting power of Superior stock present in person or represented by proxy at the special meeting and entitled to vote is required to adjourn the special meeting, if necessary, whether or not a quorum is present, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of Proposal Nos. 1 and 2. Abstentions and broker non-votes will have the same effect as voting AGAINST Proposal No. 3.

Superior s bylaws authorize the shares present at the meeting in person or by proxy to adjourn the special meeting if a quorum is not then in attendance.

The inspector of elections for the Superior special meeting will tabulate the votes.

Unanimous Recommendations by the Board of Directors

After careful consideration, the board of directors of Superior has unanimously determined that the merger and merger agreement are advisable and in the best interests of Superior and its stockholders. ***The board of directors of Superior unanimously recommends that you vote FOR Proposal No. 1 for the merger agreement and the merger.***

The Superior board of directors has also determined that the irrevocable appointment and constitution of Stanford International Bank Ltd. and its successors as the stockholder agent under the merger agreement and the related escrow agreement are necessary for the completion of the merger and advisable and in the best interests of Superior and its stockholders. ***The board of directors of Superior unanimously recommends that you vote FOR Proposal No. 2 for the irrevocable appointment and constitution of Stanford International Bank Ltd. and its successors as the stockholder agent under the merger agreement and the related escrow agreement.***

The Superior board of directors has further determined that approving a proposal to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies is advisable and in the best interests of Superior and its stockholders. ***The board of directors of Superior unanimously recommends that you vote FOR Proposal No. 3 to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.***

Solicitation of Proxies

DGSE and Superior are conducting this proxy solicitation and will share the cost of soliciting proxies, including the preparation, assembly, printing and mailing of this joint proxy statement/prospectus, the proxy card and any additional information furnished to stockholders. Superior will also make arrangements with brokerage houses and other custodians, nominees and fiduciaries to send the proxy materials to their principals and will reimburse them for their reasonable expenses in so doing. To the extent necessary in order to assure sufficient representation at the Superior special meeting, officers and regular employees of Superior may solicit the return of proxies from Superior stockholders by mail, telephone, telegram and personal interview. No compensation in addition to regular salary and

benefits will be paid to any such officer or regular employee for such solicitation. The total estimated cost of the solicitation of Superior proxies is $75,000.

Security Ownership of Principal Stockholders, Directors and Executive Officers

For information regarding the security ownership of Superior common stock by principal stockholders, directors and executive officers of Superior, see the section entitled Ownership of Superior Capital Stock beginning on page 154.

Appraisal and Dissenters Rights

Holders of Superior common stock will have appraisal and dissenters rights under Delaware law with respect to the proposed merger transaction. For information regarding these rights, see the section entitled The Combination Appraisal and Dissenters Rights beginning on page 58.

Interest of Certain Persons in Matters to be Acted Upon

The executive officers and directors of Superior may have interests in the combination that are different from, or are in addition to, those of Superior stockholders generally. For information regarding the interests of Superior s executive officers and directors in the combination see the section entitled The Combination Interests of Certain Superior Persons in the Combination beginning on page 53.

Stockholder Proposals and Nominations

Requirements for Stockholder Proposals to be Brought Before an Annual Meeting. For stockholder nominations to the board of directors or other proposals to be considered at an annual meeting of Superior stockholders, the stockholder must have given Superior timely notice of the proposal or nomination in writing to its Secretary pursuant to Rule 14a-4 (c) under the Exchange Act. To be timely for the 2007 annual meeting, a stockholder s notice must be delivered to or mailed and received by Superior s Secretary at Superior s principal executive offices not later than September 2, 2007.

Requirements for Stockholder Proposals to be Considered for Inclusion in Superior s Proxy Materials. Stockholder proposals submitted pursuant to Rule 14a-8(e) under the Exchange Act for inclusion in Superior s proxy materials and intended to be presented at Superior s 2007 annual meeting must be received by Superior s Secretary in writing not later than June 19, 2007 to be considered for inclusion in Superior s proxy materials for that meeting. The proposal also must meet the other requirements of the rules of the SEC relating to stockholder proposals.

Due to the pendency of the combination, Superior did not hold an annual meeting of its stockholders in 2006. If the combination occurs, Superior will not hold its annual meeting of Superior stockholders for 2007. In that case, pre-combination Superior stockholder proposals must be submitted to the Secretary of DGSE in accordance with the procedures described in the section entitled Special Meeting of DGSE Stockholders Stockholder Proposals and Nominations beginning on page 34.

The matters to be considered at the special meeting are of great importance to the stockholders of Superior. Accordingly, you are urged to read and carefully consider the information presented in this joint proxy statement/prospectus, and to submit your proxy by mail in the enclosed postage-paid envelope.

You should not submit any stock certificates with your proxy. A transmittal form with instructions for the surrender of stock certificates for Superior stock will be mailed to you as soon as practicable after completion of the combination.

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DGSE PROPOSAL NO. 1 AND SUPERIOR PROPOSAL NO. 1 THE COMBINATION

This section of this joint proxy statement/prospectus describes the principal aspects of DGSE Proposal No. 1 and Superior Proposal No. 1, including the merger and reorganization and the merger agreement. While DGSE and Superior believe that this description covers the material terms of the combination and the related transactions, this summary may not contain all of the information that is important to DGSE and Superior stockholders. You can obtain a more complete understanding of the combination by reading the merger agreement, a copy of which is attached to this joint proxy statement/prospectus as Annex A. You are encouraged to read the merger agreement and the other annexes to this joint proxy statement/prospectus carefully and in their entirety.

Background of the Combination

During the summer of 2005, Superior attempted to raise equity capital using Wedbush Morgan as its exclusive investment bank. It was determined that no transaction could be presented that was either economically viable for Superior or acceptable to Stanford International Bank Ltd., which we refer to as SIBL, Superior s largest stockholder and primary lender.

In October 2005, SIBL indicated that Superior should seek potential merger and acquisition candidates as SIBL was reluctant to offer any additional financing to Superior under Superior s extant operational and management structure.

In November 2005, Lawrence Fairbanks Abbott, Jr., executive vice-president and former chief operating officer of Superior, contacted William H. Oyster, president and chief operating officer of DGSE, to introduce himself and to explore ways in which the two companies might work together, including scheduling a tour of DGSE s primary office for November 22. After touring the DGSE facility and meeting with Mr. Oyster, Mr. Abbott contacted Paul Biberkraut, then a director and the chief financial officer and executive vice president of Superior, to report Mr. Abbott s favorable observations regarding DGSE s business. Mr. Abbott suggested that Mr. Biberkraut tour the facility and meet DGSE management to gather information and discuss mutual areas of interest to DGSE and Superior. A meeting was arranged for December 6, 2005 between Messrs. Abbott, Biberkraut and Oyster, DGSE chairman and chief executive officer Dr. L.S. Smith, DGSE chief financial officer John Benson, and DGSE executive vice president Scott Williamson.

Shortly after the initial contact, Mr. Abbott inquired whether DGSE would consider being acquired by Superior. Mr. Oyster referred the matter to Dr. Smith. Dr. Smith advised Mr. Oyster that he did not think that the initial concept of DGSE being acquired by Superior was feasible but expressed that DGSE would consider other alternative business combinations. Mr. Oyster informed Mr. Abbott of this position.

On December 6, 2005, Messrs. Abbott and Biberkraut toured the DGSE facility with Mr. Oyster and met with the rest of the DGSE executive team. Dr. L.S. Smith led the meeting and expressed his interest in finding a strong partner to grow the business. The broadly outlined nature of the transaction discussed was that Superior would acquire DGSE and that the transaction would involve the cash purchase of a significant portion of Dr. Smith s stockholdings in DGSE. During this meeting, both parties indicated interest in moving forward. Superior indicated that, at that time, Superior needed to involve its largest stockholder, SIBL, in the discussion.

On December 6, 2005, in connection with the tour and meeting, DGSE and Superior executed a mutual confidentiality agreement to explore a potential transaction between the parties.

On December 6, 2005, based upon the tours and meeting on that date, and upon review of DGSE s financial reports, Messrs. Abbott and Biberkraut reported to Silvano DiGenova, then the chairman, president and chief executive officer of Superior, that a merger or acquisition with DGSE held significant promise and deserved serious further investigation and consideration. Mr. Biberkraut also advised SIBL of the meetings.

In December 2005, Messrs. Abbott and Biberkraut approached SIBL s investment banking division to seek assistance for Superior in developing a case for merging Superior and DGSE. During December 2005, Superior continued to have discussions with SIBL s investment banking division about both the potential synergies and the structure of the transaction, as well as the associated risks.

Late in December 2005, discussions with DGSE about the structure of a transaction were expanded to include SIBL. Discussions continued in early January 2006, and SIBL began negotiating directly with DGSE.

On January 9, 2006, Dr. Smith and Mr. Oyster had a telephone conference with Michael Guptan and Josh Feidler of SIBL to discuss possible concepts for a business combination between the two entities.

On January 18, 2006, Dr. Smith and Messrs. Oyster, Benson and Williamson met in Dallas, Texas with Messrs. DiGenova, Abbott and Biberkraut, in a meeting designed to acquaint the two companies and to discuss various alternative possible transactions.

On January 23, 2006, the Superior board of directors met and Mr. DiGenova delivered a report on his discussions with Osvaldo Pi, head of the merchant banking division of Stanford Financial Group Company, which we refer to as SFG, an affiliate of SIBL, regarding the viability of a potential merger with DGSE. The Superior board of directors discussed the potential benefits and risks of the merger and appointed Mr. Biberkraut to develop combined *pro forma* financial statements to facilitate further discussions regarding a potential merger.

On February 1, 2006, Dr. Smith and Mr. Oyster met in Houston, Texas with Danny Bogar, Osvaldo Pi, Ronald Stein, Joe Frisard and James Davis, each a representative of SIBL, to discuss SIBL s position on DGSE possibly acquiring Superior.

On February 6, 2006, Dr. Smith had a telephone conference with Mitchell T. Stoltz, a director of Superior, regarding Superior s interest in extending discussions regarding a possible transaction.

On February 7, 2006, Mr. Abbott sent Dr. Smith a plan for the merger developed jointly with Mr. Guptan which outlined terms of debt and equity for the transaction and organizational charts.

On February 8, 2006, Dr. Smith had a telephone conference with Mr. Guptan, who proposed a potential acquisition of DGSE by Superior. Dr. Smith advised Mr. Guptan that the proposal was not acceptable to DGSE.

On February 16, 2006, Dr. Smith met with Mr. Bogar in Dallas, Texas to explore additional areas that might lead to an acquisition of Superior by DGSE. During this meeting Mr. Bogar and Dr. Smith discussed alternatives that might be acceptable to DGSE.

During the month of February, Dr. Smith telephonically apprised the DGSE directors on the direction of the discussions with Superior on at least five separate occasions.

On February 23, 2006, Mr. Pi presented new proposed terms for the merger to DGSE.

On February 27, 2006, Dr. Smith provided a preliminary term sheet to Mr. Pi outlining the proposed terms of a merger between Superior and DGSE.

In March, 2006, DGSE and Superior negotiated a non-binding term sheet regarding the acquisition of Superior by DGSE.

On March 22, 2006, Dr. Smith provided a revised preliminary term sheet to Mr. Pi, outlining, among other things, the terms of a proposed merger between Superior and DGSE as well as the terms of the restructuring of SIBL s revolving line of credit with Superior.

On March 25, 2006, the Superior board of directors met to discuss the preliminary term sheet proposed by DGSE. After discussion of the preliminary term sheet and the potential issues associated with the contemplated transaction, the board of directors unanimously authorized management to commence due diligence.

On March 29, 2006, DGSE had a telephonic meeting of its board of directors, with all members in attendance, to discuss the current state of the discussions with Superior and SIBL. The board of directors was advised of all of the

events leading to the board meeting. The DGSE board authorized management to continue the discussions and to try and finalize terms leading to a definitive agreement.

On March 29, 2006, Superior s board of directors retained a business advisory and valuation firm, Stenton Leigh Valuation Group, Inc., which we refer to as Stenton Leigh, to perform a fairness analysis in relation to the proposed merger and the resulting valuation to the Superior stockholders. The fairness opinion was presented by Stenton Leigh at a special meeting of Superior s board of directors on June 27, 2006.

Beginning in February 2006 and continuing through July 2006, the parties conducted extensive due diligence on each others businesses and developed an integration plan to integrate the businesses following the merger. During this time the parties also negotiated the definitive merger agreement and set a timeline to complete the combination

subject to the approval of each company s stockholders. From March through June, 2006, Dr. Smith was in almost daily contact with Messrs. Pi and Bogar, on behalf of SIBL, and the Superior management regarding due diligence matters and issues involving a possible transaction.

On April 3, 2006, DGSE, Superior and SIBL entered into a confidentiality agreement and a shared expenses agreement, regarding the confidential treatment of information exchanged and the sharing of specified expenses, respectively, related to the exploration of a possible business combination between DGSE and Superior.

On April 13, 2006, DGSE distributed the initial draft of the original merger agreement for review by Superior and SIBL.

During the period from April 13 through July 14, 2006, the parties negotiated the original definitive merger agreement along with various related documents, including the revised loan documents between SFG and Superior.

On June 21, 2006, Dr. Smith and Mr. Oyster met in Houston, Texas with Messrs. Bogar and Frisard, on behalf of SIBL, and Mr. Stoltz of Superior to discuss possible details that might lead to a definitive agreement.

On June 29, 2006, the Superior board of directors met to discuss the original merger agreement and receive a presentation of an oral fairness opinion and presentation from Stenton Leigh. Following further review and discussion, the board of directors of Superior voted unanimously to adopt and approve the original merger agreement and to approve the merger and the other transactions contemplated by the merger agreement, and resolved to recommend that the Superior stockholders vote to approve and adopt the original merger agreement and to approve the merger and irrevocably to appoint and constitute SIBL and its successors as the stockholder agent under the original merger agreement and the related escrow agreement.

On July 5, 2006, the board of directors of DGSE met to review all of the details of the proposed Superior acquisition and to review all of the financial details and the definitive agreements. After a thorough review and discussion of all of these matters, the present directors voted unanimously to approve and adopt the original merger agreement and to approve the merger and the other transactions contemplated by the original merger agreement, and resolved to recommend that the DGSE stockholders vote to approve and adopt the original merger agreement and to approve the merger and the issuance of the shares of DGSE common stock to be issued to Superior stockholders pursuant to the terms of the original merger agreement. The absent DGSE director, Lee Ittner, later ratified the foregoing actions.

On July 14, 2006, the parties executed the original merger agreement. The signing of the original merger agreement was publicly announced on July 17, 2006, at the time of the opening for trading of the Nasdaq Capital Market.

From August 20 through August 23, 2006 Dr. Smith and Messrs. Oyster and Benson met in Beverly Hills, California with Messrs. DiGenova, Pi and Charles Wiser to discuss Superior operations and financial results.

On November 22, 2006, Dr. Smith and Mr. Oyster met in Houston, Texas with Messrs. Bogar and Pi to discuss the pending transaction and to discuss possible revision of the terms of the original transaction.

Between November 22, 2006 and December 16, 2006, the parties negotiated a revised term sheet for the proposed acquisition. The primary reason for the revisions to the terms of the proposed combination was the material deterioration in Superior s business, operations and financial condition subsequent to the date of the original merger agreement. In addition, due to the continuing losses at Superior and the delays already encountered in closing the combination, the parties structured the combination in two steps, with the principal objective of providing greater assurances that the combination would be consummated without additional materially adverse changes to the financial condition, business or operations of Superior. An important component of the two-step approach was the entry by DGSE s merger subsidiary and Superior into a management agreement, pursuant to which three senior executives of DGSE were appointed as the senior management of Superior, and the appointment of these three DGSE executives to

the Superior board of directors pursuant to the revised merger agreement. For more information on the management changes at Superior, see the section entitled The Merger Agreement Management Agreement beginning on page 69. The exchange ratio reflected in the revised merger agreement was based on a new valuation of Superior agreed to by the parties and SIBL, Superior s largest stockholder, in light of Superior s financial statements for its fiscal quarter ended September 30, 2006. According to the revised term sheet, all preferred stockholders of Superior would convert their preferred stock into Superior common stock and SIBL would exchange sufficient Superior debt for Superior common stock so that Superior s stockholders equity at December 31, 2006 would be at least $5,751,000 (subject to a credit of approximately $482,000 for

combination-related expenses). In return, DGSE would issue 3.7 million shares of DGSE common stock to acquire all of Superior s outstanding common stock. The exchange ratio was calculated accordingly.

On December 7, 2006, the board of directors of Superior engaged Stenton Leigh to perform a fairness analysis in relation to the revised terms of the proposed merger and the resulting valuation to the Superior stockholders. The fairness opinion was presented by Stenton Leigh at a special meeting of Superior s board of directors on December 21, 2006.

On December 20, 2006, the board of directors of DGSE met to review all of the details of the revised terms of the proposed Superior acquisition and to review all of the financial details and the definitive agreements. After a thorough review and discussion of all of these matters, the directors voted unanimously to approve and adopt the merger agreement and to approve the merger and the other transactions contemplated by the merger agreement, and resolved to recommend that the DGSE stockholders vote to approve and adopt the merger agreement and to approve the merger and the issuance of the shares of DGSE common stock to be issued to Superior stockholders pursuant to the terms of the merger agreement.

On December 21, 2006, the Superior board of directors met to discuss the merger agreement and receive a presentation of an oral fairness opinion and presentation from Stenton Leigh. Following further review and discussion, the board of directors of Superior voted unanimously to adopt and approve the merger agreement and to approve the merger and the other transactions contemplated by the merger agreement, and resolved to recommend that the Superior stockholders vote to approve and adopt the merger agreement and to approve the merger and irrevocably to appoint and constitute SIBL and its successors as the stockholder agent under the merger agreement and the related escrow agreement.

On January 6, 2007, the parties executed the amended and restated merger agreement and the support agreements. The signing of the these agreements was publicly announced on January 9, 2007.

On January 6, 2007, Silvano DiGenova resigned as chairman, chief executive officer, president and interim chief financial officer of Superior, and all board members but Mitchell T. Stoltz and David Rector resigned from the Superior board of directors. On that same date, the remaining Superior directors appointed William H. Oyster, Scott Williamson and John Benson to the Superior board to fill the vacancies. On that same date, Mr. Oyster was appointed interim chief executive officer of Superior, Mr. Williamson was appointed interim chief operating officer of Superior and Mr. Benson was appointed vice president, finance and interim chief financial officer of Superior.

DGSE Reasons for the Combination

At a meeting on December 20, 2006, the DGSE board of directors unanimously approved the merger agreement and related agreements and the merger and reorganization and the related transactions contemplated thereby. The DGSE board believes that the reorganization is in the best interests of DGSE and its stockholders and unanimously recommends that DGSE s stockholders vote FOR approval and adoption of the merger agreement and the approval of the reorganization, including the issuance of the shares of DGSE common stock to be issued as merger consideration, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement.

In reaching its determination, the DGSE board of directors consulted with DGSE s management and considered the following material factors:

A greater penetration of the rare coin and precious metals businesses. DGSE is currently one of the largest public companies with activities dedicated to the wholesale and retail trade of rare coins and precious metals. With the acquisition of Superior, DGSE will have access to an expanded nationwide customer base, new activities in the area of

auctions and a more robust supply network.

A stronger financial position and reduced costs. The contemplated structure of the acquisition provides the combined companies with significantly expanded credit facilities, including an $11.5 million line of credit with Stanford Financial Group Company and a $4.0 million line of credit with Texas Capital Bank, NA. The combined company, on a pro forma basis at September 30, 2006, had an estimated $22 million in current assets, total assets of approximately $29 million, current ratio of 4 to 1 and stockholders equity of $18 million. This strong balance sheet and the available credit facilities should permit the combined company to expand its share of the market in all of its operating sectors. The acquisition of Superior

contemplates the elimination of duplication in administrative functions and regulatory compliance costs, integration of operating staff and economies of scale. The combined company should have substantial professional resources which will allow the optimal deployment of existing personnel.

Enhanced trading liquidity and better market focus. DGSE expects that the successful completion of the proposed combination will result in increased market capitalization and trading liquidity of the combined company, resulting in better market focus. Because of the increased market capitalization and liquidity of the combined company, DGSE expects that the combined company will have greater access to equity and debt capital markets than DGSE currently has, and greater appeal to institutional investors. DGSE expects that this access will provide management of the combined companies greater flexibility to execute its business plan under various financial market conditions.

Operational synergies from combined expertise. DGSE believes that Superior has quality employees with broad numismatic expertise. DGSE hopes to retain the majority of these key employees following the successful completion of the acquisition to assist in DGSE s business and operations going forward. DGSE s expertise in the jewelry, precious metals, watch and diamond businesses should diversify the operations of Superior and provide for more stable revenue growth and operating earnings. The combined company will have substantial expertise in jewelry, precious metals, numismatics, fine watches and diamonds.

Substantially enhanced growth opportunities. The DGSE board of directors believes that the larger volume and greater diversity of the combined businesses should enable the combined company to exceed the rates of growth of revenue and cash flows that DGSE might achieve on a stand-alone basis.

The acquisition provides DGSE with a new location to expand its jewelry, fine watch, diamond and precious metals businesses. DGSE believes that Superior s retail location in Beverly Hills, California is underutilized and contemplates that DGSE can introduce its SuperStore jewelry, watch and diamond lines with relatively minor modifications to the physical location. DGSE believe that existing Superior personnel can manage the retail location with additional training in DGSE systems and methods. Expanding the activities of Superior in its Beverly Hills, California location will diversify its revenue stream and enhance cash flows, while giving DGSE an additional distribution channel for its inventory. Additional volume generated at the Superior location will also assist DGSE in diversifying its vendor sources.

DGSE s staff and expertise in jewelry and watch repair will be more efficiently utilized. The added volume generated by a new Beverly Hills, California location will allow DGSE to achieve higher repair and manufacturing revenue and allow DGSE to better absorb overhead related thereto.

Fixed range of exchange ratio limits dilution of DGSE stockholders. DGSE will issue approximately 3.7 million shares of its common stock for the proposed acquisition. DGSE s board of directors believes that the fixed exchange ratio being used for the merger reduces DGSE s exposure to stock market fluctuations.

Superior Reasons for the Combination

The Superior board of directors has determined unanimously that the merger and reorganization, the merger agreement and the transactions contemplated thereby are advisable and fair to and in the best interests of Superior and its stockholders. The Superior board has directed that the proposed merger and reorganization be submitted for consideration by the Superior stockholders and recommended that Superior stockholders vote in favor of the approval of the merger, the merger agreement and the transactions contemplated thereby.

In reaching the determination that the merger, the merger agreement and the transactions contemplated thereby are fair to and in the best interests of Superior and its stockholders, the Superior board considered that the combination will assist Superior with the following competitive challenges:

Unavailability of Continued Financing from SFG. Superior has historically required, and continues to require, financing for its operations. In the past, SFG and SIBL have provided the majority of this financing, but SFG informed Superior that it is unwilling to provide additional equity or debt financing to Superior so long as it continues to have its current operational and management structure, and so long as there continues to be only a limited market for Superior s securities.

Lack of Adequate Capitalization. Superior s key competitors (both public and private) are better capitalized, have better access to debt financing and are substantially larger than Superior. These competitors access to equity and debt financing provides them with greater flexibility to respond to competitive challenges and to take advantage of business opportunities.

Small Margins. The margins in the rare coin industry are slim and the regulatory compliance requirements of being a small public company in a highly regulated environment add substantial cost. Due to its size, Superior s legal, accounting and other costs associated with being a publicly held company comprise a much higher percentage of operating overhead, as compared to its competitors.

High Debt. Superior s high level of debt has resulted in very high interest costs, further reducing profitability.

Lack of Diversification. Because its focus is primarily rare coins, Superior has a higher degree of business risk due to lack of diversification, as compared to its competitors.

Reliance on a Few Key Employees. Superior relies heavily on a few key employees to generate a substantial portion of its revenue.

Continued Substantial Losses. Over the past 18 months, Superior s level of net losses has increased, further eroding Superior s capital base and working capital needed to maintain business operations.

Retention of Employees. Superior s diminished capacity to operate its business due to financial constraints has resulted in the loss of some sales and operational employees to competitors. There is a continuing risk of further employee losses due to Superior s worsening financial condition.

Other Factors Considered by the DGSE Board

In reaching its conclusion to approve the merger agreement and recommend that DGSE stockholders vote FOR the approval and adoption of the merger agreement and the approval of the reorganization, including the issuance of the shares of DGSE common stock required to be issued as merger consideration pursuant to the merger agreement, the DGSE board of directors considered a number of factors, including the following:

The judgment, advice and analysis of DGSE s management with respect to the potential strategic, financial and operational benefits of the acquisition, including management s favorable recommendation of the transaction, based in part on the business, technical, financial, accounting and legal due diligence investigations performed with respect to Superior.

The importance of the combination for pursuing DGSE s strategic plan.

The potential benefits to DGSE stockholders of growth opportunities following the combination.

The competitive and market environments in which DGSE and Superior operate.

The expected qualification of the transaction contemplated by the merger agreement as a reorganization within the meaning of Section 368(a) of the Code.

The likelihood that DGSE will be able to retain key management and other personnel of Superior who may be critical to the ongoing success of each company and to the successful integration of the businesses.

The results of operations and financial condition of DGSE and Superior.

The terms of the merger agreement and the related agreements, including consideration paid by DGSE and the structure of the combination, which were deemed by both the board of directors and management to provide a fair and equitable basis for the transaction.

The likelihood that the transaction will be completed in a timely manner.

The nature and depth of the relationship between Superior and SIBL.

Historical and current information about each of the companies and their respective businesses, prospects, financial performance and condition, operations, management and competitive position, including market

data and management s knowledge of the rare coin, precious metals and jewelry, fine watch and diamond businesses.

Financial market conditions, historic market prices, volatility and trading information for DGSE and Superior.

The terms and conditions of the merger agreement and related transactions, including:

the conversion by SIBL and Silvano DiGenova of all of their shares of Superior preferred stock into Superior common stock in connection with the execution of the merger agreement;

the condition to closing the merger that SIBL exchange approximately $8.4 million of existing Superior debt for approximately 5 million Superior common stock prior to the closing and that Stanford Financial Group Company, an affiliate of SIBL which we refer to as SFG, provide Superior with a 4 year term credit facility with a committed credit facility of $11.5 million;

the agreement by SFG to provide the ability of DGSE to upstream loan proceeds from the Superior credit facility to DGSE or any other subsidiary for working capital purposes; and

the corporate governance agreement.

DGSE s board of directors also considered a number of risks and potentially negative factors in its deliberation concerning the combination, including in particular:

The risk that the benefits sought to be achieved by the transaction, including those outlined above, will not be achieved.

The general challenges and costs of combining the operations of two companies and the substantial expenses to be incurred in connection with the combination.

The effect of public announcement of the transaction on DGSE s common stock.

The risks of unexpected expenses or liabilities associated with the combination, including the potential for inventory valuation issues and contingent liabilities associated with litigation.

The diversion of management resources from other strategic opportunities and operational matters.

The risk that the current favorable market for precious metals and other collectibles will cease or deteriorate, thus affecting volume and profit margins.

The risk that the current economic environment will deteriorate and impact discretionary spending on items such as jewelry.

The potential disruption of third party business relationships important to either company as a result of the combination.

The potential that DGSE will experience delays in the approval of registration statements required as a condition of closing.

The possibility that the combination might not close or that the closing might be delayed.

The availability of appraisal rights for Superior stockholders under Section 262 of the DGCL.

The possibility that the company will be delisted from the Nasdaq Capital Market.

The DGSE board did not consider it necessary to, and did not, engage a financial advisor to issue a fairness opinion for the combination.

The foregoing discussion of the information and factors which were given weight by the DGSE board is not intended to be exhaustive. The DGSE board did not assign specific weights to the foregoing factors and individual directors may have given different weights to different factors.

Other Factors Considered by the Superior Board

In reaching its conclusion to approve the merger agreement and recommend that Superior stockholders vote FOR the approval and adoption of the merger agreement and the approval of the merger, the Superior board of directors, together with the assistance of its financial and legal advisors, also considered how the following factors would address many of Superior s competitive challenges:

Capitalization. SIBL s conversion into equity of approximately $8.4 million of Superior debt in connection with the merger and DGSE s capital base should create a more financially stable organization. In addition, SFG has agreed to expand the combined company s line of credit to facilitate expansion. The increased capitalization is expected significantly to decrease financing expenses and, thus, potentially enhance profitability of the combined entity.

Economies of Scale. The combined companies should be able to (a) eliminate, over time, duplicate expenses in the areas of regulatory compliance, finance and administration, (b) eliminate certain elements of operational costs, and (c) have increased buying power by virtue of the size of the combined entity.

Diversification. The combined entity should be able to leverage the complementary expertise and experience of the constituent entities. Superior s expertise lies in rare coin dealing and auctioneering services, and DGSE s core competency lies in retail buying and selling of jewelry and watches. Superior s auction and web expertise may be expanded from rare coins to jewelry and watches. Likewise, DGSE s retail store experience may be expanded to Superior s Beverly Hills gallery.

Potential for Expansion in Many Operating Areas. The combination of financial stability, increased equity capitalization, diversified product lines and stronger management may enhance the combined company s ability to expand market share in auctions, retail, web-based and wholesale activities in both rare coins and jewelry/watches. The larger capital base and borrowing ability of the combined entity should also aid the combined entity in competing for buying opportunities for very large collections where cash commitments are front-loaded, without hampering the company s ability to continue other business activities requiring capital and without resorting to expensive short-term bridge financing. The enhanced capital base should also improve the combined company s ability to take advantage of other opportunities for strategic acquisitions of small rare coin operations, should they arise in the future.

Prior to approving the merger, the Superior board also took the following actions to validate the merger:

Fairness Opinion. The Superior board received oral and written presentations of Stenton Leigh Valuation Group, Inc. and their opinion that, as of December 21, 2006, the exchange ratio is fair to the minority stockholders of Superior from a financial point of view and the analyses forming the bases for such opinions. See Opinions of Superior s Financial Advisors beginning on page 47 for a discussion of the factors considered in rendering the opinions. The opinion, which is subject to limitations, qualifications and assumptions, is attached as Annex K to this joint proxy statement/prospectus and should be read in its entirety.

Alternative Transactions. The Superior Board requested that management approach other potential strategic partners about possible business combinations. Management did investigate other possible business combinations, but these efforts were unsuccessful.

The Superior board also considered certain risks and potential disadvantages associated with the combination, including the following:

that the positive synergies of the combination will not be realized to the degree anticipated if key management personnel of both companies are not successfully retained and productively integrated into the combined organization;

the effect of management distractions necessarily associated with such a business combination and the potential disruption to the businesses of DGSE and Superior;

that the transaction might not be completed as a result of a failure to satisfy the conditions in the merger agreement;

the effect of the availability of appraisal rights for Superior stockholders under Section 262 of the DGCL;

the possibility that regulatory authorities might delay or impose unacceptable conditions in connection with qualifying the shares of DGSE common stock to be issued in one or more states;

the possibility that there will be delays in the approval of registration statements to be filed by DGSE required as a condition of closing;

the potential adverse effect on customer relationships as a result of the combination; and

the general costs and challenges of combining the operations of Superior and DGSE.

The foregoing discussion of the information and factors which were given weight by the Superior board is not intended to be exhaustive. The Superior board did not assign specific weights to the foregoing factors and individual directors may have given different weights to different factors. After considering all such factors, THE SUPERIOR BOARD UNANIMOUSLY RECOMMENDS TO SUPERIOR STOCKHOLDERS THAT THEY VOTE FOR THE APPROVAL AND ADOPTION OF THE MERGER AGREEMENT AND FOR THE APPROVAL OF THE MERGER AND THE TRANSACTIONS CONTEMPLATED THEREBY.

Opinion of Financial Advisor to the Board of Directors of Superior

Stenton Leigh Valuation Group, Inc., which we refer to in this joint proxy statement/prospectus as Stenton Leigh, delivered its opinion dated December 21, 2006 to the Superior board of directors to the effect that, as of such date and based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the merger is fair, from a financial point of view, to the non-affiliated Superior stockholders. The full text of Stenton Leigh s written opinion, which sets forth the assumptions made, matters considered and limitations on the review undertaken by Stenton Leigh, has been attached to this document as Annex K and is incorporated by reference into this joint proxy/prospectus. Stenton Leigh s opinion is directed only to the fairness to the minority Superior stockholders, from a financial point of view, of the merger consideration, and is not intended to constitute, and does not constitute, a recommendation as to how a stockholder should vote with respect to the adoption and approval of the merger agreement or the approval of the merger. You are urged to read the Stenton Leigh opinion carefully and in its entirety for a description of the assumptions made, matters considered, procedures followed and limitations on the review undertaken by Stenton Leigh in rendering its opinion. The summary of the Stenton Leigh opinion set forth in this information statement is qualified in its entirety by reference to the full text of the opinion.

Pursuant to an engagement letter dated December 7, 2006, the Superior board of directors retained Stenton Leigh to render an opinion as to the fairness to Superior, from a financial point of view, of the merger consideration. Stenton Leigh is a business advisory and valuation firm that is regularly engaged in the valuation of businesses in connection with mergers, acquisitions, corporate restructurings and private placements and for other purposes. Superior engaged the services of Stenton Leigh because it is a recognized business valuation firm that has substantial experience in similar matters. Stenton Leigh does not beneficially own any interest in either Superior or DGSE and has not provided either company with any other services in the past.

On June 27, 2006, at a meeting of the Superior board of directors, Stenton Leigh made an oral presentation and delivered to the Superior board of directors its written opinion, which stated that, as of June 15, 2006, based upon and

subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the merger, as originally structured, is fair, from a financial point of view, to the non-affiliated Superior stockholders. On December 22, 2006, at a meeting of the Superior board of directors, Stenton Leigh made an oral presentation and delivered to the Superior board of directors its written opinion, which stated that, as of December 15, 2006, based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the merger, as amended, is fair, from a financial point of view, to the non-affiliated Superior stockholders.

Stenton Leigh was not requested to opine as to, and the opinion does not in any manner address, the relative merits of the merger as compared to any alternative business strategy that might exist for Superior, Superior s underlying business decision to proceed with the merger, and other alternatives to the merger that might exist for Superior. Furthermore, Stenton Leigh has not negotiated the terms of the merger on Superior s behalf and the merger, including the merger consideration to be paid, was negotiated by Superior without any recommendations by Stenton Leigh.

In arriving at its fairness opinion, Stenton Leigh took into account an assessment of general economic, market and financial conditions, as well as its experience in connection with similar transactions and securities valuations generally. In so doing, among other things, Stenton Leigh:

Reviewed the merger agreement;

Reviewed publicly available financial information and other data with respect to Superior, including the Annual Report on Form 10-K for the years ended June 30, 2005, and June 30, 2006;

Reviewed publicly available financial information and other data with respect to Superior, including the Quarterly Reports on Form 10-Q for the quarters ended September 30, 2005, December 31, 2005, March 31, 2006, and September 30, 2006, and discussed performance to December 15, 2006 with Superior management;

Reviewed publicly available financial information and other data with respect to DGSE, including the Annual Report on Form 10-K for the year ended December 31, 2005;

Reviewed publicly available financial information and other data with respect to DGSE, including the Quarterly Report on Form 10-Q for the quarters ended March 31, 2006, June 30, 2006, and September 30, 2006, and discussed performance to December 15, 2006 with Superior management;

Reviewed and analyzed the merger s *pro-forma* impact on Superior s capitalization;

Reviewed and analyzed the merger s *pro-forma* impact on Superior s securities outstanding and stockholder ownership;

Reviewed the planned conversion features of debt to equity by SIBL and planned issuance of warrants to SIBL at the closing of the merger;

Considered the historical financial results and present financial condition of Superior and DGSE;

Reviewed the trading market for the common stock of Superior and DGSE;

Reviewed and analyzed certain financial characteristics of publicly-traded companies that were deemed to have characteristics comparable to Superior and DGSE;

Reviewed and analyzed certain financial characteristics of target companies in transactions where such target company was deemed to have characteristics comparable to that of Superior and DGSE; and

Performed such other analyses and examinations as Stenton Leigh deemed appropriate and held discussions with Superior and DGSE management in relation to certain financial and operating information furnished to Stenton Leigh, including financial analyses with respect to their respective business and operations.

In arriving at its opinion, Stenton Leigh relied upon and assumed the accuracy and completeness of all of the financial and other information that was used without assuming any responsibility for any independent verification of any such information. Further, Stenton Leigh relied upon the assurances of Superior and DGSE management that they were not aware of any facts or circumstances that would make any such information inaccurate or misleading. With respect to the financial information and projections utilized, Stenton Leigh assumed that such information has been reasonably prepared on a basis reflecting the best currently available estimates and judgments, and that such information provides a reasonable basis upon which it could make an analysis and form an opinion. Stenton Leigh did not make a physical inspection of the properties and facilities of Superior or DGSE. In addition, Stenton Leigh did not attempt to confirm whether Superior and DGSE had good title to their respective assets.

Stenton Leigh assumed that the merger will be consummated in a manner that complies in all respects with the applicable provisions of the Securities Act of 1933, the Securities Exchange Act of 1934, and all other applicable federal and state statutes, rules and regulations. Stenton Leigh assumed that the merger will be consummated substantially in accordance with the terms set forth in the merger agreement, without any further amendments thereto, and that any amendments, revisions or waivers thereto will not be detrimental to the stockholders of Superior.

Stenton Leigh s opinion is necessarily based upon market, economic and other conditions as they existed on, and could be evaluated as of December 15, 2006. Accordingly, although subsequent developments may affect its

opinion, Stenton Leigh has not assumed any obligation to update, review or reaffirm its opinion. In connection with rendering its opinion, Stenton Leigh performed certain financial, comparative and other analyses as summarized below. Each of the analyses conducted by Stenton Leigh was carried out to provide a different perspective on the merger, and to enhance the total mix of information available. Stenton Leigh did not form a conclusion as to whether any individual analysis, considered in isolation, supported or failed to support an opinion as to the fairness of the merger, from a financial point of view, to the non-affiliated stockholders of Superior. Further, the summary of Stenton Leigh s analyses described below is not a complete description of the analyses underlying Stenton Leigh s opinion.

The preparation of a fairness opinion is a complex process involving various determinations as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances and, therefore, a fairness opinion is not readily susceptible to partial analysis or summary description. In arriving at its opinion, Stenton Leigh made qualitative judgments as to the relevance of each analysis and factor that it considered. In addition, Stenton Leigh may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described above should not be taken to be Stenton Leigh s view of the value of Superior s assets. The estimates contained in Stenton Leigh s analyses and the ranges of valuations resulting from any particular analysis are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the value of businesses or assets neither purports to be appraisals nor do they necessarily reflect the prices at which businesses or assets may actually be sold. Accordingly, Stenton Leigh s analyses and estimates are inherently subject to substantial uncertainty. Stenton Leigh believes that its analyses must be considered as a whole and that selecting portions of its analyses or the factors it considered, without considering all analyses and factors collectively, could create an incomplete and misleading view of the process underlying the analyses performed by Stenton Leigh in connection with the preparation of its opinion. The analyses performed were prepared solely as part of Stenton Leigh s analysis of the fairness, from a financial point of view, of the merger to the non-affiliated Superior stockholders, and were provided to Superior s board of directors in connection with the delivery of Stenton Leigh s opinion. The opinion of Stenton Leigh was just one of the many factors taken into account by Superior s board of directors in making its determination to approve and recommend the merger, including those described in the sections entitled The Combination Superior Reasons for the Combination and Other Factors Considered by the Superior Board beginning on pages 43 and 46. Stenton Leigh undertook a review of Superior s historical financial data in order to understand and interpret its operating and financial performance and strength.

Superior has paid Stenton Leigh fees of $139,500 for its services in connection with the engagement letter and issuing its fairness opinions. No portion of the fee is contingent upon the consummation of the merger or the conclusions reached in the opinion. No other compensation was paid to Stenton Leigh or any other financial advisor. No instructions or limitations were placed on Stenton Leigh by Superior or DGSE, nor are there any material relationships between Stenton Leigh and Superior or DGSE. Stenton Leigh was selected to render the fairness opinion following interviews with other candidates who each provided proposals for the engagement. The method of determination for selecting the advisor was based upon the quality of the proposal, the experience of the candidates, and the recommendations of legal counsel and other business professionals. In addition, Superior has agreed to indemnify Stenton Leigh for any liabilities that may arise out of the rendering if its services to Superior.

Financial Review

Superior Financial Review. Stenton Leigh reviewed Superior s historical financial data for the three fiscal years ended June 30, 2006 and the three months ended September 30, 2006 and the two and a half months ended December 15, 2006 and noted the following:

Revenue increased from $20,355,000 in the fiscal year ended June 30, 2003 to $29,997,000 in the fiscal year ended June 30, 2004. This is an increase of $9,642,000, or 47.4%. Revenue increased another $9,538,000 to $39,535,000 in the fiscal year ended June 30, 2005, or 31.8%, and increased by $6,782,000 to $46,317,000 for the fiscal year ended June 30, 2006, an increase of 17.2%. For the quarter ended September 30, 2006, revenue was $8,560,000, a decline of $3,093,000 from the $11,653,000 for the quarter ended September 30, 2005.

Similar increases occurred in the cost of sales, which grew from $15,952,000 in the fiscal year ended June 30, 2003 to $23,382,000 in the fiscal year ended June 30, 2004. This is an increase of $7,430,000 or 46.6%,

which mirrored the growth rate in revenues. For the fiscal year ended June 30, 2005, the cost of sales increased $8,645,000 to $32,027,000, or 37.0%. This increase exceeded the increase in gross revenues for the year. For the fiscal year ended June 30, 2006, the cost of sales increased $6,366,000 to $38,393,000, or 19.9%, which again exceeded the growth rate in revenues. For the quarter ended September 30, 2006, the cost of sales was $7,054,000, a decline of $2,288,000 from the $9,342,000 for the quarter ended September 30, 2005. Following a discussion with Superior management, no material differences in revenues or cost of sales were noted for the period of September 30, 2006 to December 15, 2006.

Superior s net operating income on a normalized basis increased from a loss of nearly $2.9 million in the fiscal year ended June 30, 2003 to an income of $656,000 for the fiscal year ended June 30, 2004, but returned to a loss of $200,000 for the fiscal year ended June 30, 2005, and a loss of over $1.8 million for the fiscal year ended June 30, 2006. For the quarter ended September 30, 2006, the net operating loss was $755,000.

Similar results occurred in the net income, which was only positive in the fiscal year ended June 30, 2004, in the amount of $552,000. The net loss for the fiscal year ended June 30, 2003 was nearly $3.5 million, while the net loss for the fiscal year ended June 30, 2005 was $616,000, and for the fiscal year ended June 30, 2006, the net loss was nearly $2.5 million. For the quarter ended September 30, 2006, the net loss was $939,000. Following a discussion with Superior management, no material differences were noted for the period of September 30, 2006 to December 15, 2006.

As of September 30, 2006, Superior had approximately $1,673,000 in cash, $5.8 million in receivables, and $4.8 million in inventory, which accounted for most of the current assets. Superior also had $400,000 in net fixed assets. Total assets exceeded $12.9 million. The current liabilities of Superior amounted to nearly $14.3 million, and long-term liabilities were $300,000 as of September 30, 2006. Total stockholders equity was a deficit of $1.7 million as of September 30, 2006. Following a discussion with Superior management, no material differences in account balances were noted for the period of September 30, 2006 to December 15, 2006.

Superior Stock Performance Review. Stenton Leigh reviewed the daily closing market price and trading volume of Superior s common stock during the period prior to the announcement, and after the announcement of the merger. Stenton Leigh noted the following:

In the pre-announcement and post announcement period, Superior s stock had a very sporadic, thinly traded (low volume), and therefore illiquid trading volume, ranging from a low volume of 0 shares to a high volume of 38,400 shares. Superior s shares traded over the last two years to a high of $4.75 per share and a low of $0.65 per share. In the 30 days prior to the date of the fairness opinion, the shares traded between $0.75 per share and $1.00 per share.

Stenton Leigh noted that during the current fiscal year. Superior s stock has traded in a range between $0.75 per share and $1.85 per share.

DGSE Financial Review. Stenton Leigh reviewed DGSE s historical financial data for the three fiscal years ended December 31, 2005, for the nine months ended September 30, 2006, and for the two and a half months ended

December 15, 2006, noted the following:

Revenue increased from $25,244,000 in the fiscal year ended December 31, 2003 to $28,386,000 in the fiscal year ended December 31, 2004. This is an increase of $3,142,000, or 12.4%. Revenue increased another $6,933,000 to $35,319,000, or 24.4%, in the fiscal year ended December 31, 2005. For the nine months ended September 30, 2006, revenue was $31,876,000, an increase of $11,143,000, or 53.7% over the nine months ended September 30, 2005.

Similar increases occurred in the cost of sales, which increased from $24,264,000 in the fiscal year ended December 31, 2003 to $27,591,000 in the fiscal year ended December 31, 2004. This is an increase of $3,327,000, or 13.7%, which slightly exceeded the growth rate of revenues. For the fiscal year ended December 31, 2005, the cost of sales increased to $34,612,000, an increase of $7,021,000, or 25.4%, which also exceeded the growth rate of revenues. For the nine months ended September 30, 2006, the cost of sales increased $10,813,000, to $30,848,000, an increase of 54.0% over the nine months ended September 30, 2005, closely in line with the increase in revenues. Following a discussion with management, no material

differences in revenues or cost of sales were noted for the period of September 30, 2006 to December 15, 2006.

The operating income for DGSE declined from $1,162,000 in the fiscal year ended December 31, 2003 to $1,052,000 in the fiscal year ended December 31, 2004. This is a decrease of 9.5% from year to year. The operating income declined again to $1,027,000 in the fiscal year ended December 31, 2005, or another 2.4%. For the nine months ended September 30, 2006, the operating income was $1,028,000, an increase of $330,000, or 47.3% over the nine months ended September 30, 2005. Following a discussion with management, no material differences in operating income were noted for the period of September 30, 2006 to December 15, 2006.

As of September 30, 2006, DGSE had approximately $217,000 in cash, $948,000 in receivables, and $8.45 million in inventory, which accounted for most of the current assets. DGSE also had over $1.0 million in net fixed assets. Total assets amounted to nearly $12.4 million. The current liabilities of DGSE were nearly $1.8 million, and long-term liabilities were nearly $4.0 million as of September 30, 2006. Total stockholders equity was over $6.6 million as of September 30, 2006. Following a discussion with management, no material differences in account balances were noted for the period of September 30, 2006 to December 15, 2006.

Pro Forma *Capitalization and Stockholder Ownership Review.* In order to better understand the merger and its impact on the capitalization and stockholder ownership of DGSE, Stenton Leigh reviewed DGSE s estimated *pro forma* capitalization and *pro forma* securities ownership. Based upon the *pro forma* review, Stenton Leigh noted the following:

The combination is expected to result in the issuance of $9,805,000 worth of DGSE common stock to the Superior stockholders. This consists of 3,700,000 shares currently valued at $2.65 per share.

Valuation Overview

Based upon a review of the historical and forecasted financial data and certain other qualitative data for Superior, Stenton Leigh utilized several valuation methodologies and analyses to determine ranges of values. Stenton Leigh utilized the discounted cash flow method, the comparable company method, and the comparable transaction method of analysis (all of which are discussed in more detail hereinafter) for the valuation of Superior. Stenton Leigh weighted each of the approaches for Superior equally to determine the indicated equity value of approximately $8.2 million, which took into consideration the planned conversion by SIBL of $8.5 million of their debt to equity, at closing of the combination, on terms fair to the minority shareholders.

Discounted Cash Flow Analysis. Based upon management s forecasted revenues and expenses, Stenton Leigh prepared a discounted cash flow analysis to arrive at the value of Superior stockholders equity. The discounted cash flow analysis included the fiscal years ending June 30, 2007 through June 30, 2011. The resulting present value of the net cash flow to equity is $8,416,000 as of December 15, 2006.

Comparable Company Analysis. The selected comparable company analysis reviewed the trading multiples of publicly-traded companies that are similar to Superior with respect to business and revenue model, operating sector, size and target customer base. Because of the unique characteristics of Superior and the limited availability of appropriate comparable companies involved only in the rare coins and precious metals industry, Stenton Leigh identified the following comparable companies:

Rare Coins and Precious Metals includes publicly listed companies that are involved in the rare coin and precious metals, wholesale, retail, online and auction business. One of the companies is smaller than Superior in terms of annual revenue, and one company has annual revenues larger than Superior. Two of the comparable companies are larger than Superior in terms of enterprise value, and all are more profitable than Superior. Based on publicly available information as of September 30, 2006, the enterprise value for the comparable companies ranged from approximately $16.5 million to approximately $74.9 million, compared with approximately $15.2 million for Superior. Stenton Leigh noted the following with respect to the multiples generated:

The enterprise value to Last Twelve Months, or LTM, revenue multiple ranged from 0.353 times revenue to 1.976 times revenue, with a mean and median of 1.165 times revenue.

The enterprise value to LTM EBIT (earnings before interest and taxes) multiple ranged from 12.696 times EBIT to 14.683 times EBIT, with a mean and median of 13.689 times EBIT.

The enterprise value to LTM EBITDA (earnings before interest, taxes, depreciation and amortization) multiple ranged from 11.700 times EBITDA to 12.696 times EBITDA, with a mean and median of 12.198 times EBITDA.

Based on the selected multiple ranges, Stenton Leigh calculated a range of enterprise values for Superior based on the LTM period ended September 30, 2006. Stenton Leigh then deducted net debt of approximately $11.350 million to derive an indicated equity value range of approximately $5.6 million.

Based on the selected multiple ranges, Stenton Leigh calculated a range of enterprise values for Superior based on the forecast data for the fiscal year ending June 30, 2007. Stenton Leigh then deducted net debt of approximately of $11.350 million to derive an indicated equity value range of approximately $8.0 million.

None of the comparable companies have characteristics identical to Superior. An analysis of publicly traded comparable companies is not mathematical; rather it involves complex consideration and judgments concerning differences in financial and operating characteristics of the comparable companies and other factors that could affect the public trading of the comparable companies.

Comparable Transaction Analysis. The comparable transaction analysis was based on a review of merger, acquisition and asset purchase transactions involving target companies that are in related industries to Superior. The comparable transaction analysis generally provides the widest range of value due to the varying importance of an acquisition to a buyer (i.e., a strategic buyer is willing to pay more than a financial buyer) in addition to the potential differences in the transaction process (i.e., competitiveness among potential buyers). As in the comparable company analysis, Stenton Leigh identified comparable transactions:

Rare Coin and Precious Metals includes those transactions involving target companies that are involved in the rare coin and precious metals wholesale, retail, online and auction businesses. Due to the unique characteristics of Superior, no reasonably comparable transactions were identified, and no conclusion of value was derived from this methodology.

Conclusion

Based on the information and analyses set forth above, Stenton Leigh delivered its written opinion to Superior s board of directors, which stated that, as of December 15, 2006, based upon and subject to the assumptions made, matters considered, and limitations on its review as set forth in the opinion, the merger is fair, from a financial point of view, to the Superior minority stockholders.

Stenton Leigh is a business advisory and valuation firm that is regularly engaged in the valuation of businesses in connection with mergers, acquisitions, corporate restructurings and private placements and for other purposes. Superior engaged the services of Stenton Leigh because it is a recognized business valuation firm that has substantial experience in similar matters. Stenton Leigh received a $139,500 fee in connection with the preparation and issuance of its opinions. In addition, Superior has agreed to indemnify Stenton Leigh for any liabilities that may arise out of the rendering of its opinion. Stenton Leigh does not beneficially own any interest in either Superior or DGSE and has not provided either company with any other services in the past.

Interests of Certain DGSE Persons in the Combination

In considering the recommendation of the DGSE board of directors regarding the merger agreement, DGSE stockholders should be aware that some of DGSE s directors and executive officers may have interests in the combination that are different from, or in addition to, their interests as DGSE stockholders. These interests may create an appearance of a conflict of interest. The DGSE board of directors was aware of these potential conflicts of interest during its deliberations on the merits of the combination and in making its decision to recommend to the DGSE stockholders that they vote to adopt the merger agreement. For more information see Management of DGSE After the Combination Information Regarding DGSE s Directors and Executive Officers beginning on page 116.

Employment Agreements. The DGSE board of directors has approved amended and restated employment agreements for Dr. L.S. Smith, the chairman and chief executive officer of DGSE, and William H. Oyster, a director

and the president and chief operating officer of DGSE and a director and interim chief executive officer of Superior, and a new employment agreement for John Benson, the chief financial officer of DGSE and a director and interim chief financial officer and vice president finance of Superior, in each case contingent upon the closing of the combination. For more information about these employment agreements, see the section entitled Post-Combination Employment Agreements beginning on page 76.

DGSE Board Seats. In connection with the combination, DGSE has agreed to enter into a corporate governance agreement, a copy of which is attached to this joint proxy statement/prospectus as Annex G, with SIBL and Dr. L.S. Smith. Pursuant to this agreement, subject to the applicable fiduciary duties of the DGSE board of directors, and compliance by DGSE in good faith with applicable law and regulations, DGSE has agreed to recommend that, among others, Dr. L.S. Smith, the current chairman and chief executive officer of DGSE, William H. Oyster, a director and the current president and chief operating officer of DGSE and a director and interim chief executive officer of Superior, and two current independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) of the DGSE Board, who are expected to be William P. Cordeiro and Craig Alan-Lee, constitute the DGSE board of directors upon the consummation of the combination. For more information about the corporate governance agreement, see the section entitled The Merger Agreement DGSE Corporate Governance beginning on page 70.

The interests described above may influence DGSE s directors and executive officers in making their recommendation that you vote in favor of the adoption and approval of the merger agreement and the approval of the combination. You should be aware of these interests when you consider the DGSE board s recommendation that you vote in favor of adoption and approval of the merger agreement and the approval of the combination.

Interests of Certain Superior Persons in the Combination

In considering the recommendation of the Superior board of directors regarding the merger agreement, Superior stockholders should be aware that some of Superior s directors and executive officers may have interests in the combination that are different from, or in addition to, their interests as Superior stockholders. These interests may create an appearance of a conflict of interest. The Superior board of directors was aware of these potential conflicts of interest during its deliberations on the merits of the merger and in making its decision to recommend to the Superior stockholders that they vote to adopt the merger agreement. In addition, pursuant to the terms of the merger agreement, the board of directors of DGSE after the combination will have seven members, two of whom are current members of the Superior board. For more information see the section entitled Information Regarding DGSE Companies, Inc. Management of DGSE After the Combination beginning on page 116.

Repayment of DiGenova Note. In connection with the execution of the merger agreement, Superior repaid in full its note in the principal amount of $400,000 owed to Silvano DiGenova, who was then the chairman, president and chief executive officer of Superior and the beneficial owner of approximately 40% of Superior common stock. At the time of the payment, Superior had a negative stockholders equity of $3.1 million and Mr. DiGenova s debt was subordinate to SIBL s debt, which was at that time undersecured.

Stanford Line of Credit. In connection with the combination, Stanford Financial Group Company, an affiliate of Superior s largest stockholder, SIBL, is expected to enter into a new credit facility with Superior. In addition, a closing condition to the merger is that SIBL exchange approximately $8.4 million of Superior secured debt into approximately 5 million shares of Superior common stock.

Warrants. In connection with the combination, as consideration for the exchange of debt by SIBL and the new credit facility which will be largely available to DGSE, DGSE will issue seven-year warrants, in the form attached as Annex H to this joint proxy statement/prospectus, to SIBL and its designees. These warrants will entitle the holders thereof to purchase 845,634 shares of DGSE common stock at an exercise price of $1.89 per share and 863,000 shares of DGSE

common stock at an exercise price equal to their par value of $0.01 per share.

New Independent Contractor Agreement with DGSE. At the execution of the merger agreement, Silvano DiGenova, who is a former member of the Superior board of directors and a former Superior executive officer, became an independent contractor of Superior with the nominal title of Managing Director-Numismatics. In connection with this arrangement, Mr. DiGenova has entered into a letter agreement with the DGSE merger subsidiary which is contingent upon the closing of the combination. Either DGSE or Mr. DiGenova may terminate the arrangement at any time for any reason with 30 days notice or, upon material breach by the other party and a

failure to cure, upon 5 days notice. A summary of the material terms of the independent contractor arrangement with Superior follows:

Title. Mr. DiGenova has the title of Managing Director-Numismatics. However, this title is purely nominal, and Mr. DiGenova will not be an officer or employee of DGSE, Superior or any of their respective subsidiaries.

Net Profits Account. Mr. DiGenova is paid a minimum of $25,000 per month, payable bi-monthly from a net profits account, and will also have profit participation in a separate profit center which he heads, subject to the supervision and direction of Superior. The profit center will be allocated $2,500,000 in either inventory or capital to facilitate wholesale activities by Mr. DiGenova, which we will refer to as the allocated inventory, upon the consummation of the merger. Superior will generate monthly profit and loss statements for the profit center. Revenues will include all wholesale and retail revenues generated by the profit center, exclusive of auction commissions but including commissions for retail sales of Superior inventory other than allocated inventory and gross profits realized on allocated inventory. Expenses will include all direct expenses of the profit center, including interest on the allocated inventory at the prime rate. Forty percent of the net profit or loss will be allocated each month to Mr. DiGenova s net profit account. At the end of each fiscal quarter, Mr. DiGenova will be entitled to receive any positive balance in the net profits account.

Other Services. Mr. DiGenova will be entitled to separate compensation for other services he performs for DGSE or Superior, including a commission, at the then standard salesman s rate, for retail auction consignments of inventory (other than allocated inventory), and earned commission, at the then standard salesman s rate, for any auctions.

Competitive Activities. Mr. DiGenova will not be obligated to devote any time, energy or skill to Superior and will not be restricted from engaging in independent business activities for his own account, except that during the term of the arrangement, he may not engage in any activity involving rare coins, bullion products and jewelry (other than antique jewelry), solicit retail consignments, service retail clients or solicit auctions, except in each case on behalf of Superior.

Benefits. As an independent contractor, Mr. DiGenova will not be entitled to participate in DGSE s employee benefits plans or programs.

DGSE Board Seats. Following the closing of the combination, two current members of the Superior board of directors, Messrs. Stoltz and Rector, will become independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) of DGSE s board of directors.

Indemnification; Directors and Officers Insurance. Under the terms of the merger agreement, DGSE has, subject to certain limitations, agreed to cause to be maintained directors and officers liability insurance policies for acts or omissions occurring prior to the combination covering each Superior officer or director on terms with respect to coverage and amounts, to the extent reasonably available, no less favorable than those of the policy in effect on the date of the merger agreement. As of the date of the merger agreement, Superior maintained directors and officers liability insurance in the policy amount of $2 million.

Additionally, Article VII of Superior s certificate of incorporation eliminates the personal liability of a Superior director to Superior or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability:

for any breach of the director s duty of loyalty to Superior or its stockholders;

for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;

under Section 174 of the General Corporation Law of the State of Delaware, which provides for director liability in the event of a willful or negligent dividend on or purchase or redemption of a corporation s capital stock; or

for any transaction from which the director derived any improper personal benefit.

In addition, Superior has entered into indemnification agreements to indemnify its executive officers and directors. These indemnification agreements provide that Superior will indemnify Superior s directors and officers to the fullest extent permitted by the DGCL if the officer or director was or is or becomes or is threatened to be made a party to or witness or other participant in any threatened, pending or completed action, suit, proceeding or alternative dispute resolution mechanism, or any hearing, inquiry or investigation that the officer or director in good faith believes might lead to the institution of any such action, suit, proceeding or alternative dispute resolution mechanism whether civil, criminal, administrative, or investigative, which we collectively refer to as a claim, by reason of or arising out of any event or occurrence related to the fact that the officer or director is or was a director, officer, employee, agent or fiduciary of Superior, or by reason of any action or inaction on the part of the officer or director while serving in such capacity, against any and all expenses (including attorney s fees, judgments, fines, penalties and amounts paid in settlement if such settlement is approved in advance by Superior) related to the claim.

In addition, Superior is required to advance expenses on behalf of the officer or director in connection with the officer s or director s defense in any claim, provided that the officer or director undertakes in writing to repay the amounts advanced to the extent that it is ultimately determined that the officer or director is not entitled to indemnification by Superior.

Superior has no obligation to indemnify or advance expenses to the officer or director (i) for acts, omissions or transactions from which the officer or director may not be relieved of liability under applicable law; (ii) with respect to claims initiated or brought voluntarily by the officer or director and not by way of defense, except (a) with respect to actions or proceedings brought to establish or enforce a right to indemnification under the indemnification agreement or any other agreement or insurance policy or under Superior s certificate of incorporation or bylaws in effect, (b) in specific cases if the Superiors board of directors has approved the initiation or bringing of the claim, or (c) as otherwise required under Section 145 of the DGCL, regardless of whether the officer or director ultimately is determined to be entitled to indemnification, advance expense payment or insurance recovery, as the case may be; (iii) with respect to any proceeding instituted by the officer or director to enforce or interpret the indemnification agreement, unless a court of competent jurisdiction determines that each of the material assertions made by the officer or director in the proceeding was not made in good faith or was frivolous; and (iv) for expenses and the payment of profits arising from the purchase and sale by the officer or director of securities in violation of Section 16(b) of the Exchange Act, or any similar successor statute.

To the extent Superior maintains liability insurance applicable to directors, officers, employees, agents or fiduciaries, the officer or director has the right to be covered by those policies with the same rights and benefits as are provided to the most favorably insured of Superior s directors, if the indemnitee is a director; or of Superior s officers, if the indemnitee is not a director but an officer.

The interests described above may influence Superior s directors and executive officers in making their recommendation that you vote in favor of the adoption and approval of the merger agreement and the approval of the merger. You should be aware of these interests when you consider the Superior board s recommendation that you vote in favor of adoption and approval of the merger agreement and the approval of the merger.

Material United States Federal Income Tax Considerations

The following discussion summarizes the anticipated material United States federal income tax consequences of the merger applicable to U.S. holders of Superior common stock. These consequences are based upon tax representation letters from each of DGSE, Merger Sub and Superior. This discussion is based upon the Internal Revenue Code of 1986, as amended, which we refer to as the Code, Treasury Regulations, judicial authorities, published positions of the Internal Revenue Service, which we refer to in this proxy statement/prospectus as the IRS, and other applicable authorities, all as in effect on the date of this document and all of which are subject to change or differing interpretations (possibly with retroactive effect).

For purposes of this discussion, we use the term U.S. holder to mean:

an individual who is a citizen or resident of the United States;

a corporation created or organized under the laws of the United States, any state or the District of Columbia;

a trust that (i) is subject to the supervision of a court within the United States and the control of one or more United States persons or (ii) has a valid election in effect under applicable United States Treasury regulations to be treated as a United States person; or

an estate that is subject to United States federal income tax on its income regardless of its source.

This discussion assumes that holders of Superior common stock hold their stock as capital assets within the meaning of Section 1221 of the Code. This discussion does not address all aspects of United States federal income taxation that may be important to a Superior stockholder in light of his or her particular circumstances or particular tax status, including the following:

stockholders who are not U.S. holders;

stockholders who are subject to the alternative minimum tax provisions of the Code;

banks and other financial institutions;

tax-exempt organizations and governmental entities;

insurance companies;

S corporations, entities taxable as partnerships, and other pass-through entities;

stockholders who have a functional currency other than the U.S. dollar;

brokers or dealers in securities or foreign currency;

traders in securities who elect the mark-to-market method of accounting for their securities holdings;

stockholders who acquired their shares in connection with stock option or stock purchase plans or in other compensatory transactions; and

persons holding shares as part of a hedge, straddle, conversion transaction or risk reduction transaction.

In addition, the following discussion does not address the tax consequences relating to other transactions effectuated prior to, concurrently with, or after the merger (including the conversion of Superior preferred stock into Superior common stock or the exchange of Superior debt for Superior common stock), whether or not such transactions are in connection with the merger. Furthermore, no foreign, state or local tax considerations are addressed. **Therefore, we urge you to consult your own tax advisor as to the specific federal, state, local and foreign tax consequences to you of the merger and related transactions and related reporting obligations.**

The Merger. Assuming that (i) all representations, warranties and statements made or agreed to by DSGE, Merger Sub and Superior, their managements, employees, officers, directors and shareholders in connection with the merger, including, but not limited to, those set forth in the merger agreement (including the exhibits thereto) and the tax representation letters are true and accurate at all relevant times, (ii) all covenants contained in the merger agreement (including exhibits thereto) and the tax representation letters are performed without waiver or breach of any material provision thereof; (iii) the merger will be consummated in accordance with the merger agreement without any waiver or breach of any material provision thereof (except for waivers not affecting the structure of the merger or the consideration to be paid in connection therewith), and (iv) the merger will be effective under applicable state law, the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. Assuming that it so qualifies, the material United States federal income tax consequences of the merger are as follows:

No gain or loss will be recognized by Superior, Merger Sub or DGSE solely as a result of the merger.

No gain or loss will be recognized by holders of Superior common stock solely upon their receipt of DGSE common stock in the merger.

The aggregate tax basis of the DGSE common stock received in the merger by a holder of Superior common stock will be the same as the aggregate tax basis of the Superior common stock surrendered in exchange therefor.

The holding period of DGSE common stock received in the merger by a holder of Superior common stock will include the holding period of the Superior common stock surrendered in exchange therefor.

Neither DGSE nor Superior will request a ruling from the Internal Revenue Service regarding the tax consequences of the merger to Superior stockholders. The actual tax consequences of the merger could be different from the treatment described above.

Dissenting Stockholders. If all of the shares of Superior common stock actually or constructively owned by a Superior stockholder are exchanged solely for cash as a result of the exercise of dissenter rights, the transaction will be treated as a sale by the Superior stockholder of his or her shares of Superior common stock exchanged, and such stockholder will recognize capital gain or loss measured by the difference between such stockholder s tax basis in the shares of Superior common stock actually owned by him or her and the amount of cash received by him or her in exchange for those shares. If shares of Superior common stock are held by a stockholder as capital assets, gain or loss recognized by that stockholder will be capital gain or loss, which will be long-term capital gain or loss if that stockholder s holding period for the shares of Superior common stock exceeds one year at the time of the exchange. Capital gains recognized by an individual upon a disposition of shares of Superior common stock held for more than one year generally will be subject to a maximum United States federal income tax rate of 15% or, in the case of shares that have been held for one year or less, will be subject to tax at ordinary income tax rates. In addition, there are limits on the deductibility of capital losses. The amount and character of gain or loss must be determined separately for each block of Superior common stock (i.e., shares acquired at the same cost in a single transaction) exchanged for cash.

If a Superior stockholder exchanges all the shares of Superior common stock actually owned by him or her solely for cash as a result of the exercise of dissenter rights, but shares of Superior common stock treated as constructively owned by him or her are exchanged in whole or in part for DGSE common stock, then the tax consequences to that stockholder will depend upon whether the exchange has the effect of a distribution of a dividend. If the exchange has the effect of a distribution of a dividend, as determined under Section 302 of the Code, then the cash received will be treated: (i) first, as a taxable dividend to the extent of allocable earnings and profits, if any; (ii) second, as a tax-free return of capital to the extent of the stockholder s tax basis in the exchanged shares; and (iii) finally, as gain or loss from the sale or exchange of the exchanged shares. Amounts treated as a taxable dividend should be treated as qualified dividend income, taxable at the capital gains rate. Further, a corporate taxpayer (other than an S corporation) may be allowed a dividends received deduction subject to applicable limitations and other special rules. If the exchange does not have the effect of a distribution of a dividend, then the cash received will be taxed as capital gain or loss. In certain limited circumstances, and pursuant to certain procedures set forth in the Code, the application of the constructive ownership rules as they apply to family members of the Superior stockholder can be waived, in which case the transaction will be treated as a sale and the stockholder will recognize capital gain or loss on the exchange as described in the preceding paragraph.

Information Reporting and Backup Withholding. Non-corporate dissenting stockholders may be subject to information reporting and backup withholding on any cash payments received in respect of Superior common stock. A non-corporate holder will not be subject to backup withholding, however, if such holder: (i) furnishes a correct taxpayer identification number and certifies that the holder is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to the holder following the completion of the merger; or (ii) is otherwise exempt from backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

Reporting. Superior stockholders will be required to attach a statement to their United States federal income tax returns for the year of the merger that contains the information listed in Treasury Regulation Section 1.368-3(b). Such statement must include the stockholder s tax basis in shares of Superior common stock and a description of the DGSE

common stock received.

THE PRECEDING DISCUSSION OF MATERIAL UNITED STATES FEDERAL INCOME TAX CONSIDERATIONS IS PROVIDED FOR INFORMATIONAL PURPOSES ONLY AND DOES NOT PURPORT TO BE A COMPLETE ANALYSIS OR DISCUSSION OF ALL POTENTIAL TAX EFFECTS RELEVANT THERETO. THE FOREGOING DISCUSSION NEITHER BINDS THE IRS NOR PRECLUDES IT FROM ADOPTING A CONTRARY POSITION. SUPERIOR STOCKHOLDERS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE SPECIFIC TAX CONSEQUENCES

TO THEM OF THE MERGER, INCLUDING REPORTING REQUIREMENTS, THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, FOREIGN AND OTHER APPLICABLE TAX LAWS AND THE EFFECT OF ANY CHANGES IN TAX LAWS.

Anticipated Accounting Treatment

DGSE intends to account for the combination as a purchase transaction for financial reporting and accounting purposes under accounting principles generally accepted in the United States. After the combination, the results of operations of Superior will be included in the consolidated financial statements of DGSE. The purchase price, which is equal to the aggregate merger consideration, will be allocated based on the fair values of the Superior assets acquired and the Superior liabilities assumed. These allocations will be based upon valuations and other studies that have not yet been finalized.

Appraisal and Dissenters Rights

Under the Delaware General Corporation Law, which we refer to as the DGCL, any Superior stockholder who does not wish to accept the merger consideration provided in the merger agreement has the right to dissent from the merger and to seek an appraisal of, and to be paid the fair value (exclusive of any element of value arising from the accomplishment or expectation of the merger) for his or her shares of Superior common stock, so long as the stockholder strictly complies with the provisions of Section 262 of the DGCL.

Holders of record of Superior common stock who do not vote in favor of the merger agreement and who otherwise comply with the applicable statutory procedures summarized in this joint proxy statement/prospectus will be entitled to appraisal rights under Section 262 of the DGCL. A person having a beneficial interest in shares of Superior common stock held of record in the name of another person, such as a broker or nominee, must act promptly to cause the record holder to follow the steps summarized below properly and in a timely manner to perfect appraisal rights.

THE FOLLOWING DISCUSSION IS NOT A COMPLETE STATEMENT OF THE LAW PERTAINING TO APPRAISAL RIGHTS UNDER THE DGCL AND IS QUALIFIED IN ITS ENTIRETY BY THE FULL TEXT OF SECTION 262 OF THE DGCL, WHICH IS REPRINTED IN ITS ENTIRETY AS ANNEX L TO THIS JOINT PROXY STATEMENT/PROSPECTUS. ALL REFERENCES IN SECTION 262 OF THE DGCL AND IN THIS SUMMARY TO A STOCKHOLDER OR HOLDER ARE TO THE RECORD HOLDER OF THE SHARES OF COMMON STOCK AS TO WHICH APPRAISAL RIGHTS ARE ASSERTED.

Under Section 262 of the DGCL, holders of shares of Superior common stock who follow the procedures set forth in Section 262 of the DGCL will be entitled to have their Superior common stock appraised by the Delaware Chancery Court and to receive payment in cash of the fair value of those shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, as determined by that court.

Under Section 262 of the DGCL, when a proposed merger is to be submitted for approval at a meeting of stockholders, the corporation, not less than 20 days prior to the meeting, must notify each of its stockholders who was a stockholder on the record date for this meeting with respect to shares for which appraisal rights are available, that appraisal rights are so available, and must include in that required notice a copy of Section 262 of the DGCL.

This joint proxy statement/prospectus constitutes the required notice to the holders of those Superior shares and the applicable statutory provisions of the DGCL are attached to this joint proxy statement/prospectus as Annex L. Any Superior stockholder who wishes to exercise appraisal rights or who wishes to preserve the right to do so should review the following discussion and Annex L carefully, because failure to timely and properly comply with the procedures specified in Annex L will result in the loss of appraisal rights under the DGCL.

A holder of Superior shares wishing to exercise his or her appraisal rights must (a) not vote in favor of the merger agreement, and (b) prior to the vote on the merger agreement and merger at the Superior special meeting, deliver to Superior a written demand for appraisal of his or her Superior shares. This written demand for appraisal must be in addition to and separate from any proxy or vote abstaining from or against the merger. The demand must reasonably inform Superior of the identity of the stockholder and of the stockholder s intent thereby to demand appraisal of his or her shares. A holder of Superior common stock wishing to exercise his or her holder s appraisal rights must be the record holder of these Superior shares on the date the written demand for appraisal is made and

must continue to hold the Superior shares until the consummation of the merger. Accordingly, a holder of Superior common stock who is the record holder of Superior common stock on the date the written demand for appraisal is made, but who thereafter transfers these Superior shares prior to consummation of the merger, will lose any right to appraisal in respect of those Superior shares.

Only a holder of record of Superior common stock is entitled to assert appraisal rights for the Superior shares registered in that holder s name. A demand for appraisal should be executed by or on behalf of the holder of record, fully and correctly, as the holder s name appears on the holder s stock certificates. If the Superior shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of the demand should be made in that capacity, and if the Superior common stock is owned of record by more than one owner as in a joint tenancy or tenancy in common, the demand should be executed by or on behalf of all joint owners. An authorized agent, including one or more joint owners, may execute a demand for appraisal on behalf of a holder of record. The agent, however, must identify the record owner or owners and expressly disclose the fact that, in executing the demand, the agent is agent for the owner or owners. A record holder such as a broker who holds Superior common stock as nominee for several beneficial owners may exercise appraisal rights with respect to the Superior shares held for one or more beneficial owners while not exercising appraisal rights with respect to the Superior common stock held for other beneficial owners. In this case, the written demand should set forth the number of Superior shares as to which appraisal is sought. If a number of Superior shares is not expressly mentioned, the demand will be presumed to cover all Superior common stock in brokerage accounts or other nominee forms, and those who wish to exercise appraisal rights under Section 262 of the DGCL are urged to consult with their brokers to determine the appropriate procedures for the making of a demand for appraisal by such a nominee.

ALL WRITTEN DEMANDS FOR APPRAISAL SHOULD BE SENT OR DELIVERED TO SUPERIOR GALLERIES, INC., 9478 WEST OLYMPIC BLVD., BEVERLY HILLS, CALIFORNIA 90212, ATTENTION: CORPORATE SECRETARY.

Within ten days after the effective time of the merger, DGSE will notify each stockholder who has properly asserted appraisal rights under Section 262 of the DGCL and has not voted in favor of the merger agreement of the date the merger became effective.

Within 120 days after the effective time of the merger, but not thereafter, DGSE or any stockholder who has complied with the statutory requirements summarized above may file a petition in the Delaware Chancery Court demanding a determination of the fair value of the shares of Superior common stock of all those stockholders. None of DGSE, DGSE Merger Corp. or Superior is under any obligation to and none of them has any present intention to file a petition with respect to the appraisal of the fair value of the Superior shares. Accordingly, it is the obligation of stockholders wishing to assert appraisal rights to initiate all necessary action to perfect their appraisal rights within the time prescribed in Section 262 of the DGCL.

Within 120 days after the effective time of the merger, any Superior stockholder who has complied with the requirements for exercise of appraisal rights will be entitled, upon written request, to receive from DGSE a statement setting forth the aggregate number of Superior shares not voted in favor of adoption of the merger agreement and with respect to which demands for appraisal have been received and the aggregate number of holders of those Superior shares. That statement must be mailed to those stockholders within ten days after a written request therefor has been received by DGSE.

If a petition for an appraisal is timely filed, at a hearing on the petition, the Delaware Chancery Court will determine the stockholders entitled to appraisal rights. After determining those stockholders, the Delaware Chancery Court will appraise the fair value of their Superior shares, exclusive of any element of value arising from the accomplishment or expectation of the merger, together with a fair rate of interest, if any, to be paid upon the amount determined to be the fair value. Stockholders considering seeking appraisal should be aware that the fair value of their Superior shares as determined under Section 262 of the DGCL could be more than, the same as or less than the value of the merger

consideration they would receive pursuant to the merger agreement if they did not seek appraisal of their Superior shares and that financial advisor opinions as to fairness from a financial point of view are not necessarily opinions as to fair value under Section 262 of the DGCL. The Delaware Supreme Court has stated that proof of value by any techniques or methods which are generally considered acceptable in the financial community and otherwise admissible in court should be considered in the appraisal proceedings.

The Delaware Chancery Court will determine the amount of interest, if any, to be paid upon the amounts to be received by stockholders whose Superior shares have been appraised. The costs of the appraisal proceeding may be

determined by the Delaware Chancery Court and taxed upon the parties as the Delaware Chancery Court deems equitable. The Delaware Chancery Court may also order that all or a portion of the expenses incurred by any stockholder in connection with the appraisal proceeding, including reasonable attorneys fees and the fees and expenses of experts used in the appraisal proceeding, be charged *pro rata* against the value of all of the Superior shares entitled to appraisal.

Any holder of Superior common stock who has duly demanded an appraisal in compliance with Section 262 of the DGCL will not, after the effective time of the merger, be entitled to vote the Superior shares subject to that demand for any purpose or be entitled to the payment of dividends or other distributions on those Superior shares (except dividends or other distributions payable to holders of record of Superior common stock as of a record date prior to the effective time of the merger).

If any stockholder who properly demands appraisal of his or her Superior common stock under Section 262 of the DGCL fails to perfect, or effectively withdraws or loses, his or her right to appraisal, as provided in Section 262 of the DGCL, the Superior shares of that stockholder will be converted into the right to receive the consideration receivable with respect to these Superior shares in accordance with the merger agreement. A stockholder will fail to perfect, or effectively lose or withdraw, his or her right to appraisal if, among other things, no petition for appraisal is filed within 120 days after the consummation of the merger, or if the stockholder delivers to Superior or DGSE, as the case may be, a written withdrawal of his or her demand for appraisal. Any attempt to withdraw an appraisal demand in this matter more than 60 days after the consummation of the merger will require the written approval of the surviving corporation.

Failure to follow the steps required by Section 262 of the DGCL for perfecting appraisal rights may result in the loss of these rights, in which event a Superior stockholder will be entitled to receive the merger consideration receivable with respect to his or her Superior shares in accordance with the merger agreement.

Delisting and Deregistration of Superior Common Stock

If the combination is completed, the shares of Superior common stock will be delisted from the OTC Bulletin Board and will be deregistered under the Securities Exchange Act of 1934. The stockholders of Superior will become stockholders of DGSE and their rights as stockholders will be governed by DGSE s articles of incorporation and bylaws and by the laws of the State of Nevada. See the section entitled Comparison of Stockholders Rights beginning on page 93.

Governmental and Regulatory Matters

To complete the combination, DGSE must comply with applicable federal and state securities laws and the rules and regulations of the Nasdaq Capital Market in connection with the issuance of the DGSE common stock pursuant to the combination and the filing of this joint proxy statement/prospectus with the SEC and applicable state securities agencies.

Listing of DGSE Common Stock to be Issued in the Combination

The shares of DGSE common stock to be issued in the combination and the shares of DGSE common stock to be reserved for issuance in connection with the assumption of outstanding Superior stock options and the issuance of warrants pursuant to the merger agreement are required to be approved for listing on the Nasdaq Capital Market.

Delisting of DGSE Common Stock

Under Nasdaq Marketplace Rule 4340(a), an issuer must apply for initial inclusion on the Nasdaq Capital Market following a transaction in which the issuer combines with a non-Nasdaq entity if the combination results in a change

of control of the issuer and thereby potentially allows the non-Nasdaq entity to obtain a Nasdaq listing. Superior is a non-Nasdaq entity and DGSE does not currently, and may not at the time of the combination, satisfy the initial listing requirements of the Nasdaq Capital Market. Accordingly, if Nasdaq determines that the combination will result in a change of control of DGSE for purposes of its Marketplace Rule 4340(a), Nasdaq may initiate proceedings to delist shares of DGSE common stock from the Nasdaq Capital Market. In this case, DGSE may seek to be listed on the American Stock Exchange, though there can be no assurances that it will be successful with its application.

Restriction on Resales of DGSE Common Stock

The DGSE common stock to be issued in the combination will be registered under the Securities Act, thereby allowing such shares to be freely transferable without restriction by all former holders of Superior common stock who are not deemed under the Securities Act to be affiliates of Superior at the time of the Superior special meeting and who do not become affiliates of DGSE after the combination. Persons who may be deemed to be affiliates of DGSE or Superior generally include individuals or entities that control, are controlled by or are under common control with DGSE or Superior, and may include some of their respective executive officers and directors, as well as their respective significant stockholders.

Shares of DGSE common stock received by those stockholders of Superior who are deemed to be affiliates of Superior or DGSE under the Securities Act may not be sold except pursuant to an effective registration statement under the Securities Act covering the resale of those shares, or pursuant to Rule 145 under the Securities Act or any other applicable exemption under the Securities Act. Superior has agreed to provide a list of those stockholders considered to be affiliates to DGSE prior to the closing of the combination, which list is expected to include SIBL and Mr. DiGenova. The merger agreement requires Superior to use its best efforts to cause each of its directors, executive officers and individuals or entities who Superior believes may be deemed to be affiliates of Superior to execute and deliver to DGSE a written agreement to the effect that those persons will not sell, assign or transfer any of the DGSE shares issued to them as a result of the combination unless that sale, assignment or transfer has been registered under the Securities Act, is in conformity with Rule 145 or is otherwise exempt from the registration requirements under the Securities Act.

This joint proxy statement/prospectus does not cover the resale of any DGSE common stock received in the combination by any person who may be deemed to be an affiliate of DGSE or Superior, and no person is authorized to make any use of this joint proxy statement/prospectus in connection with any resale.

Voting Procedures

If the shares of DGSE common stock continue to be listed on the Nasdaq Capital Market at the time of the closing of the combination, pursuant to the Nasdaq Marketplace Rules, the affirmative vote of a majority of the shares of DGSE common stock voting on the proposal will be required to approve this proposal. If the shares of DGSE common stock are not listed on the Nasdaq Capital Market or another applicable national securities exchange at the time of the closing of the combination, no applicable law or regulation will require DGSE stockholder approval for this proposal. Nevertheless, in that case, the board of directors of DGSE would still seek stockholder approval of this proposal as a matter of good corporate governance, and if the proposal does not obtain sufficient votes, the DGSE board of directors would reconsider its decision to approve the merger agreement and the reorganization, including the proposal to issue and reserve for issuance shares of DGSE common stock, and to issue options and warrants to acquire shares of DGSE common stock, in connection with the combination. In either case, abstentions and broker non-votes will be counted towards a quorum, but are not counted for any purpose in determining whether this proposal has been approved.

The affirmative vote of a majority of the outstanding shares of Superior common stock is required to approve this proposal. Accordingly, abstentions and broker non-votes by a Superior stockholder will have the same effect as voting AGAINST this proposal.

THE MERGER AGREEMENT

The following summary describes the material provisions of the merger agreement. This summary may not contain all of the information about the merger agreement that is important to you. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is attached to this joint proxy statement/prospectus as Annex A and is incorporated by reference into this joint proxy statement/prospectus. We encourage you to read it, including the exhibits thereto, carefully in its entirety for a more complete understanding of the merger agreement.

The merger agreement contains representations and warranties made by DGSE and Superior which DGSE and Superior negotiated with each other. The assertions which appear to be embodied in these representations and warranties are qualified by information in confidential disclosure schedules that DGSE and Superior have exchanged in connection with signing the merger agreement. Neither DGSE nor Superior is required under SEC rules to disclose these disclosure schedules publicly. These disclosure schedules contain information that modifies, qualifies and creates exceptions to these representations and warranties. Moreover, some of these representations and warranties may not be complete or accurate because they are subject to a contractual standard of materiality that is different from that generally applicable under federal or state securities laws. In addition, some of these representations and warranties may not be complete or accurate because they are intended exclusively or primarily to allocate risks between DGSE and Superior, rather than to make assertions or statements of fact about them. The use of representations and warranties to allocate risks is a standard device in merger and similar agreements. In addition, these representations and warranties were made as of a particular date and the relevant facts concerning the two companies may have changed since that date. Accordingly, for each of the foregoing reasons, you should not construe these representations and warranties as embodying the actual state of facts about DGSE or Superior, whether as of the date of the merger agreement or at any other date.

The Combination

The merger agreement provides that, upon the closing, DGSE Merger Corp., a wholly-owned subsidiary of DGSE, will merge with and into Superior, with Superior surviving as a wholly-owned subsidiary of DGSE and Superior stockholders receiving shares of DGSE common stock. We refer to this transaction as the combination .

Exchange of Superior Common Stock

As consideration for the merger, Superior stockholders will be entitled to receive 0.2731 shares of DGSE common stock for every share of Superior common stock they own at the effective time of the combination, which we refer to in this joint proxy statement/prospectus as the exchange ratio.

Fifteen percent of the number of shares of DGSE common stock to be issued at the closing of the combination, less 33,648 shares to which DGSE is entitled as an indemnity under the merger agreement due to the fact that Superior s estimated stockholders equity as of December 31, 2006 was inaccurate, will be deposited in an escrow account as security for the payment of indemnification claims made under the merger agreement in the event Superior s representations and warranties concerning its capitalization are inaccurate. For more information, see the section entitled Escrow beginning on page 63.

As a result of the exchange, Superior stockholders will become DGSE stockholders and Superior will become a wholly-owned subsidiary of DGSE.

Each outstanding share of DGSE common stock will remain unchanged in the combination.

Superior Options and Warrants

At the effective time of the combination, each outstanding option and warrant to purchase shares of Superior common stock will be assumed by DGSE and converted into options or warrants to purchase shares of DGSE common stock. Each assumed Superior option or warrant will be exercisable for a number of shares of DGSE common stock equal to the number of Superior shares covered by the Superior option or warrant, multiplied by the exchange ratio, rounded to the nearest whole number of shares (with no cash being payable for any fractional share eliminated by such rounding), and will have an exercise price equal to the exercise price of the Superior option or warrant divided by the exchange ratio, but not less than the par value of DGSE common stock.

After adjusting the assumed options and warrants to reflect the application of the exchange ratio and the substitution of DGSE for Superior, the other terms of the assumed options and warrants will remain the same. Superior option or warrant holders will need to surrender their option agreement or warrant to DGSE to receive the substitute option or warrant.

If the combination (including the exchange by SIBL of Superior debt for common stock) had been completed as of February 23, 2007, DGSE would have issued approximately 3,702,713 shares of its common stock to the Superior stockholders (including the 96,971 shares to be issued to Mr. DiGenova pursuant to his warrant), with 33,648 of those shares paid back to DGSE as an indemnity and approximately 521,759 of those shares placed in the escrow account, and options to acquire approximately 95,380 shares of its common stock to the Superior option holders. Accordingly, Superior stockholders would have beneficially owned approximately 43.6% of the outstanding shares of common stock of the combined company (31.2% on a fully diluted basis). Based upon that assumption, the DGSE stock issued to Superior stockholders would have represented a 5% discount to the closing price of Superior stock on the trading day preceding the announcement of the revised terms of the proposed combination.

Completion and Effectiveness of the Combination

The parties will consummate the combination when all of the conditions to the completion of the combination contained in the merger agreement, including adoption and approval of the merger agreement by the stockholders of Superior and DGSE and the approval of the increase in the number of authorized shares of DGSE common stock by the stockholders of DGSE, are satisfied or waived. As soon as practicable after the satisfaction or waiver of the closing conditions, the parties will cause the merger to be effected by filing a certificate of merger with the Secretary of State of the State of Delaware. DGSE and Superior will use their best efforts to complete the combination expeditiously, including using their respective reasonable efforts to satisfy each applicable closing condition.

DGSE and Superior plan to complete the combination soon after the special meetings of their stockholders occur and anticipate that they will be in a position to complete the combination on or prior to June 30, 2007.

Share Adjustments

Fractional Shares. DGSE will not issue any fractional shares of DGSE common stock in connection with the combination. Instead, any fractional share will be rounded up to the nearest whole number of shares of DGSE common stock.

Capitalization Adjustments. The number of shares of DGSE common stock which are payable as merger consideration are subject to appropriate adjustment to reflect fully the effect of any capitalization adjustment of DGSE common stock, such as a stock split, reverse stock split, stock dividend, combination, reclassification or similar event.

Escrow

Escrow Account. At the closing of the combination, DGSE will, on behalf of the Superior stockholders, and for the benefit of DGSE and related indemnified parties under the merger agreement, deposit a portion of the shares it is issuing in the merger into an escrow account, which we will refer to in this joint proxy statement/prospectus as the escrow account. The number of shares placed in escrow will equal 15% of the DGSE common stock to be distributed to the Superior stockholders at the closing of the combination, less 33,648 shares to which DGSE is entitled under the merger agreement due to the fact that Superior s actual December 31, 2006 stockholders equity was $89,840 less than the amount estimated for purposes of determining the amount of debt to be converted by SIBL under the note exchange agreement, or about $1.4 million in DGSE common stock. The escrow account will be used as security for the payment of indemnification claims made by DGSE and certain related parties under the merger agreement, and to reimburse the surviving corporation for up to $100,000, or such larger amount as DGSE may in its sole discretion approve, which the surviving corporation may be obligated to pay in cash to the stockholder agent for the

out-of-pocket fees and expenses, including reasonable attorneys fees, reasonably incurred by the stockholder agent in performing its duties and exercising its powers and rights under the merger agreement and the related escrow agreement. If an eligible person has a claim for indemnification or the surviving corporation has a claim for reimbursement of amounts paid to the stockholder agent against the escrow account, for purposes of satisfying the claim, the shares of DGSE common stock will be valued at $2.67 per-share, which reflects the closing

price of the DGSE common stock, as reported by the Nasdaq Capital Market, three days before the execution of the merger agreement.

The escrow account will be opened at the closing and is scheduled to be closed one full year after the consummation of the proposed combination. All shares of DGSE common stock, if any, which are in the escrow account at the end of the escrow period will be distributed by the escrow agent to the pre-merger Superior stockholders, except that if any party entitled to indemnification under the merger agreement makes a claim against the Superior stockholders during the escrow period with respect to the capitalization or balance sheet matters covered by the indemnity, the escrow period will be extended and a sufficient number of shares and other assets will remain in the escrow account as security for that claim and to satisfy the expected maximum reimbursement claims in connection with the claim, and will not be released to the Superior stockholders until that claim (and any other pending claims) have been resolved and satisfied.

Escrow Agreement. The escrow account will be administered pursuant to the terms of an escrow agreement among DGSE, the escrow agent and the stockholder agent. The form of escrow agreement is attached to this joint proxy statement/prospectus as Annex B.

Transfer of Contingent Rights. No person may transfer any interest in, or any right to obtain proceeds from, the escrow account, except for involuntary transfers required by law.

Stockholder Agent. The stockholder agent under the merger agreement will serve as the stockholder agent under the escrow agreement. See the discussion under the caption Stockholder Agent below beginning on page 71. The stockholder agent will serve as the exclusive agent, attorney-in-fact and representative of the pre-merger Superior stockholders in relation to the merger agreement, the escrow agreement and the transactions contemplated thereby, including the combination.

Escrow Agent. The escrow agent will be responsible for establishing, maintaining and administrating the escrow account. DGSE and the stockholder agent have informally agreed to appoint American Stock Transfer & Trust Company as the initial escrow agent under the escrow agreement.

DGSE will pay the escrow agent customary fees for its services and will reimburse the escrow agent s out-of-pocket expenses. In performing any duties under the escrow agreement, the escrow agent will not be liable to any party for damages, losses or expenses, except for gross negligence or willful misconduct on the part of the escrow agent. The escrow agent will not incur any liability for any action taken or omitted in reliance upon an instrument, including any written statement or affidavit, that the escrow agent in good faith believes to be genuine. DGSE and, to the extent of the assets on deposit in the escrow account, the pre-merger Superior stockholders are obligated jointly and severally to indemnify and hold the escrow agent harmless against any and all losses, including reasonable costs of investigation, attorneys fees and disbursements, that may be imposed on or incurred by the escrow agent in connection with the performance of its duties under the escrow agreement.

The escrow agent may resign at any time by written notice to DGSE and the stockholder agent, and the escrow agent may be removed at any time by DGSE. DGSE will be responsible for appointing a successor escrow agent.

Exchange of Stock Certificates

Surrender of Certificates. Promptly following completion of the combination, the exchange agent for the combination will mail to each record holder of Superior common stock a letter of transmittal and instructions for surrendering and exchanging the record holder s stock certificates. Only those holders of Superior common stock who properly surrender their Superior stock certificates in accordance with the exchange agent s instructions will receive (1) the number of shares of DGSE common stock (which may be in uncertificated book-entry form unless a physical certificate is requested) representing the number of whole shares of DGSE common stock to which the holder is

entitled (not including the shares being deposited in the escrow account), and (2) dividends or other distributions, if any, to which the holder is entitled under the terms of the merger agreement. See the section entitled Escrow Escrow Account beginning on page 63 for more information about the escrow account. No interest will be paid or accrued on any unpaid dividends and distributions payable to Superior stockholders upon surrender of their stock certificates. The surrendered certificates representing Superior common stock will be canceled. After the completion of the combination, each certificate representing shares of Superior common stock that has not been surrendered will represent only the right to receive the merger consideration described above. Following the

completion of the merger, Superior will not register any transfers of Superior common stock on its stock transfer books.

Distributions With Respect to Unexchanged Shares. No dividends or other distributions declared or made with respect to DGSE common stock with a record date thirty or more days after the closing of the combination but prior to the surrender of a certificate (or the delivery of an affidavit and any required bond in lieu of a lost, stolen or mutilated certificate) for Superior common stock will be paid to the holder of that certificate on account of the shares of DGSE common stock for which that stock certificate may be exchanged.

Transfers of Ownership. If any certificate for shares of DGSE common stock is to be issued in a name other than that of the registered holder of the certificates surrendered in the stock transfer books of Superior, it will be a condition of its issuance that the certificates so surrendered will be properly endorsed and otherwise in proper form for transfer and that the person requesting the exchange will have paid to DGSE (or any agent designated by it) any transfer or other taxes required by reason of the issuance of a certificate for shares of DGSE common stock in any name other than that of the registered holder of the certificates surrendered, or established to the satisfaction of DGSE (or any agent designated by it) that the tax has been paid or is not payable.

Lost Stock Certificates. If any certificate evidencing shares of Superior common stock has been lost, stolen or destroyed, DGSE will deliver the merger consideration exchangeable for those shares only upon (i) the making of an affidavit of that fact by the applicable holder of record claiming the certificate to be lost, stolen, or destroyed, and (ii) if DGSE or the exchange agent requires in its discretion, the posting by the holder of a bond in a reasonable amount directed by DGSE or the exchange agent, as applicable, to serve as indemnity against any claim that may be made against it with respect to such certificate.

Representations and Warranties

The merger agreement contains substantially reciprocal and customary representations and warranties made by Superior, on the one hand, and DGSE, on the other, to each other. You should not construe these representations and warranties as embodying the actual state of facts about DGSE or Superior, whether as of the date of the merger agreement or at any other date, because these representations and warranties: are qualified by information in confidential disclosure schedules that DGSE and Superior have exchanged in connection with signing the merger agreement; are subject to a contractual standard of materiality that is different from that generally applicable under federal or state securities laws; are in many cases intended exclusively or primarily to allocate risks between DGSE and Superior, rather than to make assertions or statements of fact about them; and were made as of a particular date. For more information about the nature of these representations and warranties, please see the introductory text in this The Merger Agreement section on page 62.

The representations and warranties relate to, among other things:

corporate organization, qualification, subsidiaries and similar corporate matters;

capital structure, including options, warrants and commitments to acquire equity interests, and rights related to equity interests;

corporate authority to enter into and carry out the obligations under the merger agreement and the related agreements, including board approval, and the enforceability of the merger agreement and the related agreements;

the absence of any conflict with or violation of corporate charter documents, applicable law, permits or material contracts as a result of entering into and carrying out the obligations under the merger agreement and the related agreements;

the absence of a need to obtain governmental consents, authorizations or filings in order to complete the combination;

possession of all material governmental permits and compliance with all material governmental filing, application and registration requirements;

compliance with applicable law and possession of necessary governmental permits;

filings and reports with the SEC, compliance with securities laws, including the Sarbanes-Oxley Act of 2002, and the accuracy of financial statements;

the accuracy and adequacy of the information provided to the other party for inclusion in this joint proxy statement/prospectus;

absence of certain adverse effects, events or other changes since the date of the last financial statements filed with the SEC;

employee compensation, benefit plan, labor relations and other matters, including compliance with applicable laws and contracts relating to employee benefit plans;

disputes or disagreements with significant customers;

identification of and compliance with material contracts;

the absence of litigation;

compliance with environmental laws;

ownership and disclosure of intellectual property and the absence of misappropriation or infringement of third party intellectual property rights;

proper preparation and timely filing of tax returns and timely withholding and payment of taxes;

insurance coverage;

in the case of Superior, receipt of a written fairness opinion from Stenton Leigh;

disclosure of broker, investment banker or financial advisor fees;

ownership and leases of real property;

disclosure of interested party transactions; and

completeness of representations and warranties.

Notice of Other Acquisition Proposals

The merger agreement contains provisions requiring each of DGSE and Superior to notify the other of them of the details of any acquisition proposal, including inquiries or expressions of interest that may lead to an acquisition proposal. An acquisition proposal refers to any proposal to purchase 10% or more of outstanding voting securities, a merger, consolidation or other business combination, or the sale (other than in the ordinary course of business) of assets representing 10% or more of total revenues or operating assets.

Change of Recommendation

The board of directors of either Superior or DGSE may withdraw its recommendation to their stockholders to vote to approve and adopt the merger agreement provided the applicable board acts in good faith. Neither company is relieved of its obligation to call and hold a special meeting of its stockholders if the other company s board withdraws its recommendation.

Obligations of the DGSE Board of Directors and Superior Board of Directors with Respect to their Recommendations and Holding a Meeting of their Stockholders

Both DGSE and Superior have agreed to take all lawful and commercially reasonable action to call, give notice of, convene and hold stockholder meetings for their respective stockholders, and to use their respective best efforts to hold the meeting within forty-five days of the date on which the registration statement, of which this joint proxy statement/prospectus forms a part, becomes effective. Subject to applicable law, both companies have agreed to use their best efforts to obtain the approval of their respective stockholders for the combination-related proposals described in this joint proxy statement/prospectus.

Either company may postpone or adjourn its stockholder meeting to establish a quorum (if insufficient shares are present in person or represented by proxy), to solicit additional proxies (if insufficient votes have been cast to approve a combination-related proposal), or to ensure that any required supplement or amendment to the registration statement or this joint proxy statement/prospectus is provided to its stockholders.

Each company s obligation to call, give notice and convene and hold its stockholder meeting will not be affected by the commencement, disclosure, announcement or submission to the other company of any acquisition proposal or superior offer, or by the other company s board of directors withholding, withdrawing or modifying its recommendation to its stockholders to vote in favor of the combination-related proposals.

Employee Benefits Matters

If DGSE does not continue the employee welfare benefit plans sponsored and maintained by Superior, it will take commercially reasonable efforts after the combination to cause Superior employees who continue to work for Superior or DGSE to be eligible for employee welfare benefits that are substantially similar in the aggregate to the benefits provided to similarly situated employees of DGSE. To the extent DGSE elects to have these continuing employees (and their eligible dependents where applicable) participate in DGSE s employee benefit plans, programs or policies following the combination, DGSE will allow these continuing employees (and their eligible dependents where applicable) to participate in these plans, programs and policies on terms substantially similar to those provided to similarly situated employees of DGSE; these continuing employees will, to the extent reasonably practicable, receive credit for purposes of eligibility to participate and vesting under these plans, programs and policies for years of service with Superior prior to the combination (provided that the credit does not result in the duplication of benefits); and DGSE, to the extent required by applicable law and as permitted by the terms of the applicable group health plans, will give credit for any co-payments or deductibles paid during the year in which the combination occurs and will use its commercially reasonable efforts to have waived any pre-existing condition limitations, eligibility waiting periods and evidence of insurability requirements under any group health plans of DGSE in which these continuing employees and their eligible dependents will participate.

Subject to the foregoing, the merger agreement further provides that effective as of the day immediately preceding the combination date, Superior must terminate any and all benefit plans intended to include a Code Section 401(k) arrangement (also known as a 401(k) Plan).

Refinancings

Superior, SFG and SIBL have agreed to amend and restate the Superior credit facility in the form attached as Annex E to this joint proxy statement/prospectus if the combination is consummated. The amendments would extend the maturity date of the credit facility to 2010, and, provided DGSE issues a suitable secured guarantee in favor of SFG, authorize Superior to upstream up to $6.5 million of loan proceeds to DGSE and its subsidiaries. For more information about the amended and restated credit facility, please see the section entitled Post-Combination Stanford Credit Facility beginning on page 76.

Conversion and Exchange Agreements, Warrants and Registration Rights

On the date of the execution of the merger agreement, each of SIBL (Superior s largest stockholder and primary lender) and Mr. DiGenova (Superior s former chairman, president and chief executive officer) entered into a conversion agreement with Superior. Pursuant to these conversion agreements, SIBL converted all of its 8,500,000 shares of Superior preferred stock into 3,600,806 shares of Superior common stock, and Mr. DiGenova converted all of his 400,000 shares of Superior preferred stock into 202,330 shares of Superior common stock. The conversions were effected in accordance with the conversion provisions of the applicable series of preferred stock. As a result of these conversions, Superior no longer has any shares of preferred stock outstanding.

On the date of the execution of the merger agreement, Mr. DiGenova also entered into a securities exchange agreement with DGSE. Pursuant to this agreement, DGSE issued a non-transferable warrant to Mr. DiGenova to acquire 96,951 shares of DGSE common stock upon consummation of the merger for an exercise price of $0.01 per share, in exchange for 355,000 shares of Superior common stock, which reflects the same exchange ratio being used in the merger. The warrant is only exercisable if the merger is consummated, and will be automatically exercised in full upon the consummation of the merger. Upon exercise, approximately fifteen percent of the shares of DGSE common stock to be issued will be deposited in the escrow account. If the merger is not consummated, the warrant will terminate and DGSE will transfer the 355,000 shares of Superior common stock exchanged by Mr. DiGenova for the warrant to the designee specified by Mr. DiGenova in the securities exchange agreement.

As a condition to the closing of the combination, SIBL must enter into a note exchange agreement with Superior, a copy of which is attached to this joint proxy statement/prospectus as Annex D. The note exchange agreement provides for the exchange by SIBL of approximately $8.4 million of outstanding Superior debt into approximately 5 million shares of Superior common stock, at an exchange rate of $1.70 per share.

In consideration of the exchange by SIBL of its debt for common stock pursuant to the note exchange agreement, and for SIBL s $11.5 million increase in the amount available under its credit facility with Superior, including the use of up to $6.5 million of that amount by DGSE and its other subsidiaries, the merger agreement provides that upon the consummation of the combination, DGSE will issue to SIBL and its designees two warrants, each of which can be exercised for a period of seven years after the combination date. The A warrants grant the right to purchase 845,634 shares of DGSE common stock at an exercise price of $1.89 per share, and the B warrants grant the right to purchase 863,000 shares of DGSE common stock at an exercise price of $0.01 per share.

As a condition to the closing of the combination, DGSE must enter into a registration rights agreement, substantially in the form of Annex F attached to this joint proxy statement/prospectus. This agreement grants registration rights to the holders of the A warrants and B warrants with respect to the shares of DGSE common stock which may be issued upon the exercise of the A warrants or B warrants. In addition, the registration rights agreement grants SIBL and its designees piggyback registration rights (1) with respect to the shares of DGSE common stock which may be issued upon the exercise of the A warrants or B warrants in the event DGSE files any registration statement, and (2) with respect to those shares and the shares being issued as merger consideration in the event DGSE registers for resale any DGSE common stock, other than stock acquired upon the exercise of stock options, held by Dr. L.S. Smith.

For more information about the note exchange agreement, the A and B warrants and the registration rights agreement, see the sections entitled Note Exchange Agreement, Warrants and Registration Rights Agreement beginning on page 79.

Required Approvals and Cooperation of the Parties

DGSE and Superior have each agreed to use its best efforts to take all actions reasonably necessary or desirable to close the combination, and assist and cooperate with each other in doing so, including the following:

to obtain and deliver to the other company at or prior to the combination all consents, approvals and waivers which is required under any of its material contracts or from any governmental entity;

taking all reasonable actions to satisfy the respective closing conditions to the combination; and

executing and delivering such other instruments and doing and performing such other acts and things as may be necessary or reasonably desirable to effect completely the consummation of the combination and the related transactions.

DGSE and Superior have also generally agreed to work cooperatively in an effort to obtain all required consents and approvals and to promptly consummate the combination, including by doing the following:

promptly advising and keeping informed the other company orally and in writing of any action or proceeding commenced against it or any of its directors by any of its stockholders relating to the merger agreement or any related agreement, or the combination or any related transaction;

providing the other company the opportunity to consult with it regarding the defense or settlement of any action or proceeding described above and not settling such an action or proceeding without the prior written consent of the other company;

providing to each other copies of any press releases or public written statements or filings related to the merger agreement or any related agreement, or the combination or any related transaction, consulting with each other before issuing or making any such release or written public statement or filing and, subject to applicable law, obtaining the prior written consent of the other company before issuing such a release or filing;

notifying the other company in writing promptly after learning of any notice or other communication from any person alleging that the person s consent or approval is or may be required in connection with the combination or any other related transaction;

notifying the other company in writing promptly after learning of any notice or other communication from any governmental entity in connection with the combination or any related transaction, or of any action or proceeding by or before any governmental entity initiated by or against it, or known by it to be threatened against it or any of their respective directors, officers, employees or stockholders;

notifying the other company in writing promptly after learning of any event not in the ordinary course of business that, individually or in the aggregate with any other such events, has a material adverse effect on it, or is reasonably likely to cause any of the conditions to closing set forth in the merger agreement not to be satisfied;

notifying the other company in writing promptly after learning of any claim, or any verbal or written inquiry by any tax authority regarding taxes payable; and

giving prompt notice to the other company of any representation or warranty made by it contained in the merger agreement or any related agreement becoming untrue or inaccurate, or its failure to comply with or satisfy in any material respect any covenant, condition or agreement to be complied with or satisfied by it under the merger agreement or any related agreement.

Support Agreements

In connection with the signing of the merger agreement, Dr. L.S. Smith, DGSE s chairman and chief executive officer and its largest stockholder, and DGSE entered into a support agreement with Superior. Dr. Smith has the power to vote approximately 52% of DGSE s outstanding shares, which represents sufficient shares to approve all of the DGSE proposals. In addition, SIBL, some individual stockholders of Superior and Superior have entered into a corresponding support agreement with DGSE. These stockholders own approximately 76% of Superior s outstanding shares, which represents sufficient shares to approve Superior proposals no. 1 and 3.

In the support agreements, the signing stockholders have agreed to vote or consent, or cause to be voted or consented, all of their respective shares of Superior or DGSE common stock, as applicable, including shares of common stock acquired after the date of the support agreement:

in favor of the merger and related transactions or any matter that could be reasonably expected to facilitate the merger;

against any proposal or action that could reasonably be expected to delay, impede or interfere with the approval of the merger or any related transaction; and

against any action or agreement that could reasonably be expected to result in a breach of any covenant, representation or warranty or any other obligation of Superior or DGSE, as applicable, under the merger agreement or any related

agreement.

Each of the signing DGSE stockholders has also granted to Superior, and each of the signing Superior stockholders has also granted to DGSE, an irrevocable proxy to vote their shares of DGSE or Superior common stock subject to the support agreements in accordance with its terms.

The support agreements and irrevocable proxies terminate upon the earliest to occur of (i) the effective time of the merger, (ii) the valid termination of the merger agreement in accordance with its terms, and (iii) the mutual agreement of the parties to the support agreement.

Management Agreement

In connection with the merger agreement, DGSE Merger Corp., a wholly-owned subsidiary of DGSE which will merge into Superior as part of the merger, entered into a management agreement with Superior, a copy of which is attached to this joint proxy statement/prospectus as Annex I. Under the management agreement, DGSE Merger Corp. will provide two or three senior executives to serve as the senior management to Superior on a part-time basis until the consummation of the merger or the earlier termination of the merger agreement. The management agreement is intended to turnaround Superior s business prior to the consummation of the merger.

Pursuant to the management agreement, Mr. Oyster, DGSE s chief operating officer, has been appointed interim chief executive officer of Superior, Mr. Williamson, DGSE s executive vice-present, has been appointed interim chief operating officer of Superior, and Mr. Benson, DGSE s chief financial officer, has been appointed vice

president, finance and interim chief financial officer of Superior. All three officers, whom we refer to in this joint proxy statement/ prospectus as the interim Superior executives, are working part-time for Superior pursuant to the management agreement, and continue to provide services to DGSE on a part-time basis as part of senior management. Pursuant to the merger agreement, these three officers have also been elected to the Superior board of directors.

The management agreement prohibits the interim Superior executives from effectuating any material business transaction between DGSE Merger Corp. (or any of its affiliates) and Superior (or any of its affiliates), except if expressly contemplated by the merger agreement, in the ordinary course of business of both companies, consistent with the permitted intercompany transactions on the terms described in the management agreement, or approved by the Special Interim Committee of the Superior board of directors, comprised of the Superior directors who are not affiliated with DGSE, initially to consist of Mitchell T. Stoltz and David Rector. The interim Superior executives must also obtain the approval of the special interim committee prior to materially changing the strategic direction of Superior, except for specific changes in strategic direction set forth in the management agreement.

Superior has agreed to pay DGSE Merger Corp. a monthly fee of $50,000 for the services of the interim Superior executives, plus the hourly compensation rate (without markup) for the services of any other DGSE employees or consultants, and to reimburse DGSE Merger Corp. for its out-of-pocket expenses.

The management agreement will terminate upon the earliest to occur of (i) the effective time of the merger, (ii) the valid termination of the merger agreement in accordance with its terms, and (iii) the outside date in the merger agreement.

DGSE Corporate Governance

DGSE has agreed to enter into a corporate governance agreement, a copy of which is attached to this joint proxy statement/prospectus as Annex G, with SIBL and Dr. L.S. Smith. Pursuant to this agreement, subject to the applicable fiduciary duties of the DGSE board of directors, and compliance by DGSE in good faith with applicable law and regulations, DGSE has agreed to recommend the following directors to constitute the DGSE board of directors upon the consummation of the combination: Dr. L.S. Smith, the current chairman and chief executive officer of DGSE; William H. Oyster, the current president and chief operating officer of DGSE; David Rector, a current director of Superior; two current independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) of the DGSE board who are expected to be William P. Cordeiro and Craig Alan-Lee; and two independent directors (as the term independent director is defined for purposes of the Nasdaq Capital Market listing standards) to be nominated by SIBL, the largest Superior stockholder, who are expected to be Mitchell T. Stoltz and Richard Matthew Gozia. For more information about these nominees, see Management of DGSE After the Combination Information Regarding DGSE s Directors and Executive Officers beginning on page 116.

Subject to the same limitations, effective as of the combination, each director of the DGSE board of directors not included in the post-combination DGSE board will resign, and the remaining directors of the DGSE board will fill any vacancies on the board as necessary to effectuate the foregoing.

Indemnification

Indemnity. Pursuant to the merger agreement, the Superior stockholders and Mr. DiGenova, which we refer to collectively as the indemnifying parties, will indemnify, defend and hold harmless DGSE, its affiliates (including Superior as the surviving corporation in the merger) and its representatives (including its officers, directors, employees, managers, consultants, contractors, agents and financial, banking or legal advisors), which we refer to collectively as the DGSE indemnified parties, against losses, liabilities and damages, which we refer to collectively as losses, directly or indirectly arising out of or resulting from the inaccuracy or breach of the representations, warranties or certifications of Superior contained in the merger agreement (without giving effect either to the update of Superior disclosure schedules after the signing of the merger agreement) relating to Superior s capitalization, including

outstanding options, warrants and other commitments, or transfer, preemptive, anti-dilutive or registration rights and qualification of the merger consideration under California law.

Exclusions. The indemnity does not apply to losses which were reflected on the estimated balance sheet of Superior used for calculating Superior s stockholders equity at the signing of the merger agreement. For more

information regarding the estimated balance sheet, see the section entitled Conversion and Exchange Agreements, Warrants and Registration Rights Agreement Note Exchange Agreement beginning on page 67).

Stockholders Equity. In addition, the indemnifying parties will pay to DGSE 33,648 shares of DGSE common stock at the closing of the combination, which represents the amount by which Superior s stockholders equity at December 31, 2006, as reflected in Superior s quarterly report filed with the SEC for its fiscal quarter ended on December 31, 2006, was less than Superior s estimated stockholders equity at December 31, 2006 used for purposes of calculating the merger consideration and the amount of debt SIBL is to exchange for common stock in connection with the merger (-$3,123,428).

Stockholder Agent. In addition, under the merger agreement, the surviving corporation is obligated to reimburse the stockholder agent in cash, up to $100,000 or such larger amount as DGSE may in its sole discretion approve, for the reasonable out-of-pocket fees and expenses incurred by the stockholder agent in performing its duties and exercising its powers and rights under the merger agreement and the related escrow agreement. The surviving corporation has the right to recover any amounts so paid to the stockholder agent from the escrow account.

Limited Recourse. The DGSE indemnified parties may recover the losses described above solely from the escrow account described under the caption Escrow Escrow Account beginning on page 63, until no additional amounts remain in the escrow account. The Superior stockholders will have no liability for losses in excess of the amounts deposited on their respective behalf in the escrow account.

Survival. The representations and warranties made in the merger agreement will generally remain in effect until, and expire on, the closing of the combination. However, the representations and warranties in the merger agreement relating to capitalization described above will survive for one full year following the close of the combination. No contractual time limitation will apply to claims based on fraud or willful misrepresentation.

Threshold Amount. The DGSE indemnified parties will not be entitled to indemnification until the total of all losses to the DGSE indemnified parties exceeds $100,000 (except in the event of fraud or a willful or intentional breach of the merger agreement or a related agreement or certification, in which case the threshold does not apply), after which case the DGSE indemnified parties will be able to recover all losses, including the $100,000.

Arbitration of Conflicts. The merger agreement provides that any disputes relating to indemnification for losses will be resolved by binding arbitration in Texas, and that the arbitrator s written decision will be binding on all parties.

Stockholder Agent

By virtue of the approval of this proposal, the Superior stockholders will have irrevocably appointed and constituted SIBL as the stockholders exclusive agent, attorney-in-fact and representative, whom we refer to in that capacity as the stockholder agent, under the merger agreement and related agreements, including the escrow agreement. Under the merger agreement and related escrow agreement, the stockholder agent serves as the exclusive agent, attorney-in-fact and representative of all Superior stockholders to do, among other things, the following:

provide and receive notices and other communications;

agree to, negotiate, enter into settlements and compromises of, make claims and demand arbitration and comply with orders of courts and awards of arbitrators with respect to claims made or any other action to be taken by or on behalf of any Superior stockholders, or on its own behalf in its capacity as stockholder agent, under the merger agreement or

the related escrow agreement, and to take all actions necessary or appropriate in the judgment of the stockholder agent for accomplishing the foregoing;

to use the shares of DGSE common stock, cash, investments and other assets held from time to time in the escrow account, which we refer to collectively as the escrow assets, as collateral to secure the rights, and to demand and withdraw escrow assets to satisfy the claims, of the DGSE indemnified parties under the merger agreement or the related escrow agreement;

to take all actions necessary or appropriate in the judgment of the stockholder agent for the accomplishment of any of the foregoing; and

to agree to amendments and waivers of the merger agreement and related escrow agreement, and time extensions under the merger agreement, on behalf of the stockholders, as described in the section entitled Amendment, Extension and Waiver of the Merger Agreement beginning on page 74.

A decision, act, omission, agreement, settlement, claim, consent or instruction of the stockholder agent in relation to any matter referred to in the merger agreement or related escrow agreement will constitute a decision, etc. for, and will be final, binding and conclusive upon, all pre-merger Superior stockholders, and DGSE and the escrow agent may, without further inquiry, conclusively rely thereupon.

The stockholder agent will not receive compensation for its services and is not required to post a bond. The stockholder agent will not be liable for any act done or omitted under the merger agreement or related escrow agreement as stockholder agent while acting in good faith, including pursuant to the advice of counsel, or otherwise, except for the acts of gross negligence or willful misconduct of the stockholder agent.

The stockholder agent may also recover the out-of-pocket fees and expenses, including reasonable attorneys fees, reasonably incurred by the stockholder agent in connection with performing and exercising its rights, authorities, powers, duties and obligations on behalf of the Superior stockholders under the merger agreement or related escrow agreement from the surviving corporation in cash, up to an aggregate amount of $100,000 (or such greater amount as DGSE may in its sole discretion agree at the request of the stockholder agent), which we refer to as the stockholder agent expense cap. The surviving corporation will have a claim against the escrow account for any amounts it is obligated to reimburse the stockholder agent. For more information, see the section entitled Escrow Escrow Account beginning on page 63.

The stockholder agent may resign at any time by written notice to DGSE and the escrow agent. The stockholder agent may also be removed at any time by written notice signed by pre-merger Superior stockholders holding not less than a majority of the shares of Superior outstanding immediately preceding the merger (exclusive of dissenting shares), but since SIBL is expected to beneficially own approximately 68.5% of these shares, the appointment will for practical purposes be irrevocable. The successor stockholder agent must be a pre-combination affiliate of Superior, a current or prior director or officer of Superior or the surviving corporation, or reasonably acceptable to DGSE. If the stockholders fail to appoint a successor stockholder agent within 10 days of the resignation or removal of the stockholder agent, DGSE may, but will not be obligated to, petition a proper court to appoint a successor.

Any successor stockholder agent under the merger agreement will automatically, without any further act or notice, become the successor stockholder agent for all purposes of the escrow agreement.

In addition, Superior is seeking the separate approval of the Superior stockholders at the Superior stockholders special meeting to appoint and constitute SIBL, and its successors as stockholder agent, to act as their exclusive agent, attorney-in-fact and representative in relation to the merger agreement, the escrow agreement and the transactions contemplated thereby. See the section entitled Superior Proposal No. 2 Appointment and Constitution of Stanford International Bank Ltd. as Stockholder Agent under the Merger Agreement and Escrow Agreement beginning on page 85.

Conditions to Completion of the Combination

The obligation of DGSE and Superior to complete the combination is subject to the satisfaction or waiver of the following conditions:

the approval by the DGSE and Superior stockholders of the combination-related proposals contained in this joint proxy statement/prospectus (except, in case not required by DGSE s trading market, the approval by DGSE stockholders of the proposal to adopt and approve the merger agreement and to approve the reorganization, including the issuance of the shares of DGSE common stock to Superior stockholders in connection therewith);

no governmental entity has enacted, issued, promulgated, enforced or entered any law, regulation, order or decree which is in effect and prevents or prohibits consummation of the combination or any related transaction;

the SEC has not issued a stop order suspending the effectiveness of the registration statement of which this joint proxy statement/prospectus forms a part, and has not initiated or threatened to initiate any proceedings for that purpose;

any material state securities or blue sky laws applicable to the issuance of the shares of DGSE common stock constituting the merger consideration have been complied with and no stop order or similar order or decree has been issued or threatened in respect of those shares by any applicable state securities commissioner or court of competent jurisdiction; and

no order will be in effect which prohibits, restrains or substantially interferes with the consummation of the merger or any related transaction; relates to the merger or any related transaction and imposes material damages upon DGSE, DGSE Merger Corp. or Superior; prohibits or limits in any respect DGSE s rights regarding Superior s common stock or to own, operate or control the surviving corporation or any material portion of the business or property of DGSE or the surviving corporation; or has or would have a material adverse effect on Superior or on DGSE s ability to operate the surviving corporation s business, or to own, use and enjoy the property of the surviving corporation.

In addition, the obligation of DGSE to complete the combination is subject to the satisfaction or waiver of the following additional conditions, among others:

all outstanding shares of Superior preferred stock have been converted into Superior common stock, and all parties are in compliance with the terms of the conversion agreements;

SIBL will have entered into the note exchange agreement and exchanged its debt for Superior common stock as provided therein;

Superior and SFG will have amended and restated the Stanford credit facility;

SIBL, SFG, Stanford Venture Capital Holdings, Inc., Mr. DiGenova and Superior will have executed and delivered a termination and release agreement in the form of Annex E to this joint proxy statement/prospectus, terminating various agreements with Superior and releasing Superior and its affiliates of various liabilities;

DGSE and the escrow agent will have entered into the escrow agreement;

SIBL will have entered into the corporate governance agreement;

both Superior and SIBL will have delivered officers certificates and legal opinions; and

DGSE will have received an affiliate letter from SIBL.

In addition, the obligation of Superior to complete the combination is subject to the satisfaction or waiver of the following additional conditions, among others:

Texas Capital Bank will have consented to the combination and the SIBL credit facility;

DGSE will have tendered the A and B warrants to SIBL and its designees, and shall have executed and delivered the registration rights agreement relating to the A and B warrants being issued under the merger agreement; and

DGSE will have delivered an officers certificates and a legal opinion.

Termination of the Merger Agreement

DGSE and Superior may jointly agree to terminate the merger agreement without completing the combination pursuant to resolutions adopted by their respective boards of directors. In addition, either DGSE or Superior (acting through its independent committee) may terminate the merger agreement if any of the following events occurs:

the combination has not occurred on or before August 26, 2007, which we refer to as the outside date, but this termination right is not available to either company if it is in material breach of the merger agreement or its failure to comply with the merger agreement resulted in the failure to complete the combination by that date;

if SIBL declares an event of default under the Superior credit facility, forecloses on any collateral, exercises any of its rights or remedies as a creditor of Superior or makes demand for repayment of any of

the Superior principal, or the forbearance period under the forbearance agreement executed concurrently with the merger agreement expires;

a governmental entity has issued a final, nonappealable order, decree or ruling or taken any other action permanently restraining, enjoining or otherwise prohibiting the combination or other related transaction, but this termination right is not available to either company if it is in material breach of the merger agreement or its failure to comply with the merger agreement resulted in the order, decree, ruling or other action;

the Superior stockholders do not adopt the merger agreement or appoint SIBL as the stockholder agent, but this termination right is not available to either company if it is in material breach of the merger agreement or its failure to comply with the merger agreement resulted in failure to obtain the necessary approval; or

the other company cannot satisfy one of its closing conditions, but this termination right is not available to either company if it is in material breach of the merger agreement or its failure to comply with the merger agreement caused the impossibility to satisfy the closing condition.

SIBL may also terminate the merger agreement if the merger has not been consummated by the outside date.

Fees and Expenses

Subject to the terms of a letter agreement between Superior, DGSE and SIBL relating to sharing expenses, which is described below and remains in full force and effect, and to the stockholder agent expense reimbursement provisions in the merger agreement and related escrow agreement, each of DGSE, Superior and SIBL will bear all expenses it incurs in connection with the merger agreement or related agreements or the combination or the related transactions.

On April 3, 2006, Superior, DGSE and SIBL executed an expense sharing agreement related to the exploration of a possible business combination between DGSE and Superior. The agreement covers all of (but only) the following third party charges and expenses which are incurred between February 27, 2006 and the date DGSE or Superior informs the other company that it is no longer interested in pursuing a possible business combination, which will be shared equally by DGSE and Superior:

all legal and accounting fees and expenses;

all filing fees and related expenses, such as SEC registration statement filing fees, blue sky filing fees, Nasdaq listing and other stock exchange filing fees, including fees confirming eligibility for continued listing related to the combination;

due diligence expenses payable to third parties;

legal expenses related to the separate legal representation of Superior or DGSE officers who are selected to continue as executive officers of DGSE after completion of the combination, both in connection with new employment agreements to be entered into or to review other agreements related to the combination; and

travel expenses incurred by DGSE or Superior staff related to pursuit of the combination.

For more information on the reimbursement of the expenses of the stockholder agent, see the section entitled Stockholder Agent beginning on page 71.

Amendment, Extension and Waiver of the Merger Agreement

The merger agreement may be amended or otherwise modified prior to the combination by mutual written consent of DGSE, DGSE Merger Corp., Superior and SIBL. In addition, at any time prior to completion of the combination, any party to the merger agreement may extend any other party s time for the performance of any of its obligations or other acts under the merger agreement, waive any inaccuracies in any other party s representations and warranties and waive compliance by any other party with any of the agreements or conditions contained in the merger agreement. Any amendment or modification made or waiver granted after obtaining the required approvals of the stockholders of DGSE and Superior may not be made without the further approval of those stockholders if an additional stockholder approval is required by applicable law or the rules of the applicable trading market for the shares of DGSE or Superior common stock.

The DGSE board of directors unanimously recommends a vote FOR Proposal No. 1 to approve and adopt the merger agreement and to approve the reorganization, including the issuance of shares of DGSE common stock to holders of Superior securities, and the issuance of options and warrants to acquire shares of DGSE common stock, pursuant to the merger agreement.

The Superior board of directors unanimously recommends a vote FOR Proposal No. 1 to approve and adopt the merger agreement and approve the merger.

POST-COMBINATION STANFORD CREDIT FACILITY

Superior has agreed in the merger agreement to use its best efforts to amend and restate the existing commercial loan and security agreement in effect between Superior and SIBL upon the consummation of the combination in the form attached as Annex C to this joint proxy statement/prospectus. We refer to the amended and restated commercial loan and security agreement between Superior and SFG as the amended credit facility.

The amended credit facility will decrease the current credit line from $19.89 million to $11.5 million, split into two revolving loans of $5 million and $6.5 million, respectively. After giving effect to the conversion by SIBL of $8.4 million of debt into Superior common stock, as required for the consummation of the merger, however, the amended credit facility will continue to have the same availability as the current credit line. Interest on the outstanding principal balance will continue to accrue at the prime rate, as reported in the Wall Street Journal, or, during an event of default, at a rate 5% greater than the prime rate as so reported. Both loans mature and will be due in full four years after the combination, unless SFG extends the maturity, provided that in case any of several customary events of default occurs, SFG may declare the entire principal amount of both loans will be due immediately and take possession and dispose of the collateral described below.

Loan proceeds can only be used for customer loans consistent with specified loan policies and procedures and for permitted inter-company transactions. Permitted inter-company transactions are loans or dividends paid to DGSE, provided DGSE has guaranteed the repayment of the proceeds pursuant to a secured guaranty. In connection with the secured guarantee, SFG and Texas Capital Bank, N.A., DGSE s primary lender, have agreed to enter into an intercreditor agreement acknowledged by DGSE, which subordinates SFG s security interests to those of Texas Capital Bank. Superior will be obligated to repay the first revolving loan from the proceeds of the inventory or other collateral purchased with the proceeds of the loan.

The credit facility will be secured by a first priority security interest in substantially all of Superior s assets, including inventory, accounts receivable, promissory notes, books and records and insurance policies, and the proceeds of the foregoing.

The credit facility includes a number of customary covenants applicable to Superior, including, among others: punctual payments of principal and interest under the credit facility; prompt payment of taxes, leases and other indebtedness; maintenance of corporate existence, qualifications, licenses, intellectual property rights, property and assets; maintenance of satisfactory insurance; preparation and delivery of financial statements for DGSE and separately for Superior in accordance with generally accepted accounting principles, tax returns and other financial information; inspection of offices and collateral; notice of certain events and changes; use of proceeds; notice of governmental orders which may have a material adverse effect, SEC filings and stockholder communications; maintenance of property and collateral; and payment of SFG expenses.

In addition, Superior has agreed not to do a number of things, including, among others: create or suffer a lien or other encumbrance on any collateral, subject to customary exceptions; incur, guarantee or otherwise become liable for any indebtedness, subject to customary exceptions; acquire indebtedness of another person, subject to customary exceptions and permitted inter-company transactions; issue or acquire any shares of its capital stock; pay dividends other than permitted inter-company transactions or specified quarterly dividends, or directors fees; sell or abandon any collateral except in the ordinary course of business or consolidate or merge with another entity; enter into affiliate transactions other than in the ordinary course of business on fair terms or permitted inter-company transactions; create or participate in any partnership or joint venture; engage in a new line of business; pay principal or interest on subordinate debt except as authorized by the credit facility; or make capital expenditures in excess of $100,000 per fiscal year.

POST-COMBINATION EMPLOYMENT AGREEMENTS

The DGSE board of directors has approved amended and restated employment agreements for Dr. L.S. Smith, the chairman and chief executive officer of DGSE, and William H. Oyster, a director and the president and chief operating officer of DGSE and a director and the interim chief executive officer of Superior, and a new employment agreement for John Benson, the chief financial officer of DGSE and a director and the vice president, finance and interim chief financial officer of Superior, in each case contingent upon the closing of the combination.

Smith Employment Agreement

The revised employment agreement for Dr. Smith amends and restates his existing employment agreement with DGSE and sets forth the terms of his employment with DGSE as chairman and chief executive officer. The agreement has an initial 3-year term, and will be automatically renewed thereafter for successive one-year terms unless either party provides at least 120 days notice not to renew. It provides for a signing bonus of $100,000 upon execution of the agreement and a base annual salary of at least $425,000. In addition, it provides for an annual bonus in an amount not less than one-half of his annual salary, payable on each January 31 in respect of the prior calendar year, with half of the payment being contingent upon the DGSE stock price having increased at least 10% during that calendar year. For purposes of the 2007 calendar year, the first day will be deemed to be the date of the closing of the combination and the 10% increase requirement will be prorated accordingly. In addition, Dr. Smith will be entitled to life insurance of $2,000,000, disability insurance equal to half of his base salary, medical insurance and other benefits.

Oyster Employment Agreement

The revised employment agreement for Mr. Oyster amends and restates his existing employment agreement with DGSE and sets forth the terms of his employment with DGSE as president and chief operating officer. The agreement has an initial 5-year term, and will be automatically renewed thereafter for successive one-year terms unless either party provides at least 120 days notice not to renew. It provides for a signing bonus of $50,000 upon execution of the agreement and a base annual salary of at least $250,000. In addition, it provides for an annual bonus in an amount not less than one-half of his annual salary, payable on each April 30 in respect of the prior calendar year, with half of the payment being contingent upon the DGSE EBIT (earnings before interest and taxes) having increased at least 6% during that calendar year. In addition, Mr. Oyster will be entitled to life insurance of $1,000,000, disability insurance equal to half of his base salary, medical insurance and other benefits.

Benson Employment Agreement

The employment agreement for Mr. Benson sets forth the terms of his employment with DGSE as chief financial officer. The agreement has an initial 2-year term. It provides for a base annual salary of $175,000 and an annual bonus to be determined by the DGSE board of directors. Upon the termination of his employment, Mr. Benson will be entitled to, among other things, (1) in case of termination by DGSE during the initial term other than for cause, base salary for the remainder of the initial term plus six months; and (2) in case of termination by DGSE after the initial term other than for cause, three months of annual base salary.

Potential Payments Upon Termination Or Change-In-Control

Under the revised employment agreements of Dr. Smith and Mr. Oyster, if the executive is terminated due to an illness, injury or other incapacity which prevents him from carrying out or performing fully the essential functions of his duties for a period of 180 consecutive days, or due to his death, the executive (or his legal representative) will be entitled to receive his salary for a period of one year following the date of termination and the pro rata portion of this bonus for the prior calendar year. If Dr. Smith would have been terminated for either reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him $425,000 in 26 bi-weekly installments of $16,346 each. If Mr. Oyster would have been terminated for either reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him $250,000 in 26 bi-weekly installments of $9,615 each.

In the event either executive is terminated for cause , he would be entitled to the pro rata share of the bonus paid to him for the calendar year immediately preceding his termination. If either executive would have been terminated for cause on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would not have been obligated to pay him any additional severance pay.

In the event either executive is terminated other than for cause , or if either executive resigns for good reason , he would be entitled to receive a lump sum payment of (i) his base salary for the remainder of the current year, plus (ii) the maximum bonus he would have been entitled to receive for the current year, plus (iii) three years salary based on the salary then in effect. If Dr. Smith would have been terminated other than for cause or resigned for good reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him a lump sum payment of $1.91 million. If Mr. Oyster would have been terminated

other than for cause or resigned for good reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him a lump sum payment of $1.13 million.

In the event either executive resigns other than for good reason , he would be entitled to receive a lump sum payment of (i) his base salary for the remainder of the current year, plus (ii) a *pro rata* share of the maximum bonus he would have been entitled to receive for the current year, plus (iii) one year salary based on the salary then in effect. If Dr. Smith would have been resigned other than for good reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him a lump sum payment of $850,000. If Mr. Oyster would have been resigned other than for good reason on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him a lump sum payment of $500,000.

In addition, in the event of the termination of Dr. Smith s employment, DGSE would be required to maintain medical health benefits for Dr. Smith and his wife until both are covered by a comparable health insurance plan provided by a subsequent employer or their earlier death. This obligation has an estimated present cost to DGSE of $32,100 (assuming payment for a 36-month period). In the event of the termination of Mr. Oyster s employment, DGSE would be required to maintain medical health benefits for Mr. Oyster and his wife for a period of 18 months or, if earlier, until both are covered by a comparable health insurance plan provided by a subsequent employer. This obligation has an estimated cost to DGSE of $17,200.

In the event of the termination of either executive s employment, other than for termination by the executive for good reason , the executive may not for a period of two years compete with DGSE in the state in which DGSE conducts business during the employment term.

For purposes of the two executives revised employment agreements:

cause is defined as (i) conviction of the executive for a felony involving dishonest acts during the term of the agreement, (ii) any willful and material misapplication by the executive of DGSE funds, or any other material act of dishonesty committed by him, or (iii) the executive s willful and material breach of the agreement or willful and material failure to substantially perform his duties thereunder (other than a failure resulting from mental or physical illness) after written demand for substantial performance is delivered by the DGSE board of directors which specifically identifies the manner in which the board believes the executive has not substantially performed his duties and the executive fails to cure his nonperformance. DGSE is obligated to provide the executive 30 days written notice setting forth the specific reasons for its intention to terminate the executive for cause and an opportunity for the executive to be heard before the DGSE board of directors, and to deliver to the executive a notice of termination from the board of directors stating that a majority of the board found, in good faith, that the executive had engaged in the willful and material conduct referred to in the notice;

an act or failure to act is willful if done, or omitted to be done, by the executive in bad faith and without reasonable belief that his action or omission was in the best interest of DGSE;

good reason is defined as (i) a change in the executive s status or positions with DGSE that, in his reasonable judgment, represents a demotion, (ii) the assignment to the executive of any duties or responsibilities that, in the executive s reasonable judgment, are inconsistent with his existing status or position, (iii) layoff or involuntary termination of the executive s employment, except in connection with the termination of the executive s employment for cause or as a result of his retirement, disability or death, (iv) a reduction by DGSE in the executive s base salary,

(v) any change in control occurring more than one year after the effective date of the agreement, (vi) the failure by DGSE to continue in effect any employee benefit plan in which the executive is participating at the effective date of the agreement, other than as a result of the normal expiration of the plan in accordance with its terms, except to the extent that DGSE provides the executive without substantially equivalent benefits, (vii) the imposition of any requirement that the executive be based outside the Dallas-Fort Worth metropolitan area, (viii) DGSE s failure to obtain the express assumption of the agreement by any successor to DGSE, or (ix) any violation by DGSE of any agreement (including the revised employment agreement) between it and the executive; and

change in control is defined as (A) any person or group becomes the beneficial owner of shares representing 20% or more of the combined outstanding voting power of DGSE, (B) in any 12-month

period, the DGSE directors at the beginning of that period cease to constitute a majority of the DGSE board of directors and a majority of the initial directors still in office neither elected all of the new directors nor nominated them all for election by the DGSE stockholders, or (C) a person or group acquires in any 12-month period gross assets of DGSE constituting at least 50% of the fair market value of all DGSE gross assets.

Under the revised employment agreement of Mr. Benson, if DGSE terminates Mr. Benson s employment during the initial 2-year term, he would be entitled to receive a lump sum payment of (i) his base salary for the remainder of the initial term, plus (ii) six months salary based on the salary then in effect. If Mr. Benson would have been terminated by DGSE on January 1, 2007 and his revised employment agreement had then been in effect, DGSE would have been obligated to pay him a lump sum payment of $437,500. If DGSE terminates Mr. Benson s employment after the initial 2-year term, he would be entitled to receive a lump sum payment three months salary based on the salary then in effect.

In the event Mr. Benson resigns upon not less than 30 days notice to DGSE, and DGSE immediately relieves Mr. Benson of his duties, he would be entitled to receive a lump sum payment of his salary until the date his resignation was to be effective. If Mr. Benson would have delivered a resignation notice to DGSE on January 1, 2007 indicating his decision to resign on March 1, 2007, his revised employment agreement had then been in effect and DGSE immediately relieved him of his duties and terminated the employment agreement, DGSE would have been obligated to pay him a lump sum payment of $29,000.

NOTE EXCHANGE AGREEMENT, WARRANTS AND REGISTRATION RIGHTS AGREEMENT

The following summary describes the material provisions of the note exchange agreement (referred to in this joint proxy statement/prospectus as the note exchange agreement), the A and B warrants and the registration rights agreement which pertain to the shares issuable upon exercise of the A and B warrants and the shares being issued by DGSE as merger consideration. This summary may not contain all of the information about these documents that is important to you. The following summary is qualified in its entirety by reference to the complete text of the note exchange agreement, which is attached to this joint proxy statement/prospectus as Annex D; the form of warrant, which is attached to this joint proxy statement/prospectus as Annex H; and the registration rights agreement, which is attached to this joint proxy statement/prospectus as Annex F. Each of the foregoing agreements and warrants is incorporated by reference into this joint proxy statement/prospectus. We encourage you to read them carefully in their entirety for a more complete understanding of the conversion and exchange agreement, the warrants and the registration rights agreement.

Note Exchange Agreement

As a condition to the closing of the merger, Superior and SIBL, which is Superior s largest stockholder and primary lender, are required to execute and deliver the note exchange agreement. The note exchange agreement provides for the exchange by SIBL of approximately $8.4 million of outstanding Superior debt for approximately 5 million shares of Superior common stock, at an exchange rate of $1.70 per share.

In addition, the merger agreement provides for the issuance of A and B warrants. For more information about these warrants, see the section entitled A and B Warrants below.

A and B Warrants

In consideration of SIBL exchanging outstanding Superior debt for shares of Superior common stock, as described above, increasing the credit facility to $11.5 million (after giving effect to the exchange of debt), and making a substantial portion of the credit facility available to DGSE and its subsidiaries (other than Superior), the merger agreement provides that at the closing of the merger or as soon thereafter as practicable, DGSE will issue to SIBL and

its designees warrants, in the form attached to this joint proxy statement/prospectus as Annex H,

to purchase 845,634 shares of DGSE common stock at an exercise price of $1.89 per share for a period of seven years after the combination date, which we refer to as the A warrants; and

to purchase 863,000 shares of DGSE common stock at an exercise price of $0.01 per share for a period of seven years after the combination date, which we refer to as the B warrants.

Both the A warrants and B warrants contain anti-dilution provisions which would adjust the exercise price and number of shares subject to the warrant in the event DGSE takes the following actions (except with respect to the first 100,000 shares of common stock issued or issuable upon the exercise of options or warrants or the conversion or exchange of convertible securities issued during any fiscal year of the issuer, which are exempt from these adjustment provisions):

If DGSE pays or effects stock dividends on its common stock or splits its common stock, or issues by reclassification of common stock any shares of capital stock, then the exercise price will be multiplied by a fraction equal to the number of shares of common stock outstanding prior to the event divided by the number of shares of common stock outstanding after the event, and the number of shares to which the warrant is subject will be proportionately adjusted by the inverse of that fraction.

If DGSE declares a dividend payable in rights, options, warrants or other securities (except for excluded securities) to acquire shares of common stock for less than the effective exercise price of the warrant then the exercise price will be multiplied by a fraction equal to the number of shares of common stock outstanding immediately prior to the event plus the number of shares of common stock which the aggregate consideration received by the issuer (including the exercise price paid for convertible securities) would purchase at the warrant s exercise price, divided by the number of shares of common stock outstanding immediately prior to the issuance date plus the number of additional shares of common stock subject to the rights, options, warrants or other securities to acquire shares of common stock.

If DGSE distributes to its common stock holders evidence of its indebtedness or assets or rights, options, warrants or other security to acquire any other security, then the exercise price will be multiplied by a fraction equal to the per-share market price of the common stock on the record date for the action less the fair market value at the record date of the portion of the assets or evidence of indebtedness so distributed applicable to one outstanding share of common stock., as determined by the issuer s board of directors in good faith, divided by the per-share market price of the common stock.

If DGSE sells shares of its common stock at a purchase price, or options or warrants to purchase shares of its common stock having an exercise price, less than the exercise price of the applicable warrant (with the adjustment in this case being based on the weighted average dilution), except in either case for excluded securities, then the exercise price will be multiplied by a fraction equal to the sum of the number of shares of common stock outstanding immediately prior to the event, plus the number of shares of common stock which the aggregate consideration received by the issuer for the common stock, options or warrants, together, in the case of options or warrants, with any consideration receivable upon their exercise or conversion, would purchase at the exercise price, divided by the sum of the number of shares of common stock outstanding immediately after the event plus the number of shares of common stock then issued or issuable upon the exercise of any options or warrants then issued.

Some of the above adjustments do not apply to the following excluded securities : (i) options granted pursuant to a stock option plan approved by the stockholders of the issuer or by SIBL, (ii) warrants, options or other securities which are or become outstanding on the date of issuance of the warrants, (iii) shares of common stock or securities issued or deemed issued in connection with a strategic acquisition by the issuer, provided the acquisition has been approved by the stockholders of the issuer or SIBL, (iv) issuances of rights in connection with the adoption of a stockholder rights plan, or (v) any other issuance of securities for which an adjustment to the exercise price is made pursuant to the first three paragraphs in the list above.

In case of any merger or consolidation of DGSE in which the holders of its securities do not hold at least 50% of the outstanding securities after the transaction, or the sale, lease or other transfer of all or substantially all of the assets of DGSE, all of which we refer to as a change of control transaction, or any compulsory share exchange for the DGSE s common stock, provisions must be made so the holder of a warrant will have the right to exercise the warrant for the shares of stock and other securities, cash and property receivable by holders of common stock following the event, subject to reasonably necessary adjustments to account for the applicable transaction.

The warrants also feature a net exercise provision, which enables the holder to choose to exercise the warrant without paying cash by receiving a number of shares having a market value equal to the excess of the aggregate market value of the shares for which the warrant is being exercised over the aggregate exercise price due under the warrant. This right is available only if the shares are being publicly traded. In addition, the warrants feature an easy sale exercise provision, which enables the holder to pay the exercise price from the proceeds of the same day sale of the shares of common stock issued upon the exercise of the warrant. This right is available only if permitted by applicable law and applicable trading market regulations.

The warrants must be exercised for at least 10,000 shares (or, if less, the total number of shares subject to the warrant).

Registration Rights Agreement

As a condition to the closing of the combination, DGSE must enter into a registration rights agreement, attached to this joint proxy statement/prospectus as Annex F. The registration rights agreement obligates DGSE to register for resale under the Securities Act the shares of DGSE common stock which may be issued upon the exercise of the A warrants or the B warrants, as liquidated damages upon a default under the registration rights agreement or as a distribution on any of the foregoing shares, which we refer to collectively as the registrable shares. DGSE must, at its own expense, file the registration statement not later than five days after the closing of the combination and use its commercially reasonable efforts to have the registration statement declared effective not later than 90 days after the combination. DGSE must maintain the effectiveness of the registration statement at its expense for a period of up to three years.

If DGSE fails to do any of the foregoing within or for the specified periods, DGSE will be obligated to pay liquidated damages to each holder of an A warrant as of the first day of the failure and for every consecutive quarter in which the failure is occurring warrants to purchase 5% of the number of shares of common stock issuable upon the exercise in full of the holder s A warrant.

In addition, for so long as SIBL or its designees hold any registrable shares and DGSE is eligible to register the registrable shares for resale on a Form S-3, DGSE must maintain the effectiveness of a registration statement covering the resale of the registrable shares at the expense of SIBL and its designees.

The warrant holders also have limited piggyback registration rights. These rights are triggered with respect to the registrable shares if DGSE registers shares of its common stock under the Securities Act at a time when registrable shares are not covered by an effective registration statement. These rights are triggered with respect to the registrable shares or shares of DGSE common stock acquired by SIBL or its designees in the merger if DGSE registers for resale any shares of DGSE common stock held by Dr. L.S. Smith, other than shares acquired upon the exercise of stock options, at a time when registrable shares or any such merger shares are not covered by an effective registration statement.

The registration rights agreement also provides the warrant holders with customary indemnification rights.

DGSE PROPOSAL NO. 2 AMENDMENT TO ARTICLES OF INCORPORATION

In July 2006, DGSE s board of directors approved an amendment to DGSE s articles of incorporation to increase the number of authorized shares of common stock from 10,000,000 to 30,000,000. The form of articles of amendment is attached to this joint proxy statement/prospectus as Annex J.

The additional shares of common stock to be authorized by adoption of the amendment would have rights identical to the currently outstanding shares of common stock. Adoption of the amendment would not affect the rights of the holders of currently outstanding common stock, except to the extent additional shares are actually issued, which may have certain effects, including dilution of the earnings per share and voting rights of current holders of common stock. If the amendment is adopted, it will become effective upon filing of the articles of amendment with the Secretary of State of the State of Nevada. If the amendment is adopted, the articles of amendment giving effect to the amendment will be filed as soon as practicable. At April 25, 2007, 4,913,290 shares of DGSE common stock were outstanding, and 1,433,134 shares were reserved for options, employee equity plans and other purposes (not including shares issuable as merger consideration in the combination described in proposal no. 1). Upon the approval of this proposal no. 2, approximately 22,653,576 authorized and unreserved shares would be available for issuance by DGSE, including for the purposes described in proposal no. 1.

The affirmative vote of a majority of the outstanding shares of DGSE common stock is required to approve this proposal. Accordingly, abstentions and broker non-votes will have the same effect as voting AGAINST this proposal.

Purpose and Effect of the Amendment

The principal purposes of this amendment are to provide DGSE with sufficient authorized shares to effect the combination and related transactions, and with the flexibility to issue shares of common stock for proper corporate purposes, which may be identified in the future, such as to raise equity capital, make acquisitions through the use of stock (including the reorganization described in proposal no. 1), reserve additional shares for issuance under equity incentive plans, or adopt a stockholder rights plan. DGSE intends to use a portion of the newly authorized shares of common stock to perform its obligations under the merger agreement described in proposal no. 1. Except as discussed above, DGSE does not have any plans, proposals or arrangements, written or otherwise, to issue any of the additional authorized shares of common stock at this time.

The increased reserve of shares available for issuance may be used to facilitate public or private financings. If required operating funds cannot be generated by operations or by use of credit facilities, DGSE may need to, among other things, issue and sell unregistered common stock, or securities convertible into common stock, in private transactions. Such transactions might not be available on terms favorable to DGSE, or at all. DGSE may sell common stock at prices less than the public trading price of the common stock at the time, and may grant additional contractual rights to purchase shares of common stock not available to other holders of common stock, such as warrants to purchase additional shares of common stock or anti-dilution protections.

The increased reserve of shares available for issuance also may be used in connection with potential acquisitions. The ability to use its stock as consideration provides DGSE with negotiation benefits and increases its ability to execute its growth strategy which may include the acquisition of other businesses or technologies.

In addition, the increased reserve of shares available for issuance may be used for DGSE s future equity incentive plans for grants to its employees, consultants and directors. Such equity incentive plans could also be used to attract and retain employees of acquired companies in connection with potential acquisitions.

The flexibility of the board of directors to issue additional shares of common stock could also enhance the ability of DGSE s board of directors to negotiate on behalf of the stockholders in a takeover situation. The authorized, but unissued shares of common stock could be used by the board of directors to discourage, delay or make more difficult a

change in the control of DGSE. For example, such shares could be privately placed with purchasers who might align themselves with the board of directors in opposing a hostile takeover bid. The issuance of additional shares could dilute the stock ownership of persons seeking to obtain control and increase the cost of acquiring a given percentage of the outstanding stock. DGSE could also use the additional shares to adopt a stockholder rights plan. A stockholder rights plan may be used to protect DGSE s stockholders against abusive or coercive takeover tactics and other takeover tactics not in the best interests of DGSE and its stockholders. Stockholders should therefore be aware that approval of the amendment could facilitate future efforts by DGSE to

deter or prevent changes in control of DGSE, including transactions in which the stockholders might otherwise receive a premium for their shares over then current market prices.

The availability of additional shares of common stock is particularly important in the event that the board of directors needs to undertake any of the foregoing actions on an expedited basis and therefore needs to avoid the time (and expense) of seeking stockholder approval in connection with the contemplated action. If this proposal is approved by the stockholders, the board of directors does not intend to solicit further stockholder approval prior to the issuance of any additional shares of common stock, except as may be required by applicable law or rules. For example, under the rules and policies of the Nasdaq Capital Market, stockholder approval is required for any issuance of 20% or more of our outstanding shares in connection with acquisitions or discounted private placements. DGSE reserves the right to seek a further increase in the authorized number of shares from time to time as considered appropriate by the board of directors.

Existing Anti-Takeover Mechanisms

DGSE s articles of incorporation and bylaws contain provisions that may make it less likely that our management would be changed, or someone would acquire voting control of us, without the consent of our board of directors. These provisions include the ability of our board of directors to increase the number of directors up to seven and to fill the vacancies created by that action.

Other than as described above, there are no anti-takeover mechanisms present in DGSE s governing documents, and DGSE has no present plans or proposals to adopt other provisions or enter into other arrangements that may have material anti-takeover consequences.

The DGSE board of directors unanimously recommends a vote FOR Proposal No. 2 to approve the amendment to DGSE s articles of incorporation to increase the authorized number of shares of common stock from 10,000,000 to 30,000,000 shares.

DGSE PROPOSAL NO. 3 POSSIBLE ADJOURNMENT OF THE SPECIAL MEETING

If DGSE fails to receive a sufficient number of votes in person or by proxy to approve any of the proposals presented at the special meeting of its stockholders, DGSE may propose to adjourn the special meeting, whether or not a quorum is present, for a period of not more than 45 days for the purpose of soliciting additional proxies to approve any proposal that fails to receive a sufficient number of votes. DGSE currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve the proposals presented at the special meeting. If approval of the proposal to adjourn the DGSE special meeting for the purpose of soliciting additional proxies is submitted to stockholders for approval, such approval requires the affirmative vote of holders of a majority of the shares of DGSE common stock present in person or represented by proxy at the special meeting and entitled to vote.

The DGSE board of directors unanimously recommends a vote FOR Proposal No. 3 to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

SUPERIOR PROPOSAL NO. 2 APPOINTMENT AND CONSTITUTION OF STANFORD INTERNATIONAL BANK LTD. AS STOCKHOLDER AGENT UNDER THE MERGER AGREEMENT AND ESCROW AGREEMENT

Stockholders are being asked to appoint and constitute Stanford International Bank Ltd., which we refer to as SIBL, as the stockholders exclusive agent, attorney-in-fact and representative of the pre-combination Superior stockholders in relation to the merger agreement, the escrow agreement and the transactions contemplated thereby, including the combination. We refer to the person acting in that capacity as the stockholder agent. The purpose of appointing a stockholder agent in an acquisition agreement containing an escrow for indemnification claims, such as is the case with the merger agreement, is to have a single representative who the acquiring company can deal with in matters relating to indemnification claims and the escrow account. Absent such a representative, it would be impractical to defend the interests of the Superior stockholders in the escrowed shares.

The appointment of the stockholder agent is also part of the approval and adoption of the merger agreement and, by approving the merger agreement, you are also approving the irrevocable appointment of SIBL as stockholder agent. However, due to the nature of the relationships between SIBL and Superior, Superior is seeking separate stockholder approval of the appointment of SIBL as the stockholder agent. In particular, SIBL is the largest stockholder of Superior and as of the date of this joint proxy statement/prospectus beneficially owned approximately 50.5% of the outstanding common stock of Superior, and at the time of the consummation of the combination is expected to beneficially own approximately 68.5% of the outstanding shares of Superior common stock. In addition, SIBL is the primary lender to Superior. For more information about this credit facility, see the section entitled Post- Combination Stanford Credit Facility beginning on page 76.

Because of these relationships, SIBL is considered a controlling stockholder of Superior, and a transaction between Superior and SIBL may be deemed an interested transaction, under Delaware s corporate law. Under that law, an interested transaction between a corporation and its controlling stockholder may be subject to a higher standard of judicial review of the actions of the controlling stockholder and the corporation s directors, and a burden of proof less favorable to the stockholder and directors if challenged in court. A transaction between a corporation and a third party which is challenged in court is generally reviewed using the business judgment rule, which provides directors with a presumption of having acted on an informed basis, in good faith and with appropriate care. However, in an interested transaction involving a corporation and a controlling stockholder, the disinterested directors may have the burden of proving the entire fairness of the transaction, which means that both the procedures used to adopt the transaction and its economic terms must be fair. By obtaining the approval of the transaction by a majority of the minority stockholders, the actions of the directors in approving the interested transaction may nevertheless be entitled to the protection of the business judgment rule, or the burden may shift to those challenging the transaction to prove it was unfair (rather than the directors having to prove it was fair). Moreover, a controlling stockholder may have fiduciary duties to minority stockholders which might require the controlling stockholder to prove the entire fairness of a transaction with the company if the transaction is challenged in court. Approval of the transaction by a majority of the minority stockholders may eliminate the controlling stockholder s obligation to prove the entire fairness of the transaction.

Under the merger agreement and related escrow agreement, the stockholder agent serves as the exclusive agent, attorney-in-fact and representative of all Superior stockholders to do, among other things, the following:

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provide and receive notices and other communications;

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agree to, negotiate, enter into settlements and compromises of, make claims and demand arbitration and comply with orders of courts and awards of arbitrators with respect to claims made or any other action to be taken by or on behalf of any Superior stockholders, or on its own behalf in its capacity as stockholder agent, under the merger agreement or the related escrow agreement, and to take all actions necessary or appropriate in the judgment of the stockholder agent for accomplishing the foregoing;

- to use the shares of DGSE common stock, cash, investments and other assets held from time to time in the escrow account, which we refer to collectively as the escrow assets, as collateral to secure the rights, and to demand and withdraw escrow assets to satisfy the claims, of the DGSE indemnified parties under the merger agreement or the related escrow agreement;

- to demand the reimbursement by Superior in cash of the reasonable out-of-pocket fees and expenses of the stockholder agent as expressly permitted by the merger agreement or the related escrow agreement, for which Superior may seek reimbursement from the escrow assets;

- to take all actions necessary or appropriate in the judgment of the stockholder agent for the accomplishment of any of the foregoing; and

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to agree to amendments and waivers of the merger agreement and related escrow agreement, and time extensions under the merger agreement, on behalf of the stockholders, as described in the section entitled The Merger Agreement Amendment, Extension and Waiver of the Merger Agreement beginning on page 74.

A decision, act, omission, agreement, settlement, claim, consent or instruction of the stockholder agent in relation to any matter referred to in the merger agreement or related escrow agreement will constitute a decision, etc. for, and will be final, binding and conclusive upon, all pre-combination Superior stockholders, and DGSE and the escrow agent may, without further inquiry, conclusively rely thereupon.

The stockholder agent will not receive compensation for its services and is not required to post a bond. **THE STOCKHOLDER AGENT WILL NOT BE LIABLE FOR ANY ACT DONE OR OMITTED UNDER THE MERGER AGREEMENT OR RELATED ESCROW AGREEMENT AS STOCKHOLDER AGENT WHILE ACTING IN GOOD FAITH, AND ANY ACT TAKEN OR OMITTED PURSUANT TO THE ADVICE OF COUNSEL WILL BE CONCLUSIVE EVIDENCE THAT THE STOCKHOLDER AGENT HAS ACTED IN GOOD FAITH. IN PERFORMING ANY DUTIES UNDER THE MERGER AGREEMENT OR ESCROW AGREEMENT, TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, THE STOCKHOLDER AGENT WILL NOT BE DIRECTLY OR INDIRECTLY LIABLE TO ANY PARTY, OR ANY AFFILIATES OF ANY PARTY, FOR DAMAGES, LOSSES, EXPENSES OR OTHER LIABILITIES, WHETHER SOUNDING IN TORT, CONTRACT OR OTHERWISE, ARISING FROM ITS ACTS OR OMISSIONS, INCLUDING FOR THE ACTIVE NEGLIGENCE OR OTHER WRONGFUL ACT OF THE STOCKHOLDER AGENT, EXCEPT FOR ACTS OF GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF THE STOCKHOLDER AGENT**.

The stockholder agent may recover the out-of-pocket fees and expenses, including reasonable attorneys fees, reasonably incurred by the stockholder agent in connection with performing and exercising its rights, authorities, powers, duties and obligations on behalf of the Superior stockholders under the merger agreement or related escrow agreement from the surviving corporation in cash, up to an aggregate amount of $100,000 (or such greater amount as DGSE may in its sole discretion agree at the request of the stockholder agent), which we refer to as the stockholder agent expense cap. The surviving corporation will have a claim against the escrow account for any amounts it is obligated to reimburse the stockholder agent. For more information, see the section entitled The Merger Escrow Escrow Account beginning on page 63.

The stockholder agent may resign at any time by written notice to DGSE and the escrow agent. The stockholder agent may also be removed at any time by written notice signed by pre-merger Superior stockholders holding not less than a majority of the shares of Superior outstanding immediately preceding the merger (exclusive of dissenting shares), but since SIBL is expected to beneficially own approximately 68.5% of these shares, the appointment will for practical purposes be irrevocable. The pre-merger Superior stockholders will be responsible for appointing a successor stockholder agent by act of such stockholders holding not less than a majority of the shares of Superior outstanding immediately preceding the merger (exclusive of dissenting shares). The successor stockholder agent must be a pre-merger affiliate of Superior, a current or prior director or officer of Superior or the surviving corporation, or reasonably acceptable to DGSE. If the pre-merger Superior stockholders fail to appoint a successor stockholder agent within 10 days of the resignation or removal of the stockholder agent, DGSE may, but will not be obligated to, petition a proper court to appoint a successor. Any successor stockholder agent under the merger agreement will automatically, without any further act or notice, become the successor stockholder agent for all purposes of the escrow agreement.

No applicable law or regulation requires separate Superior stockholder approval for this proposal. However, the approval of this proposal by holders of a majority of the outstanding shares of Superior common stock, exclusive of the shares held by SIBL and its affiliates, may reduce the exposure of Superior directors to liability for approving

SIBL acting as stockholder agent under the terms of the merger agreement and related escrow agreement, and of SIBL to liability for acting as stockholder agent. If the proposal does not obtain sufficient votes, SIBL would reconsider its decision to act as stockholder agent under the merger agreement and escrow agreement. If SIBL resigns as stockholder agent, a successor stockholder agent may be appointed as described in the preceding paragraph. If no successor stockholder agent is appointed, the interests of the Superior stockholders in the escrow account may not be adequately protected.

Approval of this proposal requires the affirmative vote of holders of a majority of the outstanding shares of Superior common stock, exclusive of the shares held by SIBL and its affiliates. Accordingly, abstentions and broker non-votes will have the same effect as a vote AGAINST this proposal.

The Superior board of directors unanimously recommends a vote FOR Proposal No. 2 to approve the irrevocable appointment and constitution of Stanford International Bank Ltd. as the stockholder agent under the merger agreement and the related escrow agreement.

SUPERIOR PROPOSAL NO. 3 POSSIBLE ADJOURNMENT OF THE SPECIAL MEETING

If Superior fails to receive a sufficient number of votes in person or by proxy to approve any of the proposals presented at the special meeting of its stockholders, Superior may propose to adjourn the special meeting, whether or not a quorum is present, for a period of not more than 45 days for the purpose of soliciting additional proxies to approve any proposal that fails to receive a sufficient number of votes. Superior currently does not intend to propose adjournment at the special meeting if there are sufficient votes to approve the proposals presented at the special meeting. If approval of the proposal to adjourn the Superior special meeting for the purpose of soliciting additional proxies is submitted to stockholders for approval, such approval requires the affirmative vote of holders of a majority of the shares of Superior common stock present in person or represented by proxy at the special meeting and entitled to vote.

The Superior board of directors unanimously recommends a vote FOR Proposal No. 3 to adjourn the special meeting, if necessary, to establish a quorum or to solicit additional proxies if there are not sufficient votes in favor of the proposals.

UNAUDITED *PRO FORMA* CONDENSED COMBINED FINANCIAL INFORMATION

The following unaudited *pro forma* combined financial information and explanatory notes present how the combined financial statements of DGSE and Superior may have appeared had the business actually been combined as of December 31, 2006 (with respect to the balance sheet information using currently available fair value information) or as of January 1, 2006 (with respect to the statements of operations information). The unaudited *pro forma* condensed financial information shows the impact of the combination of DGSE and Superior on the historical financial position and results of operations under the purchase method of accounting with DGSE treated as the acquirer. Under this method of accounting, the assets and liabilities of Superior are recorded by DGSE at their estimated fair values as of the date the combination is completed. The unaudited *pro forma* condensed combined financial information combines the historical financial information of DGSE on a *pro forma* basis, taking into account DGSE s acquisition of Superior as of and for the year ended December 31, 2006. The unaudited *pro forma* condensed combined balance sheet as of December 31, 2006 assumes the combination was completed on that date. The unaudited *pro forma* condensed combined statements of operations gives effect to the combination with Superior, as if it had been completed on January 1, 2006.

Pursuant to the combination, Superior will merge with a wholly-owned subsidiary of DGSE, and DGSE will acquire all of the outstanding shares of Superior. Superior stockholders will be entitled to receive 0.2731 shares of DGSE common stock for every share of Superior common stock they own at the effective time of the combination.

The unaudited *pro forma* condensed combined financial information is presented for illustrative purposes only and does not indicate the financial results of the combined companies had the companies actually been combined and had the impact of possible revenue enhancements and expense efficiencies, among other factors, been considered. In addition, as explained in more detail in the accompanying notes to the unaudited *pro forma* condensed combined financial information, the allocation of the purchase price reflected in the *pro forma* condensed combined financial information is subject to adjustment and may vary from the actual purchase price allocation that will be recorded upon the effective time of the combination.

DGSE COMPANIES INC.

***PRO FORMA* CONDENSED COMBINED BALANCE SHEET**
(Unaudited)
As of December 31, 2006

	DGSE Historical	Superior Historical	Combination Adjustments		*Pro Forma* Combined
			(in thousands)		
ASSETS					
Current Assets					
Cash and cash equivalents	$ 1,210	$ 1,615	$		$ 2,825
Accounts receivable	1,054	4,146			5,200
Inventories	7,796	1,857			9,653
Prepaid expenses and other	290	292			582
Total Current Assets	$ 10,350	$ 7,910	$		$ 18,260
Marketable securities	$ 58	$	$		$ 58
Property and equipment, net	1,024	414			1,438
Deferred income taxes	7				7
Goodwill	837		8,741	(C)	9,553
Other assets	870				870
Total Assets	$ 13,146	$ 8,324	$ 8,741		$ 30,186
LIABILITIES AND STOCKHOLDERS EQUITY					
Current Liabilities					
Notes payable	$ 184	$ 8,733	$ (8,733)	(A)	$ 184
Current maturities of long-term debt	259	100			359
Accounts payable and accrued expenses	1,722	2,446			4,168
Federal income taxes payable					
Total Current Liabilities	$ 2,165	$ 11,279	$ (8,733)		$ 4,711
Long-term Debt	4,304	300	251	(A),(C)	4,855
Deferred income taxes					
Total Liabilities	$ 6,469	$ 11,579	$ (8,482)		$ 9,566
Stockholders Equity:					
Preferred Stock	$	$ 7,386	$ (7,386)	(B)	$
Common Stock	49	5			